



## Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024, and 2023

(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	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		6,653	6,006
Receivables and other assets	3	2,377	2,488
Inventories	4	35,511	32,273
Assets classified as held for sale	5	5,902	13,195
<b>Total current assets</b>		<b>50,443</b>	<b>53,962</b>
<b>Long-term assets</b>			
Exploration and evaluation assets		1,603	1,581
Property, plant and equipment	6	81,472	40,999
Long term investments	7	158	324
Deferred tax asset		638	1,425
<b>Total long-term assets</b>		<b>83,871</b>	<b>44,329</b>
<b>Total assets</b>		<b>134,314</b>	<b>98,291</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Amounts payable and other liabilities	8	11,748	9,759
Current portion of streaming arrangement	10	9,356	9,343
Current portion of lease liability		262	204
Current tax liability		1,187	1,230
Convertible debentures - derivative	11	793	63
Convertible debentures - loan liability	11	-	2,863
Triple Flag Gold Prepay loan	12	5,868	-
Short term loan - TDB	12	2,895	2,857
Liabilities directly associated with assets classified as held for sale	5	81	959
<b>Total current liabilities</b>		<b>32,190</b>	<b>27,278</b>
<b>Long-term liabilities</b>			
Long term portion of streaming arrangement	10	10,850	11,047
Asset retirement obligation	9	2,503	2,022
Lease liability		459	368
Convertible debentures - loan liability	11	2,343	-
Long term loan	13	49,624	9,575
<b>Total long-term liabilities</b>		<b>65,779</b>	<b>23,012</b>
<b>Total liabilities</b>		<b>97,969</b>	<b>50,290</b>
<b>Shareholders' equity</b>			
Share capital	14	80,733	79,551
Contributed surplus		23,061	23,061
Accumulated other comprehensive loss		(15,597)	(15,727)
Deficit		(51,249)	(38,296)
<b>Total equity attributable to the owners of the Company</b>		<b>36,948</b>	<b>48,589</b>
Non-controlling interest		(603)	(588)
<b>Total shareholders' equity</b>		<b>36,345</b>	<b>48,001</b>
<b>Total liabilities and shareholders' equity</b>		<b>134,314</b>	<b>98,291</b>

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

**Approved on behalf of the Board:**

(Signed) "Bataa Tumur-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 March 31, 2024 (Unaudited)	2023 (Unaudited)
<b>Continuing operations</b>			
<b>Revenue</b>	<b>16</b>	<b>7,971</b>	<b>9,525</b>
Cost of sales	<b>17</b>	(4,000)	(3,866)
Gross profit		<b>3,971</b>	<b>5,659</b>
Exploration and evaluation expenditures		(41)	(63)
Corporate administration	<b>18</b>	(5,044)	(1,975)
Operating (loss)/profit		<b>(1,114)</b>	<b>3,621</b>
Impairment loss on goodwill	<b>5</b>	(6,198)	-
Finance costs	<b>19</b>	(4,466)	(2,327)
Foreign exchange loss		(193)	(1,787)
<b>Net loss before tax</b>		<b>(11,971)</b>	<b>(493)</b>
<b>Income tax</b>		(803)	91
<b>Net loss after tax from continuing operations</b>		<b>(12,774)</b>	<b>(402)</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	<b>5</b>	(194)	-
<b>Loss for the period</b>		<b>(12,968)</b>	<b>(402)</b>
<b>Other comprehensive income/(loss) for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustment from continuing operations		141	492
Cumulative translation adjustment from discontinued operations		(11)	-
<b>Net (loss)/profit and comprehensive income for the period</b>		<b>(12,838)</b>	<b>90</b>
Net loss attributable to shareholders of the Company		(12,953)	(380)
Net loss attributable to non-controlling interest		(15)	(22)
		<b>(12,968)</b>	<b>(402)</b>
Net (loss)/profit and comprehensive income attributable to shareholders of the Company		(12,823)	112
Net loss attributable to non-controlling interest		(15)	(22)
		<b>(12,838)</b>	<b>90</b>
<b>Basic net loss per share for continuing operations</b>		(0.122)	(0.005)
<b>Diluted net loss per share for continuing operations</b>		(0.117)	(0.004)
<b>Basic net loss per share for discontinued operations</b>		(0.002)	-
<b>Diluted net loss per share for discontinued operations</b>		(0.002)	-
<b>Weighted average number of common shares outstanding - basic</b>	<b>20</b>	104,640,503	71,720,517
<b>Weighted average number of common shares outstanding - diluted</b>	<b>20</b>	109,052,267	85,297,251

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	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
<b>Operating activities</b>			
Net loss for the period before tax		(12,165)	(493)
<u>Adjustments for non-cash items:</u>			
Change in the fair value of convertible debenture	11	109	(357)
Change in the fair value of Triple Flag Gold Prepay loan	12	868	321
Change in the fair value of Aranjin Convertible Debenture		-	(366)
Change in the fair value of investment in Aranjin		159	-
Gain on modification of convertible debenture		(64)	-
Accretion and financing expense		1,118	146
Depreciation	17	353	365
Stock based compensation		-	85
Share based payments		1,182	-
Unrealized foreign exchange (gain)/loss		(183)	1,240
Change in the fair value of stream liability	10	2,102	2,452
Impairment loss on goodwill	5	6,198	-
Income tax paid		(59)	-
<b>Operating cash flows before changes in non-cash working capital items</b>		<b>(382)</b>	<b>3,393</b>
<u>Changes in working capital items:</u>			
Inventories		(3,042)	(1,611)
Receivables and other assets		212	8
Amounts payable and other liabilities		2,178	(2,587)
<b>Net cash used in operations</b>		<b>(1,034)</b>	<b>(797)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	6	(328)	(384)
Deposits on property, plant and equipment	6	(40,057)	-
<b>Net cash used in investing activities</b>		<b>(40,385)</b>	<b>(384)</b>
<b>Financing activities</b>			
Proceeds from TDB loan	12	-	5,000
Proceeds from TDB Phase 2 Loan	13	40,000	-
Proceeds from Triple Flag Gold Prepay Loan		5,000	-
Interest paid on convertible debentures	11	(97)	(90)
Interest paid on TDB short term loan		(65)	-
Interest paid on TDB Phase 2 Loan		(321)	-
Repayment of stream financing	10	(2,286)	(1,995)
Loan repayment of Triple Flag Gold Prepay loan		-	(2,872)
Lease obligation payments		(72)	(58)
<b>Net cash generated by/(used in) financing activities</b>		<b>42,159</b>	<b>(15)</b>
Effect of exchange rate changes on cash held in foreign currency		(33)	20
<b>Net increase/(decrease) in cash</b>		<b>707</b>	<b>(1,176)</b>
Cash at the beginning of the period		6,033	2,515
<b>Cash at the end of the period including cash in asset held for sale</b>		<b>6,740</b>	<b>1,339</b>

