



Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023, and 2022

(Expressed in US Dollars)

(Unaudited)

STEPPE GOLD LTD.**Condensed Interim Consolidated Statements of Financial Position**

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

	Notes	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Current assets			
Cash		2,814	2,515
Short term investments	6	-	365
Receivables and other assets		3,646	2,534
Inventories	3	29,560	24,165
Total current assets		36,020	29,579
Long-term assets			
Exploration and evaluation assets		7,269	1,571
Property, plant and equipment	4	39,248	39,328
Goodwill	5	6,744	-
Long term investment	6	479	-
Deferred tax asset		1,215	2,180
Total long-term assets		54,955	43,079
Total assets		90,975	72,658
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and other liabilities	7	8,139	11,016
Current portion of streaming arrangement	9	9,921	15,735
Current portion of lease liability		202	154
Current tax liability		1,409	2,386
Convertible debentures - derivative	10	2	1,299
Convertible debentures - loan liability	10	2,449	-
Gold Prepay loan - Triple Flag	11	-	4,531
Short term loan - TDB	11	7,782	-
Total current liabilities		29,904	35,121
Long-term liabilities			
Long term portion of streaming arrangement	9	10,464	12,085
Asset retirement obligation	8	2,622	3,398
Lease liability		397	397
Convertible debentures - loan liability	10	-	1,596
Long term loan	12	-	2,838
Total long-term liabilities		13,483	20,314
Total liabilities		43,387	55,435
Shareholders' equity			
Share capital	13	79,551	55,760
Warrants	14	-	5,642
Contributed surplus		23,061	19,559
Accumulated other comprehensive loss		(17,026)	(16,055)
Deficit		(37,434)	(47,190)
Total equity attributable to the owners of the Company		48,152	17,716
Non-controlling interest		(564)	(493)
Total shareholders' equity		47,588	17,223
Total liabilities and shareholders' equity		90,975	72,658

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved on behalf of the Board:

(Signed) "Bataa Tumor-Ochir" _____, Director

(Signed) "Batjargal Zamba" _____, Director

STEPPE GOLD LTD.**Condensed Interim Consolidated Statements of Income and Comprehensive Income**

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

	Notes	Three Months ended September 30,		Nine Months Ended September 30,	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenue	15	15,765	21,710	39,562	44,404
Cost of sales	16	(7,522)	(10,474)	(17,416)	(22,141)
Gross profit		8,243	11,236	22,146	22,263
Exploration and evaluation expenditures		(345)	(935)	(519)	(1,744)
Corporate administration	17	(2,669)	(2,314)	(9,631)	(6,468)
Operating profit		5,229	7,987	11,996	14,051
Finance income/(costs)	18	(1,011)	4,908	(811)	1,672
Foreign exchange (loss)/gain		(91)	201	74	(1,783)
Net profit before tax		4,127	13,096	11,259	13,940
Income tax		(816)	(2,055)	(1,574)	(2,719)
Net profit after tax		3,311	11,041	9,685	11,221
Items that may be reclassified subsequently to profit or loss:					
Cumulative translation adjustment		(1,292)	(4,366)	(971)	(7,803)
Net profit and comprehensive income		2,019	6,675	8,714	3,418
Net income attributable to shareholders of the Company		3,330	11,134	9,756	11,365
Net income attributable to non-controlling interest		(19)	(93)	(71)	(144)
		3,311	11,041	9,685	11,221
Net profit and comprehensive income attributable to shareholders of the Company		2,242	6,768	8,785	3,562
Net income attributable to non-controlling interest		(19)	(93)	(71)	(144)
		2,223	6,675	8,714	3,418
Basic net profit per share		0.031	0.158	0.113	0.161
Diluted net profit per share		0.030	0.077	0.108	0.132
Weighted average number of common shares outstanding - basic		104,177,530	69,896,003	85,643,418	69,665,710
Weighted average number of common shares outstanding - diluted	19	108,310,000	85,930,994	90,071,402	86,015,373

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

STEPPE GOLD LTD.**Condensed Interim Consolidated Statements of Cash Flows**

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

	Notes	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Operating activities			
Net profit for the period		9,685	11,221
<u>Adjustments for non-cash items:</u>			
Change in the fair value of convertible debenture	10	(1,297)	(950)
Change in the fair value of TDB Gold Sales Loan		-	140
Change in the fair value of Triple Flag Gold Prepay loan	11	325	215
Change in the fair value of Aranjin Convertible Debenture		(123)	-
Change in the fair value of investment in Aranjin		160	-
Gain on modification of convertible debenture		-	(1,074)
Accretion and financing expense/(income)		872	(220)
Depreciation	16	1,554	3,157
Stock based compensation		224	600
Share based payments		586	-
Unrealized foreign exchange (loss)		(829)	(4,587)
Change in the fair value of stream liability	9	1,064	(999)
Deferred tax		965	178
Operating cash flows before changes in non-cash working capital items		13,186	7,681
<u>Changes in working capital items:</u>			
Inventories		(5,112)	(1,299)
Receivables and other assets		(1,113)	(55)
Amounts payable and other liabilities		(3,645)	5,001
Net cash generated by operations		3,316	11,328
Investing activities			
Acquisition of property, plant and equipment	4	(2,074)	(4,492)
Net cash used in investing activities		(2,074)	(4,492)
Financing activities			
Proceeds from TDB loan	11	5,500	-
Proceeds from Private Placement	13	9,020	-
Proceeds from Gold Prepay Loan		-	4,800
Share issue costs		(510)	-
Interest paid on TDB loan		(606)	-
Interest income		-	3,898
Interest paid on convertible debentures	10	(270)	(270)
Interest paid on TDB long term loan		-	(3,452)
Repayment of Gold 2 Loans	12	-	(21,327)
Repayment of TDB short term loan		(500)	-
Repayment of TDB Gold sales loan	11	-	(7,806)
Repayment of stream financing	9	(8,499)	(9,009)
Loan repayment of Gold Prepay loan – Triple Flag	11	(4,856)	-
Lease obligation payments		(227)	(145)
Restricted cash	12	-	28,226
Net cash used in financing activities		(948)	(5,085)
Effect of exchange rate changes on cash held in foreign currency		5	368
Net increase in cash		299	2,119
Cash at the beginning of the period		2,515	2,640
Cash at the end of the period		2,814	4,759

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

STEPPE GOLD LTD.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****For the three and nine months ended September 30, 2023**

