



**STEPPE GOLD LTD.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

to be held on June 24, 2024

May 8, 2024

## Letter to Shareholders

May 8, 2024

Dear Shareholders:

The Board of Directors (the “**Board**”) of Steppe Gold Ltd. (the “**Company**” or “**Steppe**”) invites you to attend the annual general and special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (the “**Common Shares**”) to be held at the Shangri-La Hotel, 19 Olympic Street, Sukhbaatar District-1, Ulaanbaatar 14241 Mongolia on June 24, 2024 at the hour of 10:00 a.m. (ULAT).

Following a thorough and rigorous review process and after careful consideration, Steppe entered into a share exchange agreement dated April 11, 2024 (the “**Share Exchange Agreement**”) to acquire 100% of the issued and outstanding common shares of Boroo Gold LLC (the “**BG Common Shares**”), and indirectly, the Boroo Gold Mine, from an indirect, wholly owned subsidiary of Boroo Pte Ltd. (“**Boroo Singapore**”) in an all-share transaction (the “**Acquisition**”). Concurrently with the Share Exchange Agreement, Steppe entered into share purchase agreements to sell the Tres Cruces Oxide Project to Boroo Singapore (the “**Tres Cruces Transaction**” and, collectively with the Acquisition, the “**Transaction**”).

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the “**Transaction Resolution**”) approving: (i) the Acquisition; and (ii) the Tres Cruces Transaction. If the Transaction is completed, Steppe will issue consideration consisting of that number of Common Shares that would result in Boroo Singapore, directly or indirectly, holding 55.9% of the issued and outstanding Common Shares (calculated on a fully diluted basis). The completion of the Transaction is conditional upon, among other things, approval of the Transaction Resolution by Shareholders at the Meeting, and the concurrent closings of both the Acquisition and the Tres Cruces Transaction.

### The Transaction

Full details of the Transaction are set out in the accompanying Notice of Annual General and Special Meeting of Shareholders and Information Circular of the Company (the “**Circular**”). The Circular describes the Transaction and includes certain additional information to assist you in considering how to vote on the proposed Transaction Resolution, including certain risk factors relating to the completion of the Transaction. You should carefully review and consider all of the information in the Circular. We recommend that Shareholders consult their financial, legal, tax or other professional advisor.

The Transaction comprises the following principal elements:

- (a) Pursuant to the Share Exchange Agreement, Steppe will acquire all of the BG Common Shares, and indirectly, the Boroo Gold Mine, in consideration for the issuance by Steppe of approximately 143,796,574 Common Shares, or that number of Common Shares that results in Boroo Singapore, directly or indirectly, holding 55.9% of the issued and outstanding Common Shares (calculated on a fully diluted basis) upon completion of the Acquisition.
- (b) Pursuant to separate definitive share purchase agreements, each between one of Steppe’s wholly-owned subsidiaries, on the one hand, and Boroo Singapore or one of its affiliates, on the other hand, each dated April 11, 2024, Steppe will sell the Tres Cruces Oxide Project

to Boroo Singapore for approximately C\$12 million in cash payable over a period of 18 months beginning on the closing date of the Tres Cruces Transaction.

- (c) The Acquisition and the Tres Cruces Transaction are subject to deal protections, including customary representations, warranties and covenants and, with respect to non-solicitation of alternative transactions, a right to match superior proposals and a fiduciary out in certain circumstances. In addition, each of Boroo Singapore and Steppe have agreed to pay a termination fee if the Share Exchange Agreement is terminated upon the occurrence of certain events.
- (d) All of the executive officers and directors of Steppe have entered into support and voting agreements with Boroo Singapore (the “**Voting and Support Agreements**”), pursuant to which they have agreed to vote, or cause to be voted, all of the Common Shares held or controlled by them in favour of the Transaction Resolution (representing approximately 16% of the issued and outstanding Common Shares as of the date of the Circular).
- (e) At the closing of the Acquisition, Steppe 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 (the “**Boroo Nominees**”) to the Board, subject to Boroo Singapore maintaining ownership of at least 10% of the issued and outstanding Common Shares, 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.
- (f) The key executive management team of Steppe will remain in place following closing of the Acquisition.

### **Transaction Conditions and Timing**

The approval of the Transaction and the listing of the Consideration Shares (as defined in the Share Exchange Agreement) by the Toronto Stock Exchange (the “**TSX**”) is a condition to the completion of the Transaction. The Company has received conditional approval from the TSX for listing of the Consideration Shares upon closing of the Transaction.

The Transaction is subject to certain regulatory approvals, consents from certain third parties and other customary closing conditions for a transaction of this nature, including approval by the Shareholders and the TSX. The Transaction will not proceed if such approvals are not obtained.

It is a condition to the completion of the Transaction that the Transaction Resolution be approved at the Meeting by a simple majority of the votes cast by Shareholders present in person or represented by proxy at 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 Transaction will close in the third quarter of 2024. **It is the intention of the persons named in the form of proxy, if not expressly directed otherwise in such form of proxy, to vote such proxies FOR the Transaction Resolution.**

### **Recommendation of the Board**

After careful consideration of the fairness opinion of Sequeira Partners and such other matters as it considered relevant, including, among other things, the terms and conditions of the Share Exchange

Agreement, the benefits and risks associated with the Transaction, other strategic alternatives and options available to the Company, the effect of the Transaction on other stakeholders of the Company and its evaluation of the Transaction with management and its legal and financial advisors, the Board has unanimously: (i) determined that the Transaction is fair to Steppe; (ii) approved each of the Acquisition and the Tres Cruces Transaction and concluded that the entering into of the definitive agreements in respect thereof is in the best interests of Steppe; and (iii) resolved to recommend that Shareholders vote **FOR** the Transaction Resolution.

### **Reasons for the Transaction**

In the course of its evaluation of the Acquisition and the Tres Cruces Transaction, the Board considered a number of factors, including those listed below, with the benefit of advice from its financial advisors and legal counsel. The following is a summary of the principal reasons for the Board's unanimous approval of the Acquisition and the Tres Cruces Transaction and its recommendation to Shareholders that they vote in favour of the Transaction Resolution:

- ***The Acquisition will create Mongolia's leading gold producer:***
  - Acquisition of a leading gold producer, Boroo Gold, will create Mongolia's leading gold producer.
  - Boroo Singapore will hold approximately 55.9% of the issued and outstanding Common Shares on a fully diluted basis, immediately following the completion of the Acquisition.
  - Steppe combined gold production in 2024 projected to be 90,000 oz, rising to an estimated annualized 150,000 oz in 2026 as the ATO Gold Mine Phase 2 Expansion is planned to come on stream in mid-2026.
- ***Immediate and strong cash flows to Steppe:***
  - Boroo Gold estimates over 400,000 oz of gold production from 2024 to 2031, with projected average annual production of approximately 60,000 oz in 2024, 2025 and 2026.
  - In 2023, Boroo Gold had revenue of \$132 million on production of 67,315 oz of gold, at an average achieved gold price of \$1,957 per oz.
  - Boroo Gold is forecasting similar production levels in 2024, albeit with higher sustaining costs.
- ***Long standing and strong social license:***
  - The Boroo Gold Mine comes with a long and proud history of positive impact in Mongolia:
    - Over \$1,020 million in benefits to Mongolia since 2003 (taxes and fees, CAPEX, donations, payments to local companies for goods and services and salaries to national employees).
    - Over \$17.5 million in donations and investments in local soums between 2007 and 2023 under its framework of social responsibility.

- ***Potential for significant value upside:***
  - Potential cost synergies from combined purchasing power and lower relative administration costs.
  - Increasing reserves and resources near the existing mines.
- ***Disposition of the Tres Cruces Project on best terms available:***
  - Divestment of the Tres Cruces Project to the likely highest value buyer, returning Steppe's singular focus to Mongolia.
- ***Support of directors and executive officers:***
  - The directors and executive officers of Steppe have entered into the Support and Voting Agreements, pursuant to which, and subject to the terms thereof, they have agreed to vote their Common Shares in favour of the Transaction Resolution. See "*Support and Voting Agreements*" in the Circular.

**YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF COMMON SHARES YOU OWN.**

The close of business on May 6, 2024 is the record date for the determination of Shareholders that will be entitled to receive notice of and vote at the Meeting and at any adjournment or postponement of the Meeting.

Registered Shareholders are requested to read the enclosed Circular and are requested to date and sign the enclosed proxy form(s) promptly and return them in the self-addressed envelope enclosed for that purpose or by any of the other methods indicated in the proxy form. Registered Shareholders may vote by mail. Proxies to be used at the Meeting must be received by the Company's transfer agent and registrar, Odyssey Trust Company ("**Odyssey**"), not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or, with respect to any matters to be dealt with at any adjournment of the Meeting, before the time of the re-commencement of the adjourned Meeting. Proxies delivered after such time(s) will not be accepted. A proxy can be submitted to Odyssey by mail to Suite 702 – 67 Yonge Street, Toronto, Ontario M5E 1J8. If a registered Shareholder receives more than one proxy form because such Shareholder's Common Shares are registered in different names or addresses, each proxy form needs to be completed and returned.

A Shareholder who wishes to appoint a person other than the management nominees identified on the form of proxy or voting instruction form ("**VIF**"), as applicable, to represent him, her or it at the Meeting may do so by inserting such person's name in the blank space provided in the form of proxy or VIF, as applicable, and following the instructions for submitting such form of proxy or VIF, as applicable. This must be completed prior to registering such proxyholder, which is an additional step to be completed once you have submitted your form of proxy (or proxies) or VIF. **If you wish that a person other than the management nominees identified on the form of proxy or VIF attend and participate at the Meeting as your proxy and vote your Common Shares, including if you are not a registered Shareholder and wish to appoint yourself as proxyholder to attend, participate and vote at the Meeting, you MUST (1) submit your form of proxy (or proxies) or VIF, as applicable, AND (2) thereafter, register such proxyholder, all in accordance with the instructions set out in the Circular.** If submitting a proxy, or appointing a person other than the management nominees identified, you must return your proxy in accordance with the instructions set out in the Circular by 10:00 a.m. (ULAT) on June 20, 2024.

If your Common Shares are not registered in your name but are held through a broker, investment dealer, bank, trust company, custodian, nominee or other intermediary, please complete and return the request for voting instructions in accordance with the instructions provided to you by your broker or such other intermediary. Failure to do so may result in such Common Shares not being voted at the Meeting.

**If you have any questions or need additional information, you should consult your financial, legal, tax or other professional advisor. If you have any questions or require more information with respect to the procedures for voting, please contact Odyssey by telephone at Direct Dial (all regions): 1-587-885-0960 or US & Canada (toll-free): 1-888-290-1175 or by email at [shareholders@odysseytrust.com](mailto:shareholders@odysseytrust.com).**

On behalf of the Company, I thank all Shareholders for their continued support and we look forward to receiving your endorsement for this transaction at the Meeting.

Sincerely,

(Signed) "*Bataa Tumor-Ochir*"

Bataa Tumor-Ochir  
Chair and Chief Executive Officer

## STEPPE GOLD LTD.

### NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual general and special meeting (the “**Meeting**”) of shareholders of Steppe Gold Ltd. (“**Steppe**” or the “**Company**”) will be held at the Shangri-La Hotel, 19 Olympic Street, Sukhbaatar District-1, Ulaanbaatar 14241 Mongolia on Monday, the 24<sup>th</sup> day of June, 2024 at the hour of 10:00 a.m. (ULAT), for the following purposes:

1. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the “**Transaction Resolution**”), the full text of which is disclosed in the accompanying management information circular of the Company dated as of May 8, 2024 (the “**Circular**”) approving: (i) the acquisition by the Company of all of the issued and outstanding shares of Boroo Gold LLC; and (ii) the sale of the Tres Cruces Oxide Project to Boroo Pte Ltd. (“**Boroo Singapore**”), all as more particularly described in the Circular;
2. to receive the audited consolidated financial statements of the Company for the year ended December 31, 2023 (with comparative statements relating to the preceding fiscal period) together with the report of the auditor thereon;
3. to elect the directors of Steppe who will serve until the end of the next annual general meeting of shareholders or until their successors are elected or appointed;
4. to appoint Kingston Ross Pasnak LLP as the auditors of Steppe for the ensuing year and to authorize the directors to fix their remuneration; and
5. to transact such further or other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

Accompanying this notice is the Circular, a form of proxy (the “**Form of Proxy**”) and a form of voting instruction form (if applicable). The Circular provides further information relating to the matters to be addressed at the Meeting. In order to become effective, the Transaction Resolution must be approved by a majority of the votes cast by the Company’s shareholders present in person or by proxy at the Meeting or at any adjournment(s) or postponement(s) thereof. A copy of the share exchange agreement dated April 11, 2024 between the Company, Boroo Singapore and Centerra Netherlands BVBA is available for inspection by the Company’s shareholders under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting or any adjournment(s) or postponement(s) thereof has been fixed by the directors of the Company as the close of business on May 6, 2024 (the “**Record Date**”). Only shareholders whose names have been entered in the register of shareholders at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment(s) or postponement(s) thereof.

To enable greater shareholder attendance, if a shareholder is unable to attend the Meeting in person, the Company encourages shareholders to access the Meeting via telephone conference call at (844) 511 2074 (Toll-Free Canada), 1 (234) 2032 767 (USA), +61 (2)6145 2180 (Australia), 86 1057 897465 (China) Conference Participant Access 053-515-325. **Shareholders attending the Meeting by telephone conference will be able to listen to the Meeting but will not be able to vote at the Meeting.**

Shareholders are entitled to vote at the Meeting either in person or by proxy. Those who are unable to attend the Meeting are requested to read, complete, sign and mail the enclosed Form of Proxy in accordance with the instructions set out in the Form of Proxy and in the Circular accompanying this notice.

**DATED** at Toronto, Ontario, this 8<sup>th</sup> day of May, 2024.

**BY ORDER OF THE BOARD OF  
DIRECTORS**

(Signed) "*Bataa Tumor-Ochir*"

---

Bataa Tumor-Ochir  
Chair and Chief Executive Officer



## TABLE OF CONTENTS

GLOSSARY OF TERMS .....	11
INFORMATION CIRCULAR .....	17
FORWARD LOOKING STATEMENTS .....	17
INFORMATION CONTAINED IN THIS CIRCULAR .....	20
GENERAL PROXY INFORMATION .....	20
Solicitation of Proxies.....	20
Appointment and Revocation of Proxies .....	21
Information for Non-Registered Shareholders .....	21
Voting of Proxies .....	22
Voting Securities and Principal Holders Thereof.....	23
MATTERS TO BE CONSIDERED AT THE MEETING .....	23
General and Special Business of the Meeting .....	23
Background to the Transaction .....	24
Recommendation of the Board .....	26
Reasons for Recommendation of the Board .....	26
Interests of Certain Persons or Companies in the Matters to be Acted Upon .....	28
General Description of the Share Exchange Agreement .....	28
General Description of the Share Purchase Agreements .....	45
Information Concerning the Combined Company Following Completion of the Transaction.....	46
Stock Exchange Approval .....	46
Mongolian Regulatory Approval .....	46
Securities Law Matters .....	47
Required Shareholder Approval .....	47
FAIRNESS OPINION .....	49
Engagement of Sequeira Partners .....	49
Credentials of Sequeira Partners .....	49
Compensation Paid to Sequeira Partners .....	49
Independence of Sequeira Partners .....	49
Prior Valuations .....	50
Scope of Review .....	50
Assumptions and Limitations .....	50
Fairness Conclusion .....	51

SUPPORT AND VOTING AGREEMENTS .....	51
INFORMATION CONCERNING THE COMPANY .....	51
INFORMATION CONCERNING BOROO GOLD .....	52
RISK FACTORS .....	52
Risk Factors Related to the Transaction .....	52
Risk Factors Related to the Company.....	55
GENERAL .....	55
Receipt of Financial Statements and Auditor’s Report .....	55
Election of Directors .....	56
Board and Management Upon Closing of the Transaction.....	60
Majority Voting Policy .....	60
Corporate Cease Trade Orders or Bankruptcies .....	61
Personal Bankruptcies.....	61
Penalties and Sanctions.....	61
Appointment of Auditor.....	61
Other Business .....	62
STATEMENT OF EXECUTIVE COMPENSATION.....	62
Named Executive Officers.....	62
Compensation Policy Objectives .....	62
Summary Compensation Table.....	66
Incentive Plan Awards .....	67
Employment Agreements .....	68
Termination and Change of Control Benefits.....	68
Performance Graph .....	70
DIRECTORS COMPENSATION .....	71
Summary Compensation Table.....	71
Incentive Plan Awards .....	72
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS .....	72
Equity Compensation Plan Information .....	73
Burn Rate .....	73
Long Term Incentive Plan .....	73
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS.....	75
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS.....	75
STATEMENT OF CORPORATE GOVERNANCE PRACTICES.....	76

Board of Directors .....	76
Meetings of Independent Directors.....	76
Board and Committee Meetings .....	76
Board Mandate.....	77
Position Descriptions .....	77
Orientation and Continuing Education .....	77
Ethical Business Conduct .....	77
Nomination of Directors .....	78
Other Board Committees .....	79
Assessments .....	80
Term Limits .....	80
Diversity Policy .....	80
ADDITIONAL INFORMATION.....	80
APPROVAL .....	82
CONSENT OF SEQUEIRA PARTNERS.....	83
SCHEDULE A INFORMATION CONCERNING THE COMPANY .....	A-1
SCHEDULE B INFORMATION CONCERNING BOROO GOLD.....	B-1
SCHEDULE C INFORMATION CONCERNING THE COMBINED COMPANY.....	C-1
SCHEDULE D FAIRNESS OPINION .....	D-1
SCHEDULE E AUDITED FINANCIAL STATEMENTS OF BOROO GOLD AS OF DECEMBER 31, 2023, 2022 AND 2021 .....	E-1
SCHEDULE F MANDATE OF THE BOARD OF DIRECTORS .....	F-1
SCHEDULE G PRO FORMA FINANCIAL STATEMENTS OF THE COMBINED COMPANY .....	G-1
SCHEDULE H ATO TECHNICAL REPORT SUMMARY .....	H-1
SCHEDULE I MANAGEMENT’S DISCUSSION AND ANALYSIS OF BOROO GOLD AS OF DECEMBER 31, 2023, AND 2022 AND MANAGEMENT’S DISCUSSION AND ANALYSIS OF BOROO GOLD AS OF DECEMBER 31, 2022 AND 2021.....	I-1

## GLOSSARY OF TERMS

In this Circular, the following capitalized words and terms shall have the following meanings:

“**Acquisition**” means the proposed acquisition by the Company of the Purchased Shares from Boroo Holdings pursuant to the terms of the Share Exchange Agreement.

“**Acquisition Proposal**” means, other than the Transaction and other than any transaction involving only the Company and/or one or more of its wholly-owned subsidiaries, any offer, proposal or inquiry (written or oral) from any person or group of persons other than Boroo Holdings (or any affiliate of Boroo Holdings) after the date of the Share Exchange Agreement relating to: (i) any sale, disposition, alliance or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as the foregoing), direct or indirect, in a single transaction or a series of related transactions, of or involving assets representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Company and its subsidiaries, taken as a whole, or of 20% or more of the voting or equity securities of the Company or any of its subsidiaries that, individually or in the aggregate, represent 20% or more of the consolidated assets or contribute 20% or more of the consolidated revenue of the Company and its subsidiaries, taken as a whole (or rights or interests in such voting or equity securities); (ii) any direct or indirect take-over bid, exchange offer, treasury issuance of securities, sale of securities or other transaction that, if consummated, would result in such person or group of persons beneficially owning 20% or more of any class of voting, equity or other securities of the Company or any of its subsidiaries that, individually or in the aggregate, represent 20% or more of the consolidated assets or contribute 20% or more of the consolidated revenue of the Company and its subsidiaries, taken as a whole (including securities convertible or exercisable or exchangeable for voting, equity or other securities of the Company or any of its subsidiaries) (in each case of (i) and (ii), determined based upon the most recently publicly available consolidated financial statements of the Company); (iii) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or exclusive license involving the Company or any of its subsidiaries; or (iv) any other similar transaction or series of transactions involving the Company or any of its subsidiaries.

“**ATO Project**” has the meaning ascribed in Schedule A to this Circular “*Information Concerning the Company*”.

“**Awards**” has the meaning ascribed in this Circular under the heading “*Statement of Executive Compensation – Compensation Policy Objectives – Long Term Incentives*”.

“**Beneficial Shareholders**” has the meaning ascribed in this Circular under the heading “*General Proxy Information – Information for Non-Registered Shareholders*”.

“**Board**” means the board of directors of the Company from time to time.

“**Boroo Gold**” means Boroo Gold LLC, a wholly-owned subsidiary of Boroo Holdings.

“**Boroo Gold Mine**” or “**Boroo Gold Project**” means the open-pit truck-and-shovel mine and gold processing operation 100% beneficially and legally owned by Boroo Gold located in the Selenge Province, Mongolia.

“**Boroo Group**” means, collectively, Boroo Singapore and its material subsidiaries operating in Mongolia and Peru.

“**Boroo Holdings**” means Centerra Netherlands BVBA, a wholly-owned subsidiary of Boroo Singapore.

“**Boroo Singapore**” means Boroo Pte Ltd.

“**Broadridge**” has the meaning ascribed in this Circular under the heading “*General Proxy Information – Information for Non-Registered Shareholders*”.

“**Circular**” means this management information circular, including the Notice of Meeting and all schedules hereto and all documents incorporated by reference herein and all amendments and/or supplements hereof.

“**Code**” has the meaning ascribed in this Circular under the heading “*Statement of Corporate Governance Practices – Ethical Business Conduct*”.

“**Combined Company**” means Steppe following the closing of the Transaction.

“**Common Shares**” means common shares in the capital of the Company.

“**Company**” or “**Steppe**” means Steppe Gold Ltd., a corporation existing under the laws of the Province of Ontario.

“**Company AIF**” means the Company’s annual information form for the year ended December 31, 2023.

“**Company Annual Financial Statements**” means the audited consolidated financial statements of the Company as at, and for the years ended, December 31, 2023 and December 31, 2022, including the notes thereto and the auditor’s report thereon.

“**Company Annual MD&A**” means the Company’s annual management’s discussion and analysis for the year ended December 31, 2023.

“**Company Board Recommendation**” has the meaning ascribed in Section 2.5(2) of the Share Exchange Agreement.

“**Company Change in Recommendation**” has the meaning ascribed in Section 7.2(1)(d)(ii) of the Share Exchange Agreement.

“**Confidentiality Agreement**” means the confidentiality agreement between the Company and Boroo Singapore dated August 30, 2023.

“**Consideration Shares**” means approximately 143,796,574 Common Shares, or that number of Common Shares that results in Boroo Singapore, directly or indirectly, holding 55.9% of the issued and outstanding Common Shares (calculated on a fully diluted basis) upon completion of the Acquisition.

“**Diversity Policy**” has the meaning ascribed in this Circular under the heading “*Statement of Corporate Governance Practices – Diversity Policy*”.

“**DSUs**” has the meaning ascribed in this Circular under the heading “*Statement of Executive Compensation – Compensation Policy Objectives – Long Term Incentives*”.

“**Fairness Opinion**” means the opinion of Sequeira Partners to the effect that the Transaction is fair, from a financial point of view, to the Company and the Shareholders.

“**Fasken**” means Fasken Martineau DuMoulin LLP, Canadian legal counsel to the Company.

“**Investor Rights Agreement**” has the meaning ascribed in this Circular under the heading “*Matters to be Considered at the Meeting – General Description of the Share Exchange Agreement – Investor Rights Agreement*”.

“**Key Consents**” has the meaning ascribed in the Share Exchange Agreement.

“**KRP**” has the meaning ascribed in this Circular under the heading “*General – Appointment of Auditor*”.

“**LERO**” has the meaning ascribed in this Circular under the heading “*Matters to be Considered at the Meeting – Mongolian Regulatory Approval*”.

“**Locked-up Shareholders**” means all of the directors and officers of the Company.

“**LTIP**” has the meaning ascribed in this Circular under the heading “*Statement of Executive Compensation – Compensation Policy Objectives – Long Term Incentives*”.

“**Majority Voting Policy**” has the meaning ascribed in this Circular under the heading “*General – Majority Voting Policy*”.

“**Mandate**” has the meaning ascribed in this Circular under the heading “*Statement of Corporate Governance Practices – Board Mandate*”.

“**Matching Period**” has the meaning ascribed in this Circular under the heading “*Matters to be Considered at the Meeting – General Description of the Share Exchange Agreement – Right to Match*”.

“**Material Adverse Effect**” has the meaning ascribed in the Share Exchange Agreement.

“**Meeting**” has the meaning ascribed in this Circular under the heading “*Information Circular*”.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**Named Executive Officer**” or “**NEO**” has the meaning ascribed in this Circular under the heading “*Statement of Executive Compensation – Named Executive Officers*”.

“**NCGC**” has the meaning ascribed in this Circular under the heading “*General – Majority Voting Policy*”.

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

“**NOBOs**” has the meaning ascribed in this Circular under the heading “*General Proxy Information – Information for Non-Registered Shareholders*”.

“**NP 58-201**” means National Policy 58-201 – *Corporate Governance Guidelines*.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**OBOs**” has the meaning ascribed in this Circular under the heading “*General Proxy Information – Information for Non-Registered Shareholders*”.

“**Options**” has the meaning ascribed in this Circular under the heading “*Statement of Executive Compensation – Compensation Policy Objectives – Long Term Incentives*”.

“**Outside Date**” has the meaning ascribed in the Share Exchange Agreement.

“**PSUs**” has the meaning ascribed in this Circular under the heading “*Statement of Executive Compensation – Compensation Policy Objectives – Long Term Incentives*”.

“**Purchased Shares**” means, collectively, all of the issued and outstanding shares in the capital of Boroo Gold.

“**Record Date**” has the meaning ascribed in this Circular under the heading “*General Proxy Information – Voting Securities and Principal Holders Thereof*”.

“**RSUs**” has the meaning ascribed in this Circular under the heading “*Statement of Executive Compensation – Compensation Policy Objectives – Long Term Incentives*”.

“**Securities Trading Policy**” has the meaning ascribed in this Circular under the heading “*Statement of Executive Compensation – Compensation Policy Objectives – Financial Instruments*”.

“**Seller Change in Recommendation**” has the meaning ascribed in Section 7.2(1)(c)(iii) of the Share Exchange Agreement.

“**Share Exchange Agreement**” means the share exchange agreement dated April 11, 2024 between the Company, Boroo Holdings and Boroo Singapore relating to the sale and purchase of the Purchased Shares.

“**Share Purchase Agreements**” has the meaning ascribed in this Circular under the heading “*Matters to be Considered at the Meeting – General Description of the Share Purchase Agreements*”.

“**Shareholders**” means, collectively, the holders of Common Shares.

“**Superior Proposal**” means any unsolicited bona fide written Acquisition Proposal from a person who is an arm’s length third party of the Company, made after the date of the Share Exchange Agreement, to acquire, for cash consideration, not less than all of the outstanding Common Shares (other than Common Shares owned by the person making the Superior Proposal) or all or substantially all of the assets of the Company on a consolidated basis that:

- (a) complies with securities laws and did not result from or involve a breach of the Share Exchange Agreement, the Confidentiality Agreement or any other agreement between the person making the Acquisition Proposal and the Company or any of its subsidiaries;
- (b) is not subject to a financing condition and in respect of which any funds or other consideration necessary to complete such Acquisition Proposal have been demonstrated to the satisfaction of the Board, acting in good faith (after consultation with its financial advisor(s) and legal counsel), to have been obtained to fund completion of such Acquisition Proposal at the time and on the basis set out therein;

- (c) is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal;
- (d) is not subject to a due diligence and/or access condition; and
- (e) the Board determines:
  - (i) in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal, would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction which is more favourable, from a financial point of view, to the Shareholders than the Transaction (including any amendments to the terms and conditions of the Transaction proposed by Boroo Holdings pursuant to Section 5.4(2) of the Share Exchange Agreement); and
  - (ii) in good faith (after consultation with outside legal counsel) that failure to recommend such Acquisition Proposal to the Shareholders, or failure to accept such Acquisition Proposal, as the case may be, would be inconsistent with the fiduciary duties of the Board under applicable law.

“**Superior Proposal Notice**” has the meaning ascribed in this Circular under the heading “*Matters to be Considered at the Meeting – General Description of the Share Exchange Agreement – Right to Match*”.

“**Support and Voting Agreements**” means, collectively, the support and voting agreements, dated effective the date of the Share Exchange Agreement between Boroo Singapore and each of the Locked-up Shareholders, which agreements provide that such persons shall, among other things, vote all Common Shares of which they are the registered or beneficial holder or over which they have control or direction, in favour of the Transaction Resolution.

“**Termination Fee**” has the meaning ascribed in this Circular under the heading “*Matters to be Considered at the Meeting – General Description of the Share Exchange Agreement – Termination Payment*”.

“**Transaction**” means, collectively, the Acquisition and the Tres Cruces Transaction.

“**Transaction Resolution**” means the ordinary resolution to be proposed to the Shareholders at the Meeting approving the Transaction, the full text of which is disclosed under the heading “*Matters to be Considered at the Meeting – Required Shareholder Approval*”.

“**Tres Cruces Project**” means the gold exploration project 100% beneficially and legally owned by Aurifera Tres Cruces S.A., an indirect, wholly-owned subsidiary of the Company, and consisting of 4 concessions located within the Department of La Libertad in north-central Peru.

“**Tres Cruces Transaction**” means the sale of the Tres Cruces Project to Boroo Singapore in accordance with, and on the terms and conditions set forth in, the Share Purchase Agreements.

“**TSX**” means the Toronto Stock Exchange.



“**Ulaanbulag Gold Mine**” means the open-pit truck-and-shovel mine 100% beneficially owned by Boroo Gold located in the Tuv province, Mongolia.

## INFORMATION CIRCULAR

This Circular is furnished in connection with the solicitation of proxies by the management of Steppe Gold Ltd. for use at the Annual General and Special Meeting of Shareholders of the Company and any adjournment thereof to be held at 10:00 a.m. (ULAT) on June 24, 2024 (the “**Meeting**”) at the place and for the purposes set forth in the accompanying notice of Meeting.

Except as otherwise stated, all capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth under the heading “*Glossary of Terms*”.

The contents and the sending of this Circular have been approved by the Board. **All references to “dollars”, “US\$” or “\$” are to United States dollars (USD) and all references to “C\$” are to Canadian dollars.** All references to the Company shall include its subsidiaries as the context may require.

The following table sets forth, for each of the periods indicated, the high, low and average daily exchange rates and the spot rate at the end of the period for US\$1.00 in terms of Canadian dollars, as reported by the Bank of Canada.

	Year ended December 31,		
	2021	2022	2023
Rate at the end of period .....	\$1.2678	\$1.3544	\$1.3226
Average rate during period.....	\$1.2535	\$1.3011	\$1.3497
Highest rate during period.....	\$1.2942	\$1.3856	\$1.3875
Lowest rate during period .....	\$1.2040	\$1.2451	\$1.3128

On May 8, 2024 the Bank of Canada daily exchange rate for the purchase of US\$1.00 using Canadian dollars was C\$1.3734 (C\$1.00 =US\$0.7281).

## FORWARD LOOKING STATEMENTS

Certain information contained in this Circular, including in documents incorporated by reference in it, constitutes forward-looking information or forward-looking statements within the meaning of applicable securities laws. Such information or statements may relate to future events, facts or circumstances or the Company’s or the Combined Company’s future financial or operating performance or other future events or circumstances. All information other than historical fact is forward-looking in nature and involves known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results, performance, events or circumstances expressed or implied by such forward-looking statements or information. Such statements can be, but are not always, identified by the use of words such as “anticipate”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “likely”, “intend”, “may”, “will”, “would”, “project”, “should”, “believe” and “potential”. No assurance can be given that this information will ultimately prove to be accurate or correct and such forward-looking information included in this Circular should not be unduly relied upon. Unless indicated otherwise, forward-looking information and statements speak only as of the date of this Circular.

Forward-looking statements in this Circular include, but are not limited to, statements with respect to: the consummation and timing of the Transaction; approval of the Transaction by Shareholders; the satisfaction of the covenants and conditions precedent to the Transaction; the strengths, characteristics and potential of the Combined Company post-Transaction; the board and management team of the Combined Company following completion of the Transaction; corporate governance of the Combined Company; growth potential and expectations regarding the synergies between the Company and Boroo Gold; timing, receipt and anticipated effects of stock exchange, regulatory and other consents and approvals; the effect of the

Transaction on employees and local stakeholders, anticipated future production, future gold demand and growth, the discussion of future plans and growth potential; projects, objectives, estimates and forecasts and the timing related thereto; the potential payment of dividends of the Combined Company; the estimation of mineral resources and reserves; the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures and reclamation, the success of both Steppe's and Boroo Gold's mining operations, the success of mineral exploration, the estimations for potential quantities and grade of inferred resources and exploration targets; Steppe's and Boroo Gold's ability to fund future exploration activities; and Boroo Gold's business.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions and are subject to known and unknown risks and uncertainties that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur, some of which are specific to the Company, Boroo Gold or the Combined Company and others that apply to the mining industry generally. In making the forward-looking information or statements contained in this Circular, assumptions have been made regarding, among other things: the consummation or non-consummation of the Transaction; the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary stock exchange, regulatory and Shareholder approvals; the ability of the parties to satisfy, in a timely manner, the other conditions for the completion of the Transaction; statements made in, and based upon, the Fairness Opinion; the business and operations of the Company and Boroo Gold and, assuming closing of the Transaction, the Combined Company; general business, economic and mining industry conditions; interest rates and foreign exchange rates; the continuing accuracy of mineral resource and reserve estimates; geological and metallurgical conditions (including with respect to the size, grade and recoverability of mineral resources and reserves) and cost estimates on which the mineral resource and reserve estimates are based; the supply and demand for commodities and precious and base metals and the level and volatility of the prevailing price of gold; market competition; the ability of the Company and, assuming closing of the Transaction, the Combined Company to raise sufficient funds from capital markets and meet its future obligations and planned activities and that unforeseen events do not impact the ability of the Company or, assuming closing of the Transaction, the Combined Company to use existing funds to fund future plans and projects as currently contemplated; the stability and predictability of the political environments and legal and regulatory frameworks in Mongolia, including with respect to, among other things, the ability of the Company and, assuming closing of the Transaction, the Combined Company to obtain, maintain, renew and/or extend required permits, licences, authorizations and/or approvals from the appropriate regulatory authorities; that contractual counterparties perform as agreed; and the ability of the Company and, assuming closing of the Transaction, the Combined Company to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet its demand.

Actual results could differ materially from those anticipated in the forward-looking information or statements contained in this Circular as a result of risks and uncertainties (both foreseen and unforeseen) and should not be read as guarantees of future performance or results and will not necessarily be accurate indicators of whether or not such results will be achieved. These risks and uncertainties include: the Share Exchange Agreement may be terminated in certain circumstances; there can be no certainty that all conditions precedent to the Transaction will be satisfied; the Transaction may affect the Combined Company's ability to attract and retain key personnel or affect third party business relationships; Steppe will incur costs even if the Transaction is not completed and may have to pay the Termination Fee; the Termination Fee provided under the Share Exchange Agreement may discourage other parties from attempting to acquire Steppe; the market price for the Common Shares may decline; Boroo Singapore, as the Company's largest Shareholder post-Transaction, will be in a position to exercise significant influence over matters requiring Shareholder approval and there can be no assurance that Boroo Singapore's interests will align with the interests of the Company or other Shareholders; the pending Transaction may divert the attention of the Company's management; Steppe and Boroo Gold may be the targets of legal claims,

securities class actions, derivative lawsuits and other claims, which may delay or prevent the Transaction from being completed; if the Company is unable to complete the Transaction or if completion of the Transaction is delayed, there could be an adverse effect on the Company's liquidity position, financial condition or business; Steppe has not verified the reliability of the information regarding Boroo Gold included in, or which may have been omitted from, this Circular; other customary risks associated with transactions of this nature; inability to achieve the benefits or synergies anticipated from the Transaction; risks normally incidental to exploration and development of mineral projects and the conduct of mining operations (including exploration failure, cost overruns or increases and operational difficulties resulting from plant or equipment failure, among others); the inability of the Company or the Combined Company to obtain required financing when needed and/or on acceptable terms or at all; risks related to operating in Mongolia, including potentially more limited infrastructure and/or less developed legal and regulatory regimes; risks to the Combined Company of operating exclusively in Mongolia; health risks associated with the mining workforce in Mongolia; risks related to the Company's title to its mineral properties; the risk of adverse changes in commodity prices; the risk that the Company's or the Combined Company's exploration for and development of mineral deposits may not be successful; the inability of the Company or the Combined Company to obtain, maintain, renew and/or extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the legal and regulatory frameworks in Mongolia, including adverse or arbitrary changes in applicable laws or regulations or in their enforcement; competitive conditions in the mineral exploration and mining industry; risks related to obtaining insurance or adequate levels of insurance for the Company's or Combined Company's operations; that mineral resource and reserve estimates are only estimates and actual metal produced may be less than estimated in a mineral resource or reserve estimate; the risk that the Company or the Combined Company will be unable to delineate additional mineral resources; risks related to environmental regulations and cost of compliance, as well as costs associated with possible breaches of such regulations; uncertainties in the interpretation of results from drilling; risks related to the tax residency of the Company and the Combined Company; the possibility that future exploration, development or mining results will not be consistent with expectations; the risk of delays in construction resulting from, among other things, the failure to obtain materials in a timely manner or on a delayed schedule; inflationary pressures which may increase the cost of production or of consumables beyond what is estimated in studies and forecasts; changes in exchange and interest rates; risks related to the activities of artisanal miners, whose activities could delay or hinder exploration or mining operations; the risk that third parties to contracts may not perform as contracted or may breach their agreements; the risk that plant, equipment or labour may not be available at a reasonable cost or at all, or cease to be available, or, in the case of labour, may undertake strike or other labour actions; the inability to attract and retain key management and personnel; and the risk of political uncertainty, terrorism, civil strife or war in the jurisdictions in which the Company or the Combined Company operates or in neighbouring jurisdictions which could impact on the Company's or the Combined Company's exploration, development and operating activities.

Failure to obtain the necessary stock exchange, regulatory and Shareholder approvals, or the failure of the parties to otherwise satisfy the conditions for the completion of the Transaction, may result in the Transaction not being completed on the proposed terms or at all. In addition, if the Transaction is not completed, and the Company continues as an independent entity, there are risks that the announcement of the Transaction and the dedication of substantial resources by the Company to the completion of the Transaction could have an effect on its business and strategic relationships, including with future and prospective employees, customers, suppliers and partners, operating results and activities in general, and could have a material adverse effect on its current and future operations, financial condition and prospects.

Readers are cautioned that the above list of cautionary statements is not exhaustive. A number of known and unknown risks, uncertainties and other factors could cause actual events, performance or results to differ materially from what is projected in forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying factors or assumptions prove incorrect, actual results

may vary materially from those described in forward-looking statements. For a non-exhaustive list of risks and uncertainties relevant to the Company, please refer to “*Risk Factors*” contained herein and under the heading “*Risk Factors*” in the Company AIF and the Company Annual MD&A, which are incorporated by reference in this Circular.

This Circular also contains mineral “resource” and mineral “reserve” estimates. Information relating to mineral “resources” and “reserves” contained in this Circular is considered forward-looking information in nature, as such estimates are estimates only, and that involve the implied assessment of the amount of minerals that may be economically extracted in a given area based on certain judgments and assumptions made by qualified persons, including the future economic viability of the deposit based on, among other things, future estimates of commodity prices. Such estimates are expressions of judgment and opinion based on the knowledge, mining experience, analysis of drilling results and industry practices of the qualified persons making the estimate. Valid estimates made at a given time may significantly change when new information becomes available and may have to change as a result of numerous factors, including changes in the prevailing price of gold. By their nature, mineral resource and reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such mineral resource or reserve estimates are inaccurate or are reduced in the future (including through changes in grade or tonnage), this could have a material adverse impact on the Company or the Combined Company and its operating and financial performance. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Although the forward-looking statements contained in this Circular are based upon what management believes are reasonable assumptions, the Company cannot provide assurance that actual results or performance will be consistent with these forward-looking statements. The forward-looking information and statements included in this Circular are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

## INFORMATION CONTAINED IN THIS CIRCULAR

Information contained in this Circular, including information in the schedules hereto, which form part of this Circular, is given as of May 8, 2024 unless otherwise specifically stated. Information contained in documents incorporated by reference in this Circular is given as of the respective dates stated in such documents. No person has been authorized to give any information or to make any representations in connection with the Transaction other than those contained in this Circular and, if given or made, any such information or representations should be considered not to have been authorized by the Company.

Information contained in this Circular should not be construed as legal, tax or financial advice and Shareholders are urged to consult their own professional advisors in connection therewith.

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

**This Circular and the enclosed proxy is furnished in connection with the solicitation of proxies by the management of the Company.** While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally, by facsimile or by telephone by the regular employees of the Company at nominal cost. All costs of solicitation by management will be borne by the Company.

The contents and the sending of this Circular have been approved by the Board.

### **Appointment and Revocation of Proxies**

The individuals named as proxyholders in the accompanying form of proxy are directors and/or officers of the Company. **A REGISTERED SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM OR HER AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY STRIKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY AND INSERTING THE DESIRED PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND SIGNING AND DATING THE PROXY OR BY COMPLETING ANOTHER FORM OF PROXY.** A proxy will not be valid unless the completed form of proxy is received by Odyssey Trust Company, by mail at Suite 702 – 67 Yonge Street, Toronto, Ontario M5E 1J8 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or, with respect to any matters to be dealt with at any adjournment of the Meeting, before the time of the re-commencement of the adjourned Meeting. Proxies delivered after such time(s) will not be accepted.

A Shareholder who has given a proxy may revoke it prior to its use by an instrument in writing executed by the Shareholder or by his or her attorney duly authorized in writing or, where the Shareholder is a corporation, by a duly authorized officer or attorney of such corporation, and delivered to the registered office of the Company, at 333 Bay Street, Suite 2400, Toronto, Ontario M5H 2T6 (Attention: Chief Financial Officer) at any time up to and including the last business day preceding the day of the Meeting or, if adjourned, preceding any reconvening thereof or to the Chairperson of the Meeting on the day of the Meeting or, if adjourned, any reconvening thereof or in any other manner provided by law. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

### **Information for Non-Registered Shareholders**

**Only registered Shareholders or proxyholders duly appointed by registered Shareholders are permitted to vote at the Meeting. Most Shareholders of the Company are “non-registered” Shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their Common Shares in their own name (referred to herein as “Beneficial Shareholders”) should note that only registered Shareholders are entitled to vote at the Meeting.** If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in such Shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which company acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the brokers' clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical

to the form of proxy provided by the Company to the registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate the responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of Common Shares must be communicated to Broadridge well in advance of the Meeting) in order to have the Common Shares voted.**

The Meeting materials are being sent to both registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own (“**OBOs**”) and those who do not object to their identity being made known to the issuers of the securities they own (“**NOBOs**”). Subject to the provisions of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, issuers may request and obtain a list of their NOBOs from intermediaries via their transfer agents. If you are a Beneficial Shareholder and the Company or its agent has sent these materials directly to you, your name, address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Common Shares on your behalf.

The Company does not intend to pay for intermediaries to forward materials to OBOs and an OBO will not receive materials unless such OBO’s intermediary assumes the cost of delivery. The Company’s OBOs can expect to be contacted by Broadridge or their broker or their broker’s agents as set out above.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the proxy or voting instruction card provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker.**

All references to Shareholders in this Circular and the accompanying form of proxy and notice of Meeting are to registered Shareholders unless specifically stated otherwise.

### **Voting of Proxies**

The Common Shares represented by a properly executed proxy in favour of persons designated as proxyholders in the enclosed form of proxy will:

- (a) be voted or withheld from voting in accordance with the instructions of the person appointing the proxyholder on any ballot that may be called for; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of proxy, be voted in accordance with the specifications made on such proxy.

**SUCH COMMON SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED OR, WHERE BOTH CHOICES HAVE BEEN SPECIFIED, AS DIRECTED BY THE SHAREHOLDER.**

The enclosed form of proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the person appointed proxyholder thereunder to vote with respect to amendments or variations of matters identified in the notice of Meeting and with respect to any other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated by management as proxyholders in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Circular, the management of the Company knows of no such amendment, variation or other matter that may be presented to the Meeting.

**Voting Securities and Principal Holders Thereof**

The Company is authorized to issue an unlimited number of Common Shares, each such Common Share carrying the right to one vote at the Meeting. As at May 8, 2024, the Company had 109,030,613 issued and outstanding Common Shares. Only Shareholders of record at the close of business (Toronto time) on May 6, 2024 (the “**Record Date**”) who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their Common Shares voted at the Meeting. Each Common Share confers the right to one vote in person or by proxy at all meetings of the Shareholders. The list of Shareholders entitled to vote at the Meeting is available for inspection during normal business hours at the offices of Odyssey Trust Company at Suite 702 – 67 Yonge Street, Toronto, Ontario M5E 1J8 and will be available at the Meeting.

To the knowledge of the directors and executive officers of the Company, there are no persons or companies who beneficially own, or exercise control or direction over, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares.

**MATTERS TO BE CONSIDERED AT THE MEETING**

**General and Special Business of the Meeting**

At the Meeting, Shareholders will be asked:

- (a) to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, the full text of which is disclosed under the heading “*Matters to be Considered at the Meeting – Required Shareholder Approval*”, approving: (i) the acquisition by the Company of the Purchased Shares, and (ii) the sale of the Tres Cruces Project to Boroo Singapore, all as more particularly described herein;
- (b) to receive the audited consolidated financial statements of the Company for the year ended December 31, 2023 (with comparative statements relating to the preceding fiscal period), together with the report of the auditors thereon;
- (c) to elect directors;
- (d) to appoint Kingston Ross Pasnak LLP as the auditors of Steppe for the ensuing year and to authorize the directors to fix their remuneration; and



- (e) to transact such further or other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

Unless otherwise directed, it is the intention of management's proxyholders to vote proxies in favour of the resolutions set forth above. **To pass, all ordinary resolutions require approval by a simple majority of the votes cast at the Meeting by Shareholders.**

### **Background to the Transaction**

The execution of the Share Exchange Agreement was the result of arm's length negotiations among representatives of the Company, Boroo Holdings and Boroo Singapore and their respective legal and financial advisors, as more fully described herein. The following is a summary of the material events which led to the meetings, negotiations, discussions and actions between the parties that preceded the execution and public announcement of the Share Exchange Agreement.

The Board regularly reviews Steppe's overall corporate strategy and long-term strategic plan as part of its ongoing review and oversight of Steppe's business, with a view to the best interests of Steppe. As part of this process, the Board has, from time to time, assessed the relative merits of various strategic alternatives, including continuing as an independent enterprise, potential acquisitions, divestitures and various combinations of Steppe, its assets or its mines and projects. In the ordinary course of business, Steppe has had regular engagement with several industry peers for the purpose of seeking opportunities for collaboration, joint business development opportunities, asset acquisitions and, in some circumstances, evaluation of more transformational strategic alternatives, including the potential for corporate-level combinations.

The Boroo Gold Mine was well known to Steppe management and certain stakeholders of Steppe had previously indicated a preference over time for the Company to grow its asset base in Mongolia. With the \$150 million ATO Gold Mine Phase 2 Expansion project financing in place, management believed the opportunity to create a multi-asset producer in Mongolia would likely be well received by the market. In conjunction with its debt financing partners, Steppe and Boroo Singapore decided to initiate discussions on the possibility of a transaction in late 2023.

Beginning in the third-quarter of 2023, senior management from Steppe and senior management from Boroo Singapore engaged in informal discussions around the possibility of a strategic transaction between Steppe and Boroo Singapore.

On August 30, 2023, Steppe and Boroo Singapore entered into the Confidentiality Agreement to facilitate continued strategic discussions and the sharing of information. Each party and their representatives were subsequently provided with access to confidential information concerning the other party in order to complete due diligence with respect to a potential transaction.

Through the fourth-quarter of 2023, senior management from Steppe and senior management from Boroo Singapore had numerous discussions concerning a potential transaction. During this period, the parties conducted initial investigations, including completing preliminary due diligence, and Steppe personnel began technical reviews of the Boroo Gold Mine and Boroo Gold and Boroo Singapore personnel began technical reviews of the ATO mine and the Tres Cruces Project.

In December 2023, following discussions between senior management from Steppe and senior management from Boroo Singapore, the parties advanced a structure for a proposed transaction whereby Steppe would acquire Boroo Gold. In the following weeks, both parties continued to evaluate the proposed transaction

and its structure, including securities law matters, foreign tax considerations, required third party consents and approvals and environmental and technical due diligence matters.

On January 22, 2024, Steppe announced it had entered into a binding term sheet with respect to a proposed transaction whereby Steppe would acquire Boroo Gold in exchange for that number of Common Shares 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. The binding term sheet provided for an exclusivity period up to March 29, 2024.

From February 2024 until April 2024, each of Steppe and Boroo Singapore continued their legal, technical and financial due diligence and began negotiating a definitive agreement in connection with the proposed transaction.

On March 8, 2024, Canadian legal counsel to Boroo Singapore delivered to Steppe and its Canadian legal counsel an initial draft of the Share Exchange Agreement. In the following days and weeks, legal counsel prepared and delivered drafts of the Investor Rights Agreement and other ancillary transaction documents. During this period, the Board and senior management of Steppe met with its Canadian legal counsel and advisors to discuss certain key provisions in the Share Exchange Agreement. Open issues included the potential concurrent acquisition by Boroo Singapore of the Tres Cruces Project, the availability to the Board of a “fiduciary out” in the event of an unsolicited offer to acquire Steppe during the interim period and the quantum of the Termination Fee in such circumstance, treatment of expense reimbursement to Boroo Singapore in the event that the transaction did not close and conditions precedent related to certain administrative filings required under Mongolian law.

On March 18, 2024, Sequeira Partners was formally engaged as Steppe’s independent financial advisor and to provide a fairness opinion to the Board in respect of the proposed transaction with Boroo Singapore.

On March 19, 2024, the parties executed an extension to the exclusivity period contained in the binding term sheet, extending the exclusivity period to April 12, 2024 in order to facilitate the continued negotiation of the Share Exchange Agreement, the Share Purchase Agreements and other transaction documentation.

On March 26, 2024, the Board met with members of Steppe’s senior management to receive an update with respect to the draft Share Exchange Agreement and review the due diligence conducted to date. In advance of the meeting, the Board was provided with materials summarizing the results of the technical, legal, financial and tax due diligence of Boroo Gold conducted to date, together with information on the current structure and proposed financial terms for the transaction. At this meeting, the Board received a presentation from Steppe’s senior management on the financial merits of the proposal, including, among other things, the strategic rationale of the transaction, consideration of applicable technical reports, the key considerations and risks of the transaction, the valuation assumptions, a preliminary analysis of the relative values of the parties and an overview of the potential synergies. The Board was provided with an opportunity to ask questions and received responses from Steppe’s senior management. The Board also considered whether a special committee of independent directors of the Board should be formed to assist in evaluating and negotiating any proposal with respect to a potential change of control transaction. The Board determined that forming a special committee of independent directors was not warranted at this time given the financial and other terms of the proposal.

On April 4, 2024, the Board met again with members of Steppe’s senior management and Steppe’s legal and financial advisors. Mr. South presented management’s recommendations to the Board and the reasons for such recommendations and a summary of the Share Exchange Agreement and ancillary agreements to be entered into in connection with the Transaction were also reviewed. The Board engaged in discussions with Steppe’s legal and financial advisors and took the opportunity to ask questions of Fasken and Sequeira

Partners. At this meeting, the Board also verbally received the Fairness Opinion, which involved a detailed presentation describing the Transaction, the engagement of Sequeira Partners, pertinent characteristics of the parties and Sequeira Partner's approach to assessing fairness, analyses performed and other transaction considerations, as well as the overall scope of review. After receiving the aforementioned information, the Board considered a number of factors, including those factors discussed under the heading "*Matters to be Considered at the Meeting - Reasons for Recommendation of the Board*". Following the April 4, 2024 meeting and after consultation with Fasken and Sequeira Partners, the Board authorized senior management of Steppe to negotiate the remaining open issues in the draft Share Exchange Agreement.

Following April 4, 2024, the parties further negotiated a transaction structure whereby the Acquisition and the Tres Cruces Transaction would be cross conditional such that neither transaction would close unless both of them would close.

During the following days, the parties and their respective Canadian legal counsel continued to negotiate the remaining open issues in the draft Share Exchange Agreement and Peruvian legal counsel to the parties continued to negotiate remaining open issues in the Share Purchase Agreements, subject to final approval of the Transaction by each of the parties thereto. Furthermore, certain provisions such as the anticipated right of first refusal to be granted to Boroo Singapore and the resulting ownership percentage to be held by Boroo Singapore, as originally contemplated in the binding term sheet were accordingly updated in the draft Share Exchange Agreement.

On April 9, 2024, the Board unanimously resolved: (i) that the Transaction is fair, from a financial point of view, to the Shareholders and the Transaction is in the best interests of Steppe; (ii) to recommend that Shareholders approve the Transaction; and (iii) that the Share Exchange Agreement, and the terms and conditions thereof, and all matters contemplated therein, be approved and Steppe be authorized to enter into the Share Exchange Agreement and perform all of its obligations thereunder.

On April 11, 2024, Steppe, Boroo Singapore and Boroo Holdings entered into the Share Exchange Agreement and, concurrently therewith, their respective affiliates entered into the Share Purchase Agreements.

### **Recommendation of the Board**

After considering the Fairness Opinion, and after consulting with its financial and legal advisors, among other considerations, the Board has unanimously: (i) determined that the Transaction is fair to Steppe; (ii) approved each of the Acquisition and the Tres Cruces Transaction and determined that the entering into of the Share Exchange Agreement and Share Purchase Agreements, respectively, is in the best interests of Steppe; and (iii) resolved to recommend that Shareholders vote in favour of the Transaction Resolution.

### **Reasons for Recommendation of the Board**

The Board has unanimously approved each of the Acquisition and the Tres Cruces Transaction, as more particularly described in this Circular. In the course of its evaluation of the Acquisition and the Tres Cruces Transaction, the Board considered a number of factors, including those listed below, with the benefit of advice from its financial advisors and legal counsel. The following is a summary of the principal reasons for the Board's unanimous approval of the Acquisition and the Tres Cruces Transaction and its recommendation to Shareholders that they vote in favour of the Transaction Resolution:

- ***The Acquisition will create Mongolia's leading gold producer:***
  - Acquisition of a leading gold producer, Boroo Gold, will create Mongolia's leading gold producer.
  - Boroo Singapore will hold approximately 55.9% of the issued and outstanding Common Shares on a fully diluted basis, immediately following the completion of the Acquisition.
  - Steppe combined gold production in 2024 projected to be 90,000 oz, rising to an estimated annualized 150,000 oz in 2026 as the ATO Gold Mine Phase 2 Expansion is planned to come on stream in mid-2026.
  
- ***Immediate and strong cash flows to Steppe:***
  - Boroo Gold estimates over 400,000 oz of gold production from 2024 to 2031, with projected average annual production of approximately 60,000 oz in 2024, 2025 and 2026.
  - In 2023, Boroo Gold had revenue of \$132 million on production of 67,315 oz of gold, at an average achieved gold price of \$1,957 per oz.
  - Boroo Gold is forecasting similar production levels in 2024, albeit with higher sustaining costs.
  
- ***Long standing and strong social license:***
  - The Boroo Gold Mine comes with a long and proud history of positive impact in Mongolia:
    - Over \$1,020 million in benefits to Mongolia since 2003 (taxes and fees, CAPEX, donations, payments to local companies for goods and services and salaries to national employees).
    - Over \$17.5 million in donations and investments in local soums between 2007 and 2023 under its framework of social responsibility.
  
- ***Potential for significant value upside:***
  - Potential cost synergies from combined purchasing power and lower relative administration costs.
  - Increasing reserves and resources near the existing mines.
  
- ***Disposition of the Tres Cruces Project on best terms available:***
  - Divestment of the Tres Cruces Project to the likely highest value buyer, returning Steppe's singular focus to Mongolia.
  
- ***Support of Directors and Executive Officers:***
  - The directors and executive officers of Steppe have entered into the Support and Voting Agreements, pursuant to which, and subject to the terms thereof, they have agreed to vote

their Common Shares in favour of the Transaction Resolution. See “*Support and Voting Agreements*”.

Please see the below section titled “*Matters to be Considered at the Meeting – General Description of the Share Exchange Agreement*” for a detailed summary of the Share Exchange Agreement, including non-solicitation provisions, Acquisition Proposal rights and the right to match.

The discussion of the information and factors considered and given weight by the Board is not intended to be exhaustive, but is believed to include all material factors considered by the Board. In reaching the determination to approve the Transaction and recommend the Transaction Resolution, the Board did not assign any relative or specific weight to the factors that were considered and individual directors may have given different weights to different factors.

### **Interests of Certain Persons or Companies in the Matters to be Acted Upon**

To the knowledge of the directors and executive officers of the Company, other than the election of directors, none of the directors or executive officers of the Company who have been a director or executive officer at any time since the beginning of the Company’s last financial year, none of the proposed nominees for election as directors of the Company and no associate or affiliate of any of the foregoing, have any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

### **General Description of the Share Exchange Agreement**

The following description of the Share Exchange Agreement is qualified in its entirety by reference to the full text of the Share Exchange Agreement, which is available electronically under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Subject to the terms and conditions of the Share Exchange Agreement, the Company has irrevocably agreed to acquire the Purchased Shares of Boroo Gold from Boroo Holdings. The Company will satisfy the consideration payable for the Acquisition at closing by the issuance of approximately 143,796,574 Common Shares, or that number of Common Shares that results in Boroo Singapore, directly or indirectly, holding 55.9% of the issued and outstanding Common Shares (calculated on a fully diluted basis) upon closing of the Acquisition. The deemed issue price for the Consideration Shares is approximately C\$0.59 per Consideration Share.

Except as otherwise stated, all capitalized terms used in this section “*General Description of the Share Exchange Agreement*” that are not otherwise defined in this Circular have the meanings given to them in the Share Exchange Agreement.

### *Representations and Warranties of Boroo Holdings*

The Share Exchange Agreement contains representations and warranties from Boroo Holdings relating to matters that include, among other things: (i) organization and qualification; (ii) corporate authorization; (iii) execution and binding obligation; (iv) governmental authorization; (v) non-contravention; (vi) capitalization; (vii) shareholders’ and similar agreements; (viii) subsidiaries; (ix) financial statements; (x) no material undisclosed liabilities; (xi) absence of certain changes or events; (xii) related party transactions; (xiii) arrangements with shareholders; (xiv) compliance with laws; (xv) authorizations and licenses; (xvi) material contracts; (xvii) personal property; (xviii) real property; (xix) properties and mineral rights; (xx) operations and expropriation; (xxi) technical reports; (xxii) royalties, rentals and taxes paid; (xxiii) intellectual property; (xxiv) litigation; (xxv) environmental matters; (xxvi) employees; (xxvii) collective

agreements; (xxviii) employee plans; (xxix) insurance; (xxx) taxes; (xxxii) restrictions on business; (xxxiii) corrupt practices legislation; and (xxxiv) brokers.

*Representations and Warranties of the Company*

The Share Exchange Agreement contains representations and warranties from the Company relating to matters that include, among other things: (i) organization and qualification; (ii) corporate authorization; (iii) execution and binding obligation; (iv) governmental authorization; (v) non-contravention; (vi) capitalization; (vii) shareholders' and similar agreements; (viii) subsidiaries; (ix) securities law matters; (x) financial statements; (xi) disclosure control and internal control over financial reporting; (xii) no material undisclosed liabilities; (xiii) absence of certain changes or events; (xiv) related party transactions; (xv) compliance with laws; (xvi) authorizations and licenses; (xvii) material contracts; (xviii) personal property; (xix) real property; (xx) properties and mineral rights; (xxi) operations and expropriation; (xxii) technical reports; (xxiii) royalties, rentals and taxes paid; (xxiv) intellectual property; (xxv) litigation; (xxvi) environmental matters; (xxvii) employees; (xxviii) collective agreements; (xxix) employee plans; (xxx) insurance; (xxxii) restrictions on business; (xxxiii) corrupt practices legislation; (xxxiv) brokers; (xxxv) opinion of financial advisor; and (xxxvi) Board approval.

*Conduct of the Business of the Company*

The Company covenants and agrees that, during the period from the date of the Share Exchange Agreement until the earlier of the Closing Time and the time that the Share Exchange Agreement is terminated in accordance with its terms, except: (i) with the prior written consent of Boroo Holdings, such consent not to be unreasonably withheld, delayed or conditioned; (ii) as required or permitted by the Share Exchange Agreement; (iii) as required by law; or (iv) as expressly contemplated by the Company Disclosure Letter, the Company shall, and shall cause each of its subsidiaries to, conduct its business in the Ordinary Course and in accordance with applicable laws in all material respects and the Company shall use commercially reasonable efforts to maintain and preserve its and its subsidiaries' business organization, assets, properties, employees, goodwill and business relationships it currently maintains with customers, suppliers, partners and other persons with which the Company or any of its subsidiaries has business relations.

The Company also covenants and agrees that, during the period from the date of the Share Exchange Agreement until the earlier of the Closing Time and the time that the Share Exchange Agreement is terminated in accordance with its terms, except: (i) with the prior written consent of Boroo Holdings; (ii) as required or expressly permitted by the Share Exchange Agreement; (iii) as required by law; or (iv) as expressly contemplated by the Company Disclosure Letter, the Company shall not, and shall not permit any of its subsidiaries to, directly or indirectly:

- (a) amend its Constatng Documents or, in the case of any Subsidiary which is not a corporation, its similar organizational documents;
- (b) split, combine or reclassify any shares of its capital stock or declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) or amend any term of any outstanding debt security;
- (c) redeem, repurchase or otherwise acquire, or offer to redeem, repurchase or otherwise acquire, any shares of its capital stock or the capital stock of its subsidiaries, except for the acquisition of shares of capital stock of any wholly-owned Subsidiary of the Company by the Company or by any other wholly-owned Subsidiary of the Company;

- (d) issue, deliver, sell, pledge or otherwise encumber, or authorize the issuance, delivery, sale, pledge or other encumbrance of, any shares of its capital stock or other equity or voting interests, including the capital stock of its subsidiaries, or any options, warrants or similar rights exercisable or exchangeable for or convertible into such capital stock or other equity or voting interests or other rights that are linked to the price or the value of Common Shares except for: (i) the issuance of Common Shares issuable upon the exercise of the currently outstanding Company Incentive Securities; or (ii) the issuance of any shares in the capital stock of any wholly-owned Subsidiary of the Company to the Company or to any other wholly-owned Subsidiary of the Company;
- (e) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, any assets, securities, properties, interests or businesses other than procurement Contracts entered into in the Ordinary Course;
- (f) sell, lease, hypothecate, transfer, license, mortgage or otherwise dispose of any of its assets except for assets which are obsolete and which individually or in the aggregate do not exceed \$100,000;
- (g) make any capital expenditure or commitment to do so which individually or in the aggregate exceeds \$100,000;
- (h) create, incur, assume or otherwise become liable, in one transaction or in a series of related transactions, with respect to any advance, capital contribution, loan, indebtedness for borrowed money or guarantees thereof in an amount, on a per transaction or series of related transactions basis, in excess of \$100,000 in the aggregate for all such transactions other than: (i) any advance, capital contribution, loan or indebtedness owing or guarantees thereof by one wholly-owned Subsidiary of the Company to the Company or to another wholly-owned Subsidiary of the Company or by the Company to a wholly-owned Subsidiary of the Company; or (ii) in connection with advances under the Company's or any Subsidiary's existing credit facilities in the Ordinary Course that are equal to or less than \$100,000 in the aggregate;
- (i) reduce the stated capital of any of its securities;
- (j) reorganize, amalgamate or merge the Company or any Subsidiary or adopt a plan of liquidation or resolution providing for the liquidation or dissolution of the Company or any of its subsidiaries;
- (k) (A) fail to timely file any material Tax Return, make or rescind any material Tax election, amend, in any manner adverse to the Company or its subsidiaries, as applicable, any material Tax Return, settle or compromise any material liability for Taxes or change or revoke any of its methods of Tax accounting, or (B) take any action with respect to the computation of Taxes or the preparation of Tax Returns that is in any material respect inconsistent with past practice;
- (l) other than in the Ordinary Course, make an "investment" in a "subject corporation" within the meaning of Section 212.3 of the Tax Act;

- (m) other than in the Ordinary Course, enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales Contracts or similar financial instruments;
- (n) make any material change in the Company's methods of accounting, except as required by concurrent changes in IFRS;
- (o) other than in the Ordinary Course, grant any general increase in the rate of wages, salaries or bonuses of Company Employees;
- (p) grant or enter into any Contract with respect to change of control, severance, retention or termination payments with Company Employees or grant any increase of benefits payable under the Company's and its subsidiaries' current change of control, severance, retention or termination pay arrangements, plans, policies or Contracts, other than with respect to termination of Company Employees in the Ordinary Course;
- (q) adopt any new material Employee Plan or material amendment or material modification of an existing Employee Plan (other than material amendments or material modifications required by applicable law);
- (r) voluntarily recognize any labour organization as a bargaining representative of Company Employees;
- (s) enter into any agreement or arrangement that limits or otherwise restricts in any material respect the Company or any of its affiliates, or that would, after the Closing Time, limit or restrict in any material respect the Company or any of its affiliates, from competing in any manner;
- (t) cancel, waive, release, assign, settle or compromise any material claims or rights of the Company or its subsidiaries;
- (u) compromise or settle any litigation, proceeding or governmental investigation relating to the assets or the business of the Company and its subsidiaries in excess of an aggregate amount of \$100,000 or any other matter that would reasonably be expected to have a material impact on the ability of the Company or its subsidiaries to consummate the Transaction;
- (v) amend or modify, or terminate or waive any right under, any Material Contract (including, for the avoidance of doubt, in connection with any non-competition, non-solicitation or other restrictive covenant in favour of the Company or its subsidiaries under any such Material Contract) or enter into any Contract or agreement that would be a Material Contract if in effect on the date of the Share Exchange Agreement;
- (w) abandon or fail to diligently pursue any application or renewal for any material Authorizations, leases, permits or registrations or take any action, or fail to take any action, that could lead to the termination of any material Authorizations, leases or registrations;
- (x) declare or pay any dividend or any other distribution in respect of any shares of any class in the capital of the Company;



- (y) amend, modify or terminate any material insurance policy of the Company or any Subsidiary in effect on the date of the Share Exchange Agreement; or
- (z) authorize, agree, resolve or otherwise commit, whether or not in writing, directly or indirectly, to do any of the foregoing.

*Conduct of Business of Boroo Gold*

Boroo Holdings covenants and agrees that, during the period from the date of the Share Exchange Agreement until the earlier of the Closing Time and the time that the Share Exchange Agreement is terminated in accordance with its terms, except: (i) with the prior written consent of the Company, such consent not to be unreasonably withheld, delayed or conditioned; (ii) as required or permitted by the Share Exchange Agreement; (iii) as required by law; (iv) as contemplated or permitted by Section 2.2 of the Share Exchange Agreement; or (v) as expressly contemplated by the Seller Disclosure Letter, Boroo Holdings shall cause Boroo Gold to conduct its business in the Ordinary Course and in accordance with applicable laws in all material respects and Boroo Holdings shall use commercially reasonable efforts to maintain and preserve Boroo Gold's business organization, assets, properties, employees, goodwill and business relationships it currently maintains with customers, suppliers, partners and other persons with which Boroo Gold has business relations.

Boroo Holdings also covenants and agrees that, during the period from the date of the Share Exchange Agreement until the earlier of the Closing Time and the time that the Share Exchange Agreement is terminated in accordance with its terms, except: (i) with the prior written consent of the Company; (ii) as required or expressly permitted by the Share Exchange Agreement; (iii) as required by law; (iv) as expressly contemplated by the Seller Disclosure Letter; or (v) as contemplated or permitted by Section 2.2 of the Share Exchange Agreement, Boroo Holdings shall not permit Boroo Gold to, directly or indirectly:

- (a) amend its Constatng Documents or similar organizational documents;
- (b) split, combine or reclassify any shares of its capital stock or declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) or amend any term of any outstanding debt security;
- (c) redeem, repurchase or otherwise acquire, or offer to redeem, repurchase or otherwise acquire, any shares of its capital stock;
- (d) issue, deliver, sell, pledge or otherwise encumber, or authorize the issuance, delivery, sale, pledge or other encumbrance of, any shares of its capital stock or other equity or voting interests or any options, warrants or similar rights exercisable or exchangeable for or convertible into such capital stock or other equity or voting interests or other rights that are linked to the price or the value of such equity;
- (e) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, any assets, securities, properties, interests or businesses having a cost, on a per transaction basis, in excess of \$500,000 and subject to a maximum of \$1,500,000 for all such transactions, other than procurement Contracts entered into in the Ordinary Course;
- (f) sell, lease, hypothecate, transfer, license, mortgage or otherwise dispose of any of its assets except for assets which are obsolete and which individually or in the aggregate do not exceed \$1,500,000;

- (g) make any capital expenditure or commitment to do so which individually or in the aggregate exceeds \$4,000,000;
- (h) create, incur, assume or otherwise become liable, in one transaction or in a series of related transactions, with respect to any advance, capital contribution, loan, indebtedness for borrowed money or guarantees thereof in an amount, on a per transaction or series of related transactions basis, that would, in the aggregate, result in the BG Net Debt (receivable) being a positive number, as calculated in accordance with the illustrative example set forth on Schedule H of the Share Exchange Agreement (Example Net Debt Calculation) at the Closing Time;
- (i) reduce the stated capital of any of its securities;
- (j) reorganize, amalgamate or merge or adopt a plan of liquidation or resolution providing for its liquidation or dissolution;
- (k) (A) fail to timely file any material Tax Return, make or rescind any material Tax election, amend, in any manner adverse to Boroo Gold, any material Tax Return, settle or compromise any material liability for Taxes or change or revoke any of its methods of Tax accounting, or (B) take any action with respect to the computation of Taxes or the preparation of Tax Returns that is in any material respect inconsistent with past practice;
- (l) other than in the Ordinary Course, enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales Contracts or similar financial instruments;
- (m) make any material change in its methods of accounting, except as required by concurrent changes in IFRS;
- (n) other than in the Ordinary Course, grant any general increase in the rate of wages, salaries or bonuses of BG Employees;
- (o) grant or enter into any Contract with respect to change of control, severance, retention or termination payments with BG Employees or grant any increase of benefits payable under Boroo Gold's current change of control, severance, retention or termination pay arrangements, plans, policies or Contracts, other than with respect to termination of BG Employees in the Ordinary Course;
- (p) adopt any new material Employee Plan or material amendment or material modification of an existing Employee Plan (other than material amendments or material modifications required by applicable law);
- (q) voluntarily recognize any labour organization as a bargaining representative of BG Employees;
- (r) enter into any agreement or arrangement that limits or otherwise restricts in any material respect Boroo Gold or any of its affiliates, or that would, after the Closing Time, limit or restrict in any material respect Boroo Gold or any of its affiliates, from competing in any manner;
- (s) cancel, waive, release, assign, settle or compromise any of its material claims or rights;

- (t) compromise or settle any litigation, proceeding or governmental investigation relating to its assets or business in excess of an aggregate amount of \$100,000 or any other matter that would reasonably be expected to have a material impact on the ability of Boroo Holdings or its subsidiaries to consummate the Transaction;
- (u) amend or modify, or terminate or waive any right under, any Material Contract (including, for the avoidance of doubt, in connection with any non-competition, non-solicitation or other restrictive covenant in favour of Boroo Gold under any such Material Contract) or enter into any Contract or agreement that would be a Material Contract if in effect on the date of the Share Exchange Agreement;
- (v) abandon or fail to diligently pursue any application or renewal for any material Authorizations, leases, permits or registrations or take any action, or fail to take any action, that could lead to the termination of any material Authorizations, leases or registrations;
- (w) amend, modify or terminate any material insurance policy of Boroo Gold in effect on the date of the Share Exchange Agreement; or
- (x) authorize, agree, resolve or otherwise commit to do any of the foregoing.

*Covenants Regarding the Transaction*

The Share Exchange Agreement provides that the Company shall apply for and use its commercially reasonable efforts to obtain the Stock Exchange Approval and Boroo Holdings agrees to assist the Company as reasonably required to enable the Company to obtain and maintain in force the Stock Exchange Approval, including by providing any information required by applicable law with respect to the foregoing for inclusion in this Circular in a timely manner.

The Share Exchange Agreement further provides that the Company shall, at or prior to the Closing Time, allot and reserve for issuance a sufficient number of Common Shares to meet the obligations of the Company under the Share Exchange Agreement.

The Share Exchange Agreement further provides that the Company shall take all necessary actions to ensure that immediately upon Closing, the Board and the senior management team of the Company shall be as set out under the subheadings “Company Board” and “Company Senior Management” in Schedule E of the Share Exchange Agreement (Governance Matters) and Boroo Holdings shall use commercially reasonable efforts to provide to the Company all reasonable cooperation requested by the Company that is necessary in connection with the public filing requirements of the Company and the parties shall file and/or to cause to be filed a Personal Information Form (Reporting Form 4) or, if applicable, Declaration Form (Reporting Form 4B) with the TSX within 5 business days of the date of the Share Exchange Agreement for each Representative of Boroo Gold or Boroo Holdings for whom the TSX requires a Personal Information Form (Reporting Form 4) or, if applicable, Declaration Form (Reporting Form 4B) to be filed in connection therewith and any other such documents as may be required by the TSX in connection with the foregoing;

The Share Exchange Agreement further provides that during the period from the date of the Share Exchange Agreement until the earlier of the Closing Time and the time that the Share Exchange Agreement is terminated in accordance with its terms, the Company shall promptly notify Boroo Holdings of any:

- (a) Material Adverse Effect in respect of the Company;

- (b) notice or other communication from any person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such person is required in connection with the Transaction;
- (c) notice or other communication from any person to the effect that such person is terminating or otherwise materially adversely modifying its relationship with the Company or any of its subsidiaries as a result of the Transaction;
- (d) notice or other communication from any Governmental Entity in connection with the Share Exchange Agreement, the Transaction, any Authorization or the Stock Exchange Approval (and the Company shall contemporaneously provide a copy of any such written notice or communication to Boroo Holdings); or
- (e) filing, action, suit, claim, investigation or proceeding commenced or, to its knowledge, threatened against, relating to, involving or otherwise affecting the Company or any of its subsidiaries in connection with the Transaction.