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 months ended March 31, 2024**

(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
			\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at December 31, 2022</b>		<b>70,090,282</b>	<b>55,760</b>	<b>19,559</b>	<b>5,642</b>	<b>(16,055)</b>	<b>(47,190)</b>	<b>17,716</b>	<b>(493)</b>	<b>17,223</b>
Stock based compensation		2,445,352	2,022	(1,926)	-	-	-	96	-	96
Comprehensive income/(loss) for the period		-	-	-	-	492	(380)	112	(22)	90
<b>Balance as at March 31, 2023</b>		<b>72,535,634</b>	<b>57,782</b>	<b>17,633</b>	<b>5,642</b>	<b>(15,563)</b>	<b>(47,570)</b>	<b>17,924</b>	<b>(515)</b>	<b>17,409</b>
<b>Balance as at December 31, 2023</b>		<b>104,530,613</b>	<b>79,551</b>	<b>23,061</b>	-	<b>(15,727)</b>	<b>(38,296)</b>	<b>48,589</b>	<b>(588)</b>	<b>48,001</b>
Share based payments	14	2,000,000	1,182	-	-	-	-	1,182	-	1,182
Comprehensive income/(loss) for the period from continued operations		-	-	-	-	141	(12,759)	(12,618)	(15)	(12,633)
Comprehensive loss for the period from discontinued operations		-	-	-	-	(11)	(194)	(205)	-	(205)
<b>Balance as at March 31, 2024</b>		<b>106,530,613</b>	<b>80,733</b>	<b>23,061</b>	-	<b>(15,597)</b>	<b>(51,249)</b>	<b>36,948</b>	<b>(603)</b>	<b>36,345</b>

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 months ended March 31, 2024

(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 its registered office is at 333 Bay Street, Suite 2400, Toronto, Ontario M5H 2T6. The condensed interim consolidated financial statements as at March 31, 2024, comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial statements for the year ended December 31, 2023 are available on request at the Company's registered office or from the Company's website at [www.steppegold.com](http://www.steppegold.com) or SEDAR+ at [www.sedarplus.ca](http://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 through its wholly-owned subsidiary, Aurifera Tres Cruces S.A. ("ATC"). 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").

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 March 31, 2024
Steppe Gold LLC	Mongolia	Mining	100%
Steppe Investments Limited	British Virgin Islands	Investment	100%
Steppe West LLC	Mongolia	Holding Company	100%
Corundum Geo LLC	Mongolia	Mining	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%
Aurifera Tres Cruces S.A.	Peru	Mining	100%

On December 30, 2023, the Board gave approval for management to negotiate a binding term sheet with Centerra Netherlands BVBA ("Centerra"), Boroo Pte Ltd. ("Boroo Singapore") and Boroo Gold LLC ("Boroo Gold"), pursuant to which the parties intend to complete a proposed transaction whereby the Company would acquire all of the issued and outstanding shares of Boroo Gold, a wholly-owned subsidiary of Centerra.

On January 22, 2024, Steppe Gold announced it had entered into a binding term sheet ("Term Sheet") with respect to a proposed transaction whereby Steppe Gold would acquire Boroo Gold in exchange for that number of common shares of Steppe Gold that would result in Boroo Singapore, directly or indirectly, holding 58.8% of the issued and outstanding common shares (calculated on a fully diluted basis) upon completion of the proposed transaction.

One of the terms of the Term Sheet was that for a period of six months following the completion of the proposed transaction, Boroo Singapore, and/or its associates will have a right of first refusal to acquire ownership of the Tres Cruces Project located in Peru through its wholly-owned subsidiary, Anacortes, at fair market value. Accordingly, as at December 31, 2023, Anacortes was deemed to be a disposal group and was accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Subsequent to the year ended December 31, 2023, the Company announced that it had entered into separate definitive share purchase agreements dated April 11, 2024, (the "Share Purchase Agreements"), each between one of Steppe

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

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Gold's wholly-owned subsidiaries, on the one hand, and Boroo Singapore or one of its affiliates, on the other hand, in which Steppe Gold will sell the Tres Cruces Project owned by its subsidiary, ATC, to Boroo Singapore for approximately CAD\$12 million in cash (the "Tres Cruces Transaction"), which is higher than the carrying value of the net assets of ATC, payable over 18 months beginning as of the Closing Date (as defined in the Share Purchase Agreements).

Pursuant to the Share Purchase Agreements, it has been agreed that the sale of the Tres Cruces Project will be carried out through the acquisition by Boroo Singapore of Anacortes' wholly-owned subsidiaries, T.C. Mining Inc. and 687211 British Columbia Ltd., which collectively own 100% of the issued and outstanding shares of ATC, with the Company retaining ownership of Anacortes and its remaining subsidiaries. (Please refer to Note 5)

### *COVID 19*

In prior years, 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 now mostly dissipated in Mongolia and import operations in Mongolia are continuing without interruption, although uncertainty persists regarding the import of key chemical reagents through the border with China. The leading mining companies in Mongolia are currently engaged in drafting requests to the Mongolian Government concerning this matter, in cooperation with the Mongolian Mining Association. 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, but this is outside the Company's control.

### *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 exacerbated ongoing economic challenges, including issues such as rising inflation and global supply-chain disruptions. 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.

### *Customer concentration*

The Group's precious metals production is ultimately sold to the Bank of Mongolia through an intermediary Mongolian bank. Settlement is normally received within one day.

### *Dual listing*

On February 22, 2023, the Company announced that it planned to pursue a dual primary listing of its common shares on the Main Board of the Stock Exchange of Hong Kong Limited ("HKEx"), which was originally anticipated to occur in 2023. Given the activity noted above, around the disposal and acquisition of assets, the Company has delayed the listing until after the successful completion of the acquisition and disposal of the aforementioned assets.

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

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### *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, 2023.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 15, 2024.

### *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 March 31, 2024, the functional currency was determined to be the Mongolian Tugrik for its Mongolian wholly-owned subsidiaries, to be the Canadian dollar ("CAD") for Steppe Gold Limited and Steppe BVI, Anacortes and its subsidiaries except ATC. For ATC 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, 2023.