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Sub-total	Non-controlling interest Corundum	Total equity
			\$	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2021		69,548,657	55,292	11,749	11,165	(7,791)	(63,146)	7,269	(254)	7,015
Stock based compensation		541,625	468	167	-	-	-	635	-	635
Comprehensive income/(loss) for the period		-	-	-	-	(7,803)	11,365	3,562	(144)	3,418
Warrants		-	-	5,523	(5,523)	-	-	-	-	-
Balance as at September 30, 2022		70,090,282	55,760	17,439	5,642	(15,594)	(51,781)	11,466	(398)	11,068
Balance as at December 31, 2022		70,090,282	55,760	19,559	5,642	(16,055)	(47,190)	17,716	(493)	17,223
Private Placement	13	11,000,000	9,020	-	-	-	-	9,020	-	9,020
Shares issued for acquisition	13	19,437,948	12,332	-	-	-	-	12,332	-	12,332
Share issuance costs	13	-	(510)	-	-	-	-	(510)	-	(510)
Share based payments	13	924,654	586	-	-	-	-	586	-	586
Share based compensation		3,077,729	2,363	(2,140)	-	-	-	223	-	223
Comprehensive income/loss for the period		-	-	-	-	(971)	9,756	8,785	(71)	8,714
Warrants	14	-	-	5,642	(5,642)	-	-	-	-	-
Balance as at September 30, 2023		104,530,613	79,551	23,061	-	(17,026)	(37,434)	48,152	(564)	47,588

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

1. Nature of operations

Steppe Gold Ltd. (the "Company" or "Steppe") was incorporated under the laws of the Ontario Business Corporations Act by Articles of Incorporation dated October 5, 2016. The Company is domiciled in Canada and the address of its registered office changed during March 2023, from 55 Metcalfe St Suite 1300, Ottawa, ON K1P 6L5, Canada to 333 Bay Street, Suite 2400, Toronto, Ontario M5H 1T6. The condensed interim consolidated financial statements as at and for the nine months ended September 30, 2023 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial statements for the year ended December 31, 2022 are available on request at the Company's registered office at 333 Bay Street, Suite 2400, Toronto, Ontario M5H 1T6, Canada or from the Company's website at www.steppegold.com or SEDAR+ at www.sedarplus.ca.

Effective June 28, 2023 the Company acquired all of the issued and outstanding common shares of Anacortes Mining Corp. ("Anacortes"), which owns a 100% interest in the Tres Cruces Gold Project (the "Tres Cruces Project") located in Peru. At the date of acquisition Anacortes was listed on the TSX Venture Exchange and was a reporting issuer in Ontario, Alberta and British Columbia ("BC"). Anacortes was also listed on the OTC Markets Group ("OTCQX").

The Company is focused on operating, developing, exploring and acquiring precious metal projects in Mongolia and Peru. The Company's commercially producing mine is the Altan Tsagaan Ovoo Property (the "ATO Project" or "ATO"), located in Eastern Mongolia.

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly-owned and controlled subsidiaries as set out below:

Company Name	Country of Incorporation	Nature of Operations	Ownership Interest September 30, 2023	Ownership Interest September 30, 2022
Steppe Gold LLC	Mongolia	Mining	100%	100%
Steppe Investments Limited	British Virgin Islands	Investment	100%	100%
Steppe West LLC	Mongolia	Holding Company	100%	100%
Corundum Geo LLC	Mongolia	Mining	80%	80%
Anacortes Mining Corp.	Canada	Holding Company	100%	-
New Oroperu Resources Inc.	Canada	Holding Company	100%	-
S.A. Mining Ventures Limited	Canada	Holding Company	100%	-
T.C. Mining Inc.	Canada	Holding Company	100%	-
687211 British Columbia Ltd.	Canada	Holding Company	100%	-
1385575 B.C. Ltd.	Canada	Inactive	100%	-
1385576 B.C. Ltd.	Canada	Inactive	100%	-
Auifera Tres Cruces SA	Peru	Mining	100%	-

Anacortes has been incorporated in these consolidated financial statements with effect from 28 June 2023 (see note 5)

The COVID-19 pandemic caused major disruptions in the ability of the Company to conduct business in Mongolia, notably with supply chain logistics.

While the impact of the pandemic has mostly dissipated in Mongolia, transport of certain key reagents across the land border with China remains suspended. Since February 2023, the Company has obtained its key reagent via Russia and this supply route continues to operate effectively. The Company is optimistic that the China border will soon re-open fully.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

Russian invasion of Ukraine

Mongolia is land-locked between China and Russia and on 24 February 2022, Russia invaded Ukraine. The war between the two countries continues to evolve as military activity proceeds and sanctions on Russia remain in place. The war has affected economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. Specifically for Mongolia, it imports all of its fuel from Russia. Its financial system relies on access to certain Russian banks and financial institutions, and there has been disruption in the supply of US Dollars, certain foodstuffs as well as mining equipment. As with many other countries, Mongolia has suffered from increased energy costs, higher inflation, increased interest rates and pressure on foreign currency exchange rates.

Ultimately, Mongolia, and thus the Company, is currently completely reliant on Russia for its fuel and while there have been minor disruptions in supply, the Government of Mongolia has signed a deal with Russia to cap imported fuel prices.

The alternate supply route for the Company's reagents noted above is via Russia and the Company has increased its holding of reagents and identified alternative, albeit more expensive, suppliers should the need arise. Further, sanctions on Russian suppliers and intermediaries may hamper this supply route.

Management of the Company closely monitors the events in Ukraine, however the degree to which it may be affected by them are largely out of management's control and depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

Statement of compliance

The condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with and in compliance with IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements do not include all of the information and disclosures required for a full set of annual financial statements and should be read in conjunction with the consolidated annual financial statements as at and for the year ended December 31, 2022.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 14, 2023.

Basis of Preparation

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been prepared in US dollars ("USD"), which is the Group's presentation currency. As of December 31, 2022, the functional currency was determined to be the Mongolian Tugrik for its Mongolian wholly-owned subsidiaries and to be the Canadian dollar ("CAD") for Steppe Gold Limited and Steppe BVI. For the recently acquired subsidiaries in Peru the functional currency has been determined to be the Peruvian Sol.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited consolidated financial statements as at and for the year ended December 31, 2022.

Going Concern

The directors have at the time of approving the condensed interim consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed interim consolidated financial statements.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

The Group's performance

For the nine months ended September 30, 2023, the Group made a net profit after tax of \$9,685 (nine months ended September 30, 2022: net profit after tax of \$11,221) and had net cash inflows from operating activities of \$3,316 (nine months ended September 30, 2022: net cash inflows from operating activities of \$11,328). As at September 30, 2023, the Group had cash and cash equivalents of \$2,814 (31 December 2022: \$2,515) and net current assets of \$6,116 (31 December 2022 net current liabilities of \$5,542).