The Share Exchange Agreement further provides that during the period from the date of the Share Exchange Agreement until the earlier of the Closing Time and the time that the Share Exchange Agreement is terminated in accordance with its terms, Boroo Holdings shall promptly notify the Company in writing of any:

- (a) Material Adverse Effect in respect of Boroo Gold;
- (b) notice or other communication from any person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such person is required in connection with the Transaction;
- (c) notice or other communication from any person to the effect that such person is terminating or otherwise materially adversely modifying its relationship with Boroo Gold as a result of the Transaction;
- (d) notice or other communication from any Governmental Entity in connection with the Share Exchange Agreement, the Transaction, any Authorization or the Stock Exchange Approval (and Boroo Holdings shall contemporaneously provide a copy of any such written notice or communication to the Company); or
- (e) filing, action, suit, claim, investigation or proceeding commenced or, to its knowledge, threatened against, relating to, involving or otherwise affecting Boroo Holdings or Boroo Gold in connection with the Transaction.

Pursuant to the Share Exchange Agreement, as soon as practicable following the execution of the Share Exchange Agreement and in any event prior to the Meeting and for the purpose of effecting the registration of the Purchased Shares in the name of the Company, Boroo Holdings shall take such action and make such filings as may be necessary to request a Tax reference letter issued by the relevant Tax authorities in Mongolia with respect to the Transaction (which action may include filing copies of the Local Transfer Agreement and/or Share Rights Assignment Agreement duly translated, executed and notarized by a notary public in Mongolia) and take its best endeavours to obtain the Tax Letter as soon as possible.

The Share Exchange Agreement further provides that no later than one Business Day following the Closing Date, Boroo Holdings shall effect the registration of the Purchased Shares in the name of the Company at the Legal Entity Registration Office in Mongolia.

The Share Exchange Agreement further provides that Boroo Holdings shall procure audited financial statements of Boroo Gold for the years ending December 31, 2023, December 31, 2022 and December 31, 2021, accompanied by an audit report of a “participating audit firm” for the purposes of National Instrument 52-108 – *Auditor Oversight*.

#### *Non-Solicitation*

The Share Exchange Agreement provides that, except in accordance with the Share Exchange Agreement, neither the Company nor Boroo Singapore (nor any of their respective subsidiaries) shall, directly or indirectly, do, or authorize or permit any of its or their representatives to do, any of the following:

- (a) solicit, assist, initiate, encourage or otherwise knowingly facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of such person or any of its subsidiaries) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal;
- (b) enter into or otherwise engage or participate in or knowingly facilitate any discussions or negotiations with any person (other than the parties to the Share Exchange Agreement or any person acting jointly or in concert with such parties) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal;
- (c) make a Company Change in Recommendation or a Seller Change in Recommendation, as applicable;
- (d) accept or enter into or publicly propose to accept or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal; or
- (e) authorize any of or commit to do any of the foregoing.

The Company and Boroo Singapore have agreed to, and to cause their respective representatives and subsidiaries to, immediately cease and terminate, or cause to be terminated, any solicitation, encouragement, discussion, negotiation or other activities with any person and its representatives (other than the parties to the Share Exchange Agreement and their respective representatives) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal and, without limiting the generality of the foregoing, the Company and Boroo Singapore shall:

- (a) discontinue access to and disclosure of all confidential information provided to any person other than the Company or Boroo Singapore, as applicable; and
- (b) within 3 business days of the date of the Share Exchange Agreement, request, and exercise all rights it has to require (i) the return or destruction of all copies of any confidential information regarding such party or any of its subsidiaries provided to any person other than other party; and (ii) the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding such party or any of its

subsidiaries, to the extent that such information has not previously been returned or destroyed, using its reasonable efforts to ensure that such requests are fully complied with in accordance with the terms of such rights or entitlements.

Pursuant to the Share Exchange Agreement, the Company and Boroo Singapore each represent and warrant to the other that it and each of its subsidiaries and any of their respective representatives have not waived any confidentiality, standstill, use, business purpose or similar agreement or restriction to which such party or any of its subsidiaries is a party and covenants and agrees that: (i) it shall take all necessary action to enforce each confidentiality, standstill, use, business purpose or similar agreement or restriction to which it or any of its subsidiaries is a party; and (ii) it, its subsidiaries or any of their respective representatives will not, without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed by the other party), release any person from, or waive, amend, suspend or otherwise modify, such person's obligations respecting it or any of its subsidiaries under any confidentiality, standstill, use, business purpose or similar agreement or restriction to which it or any of its subsidiaries is a party.

#### *Notification of Acquisition Proposals*

Pursuant to the Share Exchange Agreement, if the Company or any of its subsidiaries or any of their respective representatives receives or otherwise becomes aware of any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information relating to the Company or any of its subsidiaries, including, but not limited to, information, access, or disclosure relating to the properties, facilities or books and records of the Company or any of its subsidiaries, the Company shall immediately notify Boroo Holdings, in writing, and in any event within 24 hours, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its material terms and conditions, the identity of all persons making the Acquisition Proposal, inquiry, proposal, offer or request, and shall provide Boroo Holdings with unredacted copies of all documents, correspondence or other materials received in respect of, from or on behalf of any such person and such other details of such Acquisition Proposal, inquiry, proposal, offer or request as Boroo Holdings may request.

The Company shall keep Boroo Holdings promptly and fully informed of the status of developments and, to the extent permitted by the Share Exchange Agreement to enter into discussions or negotiations, the status of discussions and negotiations with respect to any Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request and shall provide to Boroo Holdings unredacted copies of all material or substantive correspondence if in writing or electronic form, or, if not in writing or electronic form, a description of the material terms of such correspondence, sent or communicated by or to the Company in respect of such Acquisition Proposal, inquiry, proposal, offer or request.

#### *Responding to an Acquisition Proposal*

Notwithstanding the non-solicitation covenants of the Company, if at any time prior to receiving Shareholder approval for the Transaction, the Company receives a bona fide Acquisition Proposal, the Company and its representatives may (i) engage in or participate in discussions or negotiations with such person regarding such Acquisition Proposal, and (ii) provide copies of, access to or disclosure of information, properties, facilities, books or records of the Company or its subsidiaries to such person, provided that, in the case of each of clauses (i) and (ii), if and only if:

- (a) the Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal;

- (b) such person was not restricted from making such Acquisition Proposal pursuant to an existing confidentiality, standstill, non-disclosure, use, business purpose or similar restriction with the Company or its subsidiaries;
- (c) the Company has been, and continues to be, in compliance with its obligations under Article 5 of the Share Exchange Agreement in all material respects;
- (d) the Company enters into a confidentiality and standstill agreement with such person that (i) contains confidentiality restrictions that are no less favourable to the Company than those set out in the Confidentiality Agreement, (ii) does not permit such person to acquire any securities of the Company or any of its subsidiaries, (iii) contains customary standstill provisions that only permit such person to make a confidential Acquisition Proposal and related communications to the Company or the Board, and (iv) does not contain any exclusivity provision or other term that would restrict, in any manner, the Company's ability to consummate the transactions contemplated by the Share Exchange Agreement or to comply with its disclosure obligations to Boroo Holdings pursuant to the Share Exchange Agreement; and
- (e) the Company: (i) provides Boroo Holdings with prior written notice stating the Company's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure and that the Board has determined, after consultation with its outside legal counsel, that failure to take such action would be inconsistent with its fiduciary duties; (ii) prior to engaging in or participating in any such discussions or negotiations or providing any such copies, access or disclosure, provides Boroo Holdings with a true, complete and final executed copy of the confidentiality and standstill agreement referred to above; and (iii) simultaneously provides Boroo Holdings with any non-public information concerning the Company and its subsidiaries provided to such other person which was not previously provided to Boroo Holdings.

*Right to Match*

If the Company receives an Acquisition Proposal that constitutes a Superior Proposal prior to obtaining the approval for the Transaction by Shareholders, the Share Exchange Agreement provides that the Board may, or may cause the Company to, make a Company Change in Recommendation in respect of such Superior Proposal and enter into a definitive agreement with respect to such Superior Proposal, if and only if:

- (a) the person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing confidentiality, standstill, use, business purpose or similar restriction;
- (b) the Company has been, and continues to be, in compliance with its obligations under Article 5 of the Share Exchange Agreement;
- (c) the Company has delivered to Boroo Holdings a written notice of the determination of the Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Board to enter into a definitive agreement with respect to such Superior Proposal, together with a written notice from the Board regarding the value and financial terms that the Board, in consultation with its financial advisors, has determined should be ascribed to any non-cash consideration offered under such Acquisition Proposal (the "**Superior Proposal Notice**");

- (d) the Company has provided Boroo Holdings a copy of the proposed definitive agreement for the Superior Proposal (including any financing commitments or other documents containing material terms and conditions of such Superior Proposal);
- (e) at least 30 business days (the “**Matching Period**”) have elapsed from the date that is the later of the date on which Boroo Holdings received the Superior Proposal Notice and the date on which Boroo Holdings received a copy of the proposed definitive agreement for the Superior Proposal (including any financing commitments or other documents containing materials terms and conditions of such Superior Proposal) from the Company;
- (f) during any Matching Period, Boroo Holdings has had the opportunity (but not the obligation), in accordance with the terms of the Share Exchange Agreement, to offer to amend the Share Exchange Agreement in order for such Acquisition Proposal to cease to be a Superior Proposal;
- (g) after the Matching Period, the Board has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (and, if applicable, compared to the terms of the Transaction as proposed to be amended by Boroo Holdings under the terms of the Share Exchange Agreement); and
- (h) prior to or concurrently with entering into such definitive agreement with respect to such Superior Proposal, the Company terminates the Share Exchange Agreement pursuant to the terms of the Share Exchange Agreement and pays the Termination Fee (as described below).

During the Matching Period, or such longer period as the Company may approve for such purpose: (a) the Board shall review any offer made by Boroo Holdings under Section 5.4(1)(f) of the Share Exchange Agreement to amend the terms of the Share Exchange Agreement in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) the Company shall, and shall cause its representatives to, negotiate in good faith with Boroo Holdings to make such amendments to the terms of the Share Exchange Agreement and the Transaction as would enable Boroo Holdings to proceed with the transactions contemplated by the Share Exchange Agreement on such amended terms. If the Board determines that such Acquisition Proposal would cease to be a Superior Proposal, the Company shall promptly so advise Boroo Holdings and the Company and Boroo Holdings shall amend the Share Exchange Agreement to reflect such offer made by Boroo Holdings and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.

Each successive amendment or modification to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal under the terms of the Share Exchange Agreement and Boroo Holdings shall be afforded a new 5 business day Matching Period from the later of the date on which Boroo Holdings received the Superior Proposal Notice and the date on which Boroo Holdings received a copy of the proposed definitive agreement for the new Superior Proposal (including any financing commitments or other documents containing materials terms and conditions of such new Superior Proposal) from the Company.

The Board shall promptly reaffirm the Company Board Recommendation by press release after any Acquisition Proposal which is not determined to be a Superior Proposal is publicly announced or the Board determines that a proposed amendment to the terms of the Share Exchange Agreement as contemplated



under Section 5.4(2) thereof would result in an Acquisition Proposal no longer being a Superior Proposal. The Company shall provide Boroo Holdings and its outside legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by Boroo Holdings and its counsel.

If the Company provides a Superior Proposal Notice to Boroo Holdings on a date that is less than 10 business days before the Meeting, the Company may, and upon the request of Boroo Holdings, acting reasonably, the Company shall, postpone or adjourn the Meeting to a date that is not more than 15 business days after the scheduled date of the Meeting, but in any event the Meeting shall not be postponed to a date which would prevent the closing of the Transaction from occurring prior to the Outside Date.

### *Conditions*

The Share Exchange Agreement provides that the obligations of the parties under the Share Exchange Agreement are subject to the satisfaction or waiver of a number of conditions, including the following, each of which is for the mutual benefit of the parties:

- (a) the Transaction Resolution having been approved and adopted by the Shareholders at the Meeting;
- (b) no law is in effect that makes the consummation of the Transaction illegal or otherwise prohibits or enjoins the Company or Boroo Holdings from consummating the Transaction;
- (c) the approval of the TSX to the Transaction shall have been obtained and the listing of the Consideration Shares contemplated thereby will be effective immediately prior to or concurrently with the closing of the Acquisition; and
- (d) the Key Consents shall have been obtained.

The Share Exchange Agreement provides that the obligations of the Company under the Share Exchange Agreement are subject to the satisfaction or waiver of a number of conditions, including the following, each of which is for the benefit of the Company:

- (a) conditions related to covenants to be performed by Boroo Holdings and the correctness of representations and warranties provided by Boroo Holdings;
- (b) since the date of the Share Exchange Agreement, there shall not have occurred and be continuing a Material Adverse Effect in respect of Boroo Gold;
- (c) there shall be no pending suit, claim, action, charge, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit or other proceeding by a Governmental Entity having jurisdiction over the parties that restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated by the Share Exchange Agreement and no other law shall have been enacted or promulgated by any Governmental Entity that restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated by the Share Exchange Agreement;
- (d) Boroo Holdings shall have paid, or caused to have been paid, the full amount of taxes required to be paid pursuant to the tax reference letter to be issued by the relevant tax authorities in Mongolia with respect to the Acquisition;

- (e) the Company shall have received the following:
- (i) a share certificate representing the Purchased Shares, in a form satisfactory to the Company and in compliance with applicable Mongolian law;
  - (ii) certified copies of: (i) the Constatting Documents of Boroo Gold; (ii) the resolutions of the board of directors of Boroo Holdings approving the delivery and performance by Boroo Holdings of the Share Exchange Agreement and each Ancillary Agreement to which it is a party and the transfer of the Purchased Shares to the Company, including, without limitation, the State Registration Certificate Charter and a seal of Boroo Gold; (iii) if applicable, the resolutions of the directors and/or shareholders of Boroo Gold approving the transfer of the Purchased Shares to the Company; and (iv) a certificate of incumbency with respect to the directors and officers of Boroo Holdings and Boroo Gold authorized to sign the Share Exchange Agreement and any Ancillary Agreement to which Boroo Holdings or Boroo Gold is a party;
  - (iii) a certificate of compliance, status or like certificate with respect to Boroo Gold, issued by the appropriate government official of its jurisdiction of incorporation, dated not more than 2 business days prior to the Closing Date;
  - (iv) an executed copy of each of the Local Transfer Agreement and the Share Rights Assignment Agreement;
  - (v) the bring-down certificates of an officer of Boroo Holdings required pursuant to the Share Exchange Agreement; and
  - (vi) consents to act of 2 Nominees (as defined in the Investor Rights Agreement) in connection with the board nomination rights of Boroo Singapore contained in the Investor Rights Agreement.

The Share Exchange Agreement provides that the obligations of Boroo Holdings under the Share Exchange Agreement are also subject to the satisfaction or waiver of a number of conditions, including the following, each of which is for the benefit of Boroo Holdings:

- (a) conditions related to covenants to be performed by the Company and the correctness of representations and warranties provided by the Company;
- (b) since the date of the Share Exchange Agreement, there shall not have occurred and be continuing a Material Adverse Effect in respect of the Company;
- (c) there shall be no pending suit, claim, action, charge, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit or other proceeding by a Governmental Entity having jurisdiction over the parties that restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated by the Share Exchange Agreement and no other law shall have been enacted or promulgated by any Governmental Entity that restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated by the Share Exchange Agreement;
- (d) the Tres Cruces Transaction shall have closed;

- (e) Boroo Holdings shall have received the following:
- (i) a DRS advice or share certificate representing the Consideration Shares, registered in the name of Boroo Holdings or its affiliate as directed by Boroo Holdings;
  - (ii) certified copies of: (i) the Constatting Documents of the Company and each of its subsidiaries; (ii) the resolutions of the Board approving the delivery and performance by the Company of the Share Exchange Agreement and each Ancillary Agreement to which it is a party and the issuance of the Consideration Shares; and (iii) a certificate of incumbency with respect to the directors and officers of the Company and each of its subsidiaries authorized to sign the Share Exchange Agreement and any Ancillary Agreement to which the Company or any of its subsidiaries is a party;
  - (iii) a certificate of compliance, status or like certificate with respect to the Company and each of its subsidiaries, issued by the appropriate government official of its jurisdiction of incorporation, dated not more than 2 business days prior to the Closing Date;
  - (iv) an executed copy of each of the Local Transfer Agreement, the Share Rights Assignment Agreement, the Investor Rights Agreement and employment agreements of each of Jeremy South and Bataa Tumur-Ochir;
  - (v) the bring-down certificates of an officer of the Company required pursuant to the Share Exchange Agreement;
  - (vi) resignations of 2 Board members in connection with the board nomination rights of Boroo Singapore pursuant to the Investor Rights Agreement; and
  - (vii) the resolution of the Board accepting the resignations of the two Board members and replacing them with the Nominees of Boroo Singapore, to be held in escrow until and effective immediately following the Closing Time.

*Termination of the Share Exchange Agreement*

The Share Exchange Agreement may be terminated at any time prior to the closing time of the Transaction by:

- (a) the mutual written agreement of the parties;
- (b) either the Company or Boroo Holdings if:
  - (i) the Shareholders do not approve the Transaction at the Meeting;
  - (ii) after the date of the Share Exchange Agreement, any law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Transaction illegal or otherwise prohibits or enjoins the Company or Boroo Holdings from consummating the Transaction and such law has, if applicable, become final and non-appealable; provided that a party may not terminate the Share Exchange Agreement if the enactment, making, enforcement or amendment of such law has been caused by, or is a result of, a breach by such party of any of

its representations or warranties or the failure of such party to perform any of its covenants or agreements under the Share Exchange Agreement and provided the party seeking to terminate the Share Exchange Agreement has used its commercially reasonable efforts to, as applicable, appeal or overturn such law or otherwise have it lifted or rendered non-applicable in respect of the Transaction; or

- (iii) closing of the Transaction does not occur on or prior to the Outside Date, provided that a party may not terminate the Share Exchange Agreement pursuant to Section 7.2(1)(b)(iii) of the Share Exchange Agreement if the failure of closing to so occur has been caused by, or is a direct result of, a breach by such party of any of its representations or warranties or the failure of such party to perform any of its covenants or agreements under the Share Exchange Agreement;

(c) the Company if:

- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Boroo Holdings under the Share Exchange Agreement occurs that would cause any condition in Section 6.3(a) or Section 6.3(b) of the Share Exchange Agreement not to be satisfied and such breach or failure is incapable of being cured or is not cured within 10 business days of Boroo Holdings' receipt of written notice of such breach from the Company; or
- (ii) prior to the approval by Shareholders of the Transaction Resolution, the Board authorizes the Company to enter into a written agreement (other than a confidentiality agreement permitted by and in accordance with Section 5.3 of the Share Exchange Agreement) with respect to a Superior Proposal in accordance with Section 5.4 of the Share Exchange Agreement, provided the Company is then in compliance with Article 5 of the Share Exchange Agreement in all material respects and that prior to or concurrent with such termination the Company pays the Termination Fee in accordance with Section 8.2(6) of the Share Exchange Agreement;
- (iii) there occurs a Seller Change in Recommendation or if Boroo Holdings breaches Article 5 of the Share Exchange Agreement in any material respect; or
- (iv) since the date of the Share Exchange Agreement, there has occurred and is continuing a Material Adverse Effect in respect of Boroo Gold; or

(d) Boroo Holdings if:

- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company under the Share Exchange Agreement occurs that would cause any condition in Section 6.2(a) or Section 6.2(b) of the Share Exchange Agreement not to be satisfied and such breach or failure is not cured within 10 business days of the Company's receipt of written notice of such breach from Boroo Holdings;

- (ii) there occurs a Company Change in Recommendation or of the Company breaches Article 5 of the Share Exchange Agreement in any material respect; or
- (iii) since the date of the Share Exchange Agreement, there has occurred and is continuing a Material Adverse Effect in respect of the Company.

The party desiring to terminate the Share Exchange Agreement pursuant to the Share Exchange Agreement (other than as specified therein) shall give written notice of such termination to the other party, specifying in reasonable detail the basis for such party's exercise of its termination right.

*Termination Payment*

The Share Exchange Agreement provides for a termination fee of either \$1,000,000 or \$3,500,000 (the "**Termination Fee**") as follows:

- (a) \$1,000,000 to be paid by the Company to Boroo Holdings if the Share Exchange Agreement is terminated by Boroo Holdings pursuant to Section 7.2(1)(d)(i) [*Breach of Representation or Warranty or Failure to Perform Covenant by the Company*] of the Share Exchange Agreement as a result of a wilful breach or fraud on the part of the Company;
- (b) \$3,500,000 to be paid by the Company to Boroo Holdings if the Share Exchange Agreement is terminated:
  - (i) by the Company or Boroo Holdings pursuant to Section 7.2(1)(b)(i) [*No Shareholder Approval*] of the Share Exchange Agreement;
  - (ii) by the Company pursuant to Section 7.2(1)(c)(ii) [*Superior Proposal*] of the Share Exchange Agreement;
  - (iii) by Boroo Holdings pursuant to Section 7.2(1)(d)(ii) [*Company Change in Recommendation*] of the Share Exchange Agreement; or
  - (iv) pursuant to any subsection of Section 7.2(e) of the Share Exchange Agreement if, at such time, Boroo Holdings is entitled to terminate the Share Exchange Agreement pursuant to Section 7.2(1)(d)(ii) [*Company Change in Recommendation*] thereof;
- (c) \$1,000,000 to be paid by Boroo Holdings to the Company if the Share Exchange Agreement is terminated by the Company pursuant to Section 7.2(1)(d)(i) [*Breach of Representation or Warranty or Failure to Perform Covenant by the Seller*] of the Share Exchange Agreement as a result of a wilful breach or fraud on the part of Boroo Holdings; or
- (d) \$3,500,000 to be paid by Boroo Holdings to the Company if the Share Exchange Agreement is terminated:
  - (i) by the Company pursuant to Section 7.2(1)(c)(iii) [*Seller Change in Recommendation*] of the Share Exchange Agreement; or

- (ii) pursuant to any subsection of Section 7.2 of the Share Exchange Agreement if, at such time, Boroo Holdings is entitled to terminate the Share Exchange Agreement pursuant to Section 7.2(1)(c)(iii) [*Seller Change in Recommendation*] thereof.

Pursuant to the Share Exchange Agreement, the Company agrees that if a Company Termination Fee Event occurs in the circumstances described in Section 8.2(4)(a), Section 8.2(4)(b), Section 8.2(4)(d) or Section 8.2(4)(e) of the Share Exchange Agreement, then the Company shall reimburse Boroo Holdings and its affiliates, within 3 business days of receipt, up to a maximum of \$1,000,000, for all reasonable and documented out-of-pocket costs, expenses and Taxes incurred by Boroo Holdings and its affiliates prior to the termination of the Share Exchange Agreement in connection with the entering into of the Share Exchange Agreement and the carrying out of any and all acts contemplated hereunder, including reasonable fees of counsel, financial advisors, accountants and consultants.

#### *Expenses*

Except as expressly otherwise provided in the Share Exchange Agreement, all out-of-pocket third party transaction expenses incurred in connection with the Share Exchange Agreement and the Transaction, including all costs, expenses and fees of a party incurred prior to or after the Closing Time in connection with, or incidental to, the Transaction, shall be paid by the party incurring such expenses, whether or not the Transaction is consummated.

#### *Investor Rights Agreement*

At the closing of the Acquisition, Steppe 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 2 directors to the Board, subject to Boroo Singapore maintaining ownership of at least 10% of the issued and outstanding Common Shares 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. Such governance rights include, among other things and subject to the terms and conditions of the Investor Rights Agreement: (i) demand registration rights with respect to the offering in Canada of the Common Shares held by Boroo Singapore, provided that the offering will result in gross proceeds of at least C\$10,000,000; (ii) piggy-back registration rights with respect to any distribution of Common Shares to the public by way of a prospectus by the Company; (iii) subject to Boroo Singapore maintaining ownership of at least 10% of the issued and outstanding Common Shares, a pre-emptive right to participate in any issuance, distribution or offering of equity securities or securities convertible into or exchangeable or redeemable for equity securities of the Company or any of its subsidiaries; and (iv) subject to Boroo Singapore maintaining ownership of at least 10% of the issued and outstanding Common Shares, the right to access the Company’s books, records and accounts, to receive business plans, budgets and other information respecting the Company, including a monthly report, to have its representatives attend the Company’s monthly operating review meetings and to receive daily cash and debt reports.

#### **General Description of the Share Purchase Agreements**

The following description of the Share Purchase Agreements is qualified in its entirety by reference to the full text of the Share Purchase Agreements, which are available electronically under the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

Pursuant to the terms of a share purchase agreement between T.C. Mining Inc., an indirect, wholly-owned subsidiary of the Company, Minera Boroo Misquichilca S.A., an indirect, wholly-owned subsidiary of Boroo Singapore, and Boroo Singapore, as guarantor, and a share purchase agreement between 687211

British Columbia Ltd., an indirect, wholly-owned subsidiary of the Company, and Boro Singapore, each dated as of April 11, 2024 (collectively, the “**Share Purchase Agreements**”), the Company has conditionally agreed to indirectly sell the Tres Cruces Project to Boro Singapore by selling all of the issued and outstanding shares of Aurifera Tres Cruces S.A. to Boro Singapore. Boro Singapore or its subsidiaries, as applicable, will satisfy the consideration payable in connection with the Share Purchase Agreements by paying to the applicable subsidiaries of the Company, in cash, an aggregate of C\$11,713,809.62, payable in installments over a period of 18 months from the closing date of the Tres Cruces Transaction.

#### *Conditions Precedent*

Each of the Share Purchase Agreements is conditional upon the closing of the Acquisition and shall occur on the same day on which closing of the Acquisition occurs provided, however, that closing of the Tres Cruces Transaction shall occur immediately before the closing of the Acquisition. In the event that the Tres Cruces Transaction closes and the Acquisition subsequently fails to close, the Tres Cruces Transaction shall be unwound.

#### *Representations and Warranties of the Vendor*

Each of the Share Purchase Agreements contains representations and warranties from the respective vendor relating to matters that include, among other things: (i) corporate authorization; (ii) execution and binding obligation; (iii) ownership of shares of Aurifera Tres Cruces S.A.; (iv) pre-emptive or other rights relating to the shares of Aurifera Tres Cruces S.A.; (v) bankruptcy and insolvency proceedings; and (vi) ownership of the properties and assets constituting the Tres Cruces Project.

#### *Indemnities*

Under each of the Share Purchase Agreements, the parties thereto are required to indemnify the other in respect of any inaccuracy in or breach of any of its representations or warranties or any breach or non-fulfillment of any covenant, agreement or obligation to be performed by such party under the applicable Share Purchase Agreement. Notwithstanding the foregoing, absent fraud or wilful misconduct, the maximum aggregate liability of either party to the other under the applicable Share Purchase Agreement shall not exceed the purchase price under such Share Purchase Agreement.

#### **Information Concerning the Combined Company Following Completion of the Transaction**

For further information in respect of the Combined Company, see Schedule C to this Circular, “*Information Concerning the Combined Company*”.

#### **Stock Exchange Approval**

The approval of the Transaction and the listing of the Consideration Shares by the TSX is a condition to the completion of the Transaction.

The Company has received conditional approval from the TSX for listing of the Consideration Shares upon closing of the Transaction.

#### **Mongolian Regulatory Approval**

Steppe is of the position that no Mongolian regulatory approval is required in respect of the Acquisition.

However, as Boroo Gold is a company formed under the laws of Mongolia, there is a local legal requirement that any change in a company's shareholding structure or to any of its constituting documents shall only become effective upon due registration with the local governmental authority in charge of legal entities registration ("LERO"). Steppe understands that an application with LERO to register changes to the shareholders of a company formed under the laws of Mongolia will not be rejected if the documents in the application are complete and comply with the applicable local legal requirements.

The documents required for the LERO application in respect of the Acquisition include a letter from the Mongolian tax authority confirming that the transfer taxes applicable to the Acquisition have been duly paid. Pursuant to the terms and conditions of the Share Exchange Agreement, Boroo Gold is responsible for obtaining such letter from the Mongolian tax authority prior to submitting the LERO application.

Local Mongolian regulations also require disclosure of the ultimate beneficial owners and holders of shares of Mongolian companies when a new shareholder acquires shares in the company or if any change occurs in the ultimate beneficial owner of the company or in the interest of the ultimate beneficial holder in the company. Thus, both Boroo Gold and the Company will need to accurately disclose such ultimate beneficial owner and holder information as part of the LERO application.

### **Securities Law Matters**

The Consideration Shares will be issued in reliance on exemptions from prospectus and registration requirements of applicable Canadian securities laws and will not be subject to any restricted or hold period under applicable Canadian securities laws.

As a reporting issuer, the Company is subject to MI 61-101, which regulates transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations. The Transaction does not constitute an issuer bid, insider bid or related party transaction. The Transaction does not constitute a "business combination" for the purposes of MI 61-101 since no holder of an equity security of the Company will have its interest in such security terminated without consent pursuant to the Transaction.

### **Required Shareholder Approval**

It is a condition to the completion of the Transaction that the Transaction Resolution be approved at the Meeting by a simple majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

Under Section 604 of the TSX Company Manual, the TSX will generally require shareholder approval for any transaction that materially affects the control of an issuer. The term "materially affect control" means the ability of any security holder or combination of security holders acting together to influence the outcome of a vote of security holders, including the ability to block significant transactions. A transaction that results, or could result, in a new holding of more than 20% of the voting securities by one security holder or combination of securityholders acting together is deemed by the TSX to create a new control person of the issuer.

The Transaction will result in Boroo Singapore becoming a new control person of the Company upon the closing of the Acquisition. As such, the Acquisition is deemed by the TSX to create a new control person of the Company and the TSX is requiring that the Company obtain shareholder approval under Section 604(a)(i) of the TSX Company Manual as the Acquisition will materially affect control of the Company.



In addition, Shareholder approval of the Transaction Resolution is required pursuant to Section 611 of the TSX Company Manual, as the number of Common Shares to be issued pursuant to the Acquisition exceeds 25% of the number of Common Shares issued and outstanding.

**It is the intention of the persons named in the form of proxy, if not expressly directed otherwise in such form of proxy, to vote such proxies FOR the Transaction Resolution.** At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the Transaction Resolution to approve the Transaction, the full text of which is as follows:

**“BE IT RESOLVED THAT:**

1. The transactions contemplated by the share exchange agreement (the **“Share Exchange Agreement”**) among Steppe Gold Ltd. (the **“Company”**), Boroo Pte Ltd. and Boroo Holdings Netherlands BVBA (the **“Seller”**) dated April 11, 2024, including: (i) the acquisition of all of the issued and outstanding shares of Boroo Gold LLC from the Seller in exchange for, among other things, the issuance by the Company of that number of common shares in the capital of the Company (**“Common Shares”**) equal to 55.9% of the issued and outstanding Common Shares immediately prior to Closing (as defined in the Share Exchange Agreement) on a fully diluted basis (the **“Consideration Shares”**); and (ii) the sale of all of the issued and outstanding shares of Aurifera Tres Cruces S.A., and indirectly, the Tres Cruces mine, to one or more affiliates of the Seller pursuant to the Tres Cruces Acquisition Agreements (as defined in the Share Exchange Agreement), all in accordance with and subject to the terms and conditions of the Share Exchange Agreement, as the same may be modified, amended or supplemented pursuant to the terms therein (collectively, the **“Transaction”**), and the performance by the Company of its obligations under the Share Exchange Agreement and the Tres Cruces Acquisition Agreements, all as more particularly described and set forth in the management information circular of the Company dated May 8, 2024, as it may be modified, amended or supplemented in accordance with the Share Exchange Agreement, is hereby authorized and approved.
2. The Consideration Shares will, when issued, be validly issued as fully paid and nonassessable Common Shares and, where applicable, the registrar and transfer agent of the Common Shares from time to time is hereby authorized, upon receipt of a direction from any one director or officer of the Company, to countersign and deliver certificates, or other evidence of issuance, in respect of the Consideration Shares.
3. The Share Exchange Agreement, the Tres Cruces Acquisition Agreements, the Transaction and the actions of the directors of the Company in approving, executing and delivering the Share Exchange Agreement and the Tres Cruces Acquisition Agreements and any amendments thereto in accordance with their terms are hereby ratified and approved.
4. Notwithstanding that this ordinary resolution has been duly passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered, in their sole discretion, without further notice to, or approval of, the Company’s shareholders: (i) to amend the Share Exchange Agreement or the Tres Cruces Acquisition Agreements, to the extent permitted thereby; or (ii) subject to the terms of the Share Exchange Agreement and the Tres Cruces Acquisition Agreements, not proceed with the Transaction or otherwise give effect to these resolutions.
5. Any one director or officer of the Company be and is hereby authorized and directed to execute and deliver for and in the name of and on behalf of the Company all such certificates, instruments,

agreements, documents and notices and to do all such other acts and things as in such person's opinion may be necessary or desirable for the purpose of giving effect to these resolutions."

A simple majority of the votes cast by the Shareholders at the Meeting in person or represented by proxy is required in order to pass the Transaction Resolution.

<p style="text-align: center;"><b>The Board unanimously recommends that Shareholders vote FOR the Transaction Resolution.</b></p>
---

## FAIRNESS OPINION

### Engagement of Sequeira Partners

Sequeira Partners was originally contacted by the Company regarding a potential advisory assignment on February 6, 2024. The Board retained Sequeira Partners on March 18, 2024 to provide the Fairness Opinion.

### Credentials of Sequeira Partners

Sequeira Partners is an independent Canadian corporate finance and valuation advisor and has become one of the largest mid-market merger and acquisition and valuation advisors in their markets.

Sequeira Partner's professionals have experience in providing advisory services for various purposes, including merger and acquisition advisory, corporate valuations and financial opinions, corporate carve-outs and recapitalizations.

Sequeira Partners has offices in Calgary, Edmonton and Vancouver. Sequeira Partner's team of finance professionals have earned professional designations, including Chartered Business Valuator (CBV), Chartered Financial Analyst (CFA), Chartered Professional Accountant (CPA) and Accredited Senior Appraiser under the American Society of Appraisers in Business Valuation (ASA).

### Compensation Paid to Sequeira Partners

Sequeira Partners received a fixed fee in connection with its engagement. In addition, Sequeira Partners is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company in the manner set forth in the indemnity that forms part of its engagement letter. No portion of Sequeira Partners' fee is contingent upon either the conclusion expressed in the Fairness Opinion or whether or not the Transaction is successfully consummated.

### Independence of Sequeira Partners

Neither Sequeira Partners nor any of its associates is an insider, associate or affiliated entity (as those or similar terms are used in MI 61-101) of the Company or any related party (as defined in MI 61-101) thereof. Neither Sequeira Partners nor any of its associates is an adviser to the Company in respect of the Transaction. Neither Sequeira Partners nor any of its associates is the independent auditor or is an affiliated entity of the independent auditor of the Company. Neither Sequeira Partners nor any of its associates has a material financial interest in obtaining Shareholder approval of the Transaction.

There exists no past or present relationship between Sequeira Partners and the Company, nor is any future relationship anticipated, that could be relevant to a perception of lack of independence. Sequeira Partners advises that in the ordinary course of its business it does not have or hold positions in the securities of the Company. Sequeira Partners prepares valuations of securities, companies and industries and may in the

future, in the course of providing financial advisory services to a broad spectrum of corporate clients, perform financial and research activities for companies referred to in the preparation of the Fairness Opinion.

Sequeira Partners delivered a written report, dated effective April 4, 2024, containing the Fairness Opinion that concluded that, as of the date of the Share Exchange Agreement, the Transaction is fair, from a financial point of view, to the Company and the Shareholders.

### **Prior Valuations**

There have been no “prior valuations” or appraisals, as such term is defined in MI 61-101, relating to the Company, or any of its subsidiaries, its securities or material assets made during the two years preceding the date of this Circular.

### **Scope of Review**

In rendering the Fairness Opinion, Sequeira Partners reviewed and relied upon, without independent verification of the completeness or accuracy, among other things: historical financial and operating data concerning Boroo Gold and the Company, projected financial and operating information, including financial forecast and internal mine models, prepared and provided by the Company and its financial and technical advisors, as well as other information, research and analysis on current industry and market conditions relevant to the mining industry, investigations and discussions as Sequeira Partners considered necessary or appropriate, related to both Boroo Gold and the Company. Other information, including stock trading and transaction data pertaining to the comparable public companies and transactions that Sequeira Partners used in rendering the Fairness Opinion, were accessed through market data providers, either through services subscribed by Sequeira Partners or from other sources accessible online. Finally, Sequeira Partners had access to all information requested from the Company.

### **Assumptions and Limitations**

In preparing the Fairness Opinion, Sequeira Partners has made several assumptions which are described in the Fairness Opinion, including assumptions relating to the conditions and prospects of Boroo Gold were prepared in good faith, based on the best available information and will be accurate in all material respects.

Subject to the exercise of its professional judgement, Sequeira Partners has relied, without independent verification, upon and assumed the completeness, accuracy and fair presentation of all financial information, business plans, financial analyses, forecasts and other information, data, advice, opinions and representations obtained by Sequeira Partners from public sources, or provided to Sequeira Partners by the Company and its consultants and advisors relating to Boroo Gold and its respective subsidiaries, associates and affiliates. The Fairness Opinion is conditional upon such completeness, accuracy and fair presentation.

Sequeira Partners prepared the Fairness Opinion effective as of the date of the Share Exchange Agreement. The Fairness Opinion is necessarily based upon market, economic, financial and other conditions as they exist and can be evaluated only as of the date of the Share Exchange Agreement and Sequeira Partners disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of Sequeira Partners after the date of the Share Exchange Agreement.

The Fairness Opinion is furnished solely for the use and benefit of the Board in connection with its consideration of the Transaction and is not intended to, and does not, confer any rights or remedies upon

any other person and is not intended to be relied upon by any other person other than the Board for any other purpose.

### **Fairness Conclusion**

Based on its scope of review and subject to the assumptions, restrictions and qualifications noted in the Fairness Opinion, Sequeira Partners is of the opinion that, as of the date of the Share Exchange Agreement, the Transaction is fair, from a financial point of view, to the Company and the Shareholders.

### **SUPPORT AND VOTING AGREEMENTS**

The Locked-up Shareholders have entered into the Support and Voting Agreements pursuant to which they have agreed to vote in favour of the Transaction Resolution. As of the Record Date, the Locked-up Shareholders held a total of 17,541,113 Common Shares, representing approximately 16% of the outstanding Common Shares.

Pursuant to the Support and Voting Agreements, each director and officer of Steppe has agreed to, solely in their capacity as Shareholders and not in their capacity as an officer or director of Steppe, subject to the terms of the Support and Voting Agreements, among other things: (i) vote their Common Shares in favour of the approval of the Transaction and any other transactions contemplated by the Share Exchange Agreement; (ii) vote their Common Shares against any arrangement agreement or plan of arrangement, merger agreement or merger, consolidation, business combination, sale or transfer of a material amount of assets, amalgamation, reorganization, recapitalization, dissolution, liquidation or winding up of or by the Company or any other Acquisition Proposal (other than the Transaction), or any amendment of the Company's constituting documents or other proposal or transaction involving the Company or any of its subsidiaries, which could reasonably be regarded as being directed towards or likely to prevent or delay the Meeting or the successful completion of the Transaction or which would reasonably be expected to result in a Material Adverse Effect in respect of the Company; (iii) except in their capacity as director or officer of Steppe, (a) immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any persons conducted with respect to any potential Acquisition Proposals, and (b) not, directly or indirectly, make or participate in or take any action that would reasonably be expected to result in an Acquisition Proposal, or engage in any discussion, negotiation or inquiries relating thereto or accept any Acquisition Proposal; (iv) not, directly or indirectly, without the consent of Boroo Singapore, sell, transfer, assign, tender, exchange, grant a participation interest in, gift, option, pledge, hypothecate, grant a security interest in, place in trust or otherwise convey, dispose or encumber any of their Common Shares to any person; and (v) not take any other action of any kind, directly or indirectly, which might reasonably be regarded as likely to reduce the success of, or delay or interfere with the completion of, the Transaction.

The Support and Voting Agreements signed by the Locked-up Shareholders shall terminate and be of no further force and effect upon the earlier of: (a) the termination of the Share Exchange Agreement in accordance with its terms; (b) the mutual written agreement of Boroo Singapore and the Locked-up Shareholder; (c) written notice by one party thereto to the other if any representation or warranty of the other party under the Support and Voting Agreement is untrue or incorrect in any material respect or the other party has not complied in any material respect with its covenants in the Support and Voting Agreement; or (d) the closing of the Transaction.

### **INFORMATION CONCERNING THE COMPANY**

The Company was incorporated under the OBCA on October 5, 2016. The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince

Edward Island and Newfoundland and Labrador. The Common Shares are traded on the TSX under the symbol “STGO”.

The head office of the Company is located at Shangri-La office Suite 1201, Olympic Street 19A, Sukhbaatar District 1, Ulaanbaatar 14241, Mongolia and its registered and records office is located at 333 Bay Street, Suite 2400 Toronto, Ontario M5H 2T6.

For further information regarding the Company, see Schedule A to this Circular, “*Information Concerning the Company*”.

## **INFORMATION CONCERNING BOROO GOLD**

Boroo Gold was incorporated under the Company Law of Mongolia on May 5, 1997.

The head and registered office is located at Level 7, Blue Sky Office, Sukhbaatar District, 1st Khoroo, Peace Avenue 17, Ulaanbaatar – 14240, Mongolia. Boroo Gold’s telephone number is +976-11-317798 and its website address is [www.borooogold.mn](http://www.borooogold.mn). Information contained in or otherwise accessed through Boroo Gold's website ([www.borooogold.mn](http://www.borooogold.mn)), or any other website, does not form part of this Circular. All such references to Boroo Gold's website are inactive textual references only.

For further information concerning Boroo Gold, see Schedule B to this Circular “*Information Concerning Boroo Gold*”.

## **RISK FACTORS**

### **Risk Factors Related to the Transaction**

#### *Dilution of Shareholders*

If the Transaction is completed, the Company will issue approximately 143,796,574 Common Shares. Immediately following the completion of the Transaction, it is expected that Boroo Singapore will own approximately 55.9% of the currently outstanding Common Shares, on a fully diluted basis. As a result, the current Shareholders as a group will have less influence over the management and policies of the Combined Company than they currently exercise.

#### *Significant Shareholder*

On completion of the Transaction, Boroo Singapore will be the Company’s single largest Shareholder. In light of such ownership, Boroo Singapore will be in a position to exercise significant influence over matters requiring Shareholder approval, including the election of directors and the determination of significant corporate actions. In addition, under the Investor Rights Agreement, Boroo Singapore will have the right to nominate two nominees for election or appointment to the Board so long as Boroo Singapore, together with its affiliates, owns, controls or directs, directly or indirectly, in the aggregate, 10% or more of the then-outstanding Common Shares at the time such nomination is delivered. Accordingly, on completion of the Transaction, Boroo Singapore will have significant influence over the Company and there can be no assurance that Boroo Singapore’s interests will align with the interests of the other Shareholders.

*Steppe may be Required to Pay a Termination Fee if the Transaction is not Completed in Certain Circumstances and the Size of such Termination Fee may Discourage other Parties from Making an Acquisition Proposal*

If the Transaction is not completed in certain prescribed circumstances, Steppe may be required to pay a termination fee of up to \$3.5 million to Boroo Holdings in connection with the termination of the Share Exchange Agreement. The payment of such a fee and failure to complete the Transaction would adversely affect Steppe and its financial position. Such termination fee may be payable to Steppe in the event that the Share Exchange Agreement is terminated in circumstances related to Steppe pursuing possible alternative transaction to the Transaction. The quantum of such termination fee may discourage other parties from making an Acquisition Proposal, even if such a transaction could provide better value to Shareholders than the Transaction.

*If the Transaction is not Consummated by the Outside Date, either Steppe or Boroo Singapore may Choose not to Proceed with the Transaction*

Absent certain circumstances, as set out in the Share Exchange Agreement, either Steppe or Boroo Holdings may terminate the Share Exchange Agreement if the Transaction has not been completed by the Outside Date and the parties do not mutually agree to extend the Share Exchange Agreement. See “*Matters to be Considered at the Meeting – General Description of the Share Exchange Agreement – Termination of the Share Exchange Agreement*”.

*The Market Price of Common Shares may be Materially Adversely Affected*

If, for any reason, the Transaction is not completed or its completion is materially delayed and/or the Share Exchange Agreement is terminated, the market price of the Common Shares may be materially adversely affected. The trading price of the Common Shares may be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including: (a) changes in the market price of gold; (b) current events affecting the economic situation in Canada, Mongolia, Peru and internationally; (c) trends in the global precious metals industry; (d) regulatory and/or government actions, rulings or policies; (e) changes in financial estimates and recommendations by securities analysts or rating agencies; (f) acquisitions and financings; (g) the economics of current and future projects of Steppe; (h) quarterly variations in operating results; and (i) the operating and share price performance of other companies, including those that investors may consider to be comparable.

*There are Certain Costs Related to the Transaction that must be Paid even if the Transaction is not Completed*

There are certain significant costs related to the Transaction, such as those for legal, financial and accounting advisory services and producing this Circular, that must be paid even if the Transaction is not completed. These costs may have an adverse impact on Steppe’s financial position, whether or not any benefit is obtained by Steppe from the Transaction.

*The Share Exchange Agreement may be Terminated in Certain Circumstances*

Each of Steppe and Boroo Holdings has the right to terminate the Share Exchange Agreement in certain circumstances and, if such right is exercised, the Transaction will not be completed. Accordingly, there is no certainty, nor can Steppe provide any assurance, that the Share Exchange Agreement will not be terminated by either of Steppe or Boroo Holdings before the completion of the Transaction. If the Transaction is not completed and Steppe decides to seek another transaction, there can be no assurance that

it will be able to find an asset or target company for acquisition at an equivalent or more attractive price than the Transaction.

Under the Share Exchange Agreement, Steppe is restricted, subject to certain exceptions, from soliciting, initiating, knowingly encouraging or facilitating, discussing or negotiating, or furnishing information with regard to, any Acquisition Proposal or any inquiry, proposal or offer relating to any Acquisition Proposal from any person. Such restrictions may prevent Steppe from pursuing attractive business opportunities that may arise prior to the completion of the Transaction. A Superior Proposal is limited to include only those Acquisition Proposals to acquire, for cash consideration, not less than all of the outstanding Common Shares (other than Common Shares owned by the person making the Superior Proposal) or all or substantially all of the assets of Steppe on a consolidated basis.

If the Board determines in good faith, after consultation with its outside financial and legal advisers, and after taking into account all the terms and conditions of an Acquisition Proposal and all factors and matters considered appropriate in good faith by the Board, that such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction that is more favourable, from a financial point of view, to the Shareholders than the Transaction (including any adjustments to the terms and conditions of the Transaction proposed by Boroo Holdings pursuant to the Share Exchange Agreement), and the Board recommends such Acquisition Proposal to the Shareholders or if Steppe approves, accepts or enters into an agreement to implement a Superior Proposal, Steppe would be entitled to terminate the Share Exchange Agreement and receive a Termination Fee. See the section of this Circular entitled “*Matters to be Considered at the Meeting – General Description of the Share Exchange Agreement – Termination of the Share Exchange Agreement*”.

*Boroo Singapore’s Share Percentage is Fixed at 55.9% and will not be Adjusted in the Event of any Change in either the Company’s or Boroo Singapore’s Respective Share Price*

Upon closing of the Transaction, Boroo Singapore will hold 55.9% of the issued and outstanding Common Shares. This share percentage is fixed in the Share Exchange Agreement and will not be adjusted for changes in the market price of either the Common Shares or the shares of Boroo Singapore.

Changes in the price of the Common Shares prior to the consummation of the Transaction will affect the market value that Boroo Singapore will be entitled to receive upon closing. Neither the Company, Boroo Holdings nor Boroo Singapore are permitted to terminate the Share Exchange Agreement or resolicit the vote of their respective shareholders or securityholders solely because of changes in the market price of either party’s shares. Share price changes may result from a variety of factors (many of which are beyond the Company’s, Boroo Holdings’ or Boroo Singapore’s control), including the risk factors identified in the Company AIF.

*If the Company is Unable to Complete the Transaction or if Completion of the Transaction is Delayed, there could be an Adverse Effect on the Company’s Liquidity Position and Financial Condition, Business and/or the Market Price of the Common Shares*

The completion of the Transaction is subject to the satisfaction of numerous closing conditions, some of which are outside the control of the Company, including the approval by the Shareholders and the receipt of applicable stock exchange approval. A substantial delay in obtaining satisfactory approvals and/or the imposition of unfavourable terms or conditions in the approvals to be obtained could result in the termination of the Share Exchange Agreement. There can be no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Transaction is not completed: (a) the market price of the Common Shares could be adversely affected and may decline to the extent the current market price reflects an assumption that the Transaction will not be

completed; (b) certain costs related to the Transaction, such as legal, accounting and financial advisory fees, must be paid by the Company even if the Transaction is not completed; (c) in certain instances, if the Transaction is not completed, the Company must pay the Termination Fee to Boroo Holdings, which could adversely affect the Company's financial condition; (d) the Company's business and its results of operations could be subject to various material adverse consequences, including its liquidity position and/or financial condition being materially adversely affected; (e) the Company may not be successful in finding another business opportunity that is of equal or greater benefit to the Company; and (f) the time and attention of the Company's management will have been diverted away from the conduct of the Company's business in the ordinary course.

#### *Possible Failure to Realize Anticipated Benefits of the Transaction*

The Transaction is subject to normal commercial risks that the Transaction may not be completed on the terms negotiated or at all. The Company, Boroo Holdings and Boroo Singapore are proposing to complete the Transaction to create the opportunity to realize certain benefits, including, among other things, potential cost savings and operational synergies. Achieving the benefits of the Transaction depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability of the Company, after giving effect to the Transaction, to realize the anticipated growth opportunities and synergies from combining the business of Boroo Gold with that of the Company. The integration of Boroo Gold's business into the Combined Company requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Company's ability to achieve the anticipated benefits of the Transaction.

#### *While the Transaction is Pending, the Company is Restricted from Taking Certain Actions*

The Share Exchange Agreement restricts the Company from taking specified actions until the Transaction is completed, without the consent of Boroo Singapore. These restrictions may prevent the Company from pursuing attractive business opportunities that may arise prior to completion of the Transaction. See "*Matters to be Considered at the Meeting – General Description of the Share Exchange Agreement*".

#### **Risk Factors Related to the Company**

Whether or not the Transaction is completed, the Company will continue to face many of the risks that it currently faces with respect to its business and affairs. A description of the risk factors (incorporated by reference into this Circular) applicable to the Company is contained under the heading "Risk Factors" in the Company AIF and in the Company's other filings with securities authorities.

### **GENERAL**

Unless otherwise directed, it is the intention of management's proxyholders to vote proxies in favour of the resolutions set forth herein. **To pass, all ordinary resolutions require approval by a simple majority of the votes cast at the Meeting by Shareholders.**

#### **Receipt of Financial Statements and Auditor's Report**

The consolidated financial statements of the Company for the financial year ended December 31, 2023 and the accompanying auditors' report thereon will be presented to the Shareholders at the Meeting. A copy of the consolidated financial statements has been mailed to each Shareholder who so requested as of the



Record Date and it is also available under the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca) or on the Company’s website at [www.steppegold.com](http://www.steppegold.com).

**Election of Directors**

The number of directors to be elected at the Meeting has been fixed by the Board at 7 and there are presently 7 directors to be elected at the Meeting. The term of office of each of the present directors expires immediately prior to the election of directors at the Meeting. **The persons named below will be presented for election at the Meeting as management’s nominees and management proxyholders will vote FOR the election of these nominees, unless otherwise instructed on the proxy form.** Management does not contemplate that any of these nominees will be unable to serve as a director and all proposed directors have confirmed their willingness to continue to serve as directors. Each director elected will hold office until the next annual general meeting of the Shareholders or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles or the provisions of the OBCA.

The following table and notes thereto set out information as at the Record Date on each person proposed to be nominated by management for election as a director.

<b>Batjargal Zamba</b>	<b>Background</b>			
Residency: Ulaanbaatar, Mongolia	Dr. Zamba, a Mongolian citizen, is currently serving as the Special Envoy of Mongolia on Climate Change, National Focus Point of Mongolia for the United Nations Framework Convention on Climate Change covering the coordination of activities related to the Intergovernmental Panel on Climate Change and Green Climate Fund.			
Director since: August 31, 2017	Dr. Zamba was the Minister of the Environment of Mongolia from 1990 to 1996 and Director-General of the National Agency for Meteorology, Hydrology and Environmental Monitoring from 1996 to 2001 and Ambassador of Mongolia to Japan from 2001 to 2005. From 2005 to 2010, he was working in New York as the Representative of the World Meteorological Organization to the United Nations.			
<b>Independent</b>	Dr. Zamba was also an advisor at the Office of the President of the United Nations Environmental Assembly of United Nations Environment Programme in Ulaanbaatar (2014-2016).			
	Dr. Zamba received a Doctorate from Russian State Hydrometeorological University.			
	<b>Board and Committee Meeting Attendance <sup>(1)</sup></b>		<b>Other Public Company Directorships</b>	
	Board	4/4	100%	-
	Audit	4/4	100%	
	<b>Securities Held</b>			
	Common Shares:		0	
	<b>Option Based Awards</b>			
	Number of securities underlying unexercised Options	Exercise Price	Expiration Date	Value of unexercised in-the-money Options
	-	-	-	-
	<b>2023 AGM Voting Results</b>		<b>Total Compensation in 2023 <sup>(2)</sup></b>	
	Votes in favour: 88.10%		\$24,000	

<b>Jargalan Sereenen</b>	<b>Background</b>			
Residency:	Dr. Sereenen, a Mongolian citizen, is an outstanding geologist with over 30 years of experience in the resources sector including base and precious metals and other commodities.			

Ulaanbaatar,  
Mongolia

Director since:  
August 23, 2019

Dr. Sereenen has been a Professor and the Head of the Mineral Exploration department at the School of Geology and Mining Engineering at the Mongolian National University of Science and Technology since 2011. Dr. Sereenen teaches ore geology and metallogeny to Bachelors, Masters and Doctorate students. Prior to 2011, Dr. Sereenen worked as an associate professor at the Mongolian University of Science and Technology.

Dr. Sereenen completed her graduate studies at the Tohoku University in Sendai, Japan in 2002. Dr. Sereenen received her master's degree from Tohoku University in Sendai, Japan in 1999.

**Independent**

<b>Board and Committee Meeting Attendance <sup>(1)</sup></b>		<b>Other Public Company Directorships</b>	
Board	3/4 75%	-	
Audit	3/4 75%		
<b>Securities Held</b>			
Common Shares:		-	
<b>Option Based Awards</b>			
Number of securities underlying unexercised Options	Exercise Price	Expiration Date	Value of unexercised in-the-money Options
-	-	-	-
<b>2023 AGM Voting Results</b>		<b>Total Compensation in 2023 <sup>(2)</sup></b>	
Votes in favour: 88.09 %		\$24,000	

**Patrick Michaels**

Residency:  
Zurich,  
Switzerland

Director since:  
October 2, 2017

Lead Director since:  
May 2, 2018

**Independent**

**Background**

Mr. Michaels, a Swiss citizen, is the Chairman of Zuri-Invest AG and the Chairman of Asty Capital AG in Zurich, Switzerland.

Mr. Michaels has been involved in numerous financings of gold mines in North America as well as various other countries and is a well-respected financial adviser and fund manager throughout Europe. Mr. Michaels has extensive experience in the fields of mining finance, fund management and asset allocation.

Mr. Michaels has a background in law and economics and did his training in the areas of private banking and investment research at UBS in Zurich. Additionally, he attended post-graduate courses at the Colorado School of Mines in Golden, Colorado.

<b>Board and Committee Meeting Attendance <sup>(1)</sup></b>		<b>Other Public Company Directorships</b>	
Board	3/4 75%	GoldQuest Mining Corp.	
<b>Securities Held</b>			
Common Shares		153,000	
<b>Option Based Awards</b>			
Number of securities underlying unexercised Options	Exercise Price	Expiration Date	Value of unexercised in-the-money Options
-	-	-	-
<b>2023 AGM Voting Results</b>		<b>Total Compensation in 2023 <sup>(2)</sup></b>	
Votes in favour: 98.88%		\$24,000	

**Bataa Tumor-Ochir**

Residency:  
Ulaanbaatar,  
Mongolia

Director since:  
October 5, 2016

**Non-Independent**

<b>Background</b>			
Mr. Tumor-Ochir, a Mongolian citizen, has a wealth of global experience in the mining and oil and gas industry. Mr. Tumor-Ochir is responsible for new business acquisitions, development and government and community relations. He is also responsible for daily operations in Mongolia. Mr. Tumor-Ochir served as the President and Chief Executive Officer and director of the Company from December 2, 2019 until June 14, 2023. He resigned as President and was appointed Chairman of the Company on June 14, 2023 and, since that date, has served as Chairman, Chief Executive Officer and director of the Company.			
Under his guidance, Steppe was awarded the “Best Investment of the Year Award” from the Ministry of Mining and Heavy Industry and Mineral Resource and Petroleum Authority of Mongolia in 2019. Mr. Tumor-Ochir is also an Executive Director of Ion Energy LLC.			
Mr. Tumor-Ochir holds a bachelor’s degree in business administration and graduate certificates in international business and marketing from institutions in Australia and Singapore.			
<b>Board and Committee Meeting Attendance <sup>(1)</sup></b>		<b>Other Public Company Directorships</b>	
Board	4/4	100%	Ion Energy Ltd.
<b>Securities Held</b>			
Common Shares		8,535,732	
Convertible Debentures		4,411,765	
<b>Option Based Awards</b>			
Number of securities underlying unexercised Options	Exercise Price	Expiration Date	Value of unexercised in-the-money Options
-	-	-	-
<b>2023 AGM Voting Results</b>		<b>Total Compensation in 2023 <sup>(2)</sup></b>	
Votes in favour: 88.10%		\$1,168,384	

**Byambatseren Tsogbadrakh**

Residency:  
Ulaanbaatar,  
Mongolia

Director since:  
March 15, 2024

**Non-Independent**

<b>Background</b>			
Ms. Byambatseren Tsogbadrakh, a Mongolian national, is a founding member of the Steppe team.			
Ms. Tsogbadrakh has over 15 years of experience in the field of finance in mining sector. Prior to joining Steppe, Ms. Tsogbadrakh was Chief accountant at Haranga Resources LLC, an iron ore exploration company in Mongolia, from 2011 to 2016.			
Ms. Tsogbadrakh joined the Company in November 2016 and has progressively held senior positions within the Company for an extended period. Prior to becoming President and director, she was appointed as the Vice President, Finance Department in March 2019.			
<b>Board and Committee Meeting Attendance <sup>(1)</sup></b>		<b>Other Public Company Directorships</b>	
N/A	-	-	-
<b>Securities Held</b>			
Common Shares		166,666	
<b>Option Based Awards</b>			
Number of securities underlying unexercised Options	Exercise Price	Expiration Date	Value of unexercised in-the-money Options
-	-	-	-
<b>2023 AGM Voting Results</b>		<b>Total Compensation in 2023 <sup>(2)</sup></b>	

N/A

\$279,777

<b>Steve Haggarty</b>	<b>Background</b>			
	Mr. Haggarty, a Canadian citizen, has over 35 years of industrial experience both on-site and at a corporate level, involving several precious metal and copper producers, with a background in project design, commissioning, start-up, metallurgy, process optimization, project management, reclamation, and closure.			
Residency: Ontario, Canada	Mr. Haggarty is the Managing Director of Haggarty Technical Services Company and a registered member of the Professional Engineers Ontario. Mr. Haggarty's industry experience includes 24 years in operations and 14 years in corporate and EPCM-related roles. Most recently, Mr. Haggarty was Senior Director, Metallurgy at Barrick Gold Corp. Mr. Haggarty has worked at multiple mine sites around the world, including as General Manager of Barrick Gold's Veladero heap leach project in Argentina. He is considered a technical leader in heap leach processing, implementation and optimization.			
Director since: August 23, 2019	Mr. Haggarty received his Bachelor of Engineering in Metallurgy, Mining, Mineral Processing from McGill University.			
<b>Independent</b>	<b>Board and Committee Meeting Attendance <sup>(1)</sup></b>		<b>Other Public Company Directorships</b>	
	Board	3/4	75%	-
	Audit	3/4	75%	
	<b>Securities Held</b>			
	Common Shares		-	
	<b>Option Based Awards</b>			
	Number of securities underlying unexercised Options	Exercise Price	Expiration Date	Value of unexercised in-the-money Options
	-	-	-	-
	<b>2023 AGM Voting Results</b>		<b>Total Compensation in 2023 <sup>(2)</sup></b>	
	Votes in favour: 88.09%		\$24,000	

<b>Marina Lerner</b>	<b>Background</b>			
	Ms. Lerner, a U.S. citizen, has operated a private tax accounting firm since 1986 and possesses an expertise in domestic and foreign tax planning, financial forensics, fraud prevention and dispute resolution.			
Residency: Nassau County, New York	Ms. Lerner is a Certified Public Accountant, Certified Financial Forensic (AICPA), Certified Forensic Accountant Homeland Security Level V and a graduate of the American College of Forensic Examiners.			
Director since: June 30, 2023	Ms. Lerner is a member of the American Institute of Certified Public Accountants, American College of Forensic Examiners, National Association of Certified Fraud Examiners, Institute of Business Appraisals, National Conference of CPA Practitioners and National Association of Tax Preparers.			
<b>Independent</b>	Ms. Lerner is the current chairperson of Children's Talent Development Fund, a not-for-profit charitable organization, former director and treasurer of the Russian Jewish Congress and acts as a pro-bono consultant for Ukrainian refugees. She is fluent in English, Ukrainian and Russian.			
	<b>Board and Committee Meeting Attendance <sup>(1)</sup></b>		<b>Other Public Company Directorships</b>	
	Board	2/2	100%	-
	<b>Securities Held</b>			
	Common Shares		8,000,000	
	<b>Option Based Awards</b>			

Number of securities underlying unexercised Options	Exercise Price	Expiration Date	Value of unexercised in-the-money Options
-	-	-	-
<b>2023 AGM Voting Results</b>		<b>Total Compensation in 2023 <sup>(2)</sup></b>	
Votes in favour: 88.10%		\$12,000	

Notes:

- (1) During the financial year ended December 31, 2023.
- (2) Total compensation, above, is calculated by summing cash fees paid and the value of share-based Awards as of the date of grant.

### Board and Management Upon Closing of the Transaction

While the proposed nominees for election to the Board are as set forth immediately above under the heading “*Election of Directors*”, upon closing of the Transaction, the Company has agreed, pursuant to the Share Exchange Agreement, to take all necessary actions to ensure that immediately upon closing of the Transaction, the Board and the senior management team of the Combined Company shall be as follows:

#### *Board*

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

#### *Company Senior Management*

- Bataa Tumor-Ochir (Chair and Chief Executive Officer)
- Tserenbadam Dugeree (Chief Operating Officer)
- Jeremy South (Chief Financial Officer)
- Byambatseren Tsogbadrakh (President & Vice President, Finance)

### Majority Voting Policy

On October 2, 2017, the Board adopted a majority voting policy (the “**Majority Voting Policy**”) with immediate effect. A copy of the Majority Voting Policy is available on the Company’s website at [www.steppegold.com](http://www.steppegold.com).

The Majority Voting Policy requires that any nominee for director who receives a greater number of votes “withheld” than “for” his or her election, in an uncontested election, shall immediately tender his or her resignation to the Chairperson of the Board for consideration by the Nominating and Corporate Governance Committee (the “**NCGC**”). The NCGC shall consider the resignation in accordance with the Majority Voting Policy and shall recommend to the Board whether or not it should be accepted. The Board shall act on the recommendations of the NCGC within 90 days following the Shareholders’ meeting and disclose its decision by way of press release. No director who, in accordance with the Majority Voting Policy, is required to tender his or her resignation shall participate in the NCGC’s deliberations or recommendation.

However, such director shall remain active and engaged in all other Board and committee activities, deliberations and decisions during the NCGC process. If a resignation is accepted, the Board may, in accordance with the provisions of the OBCA, (i) leave the vacancy in the Board unfilled until the next annual meeting of Shareholders, (ii) fill the vacancy created by the resignation by appointing a new director whom the Board considers to merit the confidence of Shareholders, or (iii) call a special meeting of Shareholders to consider new Board nominee(s) to fill the vacant position(s).

Each of the current directors has agreed to abide by the provisions of the Majority Voting Policy and any subsequent candidate nominated by management will, as a condition of such nomination, be required to abide by the Majority Voting Policy. In the event that any director who received a majority of votes “withheld” does not tender his or her resignation in accordance with the Majority Voting Policy, he or she will not be re-nominated by the Board.

### **Corporate Cease Trade Orders or Bankruptcies**

To the best of the Company’s knowledge, none of the nominees is, as at the date of this Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, including the Company, that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in any case that was in effect for more than 30 consecutive days (for the purposes of this paragraph, an “**order**”) that was issued while the nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

### **Personal Bankruptcies**

To the best of the Company’s knowledge, none of the nominees is, as at the date of this Circular, or has been within the 10 years before the date hereof, (i) a director or executive officer of any company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the nominee.

### **Penalties and Sanctions**

To the best of the Company’s knowledge, none of the nominees has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **Appointment of Auditor**

Kingston Ross Pasnak LLP (“**KRP**”) is the Company’s auditor and was first appointed as the auditor of the Company on October 15, 2021. KRP is independent with respect to Steppe in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. The appointment of KRP has

been considered and approved by the Audit Committee and the Board. There were no “reportable events” between Steppe and KRP within the meaning of NI 51-102.

The persons named in the accompanying form of proxy will, in the absence of specifications or instructions to withhold from voting on the form of proxy, vote “for” the appointment of KRP as the auditor of the Company, to hold office until the next annual meeting of Shareholders and to authorize the Board to fix such auditor’s remuneration.

Certain information regarding the Audit Committee that is required to be disclosed in accordance with NI 52-110 is contained in the Company AIF and is incorporated by reference herein. The Company AIF is available under the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). The Company AIF is also available to Shareholders, free of charge, upon request at 333 Bay Street, Suite 2400, Toronto, Ontario M5H 2T6, attention: Corporate Secretary, or by telephone at (647) 697 0577.

### **Other Business**

Management of the Company knows of no matters to come before the Meeting other than those referred to in the notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the management proxyholders to vote on the same in accordance with their best judgment on such matters.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Named Executive Officers**

The following describes the particulars of compensation for: (a) the CEO; (b) the CFO; (c) each of the 3 most highly compensated executive officers of the Company, including any of its subsidiaries, or the 3 most highly compensated individuals acting in a similar capacity, other than the CEO and the CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (d) each individual who would be a named executive officer but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year (each a “**Named Executive Officer**” or “**NEO**”). For the financial year ended December 31, 2023, the Named Executive Officers of the Company were:

- Bataa Tumur-Ochir, Chairman and Chief Executive Officer
- Jeremy South, Senior Vice President and Chief Financial Officer
- Aneel Waraich, Former Executive Vice-President
- Greg Wood, Former Vice President Operation
- Matthew Wood, Former Executive Chairman

### **Compensation Policy Objectives**

The Company’s executive compensation program is designed to reward corporate and individual performance and motivate executives to achieve overall corporate goals.

The Company’s executive compensation program has the following objectives:

- to attract, retain and motivate qualified executives;
- to provide incentives to executives to maximize productivity and enhance enterprise value by aligning the interests of the executives with those of the Shareholders;
- to foster teamwork and entrepreneurial spirit;

- to establish a direct link between all elements of compensation and the performance of the Company and its subsidiaries and individual performance;
- to integrate compensation incentives with the development and successful execution of strategic and operating plans; and
- to enhance Shareholder value.

The Compensation Committee of the Company is composed of Byambatseren Tsogbadrakh (Chair) and Jargalan Sereenen. Dr. Sereenen is considered independent for the purposes of NP 58-201. In determining the appropriate level of compensation payable to Byambatseren Tsogbadrakh, the independent member of the Compensation Committee subjectively and quantitatively analyzes her performance using the same criteria for the Named Executive Officers. In addition, the independent member of the Compensation Committee reviews the Company's overall performance, operational and financial results and the success of the Company's business plan and her contributions to that performance. As a whole, the members of the Compensation Committee have held senior executive and board positions with other publicly traded companies where they have had direct involvement in the development and implementation of compensation policies and practices for employees at all levels, including executive officers or otherwise have relevant experience. The Board believes that the Compensation Committee members possess all of the knowledge, experience and the profile needed in order to fulfill the mandate of the Compensation Committee.

The Compensation Committee was formed on October 2, 2017 and is responsible for making recommendations to the Board with respect to the compensation of the Company's directors, Named Executive Officers and certain employees. The Compensation Committee will work in conjunction with the Chairman and CEO on the review and assessment of the performance of executive officers and other employees in accordance with the Company's compensation practices. The Board will review the Compensation Committee's recommendations to ensure that total compensation paid to all Named Executive Officers is fair and reasonable and is consistent with the Company's compensation program.

The executive compensation program is comprised of fixed and variable elements of compensation, base salary, indirect compensation (benefits), discretionary bonus and long-term equity-based incentives. In determining actual compensation levels, the Compensation Committee will consider the total compensation program, rather than any single element in isolation. Total compensation levels will be designed to reflect both the marketplace (to ensure competitiveness) and the responsibility of each position (to ensure internal equity). These elements of compensation, when combined, should form an appropriate mix of compensation, provide a competitive salary, link the majority of the executives' compensation to corporate and individual performance (which induces and rewards behaviour that creates long-term value for Shareholders and other stakeholders) and encourage retention with time-based vesting attached to long-term equity-based incentives.

The compensation level of the Chairman and CEO is set out in his executive employment agreement and is designed to recognize his personal contributions and leadership. At the end of each fiscal year, the Compensation Committee evaluates the performance of the Chairman and CEO. Using both financial and non-financial measures, the Compensation Committee may recommend to the Board an increase to the CEO's total compensation to levels that are consistent with corporate and individual performance.

Similarly, the Compensation Committee will review and ensure that the directors' compensation packages are competitive in light of the responsibility and the time commitment required from directors. Based on such reviews, the Compensation Committee will make recommendations to the Board with respect to changes to executive compensation and director compensation.



### *Base Salaries*

Base salaries for the executive officers are designed to be competitive and are adjusted for the realities of the market. Initial base salaries are determined through market comparables, formal job evaluation, commercially available salary survey data, experience level, leadership and management skills, responsibilities and proven or expected performance. The Compensation Committee, in consultation with the Chairperson, reviews the recommendations of the CEO and recommends to the Board the base salaries for executive officers taking into consideration the individual's performance, existing employment agreement, contributions to the success of the Company and internal equities among positions. No specific weightings are assigned to each factor, instead a subjective determination is made based on a general assessment of the individual relative to such factors.

The Board and Compensation Committee intend to review executive compensation on an ongoing basis, with the expectation that salaries will be modified in consideration of market comparables, executive and corporate performance and the Company's financial position.

### *Discretionary Bonus*

A discretionary bonus is intended to provide incentives to executive officers to enhance the growth and development of the Company, to encourage and motivate executive officers to achieve short-term goals and to reward individual contribution to the achievement of corporate objectives. The bonus can be based as a percentage of annual salary or a fixed dollar amount and is awarded at the discretion of the Board as recommended by the Compensation Committee.

### *Long-Term Incentives*

On October 2, 2017, the Company adopted a long-term incentive plan, as last approved and ratified by the Shareholders at the annual and special meeting of the Company held on June 30, 2022 (the "LTIP") to facilitate granting of stock options ("Options"), Restricted Share Units ("RSUs"), Deferred Share Units ("DSUs") and Performance Share Units ("PSUs", and together with Options, DSUs and RSUs, "Awards"). The Company's long-term equity portion of executive compensation is designed to align the interests of executive officers with that of Shareholders by encouraging equity ownership through awards of Options, DSUs, RSUs and PSUs to motivate executives and other key employees to contribute to an increase in corporate performance and Shareholder value and to attract talented individuals and encourage the retention of executive officers and other key employees by vesting Options, DSUs, RSUs and PSUs over a period of time. The LTIP is available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### *Stock Options*

The Company grants Options to its NEOs. Generally, the timing of the grant, and number of Common Shares made subject to Option, is recommended by the Chairperson and the Chairman and CEO, reviewed and approved (or revised, if thought appropriate) by the Compensation Committee in consultation with the Chairperson and implemented by a resolution of the Board. The review of proposed Option grants by the Compensation Committee and the implementation thereof by the Board (which is comprised of a majority of independent directors) provides the independent directors with significant input into such compensation decisions. Consideration in determining Option grants is given to, amongst other things, the total number of Options outstanding, the current and future expected contribution to the advancement of corporate objectives, the position of the individual, tenure and previous Option grants to selected individuals. No specific weightings are assigned to each factor, instead a subjective determination is made based on an assessment of the individual relative to such factors. Grants of Options also comprise a portion of the compensation package offered to attract and retain new directors and executive officers to the Company.

Options granted by the Board are priced at the closing price of the Common Shares on the TSX on the last trading day prior to the date of grant.

During the fiscal year ended December 31, 2023, there were no Options granted to the Named Executive Officers and no Options granted to other employees and consultants. All Options granted to the Named Executive Officers in 2018 expired without exercise during the year ended December 31, 2023.

#### Restricted Share Units

Under the LTIP, RSUs may be granted at the discretion of the Board as a bonus to executives, taking into account a number of factors, including the amount and term of RSUs previously granted, base salary and bonuses and competitive market factors. The Board establishes the vesting conditions for each grant at the time of grant, but if no specific conditions are set, the vesting date will be December 15th of the third calendar year following the grant date.

Upon vesting, each RSU entitles the RSU participant to receive, subject to adjustments as provided for in the LTIP, one Common Share or payment in cash for the equivalent thereof. For the purposes of the LTIP, the value of the RSU on vesting is the market price, being the closing volume-weighted average price of the Common Shares on the TSX for the 5 trading days immediately preceding such vesting date, but if the Common Shares did not trade on such trading days, the market price shall be average of the bid and ask prices in respect of the Common Shares at the close of trading on such trading day. The LTIP contemplates various entitlements in the event of a change of control.

The Company has not granted any DSUs or PSUs pursuant to the LTIP.

On August 21, 2020, the Company granted 1,957,500 RSUs to its executive officers and employees. In accordance with the LTIP, for participants that are not identified as management, 657,500 RSUs vested in four equal instalments on July 31 2020, July 31 2021, July 31 2022 and July 31 2023 and each RSU is exercisable into one Common Share at no additional cost. For participants identified as management, 1,300,000 RSUs vested in three equal instalments on July 31, 2021, July 31, 2022 and July 31, 2023 and each RSU is exercisable into one Common Share at no additional cost.

During the year ended December 31, 2023, the Company granted 2,545,352 RSUs to the Named Executive Officers and employees and consultants of the Company. All RSUs vested immediately on the grant date of January 19, 2023.