### *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.

### *The Group's performance*

For the three months ended March 31, 2024, the Group incurred a net loss after tax from continuing operations of \$12,774, including an impairment of Anacortes goodwill amounting to \$6,198 (three months ended March 31, 2023: net loss after tax of \$402) and net loss from discontinued operations of \$194 and had net cash outflows from operating activities of \$1,034 (three months ended March 31, 2023: net cash outflows \$797). As at March 31, 2024, the Group had cash and cash equivalents of \$6,740 including cash held at discontinued operations of \$87 (December 31, 2023: \$6,033 including cash held at discontinued operations of \$28), and net current assets of \$18,253 (December 31, 2023: \$26,684).

The directors are of the opinion that the current production and resource outlook supports the position that the Group will maintain its liquidity through 2024, and currently has sufficient financing arrangements in place to support further expansion.

## **2. Material accounting policies**

### **Adoption of new and revised Standards**

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, 2023.



# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

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While there have been no new Standards that have come into force as of January 1, 2024, the Group has adopted all the following Amendments and Interpretations issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are relevant to its operations and effective for accounting periods that begin on or after January 1, 2024:

### *Amendments*

#### *IAS 1 Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

#### *IAS 1 Non-current Liabilities with Covenants*

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

#### *IFRS 16 Lease Liability in a Sale and Leaseback*

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

#### *IAS 7 and IFRS 7 Supplier Finance Arrangements*

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these condensed interim consolidated financial statements.

### **IFRS Sustainability Disclosure Standards**

**IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information** IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-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.

**IFRS S2 Climate-related Disclosures** IFRS S2 sets out the requirements for identifying, measuring and disclosing information about 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 'S' Standards are effective from January 1, 2024, but certain transitional reliefs are available.

On March 14, 2024, the Canadian Sustainability Standards Board (CSSB) published its proposals for the first Canadian Sustainability Disclosure Standards (CSDSs) based on IFRS S1 and IFRS S2. The proposed standards would become voluntarily effective for annual reporting periods beginning on or after January 1, 2025, while the proposed transition relief for disclosures beyond climate-related risks and opportunities has been extended from one year to two years.

The Mongolian Ministry of Finance, which has the responsibility for the adoption of IFRS in Mongolia, is currently conducting discussions with the business community with a view to implementing IFRS S1 and S2 in the most efficient and appropriate timescale.

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 ("SASB") 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.

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

### New and revised IFRS Accounting Standards in issue but not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 is a new IFRS Accounting Standard aimed at improving how companies communicate in their financial statements.

IFRS 18 means companies will:

- In the statement of profit or loss—report two new defined subtotals including operating profit, based on a new set of requirements for classifying income and expenses in categories;
- In the notes—disclose information about some performance measures defined by management, which IFRS 18 identify as 'management-defined performance measures' (MPMs); and
- In both the primary financial statements and the notes—group items applying enhanced requirements for aggregation and disaggregation of information.

IFRS 18 also introduces limited changes to the statement of cash flows.

All companies that prepare financial statements that comply with IFRS Accounting Standards are required to apply IFRS 18 retrospectively from 1 January 2027. They are permitted to apply it earlier.

### 3. Receivables and other assets

	March 31, 2024	December 31, 2023
	\$	\$
Prepaid expenses	1,269	1,809
Trade receivables	132	41
Tax receivable	533	334
Other receivables	443	304
<b>Total receivables and other assets</b>	<b>2,377</b>	<b>2,488</b>

### 4. Inventories

	March 31, 2024	December 31, 2023
	\$	\$
Stockpiles of ore	13,916	13,607
Gold in circuit	18,662	16,314
Finished goods	571	28
Consumables and supplies	2,362	2,324
<b>Total inventories</b>	<b>35,511</b>	<b>32,273</b>

As at March 31, 2024, the balance of the run of mine (ROM) pad ore is 268,614 tonnes (December 31, 2023: 281,002 tonnes) and stacked ore which is estimated 16,279 ounces of gold will be generated (December 31, 2023: 18,227) with total of carrying values at \$13,916 (December 31, 2023 - \$13,607). Gold in circuit included 23,046 ounces of gold (December 31, 2023: 19,087 ounces of gold) with a carrying value of \$18,662 (December 31, 2023 – \$16,314) and finished goods included 664 ounces of gold (December 31, 2023: 33) with a carrying value of \$571 (December 31, 2023: \$28).

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 considers that silver inventory is a by-product in addition to the primary product gold. Therefore, the finished goods inventory excludes the by-product.

### 5. Acquisition of subsidiary and assets classified as held for sale

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. Subsequent to the acquisition, Anacortes was delisted from the TSX Venture Exchange and the OTCQX and ceased to be a reporting issuer.

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

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

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

Under the terms of the acquisition agreement, Anacortes shareholders received 0.4532 of a common share of the Company for each common share of Anacortes held.

The fair value of the 19,437,948 common shares of the Company issued as the consideration paid for the acquisition of Anacortes (\$12,332) was determined on the basis of the Company's quoted share price CAD\$0.84 as of June 27, 2023.

Acquisition-related costs (included in corporate administration costs) amounted to \$974.

On December 30, 2023, the Board gave approval for management to negotiate a binding term sheet with Centerra Netherlands BVBA ("Centerra"), Boroo Pte Ltd. ("Boroo Singapore") and Boroo Gold LLC ("Boroo Gold"), pursuant to which the parties intend to complete a proposed transaction whereby the Company will acquire all of the issued and outstanding shares of Boroo Gold, a wholly-owned subsidiary of Centerra.

On January 22, 2024, Steppe Gold announced it had entered the Term Sheet with respect to a proposed transaction whereby Steppe Gold would acquire Boroo Gold in exchange for that number of common shares of Steppe Gold that would result in Boroo Singapore (Boroo Gold's parent company), directly or indirectly, holding 58.8% of the issued and outstanding common shares (calculated on a fully diluted basis) upon completion of the proposed transaction.

One of the terms of the Term Sheet was that for a period of six months following the completion of the proposed transaction, Boroo Singapore, and/or its associates will have a right of first refusal to acquire ownership of the Tres Cruces Project located in Peru through its wholly-owned subsidiary, Anacortes, at fair market value. Accordingly, as at December 31, 2023, Anacortes was deemed to be a disposal group and was accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Subsequent to the quarter ended March 31, 2024, the Company announced that it had entered into the Share Purchase Agreements, pursuant to which Steppe Gold will sell the Tres Cruces Project owned by its subsidiary, ATC, to Boroo Singapore for approximately CAD\$12 million in cash, which is higher than the carrying value of the net assets of ATC, payable over 18 months beginning as of the Closing Date (as defined in the Share Purchase Agreements).