The directors are of the opinion that the current production and resource outlook supports the position that the Group will maintain its liquidity through 2023, and currently has sufficient financing arrangements in place to support further expansion.

Short-term Loan from TDB

On January 4, 2023, the Company reached an agreement with the Trade Development Bank of Mongolia ("TDB") to receive a short-term loan of \$5,000 ("TDB working capital loan") to fund the Company's working capital. The TDB working capital loan is for a period of 12 months and is due for repayment in equal instalments in the last 4 months of the loan term. This TDB loan was repaid in full on October 31, 2023.

On April 20, 2023, the Company obtained a short-term loan from TDB in the amount of \$500 ("TDB Genset advance loan") to purchase the new crusher genset. The TDB Genset advance loan was repaid in full on July 20, 2023.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed interim consolidated financial statements are consistent with those applied by the Group in its consolidated annual financial report as at and for the year ended December 31, 2022, except for the adoption of the new standards and interpretations as of January 1, 2023 noted below.

The Group has adopted all the following new and revised Standards and Interpretations issued by the IASB or IFRIC that are relevant to its operations and effective for an accounting period that begins on or after January 1, 2023:

Standards

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2023.

Amendments

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017.

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Definition of Accounting Estimates (Amendments to IAS 8)

The application of these new and revised Standards and Interpretations has had no impact on the Group's condensed interim consolidated financial statements.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

Certain new standards, interpretations, amendments and improvements to existing Standards were issued by IFRIC that are not yet effective. The standards and amendments issued that are applicable to the Company are as follows:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) – For annual reporting periods beginning on or after January 1, 2024.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) – For annual reporting periods beginning on or after January 1, 2024.
- Non-current Liabilities with Covenants (Amendments to IAS 1) – For annual reporting periods beginning on or after January 1, 2024.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability (Amendments to IAS 21) – The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. For annual reporting periods on or after January 1, 2025.

The Group has not early adopted any Standard, interpretation or amendment that has been issued but is not yet effective.

IFRS Sustainability Disclosure Standards

The International Sustainability Standards Board (ISSB) of the IFRS Foundation has published IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures'. The objective of IFRS S1 and S2 is to require an entity to disclose information about its sustainability and climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Both Standards are effective from January 1, 2024, but certain transitional reliefs are available. The Company already has a sustainability reporting process in place however, the ISSB has confirmed that industry-specific disclosures are required and, in the absence of specific IFRS Sustainability Disclosure Standards, companies must consider the Sustainability Accounting Standards Board Standards to identify sustainability-related risks, opportunities and appropriate metrics. Accordingly, the directors are building capacity across the Company to perform a gap analysis, consider data reliability and environmental, social and governance risks and opportunities as well as appropriate targets, metrics, and disclosure format.

Financial risk management framework

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2022.

3. Inventories

	September 30, 2023	December 31, 2022
Stockpiles of ore	13,212	12,919
Gold in circuit	13,424	7,986
Finished goods	849	106
Consumables and supplies	2,075	3,154
Total inventories	29,560	24,165

As at September 30, 2023, the balance of the run of mine (ROM) pad ore is 250,682 tonnes (December 31, 2022: 498,697 tonnes) and stacked ore which is estimated 25,671 ounces of gold will be generated (December 31, 2022: 39,676) with total of carrying values at \$13,212 (December 31, 2022 - \$12,919). Gold in circuit included 16,045 ounces of gold (December 31, 2022: 13,228 ounces of gold) with a carrying value of \$13,424 (December 31, 2022 - \$7,986) and finished goods included 1,033 ounces of gold (December 31, 2022: 152) with a carrying value of \$849 (December 31, 2022: \$106).

Finished goods inventory represents gold ounces located at the mine and bars still under assay at the MASM and gold inventory extracted from silver bars. The Company concluded that silver inventory is a by-product in addition to the primary product gold. Therefore, the finished goods inventory excludes the by-product.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

4. Property, plant and equipment

	Property and Equipment	Altan Tsagaan Ovoo Property	Equipment under construction	Right-of- use asset	Total
	\$	\$	\$	\$	\$
Cost					
Balance at January 1, 2022	19,847	25,159	326	1,983	47,315
Additions	1,491	36	10,338	58	11,923
Asset retirement costs	-	540	-	-	540
Foreign exchange	(3,526)	(4,098)	(66)	(255)	(7,945)
Balance at December 31, 2022	17,812	21,637	10,598	1,786	51,833
Additions	255	35	1,609	175	2,074
Transfer of equipment completed	704	-	-	(704)	-
Asset retirement costs	-	51	-	-	51
Foreign exchange	(129)	(183)	(119)	(6)	(437)
Balance at September 30, 2023	18,642	21,540	12,088	1,251	53,521
Accumulated depreciation					
Balance at January 1, 2022	5,772	4,968	-	585	11,325
Additions	2,330	646	-	133	3,109
Foreign exchange	(1,069)	(800)	-	(60)	(1,929)
Balance at December 31, 2022	7,033	4,814	-	658	12,505
Additions	1436	322	-	83	1,841
Transfer of equipment completed	154	-	-	(154)	-
Foreign exchange	(34)	(40)	-	1	(73)
Balance at September 30, 2023	8,589	5,096	-	588	14,273
Net book value					
Balance at December 31, 2022	10,779	16,823	10,598	1,128	39,328
Balance at September 30, 2023	10,053	16,444	12,088	663	39,248

During the nine-month period ended September 30, 2023, the Company acquired items of property, plant and equipment with a cost of \$2,074 (September 30, 2022: \$1,468).

During the nine-month period ended September 30, 2023, \$1,554 (September 30, 2022: \$3,157) of depreciation was expensed to the consolidated statements of income and comprehensive income and \$287 (September 30, 2022: \$(226)) was capitalized to inventory.

On February 21, 2023, the Company announced the results of an updated Feasibility Study results and the management concluded that the effective date of associated changes in estimates was September 1, 2022. Amortization of assets depreciated based on the life of mine were recalculated by amortizing the net book value of the assets over the new estimated life of mine which is 14 years.