#### *Indirect Compensation*

The primary benefits offered to the Named Executive Officers include participation in group health, dental, extended medical coverage and life insurance plans, including long-term disability, paid vacation and payment of any professional dues on the individual's behalf, which benefits are generally available to all employees of the Company.

#### *Pension Plan Benefits*

The Company does not provide retirement benefits for directors, executive officers or employees.

#### *Share Ownership Requirements*

The Company has not imposed minimum share ownership requirements, in line with industry practices for similar companies of its size.

*Risks Associated with Compensation Practices*

As of the date of this Circular, the Company’s directors had not, collectively, considered the implications of any risks associated with the Company’s compensation policies applicable to its executive officers.

*Financial Instruments*

The Company’s securities trading policy, adopted October 2, 2017 (the “**Securities Trading Policy**”), restricts its representatives who are directors and officers of the Company from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds, which are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by Insiders (as defined in the Securities Trading Policy). As of the date of this Circular, entitlement to grants of Awards under the Company’s LTIP are the only equity-based security elements awarded to executive officers and directors.

**Summary Compensation Table**

The table below is a summary of total compensation paid to the NEOs for each of the Company’s three most recently completed financial years ending December 31, 2023:

Summary Compensation Table									
Name and Principal Position	Year	Salary (\$)	Share-based Awards (1)(2)(3) (\$)	Option-based Awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (2)	Long-term Incentive Plans			
<b>Matthew Wood</b> (4) Former Executive Chairman	2023	276,000	323,330	-	-	-	-	150,000 (6)	749,330
	2022	360,000	-	-	-	-	-	-	360,000
	2021	360,000	-	-	-	-	-	300,000 (5)	1,002,875
<b>Bataa Tumor-Ochir</b> Executive Chairman, and Chief Executive Officer	2023	279,500	538,884	-	-	-	-	350,000 (6)	1,168,385
	2022	360,000	-	-	-	-	-	-	360,000
	2021	360,000	382,875	-	-	-	-	300,000 (5)	982,875
<b>Jeremy South</b> Senior Vice President and Chief Financial Officer	2023	245,000	323,330	-	-	-	-	150,000 (6)	718,331
	2022	276,000	-	-	-	-	-	-	252,000
	2021	252,000	382,875	-	-	-	-	200,000 (5)	826,875
<b>Anel Waraich</b> (4) Former Executive Vice-President	2023	233,500	323,330	-	-	-	-	150,000 (6)	706,831
	2022	300,000	-	-	-	-	-	-	300,000
	2021	300,000	382,875	-	-	-	-	250,000 (5)	892,875

<b>Greg Wood</b> <sup>(4)</sup> Former Vice President Operation	2023	235,000	323,330	-	-	-	-	150,000 <sup>(6)</sup>	708,331
	2022	292,800	-	-	-	-	-	-	285,600
	2021	285,600	382,875	-	-	-	-	200,000 <sup>(5)</sup>	841,275

Notes:

- (1) RSUs are granted with performance, share price and time vesting criteria. The valuation of RSUs reflects the value on the date of grant.
- (2) Converted from Canadian dollars to United States dollars at the Bank of Canada daily US/Canadian dollar exchange rate on January 19, 2023 of 1.3462.
- (3) On August 21, 2020, the Company granted 1,957,500 RSUs to its executive officers and employees. In accordance with the LTIP, for participants that are not identified as management, 657,500 RSUs vested in four equal instalments on July 31, 2020, July 31, 2021, July 31, 2022 and July 31, 2023 and each RSU is exercisable into one Common Share at no additional cost. For participants identified as management, 1,300,000 RSUs vested in three equal instalments on July 31, 2021, July 31, 2022 and July 31, 2023 and each RSU is exercisable into one Common Share at no additional cost. On January 19, 2023, the Company granted 2,545,352 RSUs to its executive officers and employees, which vested immediately. Common Shares related to these RSUs were granted to the respective individuals on January 31, 2023.
- (4) Matthew Wood resigned on March 14, 2024. Aneel Waraich resigned on March 28, 2024. Greg Wood resigned on March 28, 2024.
- (5) Relates to cash bonuses accrued in 2020 but paid in 2021.
- (6) Relates to cash bonuses accrued in respect of the years ended December 31, 2022 and 2021 where bonuses accrued in such years were not paid. Half of the cash bonuses were paid during the year ended December 31, 2023.

## Incentive Plan Awards

### *Outstanding Share-Based Awards and Option-Based Awards*

There were no Option-based Awards outstanding in respect of NEOs as at December 31, 2023.

### *Value Vested or Earned During the Year*

For the year ended December 31, 2023, the following table sets forth for each Named Executive Officer the value that would have been realized if the Option-based incentive plan Awards had been exercised on their vesting date and the value earned under the non-equity incentive plan.

<b>Name</b>	<b>Option-Based Awards – Value Vested During the Year (\$)</b>	<b>Share-Based Awards – Value Vested During the Year (\$) <sup>(1)(2)(3)</sup></b>	<b>Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)</b>
<b>Matthew Wood</b>	-	322,859	-
<b>Bataa Tumur-Ochir</b>	-	513,555	-
<b>Jeremy South</b>	-	322,859	-
<b>Aneel Waraich</b>	-	322,859	-
<b>Greg Wood</b>	-	322,859	-

Notes:

- (1) The value of share-based Awards which vested during the fiscal year ended December 31, 2023 was calculated based on the volume-weighted average price of the Common Shares on the TSX for the 5 trading days prior to the vesting

date.

- (2) Converted from Canadian dollars to United States dollars at the Bank of Canada daily US/Canadian dollar exchange rate on May 6, 2024 of 1.3661.
- (3) On August 22, 2023, a total of 333,335 RSUs granted in 2020 to the Named Executive Officers were vested and on January 31, 2023, a total of 1,973,213 RSUs were granted to Named Executive Officers, which vested immediately.

## **Employment Agreements**

Of the NEOs, the Company currently has employment agreements in place with its Chairman and CEO and its Chief Financial Officer and Executive Vice President. The Company had employment agreements in place with its former Executive Chairman and its former Executive Vice-President. All of the executive employment agreements provide for base salary, discretionary bonuses and stock option Awards, as approved by the Board, paid vacation and enrolment in the Company's benefits plan, which benefits are generally available to all employees of the Company, and provide payment on termination without just cause or in the event of change of control of the Company as described below.

## **Termination and Change of Control Benefits**

"Change of Control" for the Company, for the purposes of this section, is defined in the Company's employment agreements, as "a transaction or series of transactions whereby directly or indirectly:

- (a) any person or combination of persons obtains a sufficient number of securities of the Company to affect materially the control of the Company; for the purposes of the employment agreements, a person or combination of persons holding shares or other securities in excess of the number which, directly or following conversion thereof, would entitle the holders thereof to cast 50% or more of the votes attaching to all shares of the Company which may be cast to elect directors of the Company, shall be deemed to be in a position to affect materially the control of the Company; or
- (b) the Company shall consolidate or merge with or into, amalgamate with, or enter into a statutory arrangement with, any other person (other than a subsidiary of the Company) and, in connection therewith, which results in the holders of voting securities of that other person holding, in the aggregate, 50% or more of the votes attached to all outstanding voting shares of the entity resulting from the consolidation, merger, amalgamation, arrangement or other form of business combination; or
- (c) there occurs a change in the composition of the Company's Board of Directors, which occurs at a single meeting, or a succession of meetings occurring within 6 months of each other, of the shareholders of the Company, whereby such individuals who were members of the Board of Directors immediately prior to such meeting or succession of meetings cease to constitute a majority of the Board of Directors without the Board of Directors, as constituted immediately prior to such meeting, approving of such change."

**Matthew Wood, Former Executive Chairman:** Under the terms of his employment agreement, if within 12 months of a Change of Control, Mr. Wood's employment is terminated or he chooses to terminate his employment for good reason, Mr. Wood is entitled to receive a lump sum payment equal to 3 times the sum of (i) his base salary at the time of termination of employment, plus (ii) the average bonus paid to him for the previous 2 years. In addition, Mr. Wood's group insurance benefit coverage, other than long and short-term disability, will continue until the earlier of 12 months following termination and the day he commences employment with another employer. In the event of the termination of Mr. Wood's employment without just cause either before or in the absence of a Change of Control or beyond the 12-month period following a Change of Control, Mr. Wood is entitled to receive a lump sum payment equal to 2 times of the sum of

(i) his base salary at the time of termination of employment, plus (ii) the average bonus paid to him for the previous 2 years.

On March 15, 2024, Mr. Wood resigned from the Company. In connection with Mr. Wood's resignation, the Company and Mr. Wood agreed to terminate Mr. Wood's employment agreement and, in consideration therefor, the Company issued Mr. Wood an aggregate of 2,000,000 Common Shares at a deemed price of C\$0.78 per Common Share to settle all amounts owing by the Company to Mr. Wood.

***Bataa Tumur-Ochir, Chairman and Chief Executive Officer:*** Under the terms of his employment agreement, if within 12 months of a Change of Control, Mr. Tumur-Ochir's employment is terminated or he chooses to terminate his employment for good reason, Mr. Tumur-Ochir is entitled to receive a lump sum payment equal to 3 times the sum of (i) his base salary at the time of termination of employment, plus (ii) the average bonus paid to him for the previous 2 years. In addition, Mr. Tumur-Ochir's group insurance benefit coverage, other than long and short-term disability, will continue until the earlier of 12 months following termination and the day he commences employment with another employer. In the event of the termination of Mr. Tumur-Ochir's employment without just cause either before or in the absence of a Change of Control or beyond a 12-month period following a Change of Control, Mr. Tumur-Ochir is entitled to receive a lump sum payment equal to 2 times of the sum of (i) his base salary at the time of termination of employment, plus (ii) the average bonus paid to him for the previous 2 years.

***Jeremy South, Chief Financial Officer:*** Under the terms of his employment agreement, if within 12 months of a Change of Control, Mr. South's employment is terminated or he chooses to terminate his employment for good reason, Mr. South is entitled to receive a lump sum payment equal to 3 times the sum of (i) his base salary at the time of termination of employment, plus (ii) the average bonus paid to him for the previous 2 years. In addition, Mr. South's group insurance benefit coverage, other than long and short-term disability, will continue until the earlier of 12 months following termination and the day he commences employment with another employer. In the event of the termination of Mr. South's employment without just cause either before or in the absence of a Change of Control or beyond the 12-month period following a Change of Control, Mr. South is entitled to receive a lump sum payment equal to 2 times of the sum of (i) his base salary at the time of termination of employment, plus (ii) the average bonus paid to him for the previous 2 years.

***Aneel Waraich, Former Executive Vice-President:*** Under the terms of his employment agreement, if within 12 months of a Change of Control, Mr. Waraich's employment is terminated or he chooses to terminate his employment for good reason, Mr. Waraich's is entitled to receive a lump sum payment equal to 3 times the sum of (i) his base salary at the time of termination of employment, plus (ii) the average bonus paid to him for the previous 2 years. In addition, Mr. Waraich's group insurance benefit coverage, other than long and short-term disability, will continue until the earlier of 12 months following termination and the day he commences employment with another employer. In the event of the termination of Mr. Waraich's employment without just cause either before or in the absence of a Change of Control or beyond a 12-month period following a Change of Control, Mr. Waraich is entitled to receive a lump sum payment equal to 2 times of the sum of (i) his base salary at the time of termination of employment, plus (ii) the average bonus paid to him for the previous 2 years.

On March 28, 2024, Mr. Waraich resigned from the Company. In connection with Mr. Waraich's resignation, the Company and Mr. Waraich agreed to terminate Mr. Waraich's employment agreement and, in consideration therefor, the Company issued Mr. Waraich an aggregate of 1,250,000 Common Shares at a deemed price of C\$0.77 per Common Share, in addition to a cash payment of \$100,000, to settle all amounts owing by the Company to Mr. Waraich.

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers for termination without just cause and termination on a Change of Control, assuming termination on December 31, 2023:

<b>Name</b>	<b>Triggering Event</b>	<b>Base Salary \$</b>	<b>Value of Option-Based Awards if Exercised on Termination (1)(2) \$</b>	<b>All Other Compensation \$</b>	<b>Total \$</b>
<b>Matthew Wood</b>	Change of Control	1,380,000	-	-	1,380,000
	Termination without just cause	1,020,000	-	-	1,020,000
<b>Jeremy South</b>	Change of Control	1,200,000	-	-	1,200,000
	Termination without just cause	900,000	-	-	900,000
<b>Aneel Waraich</b>	Change of Control	1,200,000	-	-	1,200,000
	Termination without just cause	900,000	-	-	900,000
<b>Bataa Tumur-Ochir</b>	Change of Control	1,580,000	-	-	1,580,000
	Termination without just cause	1,220,000	-	-	1,220,000

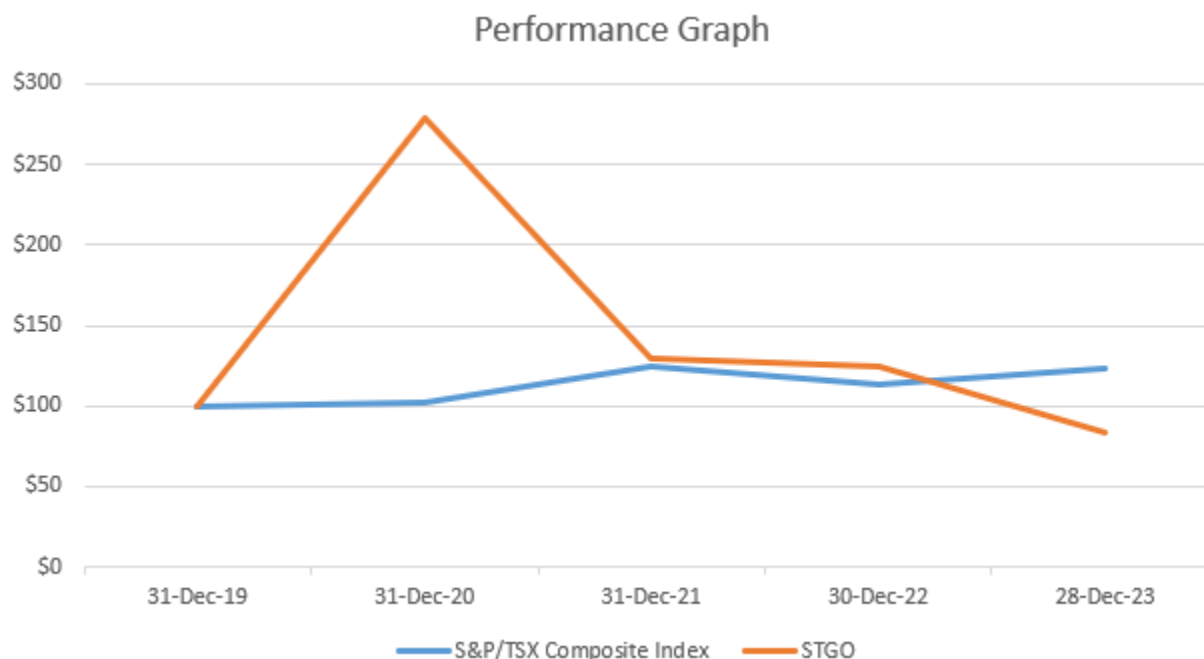
Notes:

(1) There were no outstanding Options as of December 31, 2023.

(2) Reflects the value attributable to RSUs at vesting on the triggering event.

### **Performance Graph**

The following graph compares the yearly change in the cumulative total Shareholder return over the 5 most recently completed financial years, assuming a C\$100 investment in the Common Shares on December 31, 2019, against the return of the S&P/TSX Composite Total Return Index, assuming the reinvestment of dividends, where applicable, for the comparable period.



	31-Dec-19	31-Dec-20	31-Dec-21	30-Dec-22	28-Dec-23
<b>S&amp;P/TSX Composite Index</b>	\$100	\$102.17	\$124.38	\$113.61	\$122.83
<b>STGO</b>	\$100	\$278.89	\$130.00	\$124.44	\$83.33

The S&P/TSX Composite Index is an index of the stock prices of the largest companies on the TSX as measured by market capitalization. Stocks included in this index cover all sectors of the economy and the S&P/TSX Composite Index has traditionally been heavily weighted towards financial stocks. In addition, global commodity prices, world economic conditions and general market conditions are significant factors affecting stock market performance, which are beyond the control of the Company's officers.

## DIRECTORS COMPENSATION

### Summary Compensation Table

The following table sets forth all compensation paid, awarded or earned by the non-executive directors of the Company during the year ended December 31, 2023.



<b>Directors Compensation Table</b>							
<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-Based Awards (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
<b>Batjargal Zamba</b>	24,000	-	-	-	-	-	24,000
<b>Patrick Michaels</b>	24,000	-	-	-	-	-	24,000
<b>Steve Haggarty</b>	24,000	-	-	-	-	-	24,000
<b>Jargalan Sereenen</b>	24,000	-	-	-	-	-	24,000
<b>Marina Lerner</b>	12,000	-	-	-	-	-	12,000

The Board, on recommendation of the Compensation Committee, is responsible for determining director compensation. The objective in determining such director compensation is to ensure that the Company can attract and retain experienced and qualified individuals to serve as directors. The Company currently compensates its non-executive directors through the grant of incentive Options.

As of the date of this Circular, no Options had been granted to non-executive directors during the year ended December 31, 2023.

### **Incentive Plan Awards**

#### *Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation*

There were no Option-based Awards outstanding for non-executive directors as of December 31, 2023.

#### *Value Vested or Earned During the Year*

There were no Option-based Awards that vested for non-executive directors in the year ended December 31, 2023.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table provides information regarding the Company's equity compensation plans as of December 31, 2023, under which securities of the Company are authorized for issuance to directors, officers, employees and consultants of the Company and its affiliates:

### Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (C\$)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by Shareholders	-	-	10,453,061
Equity compensation plans not approved by Shareholders	-	-	-
<b>Total</b>	-	-	<b>10,453,061</b>

### Burn Rate

Pursuant to section 613 of the TSX Company Manual, the following table sets out the burn rate under the Company's LTIP, with the burn rate reflecting the number of securities granted under each plan as a percentage of the weighted average number of issued and outstanding Common Shares during the year:

	2021		2022		2023	
	Issued	Burn Rate (%)	Issued	Burn Rate (%)	Issued	Burn Rate (%)
<b>Options</b>	-	-	-	-	-	-
<b>RSUs</b>	-	-	549,125	0.79	3,077,729	3.4
<b>Total</b>	-	-	<b>549,125</b>	<b>0.79</b>	<b>3,077,729</b>	<b>3.4</b>
<b>Weighted I/O Common Shares</b>	-		<b>69,772,725</b>		<b>90,169,387</b>	

### Long Term Incentive Plan

The Company adopted the LTIP to allow for a variety of equity-based Awards that provide different types of incentives to be granted to our directors, executive officers, employees and consultants. The LTIP facilitates the granting of Options, RSUs, DSUs and PSUs representing the right to receive one Common Share in accordance with the terms of the LTIP. The following discussion is qualified in its entirety by the text of the LTIP.

Under the terms of the LTIP, the Board, or if authorized by the Board, the Compensation Committee, may grant Awards to eligible participants, namely directors, employees and consultants of the Company. Financial assistance is not currently available under the LTIP. Participation in the LTIP is voluntary and, if an eligible participant agrees to participate, the grant of Awards will be evidenced by a grant agreement

with each such participant. The interest of any participant in any Award is not assignable or transferable, whether voluntary, involuntary, by operation of law or otherwise, except upon the death of the participant.

The LTIP provides that appropriate adjustments, if any, are made by the Board in connection with a reclassification, reorganization or other change in share capital, consolidation, distribution, merger or amalgamation, in the Common Shares issuable or amounts payable to preclude a dilution or enlargement of the benefits under the LTIP.

The maximum number of Common Shares reserved for issuance, in the aggregate, under our LTIP is 10% of the aggregate number of Common Shares issued and outstanding from time to time. The LTIP places annual limits on the value of Awards that can be granted to non-executive directors. As at May 8, 2024, there were no outstanding Options, RSUs, DSUs or PSUs under the LTIP.

The Board shall establish the vesting terms of Options granted and the term during which such Options shall be exercisable, which shall commence on the date of the grant and shall terminate no later than 10 years after the date of the granting of the Option or such shorter period as the Board may determine. The LTIP provides that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a black-out period. In such cases, the extended exercise period shall terminate 10 business days after the last day of the blackout-period. The aggregate number of Common Shares (i) issued to Insiders (as defined in the LTIP), within any one-year period, and (ii) issuable to Insiders, at any time, pursuant to the LTIP, or when combined with all other Share Compensation Arrangements (as defined in the LTIP) of the Company, shall not exceed, in the aggregate, 10% of the number of Common Shares then outstanding. The LTIP does not set out a maximum number of Common Shares that may be issued to an individual employee, however, subject to the terms contained in the LTIP, non-employee directors may only contribute up to a maximum of \$100,000 worth of Options and \$150,000 worth of securities.

In order to facilitate the payment of the exercise price of the Options, the LTIP has a cashless exercise feature pursuant to which a participant may elect to undertake a “cashless exercise” subject to the procedures set out in the LTIP, including the consent of the Board, where required. The exercise price per Common Share subject to any Option shall be determined by the Board at the time the Option is granted, but, in any event, shall not be less than the Market Price (as defined in the LTIP).

With respect to RSUs, the Board is authorized to determine the vesting conditions, which may include the passing of time, performance or other conditions. With respect to DSUs, DSUs will vest at the end of the restricted period determined by the Board and set out in the participant’s Award letter.

The following table describes the impact of certain events upon the rights of holders of Awards under the LTIP, other than directors, including termination for cause, termination other than for cause and death, subject to the terms of a participant’s employment agreement:

Event	Treatment
Termination for cause	Immediate forfeiture of all vested and unvested Awards.
Termination other than for cause	Subject to the terms of the grant or as determined by the Board, upon a participant ceasing to be a participant other than for cause, all unvested Awards terminate and all other Awards are exercisable until the earlier of the original expiry date and 90 days after ceasing to be a participant.

Event	Treatment
Death	All unvested Options will vest and may be exercised within 12 months after death. A pro rata portion of any unvested RSUs or PSUs will vest, determined based on the portion of the restricted period or performance period that has passed since the date of the grant.

In the case of the retirement of a director, all Options and DSUs immediately vest and the Options remain exercisable to the end of their term or for 12 months, whichever occurs earlier.

If an employee participant is terminated without cause or resigns for good reason during the 12-month period following a Change of Control, or after the Board has adopted a resolution approving a Change of Control that is imminent, then any unvested Awards will immediately vest and may be exercised within 30 days of such date.

The Board may amend the LTIP or any Award at any time without the consent of a participant provided that such amendment shall (i) not adversely alter or impair any Award previously granted except as permitted by the terms of the LTIP, (ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the TSX, and (iii) be subject to Shareholder approval, where required by law, the requirements of the TSX and the LTIP, provided however, that Shareholder approval shall not be required for the following amendments and the Board may make any changes, which may include but are not limited to:

- amendments of a housekeeping nature;
- the addition of or a change to the vesting provisions of any Award;
- a change to the termination provisions of an Award or the LTIP that does not entail an extension beyond the original expiry date; and
- the addition or amendment of a cashless exercise feature, payable in cash or securities that provides for a full deduction of the number of underlying Common Shares from the LTIP reserve.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

At no time during the year ended December 31, 2023 (being the Company's last completed financial year), was any director, executive officer, employee, proposed management nominee for election as a director of the Company or any associate of any such director, executive officer or proposed management nominee of the Company or any former director, executive officer or employee of the Company or any of its subsidiaries, indebted to the Company or any of its subsidiaries or indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, other than for routine indebtedness.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No informed person (as defined in NI 51-102), proposed director of the Company or any associate or affiliate of any informed person or proposed director of the Company has, since January 1, 2023 (being the commencement of the Company's last completed financial year), had any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Company or any of its subsidiaries.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices that are both in the interest of its Shareholders and contribute to effective and efficient decision making.

NI 58-101 and NP 58-201 establish corporate governance practices, guidelines and disclosure procedures that apply to all public companies. NI 58-101 requires issuers, such as the Company, to provide disclosure with respect to their corporate governance practices in accordance with Form 58-101F1 – *Corporate Governance Disclosure*, specific details of which are set out in “*General – Election of Directors*”, as generally supplemented below.

### **Board of Directors**

NP 58-201 states that the board of every listed company should be constituted with a majority of individuals who qualify as “independent” directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect “material relationship” with the Company. “Material relationship” is defined as a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. Of the proposed directors, 5 are independent within the meaning of applicable securities legislation and 2 are not independent. The Board considers Messrs. Zamba, Michaels and Haggarty and Mmes. Lerner and Sreenen independent directors and that Mr. Tumur-Ochir and Mme. Tsogbadrakh are not independent directors as they each serve as an executive officer of the Company. In making the foregoing determinations with respect to the independence of each of the Company’s individual directors, the circumstances of each director have been examined in relation to a number of factors, including a review of the resumés of the directors and the corporate relationships and other directorships held by each of them and their prior involvement (if any) with management of the Company.

The Chairman’s role includes reviewing items of importance for consideration by the directors and providing leadership to the directors in discharging their duties to the Company. The Board has also appointed Patrick Michaels, an independent director, as Lead Director to ensure the independent functioning of the Board.

### **Meetings of Independent Directors**

Each meeting of the Board includes an *in camera* meeting in the absence of management. Independent directors are also free to meet separately at any time or to require management to withdraw during certain discussions. Additionally, the Audit Committee is composed entirely of independent directors and may meet as often as deemed necessary.

### **Board and Committee Meetings**

The Board generally meets a minimum of 4 times per year, at least every quarter. The independent directors regularly meet in camera, without management present, during each Board and committee meeting. The Audit Committee meets at least 4 times per year. The NCGC and Compensation Committee meet as deemed necessary. The frequency of the meetings and the nature of the meeting agendas are dependent upon the nature of the business and affairs that the Company faces from time to time. During the financial year ended December 31, 2023, the Board held 4 meetings, the Audit Committee held 4 meetings and the Compensation Committee and the NCGC did not meet during the period. See “*General – Election of Directors*” for a summary of the attendance record of each director at the Board and committee meetings.

## **Board Mandate**

The Board has adopted a Mandate of the Board of Directors (the “**Mandate**”), the full text of which is included as Schedule F to this Circular. A copy of the Mandate is also available on the Company’s website at [www.steppegold.com](http://www.steppegold.com).

## **Position Descriptions**

The Board believes that its proposed composition, in which 5 of 7 members are independent, is sufficient to ensure that the Board can function independently of management and does not consider it necessary to have any formal structures or procedures in place to ensure that it functions independent of management. The Board has adopted written positions descriptions for the Chairman and CEO. The role and responsibility of the chair of each Board committee is set forth in the respective committee charters.

## **Orientation and Continuing Education**

All new directors are provided with comprehensive information about Steppe and its subsidiaries. Directors have the opportunity to meet with senior management to obtain insight into the operations of Steppe and its subsidiaries. New directors are briefed on the Company’s current property holdings, ongoing exploration programs and mining operations, overall strategic plans, short, medium and long-term corporate objectives, financial status, general business risks and mitigation strategies and existing company policies. Senior management also makes regular presentations to the Board at its meetings and all directors are encouraged to communicate directly with management and other staff. Directors are invited to tour the Company’s facilities in Mongolia and to meet with the on-site management team to familiarize themselves with the Company’s operations. This informal process is considered to be appropriate given the Company’s size, current level of operations and the ongoing interaction amongst the directors.

The skills and knowledge of the Board as a whole are such that no formal continuing education process is currently deemed required. The Board is comprised of individuals with varying backgrounds who have, both collectively and individually, extensive experience in running and managing public companies, particularly in the natural resource sector and involving non-Canadian mineral properties. It is the Company’s view that all current members of the Board are well-versed and educated in the factors critical to the success of Steppe. Board members are encouraged to communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation, with management’s assistance. Board members have full access to the Company’s records. Reference is made to the table under the heading “*General – Election of Directors*” for a description of the current principal occupations of the members of the Board.

## **Ethical Business Conduct**

The Board adopted a written Code of Business Conduct and Ethics (the “**Code**”) on October 2, 2017 for its directors, officers, employees and consultants, a copy of which is available on the Company’s website at [www.steppegold.com](http://www.steppegold.com). The NCGC is responsible for assisting the Board in dealing with conflict of interest issues as contemplated by the Code and reviewing and reassessing the adequacy of the Code annually and recommending changes to the Board.

The Code is intended to: promote honest and ethical conduct and manage conflicts that may arise; promote full, fair, accurate, timely and understandable disclosure to the public, including our periodic reports required to be filed with the Canadian securities regulatory authorities; promote compliance with applicable governmental rules and regulations; provide guidance to directors, officers and employees of the Company to help them recognize and deal with ethical issues; provide a mechanism to report unethical conduct; and

help foster a culture of honesty and accountability.

The Board is also committed to best practices in making timely and accurate disclosure of all material information and providing fair and equal access to material information. The Board adopted a written Corporate Disclosure Policy and a Securities Trading Policy on October 2, 2017 to set guidelines for the Company and its directors, officers, employees and consultants in respect of satisfying the legal and ethical obligations related to the proper and effective disclosure of corporate information and the trading of securities with that information.

The Board adopted an Anti-Bribery and Anti-Corruption Policy on October 2, 2017 to provide a procedure to ensure that the Company, together with its directors, officers, employees, consultants and contractors, conducts its business in an honest and ethical manner reflecting the highest standards of integrity and in compliance with all relevant laws and regulations applicable to it and in compliance with anticorruption legislation applicable to the Company and its subsidiaries.

The Board adopted a Whistleblower Policy on October 2, 2017 to ensure that a confidential and anonymous process exists whereby persons can report any concerns related to compliance with all applicable laws, rules and regulations, corporate reporting and disclosure, accounting practices, accounting controls, auditing practices and other matters relating to fraud against stakeholders of the Company.

The Corporate Disclosure Policy, Securities Trading Policy, Anti-Bribery and Anti-Corruption Policy and Whistleblower Policy are available on the Company's website at [www.steppegold.com](http://www.steppegold.com).

### **Nomination of Directors**

The NCGC is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of the shareholders. See "*Statement of Corporate Governance Practices – Nomination of Directors – Nominating and Corporate Governance Committee*".

Specifically, the NCGC is responsible for:

- Periodically reviewing the composition of the full Board and the various committees to determine whether additional Board or committee members with specific qualifications or areas of expertise are needed to further enhance the composition of the Board and committees and working with other Board members in attracting candidates with these qualifications.
- Identifying and reviewing the qualifications of prospective nominees for director and recommending the slate of nominees for inclusion in the Company's information circulars and presentations to Shareholders at annual meetings.
- Identifying and recommending candidates qualified to become directors and, on an ongoing basis, maintaining a database of potential director candidates.
- Recommending Board members for appointment to committees of the Board.

The Company adopted the Majority Voting Policy, whereby any nominee for election as a director who receives a greater number of votes "withheld" than votes "for" must tender his or her resignation to the chair of the Board following the Shareholders' meeting, to be effective upon acceptance by the Board. The Board will refer resignations to the NCGC who shall consider the offer of resignation and make a recommendation to the Board on whether or not to accept it. Unless exceptional circumstances warrant the continued service of the applicable director on the Board, the NCGC shall recommend acceptance of the resignation by the Board. The Board will determine whether or not to accept the resignation after considering such resignation and will accept the resignation absent exceptional circumstances. A director

who tenders his or her resignation pursuant to the Majority Voting Policy will not participate in any meeting of the Board or the NCGC at which the resignation is considered. Once the determination of the Board to accept or reject the director's resignation has been made, the Company shall promptly announce the Board's decision by press release.

The Majority Voting Policy is available on the Company's website at [www.steppegold.com](http://www.steppegold.com).

#### *Compensation Committee*

The members of the Compensation Committee are Byambatseren Tsogbadrakh (Chair), and Jargalan Sereenen.

The Compensation Committee of the Board reviews the adequacy and form of compensation of directors and senior management as a whole and makes recommendations to the Board. See "*Statement of Executive Compensation*".

#### *Audit Committee*

The members of the Audit Committee are Batjargal Zamba (Chair), Jargalan Sereenen and Steve Haggarty.

The purpose of the Company's Audit Committee is to provide assistance to the Board in fulfilling its responsibilities with respect to matters involving the financial reporting process, the system of internal control and management of financial risks, the audit process and the Company's process for monitoring compliance with laws and regulations and the Code. A description of the Audit Committee's responsibilities, the education and experience of its members and a copy of the Company's Audit Committee Charter is contained in the Company AIF, a copy of which is available on the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Based on information provided by each director, the Board has determined that all members of the Audit Committee are "financially literate" as that term is defined in NI 52-110.

#### *Nominating and Corporate Governance Committee*

The NCGC is a committee of the Board comprised of Steve Haggarty (Chair), Byambatseren Tsogbadrakh and Batjargal Zamba. The responsibility of the NCGC is to monitor the composition of the Board, including the size, structure and membership of the Board and Board committees.

In particular, the role of the NCGC, subject to applicable laws and obligations and the Company's constating documents, is to: develop and monitor the effectiveness of the Company's system of corporate governance; establish procedures for the identification of new nominees to the Board and lead the candidate selection process; develop and implement orientation procedures for new directors; assess the effectiveness of directors, the Board and the various committees of the Board; ensure appropriate corporate governance and the proper delineation of the roles, duties and responsibilities of management, the Board and its committees; and assist the Board in setting the objectives for the CEO of the Company and evaluating CEO performance.

It is expected that the NCGC will meet at least once annually and as many times as is necessary to carry out its responsibilities.

#### **Other Board Committees**

The Board does not currently have any other committees than the Audit Committee, the Compensation



Committee and the NCGC.

### **Assessments**

The NCGC has implemented a process for assessing the effectiveness of the Board and its committees and for assessing the contribution of each of the Company's directors.

The NCGC monitors the performance of the Board and its committees and considers whether the current mix of directors' skills, expertise and experience is best suited to achieve the strategic goals of the Company and carrying out the mandate of the Board.

The Board believes that a broad range of skills and expertise is necessary for the Board to discharge its responsibilities. Specific skills and expertise must be considered in the context of integrity and good judgment, together with the ability to devote sufficient time to Board affairs. See "*Statement of Corporate Governance Practices – Nomination of Directors – Nominating and Corporate Governance Committee*".

### **Term Limits**

Steppe has not adopted director term limits. The Board does not believe that the tenure of a director is necessarily a predictor of director effectiveness. The NCGC assesses the effectiveness, contributions, competencies and skills of the individual directors and the Board as a whole with a view to identifying any gaps in skills and competencies considered most relevant for Board renewal considerations.

### **Diversity Policy**

The Board recognizes that a diverse and talented workforce is a competitive advantage and the Company's success is a result of the quality and skills of its people. To this end, the Board has adopted a diversity policy (the "**Diversity Policy**").

The Company is committed to a merit-based system for Board composition within a diverse and inclusive culture which solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination. When assessing Board composition or identifying suitable candidates for appointment or re-election to the Board, the Company considers candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board. Any search firm engaged to assist the Board or a committee of the Board in identifying candidates for appointment to the Board is specifically directed to include diverse candidates generally and multiple women candidates in particular.

The Company recognizes that it may be challenging for it to immediately identify a pool of qualified candidates that fully reflects the diversity that the Company seeks to promote. The Company has therefore not adopted specific targets, but promotes its objectives through the initiatives set out in the Diversity Policy with a view to identifying and fostering the development of suitable candidates for nomination or appointment over time.

The Board currently includes 3 (42.9%) female members and includes several members from diverse national origins. In addition, the Company and its subsidiaries currently have 1 (25%) executive officer who is a woman, Byambatseren Tsogbadrakh, the President of the Company, and many senior managers also have diverse backgrounds.

## **ADDITIONAL INFORMATION**

Additional information regarding the Company and its business activities is available under the Company's profile on the SEDAR+ website located at [www.sedarplus.ca](http://www.sedarplus.ca). The Company's financial information is

provided in the Company's audited consolidated financial statements and related management's discussion and analysis for its most recently completed financial year and may be viewed on the Company's profile on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Company's website at [www.steppegold.com](http://www.steppegold.com). Copies of the Company's annual information form, consolidated financial statements and related management's discussion and analysis are available upon request, free of charge to Shareholders, by contacting the Chief Financial Officer, at the Company's principal office located at 333 Bay Street, Suite 2400, Toronto, Ontario M5H 2T6.

**APPROVAL**

The contents and sending of this Circular have been approved by the Board. The accompanying Notice of Meeting and this Circular have been sent to each director of the Company, each Shareholder entitled to notice of the Meeting and the auditors of the Company.

**DATED** this 8<sup>th</sup> day of May, 2024.

**STEPPE GOLD LTD.**

(Signed) "*Bataa Tumor-Ochir*"

---

Bataa Tumor-Ochir

Chairman and Chief Executive Officer

**CONSENT OF SEQUEIRA PARTNERS**

**[See attached]**

**CONSENT OF SEQUEIRA PARTNERS**

To: Steppe Gold Ltd. (“**Steppe**”)

We refer to the management information circular (the “**Circular**”) of Steppe dated May 8, 2024 relating to the annual general and special meeting of shareholders of Steppe to approve, among other things, a resolution approving the proposed Transaction, as defined in the Circular.

We consent to the inclusion in the Circular of our fairness opinion to the board of directors of Steppe (the “**Board**”) dated April 4, 2024 as Schedule D and a summary thereof in the Circular. Our fairness opinion was given as of April 4, 2024 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the Board shall be entitled to rely on our opinion.

DATED this 8<sup>th</sup> day of May, 2024.

*(signed) "Sequiera Partners"*

SEQUEIRA PARTNERS

## SCHEDULE A INFORMATION CONCERNING THE COMPANY

The Company was incorporated under the OBCA on October 5, 2016. The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. The Common Shares are traded on the TSX under the symbol “STGO”.

The Company is a precious metals exploration, development and production company operating in Mongolia and has three principal assets – the Altan Tsagaan Ovoo gold project (the “**ATO Project**”) and the Uudam Khundii project, each located in the Bayankhongor Province, and the Tres Cruces Project located in Peru.

### **Documents Incorporated by Reference**

Information regarding the Company has been incorporated by reference in this Circular from documents filed by the Company with the securities commissions or similar securities regulatory authorities in each of the applicable provinces and territories of Canada (the “**Canadian Securities Regulators**”). Copies of the documents incorporated herein by reference regarding the Company may be obtained on request without charge from the CFO of the Company at 333 Bay Street, Suite 2400 Toronto, Ontario M5H 2T6, by email: [jeremy@steppegold.com](mailto:jeremy@steppegold.com), and electronically under the Company’s issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The filings of the Company through SEDAR+ are not incorporated by reference in this Circular except as specifically set out herein.

The following documents, filed by the Company with the Canadian Securities Regulators, are specifically incorporated by reference into, and form a part of, this Circular:

1. the Company AIF;
2. the Company Annual Financial Statements; and
3. the Company Annual MD&A.

Any statement contained in this Schedule A or in any document incorporated or deemed to be incorporated by reference in this Schedule A will be deemed to be modified or superseded for the purposes of this Schedule A to the extent that a statement contained in this Schedule A or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference in this Schedule A modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Schedule A. Information contained in or otherwise accessed through the Company’s website ([www.steppegold.com](http://www.steppegold.com)), or any other website, does not form part of this Circular. All such references to the Company’s website are inactive textual references only.

## Overview

The Company was incorporated under the OBCA on October 5, 2016. The head office of the Company is located at Shangri-La office Suite 1201, Olympic Street 19A, Sukhbaatar District 1, Ulaanbaatar 14241, Mongolia and the registered office of the Company is located at 333 Bay Street, Suite 2400 Toronto, Ontario M5H 2T6.

The Company has thirteen subsidiaries: Steppe Gold LLC, a limited liability company incorporated under the Company Law of Mongolia on August 25, 2016, Steppe Investments Limited, a company incorporated under the *BVI Business Companies Act, 2004* of the British Virgin Islands on June 19, 2017, Steppe West LLC, a limited liability company incorporated under the Company Law of Mongolia on May 2, 2017, Corundum Geo LLC, a limited liability company incorporated under the Company Law of Mongolia on November 3, 2016, Anacortes Mining Corp., a corporation incorporated under the *Business Corporations Act* (British Columbia) (the “BCBCA”) on March 5, 2018, New Oroperu Resources Inc., a corporation continued under the BCBCA on June 11, 2002, 1385575 B.C. Ltd., a corporation incorporated under the BCBCA on November 4, 2022, 1385576 B.C. Ltd., a corporation incorporated under the BCBCA on November 4, 2022, S. A. Mining Ventures Limited, a corporation continued under the BCBCA on October 25, 2012, T.C. Mining Inc., a corporation continued under the BCBCA on October 25, 2012, 687211 British Columbia Ltd., a corporation incorporated under the BCBCA on February 12, 2004, Aurifera Tres Cruces S.A., a company incorporated under the Company Law of Peru on November 4, 1998 and Minera Angelica S.A.C., a company incorporated under the Company Law of Peru on October 11, 2004.

For a further description of the business of the Company, see the sections entitled “*Corporate Structure*”, “*General Developments of the Business*” and “*Business of the Company*” in the Company AIF. For further information regarding the Company, refer to its filings with the Canadian Securities Regulators which may be obtained under the Company’s issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

For additional information relating to the Company following completion of the Transaction and the risk factors relating to the Transaction, see Schedule C “*Information Concerning the Combined Company*” attached to this Circular.

## The ATO Project

Schedule H “*ATO Technical Report Summary*” attached to this Circular contains a direct extract and reproduction of the summary contained in the Altan Tsagaan Ovoo Project (ATO) 2022 Mineral Resources and Reserves Technical Report (NI 43-101) (the “**ATO Technical Report**”), filed by the Company on March 13, 2023 for the ATO Project, without material modification or revision and all defined terms used in such summary shall have the meanings ascribed to them in the ATO Technical Report. Schedule H is subject to all the assumptions, qualifications and procedures set out in the ATO Technical Report. The ATO Technical Report was prepared in accordance with NI 43-101. For full technical details of the ATO Technical Report, reference should be made to the complete text of the ATO Technical Report, which has been filed with the applicable regulatory authorities and is available under the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). The ATO Technical Report is incorporated by reference in this Circular and the summary set forth in Schedule H is qualified in its entirety with reference to the full text of the ATO Technical Report. The authors of the ATO Technical Report have reviewed and approved the scientific and technical disclosure contained in this Schedule A related to the ATO Project. See “*Interests of Experts*” below.

## Description of Share Capital

The Company is authorized to issue an unlimited number of Common Shares, of which there were 109,030,613 Common Shares issued and outstanding as of the date of this Circular. 4,411,765 Common Shares is the maximum number of Common Shares that will be issued if all of the convertible securities of the Company are issued prior to the closing of the Transaction.

### *Common Shares*

Holders of Common Shares are entitled to receive notice of any meetings of Shareholders and to attend and to cast one vote per Common Share at all such meetings, except meetings at which only holders of another class or series of shares are entitled to vote separately as such class or series. Shareholders are entitled to receive on a *pro-rata* basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a *pro-rata* basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro-rata* basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any cumulative voting, pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

## Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the symbol “STGO”. The following tables set forth information relating to the monthly trading of the Common Shares on the TSX, for the 12-month period preceding the date of this Circular.

Month	High (C\$)	Low (C\$)	Volume
May 2023	1.07	0.91	1,031,648
June 2023	0.97	0.79	842,891
July 2023	0.87	0.77	1,586,216
August 2023	0.79	0.72	1,058,330
September 2023	0.74	0.62	966,510
October 2023	0.81	0.60	1,382,219
November 2023	0.83	0.65	925,894
December 2023	0.85	0.64	1,386,616
January 2024	0.77	0.63	1,567,683
February 2024	0.74	0.60	1,391,536
March 2024	0.84	0.61	1,862,780
April 2024	0.72	0.60	5,422,086
May 1 – 8, 2024	0.65	0.59	866,237



The closing price of the Common Shares on the TSX on April 10, 2024, the last trading day prior to the announcement of the entering into of the Share Exchange Agreement and the Share Purchase Agreement was C\$0.69.

The closing price of the Common Shares on the TSX on May 8, 2024, was C\$0.64.

### Prior Sales

The following table sets forth information in respect of grants or issuances of Common Shares and securities that are convertible or exchangeable into Common Shares during the 12-month period prior to the date of this Circular. Other than the issuances listed in the table below, Steppe has not issued any Common Shares or securities convertible or exchangeable into Common Shares within the 12 months preceding the date of this Circular.

Date	Type of Security	Number	Price (C\$)
May 10, 2023	Common Shares <sup>(1)</sup>	11,000,000	\$1.10
June 28, 2023	Common Shares <sup>(2)</sup>	20,362,602	N/A
August 22, 2023	Common Shares <sup>(3)</sup>	623,377	N/A
March 27, 2024	Common Shares <sup>(4)</sup>	2,000,000	\$0.80
April 16, 2024	Common Shares <sup>(5)</sup>	2,500,000	\$0.74

Notes:

- (1) Common Shares were issued pursuant to a non-brokered private placement.
- (2) Common Shares were issued pursuant to the acquisition of Anacortes Mining Corp.
- (3) Common Shares were issued pursuant to the vesting of RSUs.
- (4) Common Shares were issued pursuant to the debt settlement for Matthew Wood.
- (5) Common Shares were issued pursuant to the debt settlements for Gregory Wood and Aneel Waraich.

### Consolidated Capitalization

Except as otherwise described herein, there has not been any material change to the Company's share and loan capital on a consolidated basis since December 31, 2023, the date of the Company's most recently filed consolidated financial statements. See the Company Annual Financial Statements and the Company Annual MD&A, which are incorporated by reference in this Schedule A.

### Dividend Policy

There are no restrictions in the Company's articles or by-laws or pursuant to any agreement or understanding which could prevent the Company from paying dividends. The Company has not, since its incorporation, declared or paid any dividends on Common Shares and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, the Company anticipates that it will not pay dividends but will retain future earnings and other cash resources for the operation and development of the Company's business. The payment of dividends in the future will depend on the Company's earnings, if any, the Company's financial condition and such other factors as the Board considers appropriate.

### Material Contracts

Except as otherwise disclosed in this Circular or as discussed in the Company AIF, during the 12 months prior to the date of this Circular, the Company has not entered into any contract, nor are there any contracts

still in effect, that are material to the Company or any of its subsidiaries, other than contracts entered into in the ordinary course of business. See “*Material Contracts*” in the Company AIF, which is incorporated by reference in this Schedule A.

### **Auditors, Transfer Agent and Registrar**

The Purchaser’s auditor is Kingston Ross Pasnak LLP.

The Purchaser’s registrar and transfer agent is Odyssey Trust Company.

### **Risk Factors**

An investment in Common Shares and the completion of the Transaction are subject to certain risks. In addition to considering the other information contained in this Circular, including the risk factors described under the heading “*Risk Factors*”, readers should consider carefully the risk factors described in the Company AIF and the Company Annual MD&A, each of which is incorporated by reference in this Schedule A.

### **Interests of Experts**

KRP, the auditors of the Company who prepared the auditors’ report accompanying the financial statements of the Company as at and for the period ended December 31, 2023, have confirmed that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The ATO Technical Report, which was prepared for the Company by Robin A. Rankin, MSc DIC MAusIMM CP (Geo) and Grant Walker, Be (Mining) MAusIMM CP(Mining), was prepared in accordance with NI 43-101. Each of the authors is a “qualified person” under NI 43-101 and independent of the Company.

The aforementioned firm and persons each held less than 1% of the outstanding securities of the Company or of any associate or affiliate of the Company when they prepared the aforementioned reports or following the preparation of the reports and did not receive any direct or indirect interest in any securities of the Company or any associate or affiliate of the Company in connection with the preparation of such reports or data.

### **Additional Information**

Additional information relating to the Company may be found under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or on the Company’s website at [www.steppegold.com](http://www.steppegold.com).

Additional financial information is provided in the Company Annual Financial Statements and Company Annual MD&A, which are available under the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

**SCHEDULE B  
INFORMATION CONCERNING BOROO GOLD  
GENERAL MATTERS**

**Meaning of Certain References**

All references to “we”, “our”, “us” or “Boroo Gold” in this Schedule B refer to Boroo Gold LLC, unless otherwise stated.

**Classification of Mineral Reserves and Mineral Resources**

In this Schedule B and as required by NI 43-101, the definitions of Proven and Probable Mineral Reserves and Measured, and Indicated and Inferred Mineral Resources are those used by Canadian provincial securities regulatory authorities and conform to the definitions utilized by CIM in the CIM Standards. The CIM Standards were updated in 2010 and 2014 at the request of the CIM Standing Committee on Mineral Reserve and Mineral Resource Definitions. The BG Technical Report (as defined below) was written in accordance with the CIM Standards updated in 2014.

**CORPORATE STRUCTURE**

**Name, Address and Incorporation**

Boroo Gold was incorporated under the Company Law of Mongolia on May 5, 1997. The head and registered office is located at Level 7, Blue Sky Office, Sukhbaatar District, 1st Khoroo, Peace Avenue 17, Ulaanbaatar – 14240, Mongolia. Boroo Gold’s telephone number is +976-11-317798 and its website address is [www.boroogold.mn](http://www.boroogold.mn). Information contained in or otherwise accessed through Boroo Gold's website ([www.boroogold.mn](http://www.boroogold.mn)) or any other website included herein, do not form part of this Circular. All such references to Boroo Gold's website are for informational purposes only.

**Current Ownership**

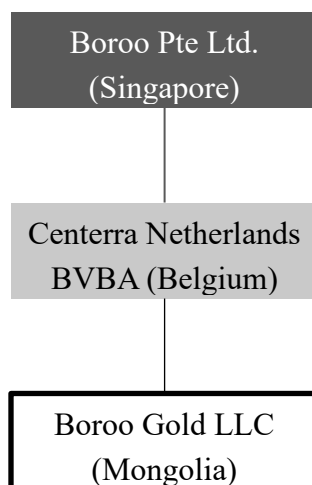
Boroo Gold is currently wholly owned indirectly by Boroo Singapore through its subsidiary, Boroo Holdings. Following the completion of the Transaction, Boroo Gold will become a wholly owned subsidiary of Steppe.

The authorized capital of Boroo Gold consists of 50,000,000 authorized common shares with US\$1 nominal value. As of the close of business on the business day prior to the date of the Share Exchange Agreement, there were 3,000,000 common shares issued and outstanding to Boroo Holdings.

	<b>2023 Share number</b>	<b>2023 Share capital US\$'000</b>	<b>2022 Share number</b>	<b>2022 Share capital US\$'000</b>
Ordinary shares				
<b>On January 1</b>	<b>3,000,000</b>	<b>3,000</b>	<b>3,000,000</b>	<b>3,000</b>
Issued during the year	-	-	-	-
<b>At December 31</b>	<b>3,000,000</b>	<b>3,000</b>	<b>3,000,000</b>	<b>3,000</b>

## Intercorporate Relationships

Boroo Gold has no subsidiaries. Below is an organizational diagram showing the relationship among Boroo Gold, Boroo Holdings and Boroo Singapore and the jurisdiction where each entity is incorporated, continued, formed or organized.



## DEVELOPMENT OF THE BUSINESS OVER THE LAST THREE FINANCIAL YEARS

### Three-Year History

Over the three most recently completed financial years, Boroo Gold has concentrated on achieving its production targets and sustaining output from its existing gold mines. The following events contributed materially to the development of Boroo Gold's business over the past three financial years:

#### *Current Financial Year*

- On April 18, 2024, dividends in an aggregate amount of US\$66,763,900 were declared. The dividends are expected to be satisfied pursuant to an off-set of certain receivables due from Boroo Singapore in connection with the pre-closing transactions contemplated by the Share Exchange Agreement.
- On April 11, 2024, Boroo Gold's indirect parent, Boroo Singapore, entered into the Share Exchange Agreement with Steppe, pursuant to which Steppe will acquire the Purchased Shares. In exchange, Boroo Singapore will hold approximately 55.9% of the issued and outstanding Common Shares on completion of the Transaction.
- In connection with the dividends declared on December 20, 2023, Boroo Gold made net-cash payments (following the deduction of 5% withholding taxes), of US\$1,000,000 on February 9, 2024, US\$10,000,000 on March 6, 2024, US\$4,000,000 on March 25, 2024 and US\$4,000,000 on April 8, 2024.
- On March 14, 2024, Boroo Gold entered into a forward sale agreement with Trade and Development Bank to sell a total of 50,000 ounces of gold at a price of US\$2,000 per ounce between March 14 and December 31, 2024.

- On January 18, 2024, Boroo Singapore entered into a binding term sheet in connection with the Transaction, the terms of which were superseded by the definitive agreements entered into on April 11, 2024.

#### *Financial Year 2023*

- On December 20, 2023, dividends in the aggregate amount of US\$30,000,000 were declared to shareholders of Boroo Gold.
- On April 17, 2023, Boroo Gold signed a cooperation agreement with Tod Undarga LLC (“**Tod Undarga**”) to carry out further exploration activities inside Boroo Gold Mine’s mining license to explore and assess further potential to continue mining and processing of alluvial gold. The cooperation agreement provides that, among other things, exploration activities will be carried out at the expense of Tod Undarga. If additional economically viable alluvial mineral reserves are discovered, Tod Undarga will have a preferential right to operate the alluvial deposit, contingent upon reaching a new mutually beneficial agreement with Boroo Gold.
- During 2023, Boroo Gold conducted exploration activities to extend the life of the mine and increase mineral reserves, drilling 3,630 meters at the Boroo Gold Mine and 5,916 meters at the Ulaanbulag Gold Mine. The mineral reserves at the Boroo Gold Mine increased in Pit-4 and the southwestern part of Pit-3. In accordance with the estimation completed on July 31, 2023, the mineral resource at the Boroo Gold Mine grew in Pit-4 and the southwestern part of Pit-3 by approximately 75,966 ounces, and the Ulaanbulag Gold Mine’s mineral resource increased by approximately 115,637 ounces.
- During 2023, Boroo Gold incurred major maintenance expenditures totaling US\$3.4 million on key open-pit mining equipment to ensure the stability and reliability of Boroo Gold’s mining fleet.

#### *Financial Year 2022*

- In November 2022, Boroo Gold completed construction of the East tailings dam at the Boroo Gold Mine, ensuring the processing plant’s continued operation.
- On October 1, 2022, Boroo Gold signed a cooperation agreement with Aurum Metals LLC (“**Aurum Metals**”) to perform exploration activities on three exploration licenses owned by Aurum Metals located in Ömnögovi province in southern Mongolia for a period of 2 years. In the event of discovery of potentially mineable economical reserves in the exploration licenses owned by Aurum Metals, Boroo Gold and Aurum Metals will negotiate and cooperate in a mutually beneficial manner.
- On June 30, 2022, the cooperation agreement established between Boroo Gold and Tod Undarga, which was signed on December 9, 2019, expired. This agreement involved subcontracting the mining and processing operation of the Ikh Dashir alluvial gold mine, located inside the Boroo Gold Mine’s mining license, to Tod Undarga, with Tod Undarga responsible for all capital expenditures, exploration and operational costs. The net revenue from the Ikh Dashir alluvial gold mine, after deducting mineral royalties as required by the Minerals Law of Mongolia, was divided between Boroo Gold and Tod Undarga at a ratio of 25% and 75%, respectively. During the agreement period from 2019 to 2022, a total of 43,254 ounces of gold was sold as part of the cooperation agreement with Tod Undarga.
- On April 1, 2022, a portion of the Bor Nuur XV-021931 exploration license area was relinquished to the state of Mongolia, leaving the current exploration license area at 1,787 hectares. During 2022, Boroo Gold conducted various exploration activities at its Bor Nuur exploration property, including

trenching, drilling and sampling. The specific work included 60 km of geological prospecting, including prospecting traverse and grab sampling at the exploration area such as checking mineralization points and occurrences, as well as geophysical and geochemical anomalies determined with previous exploration, determining boundaries of rocks and checking alteration zones, collection of 56 grab samples, 1,433 meters of core drilling, 819 meters of trenching and a total of 1,223 assays from trenching and core sampling.

- As part of Boroo Gold’s commitment under the “One Billion Trees” national campaign, a tree nursery was established in April 2022. The tree nursery will operate for a decade with a projected output of 6.2 million seedlings and saplings, of which 3 million are committed to the campaign.

#### *Financial Year 2021*

- In November 2021, Boroo Gold joined the “One Billion Trees” national campaign initiated by the President of Mongolia and committed to planting 3 million trees over the next decade.
- On September 20, 2021, Boroo Gold acquired an exploration license covering 2,040 hectares as part of its long-term strategy for stable operations and mineral reserve growth. The exploration license titled Bor Nuur XV-021931 was acquired through an online bidding program run by the Mineral Resources and Petroleum Authority of Mongolia. The exploration area is located 12 km from the Boroo Gold Mine and 14 km from the Ulaanbulag Gold Mine. Following the acquisition of the exploration license, Boroo Gold conducted exploration activities in 2021 including 231 meters of geophysical exploration and 274 meters of magnetic surveying. The exploration activities yielded gold grades between 0.1 and 0.74 g/t from various grab samples which was sufficiently compelling to pursue further exploration activities.
- During 2021, Boroo Gold drilled 9,021 meters across 72 drill holes at the Boroo Gold Mine to expand the mine boundaries and collect geotechnical data for additional metallurgical testing.
- In February 2021, mining operations commenced at the Ulaanbulag Gold Mine. As part of the commencement of Ulaanbulag Gold Mine, Boroo Gold made significant investments to enhance mining and production capacity and production by purchasing an excavator, a bulldozer, four dump trucks, additional four trucks for hauling ore from Ulaanbulag to the Boroo Gold Mine site and bucket loaders to load the ore for transportation.

### **DESCRIPTION OF THE BUSINESS**

#### **Overview of the Business**

Boroo Gold is a leading gold producer in Mongolia with a portfolio of two operating gold mines and an exploration-stage property in Mongolia. Boroo Gold’s operating assets are the Boroo Gold Mine, an open-pit mine and mineral processing operation located in the Selenge province of Northern Mongolia, and the Ulaanbulag Gold Mine, an open-pit mine located approximately 21 km away from the Boroo Gold Mine. Boroo Gold also owns the Bor Nuur mineral exploration property in Mongolia.

The Boroo and Ulaanbulag gold mines were previously wholly owned by Centerra Gold Inc. (“**Centerra**”) up until October 2018. On October 11, 2018, Boroo Singapore (formerly OZD Asia Pte. Ltd.) acquired Boroo Holdings, the sole shareholder of Centerra’s Mongolian subsidiaries, Boroo Gold and Centerra Gold Mongolia LLC, which owned the Boroo Gold Mine and its processing facilities, the Ulaanbulag Gold Mine (then, the Ulaanbulag gold project) and the Gatsuert gold project.

The Bor Nuur exploration property is comprised of one exploration license covering initially 2,039.82 hectares that was granted on September 20, 2021, and subsequently on April 1, 2022, a portion of the exploration license area, specifically 252.43 hectares, was relinquished back to the state of Mongolia, leaving the current exploration license area at 1,787.39 hectares.

The exploration property is located in the Bornuur county of Tuv province, north-central Mongolia approximately 130 km northwest of the capital city of Ulaanbaatar, 12 km away from the Boroo Gold Mine and 14 km away from the Ulaanbulag Gold Mine.

### **Principal Products**

The following table shows the breakdown of our revenues by product type for the years ended December 31, 2023, and 2022:

**Gold Revenues by Product Type**  
(in US\$'000)

	FYE2023	FYE2022
Revenue from gold sales	131,745	105,202
Revenue from silver sales	310	297

Boroo Gold's products are gold and silver produced in the form of gold doré bars from the Boroo Gold Mine and the Ulaanbulag Gold Mine. All gold doré produced by Boroo Gold is sold to the Bank of Mongolia or authorized commercial banks in Mongolia.

### **Specialized Skill and Knowledge**

Various aspects of Boroo Gold's mining business require specialized skill and knowledge, including skills and knowledge in the areas of permitting, geology, drilling, metallurgy, logistical planning, mine design, engineering, construction and implementation of exploration programs as well as finance, risk management and accounting. Much of the specialized skill and knowledge is provided by Boroo Gold's management and operations team. Boroo Gold also retains external consultants with additional specialized skills and knowledge, as required. However, it is possible that delays and increased costs may be experienced by Boroo Gold when locating and/or retaining skilled and knowledgeable employees and consultants in order to proceed with its planned exploration and development at its mineral properties.

### **Competitive Conditions**

Boroo Gold competes with other mineral resources exploration companies for: financing; the acquisition of new mineral properties; and the recruitment and retention of qualified employees and other personnel and operating supplies. Accordingly, these competitors may be able to spend greater amounts on acquisition of mineral properties of merit on exploration of their mineral properties and on development of their mineral properties.

### **Social Responsibility**

Boroo Gold believes it has been a pioneer in setting high standards for health and safety, environmental stewardship and community engagement since it was founded in 1997.

### *ESG Report*

The Boroo Group has issued an Environmental, Social and Governance (“ESG”) report since 2021 as part of the social, environmental and governance objectives of Boroo Gold.

Boroo Gold’s business sustainability is linked to the support of our stakeholders. The more support we enjoy from stakeholders such as our investors, customers, communities, our people, government and NGOs, the more confidently we can explore for, extract, process and deliver our products to our markets.

We recognise that our stakeholders value, as we do, the many environmental and social aspects of our society’s daily lives. Our operations may sometimes create impacts upon these environmental and social values, which stakeholders expect us to responsibly manage and mitigate. Our stakeholders also hold us accountable for our governance and the way in which we do business in order to protect the environmental, social and ethical values that are common to us. Our sustainability approach hinges on our leadership, the way we work and our performance on ESG matters.

### *Health and Safety*

Boroo Gold’s first operational priority is that every person goes home healthy and safe everyday. This vision is part of our Occupational Health and Safety (“OHS”) Policy and it sits at the heart of all our safety processes and practices. Boroo Gold is aligned with safety processes that meet the expectations of ISO 45001:2018, Occupational Health and Safety Management Systems by external certified auditors. Boroo Gold recognizes that while ISO 45001:2018 represents the acceptable standard of mining and other industrial health and safety management systems, our discipline and rigor in managing occupational health and safety risks is key to performing well. In 2022, we began a systematic process of identifying and collating our critical occupational health and safety risks across the business.

Boroo Gold has adopted the “zero harm” safety philosophy. Our corporate OHS policy drives health and safety competency and promotes the integration of health and safety perspectives into all aspects of our business. The use of a risk-based approach at our Boroo Gold Mine site is an extension of this corporate philosophy.

Risk identification, ranking and planning of controls takes place in this multidisciplinary setting, which includes contractor personnel.

At the Boroo and Ulaanbulag sites, we qualified for the surveillance audit of our integrated management systems, which included the ISO 45001 standard on safety. In 2022, we also participated in National Disaster Agency of Mongolia training as part of the regional emergency preparedness, with full scale training in land and pit wall collapse scenarios.

### *Health and Wellbeing of Our Workforce*

In recent years, we have continued to invest in programs to monitor, maintain and improve the health of our people at our operations. Our risk assessment processes are designed to identify and evaluate occupational hazards. We have systems in place to control and reduce individual exposures and we undertake regular personal health monitoring. These systems apply to all employees and contractors at operational and remote work sites and to all visitors. All personnel are encouraged to proactively manage their health and safety risks through information, education, instruction and supervision.

We undertake routine medical checkups for our permanent employees and preventative medical checkups for new hires, following the Law of Mongolia on occupational health and safety. A program for routine



medical checkups for all employees is planned and budgeted each year, including maintenance of on onsite health care facility with medical personnel. We extended our preventative medical checkups in 2024, from new hires alone to all employees regularly.

### *Engaging with Our Local Communities*

Boroo Gold is committed to effectively managing stakeholder risks by working closely with the communities near our operations. We recognize that our operations impact communities and seek to minimize the negative effects while maximizing the potential benefits that we can bring to communities. We believe that if potential adverse impacts are effectively mitigated and if communities benefit from our operations in ways that are important to them, there will be significant benefits to the business in terms of social license and good stakeholders' relations.

Our mine sites are characterized by remote settings and sparse populations in the immediate vicinity of active operations. There are no settlements within the fenced concession area and the nearest communities are located 20-35 km from active mining operations. Community land use within the concession consists of transient herding in the summer months.

A key part of our monitoring of stakeholder concerns is our grievance mechanism. We use the grievance mechanism to provide or communities with an accessible, responsive and effective means of airing their concerns. We strive to ensure that our communities see our grievance mechanisms as an authentic way to air and resolve concerns. We are focused on the timely investigation, rectification and closure of all grievances.

At the Boroo Gold Mine and Ulaanbulag Gold Mine, we established a grievance management system in 2018 and these procedures are included in the Stakeholder Engagement Plan. During the current financial year, a total of 11 grievances were received related to the Boroo Gold Mine and Ulaanbulag Gold Mine operations. We monitor the grievances relative to the population distribution within our area of influence. At the Boroo Gold Mine and Ulaanbulag Gold Mine, the aggregate population over the three adjacent provinces is approximately 39,000.

All aspects of community relations are encompassed under a single Stakeholder Engagement Plan, which drives a schedule of routine meetings with local communities, authorities and civil society groups.

Continued communication with and investment in the communities neighboring our Boroo Gold Mine is aligned with this commitment, as well as with external benchmarks that we use to evaluate sustainability performance.

Since 2018, pursuant to national regulatory requirements, Boroo Gold and the provinces of Mongolia have executed co-operation agreements to ensure that a number of expectations, specifically related to: (i) ensuring that the relationship between Boroo Gold and the local communities aligns with the applicable legal framework; (ii) promoting cooperation between the mining operations and the local populations by supporting socio-economic development; and (iii) ensuring that all parties operate in accordance with principles of the rule of law, equality, justice, mutual respect, transparency and voluntary commitment to duties.

Boroo Gold concluded co-operation agreements with Mandal county of Selenge province in 2018, with Bayangol county of Selenge province in 2019 and with Bornuur county of Tuv province in 2021. The co-operation agreements are effective for three to five years and projects and programs worth MNT 210 million are being implemented each year to contribute to local sustainable development.

### *Environment*

The construction and operation of mines has the potential to create an impact on landscapes and natural and living resources. Each country has regulatory frameworks to address these impacts and we are firmly committed to meeting them at national and local level. There were no regulatory environmental non-compliance incidents recorded at any of our sites during the current financial year. Our environmental policy aims for an even higher standard of environmental stewardship than foreign and domestic laws by mandating our application of proven management practices to prevent pollution and mitigate any pollution impact. The policy also mandates transparent engagement with internal and external stakeholders about the risks our operations present and our performance in managing them. All our sites maintain externally and independently certified systems conforming to ISO 14001:2015 – Environmental Management Systems (“EMS”).

The site-based EMS address impacts to ground and surface water, soils, air, biological and socio-economic resources. Our operations maintain a register of significant environmental risks. Risk management processes include risk identification, risk quantification and active risk controls that are monitored and reported. Risk registers are updated when new activities or processes are introduced to an operation via a management of change procedure. At a minimum, the registers are updated through an annual review process.

### *Cyanide Management*

Gold recovery at our sites entails the use of cyanide. All sites are currently certified under the International Cyanide Management Code (“ICMC”), which is implemented by the International Cyanide Management Institute. Under this scheme industry leading practices are implemented governing the safe transport, storage, use and disposal of cyanide. All workers and contractors who handle, transport and dispose of cyanide undergo specialized training. Onsite emergency response teams also receive training and equipment to ensure any incident is safely addressed. All cyanide is purchased from companies that are also certified under the ICMC.

### *Biodiversity and Protected Areas*

Biodiversity management is a key part of our mine development, operations and closure processes. Our mine development relies on Environmental and Social Impact Assessment (“ESIA”) studies to identify any biodiversity values of note. The design and construction of our mines and associated infrastructure is intended to avoid, minimize or mitigate harm to these values. Operational plans we use include monitoring to ensure that biodiversity values are preserved or, where possible, enhanced. Rehabilitation and mine closure planning occur in a way that attempts to preserve, enhance, offset or connect areas of biodiversity value for long term stability consistent with local ecosystems. The most recent ESIA processes for the area within the license perimeter of Boroo Gold’s operations in Mongolia conducted in 2023 did not identify any significant impacts to biodiversity or species of special management concern. As of 2023, all species encountered were classified as “least concern” under IUCN guidelines. In addition, there were no habitats of importance to listed species or formal protected areas in the vicinity of the mine, however, we continue to work under a co-operative agreement with the National Federation Pastureland Users Group to implement biodiversity offset measures relating to pastureland management.

Our environmental management plan for the Boroo Gold Mine was approved by national authorities through the environmental assessment process for implementation in 2022. The environmental management plan includes commitments to pursue the principle of effective utilization of resources and materials used in project activities and to follow the principle of conserving the natural resources. These commitments include measures to improve waste management by reducing, reusing and recycling secondary raw

materials and wastes that are produced from the project activities and reusing wastewater in our production processes in order to preserve this natural resource locally. Boroo Gold's Water Management Program ("WMP") mandates that we ensure the safe and environmentally responsible management of water at the mine site. The program is designed to ensure that water is managed in accordance with relevant legislation and to assist the operation to meet its water management objectives. Boroo Gold's WMP defines and monitors strict criteria for compliance for all its processes. Our WMP defines a number of internal requirements that apply to all operations, even if local laws may be less strict.

Boroo Gold's water management is fully aligned with the ISO 14001 standard for environmental management and is also governed by various Mongolian laws and environmental standards, as well as regulatory permits, licenses and approvals. Permits associated with water monitoring, taking or discharge include requirements set in our Detailed Environmental Impact Assessment, Environmental Management Plan, water use contract conclusion, certificate of water meter calibration and certificates of origin from the Mongolian Chamber of Commerce and Approvals for new well drilling. In April 2022, as planned and approved in the annual environmental management plan, a scientific, theoretical and practical conference on the topic of "Groundwater Making the Invisible, Visible" was organized in cooperation with Kharaa-Yeruu River Basin Administration, the regional water authority water. Boroo Gold also sponsored awards for the student and youth participants who excelled in their presentations. The Ulaanbulag Gold Mine, which is a satellite deposit whose ore is processed at the Boroo Gold Mine, has a simple water circuit comprising the use of pit water and groundwater for dust suppression.

#### *Corporate Policies and Standards*

Boroo Gold has adopted the following set of key policies and standards. It is expected that, in connection with the completion of the Transaction, Boroo Gold will undertake a review of its corporate policies and standards to ensure alignment with the corporate policies and standards of Steppe.

Our Human Rights Policy includes commitments to the United Nations Guiding Principles on Business and Human rights, the Organization for Economic Co-operation and Development ("OECD") Guidelines for multinational enterprises and the voluntary principles of security and human rights.

The Global Harassment and Violence Standard expresses Boroo Gold's commitment to maintaining a work environment in which people are treated with dignity and respect. We aim to have an environment based on mutual trust and will not tolerate discrimination, harassment or violence of any kind.

The anti-bribery, anti-corruption and anti-fraud policies commit us to uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we conduct business, including Singapore's *Prevention of Corruption Act 1960*, the United States' *Foreign Corrupt Practices Act* and Canada's *Corruption of Foreign Public Officials Act*, which applies to both private and public sectors.

The anti-money laundering and combating financial terrorism policy expresses Boroo Gold's commitment to comply with all applicable anti-money laundering laws, and laws combating financial terrorism, for our worldwide operations.

Boroo Gold's procedures with respect to payments to government agencies provides guidance to all Boroo Gold sites which routinely employ public security or any other government agency to perform security and monetary support and includes procedures for approval and record keeping for such transactions.

The OHS policy is designed with the concept of "zero harm" in mind, by mandating compliance with all relevant statutory obligations and the provision of adequate resources to identify potential hazards and maintain safe systems of work. Our OHS policy includes health and safety competency standards and is

designed to ensure incidents are reported and thoroughly investigated with a view to preventing similar events reoccurring.

### **Current Technical Report**

The scientific and technical information in this Schedule B relating to the Boroo Gold Mine and Ulaanbulag Gold Mine is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in, the technical report entitled “Boroo and Ulaanbulag Gold Project NI 43-101 Technical Report” with an effective date of February 21, 2024 (the “**BG Technical Report**”). The authors of the BG Technical Report are Tuvshinbayar Tumurkhuyag, Enkhbold Lkhajjav, Khadaan Davaasambuu and Purevdorj Dorjsambuu. Such assumptions, qualifications and procedures are not fully described in this Circular and the following summary does not purport to be a complete summary of the BG Technical Report. The BG Technical Report is incorporated by reference in this Circular and this section is qualified in its entirety with reference to the full text of the BG Technical Report, which is available for review under Steppe’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The authors of the BG Technical Report have reviewed and approved the scientific and technical disclosure contained in this Circular related to the BG Technical Report.

### **Project Description, Location and Access**

The Boroo Gold Project is located in the Selenge Province, North-Central Mongolia approximately 110 km to the Northwest of the capital city of Ulaanbaatar and about 230 km to the South of the international boundary with Russia, at 48°45’ N and 106°10’ E.

The Ulaanbulag hard-rock gold deposit is located at the border of Bornuur soum of Tuv aimag and Mandal soum of Selenge aimag, 130-140 km NW of Ulaanbaatar City, 23 km SW of Mandal soum, approximately 24 km from Bornuur soum, close to the Ulaanbaatar-Altanbulag highway, in a region with well-developed infrastructure.

Below is a map that shows the location of the Boroo Gold Project in the northern part of Mongolia held by Boroo Gold.



The Boroo Gold Mine site is easily reached by travelling northward from Ulaanbaatar on the paved Ulaanbaatar-Irkutsk highway for about 130 km, then on an improved all-weather road east of the highway for about 10 km, the total trip taking just over two hours to complete. The railroad town of Baruunkharaa is located about 20 km north of the junction of the all-weather road with the Ulaanbaatar-Irkutsk highway. Ulaanbaatar is served by commercial aircraft connecting to national and international destinations.

**Ownership, possession and use rights**

In the Boroo Gold Mine area, Boroo Gold has been granted the exclusive rights to all hard-rock minerals and placer deposits within a number of contiguous mining licenses, which cover 6,593.93 ha of land centered on and surrounding the Boroo gold deposit. The licenses are located in about equal measure in the counties of Bayangol and Mandal, situated in the province of Selenge.

The below table summarizes current mining and exploration licences held by Boroo Gold.

Licence No.	Licence Name	Area (ha)	Issue Date	Expiry Date
MV-000198	Boroo	1,398.55	June 21, 1997	June 21, 2027
MV-000238	Ikh Dashir	40.64	July 26, 1995	July 26, 2045
MV-001960	Boroo	530.24	November 29, 1999	November 29, 2029
MV-001970	Boroo	642.64	December 6, 1999	December 6, 2029
MV-011761	Ikh Dashir	79.43	May 12, 2006	May 12, 2036
MV-012039	Ikh Mandal	910.57	September 19, 2006	September 20, 2036
MV-015285	Unjin Uul	1,204.47	November 20, 2009	November 20, 2039
XV-021931	Bor Nuur	1,787.39	September 20, 2021	September 20, 2024
<b>Total</b>		<b>6,593.93</b>		

Surface rights are negotiated with the Mandal, Bayangol and Bornuur soums, providing sufficient surface area for the mining operations and processing operation, i.e. mill and heap leach facilities for tailings and waste rock disposal.

