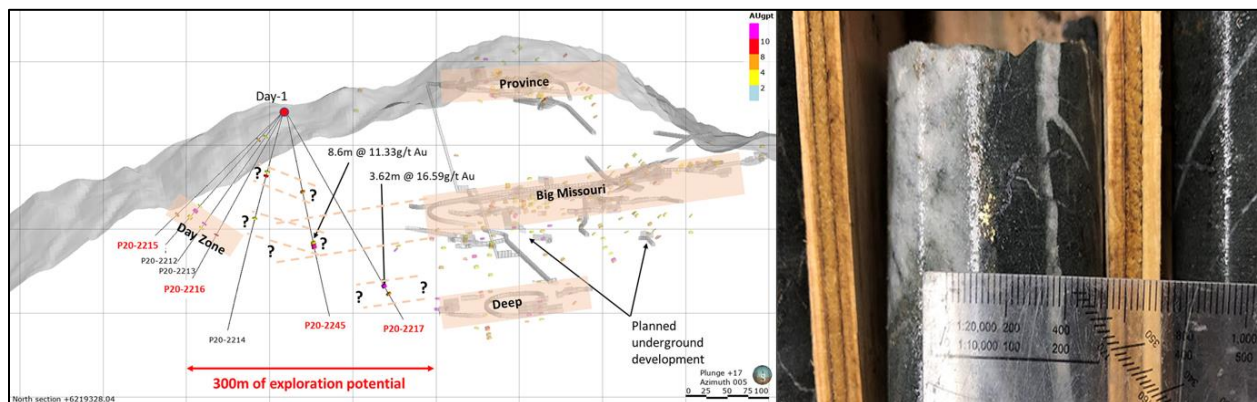


<b>Ticker:</b> AOT CN	<b>Net cash:</b> C\$16m	<b>Project:</b> Premier Gold Project
<b>Market cap:</b> C\$298m	<b>Price:</b> C\$1.08/sh	<b>Country:</b> Canada
<b>RECOMMENDATION (unc):</b> BUY	<b>TARGET PRICE(unc):</b> C\$1.80/sh	<b>RISK RATING:</b> HIGH

Today's results support our view that Ascot will continue to simplify its mine plan by adding near infrastructure ounces at Big Missouri, Premier and Silver Coin. First, today's assay results from four holes at the Day Zone, 300m from existing Big Missouri reserves, mean that all seven results from the 2020 drilling programme have hit mineralisation. Next, grades and widths are attractive including 3.6m @ 16.6g/t and 5.6m @ 15.3g/t along strike from Big Missouri, and 1.7m @ 4.3g/t at the extreme west of the defined Day Zone. The east-dipping orientation of the Day Zone and the west-dipping Big Missouri mineralisation require further drilling to determine structure, but we are encouraged to see consistent mineralised intercepts along the strike length. Nine more assay results are due this year from Woodbine (Premier) and Premier West could continue this momentum. With follow up infill in next year's programme, we think these ounces could form a resource/reserve and revised mine plan by this time next year, confirming several more years of mining at Premier before development of Red Mountain. We maintain our nominal C\$25m for resources outside the mine plan, and 1.5 years of inferred conversion into the early years of the mine plan, and maintain our BUY rating and 0.75xNAV<sub>5%-1850</sub> PT of C\$1.80/sh. We estimate Ascot is trading at just 0.41x NAV<sub>5%-1850</sub> (or 1xNAV<sub>5%-1409</sub> / 1x NAV<sub>21%-1850</sub>).

**Figure 1: (A) Cross-section looking north and (B) drill core from P20-2216 from 171.5m**



Source: Ascot Resources

## Drilling outside resource returns 3.6m @ 16.6g/t Au and 5.6m @ 15.3g/t from Day Zone

Ascot has released assays from four holes at the Day Zone, a new target area outside the existing resource, and along strike from Big Missouri, building from three prior holes. Narrow-vein high-grade highlights of 3.6m 16.6g/t Au (2217) and 5.6m @ 15.3g/t (2245) along strike from Big Missouri. Other intercepts included 1.7m @ 4.3g/t along the western extent of the Day Zone. 2217 and 2245 were infill holes targeting the 300m between the Day Zone and existing Big Missouri mineralisation. A further nine assays from Day Zone are pending. Next year infill drilling will target a resource and reserve estimate here.