In the nine months ended September 30, 2023, the Company paid amounts totaling \$1,609 (September 30, 2022: \$9,433) as an upfront deposit for a new crusher and its genset which will be used primarily for Phase 2 of the ATO Project and other equipment under constructions. The total of \$12,088 upfront deposit is reported under equipment under construction as at September 30, 2023. (September 30, 2022: \$9,695)

Non-depreciable assets

The non-depreciable assets mainly include the equipment under construction. Depreciation on these assets will commence once they are ready for their intended use.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023

(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

(i) Pledge on items of property, plant and equipment

As at September 30, 2023, all of the assets of Steppe Mongolia, including a pledge of the ATO Project mining license and the exploration licenses owned by Steppe Mongolia, and all of the assets of Steppe BVI were pledged as security for the Stream Agreement granted to the Company (Note 9). Steppe Mongolia's licenses, movable properties and immovable properties were pledged under 2021 Gold 2 Loan agreement. An intercreditor agreement governs the priority and rankings of charges between TDB and Triple Flag.

(ii) Right-of-use assets

The right-of-use assets relate to office and light motor vehicles amounting to \$663 as at September 30, 2023 (December 31, 2022: \$1,128). The company has acquired 2 light vehicles with the terms of 5 and 7 years during the period.

5. Goodwill

Acquisition of subsidiary

On June 28, 2023, the Company acquired all of the issued and outstanding common shares of Anacortes, obtaining control of Anacortes, which owns a 100% interest in the Tres Cruces Project located in Peru. At the date of acquisition Anacortes was listed on the TSX Venture Exchange and was a reporting issuer in Ontario, Alberta and BC. Anacortes was also listed on the OTCQX.

Anacortes was acquired as the Tres Cruces Project adds to the Company's growth pipeline; it is an attractive and technically straight forward development project in Peru and diversifies the asset portfolio providing entry into one of the world's most prolific gold mining belts in Peru, thereby allowing the potential for the Company to become a multi-asset and multi-jurisdictional gold company.

As Anacortes has an integrated set of activities that are capable of being conducted and managed for the purpose of providing goods or services to customers (in this instance precious metals), generating investment income (such as dividends) and consists of inputs and processes applied to those inputs that have the ability to the creation of outputs it qualifies as a business as defined in IFRS 3 Business Combinations.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	June 28, 2023
Financial Assets:	
Cash	192
Accounts Receivable	377
Exploration and Evaluation assets	5,797
Financial Liabilities:	
Accounts payable	(920)
Total identifiable assets acquired, and liabilities assumed	5,446
Goodwill	6,886
Total consideration	12,332
Satisfied by:	
Equity instruments (19,437,948 ordinary shares of the Company at C\$0.84 per share)	12,332
Total consideration transferred	12,332
Net cash inflow arising on acquisition:	
Cash consideration	-
Less: cash and cash equivalent balances acquired	192

The fair value of the financial assets includes a VAT receivable with a fair value of \$Nil and a gross value of \$560. The receivable relates to VAT charged on Exploration and Evaluation expenditures in Peru that is only recoverable when commerciality of the operation is declared. Due to the fact the cash flows are highly uncertain, and their timing is not reasonably determinable the fair value was deemed to be \$Nil.

The fair value of financial liabilities includes a contractual payout settlement to the previous management of Anacortes in the amount of \$851 which was discounted using the borrowing rate of the Company at 15.1% (based on the 1-year CCC-rated US Corporate Bond Yield) and a contractual amount of \$913.

The payment is due one year after the closing of the transaction.

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Anacortes is an exploration company with no revenue producing assets and while it has accumulated tax losses no deferred tax asset has been recognized due to the uncertainty of recovery.

Goodwill does not generate cash flows independently of other assets or groups of assets and therefore cannot be measured directly. Instead, it is measured as a residual amount, being the excess of the cost of a business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities. Accordingly, goodwill of \$6,886 arose from the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

As of September 30, 2023, the goodwill is recorded at \$6,744 due to the impact of \$142 foreign exchange arising from the translation of the condensed interim consolidated financial statements into the presentation currency.

Under the terms of the Acquisition Arrangement, Anacortes Shareholders received 0.4532 of a common share of the Company for each Anacortes Share held. The fair value of the 19,437,948 ordinary shares issued as the consideration paid for Anacortes (\$12,332) was determined on the basis of the Company's quoted share price (C\$0.84)

Acquisition-related costs (included in administrative expenses) amount to \$974.

Anacortes is an exploration company with no producing assets and accordingly no revenue has been recognised.

6. Long term investments

Effective August 10, 2021, the Company subscribed for C\$1,814,000 (US\$1,431) in convertible debentures of Aranjin Resources Ltd (the "Aranjin"). The investment had a 12-month term and 15% interest rate per annum, with principal and interest payable on maturity date, August 10, 2022, which was subsequently amended to August 10, 2023.

On August 10, 2023, the Company converted the full amount of C\$1,814,000 of Aranjin convertible debenture plus interest receivable of C\$543,574 into 42,872,253 common shares of Aranjin at C\$0.055 per common share. The conversion of the debentures did not result in the Company holding a controlling position of the investee, as the Company owns 11% of Aranjin shares after conversion. The investment has been reclassified to the long-term investment as of September 30, 2023, as the Company has no intention to sell the shares of Aranjin in the near future.

The Company assessed the fair value of the investment using the observable inputs in accordance with Level 1 of the Fair Value Hierarchy. During the nine months ended September 30, 2023, the investment in debentures was revalued at the share price of Aranjin in active market and the revaluation gain of \$123 has been recognized in the condensed interim consolidated statements income and comprehensive income.

	August 10, 2023	December 31, 2022
Balance beginning of the year	365	1,431
Fair value revaluation	123	(972)
Interest income	147	-
Foreign exchange	4	(94)
Short term investments	639	365
Reclassified to long term investment at August 10, 2023	(639)	-
Short term investments at period end	-	365

The Company assessed the fair value of the long-term investment using the observable inputs in accordance with Level 1 of the Fair Value Hierarchy. The Aranjin shares are revalued using the share price at the end of the reporting period and a loss on fair value revaluation of \$160 has been recognized in the condensed interim consolidated statements income and comprehensive income.

	September 30, 2023	December 31, 2022
Balance beginning of the year	-	-
Additions	639	-
Fair value revaluation	(160)	-
Long-term investment	479	-

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7. Amounts payable and other liabilities

Amounts payable and other liabilities of the Company are principally comprised of amounts outstanding for purchases relating to general operating activities.

	September 30, 2023	December 31, 2022
Amounts payable	6,779	10,153
Accrued liabilities	1,135	691
Other payables	225	172
Total amounts payable and other liabilities	8,139	11,016

8. Asset retirement obligation

The provision for environmental rehabilitation consists of land rehabilitation, demolition of buildings and mine facilities, and related costs. Although the ultimate amount of the environmental rehabilitation provision is uncertain, the amount of these obligations is based on information currently available, including closure plans and the Company's interpretation of current regulatory requirements.