Pursuant to the Share Purchase Agreements, it has been agreed that the sale of the Tres Cruces Project will be carried out through the acquisition by Boroo Singapore of Anacortes' wholly-owned subsidiaries, T.C. Mining Inc. and 687211 British Columbia Ltd., which collectively own 100% of the issued and outstanding shares of ATC, with the Company retaining ownership of Anacortes and its remaining subsidiaries.

The proposed acquisition of Boroo Gold and its gold producing assets is anticipated to further enhance the Company's

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

status as Mongolia's premier precious metals company. Specifically, the Proposed Transaction is expected to provide the Company with a multi-asset gold producer with a strong base and focus on Mongolia, provide for increased production and provide strong cash flow and increased financial strength to service the Phase 2 Expansion (as defined below) debt and project financing. The Tres Cruces Project is located nearby other gold producing assets owned by Boroo Singapore in Peru.

The proposed disposal of the Tres Cruces Project in conjunction with the Proposed Transaction is consistent with the Company's long-term policy to focus its activities on its core strength of operating in Mongolia. ATC, which is expected to be sold within 12 months, has been classified as assets held for sale and presented separately in the statement of financial position. The expected proceeds of disposal substantially exceed the carrying amount of the related net assets and, accordingly, no impairment losses have been recognized on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	<b>March 31, 2024</b>
	<b>\$</b>
Exploration and Evaluation assets	5,717
Accounts Receivable	98
Cash	87
<b>Total assets classified as held for sale</b>	<b>5,902</b>
Trade and other payables	81
<b>Total liabilities associated with assets classified as held for sale</b>	<b>81</b>
<b>Net assets of disposal group</b>	<b>5,821</b>

The results of the discontinued operations, which have been included in the loss for the period, were as follows:

	<b>Three months ended March 31, 2024</b>
	<b>\$</b>
Revenue	-
Expenses	(194)
Loss before tax	(194)
Tax	-
<b>Loss on discontinued operations attributable to the owners of the parent company</b>	<b>(194)</b>

Cash flows from discontinued operations:

	<b>March 31, 2024</b>
	<b>\$</b>
Net cash outflow for operating activities	(83)
Net cash outflow for investing activities	(15)
Net cash inflow from financing activities	292

As a result of the proposed sale of ATC, which was the major asset owned by Anacortes, the Company has determined that the value of the goodwill recorded on the acquisition of Anacortes is no longer sustainable and, accordingly, has been impaired and impairment loss of \$6,198 has been recognized in the condensed interim consolidated statement of income and comprehensive income as at March 31, 2024.

# STEPPE GOLD LTD.

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

### 6. Property, plant and equipment

	Property and Equipment \$	Altan Tsagaan Ovoo Property \$	Equipment under construction \$	Right-of- use asset \$	Total \$
<b>Cost</b>					
<b>Balance at January 1, 2023</b>	<b>17,812</b>	<b>21,637</b>	<b>10,598</b>	<b>1,786</b>	<b>51,833</b>
Additions	439	35	4,581	176	5,231
Transfer of equipment completed	709	-	-	(709)	-
Asset retirement costs	-	(1,312)	-	-	(1,312)
Foreign exchange	187	196	94	25	502
<b>Balance at December 31, 2023</b>	<b>19,147</b>	<b>20,556</b>	<b>15,273</b>	<b>1,278</b>	<b>56,254</b>
Additions	45	-	40,057	283	40,385
Transfer of equipment completed	(55)	-	55	-	-
Asset retirement costs	-	7	-	-	7
Foreign exchange	231	138	427	(13)	783
<b>Balance at March 31, 2024</b>	<b>19,368</b>	<b>20,701</b>	<b>55,812</b>	<b>1,548</b>	<b>97,429</b>
<b>Accumulated depreciation</b>					
<b>Balance at January 1, 2023</b>	<b>7,033</b>	<b>4,814</b>	-	<b>658</b>	<b>12,505</b>
Additions	1,968	487	-	118	2,573
Transfer of equipment completed	149	-	-	(149)	-
Foreign exchange	108	53	-	16	177
<b>Balance at December 31, 2023</b>	<b>9,258</b>	<b>5,354</b>	-	<b>643</b>	<b>15,255</b>
Additions	432	85	-	41	558
Transfer of equipment completed	5	-	-	(5)	-
Foreign exchange	122	34	-	(12)	144
<b>Balance at March 31, 2024</b>	<b>9,817</b>	<b>5,473</b>	-	<b>667</b>	<b>15,957</b>
<b>Net book value</b>					
<b>Balance at December 31, 2023</b>	<b>9,889</b>	<b>15,202</b>	<b>15,273</b>	<b>635</b>	<b>40,999</b>
<b>Balance at March 31, 2024</b>	<b>9,551</b>	<b>15,228</b>	<b>55,812</b>	<b>881</b>	<b>81,472</b>

On January 9, 2024, the Company had entered into turnkey engineering, procurement and construction contract ("EPC Contract") amounting to \$148,400 ("Contract Amount") with Hexagon Build Engineering LLC ("Hexagon") for the Phase 2 Expansion at the ATO Gold Mine (the "Phase 2 Expansion"). The Company has made milestone payments of \$3,000 and \$37,000 towards the Phase 2 Expansion for procurement of major long lead items, mobilization costs, early construction works and foundational work as of March 22, 2024. The total of \$40,000 in milestone payments are reported under equipment under construction in the condensed interim consolidated financial statements as at March 31, 2024.

The Contract Amount is fully funded by a project finance package (as described in Note 13) that has been made available to the Company and its affiliates by TDB Capital Pte Ltd. and certain of its affiliates and the Trade and Development Bank of Mongolia.

The details of the EPC Contract as follows:

- The second draw down of \$40,000 from the project finance package, was received on March 20, 2024, with a total of \$49,600 has been drawn from the first tranche of the \$150,000 project finance package agreed in 2023.
- Steppe Gold has now made its second milestone payment of \$37,000 towards Phase 2 Expansion for procurement of major long lead items, mobilization costs, early construction works and foundational work.
- The major long lead items include the flotations cells, grinding mills, cluster cyclones, thickener units, filters and pumping systems.
- The Phase 2 Expansion is proceeding according to projected timelines and budgets, with commissioning planned for the first quarter of 2026.

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

During the three months ended March 31, 2024, \$353 (March 31, 2023: \$365) of depreciation was expensed to the condensed interim consolidated statements of income and comprehensive income and \$138 (March 31, 2023: \$81) 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 three months ended March 31, 2024, the Company paid amounts totaling \$57 (December 31, 2023: \$4,581) as an upfront deposit for a new crusher and its genset which will be used primarily for Phase 2 of the ATO Project.