### Royalties and encumbrances

The Boroo Gold Mine is subject to a sliding scale royalty payable to the Mongolian Government on gold sales pursuant to the Minerals Law, which starts at 5% and increases to a maximum of 10%, depending on the price per ounce of gold (maximum reached at a gold price of US\$1,300 per ounce or above). However, for gold sales to Mongolbank, the Central Bank of Mongolia, the rate of royalty payable to the Mongolian Government is set at a flat rate of 5%. There are no other royalties, payments or other agreements or encumbrances related to Boroo Gold's mining licenses.

### History

The Boroo deposit was reportedly discovered in 1910 and was exploited by Mongolor on an industrial scale until the 1920s when the facilities were destroyed during a civil war. Activities did not start again until about 1933, when the gold potential of the area was again investigated, followed by the installation of a gold refinery in 1942 that probably treated gold from the mining of a number of individuals, near-surface quartz veins. There are no production records from this time. Events in the ensuing years until about 1965 remain undocumented.

The Boroo Gold Mine started processing ore in 2003 and reached commercial production on March 1, 2004. As of December 31, 2023, a total of 27.3 Mt of ore from the Boroo Gold Mine has been milled with an average gold grade of 2.40 g/t, with 1.71 million ounces (Moz) of gold produced. The heap leach has stacked 19.4 Mt at 0.73 g/t and recovered 0.17 Moz of gold.

The Ulaanbulag Gold Mine started processing ore in 2021. As of December 31, 2023, a total of 2.9 Mt of ore from the Ulaanbulag Gold Mine has been milled with an average gold grade of 1.23 g/t, with 0.097 million ounces (Moz) of gold produced. The heap leach has stacked 0.376 Mt at 0.37 g/t and recovered 0.002 Moz of gold.

The production history of the Boroo Gold Mine and the Ulaanbulag Gold Mine since 2020 is summarized below:

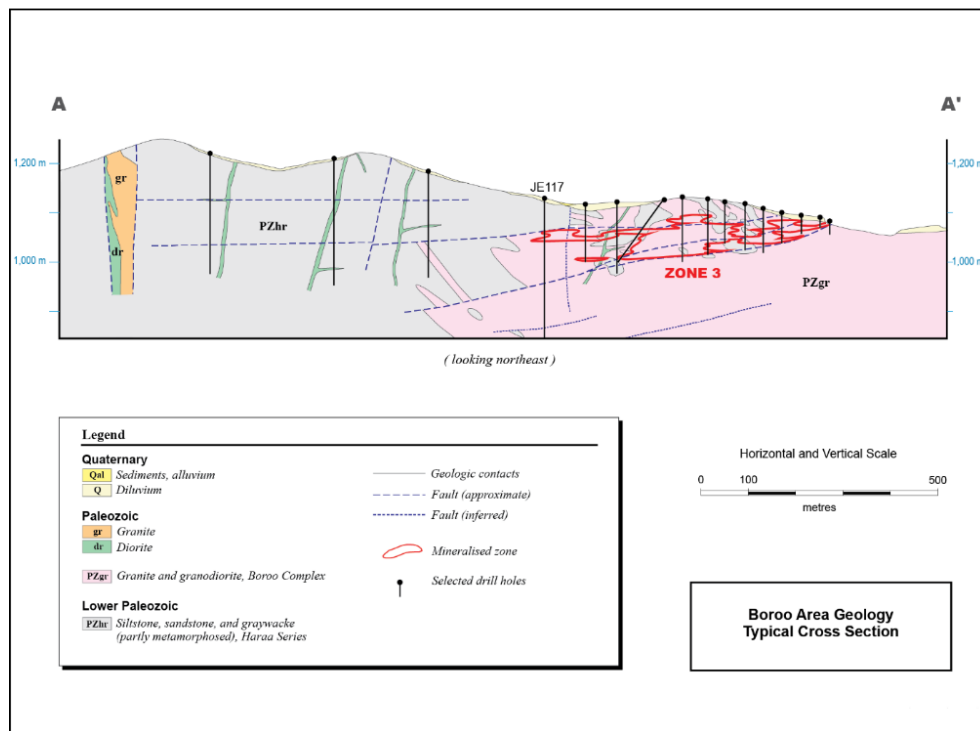
Year	Boroo Gold Mine Gold Produced (oz)	Ulaanbulag Gold Mine Gold Produced (oz)
2020	13,040	--
2021	34,665	16,190
2022	5,512	44,933
2023	28,863	38,452

**Geological Settings, Mineralization and Deposit Types**

The Boroo gold deposit is a low silica Au+As sulphide system associated with a zone of quartz-sericite-pyrite (QSP) alteration in the sub horizontal Boroo fault. Boroo is an intrusion-related gold deposit and hosted by a Cambrian-Ordovician sequence of highly deformed shales, siltstones and fine sandstones of the Haraa turbidite sediments and the Paleozoic granitoids of the Boroo Complex. The bulk mineable gold mineralisation at Boroo is hosted in a strongly quartz-sericite altered and sulphidised nearly flat lying zone controlled by the Boroo fault.

The Ulaanbulag deposit depends on the morphology of the mineralized region with shallow dip angle and variable thickness. Mineralization is defined by quartz-cali field cali-sericit-pirite alteration and low silica Au+As sulphide system associated. Ulaanbulag is oregon related gold deposit with its tectonic-macmic environment, its carbon dioxide components and its geochemical properties.

An illustration of the geology of the Boroo Gold Mine.



## **Exploration**

### *Boroo*

As of the date of the BG Technical Report, the level of exploration drilling in and around the Boroo open pits has been significant and has now tested all of the known targets and mineralised extensions that have the possibility of developing further Mineral Resources. For this reason, Boroo Gold has no plans to complete any additional exploration in close proximity to the Boroo open pit operation.

There is still however an opportunity for possible mineral resource additions from additional zones of mineralization in the area immediately surrounding the larger Boroo mining licenses and ore from identified resources in the region under Boroo Gold control and within economic transport distance to the Boroo processing facilities.

Regional exploration pertinent to Boroo has been undertaken since 1999 in two different corporate settings and on two sets of mining and exploration licenses. The northern Mongolia exploration licenses held by Boroo Gold form the Boroo Gold Project.

### *Ulaanbulag*

Additional exploration work, which included geophysical surveys, trenching and diamond drilling at Ulaanbulag led to the development of a Mongolian category reserves and resources in 2008. The Mongolian category reserves and resources were confirmed by the Mongolian State Mineral Authorities and the exploration licence was transferred into mining licenses on November 30, 2009.

During 2009 to 2014, additional exploration works were performed at Ulaanbulag and updated the Mongolian category reserves and resources in 2016. In the same year, a feasibility study of Ulaanbulag was developed and approved by the Mongolian government authorities.

## **Drilling**

### *Boroo*

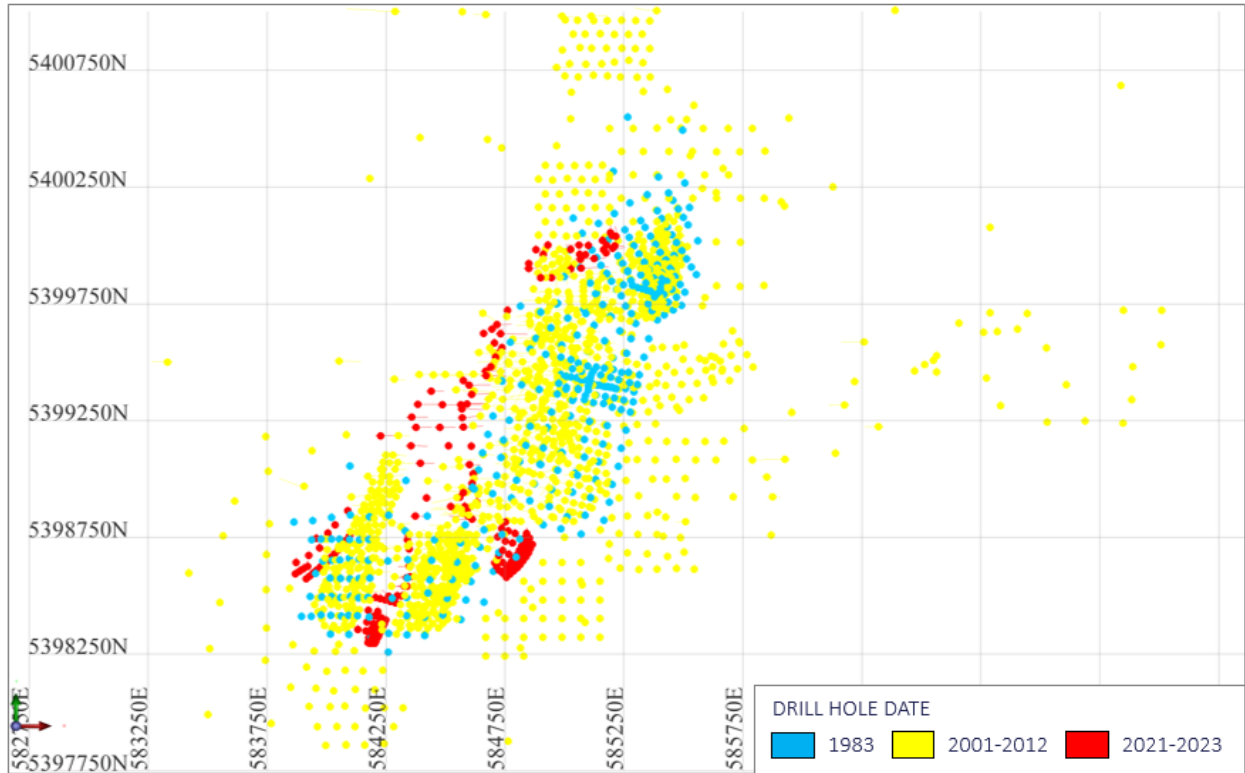
From 1982 to 2023 a total of 169,530 m has been drilled in 1,903 reverse circulation (“**RC**”) and diamond drill holes (“**DDH**”); the majority (658) are RC (107,792 m).

Drilling at the Boroo Gold Mine is summarized in the table below.



Year	Company	Type of Drilling	Drill Hole Prefix	Number of Holes	Length, m
1982-1989	DDR-MPR Expedition	DDH	JE	343	28,431
1992-1994	Morrison-Knudsen Gold Company / Mongol Erdene	DDH	Unknown	22	Unknown
1997	Boroo Gold	DDH	BG	9	735
1999	Boroo Gold and AGR Limited	DDH	MDD	31	2,033
		RC	MRC	185	11,902
2002	Boroo Gold and Centerra Gold Mongolia LLC ("CGM")	RC	MRC, BX	222	15,887
2003	Boroo Gold and CGM	RC	BRC, BX	233	10,115
2004	Boroo Gold	DDH	BRD	18	3,019
	Boroo Gold and CGM	RC	BRC, BX	224	23,141
2005	Boroo Gold	DDH	BRD	3	420
		RC	BRC	305	35,817
2006	Boroo Gold	DDH	BRD, BDD	20	2,944
		RC	BRC	76	10,930
2007	Boroo Gold	DDH	BDD, BGD	14	1,326
2008	Boroo Gold	DDH	BDD, BGD	20	2,051
2009	Boroo Gold	DDH	BDD	7	1,526
2010	Boroo Gold	DDH	BDD	18	1,224
2012	Boroo Gold	DDH	BDD	19	2,353
2019	Boroo Gold	DDH	BDD	6	2,000
2020	Boroo Gold	DDH	BDD	19	1,025
2021	Boroo Gold	DDH	BDD	72	9,021
2023	Boroo Gold	DDH	BDD	37	3,629.8
<b>Totals</b>				<b>1,903</b>	<b>169,530</b>

The drilling program on the Boroo area are shown in the image below:



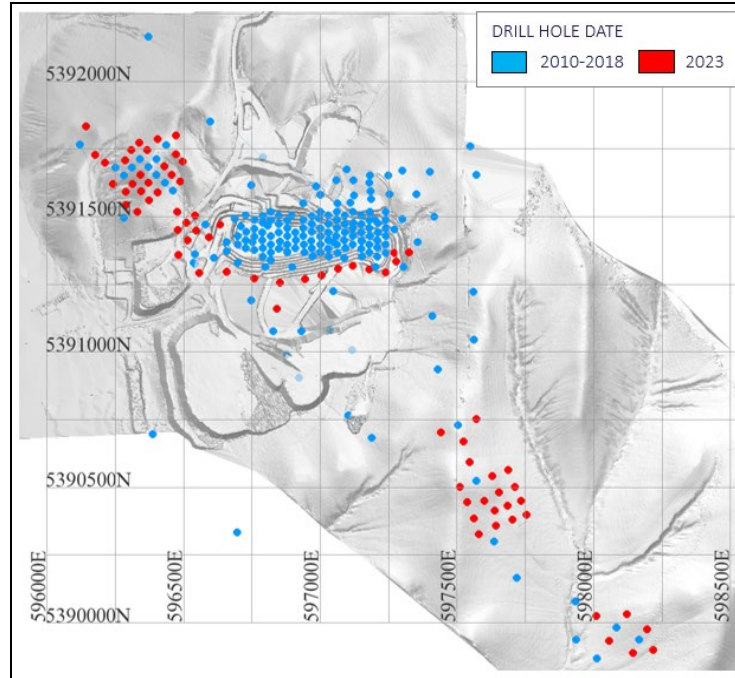
*Ulaanbulag*

From 2003 to 2023 a total of 24,552 m has been drilled in 266 RC and DDH; the majority (141) are DDH (12,272 m).

Drilling at the Ulaanbulag Gold Mine is summarized in the table below.

Year	Type of Drilling	Number of Holes	Length, m
2003	DDH	10	1,121
2004	DDH	22	2,594
2005	RC, DDH	14	1,894
2006	RC	10	1,512
2007	RC	11	1,137
2008	DDH	28	840
2009	RC	6	302
2010	RC	84	7,434
2018	DDH	9	1,801
2023	DDH	72	5,916
<b>Totals</b>		<b>266</b>	<b>24,552</b>

The drilling program on the Ulaanbulag area are shown in the image below:



## Sampling, Analysis and Data Verification

### *Sampling Methods*

Since 2003, both RC and diamond drilling completed on the Boroo Gold Project, under the direction of the Boroo exploration staff, was with the sampling method and approach described as follows:

- RC samples were taken at 1 m intervals. RC cuttings were collected from the sample collector; dry samples were mixed using the three-stage sample splitter. Two sets of samples weighing 3 kg to 5 kg were each packed in identically numbered cloth bags; one submitted for laboratory testing; the other stored in the secure sample storage area on the mine site as a coarse reject. From the primary sample, a subsample was taken, screened through a 2 mm sieve, rinsed with water and the sieve oversize packed in a special chip tray, for geological logging. From the logging results, samples identified to be mineralized, were composited to 1 m intervals and shipped for analysis, whereas samples identified without alteration or mineralization, were composited to 2 m intervals before being shipped for analysis
- Chip trays were locked in storage at CGM's Ulaanbaatar office; rejects and pulps were stored in locked storage in CGM's warehouse in Ulaanbaatar.
- Sampling of drill core was carried out at 1 m intervals in the mineralized section and at 2 m intervals in unaltered host rocks. Drill core was split or cut in half using a diamond saw, half of each sample was used for assaying and geochemical analysis and the remaining half-core was stored for record keeping at the mine site.

From 2003 to 2008, exploration drilling was completed throughout the mine using diamond and RC drilling methods; and within the scope of the drilling program, a total of 468 holes were completed for exploration purposes; 134 holes for reserve definition; 295 holes for condemnation; and 16 for geotechnical and metallurgical purposes, respectively. Drill cores from diamond and chips from RC drilling of all drillholes completed throughout the entire deposit were sampled.

As the Boroo Gold Project has operated without an on-site assay laboratory, all geological, mine and mill samples were bagged and logged at site for shipment to a commercial laboratory in Ulaanbaatar for sample preparation and assaying. From 2002 to 2006, SGS Mongolia Laboratories (“SGS”) was employed.

Since 2007, the limited number of additional exploration samples shipped for analysis have been performed by Actlabs Asia LLC in Ulaanbaatar, which commenced operations in June 2006 and achieved ISO 17025 accreditation in March 2008. Actlabs Asia LLC participates in Proficiency Testing Programs with both CANMET in Canada and Geostats in Australia.

As a majority of the drilling that would impact the Mineral Reserves and Resources was done between 2003 and 2005 when Boroo was shipping exploration samples to SGS in Ulaanbaatar, the sample preparation procedures from the SGS laboratory are described as follows:

- All samples received by SGS were received with an internal sample control number and entered in the laboratory information management system, which eliminates the need for manual data entry and reduces human transcription error.
- The samples were sorted and dried prior to being crushed to 90% passing 3.0 mm in a Rhino/Terminator jaw crusher before being reduced in a Lab Tech Essa 201 eight-bin rotary splitter to a 750 g to 1.1 kg subsample.
- The subsample, which is suitable in size for single-pass comminution in a Labtech LM2 bowl and ring pulverizer was pulverized to 80% passing 75 micrometers. The crusher and pulverizer were flushed by compressed air after each sample.
- Two splits of 300 g each were taken, with one allocated for assay and the second archived.
- Assaying employed fire assay digestion on a one assay ton aliquots and an atomic absorption finish on a 10 ml volume by a Varian Spectra 50A or 55B unit. Detection limit was 0.01 g/t, or 10 ppb.
- SGS used conventional flux and crucibles which fires 50 samples per batch and dissolves the prill by HNO<sub>3</sub>/HCl.

Test results performed by the SGS lab were reviewed by Linda Bloom of Analytical Solutions Ltd. (based in Toronto) and assessed satisfactory as per request of the SGMK. Bloom has issued a number of recommendations pertaining to the operational quality assurance program of both SGS and SGMK which were adhered by these organizations.

#### *Boroo Gold Quality Assurance Quality Control Programs*

Quality Assurance (“QA”) is the system and set of procedures used to ensure the quality of sampling and assay results. Quality Control (“QC”) is the data used to check that the results of sample preparation and chemical analysis are adequate. Boroo Gold mine staff undertook an industry standard QA and QC program which was designed to provide confidence in the accuracy of the assaying process of the mine exploration and infill drilling. QA and QC reports were prepared and presented to Centerra on a quarterly basis. The same procedure applied to the Boroo respectively. The QAQC program consisted of the following procedures:

- One of two commercial blanks is added at a rate of one in every 20 to 40 samples. Submitted to the commercial laboratory.

- Standards are added a rate of one in every 20 to 40 samples.
- Duplicate samples amounting to 5% of the total number of samples are submitted for testing.
- Control tests are performed on approximately 200 samples at a secondary laboratory if the grade is above 0.8 g/t gold. The control tests cover approximately 8% of the mineralized samples and are performed in the second half of each year.

The external laboratory control projects were conducted by ALS laboratory in Bishkek, Kirgizstan for 2004 to 2006 drilling programs. A total of 404 duplicate samples prepared by the same sample preparation and analysis method in SGS laboratory were analyzed. The drilling program of 2006 (200 samples) were controlled by ALS laboratory however information was not available.

#### *Ulaanbulag Quality Assurance Quality Control Programs*

The QAQC program consisted of the following procedures:

- Standards are added a rate of one in every 20 to 25 samples.
- Duplicate samples rate of in every 15-20 samples.

A total of 452 samples were selected between 2003-2010, to be sent to Actlab and SGS laboratory. No sample bias was observed between Actlab and SGS.

#### *Data Verification*

Game Mine LLC (“**Game Mine**”) has completed data verification of the drilling programs until end of the 2023 and believed almost twenty years of reliable operational performance of the Boroo Gold Project relative to the Reserve model developed from the exploration dataset had provided the most significant confidence in the reliability of both the overall exploration and production data used in the technical report. The Reserve and Resource model constructed from this exploration dataset can be considered reliable.

### **Mineral Processing and Metallurgical Testing**

This section summarizes all the relevant test work performed on the Boroo and Ulaanbulag deposits. The project was previously operated by Centerra. The current Boroo ore processing flowsheet is the result of a number of past metallurgical test programs.

The current Boroo mill flowsheet includes crushing, grinding, gravity concentration, leaching and carbon-in-pulp (“**CIP**”), cyanide detoxification and arsenic precipitation to produce gold doré.

#### *Boroo*

Historical testing (pre-1999) included the following major programs:

- Pilot scale metallurgical supervised by DDR-MPR technical personnel with bench scale tests were conducted in Freiberg, East Germany and pilot scale testing by Irgiredmet, Irkutsk, Russia, in 1987.
- McClelland Laboratories Inc. of Sparks, Nevada in 1991 recommended to Morrison Knudsen Company Inc. bench scale column leach tests, flotation and cyanidation testing.

- A comprehensive program in 1997 at AMMTEC Limited, Balcatta, Australia including grinding, leaching, column leaching and gravity concentration testing on diamond drill core and reverse circulation drilling chip samples.
- Comminution testing was undertaken by Orway Mineral Consultants of Mt Pleasant, Western Australia in 1999.

Column leaching was conducted by AMMTEC in Australia, Kappes-Cassiday & Associates (KCA) USA in 2006. The ore types are identified as Oxide, Transition, and Fresh with the names indicating the degree of sulphide oxidation.

The 2021 metallurgical testing program was completed at Base Metallurgy (BaseMet) Laboratories in Kamloops, BC, Canada. The scope of the program included:

- Head assays.
- Comminution testing including Bond ball mill work index, and Steve Morrell Comminution (SMC) tests.
- Bulk mineralogy.
- Extended gravity recoverable gold (E-GRG) testing.
- Flotation testing.
- Leach tests.
- Solids-liquids separation tests

Eight composite samples from nine drill holes were selected for the metallurgical testing program. The samples were selected to represent the planned open pit mining areas of the Boroo reserves.

#### *Ulaanbulag*

Initial leaching test work has been conducted in 2005 for Ulaanbulag deposit by ACA lab. A total of 9 samples were selected and tested. In addition, 7 samples were tested in Actlabs out of those 9 samples.

During 2009-2010, a total of 127 samples were tested in Actlabs.

The ore types tested were primarily oxide and transition. The availability of samples of fresh ore was limited by the state of current pit development. Metallurgical testing was conducted by AMMTEC in Australia, Kappes-Cassiday & Associates (KCA) in Colorado, and Boroo Gold.

#### **Mineral Resource Estimates**

The Boroo Gold Project includes Mineral Resource Estimates for the Boroo and Ulaanbulag deposits as outlined in the following sections.

*Boroo*

The Boroo Mineral Resource Estimate is based on data from 1858 RC and diamond drill holes, totaling 167,748.5 metres of drilling. The effective date of the Boroo Mineral Resource Estimate is January 1, 2024.

Ordinary Kriging (OK) restricted to a mineralized domain was used to interpolate gold grades (g/t) into a block model.

The Qualified Person is not aware of any environmental, permitting, legal, title, taxation, socioeconomic, marketing, political or other relevant factors that could materially affect the Mineral Resource Estimate that are not discussed in the BG Technical Report.

Measured, Indicated and Inferred Mineral resources are reported in the table below.

Resource Category	Oxidation State	Tonnage (Kt)	Average Grade (g/t)	Metal (oz)
<b>Measured</b>	Oxide	1,096.90	0.551	19,433.82
	Transition	3,011.30	0.586	56,740.25
	Fresh	22,500.80	0.59	426,864.05
	<b>Total</b>	<b>26,609.10</b>	<b>0.588</b>	<b>503,091.67</b>
<b>Indicated</b>	Oxide	540.4	0.518	9,000.87
	Transition	2,387.40	0.544	41,760.31
	Fresh	14,390.50	0.543	251,255.35
	<b>Total</b>	<b>17,318.40</b>	<b>0.542</b>	<b>301,819.06</b>
<b>Measured + Indicated</b>	Oxide	1,637.30	0.54	28,434.69
	Transition	5,398.80	0.567	98,500.56
	Fresh	36,891.30	0.571	678,119.40
	<b>Total</b>	<b>43,927.40</b>	<b>0.57</b>	<b>805,100.26</b>
<b>Inferred</b>	Oxide	22.4	0.609	438.64
	Transition	165.7	0.455	2,424.23
	Fresh	1,119.70	0.842	30,314.71
	<b>Total</b>	<b>1,307.80</b>	<b>0.789</b>	<b>33,178.59</b>

Notes:

1. Boroo Mineral Resources are as of January 1, 2024, based on the CIM Definition Standards (2014).
2. Mineral Resource were estimates has been compiled under the supervision of QP Tuvshinbayar Tumurkhuyag
3. Mineral Resources that are not Mineral Reserves have no demonstrated economic viability.
4. Reporting cut-off grade for Boroo Mineral Resources is 0.1 g/t Au (include both heap leach and milling ore).
5. The Boroo mineral resources has been depleted for mining up to the mining (without backfilling) as of January 1, 2024.
6. The Mineral Resources are stated as in situ dry tonnes. All figures are in metric tonnes.
7. Figures have been rounded to the appropriate level of precision for the reporting of Mineral Resources.
8. Due to rounding, some columns or rows may not compute exactly as shown.

*Ulaanbulag*

The Ulaanbulag Mineral Resource Estimate is based on data from 257 RC and diamond drill holes, totaling 24,557.25 metres of drilling. The effective date of the Ulaanbulag Mineral Resource Estimate is January 1, 2024. Ordinary Kriging (OK) restricted to a mineralized domain was used to interpolate gold grades (g/t) into a block model.

Measured, Indicated and Inferred Mineral resources are reported in the table below.

Zone	Category	Tonnage (Kt)	Average grade (g/t)	Metal (oz)
Zone 1	Measured	-	-	-
	Indicated	2,031.11	0.613	40,027.14
	Measured + Indicated	2,031.11	0.613	40,027.14
	Inferred	30.32	0.448	436.76
Zone 2	Measured	4,472.37	0.616	88,635.28
	Indicated	4,970.47	0.438	70,010.21
	Measured + Indicated	9,442.85	0.522	158,645.49
	Inferred	946.15	0.452	13,751.12
Zone 3	Measured	-	-	-
	Indicated	964.9	0.458	14,193.57
	Measured + Indicated	964.9	0.458	14,193.57
	Inferred	1,782.37	0.471	26,952.88
Zone 4	Measured	-	-	-
	Indicated	-	-	-
	Measured + Indicated	-	-	-
	Inferred	1,782.37	0.228	26,952.88
<b>Total</b>	<b>Measured</b>	<b>4,472.37</b>	<b>0.616</b>	<b>88,635.28</b>
	<b>Indicated</b>	<b>7,966.48</b>	<b>0.485</b>	<b>124,230.92</b>
	<b>Measured + Indicated</b>	<b>12,438.86</b>	<b>0.532</b>	<b>212,866.20</b>
	<b>Inferred</b>	<b>4,295.71</b>	<b>0.379</b>	<b>52,407.76</b>

## Notes:

1. Ulaanbulag Mineral Resources are as of January 1, 2024, based on the CIM Definition Standards (2014).
2. Mineral Resource were estimates has been compiled under the supervision of QP Tuvshinbayar Tumurkhuyag.
3. Mineral Resources that are not Mineral Reserves have no demonstrated economic viability.
4. Reporting cut-off grade for Ulaanbulag Mineral Resources is 0.1 g/t Au (include both heap leach and milling ore).
5. The Ulaanbulag mineral resources has been depleted for mining up to the mining (without backfilling) as of January 1, 2024.
6. The Mineral Resources are stated as in situ dry tonnes. All figures are in metric tonnes.
7. Figures have been rounded to the appropriate level of precision for the reporting of Mineral Resources.
8. Due to rounding, some columns or rows may not compute exactly as shown.



## Mineral Reserve Estimates

### *Boroo*

Mineral Reserves for the Boroo deposit are based on the Measured and Indicated Resources and use engineering designs for the pit and associated operating parameters. Reserve calculations are valid at the time of estimation and use cut-off grade assumptions which were made prior to finalization of the economic model. The Mineral Reserve estimates are based on a mine plan and pit design developed using modifying parameters including metal price, metal recovery based on performance of the processing plant and operating cost estimates.

The following inputs and constraints were utilized for pit optimization and further defined in the following sections:

- Proven and Probable Reserves for the Boroo operation are inclusive of mineral resources and based on a five-year moving average gold price of \$1,750/oz.
- Mining costs of \$1.77/t, milling costs of \$14.99/t and general and administrative costs of \$2.22/t, Heap leaching costs of 2.39\$/t have been used to estimate the reserves along with the gold price stated above.
- The pit reserves reported below assume full mine recovery and are reported on a dry in-situ basis.
- In the block model, no additional provisions were introduced to account for external dilution or losses during mining, while these factors always occur to some degree during mining, it would appear from the reliability of the block model relative to the production results obtained to date that the required levels of adjustment for these factors have been adequately accounted for in the initial interpolation and later unsmoothing introduced during block model creation.
- The cut-off grade used to report the reserves has been chosen by Game Mine at greater than 0.10 g/t gold for heap leach ore and greater than 0.43, 0.46 and 0.52 g/t gold for milling depends on mill recovery domain.
- Reserve estimates were completed using a pit-constrained resource, with an economic pit shell designed in Geovia Surpac™ and January 01 2024 pit survey.

Mineral Reserves are reported with an effective date of February 1, 2024 and are summarized in the table below. Proven and Probable Mineral Reserves in the table were converted from Measured and Indicated Mineral Resources, respectively.

<b>Reserve Category</b>	<b>Quantity (tonnes)</b>	<b>Average Grade (Au g/t)</b>	<b>Contained Metal (oz)</b>	<b>Contained Metal (kg)</b>
<b>CIP Ore Stockpile</b>				
Proven	767,741	1.25	30,750	956
Probable	-	-	-	-
Proven and Probable	767,741	1.25	30,750	956
<b>CIP Ore</b>				
Proven	7,317,617	1.20	282,257	8,778.2
Probable	3,558,353	1.15	131,109	4,077.5
Proven and Probable	10,875,970	1.18	413,367	12,855.7
<b>Total CIP Ore</b>				
<b>Proven</b>	<b>8,085,358</b>	<b>1.20</b>	<b>313,007</b>	<b>9,734</b>
<b>Probable</b>	<b>3,558,353</b>	<b>1.15</b>	<b>131,109</b>	<b>4,078</b>
<b>Proven and Probable</b>	<b>11,643,711</b>	<b>1.19</b>	<b>444,117</b>	<b>13,812</b>
<b>Heap Leach Ore Stockpile</b>				
Proven	281,505	0.30	2,733	85.0
Probable	-	-	-	-
Proven and Probable	281,505	0.30	2,733	85.0
<b>Heap Leach Ore</b>				
Proven	8,175,507	0.30	79,434	2,470.4
Probable	4,245,593	0.30	40,839	1,270.1
Proven and Probable	12,421,100	0.30	120,273	3,740.5
<b>Total Heap Leach Ore</b>				
<b>Proven</b>	<b>8,457,012</b>	<b>0.30</b>	<b>82,167</b>	<b>2,555</b>
<b>Probable</b>	<b>4,245,593</b>	<b>0.30</b>	<b>40,839</b>	<b>1,270</b>
<b>Proven and Probable</b>	<b>12,702,605</b>	<b>0.30</b>	<b>123,006</b>	<b>3,826</b>
<b>Total Reserve</b>				
<b>Proven</b>	<b>16,542,370</b>	<b>0.74</b>	<b>395,174</b>	<b>12,290</b>
<b>Probable</b>	<b>7,803,946</b>	<b>0.69</b>	<b>171,949</b>	<b>5,348</b>
<b>Proven and Probable</b>	<b>24,346,316</b>	<b>0.72</b>	<b>567,123</b>	<b>17,637</b>

## Notes:

1. The effective date of the Mineral Reserve estimate is February 01st, 2024. Mineral Reserves were estimates has been compiled under the supervision of QP Tuvshinbayar Tumurkhuyag.
2. The Mineral Reserve estimates were prepared with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards (2014 CIM Definition Standards) and the 2003 CIM Best Practice Guidelines.
3. Reserves estimated assuming open pit mining methods.
4. Reserves are reported on a dry in-situ basis.
5. The cut-off grade used to report the reserves has been chosen by Game Mine at greater than 0.1 g/t gold for heap leach ore and greater than 0.43, 0.46 and 0.52 g/t gold for milling depends on mill recovery domain.
6. Reserves are based on a gold price of \$1,750/oz, mining cost of \$1.77/tonne, milling costs of \$14.99/t and general and administrative costs of \$2.22/t. Heap leaching costs of 2.39\$/t. Heap leaching recovery 40%.
7. In the block model, no additional provisions were introduced to account for external dilution or losses during mining. While these factors always occur to some degree during mining, it would appear from the reliability of the block model relative to the production results obtained to date that the required levels of adjustment for these factors have been adequately accounted for in the initial interpolation and later unsmoothing introduced during block model creation.

*Relevant Factors*

Game Mine is not aware of any existing environmental, permitting, legal, socio-economic, marketing or political factors that are likely to materially affect the mineral reserve estimate. Mineral Reserves have been economically tested to ensure that they are economically viable. The project remains economic across a range of key input parameters.

If for any reason any of these project cost factors are changed such that the project capital or operating cost estimates change materially, then the mineral reserve estimates stated in this report could be materially affected.

A full sensitivity analysis of the operating and financial inputs affecting the Boroo is presented in Chapter 22 of the BG Technical Report.

### *Ulaanbulag*

Mineral Reserves for the Ulaanbulag deposit are based on the Measured and Indicated Resources and use engineering designs for the pit and associated operating parameters. Reserve calculations are valid at the time of estimation and use cut-off grade assumptions which were made prior to finalization of the economic model. The Mineral Reserve estimates are based on a mine plan and pit design developed using modifying parameters including metal price, metal recovery based on performance of the processing plant and operating cost estimates.

The following inputs and constraints were utilized for pit optimization and further defined in the following sections:

- Proven and Probable Reserves for the Ulaanbulag operation are inclusive of mineral resources and based on a five-year moving average gold price of \$1,750/oz.
- Mining costs of \$1.77/t, milling costs of \$14.99/t and general and administrative costs of \$2.22/t, Ore Transportation costs of \$1.73/t and Heap leaching costs of 2.39\$/t have been used to estimate the reserves along with the gold price stated above.
- The pit reserves reported below assume full mine recovery and are reported on a dry in-situ basis.
- In the block model, no additional provisions were introduced to account for external dilution or losses during mining. While these factors always occur to some degree during mining, it would appear from the reliability of the block model relative to the production results obtained to date that the required levels of adjustment for these factors have been adequately accounted for in the initial interpolation and later unsmoothing introduced during block model creation.
- The cut-off grade used to report the reserves has been chosen by Game Mine at greater than 0.20 g/t gold for heap leach ore and greater than 0.46, 0.50 and 0.53 g/t gold for milling depends on oxidation.
- Reserve estimates were completed using a pit-constrained resource, with an economic pit shell designed in Geovia Surpac™ and January 01 2024 pit survey.
- Mineral Reserves were estimates has been compiled under the supervision of Qualified Person Tuvshinbayar Tumurkhuyag, in accordance with NI 43-101 standards and with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards (2014 CIM Definition Standards) and the 2003 CIM Best Practice Guidelines.

Mineral Reserves are reported with an effective date of February 1, 2024 and are summarized in the table below. Proven and Probable Mineral Reserves in the table were converted from Measured and Indicated Mineral Resources, respectively.

Reserve Category	Quantity (tonnes)	Average Grade (Au g/t)	Contained Metal (oz)	Contained Metal (kg)
CIP Ore Stockpile				
Proven	117,832	0.96	3,633	113.0
Probable	-	-	-	-
Proven and Probable	117,832	0.96	3,633	113.0
CIP Ore				
Proven	1,196,169	1.40	53,842	1,674.5
Probable	857,677	1.19	32,974	1,025.5
Proven and Probable	2,053,846	1.31	86,817	2,700.0
<b>Total CIP Ore</b>				
<b>Proven</b>	<b>1,314,001</b>	<b>1.36</b>	<b>57,475</b>	<b>1,788</b>
<b>Probable</b>	<b>857,677</b>	<b>1.20</b>	<b>32,974</b>	<b>1,026</b>
<b>Proven and Probable</b>	<b>2,171,678</b>	<b>1.30</b>	<b>90,450</b>	<b>2,813</b>
Heap Leach Ore Stockpile				
Proven	726,950	0.40	9,386	291.9
Probable	-	-	-	-
Proven and Probable	726,950	0.40	9,386	291.9
Heap Leach Ore				
Proven	1,496,113	0.29	14,096	438.4
Probable	1,778,405	0.29	16,116	501.2
Proven and Probable	3,274,518	0.29	30,212	939.6
<b>Total Heap Leach Ore</b>				
<b>Proven</b>	<b>2,223,063</b>	<b>0.33</b>	<b>23,482</b>	<b>730</b>
<b>Probable</b>	<b>1,778,405</b>	<b>0.28</b>	<b>16,116</b>	<b>501</b>
<b>Proven and Probable</b>	<b>4,001,468</b>	<b>0.31</b>	<b>39,598</b>	<b>1,232</b>
<b>Total Reserve</b>				
<b>Proven</b>	<b>3,537,064</b>	<b>0.71</b>	<b>80,958</b>	<b>2,518</b>
<b>Probable</b>	<b>2,636,082</b>	<b>0.58</b>	<b>49,090</b>	<b>1,527</b>
<b>Proven and Probable</b>	<b>6,173,146</b>	<b>0.66</b>	<b>130,048</b>	<b>4,045</b>

## Notes:

1. The effective date of the Mineral Reserve estimate is February 01st, 2024. Mineral Reserves were estimates has been compiled under the supervision of QP Tuvshinbayar Tumurkhuyag
2. The Mineral Reserve estimates were prepared with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards (2014 CIM Definition Standards) and the 2003 CIM Best Practice Guidelines.
3. Reserves estimated assuming open pit mining methods
4. Reserves are reported on a dry in-situ basis
5. The cut-off grade used to report the reserves has been chosen by Game Mine at greater than 0.20 g/t gold for heap leach ore and greater than 0.46, 0.50 and 0.53 g/t gold for milling depends on oxidation.
6. Reserves are based on a gold price of \$1,750/oz, mining cost of \$1.77/tonne, milling costs of \$14.99/t and general and administrative costs of \$2.22/t. Ore transportation costs of 1.73\$/t. Heap leaching costs of 2.39\$/t. Heap leaching recovery 40%.
7. In the block model, no additional provisions were introduced to account for external dilution or losses during mining. While these factors always occur to some degree during mining, it would appear from the reliability of the block model relative to the production results obtained to date that the required levels of adjustment for these factors have been adequately accounted for in the initial interpolation and later unsmoothing introduced during block model creation.

*Relevant Factors*

Game Mine is not aware of any existing environmental, permitting, legal, socio-economic, marketing or political factors that are likely to materially affect the mineral reserve estimate. Mineral Reserves have been economically tested to ensure that they are economically viable. The project remains economic across a range of key input parameters.

If for any reason any of these project cost factors are changed such that the project capital or operating cost estimates change materially, then the mineral reserve estimates stated in this report could be materially affected.

A full sensitivity analysis of the operating and financial inputs affecting the Ulaanbulag is presented in Chapter 22 of the BG Technical Report.

### **Mining Operations**

The Boroo and Ulaanbulag mining operations are based on conventional open-pit methods to mine a nominal 50,000 tonnes per day material. Operations are planned to stop during the first half of 2030. Mining is done with bench heights of five metres, with ore mined on half benches for improved grade control in the flat-lying ore.

Blasthole drilling is carried out with five drill rigs, with holes of 115 mm diameter drilled on a 4.0 x 4.0-metre pattern. Bulk explosives trucks blend ammonium nitrate with fuel oil as each hole is loaded, and explosives consumption is 0.4 kg per cubic metre of ore or waste.

The principal rock handling equipment is supplied by Caterpillar and includes two 5.4 m<sup>3</sup> hydraulic excavators, one 6.4 m<sup>3</sup> hydraulic excavator and one 12 m<sup>3</sup> hydraulic excavator and ten 50-tonne haul trucks, six 100-tonne haul trucks. Additional haul trucks are to be temporarily added to the fleet in for tailings dam construction. The waste rock mined is deposited on waste dumps immediately adjacent to the individual pits.

Additional mining equipment includes five large front-end loaders for ore handling and blending, four tracked dozers for the maintenance of waste dumps and benches and three graders maintain the roads and bench floors.

Grade control in mining is by manual sampling of the blasthole cuttings. Two separate samples are taken for each blasthole, one for the initial 2.5 metres, one for the second 2.5 metres, which allows ore and waste selection to occur for those short vertical intervals.

The blasthole assay data are determined at an SGS laboratory in Ulaanbaatar. A large proportion of each sample needs to be pulverized, and the metallics screen method is required to obtain results that are both accurate and precise (reproducible) and allow grade control decisions to be made based on few samples. The blasthole assay data are combined into an ore control model that is being used to determine the boundaries for the various grade categories and to estimate the monthly pit production.

The blasthole cuttings are logged, and a geological map is produced for each bench mined. The grade and geological maps produced as a result of the grade control work are assembled into packages that can be readily used in mining operations and are of excellent quality.

The table below shows the mine production schedule and the table below shows the feed to the plants and the estimated copper production profile for the life of mine (2024 to 2031). Game Mine is not aware of any mining, metallurgical, infrastructure, permitting or other relevant factors that could materially affect the budgeted production estimates.

Year	CIP Ore (tonnes)	Gold Grade (g/t)	Contained Gold (kg)	Recovered Gold (oz)	Heap Leach Ore (tonnes)	Gold Grade (g/t)	Contained Gold (kg)	Recovered Gold (oz)	Total Recovered Gold (oz)
2024	1,733,910	1.61	2,791	63,480	967,206	0.4	383	4,926	68,406
2025	1,733,750	1.34	2,328	52,925	2,821,913	0.34	962	12,375	65,300
2026	1,733,750	1.74	3,012	61,007	1,133,071	0.29	329	4,237	65,244
2027	1,733,750	1.23	2,129	46,434	2,208,483	0.25	563	7,242	53,676
2028	1,738,500	0.89	1,548	36,489	2,800,939	0.3	849	10,921	47,410
2029	1,733,750	1.13	1,965	43,444	2,307,406	0.27	618	7,952	51,396
2030	1,733,750	1.06	1,838	39,848	2,532,866	0.29	738	9,495	49,343
2031	1,674,229	0.61	1,014	22,568	1,932,189	0.32	615	7,907	30,475
<b>Total</b>	<b>13,815,389</b>	<b>1.2</b>	<b>16,625</b>	<b>366,195</b>	<b>16,704,073</b>	<b>0.3</b>	<b>5,058</b>	<b>65,055</b>	<b>431,281</b>

### Processing and Recovery Operations

The current mill flowsheet includes crushing, grinding, gravity concentration, leaching and CIP, cyanide detoxification and arsenic precipitation to produce gold doré.

Milling flowsheet includes the following major units:

- Primary crushing;
- Grinding and classification including gravity concentration;
- Thickening and leach/CIP;
- Carbon elution and reactivation;
- Gold electrowinning and refining;
- Cyanide and Arsenic detoxification; and
- Tailing storage.

The Boroo mill was designed with a capacity to process 1.8 million tonnes of ore per year (5000 tpd). Mill commissioning commenced in December 2003 and by March 1, 2004 when commercial production was achieved. In 2021, the mill was restarted since then throughput has steadily increased to where it is 1.6-1.7 million tonnes per year or 4500 - 5 000 t/d.

Mill recovery has steadily decreased since the depletion of oxide and transitional ore. When processing sulphide or fresh ore, mill recovery is typically in the range of 60% to 70%. A significant portion of the recovery is still achieved in gravity separation.

Nominally 3.0 million tonnes of heap leach feed will be crushed and stacked on the leach pad. Ore will be hauled from the pit or stockpiles near the pit to a heap leach stockpile. Crushing and stacking will proceed at a nominal rate of 10 000 t/d. 50% of the total heap leach ore is crushed by primary crushers.

Heap leach ore to be mined from the Boroo and Ulaanbulag pits is expected to be more refractory and has been given a lower overall recovery. Operation results showed that the heap leach gold recovery is 40%, and which is aligned with test work result.

## Infrastructure, Permitting and Compliance Activities

### *Project Infrastructure*

The existing facilities at the Boroo Gold Mine will be used to process ore from this next phase of the Boroo Gold Project. The Boroo facilities include:

- Process plant, including facilities for unloading and feeding of ore, as well as grinding and leaching
- Tailings management and heap leach pads, including impervious multi-layered basal linings of waste dumps
- Recycling treatment circuits to remove arsenic and cyanide from tailings
- Storage facilities for chemicals and reagents
- Dewatering facilities and return water lines
- Elevated tailings dam to accommodate additional tailings
- Warehousing
- Administration offices
- Maintenance Shop

The power demand of the existing Boroo facility is 10 MW. Power is currently supplied to the existing Boroo facility via a 110 kV electric power line that crosses the Sujigtei River Valley.

The existing Boroo gold plant (currently on Care and Maintenance) employs a Leach/CIP and gravity concentration for gold recovery. The plant comprises crushing, grinding, gravity concentration, thickening, Leach and Adsorption, and cyanide detoxification steps as detoxified tailings are deposited into a zero discharge tailings management facility.

An existing potable water treatment plant will treat the fresh water prior to storage in the potable water storage tank. Sewage will be collected and chlorinated before disposal. Effluent from the sewage treatment plant will be discharged into the tailings facility at Boroo.

At the Boroo site, diesel and gasoline storage facilities will be provided at the mine services area. One diesel fuel storage tank and one gasoline storage tank will be utilized. An existing mine maintenance / operations administration building and a security gatehouse facility will be utilized at the mine site.

During the operating phase of the Boroo Gold Project, Boroo Gold operating personnel will be housed at the existing facilities at the Boroo Gold Mine.

The existing tailings management facility (“**TMF**”) of the Boroo Gold Mine are located approximately 5 km to the east of the mine. The total capacity of the TMF is 21.2 million m<sup>3</sup>. The TMF consists of three parts: north, middle and main cell. The total area of the TMF is 205 hectares. The ore extracted from the Boroo Gold Mine and Ulaanbulag Gold Mine will be processed at the Boroo processing plant and the tailings from the plant will be stored in the main cell and the east and west cells to be built in the future.

### *Permitting*

Boroo Gold has secured many of the operating permits required to operate the Boroo Gold Project in accordance with Mongolian regulatory requirements. Approved permits and licences include Land Use Permit for the Boroo Mine, Boroo Mineral Reserve Report Approval (2021), Boroo Mining Licences, Boroo Feasibility Study (2014), Boroo Detailed Environmental Impact Assessment (“**DEIA**”) (2022),

Water Reserve Approval (2010), Hazardous Chemicals Permit (2020) Land use Permit (2007), construction work permit for the TMF extension (2022) and Water use Permit.

Other regular compliance and permitting documents include:

- workplace fire safety conclusions and disaster risk assessments for chemicals warehouse, kitchen and camp, petroleum warehouse, fuel distribution station, processing plant, heap leach facility and maintenance shop;
- technical passports of drilled wells MB1, MB2, MB3, MB4, MB5, domestic and hazardous waste removal and transportation agreements with licensed recycling and elimination organizations;
- license on business activities to export, import, transport across the border, produce, use and sell toxic and hazardous chemicals, bi-annual environmental audits by licensed auditing organizations;
- certification of land characteristics and quality, conclusions of certification plots by professional research body; and
- cooperation agreements with the Bayangol and Mandal soums of Selenge provinces and the Bornuur soums of Tuv provinces.

#### *Environmental Factors*

A comprehensive environmental baseline study was prepared for Boroo Gold in 2000 and 2003. The environmental monitoring program that was established with the 2003 baseline program has expanded since that date with the addition of more types of monitoring and the expansion of existing monitoring programs. This expanded monitoring program provides international level environmental information that facilitates operations. This monitoring data will continue to be collected for surface water, groundwater, air, soil, and meteorological data.

The main objective of the environmental management plan of the given year is to plan, implement and report measures to protect the environment, avoid and prevent from main and potential impacts to be caused by project operations, eliminate and reduce impacts, control and detect potential impacts and reclaim.

#### *Social or Community Impact*

##### Demography

As of the end of 2023, the population of Mandal soum is 26,877. According to demographics, male population is 50.04%, while there are 8,154 children of 0 to 14 years of age, 16,572 persons of 15 to 59 years of age and 2,151 persons above 60, 7.8% of the total population.

As of end of 2023, the soum population was 5,702 in 1,683 households, including 219 disabled citizens, 3,470 citizens of labor age and 5 orphans.

Mandal soum, Selenge aimag has major national routes such as roads and railways and has a relatively well-developed infrastructure. Located close to the capital and other central markets, this is likely to increase in the future and create favorable conditions for future development.

Statistically, migration is declining in the Boroo Gold Project area, although there is a perception among communities in the Boroo Gold Project area that there is an influx of migrant herders who are viewed as a key source of pastureland degradation and land use conflict.



### *Environment and Social Management Plans*

Management of significant Boroo Gold Project environmental and social aspects and impacts is through a suite of management plans that will be implemented during the project activities. The following environmental and social management plans have been developed:

#### Environmental

- Biodiversity Management Plan
- Water Management Plan
- Acid Rock Drainage Management Plan
- Hazardous Materials Management Plan

#### Social

- Stakeholder Engagement and Grievance Management
- Social Management Plan

#### *Mine Closure*

Long-term planning for mine closure is framed by regulatory requirements, stakeholder expectations and standards of social and environmental responsibility.

During the 2014 Feasibility Study and DEIA development stages, a preliminary Closure Management Plan was developed and approved with these documents. Therefore, the mine closure general plan is updated and included in the DEIA and its addendums. Mine closure plan objectives required measures and activities, such as; rehabilitation of the mine site; cleaning, demolition and relocation of mine site facilities, equipment and pipelines; post-closure and rehabilitation monitoring; reporting and its approval issues; and official handover of the mine site to local and state government organizations.

Regarding the development, approval, implementation and monitoring of the closure plans of mines, no procedures, specific regulations or instructions have been issued by the Mongolian authorities until August 28, 2019.

Boroo Gold is currently undergoing additional investigations to define the exact timing of the closure schedule according to the most recent mine and mill schedule. In the interim, the closure schedule from the latest Feasibility Study should be referenced. Reclamation activities are planned to last seven years, including four years of active reclamation including the heap leach drain down and detoxification and three years of post-closure water management and monitoring. Closure of the tailing facility includes construction of an evapotranspiration pond and treating supernatant water.

Main facilities at the Boroo Gold Project that have not been reclaimed include open pits, heap leach (HL), TMF and other buildings and infrastructures. During the closure stage, the facilities, buildings and infrastructures will be removed and the areas will be cleaned, re-contoured and re-sloped to a suitable degree for revegetation and in a manner resistant to the soil erosion.

Closure costs have been estimated at \$16 million for the Boroo Gold Project and will be incurred after mining is complete.

The closure costs are updated every three years to reflect the latest changes in costs, currency exchange rates, inflation and some changes in the legal requirements.

## Capital and Operating Costs

### *Capital Cost Estimates*

Since the Boroo Gold Mine is operational, no additional investment will be made to increase the capacity, so no investment calculation has been completed. On the other hand, the calculations made by Boroo Gold for the maintenance of mining equipment, processing plant, mine accommodation and other mine assets are presented in the sustaining capex section.

### *Sustaining Capital Cost Estimates*

Sustaining capital costs include all costs from 2024 of the operation to maintain mining until the end of the planned life of mine (“LOM”) in 2031. Total sustaining costs of \$68.4 million have been estimated for the Boroo Gold Mine.

Main Area		Cost (US\$'000)
1000	Geology	2,603
2000	Mine	25,124
3000	Process Plant	18,719
4000	Project Services	-
5000	Project Infrastructure	-
6000	Permanent Accommodation	-
7000	Site Establishment & Early Works	-
8000	Management, Engineering, EPCM Services	737
9000	Tailings Storage Facility	21,211
<b>Total</b>		<b>68,394</b>

The following items are excluded from the sustaining capital cost estimate:

- Financing costs
- Currency fluctuations
- Lost time due to severe weather conditions
- Lost time due to force majeure
- Additional costs for accelerated or decelerated deliveries of equipment, materials, or services resultant from a change in project schedule
- Additional months of warehouse inventories other than those supplied in the estimate
- Any project sunk costs (studies, exploration programs, etc.)

- Mine reclamation costs (included in the financial model)
- Mine closure costs (included in the financial model)
- Escalation costs
- Major scope changes
- Cost of future study
- Community relations

### *Operating Cost Estimates*

Operating costs are defined as the direct operating costs, including mining, ore transportation, processing, G&A costs and mining royalties. As described above, sustaining capital costs are excluded from the operating cost estimate. The operational costs are based on Boroo Gold's historical and 2024 budgeted costs.

The LOM average operating cost for the project is estimated at US\$29.3/t or US\$940/oz processed at the nominal process rate of 5000 t/d or 1.7 Mt/year. This operating cost is derived using total LOM operating costs divided by LOM processed tonnages and excludes pre-production mining costs. The cost distribution for each area of the proposed mining operation is summarized in the table below.

<b>Operating Cost Summary</b>	<b>Total Cost M\$ (LOM)</b>	<b>Cost \$/t Processed (LOM Average)</b>
Mining Cost	150.9	10.9
Processing Cost	190.8	13.8
Site Admin Cost	40.1	2.9
G&A Cost	23.6	1.7
<b>Total Operating Cost</b>	<b>405.4</b>	<b>29.3</b>

*Note: Rounding may cause some computational discrepancies*

### **RELATED PARTY TRANSACTIONS**

From time to time in the ordinary course of Boroo Gold's business, it contracts for services from companies in which certain of its executive officers or directors may serve as a director or advisor. The cost of these services is negotiated on an arm's length basis and none of these arrangements is material to Boroo Gold.

Over the last three years, Boroo Gold regularly engaged in financing transactions and other material agreements with its direct and indirect shareholders. As of December 31, 2023, there were intercompany receivables owing to Boroo Gold in an amount equal to approximately \$48,042,000. In connection with the pre-closing transactions contemplated by the Share Exchange Agreement, certain of these intercompany receivables will be set-off against dividends declared and payable to the shareholders of Boroo Gold.

As at December 31, 2023, Tserenbadam Dugeree and Dulguun Erdenebaatar, Chief Executive Officer and Chairman of Boroo Gold, respectively, owe approximately US\$2,000 and US\$852,000 to Boroo Gold. These loans were repaid and satisfied as of April 25, 2024.

## RISK FACTORS

*In addition to the other information in this Circular, you should carefully consider the following risk factors in evaluating Boroo Gold and Boroo Gold's business. In particular, you should consider the risks related to companies operating in Mongolia generally, for which information has been included in these risk factors to the extent that information is publicly available. If any of the risks discussed in this Circular actually occur, alone or together with additional risks and uncertainties not currently known to Boroo Gold, or that Boroo Gold currently deems immaterial, Boroo Gold's business, financial condition, results of operations and prospects may be materially adversely affected. When assessing these risk factors, you should also refer to the other information contained in this Circular and appended hereto, including Boroo Gold's financial statements and the related notes thereto. You should also carefully review the cautionary statements in this Circular referred to under the heading "Forward-looking Statements". Boroo Gold's actual results could differ materially and adversely from those anticipated in this Circular.*

### *Fluctuation of Metal Prices*

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of Boroo Gold may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time and are affected by numerous factors beyond the control of Boroo Gold, including international economic and political trends, expectation of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in deposit will be such that Boroo Gold's properties can be mined at a profit. Declining market prices for gold and silver could have a material impact on Boroo Gold's profitability.

### *Dependency on the Boroo Gold Mine and the Ulaanbulag Gold Mine*

Boroo Gold is dependent on the Boroo Gold Mine and the Ulaanbulag Gold Mine for all its operating revenue and cash flows. While Boroo Gold is investing in the exploration projects in future, the Boroo Gold Mine and the Ulaanbulag Gold Mine are currently its producing mining assets, thereby providing substantially all of Boroo Gold's operating revenue and cash flow. Consequently, a delay or difficulty encountered in the operations of the Boroo Gold Mine or the Ulaanbulag Gold Mines would materially and adversely affect Boroo Gold's financial condition and financial sustainability. Any adverse changes or developments affecting the Boroo Gold Mine or the Ulaanbulag Gold Mine, including, but not limited to, obtaining financing on commercially suitable terms or hiring suitable personnel, may have material adverse effect on Boroo Gold's financial performance, result of operations and liquidity. In addition, Boroo Gold's business and result of operations could be materially and adversely affected by any events which cause the Boroo Gold Mine or the Ulaanbulag Gold Mine to operate at less than optimal capacity, including, among other things, shortages of manpower, power outages, equipment failure or shortages of spares, consumables and reagents, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce the expected amount of gold.

### *Uncertainty of Reserve and Resource Estimates*

There are numerous uncertainties inherent in estimating quantities of mineral reserves and grades of mineralization, including many factors beyond our control. In making determinations about whether to advance any of our projects to development, we must rely upon estimated calculations as to the mineral reserves and grades of mineralization of our properties. Until ore is actually mined and processed, mineral

reserves and grades of mineralization must be considered as estimates only. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling which may prove to be unreliable. We cannot assure you that mineral reserves, mineral resources or other mineralization estimates will be accurate or that mineralization can be mined or processed profitably. Any material changes in mineral reserves estimates and grades of mineralization will affect the economic viability of placing a property into production and a property's return on capital. The estimates of mineral reserves and mineral resources have been determined and valued based on various assumptions, including future prices, cut-off grades and operating costs and various geological and lithographical interpretations that may prove to be inaccurate.

#### *Surface Rights and Access*

Although Boroo Gold acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires or has a right to acquire, in most cases, it does not thereby acquire any rights to or ownership of the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, Boroo Gold will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights and, therefore, it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied or an agreement cannot be reached, Boroo Gold may need to rely on the assistance of local officials or the courts in such jurisdiction, the outcomes of which cannot be predicted with any certainty. The inability of Boroo Gold to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of Boroo Gold to develop any mineral deposits it may locate.

#### *Epidemic and Pandemic Diseases*

Boroo Gold's business could be significantly adversely affected by the effects of a widespread global outbreak of contagious disease, including the recent outbreak of respiratory illness caused by a novel coronavirus ("COVID-19"). Boroo Gold cannot accurately predict the impact COVID-19 will have on third parties' abilities to meet their obligations with Boroo Gold due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for Boroo Gold's services and likely impact operating results. Further, the magnitude of disruptions could increase as the time to recovery lengthens and the combined effect of supply shortages across the extended supply network could lead to supply chain disruption. Limited transportation capacity, lack of personnel mobility, traffic restrictions, expedited freight costs, potential payment premiums and the implementation of alternative sourcing strategies could result in increased input costs during the remainder of 2024 and beyond. Any prolonged disruption to the supply chain could have a material adverse effect on Boroo Gold's business, financial condition and/or results of operations.

#### *Operating Hazards and Other Uncertainties*

Boroo Gold's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including:

- environmental hazards;

- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- labor disputes and shortages;
- supply and shipping problems and delays;
- shortage of equipment and contractor availability;
- unusual or unexpected geological or operating conditions;
- fire;
- changes in the regulatory environment; and
- natural phenomena such as inclement weather conditions, floods and earthquakes.

#### *Liquidity and Financing*

Boroo Gold does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to Boroo Gold on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Disruptions in the capital and credit markets as a result of uncertainty, geopolitical events, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect Boroo Gold's access to the liquidity needed for the business in the longer term. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of Boroo Gold's properties.

#### *Boroo Gold May Require Additional Permits*

The operations of Boroo Gold require licenses and permits from various governmental authorities. Boroo Gold currently has all permits and licenses that it believes are necessary to carry out its current exploration, development and mining operations at its projects. Boroo Gold may require additional licenses or permits in the future and there can be no assurance that Boroo Gold will be able to obtain all such additional licenses and permits. In addition, there can be no assurance that any existing licenses and permits will be renewable if and when required or that such existing licenses and permits will not be revoked. The inability to obtain or renew the licenses and permits required to continue the operations of Boroo Gold could adversely affect Boroo Gold's business.

#### *Mining Industry is Intensely Competitive*

Boroo Gold's business is the acquisition, exploration, development and exploitation of mineral properties. The mining industry is intensely competitive and Boroo Gold competes with other companies that have far greater financial resources, more significant investments in capital equipment and mining infrastructure for the ongoing development, exploration and acquisition of mineral interests, as well as for the recruitment and retention of qualified employees.

### *Infrastructure*

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supplies are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Boroo Gold's business.

### *Boroo Gold's Insurance Coverage May Not Cover All Potential Losses, Liabilities and Damages Related to Its Business*

Boroo Gold's business is subject to several risks and hazards (as further described herein). Boroo Gold maintains limited insurance to protect against the potential risks associated with its activities, including any future mining operations. Boroo Gold maintains insurance in such amounts as it considers to be reasonable, however such insurance may not cover all the potential risks associated with its activities, including any future mining operations. Boroo Gold may not be able to obtain or maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards because of exploration or production may not be available to Boroo Gold on acceptable terms. Boroo Gold might also become subject to liability for pollution or other hazards which it does not insure against or in the future may not insure against because of premium costs or other reasons. Losses from these events may cause Boroo Gold to incur significant costs which could have a material adverse effect on Boroo Gold's business, financial condition, results of operations or prospects.

### *Government Regulation*

Any exploration, development or mining operations carried on by Boroo Gold will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes, health and safety and employment standards. As indicated above, Boroo Gold requires permits and licenses from a variety of governmental authorities. Boroo Gold's mining, exploration and development projects could be adversely affected by amendments to such laws and regulations, future laws and regulations, more stringent enforcement of current laws and regulations, changes in policies affecting foreign trade, investment, mining and repatriation of financial assets, shifts in political attitudes and exchange controls and currency fluctuations. Boroo Gold cannot predict the extent to which future legislation and regulation could cause additional expenses, capital expenditures, restrictions and delays in the development of its properties, including those with respect to unpatented mining claims. Further, there can be no assurance that Boroo Gold will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

### *Environmental Matters*

Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of Boroo Gold, the extent of which cannot be predicted and which may well be beyond the capacity of Boroo Gold to fund. Boroo Gold's right to exploit the mining properties is subject to various reporting requirements and to obtaining certain government approvals and there is no assurance that such approvals, including environmental approvals, will be obtained without inordinate delay or at all.

Environmental legislation is evolving in a manner which will require, in certain jurisdictions, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers,

directors and employees. No certainty exists that future changes in environmental regulation, if any, will adversely affect Boroo Gold's operations or development properties. Environmental hazards may exist on Boroo Gold's properties which are unknown to management at present and which have been caused by previous owners or operators of the properties.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in the exploration or development of exploration properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. If any such enforcement actions or compensatory orders are levied against Boroo Gold, such actions or orders could adversely affect Boroo Gold's business, financial condition and results of operations.

#### *Decommissioning and Site Rehabilitation Costs*

The costs of performing decommissioning and reclamation must be funded by Boroo Gold's operations. These costs can be significant and are subject to change. Boroo Gold cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If Boroo Gold is required to comply with significant additional regulations, or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on Boroo Gold's future cash flows, earnings, results of operations and financial condition.

#### *Boroo Gold is Subject to Legal and Political Risk in Mongolia*

Boroo Gold's primary projects and interests are located in Mongolia, where mineral exploration and mining activities may be affected in varying degrees by political instability, economic conditions, expropriation or nationalization of property and changes in government regulations such as foreign investment laws, tax laws, business laws, environmental laws and mining laws affecting Boroo Gold's business in this country. Government policy may change to discourage foreign investment, nationalization of the mining industry may occur and other government limitations, restrictions or requirements may be implemented. There can be no assurance that Boroo Gold's assets will not be subject to nationalization, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body. In addition, there can be no assurance that neighbouring countries' political and economic policies in relation to Mongolia will not have adverse economic effects on the development of Boroo Gold's assets, including with respect to Boroo Gold's ability to access power, transport and sell products and access construction labour, supplies and materials. The political, social and economic environment in Mongolia presents a number of serious risks, including: uncertain legal enforcement; invalidation, confiscation, expropriation or rescission of governmental orders, permits, licenses, agreements and property rights; the effects of local political, labour and economic developments, instability and unrest; corruption, requests for improper payments or other corrupt practices; and significant or abrupt changes in the applicable regulatory or legal climate.

There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the full value of Boroo Gold's original investment or to compensate for the loss of the current value of its assets. Boroo Gold may be affected in varying degrees by, among other things, government regulations with respect to restrictions on foreign ownership, state ownership of Strategic Deposits, royalties, production, price controls, export controls, income and other taxes, expropriation of property, employment, land use, water use, environmental legislation, mine safety and annual fees to maintain mining licenses in good standing. The regulatory environment is in a state of continuing change and new laws, regulations and requirements may be



retroactive in their effect and implementation. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. There may be ambiguities, inconsistencies and anomalies in the agreements, licenses and title documents through which Boroo Gold holds its assets, or the underlying legislation upon which those assets are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of Boroo Gold's rights and obligations. Mongolian institutions and bureaucracies responsible for administering laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. Many laws have been enacted, but in many instances, they are neither understood nor enforced and may be applied in an inconsistent, arbitrary and unfair manner, while legal remedies may be uncertain, delayed or unavailable. In addition, Boroo Gold's licenses, permits and assets are often affected in varying degrees by political instability and governmental regulations and bureaucratic processes, any one or more of which could preclude Boroo Gold from carrying out business activities fairly in Mongolia. Legal redress for such actions, if available, is uncertain and can often involve significant delays.

Mongolia is classified by Global Edge as having a risk rating of D: "a high-risk political and economic situation and an often very difficult business environment can have a very significant impact on corporate payment behavior". Mongolia is rated as having a country risk of 6 on a scale of 7 by the OECD Country risk classification report dated January 27, 2023. On June 29, 2016, the Mongolian People's Party (previously the opposition party) won an overwhelming majority with 65 seats out of 76 seats in the Parliament. On June 26, 2017, a presidential election was held in Mongolia and won by Mr. Battulga Khaltmaa from the Democratic Party. The last parliamentary elections were held in June 2020, in which the Mongolian People's Party won 62 out of 76 seats in Parliament. As a result, Mr. Khurelsukh Ukhnaa was appointed as the Prime Minister. On January 27, 2021, Oyun-Erdene Luvsannamsrai, a former member of the Parliament, was appointed as Prime Minister to succeed Mr. Khurelsukh Ukhnaa, who submitted his resignation to the Parliament after demonstrations took place in Ulaanbaatar over the government's handling of the COVID-19 pandemic.

The eighth presidential election was held on June 9, 2021. Among the three candidates, Mr. Khurelsukh Ukhnaa, the candidate from the Mongolian People's Party and a former Prime Minister, received 72% of the votes. When a new government is formed because of a Parliamentary election, the government bureaucracy is often restructured. Most government careers are obtained through patronage or loyalty to a political party or politician. These changes can result in gaps in services and the placing unqualified or unskilled people, which can have a negative impact on business operating in Mongolia.

#### *Recent and Future Amendments to Mongolian Laws Could Adversely Affect Boroo Gold's Interests*

The Government of Mongolia has put in place a framework and environment for foreign direct investment. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining community as conducive to foreign investment if they were to become law or official government policy. This was evidenced by revisions to the minerals law (the "**Minerals Law**" or the "**2006 Minerals Law**") in 2006 as well as by the passage of legislation in 2012 to control foreign direct investment in strategic sectors of the Mongolian economy, including mining.

In October 2011, Prime Minister Batbold stated in his 2012 budget speech that the Government of Mongolia is revisiting all treaties for the avoidance of double taxation, including the 2002 convention between Canada and Mongolia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital.

On November 2, 2013, an investment law came into effect in Mongolia which aimed to revive foreign investment by easing restrictions on investors (including foreign and domestic) in key sectors such as mining and by providing greater certainty on the taxes they must pay and certain guarantees in relation to their investments in Mongolia. The full impact of the investment law is still not yet known.

On January 16, 2014, the Mongolian Parliament adopted a new state minerals policy (the “**State Minerals Policy**”). The main focuses of the policy are to (i) establish a stable investment environment, (ii) improve the quality of mineral exploration, mining and processing, (iii) encourage the use of environmentally friendly and modern technology, and (iv) strengthen the competitiveness of the Mongolian mining sector on the international market. The State Minerals Policy is also intended to serve as the basis for amendments to the existing Minerals Law and other laws relating to the mining sector. This State Minerals Policy is revoked on November 11, 2021 by the Mongolian Parliament.

On July 1, 2014, the Mongolian Parliament passed the 2014 amendments to the Minerals Law (the “**2014 Amendments**”). In addition, the Mongolian Parliament also passed a separate law which repeals the 2010 statute which imposed a moratorium on the granting of new Exploration Licenses and the transfer of existing licenses. The 2014 Amendments extend the maximum period for an Exploration License from 9 years to 12 years (although it ended the three year pre-mining period sometimes given to license holders upon the expiration of their exploration rights), extend the requirement for holders of Mining Licenses to ensure that 90% of their workforce is comprised of Mongolian nationals to the Mining License holder’s subcontractors as well, make clearer the roles and responsibilities of government ministries and departments with respect to mineral matters, modify the definition of Strategic Deposit to reflect its impact on the national economy and not regional economy and provide for some instances where a tender may not be required to obtain minerals licenses where state funding has been used if related to compensation for declaring a special needs area, among other changes.

On February 18, 2015, the Mongolian Parliament adopted a further amendment (the “**2015 Amendment**”), which permits a license holder to negotiate with the Government of Mongolia with respect to an exchange of the Government’s 34% (50% in cases where exploration has been funded by the State budget) equity interest in a license holder with a Strategic Deposit for an additional royalty payable to the Government. The amount of the royalty payment would vary depending on the particulars of the Strategic Deposit but cannot exceed 5%. The rate of this royalty payment shall be approved by the Government of Mongolia. The full impact of the 2015 Amendment is not yet known.

On November 10, 2016, the Mongolian Parliament adopted a further amendment (the “**2016 Amendment**”), which introduces the term “derivative deposit” and applicable regulations for mining/exploitation of derivative deposits. Mining/exploitation of a derivative deposit by a license holder or any other contracted third party (with the license holder) is subject to license. The 2016 Amendment sets the royalty payment for mining/exploitation of a derivative deposit at 2.5% of the sales value.

On November 11, 2022, Parliament approved amendments to the Minerals Law and the law on budget (the “**Law on Budget**”). According to the amendment to the Minerals Law, local cooperation agreements are to be disclosed publicly by the local administrative body for transparency purposes. The local administrative bodies are prohibited from demanding any donation and assistance not included within the local cooperation agreement from mining license holders. According to the amendments to the Law on Budget, donation and assistance provided by mining license holders to local administrative bodies under the local cooperation shall be a part of the local development fund, a fund for financing projects to promote local development. In addition, the requirement to employ at least 5 percent of the total workforce from citizens of counties and provinces where the mining activities are carried out is incorporated as an amendment to the Minerals Law.

On March 22, 2019, the Parliament of Mongolia passed the revisions to taxation related laws with effect from January 1, 2020. This reform introduced the revised editions of the general tax law, the corporate income tax law, value-added tax law and the personal income tax law.

Pursuant to the new general tax law, a rule whereby tax debt shall be firstly collected over any other debts of taxpayers, has been introduced and tax debt is to be collected immediately from a taxpayer if it is considered that such tax debt is at risk. The tax authority is permitted to collect tax debts by expropriating the properties of the taxpayers and disposing them via auctions for cash and it can freeze bank accounts and instruct banks to transfer funds for the tax debt collection. The law has also imposed severe administrative penalties for the failure of transfer pricing documentation requirements and these administrative penalties are apart from penalties and fines resulting from transfer pricing adjustments.

Pursuant to the new corporate income tax law and relevant methodologies approved by the Ministry of Finance, ultimate holders of Mongolian companies holding mineral licenses and land rights are subject to be imposed 10% taxation on right holding entity for indirect transfer and sale of the exploration and mining licenses by its ultimate holder. Mongolian tax laws set forth a general structure of taxation but in many circumstances fails to provide clear or detailed guidance as to how the general provisions contained in the law are to be applied to specific transactions. This lack of detailed guidance may lead to inconsistent implementation of the law by the tax authorities.

*The Government of Mongolia Could Determine that Any One or More of Boroo Gold's Projects in Mongolia is a Mineral Deposit of Strategic Importance*

Under the 2006 Minerals Law, the Parliament of Mongolia has wide discretion to designate mineral deposits to be “Mineral Deposits of Strategic Importance”. The Government of Mongolia is empowered to participate on an equity basis with the license holder in the exploitation and/or mining of each Mineral Deposit of Strategic Importance on terms to be negotiated between the Government of Mongolia and such license holder.

On February 6, 2007 the Parliament approved the Strategic Deposit List and there have been two amendments incorporated into the list since its approval. The initial list covers 15 deposits including the Boroo deposit and one more deposit was added in the list by the Parliament resolution in 2015.

Details of any mineral reserves must be filed by the relevant license holder with the Government of Mongolia, and those deposits on the Strategic Deposits List represent most of the largest and highest profile deposits in Mongolia. In addition to deposits currently on the Strategic Deposits List and the additional Tier 2 Deposits List, the Parliament of Mongolia may at any time designate other deposits not yet currently on such lists to be Mineral Deposits of Strategic Importance, add such deposits to either the Strategic Deposits List or the Tier 2 Deposits List and, in the former case, commence negotiations with the relevant license holder with respect to the terms under which the Government of Mongolia will take an interest in such deposit.

On October 3, 2018, the Government of Mongolia issued Resolution No. 300 “On defining the boundaries of some mineral deposits of strategic importance” for defining boundary coordinates of the 7 Mineral Deposits of Strategic Importance including the coal mines of Nariin Sukhait, Tavan Tolgoi, Shivee Owoo and Baganuur, the Tsagaan Suvarga copper and molybdenum deposit, the Burenkhaan phosphorite deposit and the Erdenet copper and molybdenum deposit. As of now, no other resolution defining the boundary

coordinates of the other deposits named in the Strategic Deposit List and Tier 2 Deposits List has been issued by the Government.

Under the 2006 Minerals Law, the size of the Government of Mongolia's participation is determined largely by the level of state funding which has been provided for the exploration and development of any deposit, with the Government of Mongolia entitled to participate up to 50% in the event that there has been state funding of such deposit and up to 34% if there has not. However, the 2006 Minerals Law is very vague as to the details and method by which the Government of Mongolia will take its interest and the final arrangements in respect of the Government of Mongolia's interest in each Mineral Deposit of Strategic Importance, including that the amount of compensation to be paid to the license holder and the actual form of the Government of Mongolia's interest are subject to negotiation between the Government of Mongolia and the license holder.