The provision for environmental rehabilitation relates to reclamation and closure costs of the Company's ATO Project. The provision for environmental rehabilitation is estimated at \$2,638 as at September 30, 2023 (December 31, 2022: \$2,432). In connection with the updated Feasibility Study result, the remaining life of mine is changed to 14 years as of December 31, 2022 and discounted using a risk-free rate of 10.25% for the period.

9. Streaming arrangement

In connection with the ATO Acquisition and in order to fund the exploration and development of the ATO site, the Company's subsidiaries, Steppe Gold LLC ("Steppe Mongolia") and Steppe Investments LLC ("Steppe BVI") entered into a metals purchase and sale agreement dated August 11, 2017, which was subsequently amended on September 30, 2019, with Triple Flag International (Triple Flag) to sell gold and silver produced from the ATO Project (the "Stream Agreement").

Under the terms of the Stream Agreement, Triple Flag advanced \$28,000 to Steppe Gold and Steppe BVI is obligated to sell annually to Triple Flag 25% of the gold and 50% of the silver produced, subject to an annual cap of 7,125 ounces of gold and 59,315 of silver from the ATO Project until such time as Steppe BVI has sold an aggregate of 46,000 ounces of gold and 375,000 ounces of silver, respectively. The obligation of Steppe BVI to sell gold and silver to Triple Flag continues for the life of mine and includes any gold or silver produced by Steppe Mongolia within the stream area, which is the area within 20km from the boundary of the original mineral licenses comprising the ATO Project.

Under the terms of the Stream Agreement the parties agreed the variable gold and silver price payable by Triple Flag on delivery of gold and silver should be 17% of the relevant market price. As additional consideration, Steppe West granted a 3% net smelter returns royalty to a subsidiary of Triple Flag on minerals derived from the Uudam Khundii property owned by Corundum.

As long as the upfront deposit of \$28,000 (the "Upfront Deposit") remains outstanding, the purchase price for the gold and silver required to be sold to Triple Flag under the Stream Agreement is based on the product of 0.99 and spot prices as of delivery date. The purchase price is to be satisfied as to 83% against the uncredited balance of the Upfront Deposit and 17% is payable in cash by Triple Flag. Once the uncredited balance of the Upfront Deposit has been reduced to nil the purchase price by Triple Flag for the gold and silver shall be 17% of price determined with reference to the product of 0.99 and spot prices of the delivery date, payable in cash.

Pursuant to the Stream Agreement, Steppe BVI has an option to buy gold and silver from the open market and resell such gold and silver to Triple Flag.

The obligations of Steppe BVI under the Stream Agreement were guaranteed by the Company and Steppe Mongolia and secured by all of the assets of Steppe Mongolia, including a pledge of the ATO Project mining license and the exploration licenses owned by Steppe Mongolia. The obligations are also secured by all of the assets of Steppe BVI and through the pledge by the Company of all of the shares of both Steppe BVI and Steppe Mongolia.

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In addition, the Company granted 2,300,000 purchase warrants to Triple Flag, with each warrant entitling the holder to acquire one unit that comprised of one common share and one common share purchase warrant of the Company at a price of C\$2.00 per unit on or before September 15, 2022.

All of the purchase warrants expired on September 15, 2022, without having been exercised.

The Stream Agreement is subject to various financial covenants in the form of ratios. These covenants include the indebtedness of the Company, excluding all amounts owing from time to time under the Company's promissory note on completion of the ATO Acquisition ("Centerra Deferred Purchase Price Amount") less any cash and liquid securities that is greater than the Centerra Deferred Purchase Price Amount ("Net Indebtedness") and earnings before interest, taxes, depreciation and amortization ("EBITDA").

The covenant is defined in the agreement as a leverage ratio, calculated as Net Indebtedness of the Company to EBITDA ("EBITDA Ratio") and a forward leverage ratio, calculated as Net Indebtedness to forecasted EBITDA ("Forecasted EBITDA Ratio"). Per the agreement, the EBITDA Ratio cannot exceed 2.0 and its Forecasted EBITDA Ratio cannot exceed 2.0 until the date of the later of the delivery of 46,000 ounces of gold or 375,000 ounces of silver.

On or after the later of the delivery of 46,000 ounces of gold or 375,000 ounces of silver, the Company must ensure that its EBITDA Ratio does not exceed 2.5 and Forecasted EBITDA Ratio does not exceed 2.5. The Company is in compliance with the covenants as noted in the Stream Agreement.

The Stream Agreement liability is recorded at fair value at each statement of financial position date as the Company has determined the obligation is a derivative liability to be carried at FVTPL. The fair value of the Stream Agreement was valued using a discounted cash flow approach with consideration for the contractual terms of the Stream Agreement and using input assumptions including mine production plans, expected production taking into consideration technical feasibility reports, expected forward prices of gold and silver using the COMEX forward contract price and discount rate related to the risk of the forecasted cash flows.

The valuation was prepared by an independent, qualified valuator and the Phase 1 life of mine production schedule and expectations are based on the information recently updated by independent technical consultants. As at September 30, 2023 financing for Phase 2 of the ATO Gold Mine is not in place and accordingly, only the remaining life of mine for Phase 1 has been used in calculating the stream liability as at September 30, 2023.

The continuity of the streaming liability is presented as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Balance beginning of the period	27,820	46,929
Fair value movement for the period	1,064	(6,316)
Repayment	(8,499)	(12,793)
Balance end of the period	20,385	27,820
Current portion	9,921	15,735
Long term portion	10,464	12,085

10. Convertible Debenture

On January 30, 2020, the Company received funding from the Mongolian National Investment Fund PIF SPV ("MNIF") by issuing \$3,000 of convertible debentures ("debentures") at 12% interest rate per annum, with two years maturity date from the date of grant at a conversion price of US\$0.68 per common shares. The debentures were secured by all of the shares of Steppe West LLC, a wholly owned subsidiary of the Company.

The conversion feature of the debentures meets the definition of a derivative liability instrument as the conversion feature is denominated in a currency other than the Company's functional currency, and as such does not meet the fixed for fixed criteria.

On January 27, 2022, MNIF and the CEO of the Company, Mr. Bataa Tumur-Ochir, entered into a form of transfer (the "Transfer Agreement"). Pursuant to the Transfer Agreement, MNIF agreed to transfer to Mr. Tumur-Ochir the

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debentures of the Company held by MNIF. Subsequently the maturity date of the debentures was extended to January 27, 2024, and the interest payment terms have been changed to a quarterly basis. Following the transfer of the debentures from MNIF, all security was released. The debentures are now unsecured obligations of the Company.