### ***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.

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

As at March 31, 2024, 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 10). Steppe Mongolia's licenses, movable properties and immovable properties were pledged under 2021 Gold 2 Loan and TDB Phase 2 Loan agreements. 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 amounted to \$881 as at March 31, 2024 (December 31, 2023: \$635). The Company acquired one additional light vehicle with a term of 5 years in the period ended March 31, 2024.

## **7. Long term investments**

Effective August 10, 2021, the Company subscribed for CAD\$1,814,400 (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 CAD\$1,814,400 of Aranjin convertible debenture plus interest receivable of CAD\$543,574 into 42,872,253 common shares of Aranjin at CAD\$0.055 per common share. The conversion of the debentures did not result in the Company holding a controlling position of the investee after conversion. The investment has been reclassified as a long-term investment as of December 31, 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. As at conversion date August 10, 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 consolidated statements of income and comprehensive income as at year ended December 31, 2023.

<b>Balance as at January 1, 2023</b>	<b>365</b>
Fair value revaluation	123
Interest income	147
Foreign exchange	4
<b>Short-term investments</b>	<b>639</b>
Reclassified to long term investment at August 10, 2023	<b>(639)</b>

The Aranjin shares are revalued using the share price at the end of the reporting period and a loss on fair value revaluation of \$166 (December 31, 2023: \$315) has been recognized in the condensed interim consolidated statements of income and comprehensive income as at March 31, 2024.

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

	March 31, 2024	December 31, 2023
<b>Balance beginning of period</b>	<b>324</b>	-
Additions	-	639
Fair value revaluation	(166)	(315)
<b>Long-term investment</b>	<b>158</b>	<b>324</b>

### 8. 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. Accrued liabilities as at March 31, 2024, includes the share based debt settlements for the former executives of the Company. (see Note 22 Related Party Transaction)

	March 31, 2024	December 31, 2023
Amounts payable	8,356	8,802
Accrued liabilities	2,945	658
Other payables	447	299
<b>Total amounts payable and other liabilities</b>	<b>11,748</b>	<b>9,759</b>

### 9. Asset retirement obligation

The Group's mines will require decommissioning and restoration at the end of their useful lives. These activities include dismantling and removing buildings, plant and equipment, rehabilitating land and watercourses, and monitoring environmental impacts. The Group recognizes provisions for the estimated costs of these obligations in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

The initial estimate of the decommissioning and restoration costs is capitalized as part of the cost of the related mining assets and depreciated over their useful lives. The provision is measured at the present value of the expected future cash flows, using a pre-tax discount rate 7.88% (December 31, 2023: 10.25%), that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on the provision is recognized as a finance cost in profit or loss. The most significant assumptions used to estimate the future cash flows are the inflation rates, the expected timing of the cash outflows and the environmental and regulatory requirements. 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 \$2,778 as at March 31, 2024 (December 31, 2023: \$2,681). As of March 31, 2024, the remaining life of mine is 12 years and 8 months (December 31, 2023: 13 years).

A summary of the Company's asset retirement obligations as at March 31, 2024 and December 31, 2023 are presented below:

	March 31, 2024	December 31, 2023
	\$	\$
<b>Balance beginning of period</b>	<b>2,022</b>	<b>3,398</b>
Movements	7	(1,327)
Accretion	48	351
Change in estimate of asset retirement obligation	396	(408)
Foreign exchange	30	8
<b>Balance end of the period</b>	<b>2,503</b>	<b>2,022</b>

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

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### 10. 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.

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 CAD\$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.



# STEPPE GOLD LTD.

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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.

The continuity of the streaming liability is presented as follows:

	March 31, 2024	December 31, 2023
	\$	\$
<b>Balance beginning of the period</b>	<b>20,390</b>	<b>27,820</b>
Fair value movement for the period	2,102	3,664
Repayment	(2,286)	(11,094)
<b>Balance end of the period</b>	<b>20,206</b>	<b>20,390</b>
<b>Current portion</b>	<b>9,356</b>	<b>9,343</b>
<b>Long term portion</b>	<b>10,850</b>	<b>11,047</b>

### 11. 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 a two-year 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 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. As at date of maturity, the debentures were extended for a further three years to January 27, 2027, with an updated interest rate of 13.5% per annum.

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

	\$
<b>Balance at January 1, 2023</b>	<b>1,596</b>
Accretion	1,627
Interest	(360)
<b>Balance at December 31, 2023</b>	<b>2,863</b>
Gain on modification of loan liability	(685)
Accretion	262
Interest	(97)
<b>Balance at March 31, 2024</b>	<b>2,343</b>

- (i) The Company extinguished the expired debentures and recognized the new debentures at fair value using Black Scholes pricing model upon extension as at January 27, 2024. This resulted in a gain of \$685 which was recognised in the condensed interim consolidated statement of income and comprehensive income for the three months ended March 31, 2024.

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The changes in the convertible debenture derivative component are as follows:

	\$
<b>Balance at January 1, 2023</b>	<b>1,299</b>
Change in fair value of derivative liability	(1,236)
<b>Balance at December 31, 2023</b>	<b>63</b>
Loss on modification of derivative liability (i)	621
Change in fair value of derivative liability	109
<b>Balance at March 31, 2024</b>	<b>793</b>

(i) Due to the modification of the debentures, the Company recognised \$621 loss on derivative liability component which is recognised in the condensed interim consolidated statement of income and comprehensive income for the three months ended March 31, 2024.

## 12. 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 monthly deliveries of 500 ounces of gold for a total of 3,000 ounces.

On March 15, 2024, the Company entered into an amended and restated Triple Flag Gold Prepay loan agreement with Triple Flag for an additional advance of \$5,000 with the term of repaid by the Company over five months, commencing on August 15, 2024, with five equal monthly deliveries of 530 ounces of gold for a total of 2,650 ounces of gold delivered to Triple Flag.

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

	March 31, 2024	December 31, 2023
	\$	\$
<b>Balance beginning of the year</b>	<b>-</b>	<b>4,531</b>
Loan advanced	5,000	-
Repayment	-	(4,856)
Fair value revaluation	868	325
<b>Balance end of the period</b>	<b>5,868</b>	<b>-</b>

The Triple Flag Gold Prepay loans were revalued using the London Bullion Market Association gold price and a loss on fair value revaluation of \$868 (December 31, 2023: \$325) has been recognized in the condensed interim consolidated statements of income and comprehensive income for the three months ended March 31, 2024.