## Why we like Ascot

1. Scarcity value - 150kozpa project in Canada
2. Grade and existing infrastructure result in low-capex intensity of sub-US\$100m per 100kozpa
3. Inferred conversion opportunities at Premier can de-risk mine plan and push out Red Mountain capex
4. Discounted valuation results in 33% LOM FCF yield

# Equity Research

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## Catalysts

1. 4Q20: Mines Act Permit Application
2. 1Q21: Funding package for capex
3. 1H21: Construction start
4. Mid-2022: SCPe first production

### **Justin Chan**

Director, Sprott Capital Partners

M: +44.7930.719.019

[jchan@sprott.com](mailto:jchan@sprott.com)

### **Brock Salier**

Partner, Sprott Capital Partners

M: +44.7400.666.913

[bsalier@sprott.com](mailto:bsalier@sprott.com)

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<b>Ticker:</b> AOT CN	<b>Price / mkt cap:</b> 1.08/sh, C\$298m	<b>Market P/NAV:</b> 0.41x	<b>Assets:</b> Premier Gold Project
<b>Author:</b> J Chan / B Salier	<b>Rec / 0.75xNAV PT:</b> BUY / C\$1.80	<b>1xNAV<sub>2020</sub> FD:</b> C\$5.40/sh	<b>Country:</b> Canada

Group-level SOTP valuation	2Q20	3Q20			
	C\$m	O/ship	NAVx	C\$/sh	
Premier NPV 3Q20	798	100%	1.0x	2.74	
Central SG&A & fin costs 3Q20	(89)	-	1.0x	(0.31)	
Exploration (\$25/oz)	35	100%	1.0x	0.12	
Cash and restr. cash 2Q20	31	-	1.0x	0.14	
Debt 2Q20	(15)	-	1.0x	(0.07)	
<b>1xNAV5% US\$1850/oz</b>	<b>761</b>			<b>2.62</b>	
*above diluted for options but not fundraises, fellow diluted for build raise					
Cash raised	50	-	1.0x	0.15	
<b>1xNAV5% US\$1850/oz - Fully Funded</b>	<b>811</b>			<b>2.43</b>	

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV asset (US\$m)	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
7% discount	392	576	713	851	1,034
5% discount	445	647	<b>798</b>	950	1,151
3% discount	506	729	897	1,064	1,287
<b>Valuation (C\$/sh)</b>	<b>\$1500oz</b>	<b>\$1700oz</b>	<b>\$1850oz</b>	<b>\$2000oz</b>	<b>\$2200oz</b>
0.5xNAV	0.68	0.99	1.22	1.44	1.74
0.75xNAV	1.02	1.48	1.82	2.16	2.62
1.0xNAV	1.36	1.98	<b>2.43</b>	2.88	3.49

Valuation over time					
	1Q20E	1Q21E	1Q22E	1Q23E	1Q24E
Mines NPV (US\$m)	761	803	980	954	845
Cntrl G&A & fin costs (US\$m)	(94)	(88)	(82)	(42)	(11)
Net cash at 1Q (US\$m)	10	(84)	(52)	66	179
1xNAV (US\$m)	677	631	846	978	1,013
1xNAV share px FD (C\$/sh)	3.14	2.16	2.54	2.93	3.04
P/NAV (x):	0.34x	0.50x	0.43x	0.37x	0.36x
ROI to equity holder (% pa)		100%	53%	39%	29%
1.2xNAV share px FD (C\$/sh)	3.77	2.59	3.04	3.52	3.64
ROI to equity holder (% pa)		140%	68%	48%	36%

Geared company NAV diluted for mine build, net G&A and finance costs					
2Q22 1xNAV FF FD (C\$/sh)^	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
9.0% discount	1.07	1.58	1.95	2.33	2.83
7.0% discount	1.21	1.76	2.17	2.59	3.14
5.0% discount	1.36	<b>1.98</b>	<b>2.43</b>	<b>2.88</b>	3.49
Geared project IRR:	52%	69%	82%	95%	111%

2Q22 1xNAV FF FD (C\$/sh)^					
	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
20.0% increase in cost per tonne	0.86	1.50	1.95	2.41	3.01
10.0% increase in cost per tonne	1.12	1.74	2.19	2.64	3.25
0.0% increase in cost per tonne	1.36	<b>1.98</b>	<b>2.43</b>	<b>2.88</b>	3.49

2Q22 1xNAV FF FD (C\$/sh)^					
	\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz
10.0% change in grade	1.84	2.51	3.01	3.50	4.17
0.0% change in grade	1.36	1.98	<b>2.43</b>	2.88	3.49
-10.0% change in grade	0.87	<b>1.44</b>	<b>1.85</b>	<b>2.26</b>	2.81

Production (100%)					
	CY22E	CY23E	CY24E	CY25E	CY26E
Premier (000oz)	105	160	149	156	176
Premier cash cost (US\$/oz)	742	708	770	736	660
Premier AISC (US\$/oz)	929	880	927	912	846
Group (000oz)	105	160	149	156	176
Group cash cost (US\$/oz)	829	795	856	823	747
Group AISC (US\$/oz)	965	903	952	936	867