The changes in the convertible debenture loan liability are as follows:

Balance at January 1, 2022	2,930
Gain on modification of Loan liability (i)	(1,972)
Accretion	1,001
Interest	(363)
Balance at December 31, 2022	1,596
Accretion	1,123
Interest	(270)
Balance at September 30, 2023	2,449

(i) The Company has extinguished the MNIF debentures and recognised the new Convertible debentures issued to Bataa Tumur-Ochir at its fair value using Black Scholes pricing model as at January 27, 2022. This resulted in a gain of \$1,972 which was recognised in the annual consolidated financial statements for the year ended December 31, 2022.

The changes in the convertible debenture - derivative related to the conversion feature are as follows:

	\$
Balance at January 1, 2022	1,074
Loss on modification of derivative liability (i)	898
Change in fair value of derivative liability	(673)
Balance at December 31, 2022	1,299
Change in fair value of derivative liability	(1,297)
Balance at September 30, 2023	2

(i) Due to the modification of the MNIF debentures, the Company recognised \$898 loss on derivative liability component which is recognised on the condensed interim consolidated statements of income and comprehensive income.

11. Short Term Loans

Triple Flag Gold Prepay Loan

On September 26, 2022, the Company entered into an agreement with Triple Flag for a \$4,800 short-term gold prepayment facility (the "Triple Flag Gold Prepay loan").

The Triple Flag Gold Prepay loan was repaid over a 6-month period commencing December 23, 2022, by six monthly deliveries of 500 ounces of gold for a total of 3,000 ounces.

The continuity table of the Triple Flag Gold Prepay loan is as follows:

	September 30, 2023	December 31, 2022
Balance beginning of the period	4,531	-
Loan advanced	-	4,800
Repayment	(4,856)	(910)
Fair value revaluation	325	641
Balance end of the period	-	4,531

The Triple Flag Gold Prepay loan was revalued using the London Bullion Market Association gold price at the end of the reporting period and loss on fair value revaluation of \$325 (December 31, 2022 \$641) has been recognized in the condensed interim consolidated statements of income and comprehensive income.

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Short-term Loans from TDB

On January 4, 2023, the Company obtained a short-term loan of \$5,000 ("TDB working capital loan") from TDB to fund the Company's working capital. This loan term was 12 months and payable in equal amounts in the last 4 months of the term. Subsequent to the reporting period, the Company repaid the loan in full ahead of the scheduled term on October 31, 2023.

On April 20, 2023, the Company obtained a short-term loan from TDB in the amount of \$500 ("TDB Genset advance loan") to purchase the new crusher genset. The TDB Genset advance loan was repaid in full on July 20, 2023.

The balance of \$2,809 of 2021 Gold 2 Loan will be repaid in July 2024 according to the loan schedule, therefore, it has been reported as a short-term loan as of September 30, 2023.

	September 30, 2023
Balance at beginning of the period	-
Loans advanced	5,500
Gold 2 loan (Note 12)	2,809
Repayment	(500)
Foreign exchange adjustment	(27)
Balance at September 30, 2023	7,782

12. Long Term Loans

On September 18, 2020, the Company entered into a loan agreement with TDB for 30 billion Mongolian Tugriks (\$10,510) (the "2020 Gold 2 Loan") which was financed by the Central Bank of Mongolia for a period of 24 months secured by a cash deposit with 11% interest per annum held by TDB totaling 35.4 billion Mongolian Tugriks. The cash deposit was disclosed as restricted cash. The 2020 Gold 2 Loan was subject to interest at a rate of 11% per annum, payable monthly.

Repayments of the principal balance on the 2020 Gold 2 Loan were made in three equal tranches on September 23, 2021, January 31, 2022, and September 22, 2022.

In November 2021, the Company entered into a loan agreement with TDB for 170 billion Mongolian Tugriks (\$59,700) (the "2021 Gold 2 Loan") which is a covenant light loan with 9% interest per annum for a term of 36 months facilitated under the Central Bank of Mongolia "Gold 2" program.

The funds under the 2021 Gold 2 Loan were advanced based on the conditional agreement between the Central Bank of Mongolia and TDB, which was completed on November 10, 2021.

The 2021 Gold 2 Loan was available for use in 3 tranches: tranche 1 – MNT 60 billion; tranche 2 – MNT 60 billion; tranche 3 – MNT 50 billion. Tranche 1 fund became available for use after completion of pledge registration in March 2022 and further tranches were released based on the TDB's credit approval. In addition, the Company entered into a savings agreement with TDB at the interest rate of 7% per annum and deposited the loan amount of MNT 170 billion Mongolian Tugriks. The cash deposit was disclosed as restricted cash.

In order to secure the obligations under 2021 Gold 2 Loan, the Company provided a pledge of its licenses, movable properties and immovable properties. An intercreditor agreement governs the priority and ranking of charges between the TDB and Triple Flag.

The continuity table of long-term loans is as follows:

	September 30, 2023	December 31, 2022
Balance beginning of the period	2,838	67,354
Repayment	-	(53,283)
Transferred to short term loan (note 11)	(2,809)	-
Foreign exchange	(29)	(11,233)
Balance end of the period	-	2,838
Long term portion	-	2,838

On May 12, 2022, the Company repaid \$12,739 (MNT 40 billion) of tranche 1 of 2021 Gold 2 loan to TDB. On September 22, 2022, the final tranche of the 2020 Gold 2 loan was repaid in full in the amount of \$6,427. On September 30, 2022, the Company repaid \$2,914 of the tranche 1 of the 2021 Gold 2 loan from the savings balance. On October 21, 2022, the Company repaid \$31,203 of the 2021 Gold 2 loan from the savings account balance.

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The 2021 Gold 2 Loan is for a term of 36 months with the balance of \$2,809 to be repaid by July 28, 2024. Therefore, the loan balance has been reported as a short-term loan as of September 30, 2023.