### *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. This loan term was 12 months and payable in equal amounts in the last 4 months of the term. On October 31, 2023, the Company repaid the loan in full ahead of the scheduled term.

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 \$2,895 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 March 31, 2024.

	March 31, 2024	December 31, 2023
	\$	\$
<b>Balance at beginning of the year</b>	<b>2,857</b>	<b>-</b>
Loans advanced	-	5,500
Gold 2 loan (Note 13)	-	2,857
Repayment	-	(5,500)
Foreign exchange	38	-
<b>Balance end of the period</b>	<b>2,895</b>	<b>2,857</b>

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

### 13. Long Term Loans

#### *Gold 2 loans*

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 to be made available for use in 3 tranches: tranche 1 – MNT 60 billion; tranche 2 – MNT 60 billion; tranche 3 – MNT 50 billion. Tranche 1 funds became available for use after completion of pledge registration in March 2022 and further tranches were to be released based on the approval of the TDB credit committee. 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 until funds were available for draw down.

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.

On May 12, 2022, the Company repaid MNT 40 billion, on September 30, 2022, the Company repaid MNT10 billion of Tranche 1 of the 2021 Gold 2 loan from the savings balance, respectively. On October 21, 2022, the Company repaid a further MNT 110 billion of the 2021 Gold 2 loan (which had not been made available for use) from the savings account balance. This left a remaining balance of MNT 10 billion (\$2,857) which should be repaid by July 28, 2024, as such, the loan balance has been transferred to a short-term loan at December 31, 2023.

#### *Phase 2 Expansion loan*

On July 11, 2023, the Company announced it had signed a binding term sheet with TDB, and affiliated entities, for \$150,000 in financing ("TDB Phase 2 Loan") to fund the construction and completion of 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 of the Phase 2 Expansion.

On August 30, 2023, the Company signed a loan agreement for the first tranche of \$50,000 with interest rate of 13.40% per annum for the term of 48 months, in five equal instalments, repaid in every six months from August 30, 2025 to August 30, 2027.

Draw downs commenced on October 9, 2023, with a first draw down of \$9,600 after meeting the requirements of the loan agreement. The second draw down of \$40,000 was received on March 20, 2024, with a total of \$49,600 now drawn down.

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
<b>Balance beginning of the year</b>	<b>9,575</b>	<b>2,838</b>
TDB Phase 2 Loan	40,000	9,600
Transferred to short term loan (Note 12)	-	(2,857)
Foreign exchange	49	(6)
<b>Balance end of period</b>	<b>49,624</b>	<b>9,575</b>

### 14. 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:

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

	Number of common shares	\$
<b>Balance at January 1, 2023</b>	<b>70,090,282</b>	<b>55,760</b>
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
<b>Balance at December 31, 2023</b>	<b>104,530,613</b>	<b>79,551</b>
Share based payments (vi)	2,000,000	1,182
<b>Balance at March 31, 2024</b>	<b>106,530,613</b>	<b>80,733</b>

- (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 CAD\$1.10 per Common Share for aggregate gross proceeds of CAD\$12,100,000. The proceeds of the Private Placement will be used to accelerate the 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 income 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.
- (vi) On March 15, 2024, the Company announced that Matthew Wood had resigned as a director of the Company and the Company issued 2,000,000 common shares of the Company to settle all amounts owed by the Company to Mr. Wood. The common shares issued to Mr. Wood, or an affiliate, will be subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation, and such further restrictions as apply under foreign securities laws. The market value of the common share of the agreement date was CAD\$0.80 per common share and the Company recognized severance cost of \$861 in relation to this settlement agreement.

### 15. Warrants

	Number of warrants	Warrant (Equity) \$
<b>Balance at January 1, 2023</b>	<b>4,809,250</b>	<b>5,642</b>
Expired May 22, 2023 (i)	(4,809,250)	(5,642)
<b>Balance at December 31, 2023</b>	<b>-</b>	<b>-</b>
<b>Balance at March 31, 2024</b>	<b>-</b>	<b>-</b>

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

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

### 16. Revenue

Revenue by metal for the three months ended March 31, 2024, and March 31, 2023, were as follows:

	March 31, 2024	March 31, 2023
	\$	\$
Gold revenue	7,607	9,513
Silver revenue	364	12
<b>Total</b>	<b>7,971</b>	<b>9,525</b>

The Company's revenue is mainly derived from the sale of gold and silver to banks in Mongolia at London Metal Exchange-based spot rates.

### 17. Cost of sales

	March 31, 2024	March 31, 2023
	\$	\$
Contractors	1,629	1,307
Employee compensation	763	725
Materials and consumables	2,437	2,335
Other expenses	860	694
Change in inventory	(2,586)	(2,210)
Depletion and depreciation	353	365
Royalties	544	650
<b>Total</b>	<b>4,000</b>	<b>3,866</b>

### 18. Corporate administration

	March 31, 2024	March 31, 2023
	\$	\$
Management compensation	376	359
Settlement costs	2,003	-
Stock based compensation	-	86
Professional fees	1,407	831
Corporate social responsibility	143	93
Direct general administrative	1,115	606
<b>Total</b>	<b>5,044</b>	<b>1,975</b>

### 19. Finance costs

	March 31, 2024	March 31, 2023
	\$	\$
Accretion on convertible debentures	262	319
Accretion on lease liability	27	22
Accretion on asset retirement obligation	48	105
Interest on short and long term loans	564	141
Interest on current account	(10)	(10)
Change in fair value of derivative liability	109	(357)
Changes in estimate of asset retirement obligation	396	(300)
Change in fair value of stream liability	2,102	2,452
Change in fair value of investment in Aranjin	159	-
Gain on modification of convertible debenture	(64)	-
Change in fair value of Anacortes payout settlement	5	-
Change in fair value of convertible debenture - Aranjin	-	(366)
Fair value of short term loan – Triple Flag Gold prepay loan	868	321
<b>Total</b>	<b>4,466</b>	<b>2,327</b>

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

### 20. Net loss per common share

The calculation of basic and diluted loss per share for continuing operations for the three months ended March 31, 2024 was based on the net loss attributable to common shareholders from continuing operations of \$12,953 (March 31, 2023: \$380) and the weighted average number of common shares outstanding of basic and diluted 104,640,503 and 109,052,267 (March 31, 2023: 71,720,517 and 85,297,251), respectively.

The calculation of basic and diluted loss per share for discontinued operations for the three months ended March 31, 2024 was based on the net loss attributable to common shareholders from discontinued operations of \$194 (March 31, 2023: \$Nil) and the weighted average number of common shares outstanding of basic and diluted 104,640,503 and 109,052,267, respectively.