Resource / Reserve					
	Mt	000oz	EV/oz		
Measured, ind. & inf.	12.80	3098	150		
Proven & probable	6.12	1170	397		

Share data					
	Basic	FD	FD+FF		
Shares out (m)	275.8	291.9	333.5		

Funding: uses					
			Funding: sources		
DFS capex	C\$147m		SCPe 2Q20 cash + options C\$37m		
SCPe contingency+royalty buyback	C\$18m		Mine debt @ 60% gearing C\$120m		
SCPe G&A + fin. cost to first Au	C\$10m		Build equity @ Spot C\$50m		
SCPe working capital	C\$16m				
Total uses	C\$190m		Total proceeds C\$207m		

Commodity price					
	CY18A	CY19A	CY20E	CY21E	CY22E
Gold price (US\$/oz)	1,259	1,378	1,749	1,850	1,850

Ratio analysis					
	CY18A	CY19A	CY20E	CY21E	CY22E
FD shares out (m)	158.5	215.2	291.9	333.5	333.5
EPS (US\$/sh)	0.048	(0.030)	(0.024)	(0.015)	0.220
CFPS before w/c (US\$/sh)	(0.01)	(0.03)	(0.01)	(0.01)	0.20
EV (US\$m)	(7)	9	288	382	350
FCF yield (%)	neg	neg	(0)	(0)	13.5%
PER (x)	-	-	(32.2)	(44.7)	4.1x
P/CF (x)	-	-	(62.7)	(59.6)	3.5x
EV/EBITDA (x)	1.3x	(1.2x)	(47.4x)	(76.4x)	2.6x

Income statement					
	CY18A	CY19A	CY20E	CY21E	CY22E
Revenue (US\$m)	-	-	-	-	258
COGS (US\$m)	-	-	-	-	(116)
<b>Gross profit (US\$m)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>142</b>
Expenses (US\$m)	(3)	(1)	(5)	(7)	(5)
Impairment & other (US\$m)	1	1	0	-	-
Net finance costs (US\$m)	(0.2)	(1.0)	(0.8)	-	(18.0)
Tax (US\$m)	9.9	(0.6)	-	-	(33.9)
Minority interest (US\$m)	-	-	-	-	-
<b>Net income attr. (US\$m)</b>	<b>8.0</b>	<b>(1.1)</b>	<b>(5.9)</b>	<b>(7.0)</b>	<b>84.9</b>

Cash flow					
	CY18A	CY19A	CY20E	CY21E	CY22E
Profit/(loss) after tax (US\$m)	6	(8)	(7)	(5)	74
Add non-cash items (US\$m)	(9)	3	2	-	11
Less wkg cap / other (US\$m)	1	(2)	1	-	(17)
<b>Cash flow ops (US\$m)</b>	<b>(2)</b>	<b>(7)</b>	<b>(4)</b>	<b>(5)</b>	<b>68</b>
PP&E (US\$m)	-	(0)	(5)	(131)	(36)
Other (US\$m)	(3)	(5)	(0)	-	-
<b>Cash flow inv. (US\$m)</b>	<b>(15)</b>	<b>(23)</b>	<b>(8)</b>	<b>(131)</b>	<b>(36)</b>
Debt draw (repayment) (US\$m)	-	-	-	106.2	-
Equity issuance (US\$m)	3.0	15.9	35.3	41.7	-
Other (US\$m)	(0.2)	11.7	(3.1)	-	-
<b>Cash flow fin. (US\$m)</b>	<b>2.8</b>	<b>27.5</b>	<b>32.2</b>	<b>147.8</b>	<b>-</b>
Net change post forex (US\$m)	(14)	(2)	20	12	32

Balance sheet					
	CY18A	CY19A	CY20E	CY21E	CY22E
Cash (US\$m)	7	4	24	37	68
Accounts receivable (US\$m)	0	1	0	0	10
Inventories (US\$m)	0	1	0	0	23
PPE & exploration (US\$m)	115	172	190	320	345
Other (US\$m)	3	5	6	6	6
<b>Total assets (US\$m)</b>	<b>125</b>	<b>183</b>	<b>221</b>	<b>363</b>	<b>452</b>
Debt (US\$m)	-	1	1	121	121
Other liabilities (US\$m)	17	34	45	31	47
Shareholders equity (US\$m)	152	198	231	273	273
Retained earnings (US\$m)	(44)	(50)	(57)	(62)	12
Minority int. & other (US\$m)	-	-	-	-	-
<b>Liabilities+equity (US\$m)</b>	<b>125</b>	<b>183</b>	<b>221</b>	<b>363</b>	<b>452</b>

# Equity Research

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TENDER:	1
NOT RATED:	0
TOTAL	27

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