13. Share Capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Common shares issued:

	Number of common shares	\$
Balance at January 1, 2022	69,548,657	55,292
Exercise of restricted share units (i)	541,625	468
Balance at December 31, 2022	70,090,282	55,760
Exercise of restricted share units (ii)	2,445,352	2,022
Exercise of Private Placement (iii)	11,000,000	9,020
Issuance of shares for Anacortes acquisition (iv)	19,437,948	12,332
Share based payments (iv)	924,654	586
Share issuance costs	-	(510)
Exercise of restricted share units (v)	632,377	341
Balance at September 30, 2023	104,530,613	79,551

- (i) On August 26, 2022, 541,625 common shares were issued in relation to restricted share units (the "RSUs") granted to its executive officers and employees in 2021. The fair value of the RSUs exercised of \$468 was transferred from contributed surplus to share capital.
- (ii) On January 31, 2023, 2,445,352 common shares were issued in relation to RSUs granted to its executive officers in 2022. The fair value of the RSUs exercised of \$2,022 was transferred from contributed surplus to share capital.
- (iii) On May 11, 2023, the Company announced that it had successfully completed a non-brokered private placement (the "Private Placement"), raising a total of \$9,020. The private placement included participation from the Company's management and 2176423 Ontario, a company beneficially owned by Eric Sprott. Under the Private Placement, the Company issued an aggregate of 11,000,000 common shares of the Company (the "Common Shares") at a price of C\$1.10 per Common Share for aggregate gross proceeds of C\$12,100,000. The proceeds of the Private Placement will be used to accelerate the ATO Phase 2 expansion currently underway, to fund ongoing exploration as well as to support the announced plans to pursue a dual listing on the Hong Kong Stock Exchange.
- (iv) On June 28, 2023, the Company acquired all of the issued and outstanding common shares of Anacortes, obtaining control of Anacortes. Under the terms of the Acquisition Arrangement, Anacortes Shareholders received 0.4532 of a common share of the Company for each Anacortes Share held. Accordingly, the number of common shares issued by the Company to the Anacortes shareholders was 19,437,948. Additional common shares totaling 924,654 were issued to the advisors to the transaction. The Company incurred the finders' fees of \$586, legal fees of \$330, listing and other professional fees of \$58 in connection with the share issuance and expensed in the Condensed Interim Consolidated Statement of Profit or Loss and Comprehensive Income.
- (v) On August 22, 2023, the company issued a total of 632,377 common shares to its management, employees and consultants in relation to RSUs granted in 2021 and 2023. The fair value of the RSUs exercised of \$341 was transferred from contributed surplus to share capital.

14. Warrants

	Number of warrants	Warrant (Equity)
Balance at January 1, 2022	14,086,194	11,165
Expired on August 5, 2022 (i)	(2,300,000)	(2,651)
Expired on September 15, 2022 (ii)	(6,976,944)	(2,872)
Balance at December 31, 2022	4,809,250	5,642
Expired May 22, 2023 (iii)	(4,809,250)	(5,642)
Balance at September 30, 2023	-	-

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(i) On September 15, 2022, 2,300,000 special warrants issued to Triple Flag International Limited expired without exercise which had an exercise price of C\$2.00 per unit and entitled the holder to acquire one unit of the Company which comprises of one common share and one common share purchase warrant.

(ii) On August 5, 2022, 6,976,944 warrants which were issued on August 5, 2020, with the exercise price of C\$3.00 per share expired without exercise.

(iii) On May 22, 2023 the remaining 4,809,250 warrants with an exercise price of C\$2.00 expired without exercise.

15. Revenue

Revenue by metal for the three and nine months ended September 30, 2023, and September 30, 2022 were as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Gold revenue	15,253	21,135	38,387	43,840
Silver revenue	512	575	1,175	564
Total	15,765	21,710	39,562	44,404

The Company's revenue is mainly derived from the sale of gold and silver to banks in Mongolia at spot rate.

16. Cost of sales

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Contractors	2,438	2,049	5,558	6,030
Employee compensation	776	796	2,422	2,172
Materials and consumables	3,367	3,530	8,918	9,431
Other expenses	1,008	1,056	2,672	2,812
Change in inventory	(1,806)	228	(6,410)	(4,401)
Depletion and depreciation	663	1,420	1,554	3,157
Royalties	1,076	1,395	2,702	2,940
Total	7,522	10,474	17,416	22,141

17. Corporate administration

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Management compensation	219	372	1,236	1,034
Stock based compensation	24	136	201	600
Professional fees	1,195	-	5,089	-
Corporate social responsibility	163	281	496	598
Anacortes general administrative	192	-	192	-
Direct general administrative	876	1,525	2,417	4,236
Total	2,669	2,314	9,631	6,468

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18. Finance costs/(income)

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Accretion on convertible debentures	433	250	1,123	714
Accretion on lease liability	25	18	70	59
Accretion on asset retirement obligation	81	128	271	280
Interest on long term loan	162	247	444	2,629
Interest on convertible debenture – Aranjin	(147)	(53)	(147)	(159)
Interest on restricted cash	-	(723)	-	(2,555)
Interest on current account	(14)	-	(34)	-
Change in fair value of converted debenture	(318)	(536)	(1,297)	(950)
Changes in estimate of asset retirement obligation	(143)	(1,123)	(1,052)	10
Changes in fair value of stream liability	770	(2,002)	1,064	(999)
Changes in fair value of short-term loan – Gold Sales loan	-	(1,349)	-	140
Changes in fair value of convertible debenture – Aranjin	-	-	(123)	-
Changes in fair value of investment in Aranjin	160	-	160	-
Fair value of Gold Prepay loan	-	215	325	215
Loss on modification of convertible debenture	-	-	-	(1,074)
Foreign exchange	2	20	7	18
Total	1,011	(4,908)	811	(1,672)

19. Net income per common share

The calculation of basic and diluted income per share for the three and nine months ended September 30, 2023 was based on the net income attributable to common shareholders of \$3,330 and \$9,756 (September 30, 2022: \$11,134 and \$11,365), respectively and the weighted average number of common shares outstanding of basic and diluted 108,310,000 and 90,071,402 (September 30, 2022: 85,930,994 and 86,015,373), respectively.

20. Related party transactions

The Company's related parties include its subsidiaries and key management personnel.

During the nine months ended September 30, 2023, and 2022, management fees paid, or otherwise accrued, to key management personnel (defined as officers and directors of the Company) are shown below:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Management fees paid to key personnel	490	477	1,418	1,412
Non-executive Directors fees	24	24	72	72
Stock based compensation	15	67	103	288
Total	529	568	1,593	1,772

As at September 30, 2023, key management personnel were owed \$953 of accrued bonuses for previous periods (September 30, 2022: \$139).

As at September 30, 2023, non-executive directors were owed \$24 (September 30, 2022: \$24).

During the nine months ended September 30, 2023, Erdenyn Erel, a company for which the Vice President of Exploration is the CEO provided services to the Company totaling \$320 (September 30, 2022 - \$1,250). As at September 30, 2023, the payable balance is \$41 to Erdenyn Erel (September 30, 2022 - \$1,078).