### 21. Related party transactions

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

During the three months ended March 31, 2024, and 2023, management fees paid, or otherwise accrued, to key management personnel (defined as officers and directors of the Company) are shown below:

	March 31, 2024	March 31, 2023
	\$	\$
Management fees paid to key personnel	442	387
Non-executive Directors fees	30	24
Settlement costs	2,003	-
Stock based compensation	-	44
<b>Total</b>	<b>2,475</b>	<b>455</b>

As at March 31, 2024, key management personnel were owed in cash of \$1,103 of accrued bonuses and management fees for previous periods (December 31, 2023: \$1,271) and two resigning executives were owed in share based payables of \$1,365 equal to 2,500,000 common shares of the Company valued at the date the settlement agreements were signed, issued subsequent to the period end.

As at March 31, 2024, non-executive directors were owed \$Nil (December 31, 2023: \$30).

During the three months ended March 31, 2024, Erdenyn Erel, a company for which the Vice President of Exploration is the CEO provided services to the Company totaling \$nil (March 31, 2023: \$Nil). As at March 31, 2024, the payable balance is \$217 to Erdenyn Erel (December 31, 2023: \$408).

On August 10, 2023, the Company converted the full amount of CAD\$1,814,400 of Aranjin convertible debenture plus interest receivable of CAD\$543,574 into 42,872,253 common shares of Aranjin at CAD\$0.055 per common share. The investment in Aranjin has been reclassified to non-current assets at its fair value of \$324 as of December 31, 2023. The fair value of the long-term investment as at March 31, 2024 was \$159. As at date of this report one member of the management team of the Company serves as an officer of Aranjin. The Company paid certain shared service costs on behalf of Aranjin during the year ended December 31, 2023 and there was a receivable balance of \$47 from Aranjin as at March 31, 2024.

The Company sublets office space to Lithium ION Energy Ltd. ("ION"). One of the Company's directors serve as a director of ION. There was a rental income of \$Nil (March 31, 2023: \$7) and a receivable balance of \$40 from ION as at March 31, 2024.

On January 27, 2022, MNIF and the CEO of the Company, Bataa Tumur-Ochir, entered into the 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, with the same interest rate of 12% 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. As at January 27, 2024, the debentures maturity date was extended to January 27, 2027 with a revised interest rate of 13.5% per annum. (See Note 11 Convertible debentures)

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

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On May 11, 2023, the Company announced that it had successfully completed a non-brokered private placement (the "Private Placement"), raising a total of CAD\$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 CAD\$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 CAD\$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.

On March 15, 2024, the Company announced that Matthew Wood had resigned as a director of the Company and the Company issued 2,000,000 common shares of the Company to settle all amounts owed by the Company to Mr. Wood. The common shares issued to Mr. Wood, or an affiliate, will be subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation, and such further restrictions as apply under foreign securities laws. The market value of the common share of the agreement date was CAD\$0.80 per common share and the Company recognized severance cost of \$861 in relation to this settlement agreement.

On March 28, 2024, the Company announced that Aneel Waraich had resigned as a director and executive vice president of the Company and Greg Wood had resigned as Chief Operating Officer of the Company, each effective March 28, 2024.

In connection with Mr. Waraich's resignation, the Company issued an aggregate of 1,250,000 common shares of the Company on April 16, 2024, in addition to a cash payment of \$100, to settle all amounts owed by the Company to Mr. Waraich. These common shares will be subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation, and such further restrictions as apply under foreign securities laws. The market value of the common share of the agreement date was CAD\$0.74 per common share and the Company recognized severance cost of \$455 in relation to this settlement agreement.

In connection with Mr. Greg Wood's resignation, the Company issued an aggregate of 1,250,000 common shares of the Company on April 16, 2024, in addition to a cash payment of \$300, to settle all amounts owed by the Company to Mr. Greg Wood. These common shares will be subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation, and such further restrictions as apply under foreign securities laws. The market value of the common share of the agreement date was CAD\$0.74 per common share and the Company recognized severance cost of \$687 in relation to this settlement agreement.

## 22. Fair value measurements

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

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

- 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).

### Information sources

- The long-term investment is valued at the listed stock price of the investment as at March 31, 2024 (Note 7).
- The fair value of the conversion feature of the debentures was estimated based on the Black Scholes pricing model using a risk-free interest rate of 3.91% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rates of 54% based on comparable companies, and an expected life of 2 years (Note 11).
- The fair value of the streaming liability has been calculated by an independent valuation consultant in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuators. The consultant used an income approach, specifically a discounted cash flow, which is a generally accepted valuation methodology for valuing contractual obligations. The inputs used in the valuation are based on production information provided by Company management using the latest technical report, the forward price of gold and silver using the forward COMEX price as at March 31, 2024, the prevailing discount rate of 27.5% as at March 31, 2024, and the contractual terms of the Triple Flag agreement (Note 10).

	<b>Fair value at March 31, 2024</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Cash – continuing operations	6,653	6,653	-	-
Cash – discontinued operations	87	87	-	-
Long term investment	158	158	-	-
	<b>6,898</b>	<b>6,898</b>	-	-
<b>Liabilities</b>				
Convertible debenture derivative	793	-	793	-
Short term loan - TDB	2,895	-	2,895	-
Triple Flag Gold Prepay loan	5,868	-	5,868	-
Current portion of streaming arrangement	9,356	-	9,356	-
Long term portion of streaming arrangement	10,850	-	10,850	-
	<b>29,762</b>	-	<b>29,762</b>	-
<b>Fair value at December 31, 2023</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Cash – continuing operations	6,006	6,006	-	-
Cash – discontinued operations	27	27	-	-
Long term investment	324	324	-	-
	<b>6,357</b>	<b>6,357</b>	-	-
<b>Liabilities</b>				
Convertible debenture derivative	63	-	63	-
Short term loan - TDB	2,857	-	2,857	-
Current portion of streaming arrangement	9,343	-	9,343	-
Long term portion of streaming arrangement	11,047	-	11,047	-
	<b>23,310</b>	-	<b>23,310</b>	-



# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

### *Embedded derivatives*

The Company has issued convertible debentures which contain an embedded derivative component (Note 11). 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 classified as a level 2 in the fair value hierarchy:

<b>Input</b>	<b>Sensitivity rate</b>	<b>Impact of increase</b>	<b>Impact of Decrease</b>
		<b>\$</b>	<b>\$</b>
Stock price	10%	159	(149)
Exercise price	10%	(70)	80
Volatility rate	10%	84	(85)
Discount rate	0.5%	4	(4)

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

<b>Input</b>	<b>Sensitivity rate</b>	<b>Impact of increase</b>	<b>Impact of Decrease</b>
		<b>\$</b>	<b>\$</b>
Forward price	10%	2,021	(2,020)
Discount rate	10%	(1,870)	2,385

## **23. Contingencies**

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with vendors. Apart from the matter notified to the Company after the reporting period (Note 24) management is of the position that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain and management's view of these matters may change in the future.