Recently, on April 19, 2024 the Parliament has approved certain amendments to the 2006 Minerals Law along with the approval of the Law on National Wealth Fund. In addition, the law approved on April 19, 2024 amending the 2006 Minerals Law was approved to restrict any 34% or more ownership interest by one person or related parties in the strategic deposit. The requirement itself is very vague and there can be no assurance that the Government will not require the companies with strategic deposit to change the ownership structure to comply with the regulation. Greater uncertainty still exists in arrangements in respect of the Government's interest in each Mineral Deposit of Strategic Importance.

While the 2006 Minerals Law provides that the interest of the Government of Mongolia should take the form of an equity interest, based on past practice and depending on the results of individual negotiations, the interest may be in the form of production or profit sharing or some other arrangement negotiated between the license holder and the Government of Mongolia. There can be no assurance that legislation will not be enacted which further strengthens the Government of Mongolia's right to participate in privately held mineral resources in Mongolia.

The Constitution of Mongolia, through the amendment in 2019, includes a provision stating the Parliament has the power to define the regulatory basis for enabling citizens to enjoy majority of the benefits from deposits with strategic importance and the draft mining law was introduced by the Ministry of Mining and Heavy Industry in March 2023. The draft Mining Law was submitted to the Parliament in the second quarter of 2023 and no assurance can be made that the legislator will not initiate any new provision deteriorating our mineral rights.

The recent record with the Government authority shows that the one of Boroo Gold's licenses, MV-000198, overlaps with the strategic deposit by 120.19 ha. (out of total 1,398.55 ha.) and there is legal uncertainty as to which amount could be considered the investment made by the State in determining the percentage of the state share. There can be no assurance that (i) the Government will not take equity or other interest in this deposit at any time, or demand Boroo Gold to pay the royalty equal to the state interest, and (ii) any one or more of these deposits will not be so designated in the future, in which case Boroo Gold's business and results of operations may be materially and adversely affected.

#### *Dependence upon Key Personnel and Others*

The success of Boroo Gold's operations will depend upon numerous factors, many of which are beyond Boroo Gold's control, including the ability to produce minerals, the ability to attract and retain additional key personnel in sales, marketing, technical support and finance and the ability and the operating resources to develop and maintain the properties held by Boroo Gold. These and other factors will require the use of outside suppliers as well as the talents and efforts of personnel and consultants hired or retained by Boroo

Gold. There can be no assurance of success with any or all of these factors on which Boroo Gold's operations will depend.

#### *Currency Fluctuations*

Boroo Gold maintains its accounts in US dollars and Mongolian Tughrik. Boroo Gold's operations are in Mongolia and some of its payment commitments and exploration expenditures under the various agreements governing its rights to Boroo Gold operations are denominated in US dollars, making these rights subject to foreign currency fluctuations. Such fluctuations may materially affect Boroo Gold's financial position and results. Boroo Gold engages in limited currency hedging and price protection programs to manage such risk, but there is no certainty that such activities will be sufficient to hedge against significant or prolonged currency fluctuations in the future.

#### *Liquidity Risk*

Liquidity risk is the risk that Boroo Gold will not be able to meet its financial obligations as they become due. Boroo Gold has in place a planning and budgeting process to help determine the funds required to support Boroo Gold's normal operating requirements on an ongoing basis, to support its exploration plans and to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that Boroo Gold does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

#### *Credit Risk*

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Boroo Gold's credit risk is primarily attributable to cash and cash equivalents. Management believes the credit risk on cash and cash equivalents is very low since Boroo Gold's cash and cash equivalents balance are held at large international financial institutions with strong credit ratings.

Boroo Gold is exposed to credit risk from its customer, which is a large multi-national corporation operating in the mining and oil and gas industries. Accounts receivables are subject to normal industry credit risks and are considered low.

#### *Acquisition Strategy*

As part of Boroo Gold's business strategy, it has sought and will continue to seek new exploration, development and mining opportunities in the resource industry. As a result, Boroo Gold may from time to time acquire additional mineral properties or securities of issuers which hold mineral properties. In pursuit of such opportunities, Boroo Gold may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into Boroo Gold. Boroo Gold cannot provide assurance that it will complete any acquisition or business arrangement that it pursues on favorable terms or that any acquisitions or business arrangements completed will ultimately benefit Boroo Gold.

#### *Conflicts of Interest*

Certain directors and officers are directors and/or officers of other mineral exploration companies and as such may, in certain circumstances, have a conflict of interest, if any, which may arise and will be subject to and governed by procedures prescribed by Boroo Gold's governing corporate law statute which requires a director of a corporation who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with Boroo Gold to

disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under such legislation. However, conflicts may not be readily apparent or only with the benefit of hindsight and a conflicted director may exercise his or her judgment in a manner detrimental to Boroo Gold's interests.

*Prolonged Periods of Severe Weather Conditions Could Materially and Adversely Affect Boroo Gold's Business and Results of Operations*

Severe weather conditions may require Boroo Gold to evacuate personnel or curtail operations and may cause damages to the project site, equipment or facilities, which could result in the temporary suspension of operations or generally reduce Boroo Gold's productivity. Severe weather conditions have not caused any delay or damages to Boroo Gold's operations to date. However, there can be no assurance that severe weather will not occur. Any damage to Boroo Gold's projects or delays in its operations caused by prolonged periods of severe weather could materially and adversely affect its business and the results of operations.

*Russia-Ukraine Conflict*

On February 24, 2022, Russian military forces launched a full-scale military invasion of Ukraine. In response, Ukrainian military personal and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide ranging consequences on the peace and stability of the region and the world economy. Certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia and such sanctions may have far reaching effects on the global economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain. The ultimate impact of the Russia-Ukraine conflict on our business is difficult to predict and depends on factors that are evolving and beyond our control, including the scope and duration of the conflict, as well as actions taken by governmental authorities and third parties in response. Boroo Gold may experience material adverse impacts to our business, results of operations, financial condition and Boroo Gold's share price as a result of any of these disruptions, even after the Russia-Ukraine conflict has subsided.

*Climate Change*

Boroo Gold's operations may be energy intensive, resulting in a carbon footprint either directly or through the purchase of fossil-fuel based electricity. As a result, Boroo Gold is impacted by current and emerging policies and regulations relating to emission levels, energy efficiency and reporting of climate-change related risks. While some of the costs associated with reducing emissions may be offset by increased energy efficiency and technological innovation, the current regulatory trend may result in additional transition costs at some of Boroo Gold's operations. For example, policy and regulatory risks related to actual and proposed changes in climate and water-related laws, regulations and taxes developed to facilitate and regulate the transition to a low-carbon economy may result in increased costs for Boroo Gold's operations. These may include increased energy, equipment, environmental monitoring and reporting and other costs to comply with such regulations. The timeframe within which these transition risks may materialize for Boroo Gold will vary and is, in part, dependent on how quickly the global transition to a low-carbon economy occurs. In addition, the physical risks of climate change may also have an adverse effect at some of Boroo Gold's operations. These may include increased incidence of extreme weather events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages, excess water flows, changing sea levels and changing temperatures. Associated with these physical risks is an increasing risk of climate-related

litigation (including class actions), supply chain implications, compliance issues, increased costs and reduced productivity. We can provide no assurance that efforts to mitigate the risks of climate change will be effective and that the physical risks of climate change will not have an adverse effect on Boroo Gold's operations and profitability.

### CONSOLIDATED CAPITALIZATION

The table below sets forth our cash and cash equivalents and total capitalization (defined as long-term debt, total equity and non-controlling interest) as of December 31, 2023, on an actual basis.

The following table should be read in conjunction with the Boroo Gold financial statements included elsewhere in this Circular and with the information included in Schedule E to this Circular "*Audited Financial Statements of Boroo Gold as of December 31, 2023, 2022 and 2021*" and Schedule I to this Circular "*Management's Discussion and Analysis of Boroo Gold as of December 31, 2023, 2022 and 2021.*"

<b>As at December 31, 2023</b>	<b>Boroo Gold</b>
<i>(in thousands of United States dollars)</i>	
<b>Cash and cash equivalents</b>	<b>\$ 14,903</b>
<b>Long-term debt <sup>(2)</sup></b>	<b>\$ 85,418</b>
<b>Equity</b>	
<b>Paid-in-capital</b>	<b>\$ 3,000</b>
<b>Retained earnings (accumulated deficit)</b>	<b>\$ 84,483</b>
<b>Other reserves</b>	<b>\$ 28,053</b>
<b>Total equity attributable to equity holders of Boroo Gold</b>	<b>\$ 115,536</b>
<b>Non-controlling interest</b>	<b>-</b>
<b>Total equity</b>	<b>\$ 115,536</b>
<b>Total capitalization <sup>(2)</sup></b>	<b>\$ 200,954</b>

Notes:

- (1) Long-term debt includes the current portion of long-term debt.
- (2) Total capitalization is long-term debt plus total equity.

### DIRECTORS AND EXECUTIVE OFFICERS

The following table includes: (i) the name, age and jurisdiction of residence of each director or officer of Boroo Gold; (ii) the current position with Boroo Gold of each such director or officer and the date the individual became a director or officer of Boroo Gold; and (iii) the principal occupation of each such director or officer in the last five years. As Boroo Gold is not a reporting issuer as at the date of this Circular, none of the current directors of Boroo Gold are independent under the meaning specified in National Instrument 52-110 – *Audit Committees* as in effect on the date hereof. Our leadership team collectively shares responsibility and accountability for meeting our organizational goals.

A brief biography, including principal occupation and employment, for each director is provided below.

<b>Name, Age and Jurisdiction of Residence</b> <sup>(1)(2)</sup>	<b>Current Position with Boroo Gold and Date the Individual Became a director or Officer</b>	<b>Principal Occupations in the Last Five Years</b>
Dulguun Erdenebaatar 37 Singapore, Singapore	Chairman October 18, 2018	Chief Executive Officer & President of Boroo Singapore since October 2018, previously Chief Executive Officer of Boroo Gold from October 2018 to until October 2021, and Chairman of Board of Director since October 2021
Tsolmonbaatar Boris 43 Ulaanbaatar, Mongolia	Director April 18,2022	Member of the Board of Boroo Gold since April 2022 and previously Advisor of Boroo Singapore since October 2018
Sukhbat Samand 50 Ulaanbaatar, Mongolia	Director October 18, 2021	Member of Board of Boroo Gold since October 2021, previously Deputy director of Finance of Darkhan Metallurgical Plant from 2021 to 2022, and Head of Finance Department of Erdenet Mining Corporation SOE from 2016 to 2019
Tserenbadam Dugeree 41 Ulaanbaatar, Mongolia	Chief Executive Officer April 30, 2021	Chief Executive Officer of Boroo Gold since April 2021, previously First Deputy Director of Boroo Gold from May 2020 to April 2021, and Head of Legal Department of Erdenet Mining Corporation SOE between 2016 to 2019
Munkhzul Tumursukh 43 Ulaanbaatar, Mongolia	Senior Vice President on Finance October 12, 2018	Senior Vice President on Finance of Boroo Gold since October 2018
Purevraash Duzeenyam 51 Ulaanbaatar, Mongolia	Senior Vice President on Operations March 1, 2021	Senior Vice President of Operations of Boroo Gold since March 2021, previously Deputy Director of Open Pit Mine since 2006

## Notes:

(1) The information as to the number of voting securities of Boroo Gold beneficially owned, or over which control or direction is exercised, directly or indirectly, by each proposed director or officer, but which are not registered in the name of such director or officer and not being within the knowledge of Boroo Gold, has been furnished by the respective proposed director or officer.

(2) As of May 8, 2024, the directors and executive officers of Boroo Gold as a group beneficially owned or controlled or directed, directly or indirectly, approximately 10.0% of the outstanding units of Boroo Gold.



The following is a summary of the business experience of Boroo Gold’s directors and officers. Unless otherwise indicated, the current business addresses for Boroo Gold’s directors and officers are in Level 7, Blue Sky Office, Sukhbaatar District, 1st Khoroo, Peace Avenue 17, Ulaanbaatar – 14240, Mongolia.

<b>Name of Directors and Officers</b>	<b>Business Experience of Directors and Officers</b>
Dulguun Erdenebaatar	<p>Mr. Dulguun was appointed Chief Executive Officer &amp; President of Boroo Singapore in October 2018, following completion of the acquisition of Centerra’s Mongolian business units, Boroo Gold and Centerra Gold Mongolia LLC.</p> <p>Over the past 10 years, Mr. Dulguun has specialized in mergers and acquisitions in the mining sector and provides consulting services in the mining, commodity and financial sectors. He holds an M.S. in Mega Project Management from Saïd Business School, Oxford University, in the UK.</p>
Tsolmonbaatar Boris	<p>Mr. Tsolmonbaatar was appointed as a member of the board of Boroo Gold in April 2022. He joined Boroo Singapore in October 2018, following completion of the acquisition of Centerra Gold Inc’s Mongolian business units, Boroo Gold LLC and Centerra Gold Mongolia LLC.</p> <p>Mr. Tsolmonbaatar holds a Bachelor of Business Administration (Finance) degree from National University of Mongolia and a Msc. in Finance and Investment from Leeds university in the United Kingdom and is a member of the Mongolian Association of Chartered Accountants.</p>
Sukhbat Samand	<p>Mr. Sukhbat was appointed as a member of board of directors of Boroo Gold in October 2021.</p> <p>Mr. Sukhbat graduated from the National University of Mongolia as an Accountant and Economist in 1992, is a member of the Mongolian Association of Chartered Accountants and is a Certified Tax consultant. He has worked as an Auditor for KPMG Auditor LLC and was one of the founding partners when KPMG established its office in Mongolia. He has 26 years of experience in the financial sector, mining sector, and financial consultancy businesses.</p>
Tserenbadam Dugeree	<p>Mr. Tserenbadam joined Boroo Gold in May 2020.</p> <p>Mr. Tserenbadam holds a bachelor’s degree in law from Otgontenger University and obtained a master’s degree from the National University of Mongolia in 2019. Since then, he has worked in the mining, banking and legal sectors. Presently, he serves as the Chief Executive Officer of Boroo Gold.</p>

Name of Directors and Officers	Business Experience of Directors and Officers
Munkhzul Tumursukh	<p>Mrs. Munkhzul joined Boroo Gold in October 2018.</p> <p>Mrs. Munkhzul graduated from the National University of Mongolia with a degree in Finance and holds the designation of Chartered Accountants and Certified Tax consultant from the Mongolian Association of Certified Tax Consultants. She also obtained a master's degree from the National Academy of Governance in 2008. Presently, she serves as the Senior Vice President on Finance of Boroo Gold.</p>
Purevraash Duzeenyam	<p>Mr. Purevraash joined Boroo Gold in 1997.</p> <p>Mr. Purevraash graduated with a bachelor's degree from the National University of Mongolia as a Geological Engineer in 2001. He began his career at Boroo Gold in 1997 as a Geological Engineer. Presently, he serves as the Senior Vice President on Operations of Boroo Gold.</p>

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

#### *Cease Trade Orders*

To Boroo Gold's knowledge, no director or executive officer of Boroo Gold is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any issuer (including Boroo Gold) that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of the above, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

#### *Bankruptcies*

To Boroo Gold's knowledge, no director or executive officer of Boroo Gold, or a shareholder holding a sufficient number of securities of Boroo Gold to affect materially the control of Boroo Gold (a) is, as at the date hereof, or has been, within the 10 years before the date hereof, a director or executive officer of any issuer (including Boroo Gold) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

*Penalties or Sanctions*

To Boroo Gold's knowledge, no director or executive officer of Boroo Gold, or a shareholder holding a sufficient number of securities of Boroo Gold to affect materially the control of Boroo Gold, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

*Indebtedness of Directors and Officers*

Except as disclosed elsewhere in this Circular, none of the directors, executive officers or employees of Boroo Gold or former directors, executive officers or employees of Boroo Gold had any indebtedness outstanding to Boroo Gold as at the date hereof and no indebtedness of these individuals to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Boroo Gold as at the date hereof. Additionally, no individual who is, or at any time during Boroo Gold's last financial year was, a director or executive officer of Boroo Gold, proposed management nominee for director of Boroo Gold or associate of any such director, executive officer or proposed nominee is as at the date hereof, or at any time since the beginning of Boroo Gold's last financial year has been, indebted to Boroo Gold or to another entity where the indebtedness to such other entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Boroo Gold.

**CONFLICTS OF INTEREST**

Other than as described elsewhere in this Circular, to the best of Boroo Gold's knowledge, there are no known existing or potential material conflicts of interest between Boroo Gold and a director or officer of Boroo Gold or of a subsidiary of Boroo Gold.

**LEGAL PROCEEDINGS AND REGULATORY ACTIONS****Legal Proceedings**

Boroo Gold was not subject to any material legal proceedings as of December 31, 2023. Boroo Gold is, from time to time, involved in legal claims, proceedings and complaints arising in the ordinary course of business. While the outcome of these legal proceedings cannot be predicted with certainty, Boroo Gold believes that any adverse decision in such proceedings or complaints will not have a material adverse effect on the financial condition or operations of Boroo Gold. The directors and management of Boroo Gold know of no contemplated or pending proceedings by or against anyone that might materially adversely affect our financial condition or results of operations.

**Regulatory Actions**

Other than as set out elsewhere in this Circular, Boroo Gold is not subject to:

- any penalties or sanctions imposed against Boroo Gold by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2023;
- any other penalties or sanctions imposed by a court or regulatory body against Boroo Gold that would likely be considered important to a reasonable investor in making an investment decision; or

- settlement agreements Boroo Gold entered into before a court relating to securities legislation or with any securities regulatory authority during the financial year ended December 31, 2023.

## **MATERIAL CONTRACTS**

### **Loan Agreements**

1. Loan agreement dated October 29, 2019 between Trade and Development Bank, as lender, and Boroo Gold, as borrower, pursuant to which Boroo Gold was provided access to a loan facility in the amount of US\$56,000,000 for investment purposes. Interest on borrowings under this facility are payable monthly at a rate of 8% per annum and the facility matures on October 29, 2024. As of December 31, 2023, the outstanding principal amount under the loan facility was US\$13,100,000.
2. Loan agreement dated April 13, 2021 between TDB Leasing LLC, as lender, and Boroo Gold, as borrower, pursuant to which Boroo Gold was provided access to a loan facility in the amount of US\$55,000,000 for investment purposes. Interest on borrowings under this facility are payable semi-annually at a rate of 12.30% per annum, and the facility matures on July 26, 2024. As of December 31, 2023, the outstanding principal amount under the loan facility was US\$55,000,000.
3. Loan agreement dated January 15, 2024 between Trade and Development Bank, as lender, and Boroo Gold, as borrower, pursuant to which Boroo Gold was provided access to a loan facility in the amount of MNT 20,000,000,000 for the purpose of financing the purchase of heavy equipment. Interest on borrowings under this facility are payable monthly at a rate of 18% per annum, and the facility matures on January 15, 2027. As of March 31, 2024, the outstanding principal amount under the loan facility was US\$5,923,474.
4. Loan agreement dated January 29, 2024 between Trade and Development Bank, as lender, and Boroo Gold, as borrower, pursuant to which Boroo Gold was provided access to two credit lines in the amounts of (i) US\$20,000,000, and (ii) MNT 102,285,000,000. Interest on borrowings under the two credit lines are 15% and 18% per annum, respectively. The credit lines mature on January 29, 2029. As of March 31, 2024, no amount had been drawn down from the credit lines.

### **Boroo Singapore Bonds**

1. The Bond Subscription Agreement dated March 3, 2021 between Boroo Singapore and Boroo Gold, pursuant to which Boroo Singapore issued to Boroo Gold unsecured callable bonds in the amount of US\$86.7 million with annual interest of 12.5%. The bonds mature on December 31, 2025.
2. The Bond Subscription Agreement dated October 31, 2019 between Boroo Singapore and Boroo Gold, pursuant to which Boroo Singapore issued to Boroo Gold unsecured callable bonds in the amount of US\$40 million with annual interest of 8%. The bonds mature on December 31, 2025.
3. The Bond Subscription Agreement dated September 28, 2022 between Boroo Singapore and Boroo Gold, pursuant to which Boroo Singapore issued to Boroo Gold secured callable bonds in the amount of US\$6.3 million with annual interest of 13.4%. The bonds mature on December 31, 2025.
4. The Bond Subscription Agreement dated May 12, 2022 between Boroo Singapore and Boroo Gold, pursuant to which Boroo Singapore issued to Boroo Gold secured callable bonds in the amount of US\$9.5 million with annual interest of 10%. The bonds mature on December 31, 2025.

## **Forward Sale Agreement**

1. The Gold Forward Sale Agreement dated March 14, 2024 between Trade and Development Bank, as purchaser, and Boroo Gold, as seller, pursuant to which Boroo Gold would sell a total of 50,000 ounces of gold at a price of US\$2,000 per ounce between March 14 and December 31, 2024.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed in this Circular, no director, executive officer or principal shareholder of Boroo Gold or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this Circular that has materially affected or will materially affect Boroo Gold.

## **EXPERTS**

KRP, the auditor of Boroo Gold and who prepared the auditor's report accompanying the financial statement of Boroo Gold as at and for the periods ended December 31, 2023, 2022 and 2021 have confirmed that they are independent of Boroo Gold within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The BG Technical Report was prepared for Boroo Gold by Game Mine in accordance with NI 43-101. The technical information contained therein relating to mineral reserve estimates of the Boroo Gold Project and Ulaanbulag Gold Mine are based on, and fairly represents, information compiled by Tuvshinbayar Tumorhuyag /MAusIMM (CP). Mr. Tuvshinbayar is an independent consultant within the meaning of NI 43-101, as a consultant for Game Mine. Mr. Tuvshinbayar has sufficient experience which is relevant to the style of mineralization, types of deposits, technical and geoscientific content under consideration and to the activity for which he is undertaking to qualify as a "Qualified Person" under NI 43-101.

The aforementioned firm and persons do not hold any outstanding securities of Boroo Gold or of any associate or affiliate of Boroo Gold when they prepared the aforementioned reports or following the preparation of the reports and did not receive any direct or indirect interest in any securities of Boroo Gold or any associate or affiliate of Boroo Gold or any associate or affiliate of Boroo Gold in connection with the preparation of the reports.

## **DIVIDENDS OR DISTRIBUTIONS**

On April 18, 2024, dividends in an aggregate amount of US\$66,763,900 were declared. The dividends are expected to be satisfied pursuant to an off-set of certain receivables due from Boroo Singapore in connection with the pre-closing transactions contemplated by the Share Exchange Agreement.

On December 20, 2023, dividends in the aggregate amount of US\$30,000,000 were declared to shareholders of Boroo Gold. In connection with the dividends declared on December 20, 2023, Boroo Gold made net-cash payments (following the deduction of 5% withholding taxes) of US\$1,000,000 on February 9, 2024, US\$10,000,000 on March 6, 2024, US\$4,000,000 on March 25, 2024 and US\$4,000,000 on April 8, 2024.

Any decision to recommend, declare or pay dividends will be made at the discretion of the post-closing board of directors of Boroo Gold and will depend on, among other things, Boroo Gold's results of operations, financial condition and solvency and distributable reserve tests imposed by law and such other factors that the post-closing board of directors of Boroo Gold may consider relevant.

## **ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION**

There are no securities of Boroo Gold currently held in escrow or subject to a contractual restriction on transfer.

## **EXECUTIVE COMPENSATION**

Boroo Gold was not a reporting issuer as of December 31, 2023. For further information in respect of the Combined Company, see Schedule C to this Circular, *“Information Concerning the Combined Company”*.

## **AUDITORS**

The consolidated financial statements of Boroo Gold as of December 31, 2023, 2022 and 2021 included in this Circular have been audited by KRP, a public accounting firm located in Edmonton, Alberta, Canada (as stated in their report appearing herein).

KRP audited the consolidated financial statements of Boroo Gold and issued an auditor’s report dated April 19, 2024 and confirmed that they are independent with respect to Boroo Gold within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

## **ADDITIONAL INFORMATION**

### **Financial Statements**

Boroo Gold’s annual audited consolidated financial statements presented in U.S. dollars for each of the three years in the period ended December 31, 2023, together with the notes thereto, are included as Schedule E to this Circular.

Unless otherwise indicated, all references herein to “Boroo Gold’s financial statements” and “Boroo Gold’s consolidated financial statements” are to Boroo Gold’s annual audited consolidated financial statements for the years ended December 31, 2023, 2022 and 2021 included as Schedule E to this Circular. The accompanying management’s discussion and analysis for the years ended December 31, 2023 and 2022, as well as the management’s discussion and analysis for the years ended December 31, 2022 and 2021, are each included as Schedule I to this Circular.

Boroo Gold’s annual audited consolidated financial statements should be read in conjunction with the audit report of KRP, independent auditor, as such report relates to Boroo Gold’s consolidated financial statements. Boroo Gold’s annual audited consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB in accordance with International Financial Reporting Standard No 34—Interim Financial Reporting.

### **Functional Currency**

The functional currency of Boroo Gold is US dollars, which is the currency of the primary economic environment in which it operates.

### **Market Share and Other Information**

This Circular contains data related to economic conditions in the market in which Boroo Gold operates. The information contained in this Circular concerning economic conditions is based on publicly available

information from third-party sources that Boroo Gold believes to be reasonable. Market data and certain industry forecast data used in this Circular were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information and industry publications. Boroo Gold obtained the information included in this Circular relating to the industry in which it operates, as well as the estimates concerning market shares, through internal research.

Industry publications, governmental publications and other market sources, including those referred to above, generally state that the information they include has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While Boroo Gold is not aware of any misstatements regarding the market and industry data presented herein, its estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the section entitled "*Risk Factors*" in this Schedule B. Except as disclosed in this Circular, none of the publications, reports or other published industry sources referred to in this Circular were commissioned by Boroo Gold or prepared at its request. Except as disclosed in this Circular, Boroo Gold has not sought or obtained the consent of any of these sources to include such market data in this Circular.

### ***Rounding***

Boroo Gold has made rounding adjustments to some of the figures included in this Circular. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

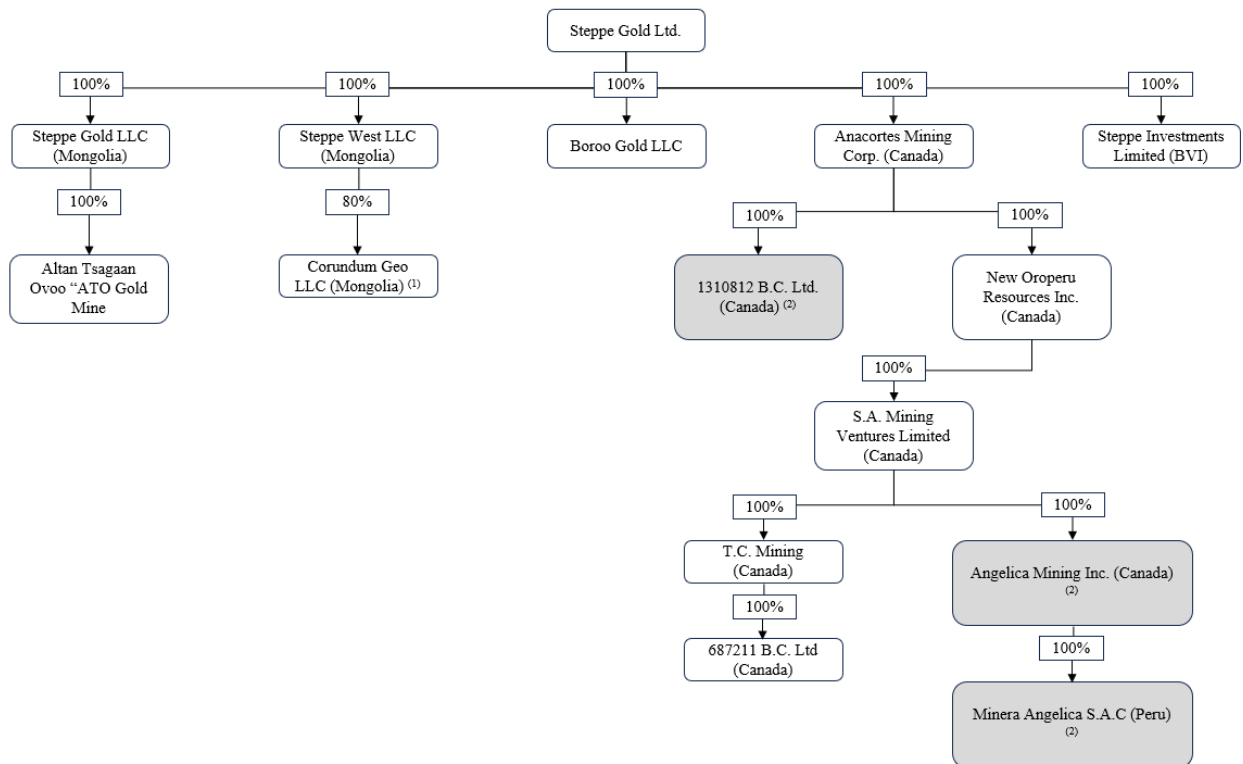
## SCHEDULE C INFORMATION CONCERNING THE COMBINED COMPANY

The following information about the Combined Company following completion of the Transaction is presented on a post-Transaction basis and reflects the projected consolidated business, financial and share capital position of Steppe, as the Combined Company, assuming the completion of the Transaction and should be read in conjunction with the documents incorporated by reference in this Circular and the information concerning the Company and Boroo Gold, as applicable, appearing elsewhere in this Circular. Readers are cautioned that actual results may vary. This Schedule C only includes information respecting the Transaction after completion of the Transaction that is materially different from information provided elsewhere in this Circular.

### Overview

Following the completion of the Transaction, Steppe will continue to be the publicly traded parent company of the combined business, with the Common Shares traded on the TSX, and Boroo Gold will be a wholly-owned subsidiary of Steppe. In addition, Boroo Singapore will, directly or indirectly, hold approximately 55.9% of the issued and outstanding Common Shares on a fully diluted basis immediately following the completion of the Transaction.

The corporate chart that follows sets forth the Combined Company's subsidiaries, together with the jurisdiction of incorporation of each company and the percentage of voting securities beneficially owned, controlled or directed, directly or indirectly, by the Combined Company following completion of the Transaction.





Note:

- (1) 20% of the shares of Corundum Geo LLC (“**Corundum**”) are owned by Bayankhongor New Mining LLC, a company owned by the Province of Bayankhongor, Mongolia. The corporate charter for Corundum gives Bayankhongor New Mining LLC, the holder of 20% of the issued share capital of Corundum, the right to nominate three of the six or 50% of the directors of Corundum.
- (2) Dissolved on May 29, 2023.

The head office and registered office of the Combined Company following completion of the Transaction will continue to be located at Shangri-La office Suite 1201, Olympic Street 19A, Sukhbaatar District 1, Ulaanbaatar 14241, Mongolia and 333 Bay Street, Suite 2400 Toronto, Ontario M5H 2T6, respectively.

The Combined Company will continue to be a corporation existing under the OBCA. It is anticipated that, after completion of the Transaction, the Combined Company will continue to be a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and will continue to trade on the TSX under the trading symbol “STGO”.

Except as otherwise described in this Schedule C, the business of the Combined Company following completion of the Transaction and information relating to the Combined Company following completion of the Transaction will be that of the Company generally and as disclosed elsewhere in this Circular.

### **Description of Mineral Properties**

On completion of the Transaction, the Combined Company’s material mineral properties will be the ATO Project, the Boroo Gold Mine and the Ulaanbulag Gold Mine.

Further information regarding the ATO Project can be found in Schedule A “*Information Concerning the Company*” attached to this Circular and further information regarding the Boroo Gold Mine and the Ulaanbulag Gold Mine can be found in Schedule B “*Information Concerning Boroo Gold*” attached to this Circular.

### **Selected Pro Forma Financial Information**

Schedule G “*Pro forma Financial Statements of the Combined Company*” to this Circular contains selected unaudited pro forma consolidated financial information of the Combined Company (the “**Pro Forma Financial Statements**”) which have been compiled from the underlying financial statements of Steppe and Boroo Gold in accordance with IFRS to illustrate the effect of the Transaction. Adjustments have been made to prepare the Pro Forma Financial Statements, which adjustments are based on certain assumptions. Both the adjustments and the assumptions made in respect thereof are described in the notes to the Pro Forma Financial Statements. The selected unaudited pro forma financial information and the unaudited pro forma consolidated financial statements contained in Schedule G “*Pro forma Financial Statements of the Combined Company*” to this Circular are presented for illustrative purposes only and are not intended to reflect: (i) the operating or financial results that would have occurred had the Transaction actually occurred at the times contemplated by the notes to the Pro Forma Financial Statements; or (ii) of the results expected in future periods.

You should read the Pro Forma Financial Statements as set forth in Schedule G “*Pro forma Financial Statements of the Combined Company*” to this Circular together with the Company Annual Financial Statements, which are incorporated by reference in this Circular, and the Boroo Gold financial statements as set forth in Schedule E “*Audited Financial Statements of Boroo Gold as of December 31, 2023, 2022 and 2021*”.

## **Consolidated Capitalization**

Except as otherwise described herein, there has not been any material change to the Company's share and loan capital on a consolidated basis, since December 31, 2023, the date of the Company's most recently filed consolidated financial statements. See Schedule G "*Pro forma Financial Statements of the Combined Company*" to this Circular.

## **Description of Share Capital**

The authorized share capital of the Combined Company following completion of the Transaction will continue to be as described in Schedule A "*Information Concerning the Company*" attached to this Circular and the rights and restrictions of the Common Shares will remain unchanged.

Immediately following the closing of the Transaction, Boroo Singapore will hold approximately 143,796,574 Common Shares, or that number of Common Shares equal to 55.9% of the Common Shares issued and outstanding as of immediately prior to closing of the Transaction on a fully diluted basis. In addition, assuming that the current number of convertible securities of the Company does not change from the date of the information provided herein, it is expected that the total number of Common Shares issued and outstanding upon closing of the Transaction will be approximately 257,238,952 Common Shares, on a fully diluted basis.

## **Dividends**

There are no restrictions in the Company's articles or by-laws or pursuant to any agreement or understanding which could prevent the Company from paying dividends. The Company has not, since its incorporation, declared or paid any dividends on the Common Shares and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, the Company does not anticipate that it will pay dividends but will retain future earnings and other cash resources for the operation and development of the Company's business. The payment of dividends in the future will depend on the Combined Company's earnings, if any, the Combined Company's financial condition and such other factors as the board of directors of the Combined Company considers appropriate.

## **Board and Management**

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

### *Board*

- Bataa Tumor-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 (Chair and Chief Executive Officer)
- Tserenbadam Dugeree (Chief Operating Officer)
- Jeremy South (Chief Financial Officer)
- Byambatseren Tsogbadrakh (President & Vice President, Finance)

**Principal Holders of Common Shares Upon Completion of the Transaction**

Except as set forth below, to the knowledge of the directors and executive officers of Boroo Gold and the Company, as of the date hereof, it is not anticipated that any securityholder will own of record or beneficially, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to the Common Shares following completion of the Transaction.

<b>Name of Combined Company Shareholder</b>	<b>Common Shares Owned, Controlled or Directed</b>	<b>Percentage of Common Shares</b>
Boroo Singapore	Approximately 143,796,574	55.9%

**Material Contracts**

Other than as disclosed in this Circular or in the documents incorporated by reference herein, there are no contracts to which the Combined Company is expected to be a party following completion of the Transaction that can reasonably be regarded as material to a potential investor, other than contracts entered into by Boroo Gold or the Company in the ordinary course of business. For a description of the material contracts of the Company, please refer to “Material Contracts” in the Company AIF, which is incorporated by reference herein, and for a description of the material contracts of Boroo Gold, please refer to Schedule B “*Information Concerning Boroo Gold*” to this Circular under the heading “*Material Contracts*”.

**Risk Factors**

The business and operations of the Combined Company following completion of the Transaction will continue to be subject to the risks currently faced by the Company and Boroo Gold, as well as certain risks unique to the Combined Company following completion of the Transaction, including those set out under the heading “*Risk Factors*” in this Circular.

Readers should also carefully consider the risk factors relating to the Company described in the Company AIF and the risk factors relating to Boroo Gold described in Schedule B “*Information Concerning Boroo Gold*” attached to this Circular under the heading “*Risk Factors*”. If any of the identified risks were to materialize, the Combined Company’s business, financial position, results and/or future operations may be materially affected.

Shareholders should also carefully consider all of the information disclosed in this Circular and the documents incorporated by reference herein.

The risk factors that are identified in this Circular and the documents incorporated by reference are not exhaustive and other factors may arise in the future that are currently not foreseen that may present additional risks in the future.

**SCHEDULE D  
FAIRNESS OPINION**

**[See attached]**



Sequeira Partners  
Suite 400, 520 – 5<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3R7  
www.sequeirapartners.com

April 4, 2024

**Attention:**

Board of Directors  
Steppe Gold Ltd.  
Shangri-La office, Suite 1201  
Olympic street 19A  
Ulaanbaatar, Sukhbaatar District  
14241

**Subject: Fairness opinion related to the acquisition of Boroo Gold LLC and the sale of the Tres Cruces Project by Steppe Gold Ltd.**

Sequeira Partners (“Sequeira” or “we”) understands that Steppe Gold Ltd. (“Steppe”, “STGO” or the “Company”), Boroo Pte Ltd. (“Boroo Singapore”), and Centerra Netherlands BVBA (“Centerra”) have entered into a share exchange agreement (the “Share Exchange Agreement”). According to the Share Exchange Agreement, Steppe will acquire all of the issued and outstanding common shares (the “BG Shares”) of Boroo Gold LLC (“Boroo” or “BG”) from an indirect, wholly owned subsidiary of Boroo Singapore in an all-share transaction (“Acquisition”) and sell the Tres Cruces Project to Boroo Singapore in a cash transaction (“Tres Cruces Transaction”, and together with the Acquisition, the “Transaction”).

Under the terms of the Share Exchange Agreement, Steppe will acquire all the BG Shares in consideration of the issuance of common shares of Steppe, which results in Boroo Singapore, directly or indirectly holding a 55.9% interest, on a fully diluted basis, in Steppe immediately following the completion of the Transaction. Concurrently, Steppe Gold will sell the Tres Cruces Project to Boroo Singapore for approximately CAD\$12 million in cash payable over an 18-month period beginning on the closing date of the Transaction. The Transaction is subject to the terms and conditions of the Share Exchange Agreement, including receipt of approval by Steppe’s shareholders, certain regulatory approvals including the approvals of the Toronto Stock Exchange and applicable Mongolian authorities, and obtaining key consents. The terms and conditions of the Acquisition will be more fully described and summarized in the management information circular of Steppe (the “Circular”) to which this Fairness Opinion (defined below) will be appended.

**Engagement of Sequeira Partners**

Pursuant to the engagement agreement dated March 18, 2024 (the “Engagement Agreement”), Sequeira was engaged by the Board of Directors of Steppe (the “Board” or “Client”) to prepare a fairness opinion (the “Opinion” or “Fairness Opinion”) concluding on whether the Transaction is fair, from a financial point of view, to the Company shareholders.

Sequeira will receive a fee for the preparation and delivery of the Fairness Opinion, and that fee is not contingent upon the results of the Fairness Opinion. The Fairness Opinion does not in any way opine or conclude on the merits or effectiveness of the Transaction. Pursuant to the Engagement Agreement, Sequeira and its personnel are to be held harmless and indemnified by the Company under certain circumstances from and against certain liabilities arising in connection with the Fairness Opinion. The Fairness Opinion has been prepared in conformity with Practice Standards Nos. 510, 520, and 530 of the Canadian Institute of Chartered Business Valuators pertaining to fairness opinions.

### **Credentials of Sequeira**

Sequeira is an independent Canadian corporate finance and valuation advisor and has become one of the largest mid-market merger and acquisition and valuation advisors in their markets.

Sequeira's professionals have experience in providing advisory services for various purposes, including merger and acquisition advisory, corporate valuations and financial opinions, corporate carve-outs, and recapitalizations.

Sequeira has offices in Calgary, Edmonton, and Vancouver. Sequeira's team of finance professionals have earned professional designations including Chartered Business Valuator (CBV), Chartered Financial Analyst (CFA), Chartered Professional Accountant (CPA), and Accredited Senior Appraiser under the American Society of Appraisers in Business Valuation (ASA).

The Fairness Opinion represents the opinion of Sequeira as a firm, the form and content of which have been approved for release by a committee of our senior professionals who are collectively experienced in mergers and acquisitions, divestitures, valuation, fairness opinions, and capital markets matters.

### **Independence of Sequeira**

We are independent of Steppe, Boroo Singapore, Boroo, Centerra and any other affiliated companies or advisors involved in the Transaction. None of Sequeira, its affiliates or associates, is an insider, associate, or affiliate within the meanings attributed to those terms in the *Securities Act (Ontario)*, or a related entity of the Company or any of their respective associates or affiliates (together, "Interested Parties").

Neither Sequeira nor any of its employees or affiliates is an advisor to any of the Interested Parties with respect to the Transaction other than the Client pursuant to the Engagement Agreement. Sequeira has provided financial advisory services to the Company in the past. No understandings or agreements exist between Sequeira and any Interested Party with respect to future financial advisory or investment banking business, notwithstanding Sequeira may perform financial advisory or investment banking services, in the normal course of its business, in the future to one or more of the Interested Parties. Sequeira has acted independently and objectively in the preparation of the Fairness Opinion.

This Fairness Opinion was not rendered on a contingent fee basis and did not depend on the outcome of any transaction. This Fairness Opinion should not be viewed as a recommendation for or against the Transaction.

### **Scope of Review**

In connection with rendering the Fairness Opinion, we have reviewed and relied upon, or carried out, among other activities, the following:

1. Executed Share Exchange Agreement dated April 11, 2024;
2. The Transaction term sheet dated January 18, 2024;
3. Press releases related to the Transaction dated January 22, 2024, March 19, 2024, and April 11, 2024;
4. Calculations of total fully diluted outstanding STGO shares pre-acquisition at the announcement date;
5. Boroo unaudited financial statements for the year ended December 31, 2023;
6. STGO financial statements for the years ended December 31, 2023 and 2022;
7. Boroo and Ulaanbulag Gold Project NI 43-101 Technical Report dated effective February 21 2024;

8. Various Steppe due diligence reports and findings, as provided by senior management of Steppe ("Management");
9. Steppe Discounted Cash Flow analysis prepared by Management;
10. Boroo Discounted Cash Flow analysis prepared by Management;
11. Tres Cruces Oxide Project, Form 43-101F1 Technical Report, Preliminary Economic Assessment, Norther Peru dated effective March 14, 2022;
12. Expected forward price of gold and silver using the COMEX forward contract price, and lead and zinc prices using LME forward contract price, as at April 3, 2024, as provided by S&P Capital IQ;
13. Consensus analysts' estimates of gold and silver prices on April 3, 2024, as provided by S&P Capital IQ;
14. Exchange rate between Mongolia tugrik (MNT) and U.S. dollars (USD\$) at April 3, 2024 as published by the Central Bank of Mongolia;
15. 20-day volume-weighted average price ("VWAP"), 10-day VWAP, 5-day VWP, and 10-day VWAP at the deal announcement date, and the closing share price of Steppe as at April 3, 2024, based on S&P Capital IQ;
16. Certain publicly available information relating to the business and operations of Steppe including, but not limited to, its financial statements, technical reports, continuous disclosure documents and other information that Sequeira considered relevant;
17. Certain publicly available information relating to the business and operations of Boroo that Sequeira considered relevant;
18. Public information and equity research reports for the precious metal and gold mining industry, comparable companies, as identified by Sequeira;
19. Market information and transaction research, as provided by S&P Capital IQ and other sources; and
20. Discussions with Management.

Sequeira did not meet with the auditors of the Company and has assumed the accuracy and fair presentation of any audited and unaudited financial statements of the Company, and, as applicable, the reports of the auditors thereon. Additionally, we have met with certain members of senior management and assume the accurate and fair presentation of the information provided as part of this analysis. We have not audited or otherwise verified the information relied upon in completing this Fairness Opinion.

#### **Restrictions, Limitations, and Assumptions**

With the Company's approval, as provided for in the Engagement Agreement, and through representations made to us through certificates signed by certain senior officers of the Company, we have relied upon, and have assumed the reasonableness, completeness, accuracy and fair presentation of, all information (financial or otherwise), data, documents, advice, opinions, appraisals, valuations and representations obtained by us from public sources or provided to us by or on behalf of the Company and its advisors or otherwise pursuant to our engagement (collectively, the "Information") and have assumed that all relevant information relating to Steppe, Boroo, and the Transaction has been disclosed to us. The Fairness Opinion is conditional upon the reasonableness, completeness, accuracy and fair presentation of such Information. In accordance with the terms of the Engagement Agreement, but subject to the exercise of professional judgement and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any such Information. We have not assumed any responsibility for any independent evaluation or appraisal of any of the assets or liabilities related to Steppe or Boroo.

Sequeira has assumed that all draft documents (if any) referred to under "Scope of Review" above are accurate versions, in all material respects, of the final form of such documents. Sequeira was not engaged to review any legal, regulatory, tax or accounting aspects of the Transaction and, accordingly, expresses no view thereon and have assumed the accuracy and completeness of assessments made by the Company and its advisors with respect to legal, regulatory, tax and accounting matters. The Transaction may be subject to a number of conditions outside the control of any party involved in the Transaction and Sequeira has assumed all conditions precedent to the completion of the Transaction

will be satisfied and no consents, permissions, exemptions or orders of relevant regulatory authorities are required.

This Fairness Opinion is rendered as at the date hereof and on the basis of securities markets and general financial conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of Steppe or Boroo, as they were reflected in the Information. Any changes therein may affect this Fairness Opinion and, although we reserve the right to change, withdraw or supplement this Fairness Opinion in such event or in the event that subsequent developments or information affect this Fairness Opinion, we disclaim any obligation to advise any person of any change that may come to our attention or to update, revise or reaffirm this Fairness Opinion after the date hereof.

In preparing this Fairness Opinion, we conducted such analysis, investigations, research and testing of assumptions, and have considered such financial, economic and market criteria as were considered by us to be appropriate in the circumstances of our engagement. With respect to any financial and operating forecasts or industry, commodity, or market projections, Sequeira cautions that projecting future results of any company, industry, currency, or commodity is inherently subject to uncertainty. In our analysis and in connection with the preparation of the Fairness Opinion, we have made assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of Sequeira or any party involved in the Transaction. While in the opinion of Sequeira, our assumptions used in preparing this Fairness Opinion are reasonable in the current circumstances, some or all of these assumptions may prove to be incorrect.

Sequeira believes that its analyses and factors considered in arriving at this Fairness Opinion must be considered as a whole and that selecting portions of the analyses, or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion and the conclusions reached. The preparation of an opinion of this nature is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In arriving at this Fairness Opinion, Sequeira has not attributed any particular weight to any specific analyses or factor but rather based this Fairness Opinion on a number of qualitative and quantitative factors deemed appropriate by Sequeira based on Sequeira's experience in rendering such opinions.

Sequeira has not been asked to pass upon, and expresses no opinion with respect to, any matter other than whether, as of the date hereof, the Transaction was fair, from a financial point of view, to the Company and Company shareholders. Sequeira has not been engaged to prepare, and has not prepared, a valuation or appraisal of the Company, or any of their assets, securities or liabilities (contingent or otherwise), nor have we been furnished with any such valuation appraisals, nor have we evaluated the solvency or fair value of the Company under any applicable laws relating to bankruptcy, insolvency or similar matters, and this Fairness Opinion should not be construed as such. Furthermore, this Fairness Opinion is not, and should not be construed as, advice as to the price at which a transaction may settle at any future date (whether before or after the completion of the Transaction). This Fairness Opinion does not address the relative merits of the Transaction as compared to other business or financial strategies that may have been available to the Company or any other party to the Transaction, nor does it address the underlying business decision of the Company, or any other party relating to the Transaction.

This Fairness Opinion is for the exclusive benefit and use of the Board in connection with its analysis of the Transaction. This Fairness Opinion may not be used or relied upon by the Company or Client for any other purpose or by any other person for any purpose, and except as expressly provided herein may not be published or otherwise used, without our express prior written consent. Sequeira is not responsible for losses resulting from unauthorized or improper use of the Fairness Opinion. This Fairness Opinion shall not be reproduced, disseminated, quoted from or referred to (in whole or in part) and no public reference to Sequeira or its affiliates relating to the Transaction or this Fairness Opinion shall be made without the express prior written consent of Sequeira provided that the Board may provide the Opinion to the Company.



**Opinion on Fairness**

Based upon and subject to the foregoing and such other matters as Sequeira considers relevant, Sequeira is of the opinion that, as of the date hereof, the Transaction is fair, from a financial point of view, to the Company and Company shareholders.

Yours truly,

*(signed) "Sequeira Partners"*

**SEQUEIRA PARTNERS**

**SCHEDULE E**  
**AUDITED FINANCIAL STATEMENTS OF BOROO GOLD AS OF DECEMBER 31, 2023, 2022**  
**AND 2021**

**[See attached]**

# FINANCIAL STATEMENTS

for the years ended 31 December 2023 and  
2022 prepared in accordance with IFRS

(Expressed in US Dollars, unless otherwise noted)

**BOROO GOLD**  
Limited Liability Company



Suite 1500, 9888 Jasper Avenue NW  
Edmonton, Alberta T5J 5C6  
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

April 19, 2024  
Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

---

To the Shareholders of Boroo Gold LLC

### **Opinion**

We have audited the financial statements of Boroo Gold LLC (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and the financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(continues)

Independent Auditor's Report to the Shareholders of Boroo Gold LLC (*continued*)

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Kingston Ross Pasmak LLP*  
**Kingston Ross Pasmak LLP**  
Chartered Professional Accountants

## BOROO GOLD LLC

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the years ended 31 December 2023 and 2022

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

	Note	2023 USD'000	2022 USD'000
Revenue	5	132,055	105,499
Cost of sales	6	(55,347)	(55,739)
<b>Gross profit</b>		<b>76,708</b>	<b>49,760</b>
General and administrative expenses	7	(3,200)	(2,345)
Marketing and selling expenses	8	(6,603)	(5,275)
Other gains (losses)	9	(3,559)	366
<b>Profit from operations</b>		<b>63,346</b>	<b>42,506</b>
Finance income	10	16,485	22,130
Finance expense	10	(11,778)	(13,719)
Other income	11	702	769
Other expense	11	(1,222)	(6,445)
<b>Profit before tax</b>		<b>67,533</b>	<b>45,241</b>
Income tax expense	12	(15,917)	(9,398)
<b>Profit for the year</b>		<b>51,616</b>	<b>35,843</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of property, plant and equipment, net of realization of reserve upon disposal/write-off	18,19	11,232	-
<b>Total comprehensive profit for the year</b>		<b>62,848</b>	<b>35,843</b>
<b>Earnings per share:</b>	13		
<b>Basic and diluted net profit per ordinary share (in United States dollars)</b>		<b>17.220</b>	<b>11.948</b>
Weighted average number of ordinary shares outstanding - basic and diluted		3,000,000	3,000,000

## BOROO GOLD LLC

STATEMENT OF FINANCIAL POSITION  
as at 31 December 2023 and 2022

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

	Note	31 December 2023 USD'000	31 December 2022 USD'000
<b>Assets</b>			
<b>Current assets</b>			
Inventories	14	20,872	16,508
Trade and other receivables	15	1,922	1,232
Prepayments	16	2,959	3,517
Cash and cash equivalents	17	14,903	1,991
<b>Total current assets</b>		<b>40,656</b>	<b>23,248</b>
<b>Non-current assets</b>			
Property, plant and equipment	18	67,105	63,440
Intangible assets	19	591	565
Investments in bond	20	156,442	139,926
Exploration and evaluation assets	21	2,198	2,013
Investment in securities, fair value through profit or loss		295	-
<b>Total non-current assets</b>		<b>226,630</b>	<b>205,944</b>
<b>Total assets</b>		<b>267,286</b>	<b>229,192</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of long-term borrowings	24	82,603	28,094
Trade and other payables	22	32,504	6,489
Short-term provision	23	132	131
Income tax payable	12	11,358	4,693
<b>Total current liabilities</b>		<b>126,597</b>	<b>39,407</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings	24	2,815	89,621
Long-term provision	23	12,002	12,203
Deferred tax liability	25	10,336	5,273
<b>Total non-current liabilities</b>		<b>25,153</b>	<b>107,097</b>
<b>Total liabilities</b>		<b>151,750</b>	<b>146,504</b>
<b>Equity</b>			
Share capital	26	3,000	3,000
Revaluation surplus		28,053	16,866
Retained earnings		84,483	62,822
<b>Total equity</b>		<b>115,536</b>	<b>82,688</b>
<b>Total liabilities and equity</b>		<b>267,286</b>	<b>229,192</b>

Approved on behalf of the Board:

(Signed) \_\_\_\_\_, Director

(Signed) \_\_\_\_\_, Director

## BOROO GOLD LLC

**STATEMENT OF CHANGES IN EQUITY**  
**for the years ended 31 December 2023 and 2022**

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

	Note	Share capital USD'000	Revaluation reserve USD'000	Retained earnings USD'000	Total equity USD'000
<b>Balance at 1 January 2022</b>		<b>3,000</b>	<b>16,866</b>	<b>26,979</b>	<b>46,845</b>
Profit for the year		-	-	35,843	35,843
<b>Balance at 31 December 2022</b>		<b>3,000</b>	<b>16,866</b>	<b>62,822</b>	<b>82,688</b>
Profit for the year		-	-	51,616	51,615
Revaluation of property, plant and equipment	18	-	11,232	-	11,232
Realization of revaluation surplus		-	(45)	45	-
Dividend declared	30	-	-	(30,000)	(30,000)
<b>Balance at 31 December 2023</b>		<b>3,000</b>	<b>28,053</b>	<b>84,483</b>	<b>115,536</b>



## BOROO GOLD LLC

**STATEMENT OF CASH FLOWS**  
for the years ended 31 December 2023 and 2022

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

	Note	2023 USD'000	2022 USD'000
<b>Cash flows from operating activities</b>			
<b>Profit before tax for the year</b>		<b>67,533</b>	<b>45,241</b>
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	18	18,580	13,617
Amortization of intangible assets	19	404	535
Loss on disposal of property, plant and equipment	9	183	14
Unrealized loss/(gain) from foreign exchange	10	938	(7,394)
Bad-debts expense	11	528	3,849
Impairment loss of investment in bonds	11	-	1,620
Impairment loss on property, plant and equipment	9	4,182	-
Unrealized (gain)/loss on investment in securities	10	(5)	-
Finance income	10	(13,993)	(12,844)
Finance expense	10	10,841	13,719
<b>Operating profit before changes in working capital</b>		<b>89,191</b>	<b>58,357</b>
<b>Changes in working capital:</b>			
(Increase)/Decrease in inventories		(4,364)	(4,877)
(Increase)/Decrease in trade and other receivables		(704)	(1,443)
Increase/(Decrease) in trade and other payables		(2,762)	1,475
(Increase)/Decrease in prepayments		558	183
<b>Cash generated from operations</b>		<b>81,919</b>	<b>53,695</b>
Income taxes paid	12	(9,952)	(10,781)
Interest received	10	277	-
<b>Net cash flows from operating activities</b>		<b>72,244</b>	<b>42,914</b>

## BOROO GOLD LLC

**STATEMENT OF CASH FLOWS (continued)**  
**for the years ended 31 December 2023 and 2022**

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

	Note	2023 USD'000	2022 USD'000
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	18	(10,284)	(7,556)
Sale of property, plant and equipment	18	280	-
Purchase of intangibles	19	(41)	(27)
Repayment from investments in bond		-	-
Acquisition of investments	27,29	(2,800)	(13,000)
Investment in securities, fair value through profit or loss		(290)	-
Investment in mines		(185)	(358)
<b>Net cash flows used in investing activities</b>		<b>(13,320)</b>	<b>(20,941)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		-	8,678
Repayment of loans and borrowings	29	(34,146)	(17,874)
Interest paid on loans and borrowings	29	(11,866)	(12,201)
<b>Net cash used in financing activities</b>		<b>(46,012)</b>	<b>(21,397)</b>
<b>Total net cash flows for the year</b>		<b>12,912</b>	<b>576</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,912</b>	<b>576</b>
Cash and cash equivalents at beginning of year	17	1,991	1,795
Exchange losses on cash and cash equivalents		-	(380)
<b>Cash and cash equivalents at end of year</b>	<b>17</b>	<b>14,903</b>	<b>1,991</b>

Notes supporting statement of cash flows are set out in Note 29

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**CONTENT**

1. Nature of operations .....	7	16. Prepayments.....	35
2. Basis of preparation.....	9	17. Cash and cash equivalents.....	35
3. Critical accounting estimates and judgements.....	12	18. Property, plant and equipment .....	36
4. Financial instruments - risk management.....	17	19. Intangible assets .....	39
5. Revenue from contracts with customers .....	25	20. Investments in bond.....	40
6. Cost of sales.....	26	21. Exploration and evaluation assets .....	41
7. General and administrative expenses ....	27	22. Trade and other payables.....	40
8. Selling and marketing expenses.....	27	23. Rehabilitation provision.....	42
9. Other gain/(loss) .....	28	24. Loans and borrowings .....	43
10. Finance income/(expense).....	28	25. Deferred tax .....	47
11. Other income/(expense) .....	29	26. Share capital.....	48
12. Income tax .....	30	27. Related party transactions.....	49
13. Earnings per share .....	31	28. Events after the reporting period .....	51
14. Inventories .....	31	29. Notes supporting the cash flows .....	52
15. Trade and other receivables .....	32	30. Dividends.....	53
		31. Material accounting policies .....	54
		32. Fair value measurement .....	69

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

### 1. Nature of operations

Boroo Gold LLC (“the Company”) was incorporated as a Limited Liability Company in accordance with the resolution No. A-98 issued by the founder dated on 5 May 1997, under the Laws of Mongolia. The Company was granted the State Registration Certificate No. 9019011029 (Registration No. 2094533) on 4 July 2006.

The Company is principally engaged in the mining, processing, and sale of gold in the Mandal and Bayangol soums of Selenge aimag, and Bornuur and Jargalant soums of Tuv aimag, Mongolia. The Company's registered office is located at Level 7, Blue Sky Tower, Sukhbaatar District, 1st Khoroo, Enkhtaivan Street 17, Ulaanbaatar-14240, Mongolia.

The Company holds following licenses obtained from Mineral resources and Petroleum Authority of Mongolia, as at 31 December 2023:

No	License number	Location	Area (hectare)	Issued date	Expiration date
1	11761A	Ikh Dashir, Mandal soum, Selenge aimag	79.43	12/05/2006	12/05/2036
2	12039A	Ikh Dashir, Mandal soum, Selenge aimag	910.51	19/09/2006	19/09/2036
3	198A	Boroo, Bayangol soum, Selenge aimag	1398.55	20/09/1997	20/09/2027
4	238A	Ikh Dashir, Bayangol soum, Selenge aimag	40.64	30/09/1997	30/09/2027
5	1960A	Boroo, Bayangol soum, Selenge aimag	530.24	29/11/1999	29/11/2029
6	1970A	Boroo, Bayangol and Mandal soum, Selenge aimag	642.64	06/12/1999	06/12/2029
7	15285A	Unjin-Uul, Bornuur and Mandal soum, Tuv and Selenge aimag	1204.47	20/11/2009	20/11/2039
8	21931X	Bor-nuur, Bornuur and Jargalant soum, Tuv and Selenge aimag	1787.39	20/09/2021	20/09/2024

The list of shareholders and share capital of the Company as of 31 December 2023 as per effective charter of the Company as follows:

Name of shareholder	Percentage of ownership	As at 31 December 2023		
		Number of shares	Unit price USD	Total USD'000
Centerra Netherlands BVBA	100%	3,000,000	1	3,000
	100%	3,000,000		3,000

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**1. Nature of operations** *(continued)*

The Company is a directly invested company of Centerra Netherlands BVBA, which is a subsidiary of Boroo Pte Ltd based in Singapore.

The Company had 536 employees as at 31 December 2023 (2022: 467).

**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.

**BOROO GOLD LLC****NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022**

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

---

**2. Basis of preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out in Note 30. The policies have been consistently applied to all the years presented, unless otherwise stated.

The national currency of Mongolia is the Mongolian Togrog (MNT). The measurement and presentation currency used in the preparation of these financial statements is United States Dollars (USD), rounded to the nearest thousand. Management has determined the USD to be the functional currency as it considers that the USD reflects the economic substance of the underlying events and circumstances of the Company.

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

*Basis of measurement*

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Revalued property, plant and equipment
- Rehabilitation provision

*Going Concern*

The directors have at the time of approving the financial statements, a reasonable expectation that the Company 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 financial statements.

**Change in accounting policies***(a) New standards, interpretations and amendments effective from 1 January 2023*

New standards and interpretations impacting the Company has been adopted in the annual financial statements for the year ended 31 December 2023.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**2. Basis of preparation** *(continued)*

**Change in accounting policies** *(continued)*

*(a) New standards, interpretations and amendments effective from 1 January 2023 (continued)*

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

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

*Definition of Accounting Estimates (Amendments to IAS 8);*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

*Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**2. Basis of preparation** *(continued)*

**Change in accounting policies** *(continued)*

*(a) New standards, interpretations and amendments effective from 1 January 2023 (continued)*

*IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The adoption of the above amendments did not have material impact on the Company.

*(b) New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- *IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback)*
- *IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current)*
- *IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)*
- *IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information*
- *IFRS S2: Climate-related Disclosures*

The Company is currently assessing the impact of these new accounting standards and amendments.

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**3. Critical accounting estimates and judgements**

The preparation of the financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

*Ore reserve and mineral resource estimates*

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Company's reported financial position and results, in the following way:

The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.

- Depreciation and amortization charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Capitalized stripping costs recognized in the statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios.
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The Company engages outside consultants who are appropriately qualified to estimate its ore reserves and mineral resources based on information relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data.

The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body Depreciation and depletion.

Mining interests are depleted using the unit-of-production method over a period not to exceed the estimated life of the ore body based on estimated recoverable reserves. Certain property, plant and equipment are depreciated using the unit-of-production method.

The calculation of the units of production rate, and therefore the annual depletion and depreciation expense, could be materially affected by changes in the underlying estimates.

Changes in estimates can be the result of actual future production differing from current forecasts of future production and expansion of mineral reserves through exploration activities. Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**3. Critical accounting estimates and judgements** *(continued)**Impairment of mining interests*

The Company's management reviews the carrying values of its mining interests on transfer from an exploration and evaluation property to a development property and on a regular basis to determine whether any write-downs are necessary.

Property, plant and equipment is reviewed at each reporting period to determine whether any write-downs are necessary.

The recovery of amounts recorded for mining interests and property, plant and equipment under construction depends on the Company's interpretation of its interest in the underlying mineral claims based on existing regulations, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on the life-of-mine plans in its assessments of economic recoverability and probability of future economic benefit.

Life-of-mine plans provide an economic model to support the economic extraction of reserves and resources. A long-term life-of-mine plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body. The life-of-mine plan requires the use of estimates and assumptions such as long term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, mineral reserves, and operating performance (which includes production and sales volume).

*Asset retirement obligation/Rehabilitation provision*

The Company engages outside certified engineers and experts to assist in the assessment of its provision for environmental rehabilitation, decommissioning of plant or other site restoration work at each reporting period or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

Accounting for environmental rehabilitation, decommissioning of plant or other site restoration work requires management to make estimates of the future costs the Company will incur to complete the work required to comply with existing laws and regulations at each mining operation. Also, future changes to environmental laws and regulations could increase the extent of rehabilitation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for environmental rehabilitation, decommissioning of plant or other site restoration work. The provision represents management's best estimate of the present value of the future provision for environmental rehabilitation. The actual future expenditures may differ from the amounts currently provided.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**3. Critical accounting estimates and judgements** *(continued)**Deferred taxes*

The Company operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its financial statements. In calculating the income taxes, the Company considers factors such as tax rates in the different jurisdictions, non-deductible expenses, changes in tax law and management's expectations of future results. The Company estimates deferred income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws.

The tax effects of these temporary differences are recorded as deferred tax assets or liabilities in the financial statements. The Company does not recognize deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates, adjustments are made in subsequent periods.

*Valuation of inventory*

In determining mine production costs recognized in the income statement, the Company along with independent measurement consultants estimates the quantities of ore stacked in stockpiles, placed on the heap leach pad and in process and the recoverable gold and silver in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**3. Critical accounting estimates and judgements** *(continued)**Critical judgments in applying accounting policies**Going concern*

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.

*Functional currency*

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to identify the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

*Exploration and Evaluation (E&E) expenditure*

The application of the Company's accounting policy for E&E expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The determination of a NI 43-101 compliant resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalized amount is written off to the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

*Stripping Costs*

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Company has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**3. Critical accounting estimates and judgements** *(continued)**Commercial production*

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as “commercial production”) is a matter of significant judgment which impacts when the Company recognizes revenue, operating costs and depreciation and depletion. In making this determination, management considers specific facts and circumstances.

These factors include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning and consistent operating results being achieved at pre-determined levels of design capacity for a reasonable period of time.

*Leases*

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term. The determination of the incremental borrowing rate utilized on commencement of the lease to present value the contractual payments requires significant judgment in its determination.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**4. Financial instruments - Risk management**

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market risk, and
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

***(i) Principal financial instruments***

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Investments in bond
- Investment in securities
- Trade and other payables
- Loans and borrowings

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**4. Financial instruments - Risk management (continued)**

*(ii) Financial instruments by category*

**Financial assets**

	Fair value through profit or loss		Amortized cost		Fair value through other comprehensive income	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
<i>In thousands of USD</i>						
Cash and cash equivalents	-	-	14,903	1,991	-	-
Trade and other receivables	-	-	1,922	1,232	-	-
Investments in bond	-	-	156,442	139,926	-	-
Investments in securities	295	-	-	-	-	-
<b>Total financial assets</b>	<b>295</b>	<b>-</b>	<b>173,267</b>	<b>143,149</b>	<b>-</b>	<b>-</b>

**Financial liabilities**

	Fair value through profit or loss		Amortized cost	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
<i>In thousands of USD</i>				
Trade and other payables	-	-	(32,504)	(6,489)
Loans and borrowings	-	-	(85,418)	(117,715)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(117,922)</b>	<b>(124,204)</b>

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**4. Financial instruments - Risk management** *(continued)**(iii) Financial instruments not measured at fair value*

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

*General objectives, policies and processes*

The management has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The management receives monthly reports from the Company's Financial department through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal auditors also review the risk management policies and processes and regularly report their findings to the Audit Committee.

The overall objective of the management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

*Credit risk*

Credit risk is the probability of a financial loss resulting from a borrower's failure to repay a loan. Essentially, credit risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

The Company is mainly exposed to credit risk from trade and other receivables and investment in bonds, the Company's policy is to deal with creditworthy counterparties and/or obtaining sufficient collaterals, where appropriate, to mitigate credit risk. In addition, these receivables and investments in bonds are monitored closely on an on-going basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions, from which management believes the risk of loss to be minimal.



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**4. Financial instruments - Risk management (continued)**

**Cash in bank and short-term deposits**

A significant amount of cash is held with the following institutions (based on Moody's ratings):

<i>In thousands of USD</i>	Rating (Moody's)	31 December 2023	31 December 2022
Trade and Development Bank of Mongolia	B3	14,901	1,991
<b>Cash and cash equivalents</b>		<b>14,901</b>	<b>1,991</b>

The Management monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

*Market risk*

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

*Interest rate risk*

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate as a result of changes in market rates. The management of the Company believes that changes in interest rates will not have significant impact on the income statement and equity based on the interest rate sensitivity analysis done at the end of the reporting period on financial assets and financial liabilities. The Company does not have any long-term variable-rate loans and borrowings.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

**4. Financial instruments - Risk management (continued)**

Interest bearing debts and related interest rates are shown below:

<i>In thousands of USD</i>	Annual interest rate	31 December 2023	31 December 2022
Trade and Development bank of Mongolia	17.0%	2,242	4,114
Trade and Development bank of Mongolia	16.8%	-	2,904
Trade and Development bank of Mongolia	14.4%	2,529	3,264
TDB leasing LLC	12.3%	57,947	57,947
Trade and Development bank of Mongolia	12.0%	3,372	7,203
TDB leasing LLC	9.6%	950	2,480
TDB Leasing LLC	9.3%	242	505
TDB Leasing LLC	9.0%	4,930	13,354
Trade and Development bank of Mongolia	8.0%	13,206	25,944
<b>Total</b>		<b>85,418</b>	<b>117,715</b>

At 31 December 2023, if interest rates at the date had been 5 percent (2022: 5 percent) lower with all other variables held constant, profit for the year would have been USD 131,000 (2022: USD 20,000) lower. If interest rates had been 5 percent (2022: 5 percent) higher with all the variables held constant, profit for the year would have been USD 131,000 (2022: USD 20,000) higher.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2023 and 2022

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

#### 4. Financial instruments - Risk management *(continued)*

##### *Foreign exchange risk*

Foreign exchange risk is a risk that value of the financial instruments fluctuates as a result of change in foreign currency exchange rate. Foreign exchange risk arises when future transaction, recognized assets or liabilities are denominated in a currency other than Mongolian tugriks.

As of 31 December the Company's net exposure to foreign exchange risk was as follows:

	MNT		USD		TOTAL	
	2023	2022	2023	2022	2023	2022
At 31 December						
<i>In thousands of USD</i>						
<b>Financial assets</b>						
Cash and cash equivalents	14,800	1,700	103	291	14,903	1,991
Trade and other receivables	1,781	1,082	141	150	1,922	1,232
Financial assets-Investment in Bond	-	-	156,442	139,926	156,442	139,926
Investment in securities	295	-	-	-	295	-
<b>Total financial assets</b>	<b>16,876</b>	<b>2,782</b>	<b>156,686</b>	<b>140,367</b>	<b>173,562</b>	<b>143,149</b>
<b>Financial liabilities</b>						
Trade and other payables	(3,924)	(5,917)	(28,580)	(572)	(32,504)	(6,489)
Loan and borrowings	(10,271)	(24,222)	(75,147)	(93,493)	(85,418)	(117,715)
<b>Total financial liabilities</b>	<b>(14,195)</b>	<b>(30,139)</b>	<b>(103,727)</b>	<b>(94,065)</b>	<b>(117,922)</b>	<b>(124,204)</b>
<b>Total net exposure</b>	<b>2,681</b>	<b>(27,357)</b>	<b>52,959</b>	<b>46,302</b>	<b>55,640</b>	<b>18,945</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

#### 4. Financial instruments - Risk management (*continued*)

##### *Foreign exchange risk (continued)*

The following table presents profit and loss and equity sensitivity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant:

	Impact on profit and loss 2023	Impact on profit and loss 2022
	USD'000	USD'000
USD strengthening by 5% (2022: 5%)	(134)	1,368
USD weakening by 5% (2022: 5%)	134	(1,368)

##### *Liquidity risk*

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Within 1 year	After 1 year but within 5 years	after 3 years but within 5 years	After 5 years	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
<b>At 31 December 2023</b>					
Trade and other payables	(32,504)	-	-	-	(32,504)
Loans and borrowings	(86,517)	(1,395)	(958)	(2,522)	(91,392)
<b>Total</b>	<b>(119,021)</b>	<b>(1,395)</b>	<b>(958)</b>	<b>(2,522)</b>	<b>(123,896)</b>
<b>At 31 December 2022</b>					
Trade and other payables	(6,489)	-	-	-	(6,489)
Loans and borrowings	(40,326)	(91,081)	(1,168)	(2,798)	(135,373)
<b>Total</b>	<b>(46,815)</b>	<b>(91,081)</b>	<b>(1,168)</b>	<b>(2,798)</b>	<b>(141,862)</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

#### 4. Financial instruments - Risk management (*continued*)

##### *Capital disclosures*

The Company monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest, retained earnings, and revaluation reserve) other than amounts in the cash flow hedging reserve.

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt less cash and cash equivalents.

The debt-to-adjusted-capital ratios at 31 December 2023 and at 31 December 2022 were as follows:

	2023	2022
	USD'000	USD'000
Loans and borrowings and payables	117,922	124,204
Rehabilitation liabilities	12,134	12,334
Less: Cash and cash equivalents	(14,903)	(1,991)
<b>Net debt</b>	<b>115,153</b>	<b>134,547</b>
Total equity	105,797	82,688
<b>Total adjusted capital</b>	<b>105,797</b>	<b>82,688</b>
<b>Debt to adjusted capital ratio (%)</b>	<b>109%</b>	<b>163%</b>

The decrease in the debt to adjusted capital ratio during 2023 is mainly due to the increased in retained earnings contributed by increase in net profit in 2023. In addition, cash and cash equivalents also increased while liabilities have reduced due to repayments of debts during the year.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**5. Revenue from contracts with customers**

	2023 USD'000	2022 USD'000
<i>Primary geographic markets</i>		
Mongolia	132,055	105,499
<b>Total</b>	<b>132,055</b>	<b>105,499</b>
<i>Product type</i>		
Gold	131,745	105,202
Silver	310	297
<b>Total</b>	<b>132,055</b>	<b>105,499</b>
<i>Mining area</i>		
Alluvial deposit	-	11,172
Boroo main deposit and heap leaching	56,090	9,967
Ulaanbulag mine	75,965	84,360
<b>Total</b>	<b>132,055</b>	<b>105,499</b>
<i>Timing of transfer of goods and services</i>		
Point in time	132,055	105,499
Over time	-	-
<b>Total</b>	<b>132,055</b>	<b>105,499</b>

In 2023, the Company sold a total of 67.3 thousand oz (2,093.72kg) of gold and 13.8 thousand oz ( 429.23 kg) of silver in the reporting period. From Boroo mine, the Company extracted 28.9 thousand oz ( 897.73 kg) of gold, 5.7 thousand oz (177.6 kg ) of silver using processing plant and heap leaching method and 38.4 thousand oz (1,195.99kg) of gold and 8.1 thousand oz ( 251.63 kg) of silver were mined from Ulaanbulag deposit and processed through processing facilities at Boroo mine.