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aneventual maturity date of August 10, 2023. On the maturity date, the Company converted the full amount of C\$1,814,000 of Aranjin convertible debenture plus interest receivable of C\$543,574 into 42,872,253 common shares of Aranjin at C\$0.055 per common share. The investment in Aranjin has been reclassified to non-current assets at its fair value of \$479 as of September 30, 2023. Three of the Company's management also serve as directors of Aranjin.

The Company paid certain shared service of Aranjin during the nine months ended September 30, 2023, there was a receivable balance of \$46 from Aranjin as of September 30, 2023.

The Company sublets office space to Lithium ION Energy Ltd. ("ION") and Antler Hill Mining Ltd. ("Antler Hill"). Three of the Company's directors also serve as directors of ION and Antler Hill. There was a rental income of \$34 and receivable balance of \$30 from ION and Antler Hill as of September 30, 2023.

On January 27, 2022, the Mongolian National Investment Fund PIF SPV ("MNIF") and the CEO of the Company, Bataa Tumur-Ochir, entered into a Transfer Agreement, whereby MNIF agreed to transfer to Mr. Tumur-Ochir the debentures of the Company held by MNIF. Subsequently, the maturity date of the debentures was extended to January 27, 2024 and the interest payment terms changed to a quarterly basis. Following the transfer of the debentures from MNIF, all security was released. The debentures are now unsecured obligations of the Company.

On May 11, 2023, the Company announced that it had successfully completed a non-brokered private placement (the "Private Placement"), raising a total of C\$12,100,000. The private placement included participation from the Company's management (Mr. Bataa Tumur-Ochir) and 2176423 Ontario, a company beneficially owned by Eric Sprott.

Mr. Bataa Tumur-Ochir ("Bataa") acquired an aggregate of 1,818,182 Common Shares for a total of C\$2,000,000 pursuant to the Private Placement (the "Bataa Tumur-Ochir Participation"). The Bataa Tumur-Ochir Participation is equal to approximately 2.18% of the issued and outstanding Common Shares following the completion of the Private Placement. Mr. Bataa Tumur-Ochir is an insider of the Company and, as a result, his participation in the Private Placement constitutes a "related party transaction" as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Bataa Tumur-Ochir Participation is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 in reliance upon the exemptions contained in Section 5.5(a) and 5.7(1)(a), respectively, of MI 61-101.

Eric Sprott through 2176423 Ontario Ltd., a Corporation beneficially owned and controlled by him acquired an aggregate of 909,091 Common Shares for a total of C\$1,000,000 pursuant to the Private Placement (the "Sprott Participation"). Mr. Sprott is an insider of the Company and, as a result, his participation in the Private Placement constitutes a "related party transaction" as defined in MI 61-101. The Sprott Participation is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 in reliance upon the exemptions contained in Section 5.5(a) and 5.7(1)(a), respectively, of MI 61-101.

21. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The levels are as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, quoted prices or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability and model-based valuation techniques (e.g. the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following tables set forth the Company's assets and liabilities measured at fair value on a recurring basis (at least

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(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

annually) by level within the fair value hierarchy. As required by accounting guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair value at September 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Cash	2,814	2,814	-	-
Long term investment	479	479	-	-
	3,293	3,293	-	-
Liabilities				
Convertible debenture derivative	2	-	2	-
Short term loan - TDB	7,782	-	7,782	-
Current portion of streaming arrangement	9,921	-	9,921	-
Long term portion of streaming arrangement	10,464	-	10,464	-
	28,169	-	28,169	-

	Fair value at December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Cash	2,515	2,515	-	-
Short term investment	365	365	-	-
	2,880	2,880	-	-
Liabilities				
	Total	Level 1	Level 2	Level 3
Convertible debenture derivative	1,299	-	1,299	-
Short term loan – Triple Flag Gold Prepay loan	4,531	-	4,531	-
Current portion of streaming arrangement	15,735	-	15,735	-
Long term portion of streaming arrangement	12,085	-	12,085	-
	33,650	-	33,650	-

Embedded derivatives

The Company has issued convertible debentures which contain an embedded derivative component (Note 10). The following table is a sensitivity analysis of the impact on the condensed interim consolidated statement of income and comprehensive income of an increase or a decrease in the assumptions that are used to value the derivative liability which is and classified as a level 2 in the fair value hierarchy:

Input	Sensitivity rate	Impact of increase	Impact of Decrease
		\$	\$
Stock price	10%	27	1
Exercise price	10%	1	27
Volatility rate	10%	15	4
Discount rate	0.5%	9	8

Streaming arrangement

In connection with the ATO Acquisition, the Company's subsidiaries have entered into a metals purchase and sale agreement (the "Stream Agreement") with Triple Flag to sell gold and silver produced from the ATO Project. The Stream Agreement is recorded at fair value at each statement of financial position date as the Company has determined the obligation is a derivative liability to be carried at FVTPL.

The fair value of the Stream Agreement was valued using the income approach with consideration for the contractual

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terms of the Stream Agreement and use of various input assumptions.

Input	Sensitivity rate	Impact of increase	Impact of Decrease
		\$	\$
Forward price	10%	2,038	(2,039)
Discount rate	10%	(1,726)	2,133

Contingent Liability

In February 2023, legal proceedings were brought against the Company alleging unpaid commissions related to the Company's financing activities in prior periods. The claim is alternatively seeking damages and is also seeking costs and interest.

As at September 30, 2023 and the year-end December 31, 2022, management had estimated an amount for unpaid commissions that were potentially payable. Management has consulted with legal counsel to assess the merits of the claim. Based on these consultations, management has assessed the likelihood of an unfavourable outcome as possible but is unable to reliably estimate the overall amount of the loss, if any.

The Company will continue to engage with legal counsel to evaluate the potential financial outcome of the proceedings and will update the provision and/or contingent liability disclosure as appropriate, based on new information or changes in circumstances.

22. Events after reporting period

On July 11, 2023, the Company announced it had signed a binding term sheet with Trade and Development Bank of Mongolia, and affiliated entities for \$150,000 in financing to fund the construction and completion of the Phase 2 Expansion at the ATO Gold Mine (the "Phase 2 Expansion"). The terms of the financing comprise three tranches of \$50,000 each for a total of \$150,000, expected to be funded in line with the planned construction phase of the Phase 2 Expansion. On August 30, 2023 the Company signed a loan agreement for the first tranche of \$50,000 and, on October 9, 2023, made its first draw down of \$9,600.