### *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 December 31, 2023 and the year ended 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.

## **24. Events after reporting period**

### *Changes in Executive team*

On March 28, 2024, the Company announced that Aneel Waraich has resigned as a director and executive vice president of the Company and Greg Wood had resigned as a Chief Operating Officer of the Company, each effective March 28, 2024.

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024

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

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On April 16, a total of 2,500,000 common shares of the Company were issued to the former executives to settle all amounts owed by the Company (Please refer to Note 21).

### *Transactions with Boroo Singapore*

On January 22, 2024, the Company announced that it had entered into the Term Sheet, pursuant to which Steppe Gold, either directly or through a wholly-owned subsidiary, will acquire all of the issued and outstanding common shares (the "BG Common Shares") of Boroo Gold in an all-share transaction.

On April 11, 2024, the Company announced that, further to its press releases dated January 22, 2024 and March 19, 2024, it has entered into a share exchange agreement (the "Share Exchange Agreement") pursuant to which Steppe Gold will acquire the BG Common Shares from an indirect, wholly owned subsidiary of Boroo Singapore in an all share transaction. The management of the Company is assessing the accounting for the Boroo Gold Transaction with assistance from professional parties and it was decided that the Boroo Gold Transaction would be accounted for as a reverse takeover.

Additionally, pursuant to the Share Purchase Agreements, Steppe Gold will sell the Tres Cruces Project to Boroo Singapore for approximately CAD\$12 million in cash payable over a period of 18 months commencing from the Closing Date (as defined in the Share Purchase Agreements).

### *Share Exchange Agreement*

Pursuant to the Share Exchange Agreement, Steppe Gold will acquire all of the BG Common Shares in consideration for the issuance by Steppe Gold of approximately 143,796,574 common shares in the capital of the Company, or that number of common shares that results in Boroo Singapore, directly or indirectly, holding 55.9% of the issued and outstanding common shares in the capital of the Company (calculated on a fully-diluted basis) upon completion of the Boroo Gold Transaction. Steppe Gold will seek approval for the issuance of Steppe Common Shares in connection with the Boroo Gold Transaction at Steppe Gold's annual general and a special meeting of shareholders (the "Meeting"), which is set to be held on June 24, 2024.

The Boroo Gold Transaction is subject to customary closing conditions, including receipt of approval by Steppe Gold's shareholders at the Meeting, and certain regulatory approvals, including the approvals of the Toronto Stock Exchange and applicable Mongolian authorities. Additionally, it is a condition to the closing of the Boroo Gold Transaction that the Tres Cruces Transaction has closed.

All of the directors and executive officers of Steppe Gold have entered into support and voting agreements pursuant to which they have agreed to support the Boroo Gold Transaction and to vote in favour of the Proposed Transaction, subject to the provisions of such support and voting agreements.

The Share Exchange Agreement includes customary representations, warranties and covenants, including with respect to non-solicitation of alternative transactions, a right to match superior proposals and a fiduciary out in respect of the same. In addition, each of Boroo Singapore and Steppe Gold have agreed to pay a termination fee if the Share Exchange Agreement is terminated upon the occurrence of certain events.

Further details with respect to the Boroo Gold Transaction and the Tres Cruces Transaction are included in the information circular mailed to Steppe Gold's shareholders on or about May 13, 2024, in connection with the Meeting. Provided all conditions precedent in the Share Exchange Agreement are satisfied or waived in a timely manner (including the closing of the Tres Cruces Transaction), it is currently anticipated that the Boroo Gold Transaction will close in the third quarter of 2024. A copy of the Share Exchange Agreement, the Share Purchase Agreements and the information circular in respect of the Meeting are available on Steppe Gold's SEDAR+ profile and are available for viewing at [www.sedarplus.ca](http://www.sedarplus.ca).

## **STEPPE GOLD LTD.**

### **Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2024**

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

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#### *Investor Rights Agreement*

At the closing of the Boroo Gold Transaction, Steppe Gold will enter into an Investor Rights Agreement with Boroo Singapore (the "Investor Rights Agreement"). Pursuant to the Investor Rights Agreement, Boroo Singapore will have the right to nominate up to two directors to the Board, subject to Boroo Singapore maintaining ownership of at least 10% of the issued and outstanding common shares in the capital of the Company and other terms and conditions as further set forth in the Investor Rights Agreement. In addition, Boroo Singapore will be provided with certain governance rights so long as it maintains certain common share ownership thresholds, including pre-emptive rights and customary registration rights.

Upon closing of the Proposed Transaction, the Company has agreed, pursuant to the Share Exchange Agreement, to take all necessary actions to ensure that immediately upon closing of the Proposed Transaction, the Board and the senior management team of the Company shall be as follows:

#### *Board*

- Bataa Tumur-Ochir (Chair and Chief Executive Officer)
- Batjargal Zamba
- Jargalan Sereenen
- Steve Haggarty
- Marina Lerner
- Byambatseren Tsogbadrakh
- Khurelbaatar Ganbat
- Munkhbaatar Myagmar

#### *Company Senior Management*

- Bataa Tumur-Ochir (Chairman and Chief Executive Officer)
- Tserenbadam Duger (Chief Operating Officer)
- Jeremy South (SVP and Chief Financial Officer)
- Byambatseren Tsogbadrakh (President & Vice President, Finance)

#### *Tres Cruces Transaction Details*

Steppe Gold has also entered into the Share Purchase Agreements, pursuant to which Boroo Singapore will acquire the Tres Cruces Project by purchasing all of the issued and outstanding shares of two of Steppe Gold's indirect, wholly-owned subsidiaries for aggregate cash consideration of approximately CAD\$12 million. The consideration is payable in four instalments over a period of 18 months starting on the Closing Date (as defined in the Share Purchase Agreements). The Tres Cruces Transaction is expected to close in July 2024, following which, the Boroo Gold Transaction will close subsequently thereafter.

The Tres Cruces Transaction is subject to customary closing conditions and is cross conditional on the closing of the Boroo Gold Transaction.