In 2022, the Company sold a total of 56.3 thousand oz (1,751.26 kg) of gold and 14.1 thousand oz (439.58 kg) of silver in the reporting period. 5.9 thousand oz (182.24 kg) of gold and 0.5 thousand oz (16.38 kg) of silver were mined from Alluvial deposit, 5.5 thousand oz (171.43 kg) of gold, 1.4 thousand oz (43.8kg) of silver were extracted using Heap leaching method and 44.9 thousand oz (1,397.6 kg) of gold and 12.2 thousand oz (379.3 kg) of silver were mined from Ulaanbulag deposit.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**6. Cost of sales**

	2023	2022
	USD'000	USD'000
<b>Mining area</b>		
Alluvial deposit	-	(8,218)
Boroo main deposit and heap leaching	(22,112)	(6,458)
Ulaanbulag mine	(33,235)	(41,063)
<b>Total</b>	<b>(55,347)</b>	<b>(55,739)</b>

	2023	2022
	USD'000	USD'000
<i>Expense type</i>		
Payment to the operator	-	(8,218)
Costs of work performed by others	(5,966)	(6,101)
Supply material costs	(8,263)	(8,678)
Wages and salaries	(5,143)	(4,938)
Social security contributions	(736)	(684)
Utility costs	(5,577)	(5,070)
Fuel costs	(5,385)	(4,962)
Maintenance costs	(3,523)	(3,267)
Rental costs	(1,264)	(154)
Transportation costs	(90)	(97)
Depreciation costs	(17,380)	(11,136)
Insurance costs	(181)	(217)
Other costs	(1,839)	(2,217)
<b>Total</b>	<b>(55,347)</b>	<b>(55,739)</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**7. General and administrative expenses**

	2023	2022
	USD'000	USD'000
Wages and salaries	(857)	(713)
Social security contribution	(124)	(102)
Taxes and fees	(34)	(36)
Business trip expense	(46)	(66)
Stationery expense	(22)	(19)
Postal and telecommunication expense	(37)	(45)
Professional services fees	(1,025)	(174)
Newspaper, magazine subscription fees	(16)	(49)
Insurance expense	(2)	(2)
Utility cost	(27)	(30)
Services and Maintenance cost	(16)	(19)
Depreciation and amortization expense	(369)	(508)
Rental expense	(17)	(34)
Cleaning services expense	(52)	(17)
Transportation expense	-	(1)
Fuel expense	(17)	(22)
Business meeting expense	(153)	(226)
Charitable donations	(227)	(252)
Other expense	(159)	(30)
<b>Total</b>	<b>(3,200)</b>	<b>(2,345)</b>

**8. Selling and marketing expenses**

For financial year 2023, this represents royalty taxes imposed on the sale of 67.3 koz (2,093.72 kg) of gold and 13.8 koz (429.23 kg) of silver in total.

For financial year 2022, this represents royalty taxes imposed on the sale of 56.3 koz (1,751.26 kg) of gold and 14.1 koz (439.58 kg) of silver in total.

	2023	2022
	USD'000	USD'000
Royalty tax	(6,603)	(5,275)
<b>Total</b>	<b>(6,603)</b>	<b>(5,275)</b>



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**9. Other gain/(loss)**

	2023	2022
	USD'000	USD'000
Reversal of impairment loss of inventories	806	380
Loss from disposal of assets	(183)	(14)
Impairment loss of property, plant and equipment	(4,182)	
<b>Total</b>	<b>(3,559)</b>	<b>366</b>

**10. Finance income/(expense)**

	2023	2022
	USD'000	USD'000
<b>Finance income</b>		
Interest received on debt investments	13,716	12,844
Interest received on deposit	277	-
Net unrealized gain on investment in securities	5	-
Net realized foreign exchange gain	2,487	1,892
Net unrealized foreign exchange gain	-	7,394
<b>Total finance income</b>	<b>16,485</b>	<b>22,130</b>
<b>Finance expense</b>		
Interest expense on financial liabilities measured at amortized cost	(11,106)	(12,452)
Change in rehabilitation liabilities	265	(1,267)
Net unrealized foreign exchange loss	(937)	-
<b>Total finance expense</b>	<b>(11,778)</b>	<b>(13,719)</b>
<b>Net finance income/(expense) recognized in profit or loss</b>	<b>4,707</b>	<b>8,411</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**11. Other income/(expense)**

	2023	2022
	USD'000	USD'000
<b>Other revenue</b>		
Sundry income	702	769
<b>Total other income</b>	<u>702</u>	<u>769</u>
<b>Other expense</b>		
Bad debt expense <sup>1</sup>	(528)	(3,849)
Impairment loss of investment in bonds (Note 20)	-	(1,620)
Other expense	(593)	(908)
Reclamation expense	(101)	(68)
<b>Total other expense</b>	<u>(1,222)</u>	<u>(6,445)</u>
<b>Total other income/(expense), net</b>	<u>(520)</u>	<u>(5,676)</u>

<sup>1</sup> Centerra Gold Mongolia LLC ("CGM"), a related company, is unable to operate any longer as the Government of Mongolia designated its licensed areas as specially protected area. Subsequently, there is no guarantee that the funds provided to CGM will be returned, thus BGC has been accruing bad debt reserves on the full amount of receivables.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

## 12. Income tax

Movements in the income tax payable for the year is as follows:

	2023 USD'000	2022 USD'000
Balance at 1 January	4,693	5,682
Current tax expense for the year	16,617	9,792
Income taxes paid	(9,952)	(10,781)
<b>Balance at 31 December</b>	<b>11,358</b>	<b>4,693</b>

In 2023, According to Corporate Income Tax Law of Mongolia, the Company has an obligation to pay the Corporate Income Tax at the rate of 10% of the portion of taxable profits up to MNT 6 billion (2022: 6 billion) and 25% of the portion of taxable profits above MNT 6 billion (2022: 6 billion).

Reconciliation between the expected and the actual taxation charge is provided below:

	2023 USD'000	2022 USD'000
Profit before tax for the year	67,532	45,242
Income tax at statutory income tax rate	16,883	11,311
Effect of progressive tax rate of 10% on the portion of taxable profits up to MNT 6 billion	(528)	(784)
Effect of non-taxable income	(4,372)	(4,263)
Effect of income subject to lower tax rate	(54)	(7)
Effect of non-deductible tax expense	3,988	3,141
<b>Income tax expense for the year</b>	<b>15,917</b>	<b>9,398</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**13. Earnings per share**

The calculation of basic and diluted earnings per share for the year ended December 31, 2023 was based on the net profit attributable to ordinary shareholders of \$51,616,000 (year ended December 31, 2022: net profit of \$35,843,000) and the weighted-average number of ordinary shares outstanding of basic and diluted 3,000,000 (year ended December 31, 2022: 3,000,000).

**14. Inventories**

Inventories include ore stockpiles, gold in circuit, finished goods (dore bars including gold and silver) and supplies inventory. Ore stockpiles, heap leach ore or finished goods inventory are measured by external consultants and are valued at the lower of production costs or net realizable value based on estimated metal content.

During the financial year, the Company has recognized a reversal of \$806,000 (2022: \$380,000), being part of an inventory write-down made in the previous financial years. The allowance for inventory obsolescence was set aside in prior years when there were no or limited mining operations. As the mining activities began in year 2020, the aging of the inventory has improved and hence the required allowance for obsolescence reduced accordingly. The reversal on the allowance for inventory obsolescence has been included in "Other Expenses".

	At 31 December 2023 USD'000	At 31 December 2022 USD'000
Gold in circuit and stockpile	10,339	7,113
Spare parts	10,418	9,395
Others	115	-
<b>Total</b>	<b>20,872</b>	<b>16,508</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**15. Trade and other receivables**

	Note	At 31 December 2023 USD'000	At 31 December 2022 USD'000
Trade receivables		-	-
Less: provision for impairment of trade receivables		-	-
<b>Trade receivables - net</b>		-	-
Receivables from related parties	(a)	48,895	48,376
Other receivables		1,155	456
Less: provision for impairment of other receivables and loans to related parties	(b)	(48,128)	(47,600)
<b>Total financial assets other than cash and cash equivalents classified as amortized cost</b>		<b>1,922</b>	<b>1,232</b>

- a. Receivables from related parties consist of receivables from Centerra Gold Mongolia LLC and key management. These receivables do not bear interest.

The Company does not hold any collateral as security.

The carrying value of trade and other receivables classified at amortized cost approximates fair value.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**15. Trade and other receivables (*continued*)**

The Company recognized impairment loss of receivable from its related party, Centerra Gold Mongolia LLC ("CGM"), because they have concluded that there is significant increase in credit risk due to below circumstance.

The Mongolian Water and Forest Law prohibits mineral prospecting, exploration and mining in water basins and forestry areas, such as where the project is located. In January 2015, the Mongolian Parliament approved the designation of the Gatsuurt deposit as a Strategically Significant Mineral Deposit of Mongolia. This designation allows the Gatsuurt project to move forward without the application of the Water and Forest Law and also allows Mongolian Government to acquire up to a 34% interest in the project.

In October 2015, the Mongolian Government and CGM agreed and signed a Memorandum of Understanding on a 3% special royalty in place of the state's 34% ownership interest in Gatsuurt project (such royalty should be paid in addition to the existing statutory royalty rate). In February 2016, the Mongolian Parliament passed a resolution setting the state interest in the Gatsuurt project at 34% and authorized the Government to complete negotiations with CGM on the terms of such interest. Rather than taking legal ownership in the project, as described above, the state may receive a 3% special royalty from Gatsuurt's sales.

The Ministry of Mining and Heavy Industry of Mongolia issued a resolution No.A/70 in 09 April 2019 to form a further Working Group responsible to reach agreement on calculations of the economic benefits from the Gatsuurt Project, and to define mutually beneficial conditions for concluding the Deposit Development Agreement and the Investment Agreement with CGM. As of the date these financial statements were approved, both the Deposit Development Agreement and the Investment Agreement were under negotiation.

On March 15, 2019, the Administrative Court of Appeal reviewed the case and made a decision to revoke CGM's mineral licenses, which was upheld by the Supreme Court's decision on December 9, 2019. Although CGM filed a complaint with the Chief Judge of the Supreme Court under the Administrative Procedure Law, on March 23, 2020, the Chief Justice refused to accept the complaint.

The parent company is preparing to go to the arbitration court in accordance with the international agreement on the protection of investments and has entered into a contract with an internationally renowned law firm. In the case of international arbitration, CGM may claim actual investment costs and damages incurred in the past in connection with the Gatsuurt Project.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

### 15. Trade and other receivables (*continued*)

#### b. Impairment of receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging.

The lifetime expected loss provision for trade receivables and contract assets is as follows:

At 31 December 2023	Stage 1	Stage 2	Stage 3	Total
	USD'000	USD'000	USD'000	USD'000
Expected loss rate	0%	10%	100%	97%
Gross carrying amount	1,157	849	48,044	50,050
Loss provision	-	84	48,044	48,128

At 31 December 2022	Stage 1	Stage 2	Stage 3	Total
	USD'000	USD'000	USD'000	USD'000
Expected loss rate	0%	10%	100%	97%
Gross carrying amount	484	832	47,516	48,832
Loss provision	-	84	47,516	47,600

Movements in the impairment allowance for trade receivables are as follows:

	2023	2022
	USD'000	USD'000
<b>Balance at 01 January</b>	<b>(47,600)</b>	<b>(49,065)</b>
Increase during the year	(403)	(3,849)
Reversal in provision	-	679
Effects of foreign exchange	(125)	4,635
<b>Impairment loss for the year</b>	<b>(528)</b>	<b>1,465</b>
<b>Balance at 31 December</b>	<b>(48,128)</b>	<b>(47,600)</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**16. Prepayments**

	At 31 December 2023 USD'000	At 31 December 2022 USD'000
Prepayments to vendors <sup>(1)</sup>	2,949	3,431
Prepaid insurance	10	10
Prepaid rent	-	76
<b>Total</b>	<b>2,959</b>	<b>3,517</b>

<sup>1</sup> -These prepayments mostly consist of payments made in advance to Anhui Anqing Shuguang Chemical Co., Ltd for purchase of chemicals, Nic LLC for purchase of fuel and Score international SPRL for purchase of mine equipment spare parts (2022: Talas Investment Company LLP for purchase of chemicals).

**17. Cash and cash equivalents**

	At 31 December 2023 USD'000	At 31 December 2022 USD'000
Cash on hand	2	-
Cash in bank	14,901	1,991
<b>Total</b>	<b>14,903</b>	<b>1,991</b>

As at 31 December, the Company's cash and cash equivalents denominated in original currency are as follows:

	At 31 December 2023 USD'000	At 31 December 2022 USD'000
MNT	14,800	1,700
USD	103	291
<b>Total</b>	<b>14,903</b>	<b>1,991</b>



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**18. Property, plant and equipment**

<i>(i) Cost or valuation</i>	Buildings USD'000	Furniture and fixtures USD'000	Plant and equipment USD'000	Other mining assets USD'000	Computers and its accessories USD'000	Total USD'000
At 01 January 2022	18,860	1,337	126,008	29,230	258	175,693
Additions	78	59	11,160	413	22	11,732
Disposal	-	-	(61)	-	-	(61)
Reclassification to exploration and evaluation assets	-	-	-	(472)	-	(472)
At 31 December 2022	18,938	1,396	137,107	29,171	280	186,892
Additions	25	79	8,581	1,573	25	10,283
Disposal	-	(10)	(957)	-	-	(967)
Revaluation surplus	(10,746)	(864)	(83,682)	-	(121)	(95,413)
Impairment losses	(303)	(29)	(3,845)	-	(5)	(4,182)
At 31 December 2023	7,914	572	57,204	30,744	179	96,613

Table continued to the next page

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

18. Property, plant and equipment (*continued*)

*(ii) Accumulated depreciation and impairment*

	Buildings USD'000	Furniture and fixtures USD'000	Plant and equipment USD'000	Other mining assets USD'000	Computers and its accessories USD'000	Total USD'000
At 1 January 2022	(10,813)	(927)	(71,197)	(26,799)	(108)	(109,844)
Depreciation	(718)	(71)	(11,764)	(954)	(110)	(13,617)
Disposal	-	-	9	-	-	9
At 31 December 2022	(11,531)	(998)	(82,952)	(27,753)	(218)	(123,452)
Depreciation	(879)	(69)	(16,902)	(675)	(55)	(18,580)
Disposal	-	8	495	-	-	503
Revaluation surplus	12,388	1,051	98,308	-	272	112,019
At 31 December 2023	(22)	(8)	(1,051)	(28,428)	(1)	(29,510)
<i>(iii) Net book value</i>						
At 1 January 2022	8,047	410	54,811	2,431	150	65,849
At 31 December 2022	7,407	398	54,155	1,418	62	63,440
At 31 December 2023	7,892	564	56,153	2,316	178	67,105

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**18. Property, plant and equipment** *(continued)*

The Company secured its buildings and certain plant and equipment as collaterals to raise finance for its business. As at 31 December 2023, the aggregate carrying value of the assets pledged amount to \$18,053 (2022: \$24,612). Please see Note 24 - Loans and borrowings for more detailed information on collaterals.

During the year, the Company engaged a professional firm to revalue its furniture and fixtures, plant and equipment, other mining assets and other assets. The accumulated depreciation of the asset at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset. Revaluation surplus of \$16,606 (2022: \$Nil) was taken to revaluation reserve in equity.

Where an item of property, plant and equipment is being scrapped or no longer in use, and there is no resale market for it, the cost of the item is written off, together with the accumulated depreciation being reversed. Any remaining net book value is charged to the profit and loss statement.

<b>Detail of depreciation expense</b>	<u>Note</u>	<u>(In '000' of USD)</u>
Property plant and equipment	18	18,580
Intangible asset	20	404
<b>Total depreciation expense</b>		<b><u>18,984</u></b>
Cost of sales	6	17,380
General and administration expense	7	369
Capitalized to PPE		759
Charged to Inventory ending balance		476
<b>Total depreciation expense</b>		<b><u>18,984</u></b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**19. Intangible assets**

<i>(i) Cost</i>	Software USD'000	Special licenses USD'000	Other assets USD'000	Total USD'000
At 1 January 2022	4,277	633	35	4,945
Additions	27	-	-	27
At 31 December 2022	4,304	633	35	4,972
Additions	41	-	-	41
Revaluation surplus	(3,906)	-	-	(3,906)
At 31 December 2023	439	633	35	1,107
<i>(ii) Accumulated amortization and impairment</i>				
At 1 January 2022	(3,804)	(59)	(9)	(3,872)
Amortization	(307)	(211)	(17)	(535)
At 31 December 2022	(4,111)	(270)	(26)	(4,407)
Amortization	(184)	(211)	(9)	(404)
Revaluation surplus	4,295	-	-	4,295
At 31 December 2023	-	(481)	(35)	(516)
<i>(iii) Net book value</i>				
At 1 January 2022	473	574	26	1,073
At 31 December 2022	193	363	9	565
At 31 December 2023	439	152	-	591

Where an item of Intangibles is no longer in use, and there is no resale market for it, the cost of the item is written off, together with the accumulated amortization being reversed. Any remaining net book value is charged to the profit and loss statement.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

## 20. Investments in bond

	At 31 December 2023	At 31 December 2022
	USD'000	USD'000
Debt securities measured at amortized cost <sup>1</sup>	119,337	116,537
Accumulated interest receivables	39,258	25,542
	158,595	142,079
Less: (Credit loss allowance) <sup>2</sup>	(2,153)	(2,153)
<b>Total investments in bonds measured at amortized cost</b>	<b>156,442</b>	<b>139,926</b>

<sup>1</sup>-The Company currently holds 4 bonds which are issued by Boroo Pte Ltd ("BPL"), its indirect parent company:

- On 31 October, 2019, the Company bought bonds amounting to USD 40 million with 8% annual interest and duration of 5 years. The principal payment and accumulated interests are to be repaid at the end of the contract.

On December 21, 2023, the Company amended its maturity date for this bond from its initial maturity date of 31 October 2024 to 31 December 2025 with all other terms unchanged. As at 31 Dec 2023 the balance of this bond is USD 16.75 million.

- On 03 March 2021, the Company entered into bond subscription agreement with Boroo Pte Ltd. Agreement states that the company would buy 10,000 bonds amounting to USD 100 million with 12.5% annual interest and 3-year duration. The principal and interests are to be repaid back at the end of the agreement.

On December 21, 2023, the Company amended its maturity date of this bond from its initial maturity date of 1 June 2024 to 31 December 2025 with all other terms unchanged. As at 31 Dec 2023 the balance of this bond is USD 86.787 million.

- On May 12, 2022, the Company signed an agreement with Boroo Pte Ltd to purchase 800 bonds with an annual interest rate of 10 percent and a price of USD 10,000 per unit. Bond principal and interest payments are due at the end of the bond term.

On December 7, 2023, the Company purchased additional 150 bonds worth USD 10,000 per unit for a total of USD 1.5 million with an annual interest rate of 10.0 percent. Bond principal and interest payments are due at the end of the bond term.

On December 21, 2023, the Company amended its maturity date of this bond from its initial maturity date of 31 October 2024 to 31 December 2025 with all other terms unchanged. As at 31 Dec 2023 the balance of this bond is USD 9.5 million.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

## 20. Investments in bond *(continued)*

- On September 28, 2022, the Company purchased 500 bonds worth USD 10,000 per unit for a total of USD 5 million with an annual interest rate of 13.4 percent. Bond principal and interest payments are due at the end of the bond term.

On September 20, 2023, the Company purchased additional 130 bonds worth USD 10,000 per unit for a total of USD 1.3 million with an annual interest rate of 13.4 percent. Bond principal and interest payments are due at the end of the bond term.

On December 21, 2023, the Company amended its maturity date of this bond from its initial maturity date of 6 October 2024 to 31 December 2025 with all other terms unchanged. As at 31 Dec 2023 the balance of this bond is USD 6.3 million.

<sup>2-</sup> The Company's management made an assessment of credit risk over the duration of bonds. This was done by taking into account available relevant information about BPL's past, current and expected operating performance and cash flow positions, and thereafter recognized an allowance for impairment of the investments.

## 21. Exploration and evaluation assets

	2023	2022
	USD'000	USD'000
<b>Balance at 01 January</b>	<b>2,013</b>	<b>1,253</b>
Survey expense	254	249
Drilling expense	79	163
Consultation fee	(359)	111
Amortization	211	211
Other	-	26
<b>Balance at 31 December</b>	<b>2,198</b>	<b>2,013</b>

The Company's exploration assets include the studying of and determination of the remaining reserves of the Boroo deposit, the determination of reserves under the Bor Nuur exploration license and consulting services related to the exploration of the Ulaanbulag deposit, geotechnical drilling and sample analysis, amortization of intangible exploration assets and other exploration and valuation. Expenditures incurred that meet the requirements of IFRS 6 are accrued.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**22. Trade and other payables**

	Note	At 31 December 2023 USD'000	At 31 December 2022 USD'000
Trade payables		1,610	5,984
Dividend payable	30	30,000	-
Other payables		9	6
Accruals		606	44
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortized cost</b>		<b>32,225</b>	<b>6,034</b>
Other payables - tax and social security payments		279	455
<b>Total trade and other payables</b>		<b>32,504</b>	<b>6,489</b>

The carrying value of trade and other payables classified as financial liabilities measured at amortized cost approximates fair value.

**23. Rehabilitation provision**

	2023 USD'000	2022 USD'000
<b>At 01 January</b>	<b>12,334</b>	<b>13,586</b>
Impact of revisions in estimated timing, discount rates and amount of cash flows	(1,571)	85
Provision made during the year	-	-
Provisions settled	(80)	(70)
Accretion	1,306	1,182
Foreign exchange	145	(2,449)
<b>At 31 December</b>	<b>12,134</b>	<b>12,334</b>
Due within one year or less	132	131
Due after more than one year	12,002	12,203
	<b>12,134</b>	<b>12,334</b>

In accordance with Mongolian laws, the Company is subject to the cost of rehabilitation. Additionally, the Company has commitment to restore certain areas affected by previous mining activities by other parties. Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the amount of costs that will be incurred. The Company estimates the total cost by incorporating the amount of each cost item in the most approximate and optimal way. The Company is constantly rehabilitating the site until it is ready for use, and in the reporting year, it carried out technical and biological rehabilitation to land area covering a total of 15.0 hectares (2022, exceeding the initial plan in the Environmental Management Plan. As a result, a total of 559.8 hectares of land has now been rehabilitated. The rest of the rehabilitation of Boroo deposit is planned to start in 2032, and the Ulaanbulag deposit is planned to start in 2028. These will rehabilitate a total of 363.81 hectares of land, including large structures at the Boroo deposit, and 58.5 hectares of the Ulaanbulag mine.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

#### 24. Loans and borrowings

	At 31 December 2023		At 31 December 2022	
	Book value	Fair value	Book value	Fair value
	USD'000	USD'000	USD'000	USD'000
<i>Non-current</i>				
Bank loans				
- Secured	2,815	2,815	89,621	89,621
- Not secured	-	-	-	-
<b>Total non-current loans and borrowings</b>	<b>2,815</b>	<b>2,815</b>	<b>89,621</b>	<b>89,621</b>
<i>Current</i>				
Bank loans				
- Secured	79,575	79,575	24,390	24,390
- Not secured	-	-	-	-
Accumulated interest payables	3,028	3,028	3,704	3,704
<b>Total current loans and borrowings</b>	<b>82,603</b>	<b>82,603</b>	<b>28,094</b>	<b>28,094</b>
<b>Total loans and borrowings</b>	<b>85,418</b>	<b>85,418</b>	<b>117,715</b>	<b>117,715</b>

The currency profile of the Company's loans and borrowings is as follows:

	Annual interest rate %	31 December 2023 USD'000	31 December 2022 USD'000
USD	12.3%	57,947	57,947
USD	12.0%	2,801	6,616
USD	9.6%	950	2,480
USD	9.3%	242	505
USD	8.0%	13,206	25,944
MNT	17.0%	2,242	4,114
MNT	16.8%	-	2,904
MNT	14.4%	2,529	3,264
MNT	12.0%	571	587
MNT	9.0%	4,930	13,354
<b>Total</b>		<b>85,418</b>	<b>117,715</b>



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**24. Loans and borrowings (continued)**

*Bank loans*

The note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

		31 December 2023 USD'000	31 December 2022 USD'000
<i>Non-current</i>			
Trade and Development bank	(i)	2,031	2,022
Trade and Development bank	(ii)	-	13,100
Trade and Development bank	(iii)	366	394
Trade and Development bank	(iv)	-	-
Trade and Development bank	(v)	-	11
TDB Leasing LLC	(vi)	-	949
Trade and Development bank	(vii)	-	12,193
TDB Leasing LLC	(viii)	-	55,000
TDB Leasing LLC	(ix)	-	241
TDB Leasing LLC	(x)	-	95
Trade and Development bank	(xi)	418	581
Trade and Development bank	(xiii)	-	2,778
Trade and Development bank	(xiv)	-	2,257
<b>Total non-current loans and borrowings</b>		<b>2,815</b>	<b>89,621</b>
<i>Current</i>			
Trade and Development bank	(i)	92	80
Trade and Development bank	(ii)	13,100	12,121
Trade and Development bank	(iii)	33	33
Trade and Development bank	(iv)	-	2,903
Trade and Development bank	(v)	-	20
TDB Leasing LLC	(vi)	948	1,527
Trade and Development bank	(vii)	4,926	1,742
TDB Leasing LLC	(viii)	55,000	-
TDB Leasing LLC	(ix)	241	263
TDB Leasing LLC	(x)	95	103
Trade and Development bank	(xi)	147	-
Trade and Development bank	(xii)	-	1,570
Trade and Development bank	(xiii)	2,778	2,222
Trade and Development bank	(xiv)	2,215	1,806
Loan interest payable		3,028	3,704
<b>Total current loans and borrowings</b>		<b>82,603</b>	<b>28,094</b>
<b>Total loans and borrowings</b>		<b>85,418</b>	<b>117,715</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

## 24. Loans and borrowings (*continued*)

### *Bank loans (continued)*

- (i) The Company obtained a loan amounting to total of MNT 8,270,000 thousand (USD 3,104 thousand) from the Trade and Development bank under agreement No. ZG/CC190724001 dated July 24, 2019 at an interest rate of 14.4% per annum with a duration of 180 months for purpose of purchasing property designated as an office. The Company pledged a property with state registration no Y-2203036592 as a collateral for this loan.
- (ii) The Company borrowed USD 48,000 thousand from Trade and Development bank under agreement ZG/CC191029002-2 dated 29 October 2019 at an interest of 8% per annum for a period of 60 months and for the purpose of an investment.
- (iii) The Company borrowed MNT 1,715,000 thousand from Trade and Development bank under agreement ZG/CC201124001-8 dated 25 November 2020 at an interest of 14.4% per annum for a period of 180 months and for the purpose of acquiring a property.
- (iv) The Company has received MNT 18,000,000 thousand (USD 6,316 thousand) from Trade and Development bank under agreement No. ZG/CC200807007-7 dated 7 August 2020 at an interest rate of 14.4% per annum for a period of 5 months and amendment was made on 3 February 2021 to the loan and duration was extended to 25 months. Interest rate and Interest period were changed to 16.8% and 34 months respectively by an amendment to the loan agreement dated December 16, 2022. This loan was fully repaid at the end of 2023.
- (v) The Company borrowed MNT 239,000 thousand from Trade and Development bank under agreement ZG9101/200619 dated 19 June 2020 at an interest of 14.4% per annum for a period of 48 months and for the purpose of an investment. This loan was fully repaid at the end of 2023.
- (vi) The Company borrowed USD 3,112 thousand from TDB Leasing LLC under agreement FLA 129/220 dated 12 June 2020 at an interest of 9.6% per annum for a period of 48 months and used the loan to purchase equipment for the Company's business operations. Also, USD 2,400 thousand from TDB Leasing LLC under agreement FLA 139/220 dated 14 October 2020 at an interest of 9.6% per annum for a period of 48 months and used the loan to purchase equipment for the Company's business operations.
- (vii) The Company borrowed MNT 72,000,000 thousand from Trade and Development bank under agreement ZG CC210506002-9 dated 06 May 2021 at an interest of 9% per annum for a period of 36 months and for the purpose of investment. As per the agreement ZG/SS220908010-10 dated September 8th, 2022, the Company entered into Business Line of Credit agreement with Trade and Development Bank of Mongolia LLC for an amount of MNT 48,000,000 thousands at an annual interest rate of 14.4% for a duration of 36 months in order to refinance the loan.
- (viii) The Company borrowed USD 55,000 thousand from TDB leasing under agreement FLA146/2021 dated 13 April 2021 at an interest of 12.3% per annum for a period of 33 months and for the purpose of financing operation of gold extraction.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

## 24. Loans and borrowings (*continued*)

### *Bank loans (continued)*

- (ix) The Company borrowed USD 680 thousand from TDB Leasing LLC under agreement FLA162/2021 dated 24 November 2021 at an interest of 9.3% per annum for a period of 36 months and for the purpose of acquiring equipment to be used in mines.
- (x) The Company borrowed USD 260 thousand from Trade and Development bank under agreement ZG/CC211117003-9 dated 17 November 2021 at an interest of 8% per annum for a period of 36 months and for the purpose of acquiring a property.
- (xi) The Company borrowed MNT 2,000,000 thousand from Trade and Development bank under agreement ZG/CC220304007-10 dated 04 March 2022 at an interest of 12% per annum for a period of 60 months and for the purpose of green borrowing.
- (xii) The Company borrowed USD 3,000 thousand from Trade and Development bank under agreement ZG/CC220524003-11 dated 24 May 2022 at an interest of 9% per annum for a period of 6 months and for the purpose of investment. Interest rate and Interest period were changed to 12% and 11 months respectively by an amendment to the loan agreement dated December 16 2022. This loan was fully repaid at the end of 2023.
- (xiii) The Company borrowed USD 5,000 thousand from Trade and Development bank under agreement ZG/CC221006007-12 dated 22 October 2022 at an interest of 12% per annum for a period of 24 months and for the purpose of financing current assets.
- (xiv) The Company borrowed MNT 14,000,000 thousand from Trade and Development bank under agreement ZG/CC221005028-11 dated 04 October 2022 at an interest of 17% per annum for a period of 24 months and for the purpose of acquiring a property.

The table below shows information of maturity of loans outstanding as of 31 December, for which all conditions have been met, as follows:

	Floating rate	Fixed rate	Total
	USD'000	USD'000	USD'000
<b>2023</b>			
Expiry within 1 year	-	82,331	82,331
Expiry within 1 and 2 years	-	-	-
Expiry in more than 2 years	-	3,087	3,087
<b>Total</b>	-	<b>85,418</b>	<b>85,418</b>
<b>2022</b>			
Expiry within 1 year	-	8,176	8,176
Expiry within 1 and 2 years	-	92,494	92,494
Expiry in more than 2 years	-	17,045	17,045
<b>Total</b>	-	<b>117,715</b>	<b>117,715</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**25. Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 24% (2022: 10%).

The movement on the deferred tax account is as shown below:

	2023 USD'000	2022 USD'000
<b>Deferred tax assets/liabilities</b>		
<b>Balance at 1 January</b>	<u>(5,273)</u>	<u>(4,879)</u>
<i><u>Recognized in profit and loss:</u></i>		
Useful life differences of property, plant and equipment	1,084	1,953
Impairment loss on revalued property, plant and equipment	1,004	
Unrealized foreign exchange gain/(loss)	6	120
Interest income in bond	(1,393)	(2,467)
<i><u>Recognized in equity:</u></i>		
Change in tax rate on brought forward revaluation surplus	(1,685)	-
Current year revaluation surplus	<u>(4,079)</u>	<u>-</u>
<b>Balance at 31 December</b>	<u><b>(10,336)</b></u>	<u><b>(5,273)</b></u>

Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the management believe it is probable that these assets will be recovered.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

## 25. Deferred Tax (*continued*)

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

	Asset	Liability	Net	(Charged)/ credited to profit or loss	Charged to equity
	2023 USD	2023 USD	2023 USD	2023 USD	2023 USD
Useful life of property, plant and equipment	-	1,084	1,084	1,084	-
Impairment on property, plant and equipment	-	1,004	1,004	1,004	-
Change in tax rate on brought forward revaluation surplus	-	(1,685)	(1,685)	-	(1,685)
Current year revaluation surplus	-	(4,079)	(4,079)	-	(4,079)
Unrealized exchange rate difference	-	6	6	6	-
Interest income in bond	-	(1,393)	(1,393)	(1,393)	-
<b>Net tax assets/(liabilities)</b>	<b>-</b>	<b>(5,063)</b>	<b>(5,063)</b>	<b>701</b>	<b>(5,764)</b>
	2022 USD	2022 USD	2022 USD	2022 USD	2022 USD
Property, plant and equipment	-	1,953	1,953	1,953	-
Unrealized exchange rate difference	-	120	120	120	-
Interest income in bond	-	(2,467)	(2,467)	(2,467)	-
<b>Net tax assets/(liabilities)</b>	<b>-</b>	<b>(394)</b>	<b>(394)</b>	<b>(394)</b>	<b>-</b>

## 26. Share capital

	Issued and fully paid			
	2023 Share Number	2023 Share capital USD'000	2022 Share Number	2022 Share capital USD'000
<i>Ordinary shares</i>				
At 1 January	3,000,000	3,000	3,000,000	3,000
Issued during the year	-	-	-	-
<b>At 31 December</b>	<b>3,000,000</b>	<b>3,000</b>	<b>3,000,000</b>	<b>3,000</b>

The Company's share capital as at 31 December 2022 comprises of 3,000,000 ordinary shares with par value of USD 1 each. (2022: 3,000,000 ordinary shares with par value of USD 1 each). Company's shares are 100% (fully) owned by Centerra Netherlands, BVBA, an entity registered in Belgium.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

## 27. Related party transactions

### *Identifying related parties*

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') (IAS 24.9).

The list of the Company's related parties is shown below:

Name of related parties	Affiliation	Relationship	Type of main transactions
Boroo Pte Ltd	Singapore	Indirect parent	Purchase of bonds
Centerra Netherlands, BVBA	Belgium	Shareholder	Dividend
Centerra Gold Mongolia LLC	Mongolia	Affiliate under same control	Intercompany transaction
Dulguun.E	Mongolia	Chairman of the BOD	Salaries, bonus
Tsolmonbaatar.B	Mongolia	Member of the BOD	No transaction
Sukhbat.S	Mongolia	Member of the BOD, Chairman of the Audit Committee	Salaries and bonus
Tserenbadam.D	Mongolia	Chief executive officer	Salaries and bonus

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**27. Related party transactions (Continued)****Transactions with related parties**

The transactions with other related parties for the years ended 31 December 2023 and 2022 were as follows:

	2023	2022
	USD'000	USD'000
Intercompany transactions with fellow company	391	1,433
Bonds purchased from indirect parent	2,800	13,000
Bond repayment from indirect parent	-	11
Interest receivables from indirect parent	13,716	12,844
Sale of fuel - Centerra Gold Mongolia LLC	9	17
Purchase of supplies - Centerra Gold Mongolia LLC	-	9

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

	2023		2022	
	Expenses	Liabilities	Expenses	Liabilities
	USD'000	USD'000	USD'000	USD'000
- Salaries	235	-	158	-
- Social security contribution (employer)	46	-	26	-
- Bonuses	81	-	18	-
	<u>362</u>	<u>-</u>	<u>202</u>	<u>-</u>

**Outstanding balance of transactions with related parties**

	31 December 2023	31 December 2022
	USD'000	USD'000
<i>Receivables from related parties</i>		
Centerra Gold Mongolia LLC	48,042	47,516
Boroo Pte Ltd	158,595	142,079
Tserenbadam.D	2	16
Dulguun.E	852	844
	<u>207,491</u>	<u>190,455</u>

**BOROO GOLD LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022**

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

---

**28. Events after the reporting period**

Management is not aware of any other events that occurred after the end of the reporting period until the date the financial statements were approved for release, which would have any impact on these financial statements.



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**29. Notes supporting the cash flows**

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	At 31 December 2023	At 31 December 2022
	USD'000	USD'000
Cash at bank available on demand (Note 17)	14,901	1,700
Cash on hand	2	291
<b>Total cash and cash equivalents</b>	<b>14,903</b>	<b>1,991</b>

Significant non-cash transactions from investing activities are as follows:

	At 31 December 2023	At 31 December 2022
	USD'000	USD'000
Purchase of property, which has not paid yet	-	4,176
Purchase of property, which has not paid yet	-	4,176

	2023	2022
	USD'000	USD'000
<b>Balance at 01 January</b>	<b>139,926</b>	<b>115,713</b>
Investment acquired	2,800	13,000
Interest income	13,716	12,844
Impairment loss	-	(1,620)
Trade and other payables	-	(11)
<b>Balance at 31 December</b>	<b>156,442</b>	<b>139,926</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

**29. Notes supporting statement of cash flows (continued)**

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions overleaf:

	2023	2022
	USD'000	USD'000
<b>Balance at 01 January</b>	<b>117,715</b>	<b>126,598</b>
Proceeds from loans	-	8,678
Repayment of loans	(34,146)	(17,874)
Payment of loan interests	(11,866)	(12,201)
Accumulated interest in the reporting period	11,106	12,452
Asset acquired through financial lease	-	4,176
Investments in bonds	-	-
Deposit payment	-	-
Effect of change in foreign currency exchange rate	2,609	(4,114)
<b>Balance at 31 December</b>	<b>85,418</b>	<b>117,715</b>

**30. Dividends**

On 20 December 2023, the Company declared a dividend of US\$30,000,000 (2022: \$Nil) to Centerra Netherlands BV, its immediate parent company.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

**31. Material accounting policies***Revenue**Performance obligations and timing of revenue recognition*

The majority of the Company's revenue is derived from selling goods with revenue recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

*Determining the transaction price*

The Company's revenue is determined by the price of gold of each sale and through the commercial bank and it varies depending on the current rate of gold at that time. The buyer does not have any right of return and does not include any variable fees that would change the contract price.

*Foreign currency*

Transactions entered into by Company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

Exchange gains and losses arising on the retranslation of monetary financial assets that are available for sale are treated as a separate component of the change in fair value and recognized in profit or loss. Exchange gains and losses on non-monetary OCI financial assets form part of the overall gain or loss in OCI recognized in respect of that financial instrument.

Non-monetary assets and liabilities denominated in foreign currencies are presented at historical cost and translated into MNT at the official rates ruling at the transaction dates.

The foreign exchange rates used by the Company during the year as follows:

Currency	Average rate		Closing rate	
	2023	2022	At 31 December 2023	At 31 December 2022
MNT/USD	3,465.71	3,140.72	3,410.69	3,444.60

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies (*continued*)***Financial assets*

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

*Fair value through profit or loss*

This category comprises investment in securities. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income in the finance income or expense line.

*Amortized cost*

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for receivables from related parties and loans to related parties are recognized based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognized. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

The Company's financial assets carried at amortized cost comprise investment in bond, trade and other receivables and cash and cash equivalents in the statement of financial position.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies (continued)***Financial assets (continued)*

Dividends are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount. The Company has debt securities whose objective is achieved by both holding these securities in order to collect contractual cash flows and having the intention to sell the debt securities before maturity. The contractual terms of the debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the fair value through other comprehensive income reserve.

*Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

*Fair value through profit or loss*

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value). They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes.

**BOROO GOLD LLC****NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022**

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

---

**31. Material accounting policies (continued)***Financial liabilities (continued)**Fair value through profit or loss (continued)*

The Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

*Other financial liabilities*

Other financial liabilities include the following items:

- Bank borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

*Share capital*

The ordinary shares have a par value of USD 1 each. Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

*Borrowing costs*

Borrowing costs are capitalized, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs not directly attributable to a qualifying asset are expensed in the Statement of Profit or Loss and Comprehensive Income in the period in which they are incurred.

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalization rate to the expenditure on that asset.

Capitalization should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

**31. Material accounting policies (*continued*)**

*Externally acquired intangible assets*

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives.

The significant intangibles recognized by the Company, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

<b>Intangible asset</b>	<b>Useful economic life</b>	<b>Depreciation method</b>
Software	2 years	Straight-line method
Special licenses	Duration of the license	Straight-line method

*Dividend*

Dividends are recognized when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the board of directors. In the case of final dividends, this is when approved by the shareholders at the Annual and/or Extraordinary General Meeting.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies (*continued*)***Income taxes*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized. Deferred tax asset is reviewed at each reporting period and related tax benefit is realized. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company:

- Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies** (*continued*)

*Property, plant and equipment*

Items of property, plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognized in profit or loss

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Property, plant and equipment	Useful life
Furniture, fixture and other assets	10 years
Computer and its accessories	2 years

Depreciation of mine facilities, equipment and other mine assets is calculated on a production- unit basis. Production unit depreciation is calculated based on the unit output and the amount of reserve identified.

At the date of revaluation, the accumulated depreciation on the revalued property, plant and equipment is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on the revalued asset, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when revalued assets are expensed through the statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies (*continued*)*****Inventories***

Inventories include ore stockpiles, gold in circuit, finished goods (doré bars including gold and silver) and supplies inventory. Ore stockpiles, heap leach ore or finished goods inventory are measured by external consultants and are valued at the lower of production costs or net realizable value based on estimated metal content.

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

***Government grants***

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the statement of comprehensive income or netted against the asset purchased.

***Provision***

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies (continued)***Impairment - Financial assets (including receivables)*

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Bank of Mongolia or the authorized commercial banks buys all the Company's gold and silver production and payment is received within one business day.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies** *(continued)**Impairment - Financial assets (including receivables) (continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- An actual or expected significant deterioration in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default.
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies** *(continued)**Impairment - Financial assets (including receivables) (continued)*

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

*(iv) Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies (continued)*****Impairment - Financial assets (including receivables) (continued)***

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

***Impairment - Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies** *(continued)**Impairment - Non-financial assets (continued)*

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

*Exploration and Evaluation (E&E) expenditure*

E&E activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. E&E activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies.

The Company applies the area of interest method when accounting for E&E costs. Licence costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, E&E expenditure is charged to profit or loss as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2023 and 2022

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

---

**31. Material accounting policies (continued)***Exploration and Evaluation (E&E) expenditure (continued)**Impairment of E&E Assets*

The Company carries out a detailed impairment test in two circumstances:

- when the technical feasibility and commercial viability of extracting a mineral resource become demonstrable, at which point the asset falls outside the scope of IFRS 6 and is reclassified in the financial statements; and
- when facts and circumstances suggest that the asset's carrying amount may exceed its recoverable amount.

Examples of "facts and circumstances" that may indicate that impairment testing is required include, but not limited to:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

*Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

*Earnings per share*

The Company presents basic and diluted profit or loss per share data for its ordinary shares, calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of common shares outstanding for the effects of all warrants, options and restricted share units outstanding that may add to the total number of ordinary shares.



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2023 and 2022**

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

---

### 31. Material accounting policies (*continued*)

#### *Mining properties*

##### (a) Mines under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a sub-category of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mines under construction'.

IAS 16 Property, Plant and Equipment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Accordingly, the sale of ore extracted during the development phase, together with related costs, are recognized in profit and loss and other comprehensive income. Any costs incurred in testing the assets to determine if they are functioning as intended are capitalized. After production starts, all assets included in 'Mines under construction' are then transferred to Property, Plant and Equipment sub-category of 'Mine properties'.

##### (b) Mine properties and property, plant and equipment

###### (i) Initial recognition

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" under "Other mining assets". Such assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

###### (ii) Depreciation/amortization

Accumulated mine development costs are depreciated/amortized on a Unit of Production (UOP) basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The unit of account for run-of-mine (ROM) costs is tonnes of ore, whereas the unit of account for post-ROM costs is recoverable ounces of gold. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortization of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2023 and 2022

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

### 32. Fair value measurement

The following table sets out the valuation techniques used in the determination of fair values within level 3 including the key unobservable inputs used and the relationship between unobservable inputs to fair value IFRS 13.93(d)(h)(i)(ii).

Item and valuation approach	Key observable inputs	Relationship between unobservable inputs to fair value
<p><b>Building and production equipment, machines, vehicles, and furniture and fixtures - Cost and income approach</b></p> <p><i>Cost approach method:</i> Determines the amount of net asset.</p> <p><i>Income approach method:</i> The present value is determined by estimating future net cash flows based on assumptions about the economy, business environment, risk, and other factors.</p>	<p>Cost approach- Reimbursement costs for the creation and maintenance of assets</p> <p>Income approach- The present value of an entity's operations is estimated and depends largely on its future income and efficiency</p>	<p>The fact that most brands of mining equipment are manufactured in China is likely to affect the volatility of asset values, as well as asset efficiency assumptions, amortization estimates, and present value of cash flows.</p>

# FINANCIAL STATEMENTS

for the years ended 31 December 2022 and  
2021 prepared in accordance with IFRS

(Expressed in US Dollars, unless otherwise noted)

**BOROO GOLD**  
Limited Liability Company



CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW  
Edmonton, Alberta T5J 5C6  
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

April 19, 2024  
Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

---

To the Shareholders of Boroo Gold LLC

### **Opinion**

We have audited the financial statements of Boroo Gold LLC (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and the financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(continues)

Independent Auditor's Report to the Shareholders of Boroo Gold LLC (*continued*)**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Kingston Ross Pasmak LLP*  
**Kingston Ross Pasmak LLP**  
Chartered Professional Accountants

## BOROO GOLD LLC

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the years ended 31 December 2022 and 2021

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

	Note	2022 USD'000	2021 USD'000
Revenue	5	105,499	116,260
Cost of sales	6	(55,739)	(56,693)
<b>Gross profit</b>		<b>49,760</b>	<b>59,567</b>
General and administrative expenses	7	(2,345)	(2,247)
Marketing and selling expenses	8	(5,275)	(5,815)
Other gains	9	380	705
Other losses	9	(14)	(940)
<b>Profit from operations</b>		<b>42,506</b>	<b>51,270</b>
Finance income	10	22,130	11,110
Finance expense	10	(13,719)	(14,787)
Other income	11	769	972
Other expense	11	(6,445)	(30,236)
<b>Profit before tax</b>		<b>45,241</b>	<b>18,329</b>
Income tax expense	12	(9,398)	(13,592)
<b>Profit for the year</b>		<b>35,843</b>	<b>4,737</b>
Other comprehensive income:		-	-
<b>Total comprehensive profit for the year</b>		<b>35,843</b>	<b>4,737</b>
Earnings per share:	13		
Basic and diluted net profit per ordinary share (in United States dollars)		11.948	1.579
Weighted average number of ordinary shares outstanding - basic and diluted		3,000,000	3,000,000

## BOROO GOLD LLC

STATEMENT OF FINANCIAL POSITION  
as at 31 December 2022 and 2021

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

	Note	31 December 2022 USD'000	31 December 2021 USD'000
<b>Assets</b>			
<b>Current assets</b>			
Inventories	14	16,508	11,631
Trade and other receivables	15	1,232	1,480
Prepayments	16	3,517	3,700
Cash and cash equivalents	17	1,991	1,795
<b>Total current assets</b>		<b>23,248</b>	<b>18,606</b>
<b>Non-current assets</b>			
Property, plant and equipment	18	63,440	65,849
Intangible assets	19	565	1,073
Investments in bond	20	139,926	115,713
Exploration and evaluation assets	21	2,013	1,253
<b>Total non-current assets</b>		<b>205,944</b>	<b>183,888</b>
<b>Total assets</b>		<b>229,192</b>	<b>202,494</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of long-term borrowings	24	28,094	40,648
Trade and other payables	22	6,489	4,904
Short-term provision	23	131	158
Income tax payable	12	4,693	5,682
<b>Total current liabilities</b>		<b>39,407</b>	<b>51,392</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings	24	89,621	85,950
Long-term provision	23	12,203	13,428
Deferred tax liability	25	5,273	4,879
<b>Total non-current liabilities</b>		<b>107,097</b>	<b>104,257</b>
<b>Total liabilities</b>		<b>146,504</b>	<b>155,649</b>
<b>Equity</b>			
Share capital	26	3,000	3,000
Revaluation surplus		16,866	16,866
Retained earnings		62,822	26,979
<b>Total equity</b>		<b>82,688</b>	<b>46,845</b>
<b>Total liabilities and equity</b>		<b>229,192</b>	<b>202,494</b>

Approved on behalf of the Board:

(Signed) \_\_\_\_\_, Director

(Signed) \_\_\_\_\_, Director

## BOROO GOLD LLC

**STATEMENT OF CHANGES IN EQUITY**  
**for the years ended 31 December 2022 and 2021**

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

	Share capital	Revaluation reserve	Retained earnings	Total equity
Note	USD'000	USD'000	USD'000	USD'000
<b>Balance at 1 January 2021</b>	<b>3,000</b>	<b>18,751</b>	<b>22,231</b>	<b>43,982</b>
Profit for the year	-	-	4,737	4,737
Realization of reserve upon disposal/write-off of property, plant and equipment	-	(11)	11	-
Deferred tax impact on asset revaluation	-	(1,874)	-	(1,874)
25	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>3,000</b>	<b>16,866</b>	<b>26,979</b>	<b>46,845</b>
Profit for the year	-	-	35,843	35,843
<b>Balance at 31 December 2022</b>	<b>3,000</b>	<b>16,866</b>	<b>62,822</b>	<b>82,688</b>



## BOROO GOLD LLC

**STATEMENT OF CASH FLOWS**  
for the years ended 31 December 2022 and 2021

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

	Note	2022 USD'000	2021 USD'000
<b>Cash flows from operating activities</b>			
<b>Profit before tax for the year</b>		<b>45,241</b>	<b>18,329</b>
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	18	13,617	10,333
Amortization of intangible assets	19	535	199
Loss on disposal of property, plant and equipment	9	14	940
Unrealized loss/(gain) from foreign exchange	10	(7,394)	(1,715)
Bad-debts expense	11	3,849	28,556
Impairment loss of investment in bonds	11	1,620	533
Finance income	10	(12,844)	(9,395)
Finance expense	10	13,719	13,029
<b>Operating profit before changes in working capital</b>		<b>58,357</b>	<b>60,809</b>
<b>Changes in working capital:</b>			
(Increase)/Decrease in inventories		(4,877)	(2,696)
(Increase)/Decrease in trade and other receivables		(1,443)	(12,379)
Increase/(Decrease) in trade and other payables		1,475	(3,689)
(Increase)/Decrease in prepayments		183	(1,783)
<b>Cash generated from operations</b>		<b>53,695</b>	<b>40,262</b>
Income taxes paid	12	(10,781)	(6,999)
Interest received	10	-	191
<b>Net cash flows from operating activities</b>		<b>42,914</b>	<b>33,454</b>

## BOROO GOLD LLC

**STATEMENT OF CASH FLOWS (continued)**  
**for the years ended 31 December 2022 and 2021**

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

	Note	2022 USD'000	2021 USD'000
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	18	(7,556)	(7,442)
Purchase of intangibles	19	(27)	(580)
Repayment from investments in bond	20,29	-	20,300
Acquisition of investments	20,29	(13,000)	(32,200)
Investment in mines		(358)	(677)
<b>Net cash flows used in investing activities</b>		<b>(20,941)</b>	<b>(20,599)</b>
<b>Cash flows from financing activities</b>			
Change in rehabilitation provision	23	-	(1,453)
Proceeds from loans and borrowings	24,29	8,678	32,810
Repayment of loans and borrowings	24,29	(17,874)	(35,428)
Interest paid on loans and borrowings	24,29	(12,201)	(10,043)
<b>Net cash used in financing activities</b>		<b>(21,397)</b>	<b>(14,114)</b>
<b>Total net cash flows for the year</b>		<b>576</b>	<b>(1,259)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>576</b>	<b>(1,259)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>17</b>	<b>1,795</b>	<b>3,054</b>
Exchange losses on cash and cash equivalents		(380)	-
<b>Cash and cash equivalents at end of year</b>	<b>17</b>	<b>1,991</b>	<b>1,795</b>

Notes supporting statement of cash flows are set out in Note 29

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

---

**CONTENT**

1. Nature of operations .....	7	16. Prepayments.....	34
2. Basis of preparation.....	9	17. Cash and cash equivalents.....	34
3. Critical accounting estimates and judgements.....	12	18. Property, plant and equipment .....	35
4. Financial instruments - risk management.....	17	19. Intangible assets .....	38
5. Revenue from contracts with customers .....	25	20. Investments in bond.....	39
6. Cost of sales.....	26	21. Exploration and evaluation assets .....	40
7. General and administrative expenses ....	27	22. Trade and other payables.....	40
8. Selling and marketing expenses.....	27	23. Rehabilitation provision.....	41
9. Other gain/(loss) .....	27	24. Loans and borrowings .....	42
10. Finance income/(expense).....	28	25. Deferred tax .....	46
11. Other income/(expense) .....	28	26. Share capital.....	47
12. Income tax .....	29	27. Related party transactions.....	47
13. Earnings per share .....	30	28. Events after the reporting period .....	49
14. Inventories .....	30	29. Notes supporting the cash flows .....	50
15. Trade and other receivables .....	31	30. Significant accounting policies.....	52
		31. Fair value measurement .....	67

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

### 1. Nature of operations

Boroo Gold LLC (“the Company”) was incorporated as a Limited Liability Company in accordance with the resolution No. A-98 issued by the founder dated on 5 May 1997, under the Laws of Mongolia. The Company was granted the State Registration Certificate No. 9019011029 (Registration No. 2094533) on 4 July 2006.

The Company is principally engaged in the mining, processing, and sale of gold in the Mandal and Bayangol soums of Selenge aimag, and Bornuur and Jargalant soums of Tuv aimag, Mongolia. The Company's registered office is located at Level 7, Blue Sky Tower, Sukhbaatar District, 1st Khoroo, Enkhtaivan Street 17, Ulaanbaatar-14240, Mongolia.

The Company holds following licenses obtained from Mineral resources and Petroleum Authority of Mongolia, as at 31 December 2022:

No	License number	Location	Area (hectare)	Issued date	Expiration date
1	11761A	Ikh Dashir, Mandal soum, Selenge aimag	79.43	12/05/2006	12/05/2036
2	12039A	Ikh Dashir, Mandal soum, Selenge aimag	910.51	19/09/2006	19/09/2036
3	198A	Boroo, Bayangol soum, Selenge aimag	1,398.55	20/09/1997	20/09/2027
4	238A	Ikh Dashir, Bayangol soum, Selenge aimag	40.64	30/09/1997	30/09/2027
5	1960A	Boroo, Bayangol soum, Selenge aimag	530.24	29/11/1999	29/11/2029
6	1970A	Boroo, Bayangol and Mandal soum, Selenge aimag	642.64	06/12/1999	06/12/2029
7	15285A	Unjin-Uul, Bornuur and Mandal soum, Tuv and Selenge aimag	1,204.47	20/11/2009	20/11/2039
8	21931X	Bor-nuur, Bornuur and Jargalant soum, Tuv and Selenge aimag	1,787.39	20/09/2021	20/09/2024

The list of shareholders and share capital of the Company as of 31 December 2022 as per effective charter of the Company as follows:

Name of shareholder	Percentage of ownership	As at 31 December 2022		
		Number of shares	Unit price USD	Total USD'000
Centerra Netherlands BVBA	100%	3,000,000	1	3,000
	100%	3,000,000		3,000

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**1. Nature of operations** *(continued)*

The Company is a directly invested company of Centerra Netherlands BVBA, which is a subsidiary of Boroo Pte Ltd based in Singapore.

The Company had 467 employees as at 31 December 2022 (2021: 450).

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, transport of certain key reagents across the land border with China remains suspended. The Company is optimistic that the China border will soon re-open fully.

**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.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2022 and 2021**

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

---

**2. Basis of preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out in Note 30. The policies have been consistently applied to all the years presented, unless otherwise stated.

The national currency of Mongolia is the Mongolian Togrog (MNT). The measurement and presentation currency used in the preparation of these financial statements is United States Dollars (USD), rounded to the nearest thousand. Management has determined the USD to be the functional currency as it considers that the USD reflects the economic substance of the underlying events and circumstances of the Company.

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

*Basis of measurement*

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Revalued property, plant and equipment
- Rehabilitation provision

*Going Concern*

The directors have at the time of approving the financial statements, a reasonable expectation that the Company 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 financial statements.

**Change in accounting policies***(a) New standards, interpretations and amendments effective from 1 January 2022*

New standards and interpretations impacting the Company that has been adopted in the annual financial statements for the year ended 31 December 2022. The adoption of these standards did not have any material effect on the financial performance or financial position of the Company.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

## 2. Basis of preparation *(continued)*

### Change in accounting policies *(continued)*

*(b) New standards, interpretations and amendments effective from 1 January 2022  
(continued)*

#### Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Company has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

#### Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognized in profit or loss.

#### Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 16: Lease incentives
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements

#### References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The adoption of the above amendments did not have material impact on the Company.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**2. Basis of preparation** *(continued)***Change in accounting policies** *(continued)**(b) New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Definition of Accounting Estimates (Amendments to IAS 8);*
- *Classification of Liabilities as Current or Non-current (Amendment to IAS 1);*
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and*
- *IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.*

The following amendments are effective for the period beginning 1 January 2024:

- *IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback)*
- *IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current)*
- *IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)*
- *IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information*
- *IFRS S2: Climate-related Disclosures*

The Company is currently assessing the impact of these new accounting standards and amendments.

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.



## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

### 3. Critical accounting estimates and judgements

The preparation of the financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

#### *Ore reserve and mineral resource estimates*

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Company's reported financial position and results, in the following way:

The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.

- Depreciation and amortization charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Capitalized stripping costs recognized in the statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios.
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The Company engages outside consultants who are appropriately qualified to estimate its ore reserves and mineral resources based on information relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data.

The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body *Depreciation and depletion*

Mining interests are depleted using the unit-of-production method over a period not to exceed the estimated life of the ore body based on estimated recoverable reserves. Certain property, plant and equipment are depreciated using the unit-of-production method.

The calculation of the units of production rate, and therefore the annual depletion and depreciation expense, could be materially affected by changes in the underlying estimates.

Changes in estimates can be the result of actual future production differing from current forecasts of future production and expansion of mineral reserves through exploration activities. Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

### 3. Critical accounting estimates and judgements (*continued*)

#### *Impairment of mining interests*

The Company's management reviews the carrying values of its mining interests on transfer from an exploration and evaluation property to a development property and on a regular basis to determine whether any write-downs are necessary.

Property, plant and equipment is reviewed at each reporting period to determine whether any write-downs are necessary.

The recovery of amounts recorded for mining interests and property, plant and equipment under construction depends on the Company's interpretation of its interest in the underlying mineral claims based on existing regulations, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on the life-of-mine plans in its assessments of economic recoverability and probability of future economic benefit.

Life-of-mine plans provide an economic model to support the economic extraction of reserves and resources. A long-term life-of-mine plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body. The life-of-mine plan requires the use of estimates and assumptions such as long term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, mineral reserves, and operating performance (which includes production and sales volume).

#### *Asset retirement obligation/Rehabilitation provision*

The Company engages outside certified engineers and experts to assist in the assessment of its provision for environmental rehabilitation, decommissioning of plant or other site restoration work at each reporting period or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

Accounting for environmental rehabilitation, decommissioning of plant or other site restoration work requires management to make estimates of the future costs the Company will incur to complete the work required to comply with existing laws and regulations at each mining operation. Also, future changes to environmental laws and regulations could increase the extent of rehabilitation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for environmental rehabilitation, decommissioning of plant or other site restoration work. The provision represents management's best estimate of the present value of the future provision for environmental rehabilitation. The actual future expenditures may differ from the amounts currently provided.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2022 and 2021**

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

---

**3. Critical accounting estimates and judgements** *(continued)**Deferred taxes*

The Company operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its financial statements. In calculating the income taxes, the Company considers factors such as tax rates in the different jurisdictions, non-deductible expenses, changes in tax law and management's expectations of future results. The Company estimates deferred income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws.

The tax effects of these temporary differences are recorded as deferred tax assets or liabilities in the financial statements. The Company does not recognize deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates, adjustments are made in subsequent periods.

*Valuation of inventory*

In determining mine production costs recognized in the income statement, the Company along with independent measurement consultants make estimates of quantities of ore stacked in stockpiles, placed on the heap leach pad and in process and the recoverable gold and silver in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**3. Critical accounting estimates and judgements** *(continued)**Critical judgments in applying accounting policies**Going concern*

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.

*Functional currency*

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to identify the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

*Exploration and Evaluation (E&E) expenditure*

The application of the Company's accounting policy for E&E expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The determination of a NI 43-101 compliant resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalized amount is written off to the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

*Stripping Costs*

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Company has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**3. Critical accounting estimates and judgements (continued)***Commercial production*

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as “commercial production”) is a matter of significant judgment which impacts when the Company recognizes revenue, operating costs and depreciation and depletion. In making this determination, management considers specific facts and circumstances.

These factors include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning and consistent operating results being achieved at pre-determined levels of design capacity for a reasonable period of time.

*Leases*

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term. The determination of the incremental borrowing rate utilized on commencement of the lease to present value the contractual payments requires significant judgment in its determination.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2022 and 2021**

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

---

**4. Financial instruments - Risk management**

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market risk, and
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

***(i) Principal financial instruments***

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Investments in bond
- Trade and other payables
- Loans and borrowings

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

4. Financial instruments - Risk management *(continued)*

*(ii) Financial instruments by category*

Financial assets

	Fair value through profit or loss		Amortized cost		Fair value through other comprehensive income	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<i>In thousands of USD</i>						
Cash and cash equivalents	-	-	1,991	1,795	-	-
Trade and other receivables	-	-	1,232	1,480	-	-
Investments in bond	-	-	139,926	115,713	-	-
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>143,149</b>	<b>118,988</b>	<b>-</b>	<b>-</b>

Financial liabilities

	Fair value through profit or loss		Amortized cost	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<i>In thousands of USD</i>				
Trade and other payables	-	-	(6,489)	(4,904)
Loans and borrowings	-	-	(117,715)	(126,598)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(124,204)</b>	<b>(131,502)</b>

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**4. Financial instruments - Risk management** *(continued)**(iii) Financial instruments not measured at fair value*

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of loans and borrowings, which are classified in level 3 of the fair value hierarchy, refer to Note 23 - *Loans and borrowings*.

*General objectives, policies and processes*

The management has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The management receives monthly reports from the Company's Financial department through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal auditors also review the risk management policies and processes and *анджэшыб* report their findings to the Audit Committee.

The overall objective of the management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

*Credit risk*

Credit risk is the probability of a financial loss resulting from a borrower's failure to repay a loan. Essentially, credit risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

The Company is mainly exposed to credit risk from trade and other receivables and investment in bonds, the Company's policy is to deal with creditworthy counterparties and/or obtaining sufficient collaterals, where appropriate, to mitigate credit risk. In addition, these receivables and investments in bonds are monitored closely on an on-going basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions, from which management believes the risk of loss to be minimal.



**BOROO GOLD LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**4. Financial instruments - Risk management** *(continued)*

**Cash in bank and short-term deposits**

A significant amount of cash is held with the following institutions (based on Moody's ratings):

<i>In thousands of USD</i>	Rating (Moody's)	31 December 2022	31 December 2021
Trade and Development Bank of Mongolia	B3	1,991	1,794
<b>Cash and cash equivalents</b>		<b>1,991</b>	<b>1,794</b>

The Management monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

*Market risk*

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

*Interest rate risk*

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate as a result of changes in market rates. The management of the Company believes that changes in interest rates will not have significant impact on the income statement and equity based on the interest rate sensitivity analysis done at the end of the reporting period on financial assets and financial liabilities. The Company does not have any long-term variable-rate loans and borrowings.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2022 and 2021**

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

**4. Financial instruments - Risk management (continued)**

Interest bearing debts and related interest rates are shown below:

<i>In thousands of USD</i>	Annual interest rate	31 December 2022	31 December 2021
Trade and Development bank of Mongolia	17.0%	4,114	-
Trade and Development bank of Mongolia	16.8%	2,904	-
Trade and Development bank of Mongolia	14.4%	3,264	8,237
TDB leasing LLC	12.3%	57,947	57,948
Trade and Development bank of Mongolia	12.0%	7,203	-
TDB leasing LLC	9.6%	2,480	4,088
TDB Leasing LLC	9.3%	505	681
TDB Leasing LLC	9.0%	13,354	25,484
QSC LLC	9.0%	-	1,506
Trade and Development bank of Mongolia	8.0%	25,944	28,654
<b>Total</b>		<b>117,715</b>	<b>126,598</b>

At 31 December 2022, if interest rates at the date had been 5 percent lower (2021: 5 percent lower) with all other variables held constant, profit for the year would have been USD 20,000 lower (2021: USD 99,000 higher). If interest rates had been 5 percent higher (2021: 5 percent higher) with all the variables held constant, profit for the year would have been USD 20,000 higher (2021: USD 99,000 lower).

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

#### 4. Financial instruments - Risk management *(continued)*

##### *Foreign exchange risk*

Foreign exchange risk is a risk that value of the financial instruments fluctuates as a result of change in foreign currency exchange rate. Foreign exchange risk arises when future transaction, recognized assets or liabilities are denominated in a currency other than Mongolian tugriks.

As of 31 December the Company's net exposure to foreign exchange risk was as follows:

	MNT		USD		TOTAL	
	2022	2021	2022	2021	2022	2021
<i>At 31 December</i>						
<i>In thousands of USD</i>						
<b>Financial assets</b>						
Cash and cash equivalents	1,700	1,795	291	-	1,991	1,795
Trade and other receivables	1,082	1,339	150	141	1,232	1,480
Financial assets-Investment in Bond	-	-	139,926	115,713	139,926	115,713
<b>Total financial assets</b>	<b>2,782</b>	<b>3,134</b>	<b>140,367</b>	<b>115,854</b>	<b>143,149</b>	<b>118,988</b>
<b>Financial liabilities</b>						
Trade and other payables	(5,917)	(4,556)	(572)	(348)	(6,489)	(4,904)
Loan and borrowings	(24,222)	(33,721)	(93,493)	(92,877)	(117,715)	(126,598)
<b>Total financial liabilities</b>	<b>(30,139)</b>	<b>(38,277)</b>	<b>(94,065)</b>	<b>(93,225)</b>	<b>(124,204)</b>	<b>(131,502)</b>
<b>Total net exposure</b>	<b>(27,357)</b>	<b>(35,143)</b>	<b>46,302</b>	<b>22,629</b>	<b>18,945</b>	<b>(12,514)</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

#### 4. Financial instruments - Risk management (*continued*)

##### *Foreign exchange risk (continued)*

The following table presents profit and loss and equity sensitivity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant:

	Impact on profit and loss 2022 USD'000	Impact on profit and loss 2021 USD'000
USD strengthening by 5% (2021: 5%)	1,368	1,757
USD weakening by 5% (2021: 5%)	(1,368)	(1,757)

##### *Liquidity risk*

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Within 1 year USD'000	After 1 year but within 3 years USD'000	After 3 years but within 5 years USD'000	After 5 years USD'000	Total USD'000
<b>At 31 December 2022</b>					
Trade and other payables	(6,489)	-	-	-	(6,489)
Loans and borrowings	(40,326)	(91,081)	(1,168)	(2,798)	(135,373)
<b>Total</b>	<b>(46,815)</b>	<b>(91,081)</b>	<b>(1,168)</b>	<b>(2,798)</b>	<b>(141,862)</b>
<b>At 31 December 2021</b>					
Trade and other payables	(4,904)	-	-	-	(4,904)
Loans and borrowings	(52,080)	(92,823)	(1,131)	(3,952)	(149,986)
<b>Total</b>	<b>(56,984)</b>	<b>(92,823)</b>	<b>(1,131)</b>	<b>(3,952)</b>	<b>(154,890)</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

#### 4. Financial instruments - Risk management (*continued*)

##### *Capital disclosures*

The Company monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest, retained earnings, and revaluation reserve) other than amounts in the cash flow hedging reserve.

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt less cash and cash equivalents.

The debt-to-adjusted-capital ratios at 31 December 2022 and at 31 December 2021 were as follows:

	2022	2021
	USD'000	USD'000
Loans and borrowings and payables	124,204	131,502
Rehabilitation liabilities	12,334	13,586
Less: Cash and cash equivalents	(1,991)	(1,795)
<b>Net debt</b>	<b>134,547</b>	<b>143,293</b>
Total equity	82,688	46,845
<b>Total adjusted capital</b>	<b>82,688</b>	<b>46,845</b>
<b>Debt to adjusted capital ratio (%)</b>	<b>163%</b>	<b>306%</b>

The decrease in the debt to adjusted capital ratio during 2022 resulted primarily from the repayment and difference in foreign exchange rate of borrowings (note 24), which decreased net debt.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**5. Revenue from contracts with customers**

	2022	2021
	USD'000	USD'000
<i>Primary geographic markets</i>		
Mongolia	105,499	116,260
<b>Total</b>	<b>105,499</b>	<b>116,260</b>
<i>Product type</i>		
Gold	105,202	116,014
Silver	297	246
<b>Total</b>	<b>105,499</b>	<b>116,260</b>
<i>Mining area</i>		
Alluvial deposit	11,172	24,802
Boroo main deposit and heap leaching	9,967	62,278
Ulaanbulag mine	84,360	29,180
<b>Total</b>	<b>105,499</b>	<b>116,260</b>
<i>Timing of transfer of goods and services</i>		
Point in time	105,499	116,260
Over time	-	-
<b>Total</b>	<b>105,499</b>	<b>116,260</b>

In 2022, the Company sold a total of 56.3 thousand oz (1,751.26 kg) of gold and 14.1 thousand oz (439.58 kg) of silver in the reporting period. 5.9 thousand oz (182.24 kg) of gold and 0.5 thousand oz (16.38 kg) of silver were mined from Alluvial deposit, 5.5 thousand oz (171.43 kg) of gold, 1.4 thousand oz (43.8kg) of silver were extracted using Heap leaching method and 44.9 thousand oz (1,397.6 kg) of gold and 12.2 thousand oz (379.3 kg) of silver were mined from Ulaanbulag deposit.

In 2021, the Company sold a total of 64.6 thousand oz (2,008.22 kg) of gold and 10.1 thousand oz (313.83 kg) of silver in the reporting period. 13.8 thousand oz (428.88 kg) of gold and 1.3 thousand oz (40.11 kg) of silver were mined from Alluvial deposit. From the Boroo main mine, the company extracted 34.6 thousand oz (1076.26 kg) of gold, 6.3 thousand oz (195.53 kg) of silver using processing plant and heap leaching method. Also, 16.2 thousand oz (503.08 kg) of gold and 2.5 thousand oz (78.19 kg) of silver were mined from Ulaanbulag deposit and processed using processing plant and heap leaching method and sold

Alluvial deposit (Ikh-Dashir)

In 2019, the Company entered into an agreement with Tod-Undraga LLC, a mineral exploration and mining Company, to mine its deposits. According to the agreement, "Tod-Undraga" LLC and "Boroo Gold" LLC receive 75% and 25% of the revenue, respectively, after deducting royalty tax from the sales of gold extracted from Ikh Dashir mining deposit. The parties jointly deliver the gold to a commercial bank, including at least two representatives of Boroo Gold LLC. The agreement was extended in 2021 for one more year which expired in 30th June 2022 and was not renewed.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

---

**6. Cost of sales**

	2022	2021
	USD'000	USD'000
<b>Mining area</b>		
Alluvial deposit	(8,218)	(18,722)
Boroo main deposit and heap leaching	(6,458)	(28,238)
Ulaanbulag mine	(41,063)	(9,733)
<b>Total</b>	<b>(55,739)</b>	<b>(56,693)</b>

	2022	2021
	USD'000	USD'000
<i>Expense type</i>		
Payment to the operator	(8,218)	(18,722)
Costs of work performed by others	(6,101)	(5,447)
Supply material costs	(8,678)	(5,350)
Wages and salaries	(4,938)	(4,573)
Social security contributions	(684)	(629)
Utility costs	(5,070)	(5,168)
Fuel costs	(4,962)	(3,177)
Maintenance costs	(3,267)	(2,556)
Rental costs	(154)	(545)
Transportation costs	(97)	(155)
Depreciation costs	(11,136)	(9,392)
Insurance costs	(217)	(84)
Other costs	(2,217)	(895)
<b>Total</b>	<b>(55,739)</b>	<b>(56,693)</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**7. General and administrative expenses**

	2022	2021
	USD'000	USD'000
Wages and salaries	(713)	(784)
Social security contribution	(102)	(99)
Taxes and fees	(36)	(71)
Business trip expense	(66)	(15)
Stationery expense	(19)	(25)
Postal and telecommunication expense	(45)	(40)
Professional services fees	(174)	(59)
Newspaper, magazine subscription fees	(49)	(24)
Insurance expense	(2)	(4)
Utility cost	(30)	(20)
Services and Maintenance cost	(19)	(17)
Depreciation and amortization expense	(508)	(316)
Rental expense	(34)	(46)
Cleaning services expense	(17)	(2)
Transportation expense	(1)	(1)
Fuel expense	(22)	(11)
Business meeting expense	(226)	(205)
Charitable donations	(252)	(432)
Other expense	(30)	(76)
<b>Total</b>	<b>(2,345)</b>	<b>(2,247)</b>

**8. Selling and marketing expenses**

For year 2022, this represents royalty taxes imposed on the sale of 56.3 koz (1,751.26 kg) of gold and 14.1 koz (439.58 kg) of silver in total.

For year 2021, this represents royalty taxes imposed on the sale of 64.6 koz (2,008.22 kg) of gold and 10.1 koz (313.83 kg) of silver in total.

**9. Other gain/(Loss)**

	2022	2021
	USD'000	USD'000
Reversal of impairment loss of inventories	380	705
Loss from disposal of assets	(14)	(940)
<b>Total</b>	<b>366</b>	<b>(235)</b>



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**10. Finance income/(expense)**

	2022	2021
	USD'000	USD'000
<b>Finance income</b>		
Interest received on debt investments	12,844	9,395
Net realized foreign exchange gain	1,892	-
Net unrealized foreign exchange gain	7,394	1,715
<b>Total finance income</b>	<b>22,130</b>	<b>11,110</b>
<b>Finance expense</b>		
Interest expense on financial liabilities measured at amortized cost	(12,452)	(11,379)
Change in rehabilitation liabilities	(1,267)	(1,650)
Net realized foreign exchange loss	-	(1,758)
<b>Total finance expense</b>	<b>(13,719)</b>	<b>(14,787)</b>
<b>Net finance income/(expense) recognized in profit or loss</b>	<b>8,411</b>	<b>(3,677)</b>

**11. Other income/(expense)**

	2022	2021
	USD'000	USD'000
<b>Other revenue</b>		
Sundry income	769	972
<b>Total other income</b>	<b>769</b>	<b>972</b>
<b>Other expense</b>		
Service fee	(38)	(299)
Penalty fee	(1)	(4)
Bad debt expense <sup>1</sup>	(3,849)	(28,555)
Impairment loss of investment in bonds (Note 20)	(1,620)	(533)
Other expense	(869)	(834)
Reclamation expense	(68)	(11)
<b>Total other expense</b>	<b>(6,445)</b>	<b>(30,236)</b>
<b>Total other income/(expense), net</b>	<b>(5,676)</b>	<b>(29,264)</b>

<sup>1</sup> Centerra Gold Mongolia LLC ("CGM"), a related company, is unable to operate any longer as the Government of Mongolia designated its licensed areas as specially protected area. Subsequently, there is no guarantee that the funds provided to CGM will be returned, thus BGC has been accruing bad debt reserves on the full amount of receivables.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

## 12. Income tax

Movements in the income tax payable for the year is as follows:

	2022 USD'000	2021 USD'000
<b>Balance at 1 January</b>	<u>5,682</u>	<u>1,784</u>
Current tax expense for the year	9,792	10,897
Income taxes paid	(10,781)	(6,999)
<b>Balance at 31 December</b>	<u><b>4,693</b></u>	<u><b>5,682</b></u>

In 2022, According to Corporate Income Tax Law of Mongolia, the Company has an obligation to pay the Corporate Income Tax at the rate of 10% of the portion of taxable profits up to MNT 6 billion (2021: 6 billion) and 25% of the portion of taxable profits above MNT 6 billion (2021: 6 billion).

Reconciliation between the expected and the actual taxation charge is provided below:

	2022 USD'000	2021 USD'000
<b>Profit before tax for the year</b>	<u>45,242</u>	<u>18,329</u>
Income tax at statutory income tax rate	11,311	4,582
Effect of progressive tax rate of 10% on the portion of taxable profits up to MNT 6 billion	(784)	(948)
Effect of non-taxable income	(4,263)	(2,254)
Effect of income subject to lower tax rate	(7)	(29)
Effect of non-deductible tax expense	3,141	12,241
<b>Income tax expense for the year</b>	<u><b>9,398</b></u>	<u><b>13,592</b></u>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

### 13. Earnings per share

The calculation of basic and diluted earnings per share for the year ended December 31, 2022 was based on the net profit attributable to ordinary shareholders of \$35,843,000 (year ended December 31, 2021: net profit of \$4,737,000) and the weighted average number of ordinary shares outstanding of basic and diluted 3,000,000 (year ended December 31, 2020: 3,000,000).

### 14. Inventories

Inventories include ore stockpiles, gold in circuit, finished goods (dore bars including gold and silver) and supplies inventory. Ore stockpiles, heap leach ore or finished goods inventory are measured by external consultants and are valued at the lower of production costs or net realizable value based on estimated metal content.

During the financial year, the Company has recognized a reversal of \$380,000 (2021: \$705,000), being part of an inventory write-down made in the previous financial years. The allowance for inventory obsolescence was set aside in prior years when there were no or limited mining operations. As the mining and processing activities began in year 2020, the aging of the inventory has improved and hence the required allowance for obsolescence reduced accordingly. The reversal on the allowance for inventory obsolescence has been included in "Other Expenses".

	At 31 December 2022 USD'000	At 31 December 2021 USD'000
Gold in circuit and stockpile	7,113	5,757
Spare parts	9,395	5,874
<b>Total</b>	<b>16,508</b>	<b>11,631</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

---

**15. Trade and other receivables**

	Note	At 31 December 2022 USD'000	At 31 December 2021 USD'000
Trade receivables		-	-
Less: provision for impairment of trade receivables		-	-
<b>Trade receivables - net</b>		-	-
Receivables from related parties	(i)	48,376	49,413
Other receivables		456	1,132
Less: provision for impairment of other receivables and loans to related parties	(ii)	(47,600)	(49,065)
<b>Total financial assets other than cash and cash equivalents classified as amortized cost</b>		<b>1,232</b>	<b>1,480</b>

- a. Receivables from related parties consist of receivables from Centerra Gold Mongolia LLC and key management. These receivables do not bear interest and no termination date.

The Company does not hold any collateral as security.

The carrying value of trade and other receivables classified at amortized cost approximates fair value.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**15. Trade and other receivables** (*continued*)

The Company recognized impairment loss of receivable from its related party, Centerra Gold Mongolia LLC ("CGM"), because they have concluded that there is significant increase in credit risk due to below circumstance.

The Mongolian Water and Forest Law prohibits mineral prospecting, exploration and mining in water basins and forestry areas, such as where the project is located. In January 2015, the Mongolian Parliament approved the designation of the Gatsuurt deposit as a Strategically Significant Mineral Deposit of Mongolia. This designation allows the Gatsuurt project to move forward without the application of the Water and Forest Law and also allows Mongolian Government to acquire up to a 34% interest in the project.

In October 2015, the Mongolian Government and CGM agreed and signed a Memorandum of Understanding on a 3% special royalty in place of the state's 34% ownership interest in Gatsuurt project (such royalty should be paid in addition to the existing statutory royalty rate). In February 2016, the Mongolian Parliament passed a resolution setting the state interest in the Gatsuurt project at 34% and authorized the Government to complete negotiations with CGM on the terms of such interest. Rather than taking legal ownership in the project, as described above, the state may receive a 3% special royalty from Gatsuurt's sales.

The Ministry of Mining and Heavy Industry of Mongolia issued a resolution No.A/70 in 09 April 2019 to form a further Working Group responsible to reach agreement on calculations of the economic benefits from the Gatsuurt Project, and to define mutually beneficial conditions for concluding the Deposit Development Agreement and the Investment Agreement with CGM. As of the date these financial statements were approved, both the Deposit Development Agreement and the Investment Agreement were under negotiation.

On March 15, 2019, the Administrative Court of Appeal reviewed the case and made a decision to revoke CGM's mineral licenses, which was upheld by the Supreme Court's decision on December 9, 2019. Although CGM filed a complaint with the Chief Judge of the Supreme Court under the Administrative Procedure Law, on March 23, 2020, the Chief Justice refused to accept the complaint.

The parent company is preparing to go to the arbitration court in accordance with the international agreement on the protection of investments and has entered into a contract with an internationally renowned law firm. In the case of international arbitration, CGM may claim actual investment costs and damages incurred in the past in connection with the Gatsuurt Project.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

### 15. Trade and other receivables (*continued*)

#### b. Impairment of receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging.

The lifetime expected loss provision for trade receivables and contract assets is as follows:

At 31 December 2022	Stage 1	Stage 2	Stage 3	Total
	USD'000	USD'000	USD'000	USD'000
Expected loss rate	0%	10%	100%	97%
Gross carrying amount	484	832	47,516	48,832
Loss provision	-	84	47,516	47,600

At 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	USD'000	USD'000	USD'000	USD'000
Expected loss rate	0%	0%	100%	97%
Gross carrying amount	476	1,004	49,065	50,545
Loss provision	-	-	49,065	49,065

Movements in the impairment allowance for trade receivables are as follows:

	2022	2021
	USD'000	USD'000
Balance at 01 January	(49,065)	(20,510)
Increase during the year	(3,849)	(28,555)
Reversal in provision	679	-
Effects of foreign exchange	4,635	-
Impairment loss for the year	1,465	(28,555)
Balance at 31 December	(47,600)	(49,065)

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**16. Prepayments**

	At 31 December 2022	At 31 December 2021
	USD'000	USD'000
Prepayments to vendors <sup>(1)</sup>	3,431	3,639
Prepaid insurance	10	12
Prepaid rent	76	49
<b>Total</b>	<b>3,517</b>	<b>3,700</b>

<sup>1</sup> -These prepayments mostly consist of payments made in advance to Talas Investment Company LLP (2021: Anqing Shuguang Chemical Co.,Ltd and Hebei Chengxin Co., Ltd) for purchase of chemicals.

**17. Cash and cash equivalents**

	At 31 December 2022	At 31 December 2021
	USD'000	USD'000
Cash on hand	-	1
Cash in bank	1,991	1,794
<b>Total</b>	<b>1,991</b>	<b>1,795</b>

As at 31 December, the Company's cash and cash equivalents denominated in original currency are as follows:

	At 31 December 2022	At 31 December 2021
	USD'000	USD'000
MNT	1,700	1,795
USD	291	-
<b>Total</b>	<b>1,991</b>	<b>1,795</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

### 18. Property, plant and equipment

<i>(i) Cost or valuation</i>	Buildings USD'000	Furniture and fixtures USD'000	Plant and equipment USD'000	Other mining assets USD'000	Computers and its accessories USD'000	Total USD'000
At 01 January 2021	17,836	1,313	122,052	53,083	190	194,474
Additions	1,024	80	6,440	454	124	8,122
Rehabilitation cost	-	-	-	1,453	-	1,453
Written-off	-	(56)	(3,970)	(24,274)	(56)	(28,356)
Reclassification	-	-	1,486	(1,486)	-	-
<b>At 31 December 2021</b>	<b>18,860</b>	<b>1,337</b>	<b>126,008</b>	<b>29,230</b>	<b>258</b>	<b>175,693</b>
Additions	78	59	11,160	413	22	11,732
Disposal	-	-	(61)	-	-	(61)
Reclassification to exploration and evaluation assets	-	-	-	(472)	-	(472)
<b>At 31 December 2022</b>	<b>18,938</b>	<b>1,396</b>	<b>137,107</b>	<b>29,171</b>	<b>280</b>	<b>186,892</b>

*Table continued to the next page*



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**18. Property, plant and equipment** *(continued)*

*(ii) Accumulated depreciation and impairment*

	Buildings USD'000	Furniture and fixtures USD'000	Plant and equipment USD'000	Other mining assets USD'000	Computers and its accessories USD'000	Total USD'000
At 1 January 2021	(10,169)	(893)	(65,103)	(50,718)	(86)	(126,969)
Depreciation	(644)	(83)	(9,173)	(355)	(78)	(10,333)
Write-off		49	3,079	24,274	56	27,458
At 31 December 2021	(10,813)	(927)	(71,197)	(26,799)	(108)	(109,844)
Depreciation	(718)	(71)	(11,764)	(954)	(110)	(13,617)
Disposal	-	-	9	-	-	9
At 31 December 2022	(11,531)	(998)	(82,952)	(27,753)	(218)	(123,452)

*(iii) Net book value*

At 1 January 2021	7,667	420	56,949	2,365	104	67,505
At 31 December 2021	8,047	410	54,811	2,431	150	65,849
At 31 December 2022	7,407	398	54,155	1,418	62	63,440

**BOROO GOLD LLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2022 and 2021**

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

---

**18. Property, plant and equipment** *(continued)*

The Company secured its buildings and certain plant and equipment as collaterals to raise finance for its business. As at 31 December 2022, the aggregate carrying value of the assets pledged amount to \$24,612,000 (2021: \$24,714,000). Please see Note 24 - Loans and borrowings for more detailed information on collaterals.

Where an item of property, plant and equipment is being scrapped or no longer in use, and there is no resale market for it, the cost of the item is written off, together with the accumulated depreciation being reversed. Any remaining net book value is charged to the profit and loss statement.

**BOROO GOLD LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

for the years ended 31 December 2022 and 2021

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

**19. Intangible assets**

<i>(i) Cost</i>	Software USD'000	Special licenses USD'000	Other assets USD'000	Total USD'000
At 1 January 2021	4,911	-	-	4,911
Additions	545	633	35	1,213
Written-off	(1,179)	-	-	(1,179)
At 31 December 2021	4,277	633	35	4,945
Additions	27	-	-	27
At 31 December 2022	4,304	633	35	4,972
<i>(ii) Accumulated amortization and impairment</i>				
At 1 January 2021	(4,852)	-	-	(4,852)
Amortization	(131)	(59)	(9)	(199)
Written-off	1,179	-	-	1,179
At 31 December 2021	(3,804)	(59)	(9)	(3,872)
Amortization	(307)	(211)	(17)	(535)
At 31 December 2022	(4,111)	(270)	(26)	(4,407)
<i>(iii) Net book value</i>				
At 1 January 2021	59	-	-	59
At 31 December 2021	473	574	26	1,073
At 31 December 2022	193	363	9	565

Where an item of Intangibles is no longer in use, and there is no resale market for it, the cost of the item is written off, together with the accumulated amortization being reversed. Any remaining net book value is charged to the profit and loss statement.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

## 20. Investments in bond

	At 31 December 2022	At 31 December 2021
	USD'000	USD'000
Debt securities measured at amortized cost <sup>1</sup>	116,537	103,537
Accumulated interest receivables	25,542	12,709
	<u>142,079</u>	<u>116,246</u>
Less: (Credit loss allowance) <sup>2</sup>	(2,153)	(533)
<b>Total investments in bonds measured at amortized cost</b>	<b><u>139,926</u></b>	<b><u>115,713</u></b>

<sup>1</sup>-The Company currently holds 4 bonds which are issued by Boroo Pte Ltd ("BPL"), its indirect parent company:

- On 31 October, 2019, the Company bought bonds amounting to USD 40 million with 8% annual interest and duration of 5 years. The principal payment and accumulated interests are to be repaid at the end of the contract on 31 October 2024.
- On 03 March 2021, the Company entered into bond subscription agreement with Boroo Pte Ltd. Agreement states that the company would buy 10,000 bonds amounting to USD 100 million with 12.5% annual interest and 3-year duration. The principal and interests are to be repaid back at the end of the agreement on 1 June 2024.
- On May 12, 2022, the Company signed an agreement with Boroo Pte Ltd to purchase 800 bonds with an annual interest rate of 10 percent and a price of USD 10,000 per unit. Bond principal and interest payments are due at the end of the bond term on 1 June 2024.
- On September 28, 2022, the Company purchased 500 bonds worth \$10,000 per unit for a total of \$5 million with an annual interest rate of 13.4 percent. Bond principal and interest payments are due at the end of the bond term on 6 October 2024.

<sup>2</sup> The Company's management made an assessment of credit risk over the duration of bonds. This was done by taking into account available relevant information about BPL's past, current and expected operating performance and cash flow positions, and thereafter recognized an allowance for impairment of the investments.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

### 21. Exploration and evaluation assets

	2022	2021
	USD'000	USD'000
<b>Balance at 01 January</b>	<b>1,253</b>	<b>-</b>
Survey expense	249	123
Drilling expense	163	946
Consultation fee	111	81
Amortization	211	59
Other	26	44
<b>Balance at 31 December</b>	<b>2,013</b>	<b>1,253</b>

The Company's exploration assets include the studying of and determination of the remaining reserves of the Boroo deposit, the determination of reserves under the Bor Nuur exploration license and consulting services related to the exploration of the Ulaanbulag deposit, geotechnical drilling and sample analysis, amortization of intangible exploration assets and other exploration and valuation. Expenditures incurred that meet the requirements of IFRS 6 are accrued.

### 22. Trade and other payables

	At 31 December 2022	At 31 December 2021
	USD'000	USD'000
Trade payables	5,984	4,194
Other payables	6	6
Accruals	44	276
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortized cost</b>	<b>6,034</b>	<b>4,476</b>
Other payables - tax and social security payments	455	428
<b>Total trade and other payables</b>	<b>6,489</b>	<b>4,904</b>

The carrying value of trade and other payables classified as financial liabilities measured at amortized cost approximates fair value.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

### 23. Rehabilitation provision

	2022	2021
	USD'000	USD'000
<b>At 01 January</b>	<b>13,586</b>	<b>10,620</b>
Impact of revisions in estimated timing, discount rates and amount of cash flows	85	387
Provision made during the year	-	1,453
Provisions settled	(70)	(136)
Accretion	1,182	1,262
Foreign exchange	(2,449)	-
<b>At 31 December</b>	<b>12,334</b>	<b>13,586</b>
Due within one year or less	131	158
Due after more than one year	12,203	13,428
	<b>12,334</b>	<b>13,586</b>

In accordance with Mongolian laws, the Company is subject to the cost of rehabilitation. Additionally, the Company has commitment to restore certain areas affected by previous mining activities by other parties. Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the amount of costs that will be incurred. The Company estimates the total cost by incorporating the amount of each cost item in the most approximate and optimal way. The Company is constantly rehabilitating the site until it is ready for use, and in the reporting year, it carried out technical and biological rehabilitation to land area covering a total of 43.9 hectares, exceeding the initial plan in the Environmental Management Plan. As a result, a total of 544.8 hectares of land has now been rehabilitated. The rest of the rehabilitation of Boroo deposit is planned to start in 2031, and the Ulaanbulag deposit is planned to start in 2025. These will rehabilitate a total of 370.8 hectares of land, including large structures at the Boroo deposit, and 58 hectares of the Ulaanbulag mine.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**24. Loans and borrowings**

	At 31 December 2022		At 31 December 2021	
	Book value	Fair value	Book value	Fair value
	USD'000	USD'000	USD'000	USD'000
<i>Non-current</i>				
Bank loans				
- Secured	89,621	69,269	85,950	69,846
- Not secured	-	-	-	-
<b>Total non-current loans and borrowings</b>	<b>89,621</b>	<b>69,269</b>	<b>85,950</b>	<b>69,846</b>
<i>Current</i>				
Bank loans				
- Secured	24,390	27,773	35,689	34,008
- Not secured	-	-	1,500	1,500
Accumulated interest payables	3,704	3,704	3,459	3,459
<b>Total current loans and borrowings</b>	<b>28,094</b>	<b>31,477</b>	<b>40,648</b>	<b>38,967</b>
<b>Total loans and borrowings</b>	<b>117,715</b>	<b>100,746</b>	<b>126,598</b>	<b>108,813</b>

The currency profile of the Company's loans and borrowings is as follows:

	Annual interest rate %	31 December 2022 USD'000	31 December 2021 USD'000
USD	12.3%	57,947	57,948
USD	12.0%	6,616	-
USD	9.6%	2,480	4,088
USD	9.3%	505	681
USD	9.0%	-	1,506
USD	8.0%	25,944	28,654
MNT	17.0%	4,114	-
MNT	16.8%	2,904	-
MNT	14.4%	3,264	8,237
MNT	12.0%	587	-
MNT	9.0%	13,354	25,484
<b>Total</b>		<b>117,715</b>	<b>126,598</b>

**BOROO GOLD LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**24. Loans and borrowings (continued)**

*Bank loans*

The note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

		31 December 2022 USD'000	31 December 2021 USD'000
<i>Non-current</i>			
Trade and Development bank	(i)	2,022	2,567
Trade and Development bank	(ii)	13,100	9,171
Trade and Development bank	(iii)	394	504
Trade and Development bank	(iv)	-	351
Trade and Development bank	(v)	11	37
TDB Leasing LLC	(vi)	949	2,476
Trade and Development bank	(vii)	12,193	15,163
TDB Leasing LLC	(ix)	55,000	55,000
TDB Leasing LLC	(xi)	241	483
TDB Leasing LLC	(xii)	95	198
Trade and Development bank	(xiii)	581	-
Trade and Development bank	(xv)	2,778	-
Trade and Development bank	(xvi)	2,257	-
<b>Total non-current loans and borrowings</b>		<b>89,621</b>	<b>85,950</b>
<i>Current</i>			
Trade and Development bank	(i)	80	84
Trade and Development bank	(ii)	12,121	16,050
Trade and Development bank	(iii)	33	40
Trade and Development bank	(iv)	2,903	4,563
Trade and Development bank	(v)	20	21
TDB Leasing LLC	(vi)	1,527	1,605
Trade and Development bank	(vii)	1,742	10,109
Trade and Development bank	(viii)	-	2,958
QSC LLC	(x)	-	1,500
TDB Leasing LLC	(xi)	263	197
TDB Leasing LLC	(xii)	103	62
Trade and Development bank	(xiv)	1,570	-
Trade and Development bank	(xv)	2,222	-
Trade and Development bank	(xvi)	1,806	-
Loan interest payable		3,704	3,459
<b>Total current loans and borrowings</b>		<b>28,094</b>	<b>40,648</b>
<b>Total loans and borrowings</b>		<b>117,715</b>	<b>126,598</b>



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2022 and 2021**

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

---

**24. Loans and borrowings** *(continued)*

*Bank loans (continued)*

- (i) The Company obtained a loan amounting to total of MNT 8,270,000 thousand (USD 3,104 thousand) from the Trade and Development bank under agreement No. ZG/CC190724001 dated July 24, 2019 at an interest rate of 14.4% per annum with a duration of 180 months for purpose of purchasing property designated as an office. The Company pledged a property with state registration no Y-2203036592 as a collateral for this loan.
- (ii) The Company borrowed USD 48,000 thousand from Trade and Development bank under agreement ZG/CC191029002-2 dated 29 October 2019 at an interest of 8% per annum for a period of 60 months and for the purpose of an investment.
- (iii) The Company borrowed MNT 1,715,000 thousand from Trade and Development bank under agreement ZG/CC201124001-8 dated 25 November 2020 at an interest of 14.4% per annum for a period of 180 months and for a purpose of acquiring a property.
- (iv) The Company has received MNT 18,000,000 thousand (USD 6,316 thousand) from Trade and Development bank under agreement No. ZG/CC200807007-7 dated 7 August 2020 at an interest rate of 14.4% per annum for a period of 5 months and amendment was made on 3 February 2021 to the loan and duration was extended to 25 months. Interest rate and Interest period were changed to 16.8% and 34 months respectively by an amendment to the loan agreement dated December 16 2022.
- (v) The Company borrowed MNT 239,000 thousand from Trade and Development bank under agreement ZG9101/200619 dated 19 June 2020 at an interest of 14.4% per annum for a period of 48 months and for the purpose of an investment.
- (vi) The Company borrowed USD 3,112 thousand from TDB Leasing LLC under agreement FLA 129/220 dated 12 June 2020 at an interest of 9.6% per annum for a period of 48 months and used the loan to purchase equipment for the Company's business operations. Also, USD 2,400 thousand from TDB Leasing LLC under agreement FLA 139/220 dated 14 October 2020 at an interest of 9.6% per annum for a period of 48 months and used the loan to purchase equipment for the Company's business operations.
- (vii) The Company borrowed MNT 72,000,000 thousand from Trade and Development bank under agreement ZG CC210506002-9 dated 06 May 2021 at an interest of 9% per annum for a period of 36 months and for a purpose of investment. As per the agreement ZG/SS220908010-10 dated September 8<sup>th</sup>, 2022, the Company entered into Business Line of Credit agreement with Trade and Development Bank of Mongolia LLC for an amount of MNT 48,000,000 thousands at an annual interest rate of 14.4% for a duration of 36 months in order to refinance the loan.
- (viii) The Company borrowed USD 5,000 thousand from Trade and Development bank under agreement ZG CC210520006-10 dated 20 May 2021 at an interest of 8% per annum for a period of 36 months and for a purpose of financing current assets.
- (ix) The Company borrowed USD 55,000 thousand from TDB leasing under agreement FLA146/2021 dated 13 April 2021 at an interest of 12.3% per annum for a period of 33 months and for the purpose of financing operation of gold extraction.
- (x) The Company borrowed USD 2,000 thousand from QSC LLC under agreement QSC21/24-8 dated 09 July 2021 at an interest of 9% per annum for a period of 5 months and for a purpose of financing projects and mineral mining operations.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

---

**24. Loans and borrowings** *(continued)*

*Bank loans (continued)*

- (xi) The Company borrowed USD 680 thousand from TDB Leasing LLC under agreement FLA162/2021 dated 24 November 2021 at an interest of 9.3% per annum for a period of 36 months and for a purpose of acquiring equipment to be used in mines.
- (xii) The Company borrowed USD 260 thousand from Trade and Development bank under agreement ZG/CC211117003-9 dated 17 November 2021 at an interest of 8% per annum for a period of 36 months and for the purpose of acquiring a property.
- (xiii) The Company borrowed MNT 2,000,000 thousand from Trade and Development bank under agreement ZG/CC220304007-10 dated 04 March 2022 at an interest of 12% per annum for a period of 60 months and for a purpose of green borrowing.
- (xiv) The Company borrowed USD 3,000 thousand from Trade and Development bank under agreement ZG/CC220524003-11 dated 24 May 2022 at an interest of 9% per annum for a period of 6 months and for a purpose of investment. Interest rate and Interest period were changed to 12% and 11 months respectively by an amendment to the loan agreement dated December 16 2022.
- (xv) The Company borrowed USD 5,000 thousand from Trade and Development bank under agreement ZG/CC221006007-12 dated 22 October 2022 at an interest of 12% per annum for a period of 24 months and for a purpose of financing current assets.
- (xvi) The Company borrowed MNT 14,000,000 thousand from Trade and Development bank under agreement ZG/CC221005028-11 dated 04 October 2022 at an interest of 17% per annum for a period of 24 months and for the purpose of acquiring a property.

The table below shows information of maturity of loans outstanding as of 31 December, for which all conditions have been met, as follows:

	Floating rate	Fixed rate	Total
	USD'000	USD'000	USD'000
<b>2022</b>			
Expiry within 1 year	-	8,176	8,176
Expiry within 1 and 2 years	-	92,494	92,494
Expiry in more than 2 years	-	17,045	17,045
<b>Total</b>	-	<b>117,715</b>	<b>117,715</b>
<b>2021</b>			
Expiry within 1 year	-	7,917	7,917
Expiry within 1 and 2 years	-	4,914	4,914
Expiry in more than 2 years	-	113,767	113,767
<b>Total</b>	-	<b>126,598</b>	<b>126,598</b>

**BOROO GOLD LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

## 25. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 10% (2021: 10%).

The movement on the deferred tax account is as shown below:

	2022 USD'000	2021 USD'000
<b>Deferred tax assets/liabilities</b>		
<b>Balance at 1 January</b>	<b>(4,879)</b>	<b>(6)</b>
<i>Recognized in profit and loss:</i>		
Carrying forward loss	-	-
Useful life differences of property, plant and equipment	1,953	(3,649)
Unrealized foreign exchange gain/(loss)	120	2
Interest income in bond	(2,467)	(1,226)
<b>Balance at 31 December</b>	<b>(5,273)</b>	<b>(4,879)</b>

Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the management believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

	Asset 2022 USD	Liability 2022 USD	Net 2022 USD	(Charged)/ credited to profit or loss 2022 USD	Charged to equity 2022 USD
Property, plant and equipment	-	1,953	1,953	1,953	-
Unrealized exchange rate difference	-	120	120	120	-
Interest income in bond	-	(2,467)	(2,467)	(2,467)	-
<b>Net tax assets/(liabilities)</b>	<b>-</b>	<b>(394)</b>	<b>(394)</b>	<b>(394)</b>	<b>-</b>
	2021 USD	2021 USD	2021 USD	2021 USD	2021 USD
Carrying forward loss	-	(3,649)	(3,649)	(1,775)	(1,874)
Property, plant and equipment	2	-	2	2	-
Unrealized exchange rate difference	-	(1,226)	(1,226)	(1,226)	-
<b>Net tax assets/(liabilities)</b>	<b>2</b>	<b>(4,875)</b>	<b>(4,873)</b>	<b>(2,999)</b>	<b>(1,874)</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

---

**26. Share capital**

	2022	Issued and fully paid		2021
		2022	2021	
	Share Number	Share capital USD'000	Share Number	Share capital USD'000
<i>Ordinary shares</i>				
At 1 January	3,000,000	3,000	3,000,000	3,000
Issued during the year	-	-	-	-
At 31 December	<u>3,000,000</u>	<u>3,000</u>	<u>3,000,000</u>	<u>3,000</u>

The Company's share capital as at 31 December 2022 comprises of 3,000,000 ordinary shares with par value of USD 1 each. (2021: 3,000,000 ordinary shares with par value of USD 1 each). Company's shares are 100% (fully) owned by Centerra Netherlands, BVBA, an entity registered in Belgium.

**27. Related party transactions**
*Identifying related parties*

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') (IAS 24.9).

The list of the Company's related parties is shown below:

Name of related parties	Affiliation	Relationship	Type of main transactions
Boroo Pte Ltd	Singapore	Indirect parent	Purchase of bonds
Centerra Netherlands, BVBA	Belgium	Shareholder	Dividend
Centerra Gold Mongolia LLC	Mongolia	Affiliate under same control	Intercompany transaction
Dulguun.E	Mongolia	Chairman of the BOD	Salaries, bonus
Yap Keng Hong	Singapore	Member of the BOD	No transaction
Sukhbat.S	Mongolia	Member of the BOD, Chairman of the Audit Committee	Salaries and bonus
Tserenbadam.D	Mongolia	Chief executive officer	Salaries and bonus

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

### 27. Related party transactions *(continued)*

#### Transactions with related parties

There were no transactions with the shareholder in the reporting period. The transactions with other related parties for the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
	USD'000	USD'000
Intercompany transactions with fellow company	1,433	28,092
Bonds purchased from indirect parent	13,000	86,787
Bond repayment from indirect parent	11	20,300
Interest receivables from indirect parent	12,844	9,204
Sale of fuel - Centerra Gold Mongolia LLC	17	16
Purchase of supplies - Centerra Gold Mongolia LLC	9	56
Purchase of property, plant and equipment - Centerra Gold Mongolia LLC	-	192

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

	2022		2021	
	Expenses	Liabilities	Expenses	Liabilities
	USD'000	USD'000	USD'000	USD'000
- Salaries	158	-	185	-
- Social security contribution (employer)	26	-	36	-
- Bonuses	18	-	33	-
	<u>202</u>	<u>-</u>	<u>254</u>	<u>-</u>

#### Outstanding balance of transactions with related parties

	31 December 2022	31 December 2021
	USD'000	USD'000
<i>Receivables from related parties</i>		
Centerra Gold Mongolia LLC	47,516	48,387
Boroo Pte Ltd	142,079	116,246
Tserenbadam.D	16	12
Dulguun.E	844	1,014
	<u>190,455</u>	<u>165,659</u>

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**28. Events after the reporting period***Amendments of bond subscription agreements with Boroo Pte. Ltd. ("BPL"), the Company's indirect parent company*

On 20 September 2023, BPL revised its callable bond issued on 28 September 2022, from 500 bonds to 630 bonds, each denominated at US\$1,000 via amendment of its bond subscription agreement with the Company. The amendment increased the principal amount outstanding from initial amount of US\$5,000,000 to US\$6,300,000 with interest rate unchanged at 13.4% per annum. On 21 December 2023, BPL amended the maturity date of this bond subscription agreement from its initial due date of 6 October 2024 to 31 Dec 2025 with all other terms unchanged. The principal amount outstanding from this bond is US\$6,300,000.

On 7 December 2023, BPL revised its callable bond issued on 12 May 2022 from 800 bonds to 950 bonds, each denominated at US\$1,000 via amendment of its bond subscription agreement with the Company. The maturity period was extended from 31 October 2024 to 31 Dec 2025 with all other terms remain unchanged. The principal amount outstanding from this bond is US\$9,500,000.

On 21 December 2023, BPL amended the maturity date of its bond subscription agreement with the Company (initially issued on 31 October 2019 for US\$40,000,000) from its initial due date of 31 October 2024 to 31 Dec 2025 with all other terms remain unchanged. The principal amount outstanding from this bond is US\$16,750,000.

On 21 December 2023, BPL amended the maturity date of its bond subscription agreement with the Company (last amended on 1 September 2021 for US\$86,787,000) from its initial due date of 1 June 2024 to 31 Dec 2025 with all other terms remain unchanged. The principal amount outstanding from this bond is US\$86,787,000.

*Dividends to parent company*

On 20 December 2023, the Company declared dividend of US\$30,000,000 to Centerra Netherlands BV, its immediate parent company.

Other than the above, the Management is not aware of any other events that occurred after the end of the reporting period until the date the financial statements were approved for release, which would have any impact on these financial statements.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

## 29. Notes supporting the cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	At 31 December 2022	At 31 December 2021
	USD'000	USD'000
Cash at bank available on demand (Note 17)	1,991	1,794
Cash on hand	-	1
<b>Total cash and cash equivalents</b>	<b>1,991</b>	<b>1,795</b>

Significant non-cash transactions from investing activities are as follows:

	At 31 December 2022	At 31 December 2021
	USD'000	USD'000
Purchase of property, which has not paid yet	4,176	680
<b>Purchase of property, which has not paid yet</b>	<b>4,176</b>	<b>680</b>

	2022	2021
	USD'000	USD'000
<b>Balance at 01 January</b>	<b>115,713</b>	<b>40,238</b>
Investment acquired	13,000	32,200
Investment in debt	-	54,587
Investments paid back	-	(20,300)
Interest income	12,844	9,204
Withholding tax	-	(920)
Impairment loss	(1,620)	(533)
Trade and other payables	(11)	11
Deferred tax	-	1,226
<b>Balance at 31 December</b>	<b>139,926</b>	<b>115,713</b>

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

**29. Notes supporting statement of cash flows (continued)**

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions overleaf:

	2022	2021
	USD'000	USD'000
<b>Balance at 01 January</b>	<b>126,598</b>	<b>72,463</b>
Proceeds from loans	8,678	32,810
Repayment of loans	(17,874)	(35,428)
Payment of loan interests	(12,201)	(10,043)
Accumulated interest in the reporting period	12,452	11,379
Asset acquired through financial lease	4,176	680
Investment in bonds	-	54,587
Deposit payment	-	138
Effect of change in foreign currency exchange rate	(4,114)	12
<b>Balance at 31 December</b>	<b>117,715</b>	<b>126,598</b>



## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

### 30. Significant accounting policies

#### *Revenue*

##### *Performance obligations and timing of revenue recognition*

The majority of the Company's revenue is derived from selling goods with revenue recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

##### *Determining the transaction price*

The Company's revenue is determined by the price of gold of each sale and through the commercial bank and it varies depending on the current rate of gold at that time. The buyer does not have any right of return and does not include any variable fees that would change the contract price.

#### *Foreign currency*

Transactions entered into by Company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

Exchange gains and losses arising on the retranslation of monetary financial assets that are available for sale are treated as a separate component of the change in fair value and recognized in profit or loss. Exchange gains and losses on non-monetary OCI financial assets form part of the overall gain or loss in OCI recognized in respect of that financial instrument.

Non-monetary assets and liabilities denominated in foreign currencies are presented at historical cost and translated into MNT at the official rates ruling at the transaction dates.

The foreign exchange rates used by the Company during the year as follows:

Currency	Average rate		Closing rate	
	2022	2021	At 31 December 2022	At 31 December 2021
MNT/USD	3,140.72	2,849.29	3,444.60	2,848.80

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (continued)***Financial assets*

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

*Fair value through profit or loss*

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

*Amortized cost*

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for receivables from related parties and loans to related parties are recognized based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognized. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

The Company's financial assets carried at amortized cost comprise investment in bond, trade and other receivables and cash and cash equivalents in the statement of financial position.

**BOROO GOLD LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2022 and 2021**

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

---

**30. Significant accounting policies (continued)**

*Financial assets (continued)*

Dividends are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount. The Company has debt securities whose objective is achieved by both holding these securities in order to collect contractual cash flows and having the intention to sell the debt securities before maturity. The contractual terms of the debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the fair value through other comprehensive income reserve.

*Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

*Fair value through profit or loss*

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value). They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (continued)***Financial liabilities (continued)**Fair value through profit or loss (continued)*

Other than these derivative financial instruments, the Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

*Other financial liabilities*

Other financial liabilities include the following items:

- Bank borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

*Share capital*

The ordinary shares have a par value of USD 1 each. Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

*Borrowing costs*

Borrowing costs are capitalized, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs not directly attributable to a qualifying asset are expensed in the Statement of Profit or Loss and Comprehensive Income in the period in which they are incurred.

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalization rate to the expenditure on that asset.

Capitalization should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (continued)**

*Externally acquired intangible assets*

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives.

The significant intangibles recognized by the Company, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Depreciation method
Software	2 years	Straight-line method
Special licenses	Duration of the license	Straight-line method

*Dividend*

Dividends are recognized when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the board of directors. In the case of final dividends, this is when approved by the shareholders at the Annual and/or Extraordinary General Meeting.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (*continued*)***Income taxes*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. Deferred tax asset is reviewed at each reporting period and related tax benefit is realized. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company:

- Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

---

### 30. Significant accounting policies (*continued*)

#### *Property, plant and equipment*

Items of property, plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognized in profit or loss

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Property, plant and equipment	Useful life
Furniture, fixture and other assets	10 years
Computer and its accessories	2 years

Depreciation of mine facilities, equipment and other mine assets is calculated on a production- unit basis. Production unit depreciation is calculated based on the unit output and the amount of reserve identified.

At the date of revaluation, the accumulated depreciation on the revalued property, plant and equipment is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on the revalued asset, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when revalued assets are expensed through the statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

**BOROO GOLD LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the years ended 31 December 2022 and 2021**

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

---

**30. Significant accounting policies (*continued*)**

*Inventories*

Inventories include ore stockpiles, gold in circuit, finished goods (doré bars including gold and silver) and supplies inventory. Ore stockpiles, heap leach ore or finished goods inventory are measured by external consultants and are valued at the lower of production costs or net realizable value based on estimated metal content.

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

*Government grants*

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the statement of comprehensive income or netted against the asset purchased.

*Provision*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (continued)***Impairment - Financial assets (including receivables)*

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Bank of Mongolia or the authorized commercial banks buys all the Company's gold and silver production and payment is received within one business day.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (continued)***Impairment - Financial assets (including receivables) (continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- An actual or expected significant deterioration in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default.
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies** *(continued)**Impairment - Financial assets (including receivables) (continued)*

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

*(iv) Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (continued)*****Impairment - Financial assets (including receivables) (continued)***

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

***Impairment - Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (continued)***Impairment - Non-financial assets (continued)*

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

*Exploration and Evaluation (E&E) expenditure*

E&E activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. E&E activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies.

The Company applies the area of interest method when accounting for E&E costs. Licence costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, E&E expenditure is charged to profit or loss as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies** (*continued*)*Exploration and Evaluation (E&E) expenditure*(*continued*)*Impairment of E&E Assets*

The Company carries out a detailed impairment test in two circumstances:

- when the technical feasibility and commercial viability of extracting a mineral resource become demonstrable, at which point the asset falls outside the scope of IFRS 6 and is reclassified in the financial statements; and
- when facts and circumstances suggest that the asset's carrying amount may exceed its recoverable amount.

Examples of "facts and circumstances" that may indicate that impairment testing is required include, but not limited to:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

*Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

*Earnings per share*

The Company presents basic and diluted profit or loss per share data for its ordinary shares, calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of common shares outstanding for the effects of all warrants, options and restricted share units outstanding that may add to the total number of ordinary shares.

## BOROO GOLD LLC

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended 31 December 2022 and 2021

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

---

**30. Significant accounting policies (continued)***Mining properties*

## (a) Mines under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a sub-category of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mines under construction'.

IAS 16 Property, Plant and Equipment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Accordingly, the sale of ore extracted during the development phase, together with related costs, are recognized in profit and loss and other comprehensive income. Any costs incurred in testing the assets to determine if they are functioning as intended are capitalized. After production starts, all assets included in 'Mines under construction' are then transferred to Property, Plant and Equipment sub-category of 'Mine properties'.

## (b) Mine properties and property, plant and equipment

## (i) Initial recognition

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" under "Other mining assets". Such assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

## (ii) Depreciation/amortization

Accumulated mine development costs are depreciated/amortized on a Unit of Production (UOP) basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The unit of account for run-of-mine (ROM) costs is tonnes of ore, whereas the unit of account for post-ROM costs is recoverable ounces of gold. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortization of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves.

## BOROO GOLD LLC

**NOTES TO THE FINANCIAL STATEMENTS**  
for the years ended 31 December 2022 and 2021

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

---

**31. Fair value measurement**

The following table sets out the valuation techniques used in the determination of fair values within level 3 including the key unobservable inputs used and the relationship between unobservable inputs to fair value IFRS 13.93(d)(h)(i)(ii).

Item and valuation approach	Key observable inputs	Relationship between unobservable inputs to fair value
<p><b>Building and production equipment, machines, vehicles, and furniture and fixtures -Cost and income approach</b></p> <p><i>Cost approach method:</i> Determines the amount of net asset.</p> <p><i>Income approach method:</i> The present value is determined by estimating future net cash flows based on assumptions about the economy, business environment, risk, and other factors.</p>	<p>Cost approach- Reimbursement costs for the creation and maintenance of assets</p> <p>Income approach- The present value of an entity's operations is estimated and depends largely on its future income and efficiency</p>	<p>The fact that most brands of mining equipment are manufactured in China is likely to affect the volatility of asset values, as well as asset efficiency assumptions, amortization estimates, and present value of cash flows.</p>



**SCHEDULE F  
MANDATE OF THE BOARD OF DIRECTORS**

**[See attached]**

## **BOARD OF DIRECTORS MANDATE**

---

The Board of Directors (the “**Board**”) of Steppe Gold Ltd. (the “**Company**”) is responsible for the stewardship of the business and affairs of the Company. The Board seeks to discharge this responsibility by reviewing, discussing and approving the Company’s strategic plans, annual budgets and significant decisions and transactions as well as by overseeing the senior officers of the Company in their management of its day-to- day business and affairs. The Board’s primary role is to oversee corporate performance and assure itself of the quality, integrity, depth and continuity of management so that the Company is able to successfully execute its strategic plans and complete its corporate objectives. The composition, responsibilities, and authority of the Board are set out in this Mandate.

This Mandate and the Articles of the Company and such other procedures, not inconsistent therewith, as the Board may adopt from time to time, shall govern the meetings and procedures of the Board.

### **1. Composition**

- 1.1 The directors of the Company (“**Directors**”) should have a mix of competencies and skills necessary to enable the Board and Board committees to properly discharge their responsibilities.
- 1.2 The Nominating and Corporate Governance Committee will annually (and more frequently, if appropriate) recommend candidates to the Board for election or appointment as Directors, taking into account the Board’s conclusions with respect to the appropriate size and composition of the Board and Board committees, the competencies and skills required to enable the Board and Board Committees to properly discharge their responsibilities, and the competencies and skills of the current Board.
- 1.3 The Board approves the final choice of candidates.
- 1.4 The shareholders of the Company elect the Directors annually.
- 1.5 The Board has determined that a majority of the Directors will be “independent” as defined by applicable Canadian laws and regulations as well as the rules of relevant stock exchanges, all as set out in the Company’s Director Independence Policy.
- 1.6 The Board will appoint a Chair from among its members. If the Chair is not independent, the Board will designate one of the independent Directors as the Lead Director to facilitate the functioning of the Board independently of management of the Company. The Chair and, if appointed, the Lead Director, shall hold office at the pleasure of the Board until successors have been duly appointed or until the Chair or Lead Director, as applicable, resign, or are otherwise removed from office by the Board.
- 1.7 The Corporate Secretary of the Company, or the individual designated as fulfilling the function of Secretary of the Company, will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Board. In the absence of the Corporate Secretary at any meeting, the Board will appoint another person who may, but need not, be a Member to be the secretary of that meeting.

### **2. Responsibilities**

- 2.1 The Board is responsible for supervising the management of and setting strategic direction for the business and affairs of the Company and its subsidiary entities (the “**Group**”).
- 2.2 In discharging their responsibilities, the Directors owe the following fiduciary duties to the Company:
  - (a) *a duty of loyalty*: they must act honestly and in good faith with a view to the best interests of the Company; and
  - (b) *a duty of care*: they must exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.
- 2.3 In discharging their responsibilities, the Directors are entitled to rely on the honesty and integrity of the senior officers of the Company and the independent auditors and other professional advisers of the Company, subject to the Directors’ duty of care.
- 2.4 In discharging their responsibilities, the Directors are also entitled to directors’ and officers’ liability insurance purchased by the Company and indemnification from the Company to the fullest extent permitted by law and the constating documents of the Company.
- 2.5 The Board has specifically recognized its responsibilities for:

- (a) hiring a Chief Executive Officer (the “CEO”) and other senior officers who it believes will act with integrity and create a culture of ethical business conduct throughout the Group;
- (b) adopting a strategic planning process and approving annually (or more frequently if appropriate) a strategic plan which takes into account, among other things, the opportunities and risks of the business of the Company;
- (c) overseeing the identification of the principal risks of the business of the Company and overseeing the implementation of appropriate systems to manage these risks;
- (d) overseeing the integrity of the internal control and management information systems of the Company;
- (e) succession planning, including (with assistance from the CEO) appointing, training, monitoring and replacing the senior officers of the Company;
- (f) ensuring that the Company operates at all times within applicable laws and regulations and to the highest ethical standards;
- (g) approving and monitoring compliance with significant policies and procedures by which the Company is operated;
- (h) developing strong corporate governance policies and procedures for the Company;
- (i) ensuring the Company has in place a disclosure policy to enable the Company to communicate effectively with its shareholders, other stakeholders and the public generally and receive shareholder feedback;
- (j) ensuring that the Company’s financial results are reported fairly and in accordance with generally accepted accounting standards; and
- (k) ensuring the timely reporting of any other developments that have a significant and material impact on the value of the Company.

2.6 It is expected that each director must be able to devote sufficient time to discharge their responsibilities effectively. In order to facilitate this, the Board has adopted a policy limiting the number of boards considered appropriate for directors, having regard to whether they are independent directors or members of management. Specifically, in the case of the CEO, he shall not sit on more than two outside public company boards in addition to that of the Company, and in the case of a non-management director, he shall not sit on more than five outside public company boards in addition to that of the Company.

2.7 Directors are expected to attend Board meetings, meetings of Board committees of which they are members and, where practicable, the annual meeting of the shareholders of the Company. Directors are also expected to spend the time needed, and to meet as frequently as necessary, to discharge their responsibilities.

2.8 Directors are expected to comply with the Code of Business Conduct and Ethics of the Company and any related policies or codes duly approved dealing with business conduct and ethics.

### **3. Authority**

3.1 The Board is authorized to carry out its responsibilities as set out in this Mandate.

3.2 The Board is authorized to retain, and to set and pay the compensation of independent legal counsel and other advisers if it considers this appropriate.

3.3 The Board is authorized to invite officers and employees of the Company and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings, if it considers this appropriate.

3.4 The Directors will have unrestricted access to the officers and employees of the Company. The Directors will use their judgment to ensure that any such contact is not disruptive to the operations of the Company and will, to the extent appropriate, advise the Chief Executive Officer of the Company of any direct communications between them and the officers and employees of the Company.

3.5 The Board and the Directors have unrestricted access to the advice and services of the Corporate Secretary

and outside auditors and legal counsel.

- 3.6 The Board may delegate certain of its functions to Board committees, each of which may have its own charter or mandate. The following committees are currently constituted and are authorized to carry out the duties set out in their respective charters or mandates:

<u>Board Committee</u>	<u>Charter or Mandate</u>
Audit Committee	Audit Committee Charter
Compensation Committee	Compensation Committee Charter
Nominating and Corporate Governance Committee	Nominating and Corporate Governance Committee Charter

**4. Delegation to Management**

- 4.1 To assist the Directors in discharging their responsibilities, the Board expects management of the Company to:

- (a) review and update annually (or more frequently if appropriate) the Company’s strategic plan, and report regularly to the Board on the implementation of the strategic plan in light of evolving conditions;
- (b) prepare and present to the Board annually (or more frequently if appropriate) a business plan and budget, and report regularly to the Board on the Company’s performance against the business plan and budget;
- (c) report regularly to the Board on the Company’s business and affairs and on any matters of material consequence for the Company and its shareholders;
- (d) speak for the Company in its communications with shareholders and the public in accordance with the Company’s Disclosure Policy;
- (e) comply with any additional expectations that are developed and communicated during the annual strategic planning and budgeting process and during regular Board and Board committee meetings; and
- (f) consult the Board with respect to all matters which by law require Board approval and, specifically, as to those matters set out in any delegation of authority policy or other similar directive.

- 4.2 The Board expects the Chief Executive Officer to fulfill the mandate, duties and responsibilities as set out in the Chief Executive Officer Mandate.

**5. Meetings and Proceedings**

- 5.1 Board meetings and proceedings shall be carried out in accordance with the Company’s By-Law Number 1.
- 5.2 The Secretary or his delegate shall keep minutes of all meetings of the Board, including all resolutions passed by the Board. Minutes of meetings shall be distributed to the Directors after preliminary approval thereof by the Chair.
- 5.3 An individual who is not a Director may be invited to attend a meeting of the Board for all or part of the meeting.
- 5.4 The independent Directors shall meet regularly alone to facilitate full communication.

**6. Self-Assessment**

- 6.1 The Board shall, together with the Nominating and Corporate Governance Committee, at least annually, assess the Board’s effectiveness with a view to ensuring that the performance of the Board accords with best practices.
- 6.2 The Board shall annually review this Mandate and update it as required.

## 7. Responsibilities of Chair

- 7.1 The Chair shall provide leadership to the Board to enhance the Board's effectiveness, including:
- (a) ensuring that the responsibilities of the Board are well understood by both management and the Board and acting as a liaison between the Board and management to ensure that relationships between the Board and management are conducted in a professional and constructive manner;
  - (b) ensuring that the Board works as a cohesive team with open communication;
  - (c) ensuring that the resources available to the Board (in particular, timely and relevant information) are adequate to support its work;
  - (d) together with the Nominating and Corporate Governance Committee, ensuring that a process is in place by which the effectiveness of the Board and its committees (including size and composition) is assessed at least annually; and
  - (e) together with the Nominating and Corporate Governance Committee, ensuring that a process is in place by which the contribution of individual directors to the effectiveness of the Board is assessed at least annually.
- 7.2 The Chair is responsible for managing the Board, including:
- (a) preparing the agenda of the Board meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
  - (b) chairing all meetings of the Board in a manner that promotes meaningful discussion;
  - (c) adopting procedures to ensure that the Board can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
  - (d) ensuring meetings are appropriate in terms of frequency, length and content;
  - (e) ensuring that, where functions are delegated to appropriate committees, the functions are carried out and results are reported to the Board; and
  - (f) working with the Nominating and Corporate Governance Committee in approaching potential candidates once potential candidates are identified, to explore their interest in joining the board.
  - (g) fulfills the mandate and responsibilities as set out in the position description for the Chairman of the Board.
- 7.3 The Chair is responsible for chairing the meeting of shareholders of the Company, or delegating such duty to an appropriate member of the Board or Management.
- 7.4 The Chair is responsible for liaising with and, where appropriate, providing direction to the activities of the Corporate Secretary.
- 7.5 At the request of the Board, the Chair shall represent the Company to external groups such as shareholders and other stakeholders, including community groups and governments.
- 7.6 The Chair may delegate or share, where appropriate, certain of the above responsibilities with any independent committee of the Board.

Last approved: October 2, 2017

Approved by: Board of Directors

**SCHEDULE G**  
**PRO FORMA FINANCIAL STATEMENTS OF THE COMBINED COMPANY**

**[See attached]**

**Steppe Gold Ltd.**  
**Pro-Forma Consolidated Financial Statements**  
(unaudited)

As at December 31, 2023

# Steppe Gold Ltd.

## Pro-Forma Consolidated Statement of Financial Position

(Unaudited)

As at December 31, 2023 United States dollars (000's)	Steppe Gold \$	Boroo Gold \$	Pro-forma Adjust- ments \$	Notes	Pro-forma Consolidated \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	6,006	14,903	(1,500)	3(b)	19,409
Receivables and other assets	2,488	1,922	4,229	3(a)	8,639
Inventories	32,273	20,872	-		53,145
Prepays and deposits	-	2,959	-		2,959
Assets classified as held for sale	13,195	-	(13,195)	3(a)	-
<b>Total current assets</b>	<b>53,962</b>	<b>40,656</b>	<b>(10,466)</b>		<b>84,152</b>
<b>Long-term assets</b>					
Receivables and other assets	-	-	3,701	3(a)	3,701
Exploration and evaluation assets	1,581	2,198	-		3,779
Property, plant and equipment	40,999	67,105	17,536	2	88,236
			(37,404)	3(c)	
Intangible assets	-	591	-		591
Investments in bond	-	156,442	-		156,442
Long-term investments	324	294	-		618
<b>Total assets</b>	<b>96,866</b>	<b>267,286</b>	<b>(26,633)</b>		<b>337,519</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and other liabilities	9,759	32,636	-		42,395
Current portion of streaming arrangement	9,343	-	-		9,343
Current portion of lease liability	204	-	-		204
Current tax liability	1,230	11,358	-		12,588
Convertible debentures – derivative	63	-	-		63
Convertible debentures – loan liability	2,863	-	-		2,863
Current portion of loans payable	2,857	82,603	-		85,460
Liabilities directly associated with assets classified as held for sale	959	-	(959)	3(a)	-
<b>Total current liabilities</b>	<b>27,278</b>	<b>126,597</b>	<b>(959)</b>		<b>152,916</b>
<b>Long-term liabilities</b>					
Long-term portion of streaming arrangement	11,047	-	-		11,047
Asset retirement obligation	2,022	12,002	-		14,024
Lease liability	368	-	-		368
Long-term loan	9,575	2,815	-		12,390
Deferred tax (asset) liability	(1,425)	10,336	(5,102)	3(d)	3,809
<b>Total liabilities</b>	<b>48,865</b>	<b>151,750</b>	<b>(6,061)</b>		<b>194,554</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	79,551	3,000	(79,551)	2	60,172
			57,172	2	
Contributed surplus	23,061	-	(23,061)	2	-
Revaluation surplus	-	28,053	(28,053)	3(c)	-
Accumulated other comprehensive loss	(15,727)	-	15,727	2	-
Deficit	(38,296)	84,483	38,296	2	83,381
			(1,102)	3(b)	
<b>Total equity attributable to owners</b>	<b>48,589</b>	<b>115,536</b>	<b>(20,572)</b>		<b>143,553</b>
Non-controlling interest	(588)	-	-		(588)
<b>Total shareholders' equity</b>	<b>48,001</b>	<b>115,536</b>	<b>(20,572)</b>		<b>142,965</b>
<b>Total liabilities and shareholders' equity</b>	<b>96,866</b>	<b>267,286</b>	<b>(26,633)</b>		<b>337,519</b>

The accompanying notes are an integral part of the pro-forma consolidated financial statements



**Steppe Gold Ltd.****Pro-Forma Consolidated Statement of Income**

(Unaudited)

For the year ended December 31, 2023					
United States dollars (000's), except per share amounts	Steppe Gold	Boroo Gold	Pro-forma Adjustments	Notes	Pro-forma Consolidated
	\$	\$	\$		\$
<b>Revenue</b>	54,239	132,055	-		<b>186,294</b>
Cost of sales	(24,833)	(55,347)	(941)	3(e)	<b>(81,121)</b>
Gross profit	29,406	76,708	(941)		<b>105,173</b>
Exploration and evaluation expenditures	(1,062)	-			<b>(1,062)</b>
Corporate administration	(12,161)	(9,803)	(1,500)	3(f)	<b>(23,464)</b>
Other gains (losses)	-	(3,559)	-		<b>(3,559)</b>
Operating profit	16,183	63,346	(2,441)		<b>77,088</b>
Finance (costs) income	(4,890)	4,707	-		<b>(183)</b>
Other income (expense), net	-	(520)	-		<b>(520)</b>
Foreign exchange gain (loss)	172	-	-		<b>172</b>
Net profit before tax	11,465	67,533	(2,441)		<b>76,557</b>
Income tax	(2,129)	(15,917)	647	3(g)	<b>(17,399)</b>
Net profit after tax from continuing operations	9,336	51,616	(1,794)		<b>59,158</b>
<b>Discontinued operations</b>					
Loss for the year from discontinued operations	(537)	-	-		<b>(537)</b>
<b>Profit for the year</b>	<b>8,799</b>	<b>51,616</b>	<b>(1,794)</b>		<b>58,621</b>
Net income attributable to shareholders	8,894	51,616	(1,794)		<b>58,716</b>
Net loss attributable to con-controlling interest	(95)	-	-		<b>(95)</b>
	<b>8,799</b>	<b>51,616</b>	<b>(1,794)</b>		<b>58,621</b>
Basic profit per share	0.10	17.22			<b>0.25</b>
Diluted profit per share	0.09	17.22			<b>0.25</b>
Weighted average shares outstanding – basic	90,169,387	3,000,000		5	<b>233,965,961</b>
Weighted average shares outstanding - diluted	94,581,151	3,000,000		5	<b>238,377,725</b>

*The accompanying notes are an integral part of the pro-forma consolidated financial statements.*

# Steppe Gold Ltd.

## Notes to the Pro-Forma Consolidated Financial Statements

(Unaudited)

---

### 1. Basis of presentation

The accompanying unaudited pro-forma consolidated financial statements of Steppe Gold Inc. (the "**Company**" or "**Steppe Gold**") have been prepared by management of Steppe Gold from information derived from the consolidated financial statements of Steppe Gold and the consolidated financial statements of Boroo Gold LLC. ("**Boroo Gold**"), together with other information available to the Company. The unaudited pro-forma financial statements have been prepared for inclusion in an Information Circular dated May 8, 2024.

On April 11, 2024, Steppe Gold entered into a share exchange agreement (the "**Share Exchange Agreement**") pursuant to which Steppe Gold will acquire 100% of the issued and outstanding common shares of Boroo Gold from an indirect, wholly owned subsidiary of Boroo Pte Ltd. ("**Boroo Singapore**") in an all-share transaction (the "**Acquisition**"). Pursuant to the Share Exchange agreement, Steppe Gold will issue consideration consisting of that number of common shares that results in Boroo Singapore, directly or indirectly, holding 55.9% of the issued and outstanding common shares of Steppe Gold (calculated on a fully diluted basis) upon completion of the Acquisition. Based on the number of Steppe Gold common shares outstanding on May 8, 2024 of 113,442,378 (calculated on a fully diluted basis), the Acquisition will result in the issuance of 143,796,574 common shares in Steppe Gold.

The Transaction is subject to customary closing conditions, including receipt of approval by Steppe Gold's shareholders and certain regulatory approvals, including the approvals of the Toronto Stock Exchange and applicable Mongolian authorities. Additionally, it is a condition of the Acquisition that Steppe Gold also sell the Tres Cruces Oxide Project to Boroo Singapore (the "**Tres Cruces Transaction**") and collectively with the Acquisition, the "**Transaction**") (see note 3(a)).

The unaudited pro-forma consolidated statements have been prepared from information derived from, and should be read in conjunction with, the following historical financial statements:

- a) The audited consolidated financial statements of Steppe Gold for the year ended December 31, 2023; and
- b) The audited consolidated financial statements of Boroo Gold for the year ended December 31, 2023.

The Transaction will be considered a business combination in accordance with IFRS Reporting Standard 3 – "Business Combinations" ("**IFRS 3**") using the acquisition method under IFRS 3. The closing of the Transaction will result in Boroo Singapore acquiring control of Steppe Gold as it will control 55.9% of the issued and outstanding common shares of Steppe Gold (calculated on a fully diluted basis). Therefore, the transaction will be accounted for as a reverse take-over ("**RTO**") transaction and treated as an acquisition of Steppe Gold by Boroo Gold for financial reporting purposes. Under this basis of accounting, the consolidated entity is considered to be a continuation of Boroo Gold, with the net identifiable assets of Steppe Gold deemed to be acquired by Boroo Gold.

The unaudited pro-forma consolidated statements of financial position give effect to the Transaction as if it had occurred on December 31, 2023. The unaudited pro-forma consolidated statements of income give effect to the Transaction as if it had occurred on January 1, 2023 for the year ended December 31, 2023.

# Steppe Gold Inc.

## Notes to the Pro-Forma Consolidated Financial Statements

(Unaudited)

The unaudited pro-forma consolidated financial statements were prepared for illustration purposes only applying pro-forma adjustments to the historical consolidated financial statements of Steppe Gold and Boroo Gold. The pro-forma information is not necessarily indicative of the results that would have actually occurred if the Transaction had taken place on the dates indicated or of the results which may be obtained for any future period or as of any future date.

The accounting policies used in the preparation of these unaudited pro-forma consolidated financial statements are those set out in Steppe Gold's audited consolidated financial statements for the year ended December 31, 2023. Certain figures of Boroo Gold in the pro-forma consolidated financial statements have been reclassified to conform to the Steppe Gold financial statement presentation. This includes the reclassification of the current portion of Boroo Gold's asset retirement obligation of \$0.1 million within accounts payable and other liabilities.

### 2. Pro-forma purchase allocation

Pursuant to the determination that Boroo Gold is the accounting acquirer of Steppe Gold, Boroo Gold is deemed for accounting purposes to have issued 113,442,378 common shares to acquire 100% of the issued and outstanding common shares of Steppe Gold.

The preliminary allocation of the purchase price for the purposes of these unaudited pro-forma consolidated financial statements is summarized in the table below:

Total consideration	Amount USD (\$000's)
113,442,378 common shares of Steppe Gold	<b>57,172</b>
<b>Allocation of purchase price</b>	
Cash	6,006
Receivables and other assets	10,418
Inventories	32,273
Exploration and evaluation assets	1,581
Property, plant and equipment	58,535
Long term investments	324
Accounts payable and accrued liabilities	(9,759)
Streaming arrangement liability	(20,390)
Lease liabilities	(572)
Current tax liability	(1,230)
Convertible debentures – derivative	(63)
Convertible debentures – loan liability	(2,863)
Loans payable	(12,432)
Asset retirement obligation	(2,022)
Deferred tax liability	(3,222)
Non-controlling interest	588
<b>Net assets acquired</b>	<b>57,172</b>

# Steppe Gold Ltd.

## Notes to the Pro-Forma Consolidated Financial Statements

(Unaudited)

---

The purchase price consideration will be based on the closing trading price of Steppe Gold common shares on the Toronto Stock Exchange on the date of closing of the Transaction. For the purposes of these pro-forma consolidated financial statements, the purchase price consideration is based on the closing share price of Steppe Gold on April 11, 2024 of CAD \$0.69. As at April 11, 2024, the fair value of Steppe Gold's common shares was estimated to be USD \$57.2 million utilizing a value of CAD \$0.69 per share and a foreign exchange rate of 0.7304.

For the purposes of these unaudited pro-forma consolidated financial statement, the Company has allocated the consideration estimating the fair value of the non-mining interest net assets to be equal to their carrying value. The balance of the consideration has been estimated to be the fair value of the acquired mining interests included within property, plant and equipment, resulting in a USD \$17.5 million pro-forma adjustment. A deferred tax liability pro-forma adjustment of USD \$4.6 million related to temporary differences on the purchase price allocation was also recognized as a result of the fair value adjustment to property, plant and equipment.

Other adjustments made to Steppe Gold's carrying values in the purchase price allocation included the elimination of Steppe Gold's shareholder's equity balances and the addition to share capital of USD \$57.2 million, representing the deemed consideration in the RTO Transaction.

The Company will complete a full and detailed valuation of the fair value of the net assets of Steppe Gold with the assistance of a third party. Therefore, it is likely that the purchase price and fair value of the assets to be acquired and liabilities assumed will vary from those shown above and the differences may be material. The allocation of the purchase price is based on management's preliminary estimates and certain assumptions with respect to the fair value of the associated assets to be acquired and liabilities to be assumed. The actual fair value of the assets and liabilities will be determined as of the date the Transaction closes and may differ materially from the amounts disclosed above because of changes in fair values of the assets and liabilities up to the date of the Transaction, and as further analysis (including identification of intangible assets, valuation of property, plant and equipment and mining assets, and working capital changes) is completed. Consequently, the actual allocation of the purchase price may result in different adjustments than those in the unaudited pro-forma consolidated statement of financial position.

### 3. Other pro-forma adjustments

The unaudited pro-forma consolidated statement of financial position reflects the following adjustments as if the Transaction has occurred on December 31, 2023:

- a) To record the disposal of the Tres Cruces Project for gross proceeds of CAD \$12.0 million (USD \$8.8 million). The consideration for the sale is payable in four equal instalments over a period of 18 months starting on the closing date of the Transaction and has been reflected in receivables and other assets at its present value of USD \$7.9 million within the unaudited pro-forma consolidated statement of financial position. Of the balance presented, \$4.2 million is presented as a current asset with the remaining balance presented as a long-term asset. The present value of the consideration was calculated using an average estimated discount rate of 14.0%.
- b) To record the estimated transaction costs that will be incurred by the parties related to the Transaction.

# Steppe Gold Inc.

## Notes to the Pro-Forma Consolidated Financial Statements

(Unaudited)

- c) To reverse the revaluation surplus in Boroo Gold's consolidated statement of financial position. The accounting policies used in the preparation of these unaudited pro-forma consolidated financial statements are those set out in Steppe Gold's audited consolidated financial statements for the year ended December 31, 2023. In preparing the unaudited pro-forma consolidated financial statements, a review was undertaken to identify accounting policy differences between Steppe Gold and Boroo Gold where the impact was potentially material. The Company identified a material accounting policy difference in how Boroo Gold accounts for property, plant and equipment.

Steppe Gold's accounting policy is to record its property, plant and equipment at cost, less accumulated depreciation and impairment losses. Boroo Gold's accounting policy is to record its property, plant and equipment at fair value with changes in fair value recognized in other comprehensive income and accumulated in the revaluation reserve. As such, the property, plant and equipment for Boroo Gold has been restated to eliminate the cumulative revaluation surplus previously recognized in Boroo Gold's statement of financial position.

- d) To record the deferred income tax impact relating to the above adjustments. The effective tax rate utilized was 26.5%.

The unaudited pro-forma consolidated statement of income reflects the following adjustments as if the Transaction had occurred on January 1, 2023:

- e) To adjust depletion and depreciation as a result of the increased value of property, plant and equipment resulting from the purchase price allocation per note 2.
- f) To record the estimated transaction costs that will be incurred by the parties related to the Transaction.
- g) To record the deferred income tax recovery, relating to the above adjustments. The effective tax rate utilized was 26.5%.

#### 4. Share capital

Pro-forma share capital as at December 31, 2023 in the unaudited pro-forma consolidated financial statements is comprised of the following:

	Number of Common Shares	Amount (\$ 000's)
<b>Issued - common shares</b>		
Issued and outstanding at December 31, 2023 – Boroo Gold	3,000,000	3,000
Exchange of Boroo Gold common shares for common shares in Steppe Gold	(3,000,000)	-
Deemed issuance of common shares on RTO acquisition	143,796,574	-
	113,442,378	57,172
<b>Pro-forma balance as at December 31, 2023</b>	<b>257,238,952</b>	<b>60,172</b>

# Steppe Gold Ltd.

## Notes to the Pro-Forma Consolidated Financial Statements (Unaudited)

### 5. Pro-forma earnings per share

The weighted average shares outstanding for Steppe Gold have been adjusted to reflect the additional shares resulting from completion of the Transaction.:

<b>Year ended December 31, 2023</b>	
Steppe Gold weighted average number of common shares - basic	90,169,387
Common shares issued in Transaction	143,796,574
<b>Pro-forma weighted average number of common shares - basic</b>	<b>233,965,961</b>
Steppe Gold weighted average number of common shares – diluted	94,581,151
Common shares issued in Transaction	143,796,574
<b>Pro-forma weighted average number of common shares - diluted</b>	<b>238,377,725</b>

H-1

**SCHEDULE H  
ATO TECHNICAL REPORT SUMMARY**

**[See attached]**

The below summary is a direct extract and reproduction of the summary contained in the ATO Technical Report, without material modification or revision and all defined terms used in the summary shall have the meanings ascribed to them in the ATO Technical Report. The below summary is subject to all the assumptions, qualifications and procedures set out in the ATO Technical Report. The ATO Technical Report was prepared in accordance with NI 43-101. For full technical details of the report, reference should be made to the complete text of the ATO Technical Report, which has been filed with the applicable regulatory authorities and is available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

## 1 SUMMARY

---

This Altan Tsagaan Ovoo Project (ATO) 11/2022 NI 43-101 Mineral Resources and Reserve Technical Report (the Report) summarises the 2022 Mineral Resource and Reserve estimates of the of gold and related base and precious metals in four in-situ deposits forming Steppe Gold Ltd's (Steppe Gold) ATO Project in eastern Mongolia. The Resources (estimated by GeoRes) and Reserves (determined by Xenith) are an update to the previous March 2021 Mineral Resource estimate by GeoRes (3/2021 NI 43-101 report<sup>1</sup>) and a November 2021 feasibility study by DRA Global Limited (DRA) disclosed in a November 2021 NI 43-101 report (11/2021 NI 43-101)<sup>2</sup>. The reserves are based on an updated LOM Plan as outlined in this report.

The QP for the geological aspects of the Report is Robin Rankin (GeoRes) and the QP for the mining aspects of the Report is Grant Walker (Xenith).

### 1.1 Introduction

---

The ATO Project is 100% owned by Steppe Gold, an international mineral resource company headquartered in Toronto, with exploration, development and production properties located in Mongolia. Steppe Gold is listed on the Toronto Stock Exchange under the symbol STGO.

The ATO Project commenced mining in 2020, initially concentrating on the near surface Oxide rock ores (Phase 1 Development). Following the successful completion of ATO Phase 1 development (including the development of the Leach Pad and on-going crusher upgrades) Steppe Gold completed studies for the ATO Phase 2 Expansion Project (Phase 2). The Phase 2 Expansion Feasibility Study was prepared by DRA and is the subject of the 11/2021 NI 43-101 Technical Report. The proposed expansion will increase gold production and produce saleable concentrates of lead, zinc, and pyrite from the development of underlying fresh rock ores and the construction of a new and larger conventional processing facility.

Since the 11/2021 NI 43 101 Technical Report Steppe Gold commissioned GeoRes to remodel the transition/ fresh interface based on face samples and additional drill hole information. It is noted the underlying geological model has not been updated from the 3/2021 reported Resources. In addition Xenith was commissioned by Steppe Gold to revise the Life of Mine Plan and Reserves based on the new Resources and updated revenue assumptions. This report is an update to the 11/2021 NI 43 101 based on the new Resources and Reserves.

**Sources of information & reliance on others:** Considerable information used to support this Report was derived from the previously reported 2021 NI 43-101s and from reports and documents listed in the references section of this Report. Note that

---

<sup>1</sup> Amended NI 43-101 Technical Report. Rankin, R.A., 30 March 2021. Altan Tsagaan Ovoo Project (ATO) – 2021 Mineral Resources Technical Report (Amended NI 43-101). Report for Steppe Gold Limited by GeoRes. Referenced here as the '3/2021 Resources Report'

<sup>2</sup> NI 43-101 Technical Report – Feasibility Study for the Altan Tsagaan Ovoo (ATO) Phase 2 Expansion Project Mongolia. Report for Steppe Gold LLC by DRA Global, November 29 2021, Referenced here as the '2021 NI 43-101' or '2021 Report'.



large parts of geological Sections 4 to 14 and 17 to 19 have been repeated from the 3/2121 NI 43-101 in the relevant Sections in this Report for completeness. Both QP's has reviewed the relevant sections of 3/2021 NI 43-101 and believes the information repeated is correct. All Project data used was supplied by Steppe Gold.

***Property inspection:***

The principal Authors of this report have both visited the site. Robin Rankin of GeoRes visited the Property in April/May 2022 while Grant Walker of Xenith visited the site from the 3<sup>rd</sup> to the 7<sup>th</sup> of October, 2022.

## **1.2 Property Description and Location**

---

Steppe Gold's ATO Property is in Eastern Mongolia. In mining terms the Property is defined by Mining License MV-017111. Surface area of the Mining Licence MV-017111 is 5,492.63 ha or ~55 km<sup>2</sup> (1 ha = 10,000 m<sup>2</sup>). The immediate Project area of the four deposits is ~2 km<sup>2</sup>, with dimensions ~1.4 km east/west \* ~1.2 km north/south. Regionally ATO is ~660 km east of Mongolia's capital Ulaanbaatar, ~120 km west-north-west of provincial capital Choibalsan, and ~38 km west of the closest town Tsagaan Ovoo Soum (which it is reached from by dirt roads). The coordinate datum used is WGS84, Zone 49 (108°E to 114°E in northern hemisphere) in the UTM system.

***Geography:*** The license area is located in the low mountain zone at the north-east end of the Khentii Mountain Range and at the south-west part of the Dornod high steppe. The topography of the project area generally consists of small rounded, separate mountain complexes with small hillocks in a steppe. Average elevation is 980 – 1,050 m above sea level. The area is effectively grass-covered. The land surrounding the Property is predominantly used for nomadic herding of goats, cows, horses and sheep by small family units.

Climate of the region is characterized by extreme cold and hot weather. Wide daily, monthly, and yearly fluctuations of temperature are common. Winter is harsh and very cold. Stable snow cover persists from November to March. Freezing of soil starts from mid-September and continues till late May, with the freezing depth reaching 2.5 m. Summer is shorter than other seasons, dry and chilly. The hottest temperature is up to +40°C in summer. 60-80% of the annual precipitation falls as rain during July and August. Number of days with precipitation is 59 days per year. ATO Mine will operate all year around.

***History:*** Modern exploration in the region commenced in 1997 when CogeGobi (a wholly owned subsidiary of the French multinational company AREVA) began their exploration efforts in eastern Mongolia looking for gold and uranium. After a six year reconnaissance effort CogeGobi settled on a selected exploration region in 2003 and then obtained eight exploration licenses in eastern and south-eastern Mongolia. CogeGobi then embarked upon a four-year concerted exploration effort. Two of the licenses (3,425.5 km<sup>2</sup> in all) were in the general area of ATO. Grab sampling of vein quartz lead to a stream sediment sampling program and gold anomalies were identified from two of the hills above the current deposits. CogeGobi withdrew due to falling uranium prices.

In 2010 CGM acquired the Exploration License and in 2012 acquired a Mining Licence. CGM quickly appreciated the potential for gold and commenced a significant exploration program leading to drilling ~600 holes. These discovered the three pipe-shaped deposits 1, 2 and 4. Steppe acquired the Property in 2017 and since then have more than doubled the quantity of drilling.

In 2016 CGM published an AIF with Measured and Indicated Mineral Resource of 18.6 Mt @ 1.3 g/t gold. Inferred Resources of 0.4 Mt @ 0.6 g/t gold were also reported. Reporting details were sketchy.

In 2017 Steppe published Measured and Indicated Mineral Resources of 17.6 Mt @ 1.4 g/t gold, along with Inferred Resources of 1.3 Mt @ 1.0 g/t gold. These latter Resources were in the 2017 NI 43-101. In 2017 Steppe also published Proven and Probable Mineral Reserves of 5.2 Mt @ 1.3 g/t gold. The Reserves were reported from three pits designed within the upper oxide parts of the Pipe 1, 2 and 4 deposits.

Mining commenced at ATO in 2020. Following the successful completion of ATO Phase 1 development (including the development of the Leach Pad and on-going crusher upgrades), Steppe Gold LLC (Steppe Gold) completed studies for the ATO Phase 2 Expansion Project (Phase 2). The Phase 2 Expansion Feasibility Study was prepared by DRA and is the subject of the 11/2021 NI 43 101 Technical Report. The proposed expansion will increase gold production and produce saleable concentrates of lead, zinc, and pyrite from the development of underlying fresh rock ores and the construction of a new and larger conventional processing facility.

### 1.3 Geology Setting and Mineralisation

---

**Geology:** ATO sits regionally within the Devonian through Late Jurassic Mongol-Okhotsk tectonic collage that has been emplaced along a transform-continental margin of the North Asian Craton (NAC). A number of Late Jurassic-early Cretaceous broad, gold-bearing mineral belts have been recognized in eastern Mongolia. ATO is located north of the Main Mongolian Lineament (MML), and midway along the NNE trending 600km long Onon base and precious-metal province that crosses eastern Mongolia. Though ATO presently represents the only well-explored gold deposit in this part of Mongolia, a large number of minor gold occurrences have been recognized throughout the region.

The geology of the ATO Project region consists of metamorphosed Devonian sedimentary rock overlain by a volcanic and sedimentary sequence of Permian age and remnant scraps of probable Jurassic volcanoclastic units, intruded by Jurassic plutons ranging from diorite to granite in composition and including rhyolitic phases mainly as dykes.

**Mineralisation:** The ATO deposit is an epithermal gold and polymetallic deposit of transitional sulphides in breccia pipes in a Mesozoic continental rift zone in eastern Mongolia. It could be characterised as an intermediate sulphidation system. Up to 2017 exploration focussed on three gold, silver and base metal mineralised sub-vertical pipes (Pipes 1, 2 and 4) spaced ~300 m apart on a WNW trend. Another pipe (Pipe 3) exists just west of the others but is not mineralised. Subsequently a fourth pipe-like body (Mungu) was found ~600 m to the north east of Pipes 1, 2 and 4). The pipes have been emplaced into stratified rocks. The three pipes are elliptical in shape with the long axis oriented toward the north east. Each have approximate surface dimensions of 300 \* 150 m. The pipes taper to depth vertically. Mungu is a north east plunging system of tall lenticular lodes. Pipes 1 and 2 are near paleo surface, epithermal (hot spring) emplacements and the upper parts of mineralized breccia pipes. Pipe 4 is slightly buried without the surface mineralisation.

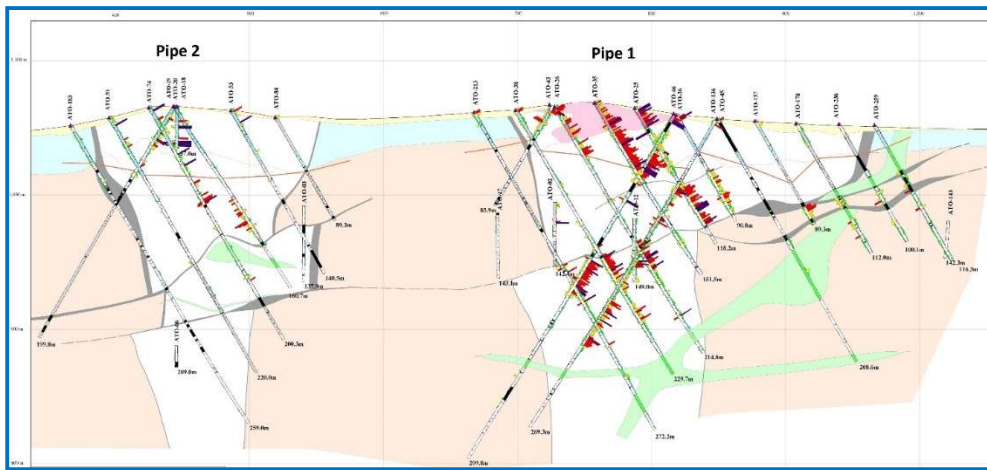
**Deposit type:** ATO's mineral deposit type is that of multiple surface epithermal deposits with intermediate sulphidation (feeder) pipes below. This implies a specific shape where the top part (near or at current surface) would represent a wide thinnish roughly circular accumulation of mineralisation in country rock around an original surface ground-water-interacting hydro-thermal or fumarole vent system. Below that would be a tall root-shaped breccia pipe, flared at the top and narrowing downwards, through which the magmatic or meteoric fluids rose above a lower hot igneous body. The pipe would be vertically veined and/or brecciated.

**Exploration:** Several companies have explored the area with regional focus shifting to the specific ATO deposit area because of its prospectivity. Various surface based programs (mapping stream and soil Geochem, geophysics, grab sampling) lead into concerted drilling commencing in 2010 on soil Geochem gold anomalies, the strongest of which were over the pipes now host deposits. Trench was initially undertaken to confirm the anomalies. In all 244 trenches were excavated in ATO district (28,809 m) and surrounding areas including 168 trenches at the ATO prospect (2012 to 2014).

**Drilling:** Up until the previous 2017 Resource estimate, and since acquiring the ATO Project in 2007, CGM had completed, a total of approximately 63,866 m of exploration drilling in 597 holes (to the end of 2014). Of that, 54,425 m was core drilling in 370 holes and 9,441 m was reverse circulation (RC) drilling in 227 RC holes. That drilling has been spread over the ATO mining license as well in the exploration area to the south (Figure 10.1). Drilling efforts were focused on expanding the known mineralization at the pipes and exploration drilling in several potential southern target areas.

Steppe commenced drilling in 2018 and to 2020 had added ~56,036 m in 170 diamond holes. That brought the grand total to 120,320 m in 767 drill holes. Of that diamond holes total 110,879 m in 540 holes. In the Project area trenching (pseudo surface drill holes) account for 10,184 m in 167 trenches. It is not clear if these totals include holes and trenches outside the Project area. Drilling during this period was focussed on Pipes 1,2 and 4 and increasingly on Mungu (Figure 10.2).

Initial RC discovery drill holes were relatively short (~40 m), vertical, and drilled on a 100 \* 100 m square pattern. The bulk of the diamond core (DDH) holes were located on drilling cross-sections oriented at 125° and 30 m apart. This direction was perceived to be approximately across strike of the deposits. These holes were drilled dipping at 60° below vertical and oriented parallel to the cross-sections on 125° azimuths, with a few also drilled the other way on the sections towards 315°. On section the collars were either 30 or 60 m apart (and typically wider at the edges of the deposits). These hole orientations and spacings are illustrated well below:



A limited number of diamond holes were also vertical, and a limited number were inclined holes and drilled at random azimuths. The “AT” diamond holes drilled at the Pipe 1, 2 and 4 deposits averaged ~190 m in length and the “MG” drilled at Mungu averaged ~240 m in length.

Since early 2021 a further 81 (71 holes @ ATO and 10 holes @ Mungu) diamond core holes have been drilled for 16,406 m (13,337m @ ATO & 3,069 m @ Mungu). This new data has not yet been databased or used to re-estimate any new Resources.

**Sample preparation, analysis and security:** Most samples were of drill core which was cut and split on site before being sent away for analysis (of gold, silver and associated base metals) in the capital Ulaanbaatar. Drill hole samples were taken continuously over their full length and at 1 to 2 m intervals through mineralized zones (mostly 1 m) and at 2 to 3 m intervals through unaltered host rocks. In general core recoveries were very good and averaged 97% for the deposits.

Bulk density was determined in 2010/11 from 226 samples from diamond core holes. Bulk densities by oxidation level were 2.46 t/m<sup>3</sup> in oxide material, 2.59 t/m<sup>3</sup> in transitional material and 2.64 t/m<sup>3</sup> in fresh rock.

**Opinion on drilling and sampling:** The geological GeoRes QP’s overall opinion\* of the drilling, sampling and subsequent assaying (albeit without the benefit of a site visit to observe it) was that it was well performed, comprehensive, consistent (and extensive) and very adequate from a point of view of allowing a straight-forward interpretation of mineralisation at the deposits and of estimation of their Resources. The sample preparation, QA/QC, security and analysis procedures were considered positively.

**Data verification:** CGM originally implemented a series of industry standard routine verifications to ensure the collection of reliable exploration data. Documented exploration procedures exist to guide most exploration tasks to ensure the consistency

and reliability of exploration data. In accordance with NI 43-101 guidelines, the Steppe in-country QP visited the ATO deposit on August 23 and October 2, 2017. The site visits were conducted to ascertain the geological setting of the ATO Project gold-lead-zinc mineralization and to witness the extent of exploration work carried out on the property.

For the 2017 estimate routine verifications were completed by the DRA QP to ensure the reliability of the drill hole and topography surface data, and analytical data provided by Steppe. In the opinion of the DRA QP then the electronic drill holes data was reliable, appropriately documented and exhaustive. The analytical results were sufficiently reliable for the purpose of resource estimation.

For the March 2021 Resource estimate the GeoRes QP's overall opinion\* was that ATO's drilling data was completely adequate for Resource estimation.

\*These GeoRes opinions are qualified by the fact that up to the time of the early 2021 Resource estimation the GeoRes QP had not physically been able to sight any of the Project's geology or drilling himself (due to the un-avoidable inability to visit the site because of the Covid Pandemic). Since then the QP visited site in 2022 and observed drilling operations there – which largely confirmed his previous opinions.

## **1.4 Metallurgical Testing**

---

The overall ATO Project consists of two (2) processing facilities: an existing heap leach operation (Phase 1), and a proposed concentrator plant (Phase 2). The oxide portion of the ATO Project (Phase 1) employs a conventional oxide heap leach flowsheet including crushing, heap leaching, and gold recovery facilities. Phase 1 has been operational since July 2020 and focuses on the production of gold and silver ore. A subsequent expansion to Phase 1 included new three-stage crushing (which at the time of this report had begun commission testing).

Phase 2 will consist of milling, flotation, and dewatering unit operations to produce concentrates of lead (Pb), zinc (Zn), and pyrite (Py). A testwork program performed by the laboratory in 2021 provided the basis for the establishment of the Phase 2 flowsheet. The interpretation and analysis of the testwork results was carried out by DRA. This analysis was then used to determine the process design basis and flowsheet of the Project.

Xenith and Geores reviewed the design proposed in the 2021 NS 43-101 report and consider it appropriate for the mineralogy,

### **Historical Testwork (2010-2018)**

Several metallurgical testwork programs have been undertaken on samples selected from the ATO Project. These metallurgical tests for processing of ATO ore samples were conducted at the Central Laboratory of Xstrata Process Support (XPS) in Canada, ALS Metallurgy-Ammtec laboratory in Australia, Boroo Au LLC processing plant in Mongolia and SGS Lakefield (SGS) in Canada.

Metallurgical test samples were selected from the drill core and bulk samples from ATO Deposit's oxidized zone in Pipes 1, 2, and 4. These tests for ore samples included a step-by-step leaching test carried out by the bottle roll test and granular ore test.

Various testing programs were completed, including:

Mineralogy and elemental analysis;

Comminution;

Column Leach;

Gravity recoverable gold (GRG);

Flotation;  
Leaching and Cyanidation.

### ***Testwork (2021)***

The 2021 metallurgical testwork program was completed by Base Metallurgical Laboratories (BML) in Kamloops, British Columbia, Canada. The samples for the metallurgical program were selected from the ATO Deposit. BML and DRA performed a comprehensive analysis of the ore types within the deposit and concluded that the samples tested were representative of the overall deposit. This testwork program focused on creating saleable lead, zinc, and pyrite concentrates.

### ***Head Assays and Mineralogy Characterisation***

Head assays and mineralogical analysis were carried out on subsamples of the master composite and variability samples. Head assays for Au ranged between 0.86 and 1.79 g/t. The head sample assays of the precious and base metals are shown in Table 1.1.

**Table 1.1 Head Sample Assays**

	1. Element (Average)					
	Pb (%)	Zn (%)	Fe (%)	S (%)	Ag (g/t)	Au (g/t)
ATO-62	0.79	2.45	2.70	3.56	12	1.79
ATO-71	0.97	1.87	2.49	3.75	14	1.64
ATO-97	1.54	1.61	2.95	3.01	10	1.60
ATO-137	0.75	1.30	1.77	2.82	7	1.71
ATO-139	0.80	1.83	3.16	3.55	4	1.01
ATO-149	1.05	2.51	3.73	4.06	5	0.86
ATO-Master	1.05	1.99	2.80	3.47	9	1.45

### **Grinding**

As part of XPS's Phase 2 Program, the grindability characterisation study also included the J-K drop-weight as well as the Bond ball mill grindability tests. The three samples were labelled as Master, Pipe 2, and Pipe 4 Composites.

Based on the resistance to impact breakage (A x b), resistance to abrasion breakage (ta) and its BWI value; of the three composite samples, the Master Comp was the hardest, whereas Pipe 2 Comp and Pipe 4 Comp are considered soft to moderately soft. The results are summarised in Table 1.2.

**Table 1.2 Grindability Test Summary**

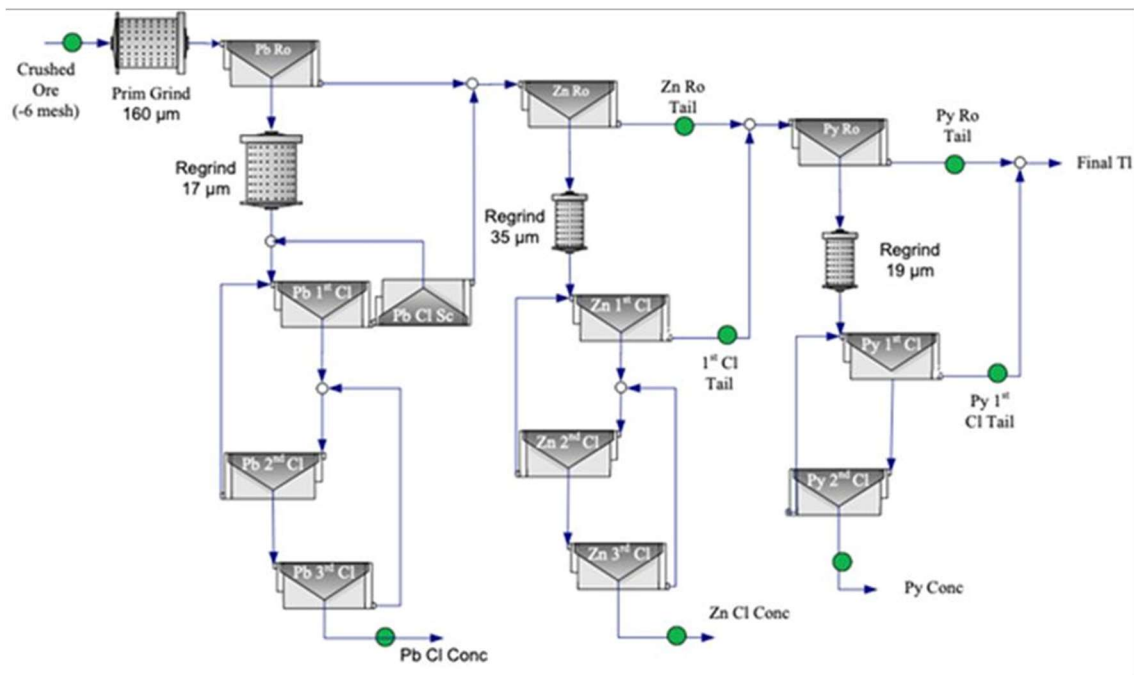
Sample Name	Relative Density	JK Parameter A x b	JK Parameter ta	BWI (kWh/t)
Master Comp	2.75	50.9	0.39	15.5

Sample Name	Relative Density	JK Parameter A x b	JK Parameter ta	BWI (kWh/t)
Pipe 2 Comp	2.75	62.2	0.66	15.6
Pipe 4 Comp	2.67	95.3	0.56	14.6

### Flotation

LCT testwork focused on testing the amenability of the ATO ore based on the flowsheet presented in Figure 1.1, where pyrite flotation was added to obtain separate Pb, Zn, and Py concentrates.

Figure 2 - Updated ATO Phase 2 Flowsheet - Pb-Zn-Py Concentrate Products



Base Metallurgical Laboratories, June 2021

The testwork confirmed high recoveries of Pb and Zn, and reasonable recoveries for Au and Ag.

### Recovery Estimates

#### Lead (Pb) Recovery

After analysing the flotation results, a Pb recovery relationship could not be determined and therefore a fixed value of 82.5% was used. This was the average of all the lead recovery results from the Locked Cycle Tests (LCTs) conducted. This fixed value was estimated from the average between the master composite and variability samples. For the variability samples the average was calculated by using the masses of samples based on the master composite mass splits.

The fixed Pb, Au, and Ag recovery values are shown as follows:

- Pb Recovery % = 82.5; fixed value
- Pb Conc Rec % = 41.2; fixed value
- Pb Conc Silver Rec % = 45.6; fixed value

### **Zinc (Zn) Recovery**

A Zn recovery relationship was also unable to be determined and therefore a fixed value was used. This fixed value was estimated from the average between the master composite and variability samples. For the variability samples, the average was calculated by using the masses of samples based on the master composite mass splits.

The fixed Zn, Au, and Ag recovery values are shown as follows:

- Zn Recovery % = 85.9; fixed value
- Zn Conc Rec % = 14.1; fixed value
- Zn Conc Silver Rec % = 18.2; fixed value

### **Pyrite (Py) Recovery**

Regarding Au and Ag recoveries in the Py concentrate, average values between the variability and master composite samples were used. These are shown as follows:

- Py Conc Gold rec % = 23.9; fixed value
- Py Conc Silver Rec % = 8.8; fixed value

### **Metallurgical Variability**

The metallurgical testwork completed to date is based on samples which adequately represent the variability of the ATO deposit; however, the selection of the samples was made prior the establishment of the latest mine plan.

Mineralogical analysis of the various composite and variability samples has shown that the ATO deposit is reasonably homogenous with respect to mineralogy. The exception is sample ATO-97 which showed high contents of dolomite which appear to impact detrimentally on flotation performance.

### **Deleterious Elements**

Pb, Zn, and Py concentrates will be subject to penalty conditions should significant grades of Zn, Pb, Hg, Sb, Bi, and As be present in high levels in the concentrates. Section 19 explores the impact of these elements which are present in the concentrates. The concentrates produced are shown to be very clean concentrates with no presence of detrimental elements leading to penalties.

## **1.5 Mineral Resources - modelling, analysis, grade estimation and Resources:**

---

**Introductory statements:** These 2022 reported Resources are based on Resource estimation independently undertaken in late 2020 and early 2021 by the GeoRes QP / CP under the CIM, JORC and NI 43-101 Codes, Instruments and definitions. The 2022 Resources have been reported from the 2021 model using new classification of the oxidation levels (Oxide/Transitional/Fresh) and exclude mining in the interim. Resources were reported according to JORC, accepted as a foreign Code by NI 43-101, and using equivalent definitions to The CIM.

**Data:** All data was supplied by Steppe. Data used was raw drill hole data, topography data, oxidation level data, data extracted from the 2017 Report (such as bulk density), and parameters supplied by Steppe (cut-off grades). Updated topography and oxidation level data was supplied by Steppe in 2022.

**Drill hole database:** A Minex software drill hole database was loaded with raw collar, down-hole survey and assay data. It was subsequently updated with interpreted data for assay population domains and oxidation surface intercepts.

**Map database:** A Minex map database was loaded with raw topography 1 m interval contour data. It would subsequently store deposit outline interpretations and models.

**Geological interpretation and modelling of deposits:** 3D inspection of the drill holes indicated that “wire-frame” modelling (joining cross-section outlines together with wires) would best suite the massively (rather than thinly) shaped deposits. With the abundance of relatively close-spaced drilling the deposit boundary outlines were interpreted around their gold (approximately >0.15 g/t), and to a lesser extent silver (approximately >1.0 g/t), whilst being also cognoscent of the lead, zinc and arsenic values, mineralisation on multiple parallel vertical cross-sections oriented at 125°. All bodies had a general north-east elongation (or strike), consequently the cross-sections were effectively across strike.

Deposit Pipes 1, 2 and 4 (now known as ATO1, 2 and 4) were wire-frame modelled (by connecting the cross-sectional outlines together to form solids) as single individual bodies; Mungu was modelled as a series of eight tightly packed, north-easterly striking sub-parallel and approximately en-echalon tall semi-vertical bodies. Samples were domain segregated by Pipe and in Mungu’s case by individual body.

**Geological interpretation and modelling of oxidation levels:** Interpretation of the oxidation levels at the deposits was done in early 2021 in all drill holes from the lithological logs. This was necessary as bulk density would be assigned for Resource reporting by oxidation level. From surface the hole interval was interpreted as oxidised (code OX), partly oxidised or transitional (code TR), and un-oxidised or fresh (code FR). The interfaces to the intervals, representing the base of oxidation and the top of fresh rock, were modelled as DTM gridded surfaces with a 5 \* 5 m grid mesh.

In July 2022 new data was supplied from site defining the base of the transitional material (top of the fresh rock). That base had previously been interpreted too deep. That base surface was re-modelled and used in this 2022 Resource reporting. The new surface was ~15 m higher than before, resulting in the transitional layer being reduced in thickness to ~4.5 m. The lower 15 m of the old transitional material was re-classified as fresh.

**Topography surface model:** Topography was modelled as a gridded DTM surface from the contour strings. 2021 reporting used a 2020 surface pre-mining. This 2022 reporting used a new July 2022 surface incorporating mining in Pits 1 and 4 to that date.

**Grade statistics:** Sample grades were briefly analysed statistically to determine data limits and block grade estimation parameters. The presence of few anomalous gold grades (<1%, unusually low for gold) prompted abandoning the use of grade cutting for the estimations. However the 1% limits derived from the simple statistics (at 10-20 g/t gold) were used to produce good variograms in the following brief geostatistical analysis. Those variograms mostly produced ranges >25 m (which agreed with results from the 2017 study where gold ranges were ~20-60 m). That distance continuity was of the same order of magnitude or longer than the typical 30 \* 30 m drill hole spacing. It also implied that the grade continuity distances were approaching the same dimensions (50-100 m) observed of the well mineralised parts of the interpreted deposits. In terms of continuity directions the Author QP chose to use the clear mineralisation directions evident during the deposit cross-sectional interpretation. At Pipe 1 this was a steep 80°W dip. At Pipes 2 and 4 it was an intermediate 45°W dip. And at Mungu it was a vertical dip with the lodes striking 033°.

**Resource block models:** A block model was built for the Pipe 1,2 and 4 deposits (domains 1, 2 and 4 respectively) and another for the Mungu deposit (domains 5 to 11 and 15). Block models were built un-rotated within the wire-frames – deposits Pipe 1



2, and 4 with equi-dimensional 5\*5\*5 m blocks; Mungu with tall thin east-west 2\*5\*5 m blocks better representing the tall thin lodes.

**Block grade estimation:** Block grades were estimated individually for gold (Au), silver (Ag), copper (Cu), lead (Pb) and zinc (Zn) using an Inverse Distance squared algorithm (ID2). Drill hole sample intervals were down-hole composited by domain to 2.0 m for Pipes 1,2 and 4 and to 1.0 m for Mungu. No grade clipping or cutting was necessary. A maximum sample scan distance of 75 m was used (although in practice this wasn't needed due to the tight wire-frame model constraints and the close drill spacing).

For Pipe 1 axes were rotated 10° to give an 80°W dip and weighted to give down dip preference. For Pipes 2 and 4 axes were rotated 45° to give an 45°W dip and also weighted to give down dip preference. For Mungu axes were rotated 33° to give a 033° strike and weighted to give vertical preference.

A “gold equivalent” (AuEq) block value was computed from the individual elements by factoring them by their international metal prices averaged over the month to mid-January 2021.

**Resource classification:** Although the QP considered that proportions of Measured and Indicated Resources reported in 2017 were relatively too high he nevertheless considered that the bulk of estimated material in the 2021 estimate should be classified Measured or Indicated.

JORC classification was done here by block and was based on average sample distances (D) and numbers of sample points (P, minimum 1, maximum 18) in estimating each gold block grade. A Resource class was calculated for each block based on criteria combining these variables. The combinations were determined from a combination of statistics and observation of their distributions (the latter with the objective of ensuring contiguous class zones and avoiding spotting). Measured class criteria for all deposits was  $D \leq 27.5$  m and  $P \geq 12$ ; Inferred criteria was  $D \leq 35.0$  m and  $P \geq 6$ ; and Inferred was  $D > 35.0$  m and  $P > 1$ . All blocks were classified. This created Measured zones typically in the centre of deposits and in areas with highest drill hole densities. Indicated zones were in areas of sparser drilling and Inferred zones were generally restricted to the edges of deposits.

**Mineral Resources:** Combined Measured and Indicated JORC classified in-situ Mineral Resources (directly equivalent to CIM categorisation) were reported in July 2022 for all four deposits, using fixed densities and lower AuEq grade cut-offs. These Resources utilised the new 2022 oxidation level models which increased slightly the proportion of fresh rock over the 2021 Resources. These Resources also utilised a new July 2022 upper topographic surface incorporating mining to that point in Pits 1 and 4. Total Measured and Indicated in-situ Resources were reported at **38.0 Mt** at an average **AuEq** grade of **1.68 g/t** (for 2.1 M oz metal). In the following tabulations deposits ATO1, 2 and 4 represent Pipes 1, 2 and 4.

Further and separate Inferred JORC class in-situ Resources were reported at **5.4 Mt** at an average AuEq grade of **1.16 g/t** (for 0.2 M oz metal).

The Resource break-down into separate classes was:

**Table 1.3 ATO Resource at 27/07/2022**

	Cut-off	Tonnes	Grades					Metal		
	AuEq (g/t)	(Mt)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	AuEq (g/t)	Au (k oz)	Ag (k oz)	AuEq (k oz)
<b>Measured</b>	0.38	21.6	1.17	16.38	0.40	0.71	1.85	811	11,370	1,287
<b>Indicated</b>	0.38	16.4	0.84	14.52	0.34	0.63	1.45	444	7,672	765

	Cut-off	Tonnes	Grades					Metal		
<b>Meas+Ind</b>	0.38	38.0	1.03	15.58	0.37	0.68	1.68	1,255	19,042	2,052
<b>Inferred</b>	0.40	5.4	0.62	15.39	0.25	0.52	1.16	108	2,655	200
<b>Total</b>		<b>43.4</b>	<b>0.98</b>	<b>15.62</b>	<b>0.37</b>	<b>0.68</b>	<b>1.68</b>	<b>1,363</b>	<b>21,787</b>	<b>2,343</b>

The break-down by deposit was:

**Table 1.4 ATO Resource at 27/07/2022 by Deposit**

	Deposit	Tonnes (Mt)	Grades					Metal		
			Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	AuEq (g/t)	Au (k oz)	Ag (k oz)	AuEq (k oz)
Measured	ATO1	7.9	1.07	5.86	0.70	1.28	1.97	272	1,493	502
	ATO2	1.7	0.43	3.85	0.50	0.77	1.01	24	212	55
	ATO4	7.0	1.35	12.11	0.30	0.53	1.86	304	2,743	422
	Mungu	4.9	1.33	43.92	0.01	0.03	1.96	209	6,922	308
	TOTAL	21.6	1.17	16.38	0.40	0.71	1.85	811	11,370	1,287
Indicated	ATO1	4.7	0.75	5.03	0.64	1.24	1.60	113	762	243
	ATO2	1.5	0.45	4.06	0.48	0.77	1.02	22	196	49
	ATO4	7.7	0.96	15.10	0.23	0.43	1.44	235	3,721	356
	Mungu	2.5	0.90	36.53	0.01	0.03	1.43	74	2,993	117
	TOTAL	16.4	0.84	14.52	0.34	0.63	1.45	444	7,672	765
Meas + Ind	ATO1	12.6	0.95	5.55	0.68	1.27	1.83	385	2,256	745
	ATO2	3.2	0.44	3.95	0.49	0.77	1.01	45	408	105
	ATO4	14.7	1.14	13.67	0.26	0.48	1.64	540	6,463	777
	Mungu	7.5	1.18	41.39	0.01	0.03	1.77	283	9,915	425
	TOTAL	38.0	1.03	15.58	0.37	0.68	1.68	1,255	19,042	2,052
Inferred	ATO1	1.1	0.51	4.28	0.56	1.27	1.34	17	147	46
	ATO2	0.5	0.28	5.76	0.71	1.36	1.23	4	86	18
	ATO4	2.1	0.59	15.12	0.19	0.35	1.03	41	1,043	71
	Mungu	1.7	0.83	25.40	0.01	0.02	1.20	45	1,379	65
	TOTAL	5.4	0.62	15.39	0.25	0.52	1.16	108	2,655	200

The break-down by oxidation level (giving the AuEq lower grade cut-offs and densities used in all Resource reporting) was:

**Table 1.5 ATO Resource at 27/07/2022 by Oxidation Level**

Oxidation Level	Cut-off	SG	Tonnes	Grades					Metal			
				AuEq (g/t)	(t/m <sup>3</sup> )	(Mt)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	AuEq (g/t)	Au (k oz)
<b>MEASURED + IND + INF</b>												
Oxide	0.15	2.46	3.9	0.49	7.57	0.31	0.26	0.84	62	951	106	
Transition	0.40	2.59	1.3	1.30	9.52	0.59	0.78	2.01	55	404	85	
Fresh	0.40	2.64	38.2	1.02	16.65	0.37	0.72	1.75	1,246	20,432	2,152	
<b>MEAS+IND+INF</b>			<b>43.4</b>	<b>0.98</b>	<b>15.62</b>	<b>0.37</b>	<b>0.68</b>	<b>1.68</b>	<b>1,363</b>	<b>21,787</b>	<b>2,343</b>	

*Reconciliation:* Reconciliation was done of the immediately previous 2/2021 Resources by the QP against the 2017 Resources reported by DRA. It could only be done for the three deposits also reported in the 2017 estimate (Pipes 1, 2 and 4). No data existed to reconcile the Mungu deposit against. Reconciliation (Table 14.14) was approximated to account for differences in estimate reporting parameters between 2017 and 2021, particularly the different cut-off grades used.

This 2021 Resource contained 25% more tonnes (34.0 Mt vs 27.2 Mt) at a 3% lower Au grade (1.01 g/t vs 1.04 g/t) and a 16% higher Ag grade (9.65 g/t vs 8.32 g/t). These combined to give the 2021 Resource 22% more contained Au metal (1.11 M oz vs 0.91 M oz) and 45% more contained Ag metal (10.56 M oz vs 7.27 M oz).

The GeoRes QP considers that the comparable 2017 and 2021 Resources can be well reconciled. Whilst the tonnage differences are notable they are considered to be almost wholly due to the different deposit modelling approaches of the two estimates. And further drilling at the deposit since 2017 was also thought to have increased its volume.

*Potential impacts on Resources:* The GeoRes QP was not aware of any other factors (excluding those specifically mentioned below), including environmental, title, economic, market or political, which could generally or in-particularly influence the Resources reported here for the ATO Project. Factors that could alter the Resources (but in all cases relatively insignificantly in the QP's view) were changes in grade cut-off; bulk density; gold equivalent (through variations in world metals prices); geological model; JORC classification; and mining method with depth (possibly a factor at the deeper Mungu where underground mining would be considered and which would have a considerably higher grade cut-off).

## 1.6 Mineral Reserve Estimate

The mineral reserves estimate with an effective date of August 30, 2022 for the Project is based on the parameters and steps outlined within this report as well as the resource estimate. The mineral reserves for the ATO gold deposit contains combined proven and probable mineral reserves totaling 29.1 million tonnes ("Mt") at 1.13 g/t gold and 12.43 g/t silver, containing 1.1 million ounces of gold and 11.7 million ounces of silver. The reserves have been classified as approximately 59% proven and 41% probable on a tonnage basis. The mineral reserve within the 2022 reserve pit shell was based on a AuEq cut-off grade of 0.43 g/t AuEq for Fresh material and 0.40 g/t AuEq for Oxide material and revenue of \$1,700 per ounce gold, \$20 per ounce of silver, zinc price of \$2,500/t and lead price of \$1,970/t. as the price assumptions. To access the ore, a total of 104 Mt of waste rock will need to be extracted at an average stripping ratio of 3.6.



		Ore	Grade					Attributable Metal		
	Fresh	2,877	1.21	0.61	37.93	0.12	0.13	57	3,518	113
	<b>Total</b>	<b>3,156</b>	<b>1.20</b>	<b>0.62</b>	<b>36.75</b>	<b>0.16</b>	<b>0.18</b>	<b>63</b>	<b>3,739</b>	<b>122</b>
<b>Combine ATO &amp; Mungu</b>										
<b>Proven</b>										
	Oxide	1,159	1.14	0.70	9.50	0.44	0.36	26	355	43
	Transition	361	1.57	0.72	10.32	0.41	0.70	8	120	18
	Fresh	15,728	1.99	1.27	12.92	0.43	0.77	643	6,554	1,007
	<b>Total</b>	<b>17,247</b>	<b>1.92</b>	<b>1.22</b>	<b>12.64</b>	<b>0.43</b>	<b>0.74</b>	<b>677</b>	<b>7,029</b>	<b>1,068</b>
<b>Probable</b>										
	Oxide	905	0.92	0.56	6.71	0.43	0.34	16	196	27
	Transition	372	1.47	0.70	11.35	0.27	0.48	8	136	18
	Fresh	10,606	1.65	1.06	12.62	0.35	0.65	361	4,316	563
	<b>Total</b>	<b>11,883</b>	<b>1.59</b>	<b>1.01</b>	<b>12.13</b>	<b>0.36</b>	<b>0.62</b>	<b>385</b>	<b>4,648</b>	<b>608</b>
<b>Proven &amp; Probable</b>										
	Oxide	2,063	1.04	0.64	8.28	0.44	0.35	42	551	69
	Transition	733	1.52	0.71	10.84	0.34	0.59	17	256	36
	Fresh	26,334	1.85	1.18	12.80	0.40	0.72	1,004	10,870	1,571
	<b>Total</b>	<b>29,130</b>	<b>1.78</b>	<b>1.13</b>	<b>12.43</b>	<b>0.40</b>	<b>0.69</b>	<b>1,063</b>	<b>11,677</b>	<b>1,676</b>

## Notes

1. Mineral Reserves estimate was based on Measured and Indicated Resource Estimate by R. Rankin, QP and effective August 27 2022.
2. ATO and Mungu Mineral Reserves are effective as of August 27, 2022.
3. Mineral Reserves are included in Mineral Resources.
4. Mineral Reserves are reported in accordance with JORC and CIM and NI 43-101 guidelines.
5. Ore dilution is estimated at 3% and ore loss is 2%.
6. Contained metal estimates have not been adjusted for metallurgical recoveries.
7. The open pit mineral reserves are estimated using a cut-off grade of 0.40 g/t AuEq for oxide material and 0.43 g/t AuEq for transition and fresh material.
8. Mineral Reserves are contained within an optimised pit shell based on a gold price of \$1,700 per ounce.
9. A conversion factor of 31.103477 grams per troy ounce and a conversion factor of 453.59237 grams per pound are used in the resource and reserves estimates.
10. AuEq has been calculated using the following metal prices: \$1,700/oz gold, \$20/oz silver, \$1,970/t lead, \$2,500/t zinc.
11. Totals may not match due to rounding.
12. The Mineral Reserves are stated as dry tonnes processed at the crusher.

## Mining Method

The Project mineral reserves were estimated for the ATO and Mungu Pits based on the economic and pit design parameters detailed in Section 15. The total tonnage to be mined from these pits is estimated at 173.1 million tonnes, ore and waste combined. The material will be mined over a period of approximately 14 years.

The mining method selected for the Project is a conventional open pit operation with rigid body mining trucks, hydraulic excavators, and wheel loaders. The Project consists of two separated mining areas, namely ATO and Mungu. Contractors are used to mine both the waste and ore .

A mine plan was prepared to estimate a probable production schedule for the Project and assess the mine equipment fleet requirements, as well as the mine capital and operating costs for the Project's financial model. The mine plan was based on a production rate of 1.2 Mtpa of oxide ore at the existing leach pad and 2.20 Mtpa of transition and fresh ores at the new mill.

Waste material mined from each of the Project pits will be stored in two waste stockpiles. The ATO stockpile is located West of the ATO Pit, and the Mungu stockpile is located West of the Mungu Pit.

The total material movement is presented in Figure 1.2 and the mine production schedule is presented in Table 1.7.

## 1.7 Processing

---

In general, the overall Project comprises two distinct phases:

- Phase 1 – Heap Leach (Oxide Ore) - Completed and In Operation

The oxide portion of the ATO Project process employs a conventional oxide heap leach flowsheet including crushing, heap leaching, and gold recovery facilities.

Phase 1 of the Project has been operational since 2020 and remains operational as of the Effective Date of this Technical Report. The upgraded three-stage crushing system and ore storage facility (purchased by Steppe Gold has essential been constructed and is undertaking commissioning) is part of Phase 1.

- Phase 2 – Concentrator (Fresh and Transition Ores)

The Phase 2 Concentrator will consist of collecting the crushed ore beneath the ore storage building, conveying to the concentrator, milling, flotation, and dewatering unit operations to produce saleable concentrates of lead, zinc, and pyrite. Tailings will be disposed of in the new Tailings Storage Facility (TSF).

An overall flow diagram summarising the Phase 2 concentrator plant and process flows is shown in Figure 1.3

The existing crushing circuit is designed for a capacity of 2.2 Mtpa. The three-stage circuit reduces run-of-mine (ROM) material from an F100 of 800 mm to a P80 of 10 mm. The primary crushing circuit is utilised for an annual operating time of 5,694 h/a (65% utilisation) and operates in open circuit.

ROM material is dump-fed into ROM hoppers, installed in parallel. The primary crusher feed will be drawn from the ROM hoppers by vibrating grizzly feeders to feed primary jaw crushers, installed in parallel. Grizzly feeder undersize (U/S) is bypassed and conveyed to a primary crushing screen allowing for U/S material to be stockpiled.

For Phase 2, the crushed ore product will be reclaimed via one of two new apron feeders installed underneath the fine ore stockpile. Fresh feed is collected at a controlled rate to feed the concentrator feed conveyor. The concentrator is utilised for an annual operating time of 90% utilisation.

The grinding circuit consists of two-stage sequential grinding with a primary ball mill in closed circuit with a classification screen followed by a secondary ball mill in closed circuit with hydrocyclones. Hydrocyclone underflow is fed to the flotation process.

The flotation process is separated into Pb concentrate, Zn concentrate, and Py concentrate circuits to target each of the materials individually and maximize their recoveries. Process water is kept separate for the Pb concentrate and Zn concentrate circuits.

Grinding product is combined with process water and reagents and mixed thoroughly. The slurry is conditioned and fed to the Pb rougher flotation cells. The circuit consists of six (6) tank cells to provide sufficient flotation residence time.

Each product's flotation process has its own dedicated thickener; underflow from the final cleaner stage reports to this concentrate thickener, the underflow is pumped to a stock tank before compressed air filtration. Concentrate filter cake is stockpiled in product sheds, one each for Pb, Zn and Py concentrate, and fed to transport trucks via front end loader. Trucks are weighed via a truck scale prior to shipment.

The tailings thickener receives the following feed streams:

- Py rougher tailings, and
- Py cleaner tailings.

These streams are combined in the thickener feed well where flocculant is added to facilitate solids settling. Final tailings thickener overflow is recycled to the reclaim process water pond. Thickener underflow is pumped to the final tailings tank where the tailings are pumped to the TSF. Water from the TSF is reclaimed back to the reclaim process water pond to minimise fresh water make-up

## **1.8 Project Infrastructure**

---

The ATO mine has been in production since 2020 and has the necessary infrastructure required to support the open pit mining operation. This includes, but is not limited to, ADR plant, laboratory, fuel storage, chemical storage, power supply, water supply, heap leach facilities and ponds, camp, open pit mining fleet, waste facility, and necessary offices, warehouses, and workshops to sustain the current operation.

Five water circuits (Raw, Potable, Fire, Gland, and Process) have been developed to support the requirements of the plant and surrounding infrastructure.

The mine access road connects the Project site to Choibalsan city. The road is constructed with gravel as its base and it is assumed to be constructed to carry normal loads able to sustain delivery of materials and equipment and transport outgoing products.

## **1.9 Market Studies**

---

The ATO Project is an operating site producing a readily saleable commodity in the form of gold bars. The bars are sent via secure transportation to a refinery for further refining.

Steppe Gold sells its gold production directly to the Mongolian government at spot price. Two types of doré are produced:

1. contains approximately 70% Au by weight and the remaining 30% is a mixture of Ag, base metals and Fe.
2. Second doré is Ag produced and sold separately.

All the doré is transported to the Central Bank of Mongolia (Mongolbank). The Bank of Mongolia announces the official Au and Ag rates for the day using the London Metal Exchange (LME) closing rate from the previous day.

For the Phase 2 Expansion Project, Pb and Zn metals are prime indicator of Pb and Zn concentrates. Steppe Gold will produce and sell its concentrates (Pb, Zn, and Py) for the Project

The research group (CRU) expects global lead consumption to grow at a compounding average growth rate (CAGR) of 2.09% between 2020 and 2025, reaching 13.3 Mt in 2025. Europe and China are expected to account for about ~50% of growth in global demand by 2025. Thailand, Vietnam, and Indonesia are set to drive lead demand in Southeast Asia, which is forecast to increase from 331 kt in 2020 to 414 kt in 2025.

Zn prices, traded on the London Metal Exchange (LME), have recovered to above US \$3,000/t in August 2021, up 66% from the multi-year lows reached in March 2020. The price expectations for the remainder of 2021 are expected to average of US \$2,875/t for the year.

According to S&P, Zn price forecasts are set to average of US \$2,885/t in 2022 and \$2,858/t in 2023 with a medium-term average price of US \$2,935/t in 2025.

Due to the stricter enforcement of environmental standards in China, CRU estimates that Py concentrate demand will decline to 9.6 Mt in 2025.

Although Zn and Pb concentrates are the main source of revenue for the Phase 2 Expansion Project, Py concentrate is forecasted to contribute additional revenue.

## **1.10 Environmental Approvals and Status**

---

Steppe Gold has conducted stakeholder and community participatory regular/routine environmental monitoring program at the ATO Project site and surrounding areas, and reporting to relevant authorities and local communities addressing the monitoring and control impacts on air, water, land/soil and biodiversity.

The General Environmental Impact Assessment (GEIA) was completed and approved by Ministry of Environment and Tourism of Mongolia (MMET). The environmental and social impacts are summarised in the report, and include changes to topography from mining operations, impacts on vegetation from mine clearing, impacts on fauna from land clearing, surface water hydrology impacts from interrupted natural drainage and soil and water contamination from mine development.

Steppe Gold has conducted water resource studies from 2017 to 2019 and received water resource statements from the relevant authorities and received land use permits for mining, construction, other infrastructures sites from local authorities.

The mine minerals waste handling plan has been developed to ensure that the management of mining activities and the implementation of environmental and social management plans and mine closure at the ATO Project will be conducted according to best practice methodologies to eliminate the potential for contamination.

The management of the ATO Project's significant environmental and social aspects and impacts is achieved through a suite of Management Plans that have been developed and is maintained such as Air Quality Management Plan and Water Resources Management Plan.



## 1.11 Capital and Operating Costs

### Operating Cost

The Operating Cost Estimate (OPEX) is presented in \$ USD. The cost have been developed in conjunction with Steppe Gold. The estimate includes mining, processing, and general and administration (G&A). The estimate has an accuracy of +30% - 15%.

The OPEX is estimated at \$884 M over the life of mine or \$30.45/t of ore processed, with 1.5 years of operation for Phase 1 and 11.5 years of operation in Phase 2. The major project area over the LOM OPEX for the entire project for both Phases is summarised in Table 1.7.

**Table 1.7 Average Operating Costs**

	Av. Annual Cost (USD M)	Cost / t ore processed (USD/t)	Total Cost LOM (M USD)
Mining	17.7	7.87	249
Processing	30.2	13.44	425
General Admin	12.2	5.50	174
<b>Total</b>	<b>60.1</b>	<b>26.81</b>	<b>848</b>

### Capital Cost

The Capital Cost Estimate (CAPEX) consists of direct and indirect capital costs as well as contingency. Provisions for sustaining capital are also included. Amounts for mine closure, rehabilitation of the site, and other specific items are excluded and further detailed in Section 21. The CAPEX is reported in United States Dollars (\$, \$ USD).

Table 1.8 presents a summary of the initial CAPEX by Major Area. Sustaining CAPEX is distributed over the LOM, separately indicated from the initial CAPEX.

**Table 1.8 Capital Cost Summary**

	Total Capital (SD M)
Mining	1.8
Process Plant	75.2
Tailings/ reclaim water and water treatment	13.5
Power	1.7
Indirect	23.3
Owner's Cost	1.5
Contingency	11.5
	<b>128.5</b>

## 1.12 Economic Analysis

The Project has been evaluated using discounted cash flow (DCF) analysis. Cash inflows were estimated based on annual revenue projections. Cash outflows consist of operating costs, capital expenditures, royalties, and taxes. The analysis considers two years of production in Phase 1, (existing operation) and 13 years of production through Phase 2.

The Net Present Value (NPV) of the Project was calculated by discounting back cash flow projections throughout the LOM to the Project's valuation date using three different discount rates (5%, 8%, and 10%). The base case used a discount rate of 5%. The internal rate of return (IRR) and the payback period were also calculated.

Table 1.9 summarise the economic/financial results of the Project for the base case for Phase 1 and Phase 2 as well as for Phase 2 respectively. All figures are in USD. For this Project, the Phase 1 and Phase 2 base case used a discount rate of 5%. After-Tax NPV is \$330 M USD at a discount rate of 5%.

**Table 1.9 Financial Summary**

Description	Unit	Value	
LOM Tonnage Ore Processed	kt	29,103	
LOM Feed Grade Processed - Au	g/t	1.13	
LOM Feed Grade Processed - Ag	g/t	12.43	
LOM Feed Grade Processed - Pb	%	0.40	
LOM Feed Grade Processed - Zn	%	0.69	
LOM Recovery - Au	%	79.2	
LOM Recovery - Ag	%	72.6	
LOM Recovery - Pb	%	82.5	
LOM Recovery - Zn	%	85.9	
Total Net Revenue (after streaming, Payable)	USD Million	2,003	
Refining/transport costs	USD Million	229	
LOM Operating Costs	USD Million	848	
		Pre tax	Post Tax
NPV @ 5%	USD Million	364	242
NPV @ 8%	USD Million	273	176
NPV @ 10%	USD Million	226	142

## 1.13 Conclusions and Recommendations

### 1.13.1 Mineral Resource Estimate

---

The Overall interpretation of the estimation and resulting Resources was that it proceeded as expected, confirmed the 2017 & 2021 modelling and results of Pipes 1, 2 and 4, and produced a more accurate second generation result. Re-modelling in 2022 of the base of oxidation surface (top of fresh material) was considered to have significantly improved the accuracy of the Resource classification by oxidation level (oxide/transition/fresh) although it had minimal impact on overall Resources. Furthermore the up-dated topography took existing mining into full account.

Interpretation of mineralisation at the new Mungu deposit showed it to be more complex and lode-like than the other deposits, with greater potential for increasing the Resource with targeted drilling. Its different shape gives encouragement for further regional exploration to find other deposits of its style.

The conclusions were that:

- *The 2021/2 Measured and Indicated Resources:*
  - Pipes 1, 2 and 4:
    - The 2021/2 Resources confirmed the 2017 estimate generally.
    - It increased the Resource tonnage significantly (by 25%), decreased the gold grade slightly (by 3%), increased the silver grade reasonable (by 16%), leading to an overall significant increases in metal contents (gold by 22%, silver by 45%). This comparison uses equivalent reporting cut-offs between the two estimates.
    - The increase in deposit volume was not only because of additional drill holes but also because of more practical and geologically controlled deposit shape interpretation.
  - For Mungu:
    - The cross-sectional interpretations hung together and created a significant deposit.
    - The maiden 2021 Measured and Indicated Resource was significant at 7.6 Mt at 1.16 g/t gold (282 k oz gold metal) and 40.75 g/t silver (9,916 k oz silver metal).
    - Mungu now represents 18% by tonnage of the Resources, 20% of the gold metal and 48% of the silver metal (as the silver grade is 320% higher than for Pipes 1, 2 and 4).
  - All deposits:
    - The total Measured and Indicated Resource for all deposits in 2022 stands at 38.0 Mt at 1.03 g/t gold (1.3 Moz gold metal) and 15.58 g/t silver (19.04 Moz silver metal).
    - The absolute comparison (Table 52) of the 2017 Resource (reported at much higher cut-off grades) with the 2021 Resource showed a 136% increase in tonnage, a decrease of average gold grade of -27%, and an increase of average silver grade of 53%.
    - The absolute comparison of contained metal showed a 73% increase in gold metal (to 1.4 Moz) and a 262% increase in silver metal (to 20.5 Moz).
- *Adequacy of data:* The data supplied and used in the estimation was suitable for the purpose of Mineral Resource estimation and JORC classification.
- *Drilling data:* The drilling, sampling and subsequent assaying was that it was well performed, comprehensive, consistent (and extensive) and very adequate from a point of view of allowing a straight-forward interpretation of mineralisation at the deposits and of estimation of their Resources.
- *Compliance with JORC and Canadian standards:*
  - The Mineral Resource estimation Project, and the reporting of it, comply with the JORC (2012) and NI 43-101 (June 2011) standards.
  - The results of current and previous work have been successful to demonstrate the “reasonable prospects for economic extraction”.

- The fact that mining has commenced at the ATO Mine further reinforces this compliance with the Code.

**Recommendations:** Opportunities exist for further drilling to enlarge the defined deposits (particularly at Mungu) and for further exploration to find new ones. The latter includes exploring locally for Mungu style deposits which may have previously geologically been overlooked. Recent drilling strongly supports expansion at all deposits.

### 1.13.2 Mineral Reserves

---

ATO is an established conventional open cut Gold/Silver mine that has been in operation for several years.

Mine planning and evaluations undertaken using the latest resource models confirm that the continuation of mining and processing at ATO is both viable and economic.

The Mineral Reserve estimate has a relatively high sensitivity to revenue which is controlled by metal prices and payability. It is noted however that at current long term forecast metal prices, the mineral reserve is relatively insensitive to changes in revenue and costs. Mungu area is more sensitive to price than the ATO pit area.

Given the mine has been operational for a number of years, technical risk in relation to the Mineral Reserves estimate is deemed to be low.

## DETAILS OF THE TRES CRUCES PROJECT

### Current Tres Cruces Technical Report

The below summary is a direct extract and reproduction of the summary contained in the Tres Cruces Technical Report, without material modification or revision and all defined terms used in the summary shall have the meanings ascribed to them in the Tres Cruces Technical Report. The below summary is subject to all the assumptions, qualifications and procedures set out in the Tres Cruces Technical Report. The Tres Cruces Technical Report was prepared in accordance with NI 43-101. For full technical details of the report, reference should be made to the complete text of the Tres Cruces Technical Report, which has been filed with the applicable regulatory authorities and is available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). The Tres Cruces Technical Report is incorporated by reference in this annual information form and the summary set forth below is qualified in its entirety with reference to the full text of the Tres Cruces Technical Report. The authors of the Tres Cruces Technical Report have reviewed and approved the scientific and technical disclosure contained in this annual information form related to the Tres Cruces Technical Report.

## 1 SUMMARY

---

### 1.1 Introduction

---

M3 Engineering & Technology Corporation (M3) was commissioned by Steppe Gold Limited (Steppe) to prepare an independent Technical Report on the Tres Cruces Oxide Project (the Project) located in north central Peru approximately 100 kilometres (km) east of the city of Trujillo. The purpose of this report is to update the prior Preliminary Economic Assessment (PEA) Technical Report (prepared by M3 and others) for the oxide and transition resource as an executable standalone project. This PEA provides a framework for further expenditures for exploration drilling, more detailed metallurgical study, and related engineering. The study work focused on the mining and heap leaching of oxide gold mineralization. This PEA has been prepared in accordance with the guidelines provided in NI 43-101 Standards of Disclosure for Mineral Projects and conforms to Form 43-101F1 for technical reports. Qualified Persons have visited the Project site as recently as August 2023.

On June 28, 2023, Steppe completed the acquisition of Anacortes Mining Corporation (Anacortes) which held a 100% interest in the Tres Cruces Mineral concessions through its wholly owned subsidiary, Aurífera Tres Cruces S.A. (ATC). The Project is considered an advanced stage exploration project, as 379 holes with a total of 75,084 m have been drilled to-date using both reverse circulation (RC) and diamond drill (DD) coring.

The gold mineralization at Tres Cruces was a grass-roots discovery made by New Oroperu Resources Inc. (Oroperu) and initially drilled in 1996. Oroperu completed 61 drill holes by the end of 1997. Battle Mountain Canada Ltd. (BMC) optioned the property and completed an additional 108 drill holes in 1998 and 1999. Barrick Gold Corporation (Barrick), through its Peruvian operating subsidiary, Minera Barrick Misquichilca S.A. (MBM), advanced the Project under an option agreement with Oroperu, with the drilling of an additional 202 drill holes from 2000 to 2008.

The Project is accessed via a paved road from Trujillo and then along a 3 km gravel road that extends into the Project area, which is located in the District of Quiruvilca in the Province of Santiago de Chuco and the Department of La Libertad. The Lagunas Norte mining operation is a further 12 km to the north on the main paved highway and is operated by Minera Boroo Misquichilca S.A. (MBM), the Peruvian subsidiary of Boroo Pte. Ltd. (Boroo). Currently, there is no infrastructure associated with the Project other than the pre-existing drill roads and pads.

## 1.2 Property Description and Location

---

The Project site is located in north-central Peru about 100 km east of the city of Trujillo, a major city located 574 km northwest of Lima. The Project area ranges in elevation from 3900 to 4200 m asl in the central part of the Western Cordillera of north central Peru. The Project area consists of four mineral concessions totaling 3,000 hectares (ha), situated within the Department of La Libertad and within Peruvian National Topographic System (NTS) map area Santiago de Chuco, number 17G. The Tres Cruces mineral concessions are centered at approximately 78° 16' west longitude and 08° 02' south latitude.

## 1.3 Land Tenure

---

Steppe holds a 100% interest in the four Tres Cruces mineral concessions through its wholly owned subsidiary ATC. To maintain the concessions in good standing, there is a basic annual fee payment of USD 3 per ha, equaling USD 8,753.82, in total, which must be submitted to the Peruvian government annually. After certain periods, an additional annual “non-production fee” penalty is assessed if a minimum production level is not achieved. ATC complied with the minimum required levels of investment in the mining concessions for the year 2022 as credited on the Annual Consolidated Report (“*Declaración Anual Consolidada – DAC*”), and therefore no penalties were assessed in 2022. The latest annual concession fees were paid on June 9, 2023, and the concessions are in good standing until June 30, 2024. To conduct detailed exploration work, permits must be obtained from the Peruvian Ministry of Mines; however, it is not necessary to obtain permits for prospecting activities, such as mapping and geochemical sampling of surface and streams. Concession holders are also required to submit an annual report detailing annual exploration expenditures to the Peruvian Ministry of Mines.

## 1.4 Royalties, Back-In Rights, Payments, and Other Agreements

---

The Tres Cruces mineral concessions are subject to a 1.5% net smelter return (NSR) royalty to Pan American Silver Corporation (PAAS) that was subsequently transferred to Maverix Metals Inc. (MMI), except for the Tres Cruces 1 concession, which has a 2.5% NSR royalty, capped at USD 1,250,000 which would be paid out prior to the 1.5% NSR royalty paid out to the same. There are no known environmental liabilities within the Project area other than reclamation requirements for drill pads and drill roads, and small artisanal mining pits and trenches.

## 1.5 Site Infrastructure

---

There is currently no infrastructure located on the Project site except for pre-existing drill roads and pads. All previous exploration activity on the Project site was carried out using the existing roads, and services were provided from nearby towns, as well as from Boroo's Lagunas Norte operation (during the period when MBM had the option on the property). Manpower, equipment, and supplies required for exploration activities were transported to the Project site by way of highway from the city of Trujillo and local roads from Quiruvilca and other nearby towns.

## 1.6 History

---

Modern mining activity has been ongoing in the region since the 1920's, when Compañía Minera Quiruvilca started mining high-grade Pb-Zn-Ag veins at Quiruvilca. In 1996, Oroperu acquired the key concessions of the Tres Cruces property from a private party and entered into a 50-50 joint venture with PAAS on a combined land package, including adjoining ground held by PAAS that covered portions of the Tres Cruces mineralization. Assets for this joint venture were held by ATC. Drill campaigns utilizing RC and DD drilling equipment were conducted by Oroperu in 1996 and 1997, completing 61 drill holes, and later BMC in 1998 and 1999. BMC relinquished their option of the Project in 1999 after drilling 69 DD and 28 RC holes.

In May 2002, Oroperu secured an option to acquire PAAS's 50% interest in ATC, which owned the Tres Cruces Oxide Project, to increase its interest to 100%, subject to work expenditures, royalty, and back-in provisions. Concurrently, Oroperu entered into an agreement with MBM that would further the exploration of the Project. In September 2003, the agreement with MBM was finalized and a definitive option agreement was signed. In October 2003, Oroperu finalized their agreement with PAAS regarding their interest in the Project, acquiring 100% of ATC through issuance of Oroperu shares and granting a 1.5% NSR royalty to PAAS (later transferred to Maverix Metals Inc.).

The MBM exploration program began with geological mapping, re-logging of existing drill core, and Induced Polarization (IP) and gravity geophysical studies. MBM drilled 29 DD core holes in the period from 2002 to 2004. No further drilling was undertaken until 2006, when 29 additional DD core holes were completed. In 2007, MBM drilled 42 DD holes and 87 RC holes. In 2008, MBM drilled 7 DD holes and 6 RC holes. The price of gold was between USD 278 and USD 1,024 per ounce during this period.

Between 2008 and 2018, MBM carried out a number of studies on the project; however, no field work was undertaken. On December 31, 2020, the option agreement signed in 2002 between Barrick and New Oroperu expired as a result of MBM not making a production decision in accordance with the option agreement. Subsequently, control of the Tres Cruces Oxide Project lapsed back to New Oroperu.

In October of 2021, New Oroperu and First Light Capital merged to form Anacortes Mining Corporation, a company registered in British Columbia, Canada. The transfer of ownership of surface rights, drill core and all related data associated with the project from MBM to Anacortes, facilitated by Boroo who had purchased Lagunas Norte from Barrick in early 2021, was completed later in October 2021.

In November of 2021, Anacortes commissioned M3 to prepare an independent Technical Report on the Project. The NI43-101F1 Technical Report was published on March 14, 2022. In June and July of 2022, Anacortes undertook diamond drilling on the Property to check results of previous holes and to test the mineralized system at depth.

Eight holes were attempted, however, two of the holes could not be completed to their target depths and were abandoned. Two holes were drilled in areas of known mineralization to provide PQ-size core for metallurgical testwork. The entire core from these holes was used for testing; therefore, it was not assayed. The remaining four holes were drilled as confirmation of mineralization, testing areas between previous holes, or twinning holes with known strong mineralization. Confirmation holes were cored at HQ size, and reduced to NQ, if required. A total of 1376.9 m of drilling was completed.

The four confirmation holes were successful in determining limits of mineralization and corroborating gold grades as expected. Results of the drilling program are discussed below in Section 10. Results of metallurgical testwork conducted on the core from

two of the drill holes are discussed below in Section 13.

A minor metallurgical testwork program was conducted on five samples in 2022. The program conducted at Plenge laboratory in Lima, Peru, and comprised of comminution, flotation, and cyanidation tests. The results did not materially change the conclusions from previous work.

On June 28, 2023, Steppe completed the acquisition of Anacortes and commissioned the update of the March 2022 PEA to include the addition drilling and metallurgical testwork conducted after the technical report was issued.

## 1.7 Geology

---

The Tres Cruces property is located within a NW-SE trending belt of Paleogene volcanic rocks of predominantly andesitic composition called the Calipuy Volcanics. This volcanic belt trends from central to northern Peru and hosts world-class deposits such as Newmont's Yanacocha Mine and Barrick's Pierina Mine. The Tres Cruces property lies near the heart of the Quiruvilca mining district, which includes the Quiruvilca copper-lead-zinc-silver vein systems. Precious metal deposits in the area include the Lagunas Norte mine, an epithermal gold deposit which has produced over 10 million ounces of gold and has current resources of 4.2 million ounces (Barrick Annual Report, 2019).

The Calipuy volcanic package overlies a Cretaceous sedimentary sequence (Chimu Formation) of quartz arenite and mudstone that shows a strong degree of deformation resulting from early Cenozoic SW-NE compression. This was later followed by E-W extension allowing loci of volcanic activity to develop. The Quiruvilca District is host to several mineral deposits all classified as epithermal type. MBM's Lagunas Norte located 10 km north-northeast of Tres Cruces is classified as a high sulphidation system. Tres Cruces is of the low to intermediate sulphidation epithermal type and is located four km southeast of the Quiruvilca deposit, but it is unlikely to be related to that system since the Tres Cruces mineralizing event is estimated to be 9 million years older.

Gold mineralization at Tres Cruces is hosted by a bimodal suite of andesitic to rhyolitic flows, domes, breccias, and volcanoclastics. Gold occurs with a fine grained, dark, arsenical pyrite, generally disseminated within its volcanic host, along structural zones, and lithologic contacts. Accompanying the pyrite, trace amounts of associated minerals include marcasite, arsenopyrite, galena, stibnite, realgar, orpiment, and enargite. Silver shows a moderate correlation with gold at a ratio of about 3:1 based on over 43,200 drill sample intervals assayed for both metals. The gold is extremely fine, with over 95% having a diameter of less than 5  $\mu$ . Rare coarse visible gold occurs in quartz veinlets. Hydrothermal alteration in the core of the deposits is dominated by illite with subordinate quartz, kaolinite, and smectite. Oxidation of the pyritic mineralization has occurred from a few metres up to 100 m below the surface, developed primarily in rhyolitic host rocks.

## 1.8 Recovery Methods

---

The Project will employ open pit mining with conventional heap leach processing on a 365 day per year, 24 hour per day operating basis. The process will consist of a crushing circuit, a heap leach pad, a recovery plant, and water management ponds. Mined rock from the pit will be transported to the crusher by haul truck. The three-stage crushing plant will reduce run-of-mine (ROM) material to minus 16 mm. Crusher product will be transported to the heap leach pad via a conveyor belt and stacker system.

The heap leach pad will be lined with a geomembrane and will include a solution recovery system to contain and capture the process solution. The crushed material will be conveyed and stacked in lifts on the leach pad by a mobile radial stacker. The stacker will be fed by a series of mobile grasshopper conveyors placed across the heap that will be fed from the main overland conveyor from the crushing circuit. Sections of the conveyor transporting crushed material to the heap will be permanent, and some sections located on the overliner will be semi-permanent and mobile to allow them to be moved as needed, allowing for phased construction of the pad and overliner placement over the life of the mine.

The lifts will be stacked to a target of 8 m with a total heap height of 85 m. Stacking will advance continuously; whereas

intermittently, areas will be placed under leach through the irrigation of dilute cyanide solution delivered from the Adsorption Desorption Recovery (ADR) plant by an infrastructure of distribution piping. The cyanide solution leaches gold from the stacked heap and the rate of recovery and ultimate recovery is enhanced by increasing the surface exposure of mineralisation by crushing and by the stacking of multiple lifts on top of each other.

Above the geomembrane within the coarse-crushed overliner, a series of perforated collection piping transports the pregnant leach solution (PLS) to the ADR plant for gold recovery by carbon adsorption. The gold recovery strategy incorporates a vertical multi-stage carbon column, intermittent scheduled carbon transfer to the elution circuit for stripping under high temperature and pressure, and the electrowinning of the high-tenor strip solution to sludge on cathode. Electrowinning sludge will be dried in a retort where mercury can be condensed and recovered. Subsequently, the sludge is fluxed and smelted to produce precious metal doré bars for sale to an offsite refinery. Note that while silver is a byproduct of gold production, there is no resource presented in this Technical Report since the geological and metallurgical databases lack the detail to evaluate the potential contribution.

PLS will flow by gravity to the ADR plant but can be bypassed to the pregnant solution pond in the event of a precipitation event. Further upset can be stored in the Overflow Pond. Make-up cyanide, pH level and water from the barren solution pond can be added to the ADR barren solution tank before recirculating the solution back to the heap by pumping. Use of raincoats on the heap, back up power-supply for pumps, and containment surge volume within the process water ponds are some of the means used to address storm upset in the system.

## 1.9 Mineral Resources

The current resource, published in March 2021, was an update of the Technical Report by Lacroix and Associates (L&A), dated September 2012 for Oroperu. The estimate used the geologic models of lithology and alteration that were developed for the L&A resource, but divided the deposit by mineralization type (oxide, transition, or sulphide). This PEA considers only the processing of oxide and transition mineralization.

Gold grade correlation based on geology was not readily apparent and the decision was made to use a 0.2 g/t grade shell as control for grade estimation; this shell was generated using an indicator estimation method (See Section 14.6).

A total of 327 holes have been used for this estimate; of these, 159 were RC and 168 were core holes. Sample grades were composited to a down-hole length of 3 m. Assays, subdivided by grade domain, were capped in a conventional manner prior to compositing.

Gold grades were estimated inside and outside the mineralized grade shell by ordinary kriging, into blocks with dimensions of 10m x 10m x 5m (X/Y/Z). Average density values were assigned by lithology based on 2,700 core density measurements.

The resource has been classified based on spatial parameters related to drill density and configuration, and the generation of an optimised pit. Blocks were initially classified as Inferred where the average distance to the closest three holes is within 80 m, and as Indicated where the average distance to the closest three holes is within 50 m. Pit optimization included variable cost and recovery values dependent on mineralization type; all material included in the Mineral Resource Estimate is contained within the optimized shell.

**Table 1-1: Mineral Resource Estimates**

Resource Classification	Indicated			Inferred		
	Tonnes (1000's)	Au (g/t)	Oz Au (1000's)	Tonnes (1000's)	Au (g/t)	Oz Au (1000's)
Oxide (0.3 g/t Cut-off)	9,636	1.37	425	487	0.75	12
Transition (0.3 g/t Cut-off)	5,707	1.12	205	361	0.60	7
Sulphide	31,132	1.84	1,844	1,713	1.55	85



(0.9 g/t Cut-off)						
Total	46,475	1.65	2,474	2,561	1.26	104

## 1.10 Capital and Operating Costs

Operating costs are shown in Table 1-2.

**Table 1-2: Overall Operating Cost**

Area	Life of Mine
Mine Operating Cost	\$146,345
Process Plant Operating Cost	\$63,582
Water Treatment Plant	\$2,970
Site & Services	\$8,685
G & A	\$35,618
Treatment & Refining Charges	\$1,586
Royalties	\$12,193
Closure	\$26,157
<b>Total (\$000)</b>	<b>\$297,136</b>
<b>\$/t processed (US\$)</b>	<b>\$19.93</b>

Direct capital costs are shown in Table 1-3. Full capital costs are discussed in Section 21.

**Table 1-3: Tres Cruces Capital Cost Estimate Summary**

Item	Base Cost (US\$)
<b>Subtotal Direct Cost, without Mining</b>	<b>\$56,572,660</b>
Mobilization	\$1,114,143
Camp Administration, Bussing & Meals	\$683,687
Temporary Construction Power	\$56,573
Fee - Contractor	In Direct Cost
<b>Total Constructed Cost</b>	<b>\$58,427,062</b>
Management & Accounting	\$424,300
Engineering	\$3,094,400
Project Services	\$565,700
Project Control	\$424,300
Construction Management	\$3,677,200
EPCM Fee	\$848,590
EPCM Construction Trailers	\$169,718
Vendor Supervision of Specialty Const.	\$296,180
Vendor Pre-commissioning	\$98,727

Item	Base Cost (US\$)
Vendor Commissioning	\$98,727
Capital and Commissioning Spares	\$493,634
Freight	\$4,711,978
<b>Total Contracted Cost</b>	<b>\$73,330,516</b>
Contingency	\$18,332,629
<b>Total Contracted Cost with Contingency</b>	<b>\$91,663,145</b>
Mining	\$22,207,173
Mining Contingency	\$1,665,538
Owner's Cost	\$13,666,668
First Fills	\$523,500
Peruvian IGV	\$0
Escalation	\$767,526
<b>Total Contracted and Owner's Cost</b>	<b>\$130,493,550</b>

### 1.11 Economic Analysis

---

The base case economic analysis indicates that the project has an after tax NPV at 5% discount rate of \$157.6 million, IRR of 31.0% and a payback of 2.1 years. This assumes a gold price of \$1,700/oz.

### 1.12 Conclusions

---

Although both sulphide and oxide mineralized material exist at Tres Cruces, this PEA considers only the processing of oxide and transition mineralization. The processing of sulphide mineralization is outside the scope of the PEA and is considered as a future opportunity, requiring additional studies.

The mineral resource for Anacortes Mining's Tres Cruces Oxide Project was estimated by Mr. James N. Gray of Advantage Geoservices Limited and reported by Oroperu with an effective date of March 16, 2021, replacing the 2012 Lacroix estimate. The resource estimate includes data from 327 drill holes (159 RC and 168 diamond core holes) of 371 drill holes that were completed between 1996 and 2008 by Oroperu, BMC and MBM, and remains current in support of this technical report. The following interpretations and conclusions are made by those authors:

- Indicated Mineral Resources are estimated to contain 46.5 million tonnes (Mt) grading 1.65 g/t Au for a total of 2.5 million ounces (Moz) of contained Au metal. Inferred Mineral Resources are estimated at 2.6 Mt grading 1.26 grams per tonne (g/t) Au for 0.1 Moz Au. These estimates are reported at a 0.3 g/t Au cut-off, for oxide and transition material, and at a 0.9 g/t cut-off for sulphide mineralization. These cut-off grades are considered appropriate based on currently available metallurgical testwork and the assumed mining parameters and gold price.
- The near surface Indicated Mineral Resource is comprised of 9.64 Mt of oxide mineralization grading 1.37 g/t Au for 425,000 contained ounces of gold, and the immediately underlying transition material comprised of 5.71 Mt grading 1.12 g/t Au for 205,000 contained ounces. This forms the basis for a heap leach operation. Potential exists to increase the size of, and the confidence in, the resource through further drilling. Drilling areas presently classified as Inferred Mineral Resource, particularly in areas where holes ended in mineralization, could add or upgrade significant resource tonnage.
- Additional near-surface oxide mineralization may be present in areas covered by shallow post-mineralized volcanic rocks.
- No estimate has been made by the authors for silver content within the mineral resources, although the potential for additional value exists at current silver prices. Indications are that silver grades are generally low and concentrated

mainly in the deeper, sulphide portion of the gold deposit. Based on this updated gold resource scenario, overall silver grades would be expected to range between 1.5 and 2.5 g/t, potentially containing 2.5 to 3.5 Moz of silver. Any silver recovered with the gold would enhance overall project economics, albeit with silver recovery being lower relative to that for the gold.

- While metallurgical testing still requires further detailed work, a baseline recovery of about 82% or better of the contained gold has been established for heap leaching of oxide and transition mineralization. Gold recoveries do not necessarily depend on total sulphur content. Samples with both high gold recovery and sulphur content were observed in testing and are primarily derived from shallower depths while those with high total sulphur and lower recoveries are from deeper intervals. It is probable that, in those samples exhibiting higher recoveries, some of the sulphur occurs in sulfate minerals (i.e., in an oxide state), or lower total sulphur content may be due to partial leaching of sulphide sulphur following oxidation, or the gold may deport as free grains. Such mineralization is treatable by heap leaching or other low-cost recovery techniques.
- The Tres Cruces oxide mineralization and the immediately underlying sulphide transition materials can provide the foundation to develop the deposit as an initial standalone heap leach operation, which could then transition to the exploitation of the sulphides. The tabular geometry of the oxide mineralization would, when extracted, expose some of the higher-grade areas of sulphide mineralization.
- The sulphide mineralization cut-off of 0.9 g/t Au was established by considering processing using pressure oxidation. Recommendations have been made by metallurgical consultants to further evaluate the treatment of the sulphide portion of the resource by various other less expensive treatment methods, including fine grinding, CIL leaching, alternative oxidative pre-treatment technology, flotation to create concentrates for shipping, or flotation with oxidative pre-treatment of the concentrate for ultimate gold recovery of gold and silver by leaching.
- Significant mineralization exists at depth below the currently optimized pit and beyond the northern property boundary, extending onto adjacent claims.
- The Cardoso Zone is the least densely drilled area and contains only Inferred Mineral Resources and none of them have been designated as oxides and included in this PEA. Additional drilling at closer spacings is required to bring these resources into higher-confidence categories.
- The Tres Cruces mineral resource estimate has been carried out to industry standard techniques and classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves (CIM, 2014).

## 1.13 Recommendations

---

The following recommendations are made by the authors. Additional Recommendations can be found in Section 26 of this PEA.

### 1.13.1 Exploration, Geology and Drilling

---

- Exploration drilling should test favorable targets defined by geological modelling, or geophysical surveying outside of the known areas of mineralization.
- Geological mapping and modelling should be directed toward evaluating the potential for higher-grade zones of mineralization, as well as possible mineralization hidden beneath thin layers of post-mineral rock units.
- Geochemical mapping should be performed for mercury, copper, sulphur, silver, and any other parameters that are required for metallurgical predictions and environmental management.
- Alteration mapping and geochemical analyses of drill samples should be compiled and augmented with additional analyses from samples in storage to help further develop geological modelling of the deposit.
- Drilling should be undertaken to better define mineralization in areas of the drill grid where holes are greater than 50 m apart, where there are unexplained discrepancies in zone continuity or grades between holes, or in areas where holes end in mineralized material.
- Drilling should be undertaken to define the edges of mineralized zones to better define resources and allow for detailed pit planning, and condemnation drilling is required in the areas of the proposed facilities and waste dumps.
- Condemnation drilling is required in areas planned for other future project infrastructure.
- As a number of the previous drill holes ended in mineralization, selected areas should be drilled at depth to determine the ultimate limits of mineralization, especially within or close to current expected pit limits.

- An accurate topographic survey should be carried out for the entire property prior to the next study stage.

### 1.13.2 Resource Model Update

---

Improve the accuracy of the boundary between directly leachable gold mineralization and refractory gold mineralization using metallurgical testwork, geometallurgical interpretation, and geological mapping.

### 1.13.3 Metallurgy

---

- Heap leach development tests to determine crush size and leaching conditions are required.
- Balances of mercury, copper, silver, cyanide, and acid generating potential to mitigate risks and generate data for process engineering.
- Water treatment options such as cyanide destruction and metal precipitation, to achieve effluent quality discharge requirements.
- Soluble gold extraction tests and cobalt assays should be integrated with exploration sample analysis workflow as a tool to map and characterize oxidation state structure within the deposit and to differentiate refractory sulphide from leachable resources, as well as to better characterize the leach impact of base metals.
- Given the potential economic contribution by silver whether by heap leaching or other processing strategies, future mineral resource estimates should include silver. Models for mercury and copper that may impact the leach and plant recovery strategy should be developed.
- The sulphur grade should be populated into the mining block model.
- Additional metallurgical testwork is recommended to better quantify recoveries for the different rock types considering lithology and alteration, oxidation state, and mine schedule (zonation) as well as to refine the processing methodology going forward. Additional recommendations for metallurgical testing include:
  - Cyanide destruction testing to select best method and reagent consumptions
  - Column and bottle testing should include analysis of solution for mercury and copper to help determine carbon loading levels expected
  - Column tests should optimize the leach cycle
  - Water treatment – parameters for water treatment should be identified
- Further column and bottle roll testing will allow for optimization of the crusher product sizing and does not preclude the possible future selection of run-of-mine dump leaching.
- The optimization of cyanide and lime consumption for each type of mineralized material. This should include cyanide concentration in the application solution.
- Testing to confirm geotechnical loading parameters with and without agglomeration of crusher products should be undertaken.

### 1.13.4 Process Facilities

---

- Crusher work index and abrasion tests should be conducted to confirm crusher design and wear rates.
- Confirmation testing to determine dry bulk density of material for crushing and heap leaching
- Percolation and drain down testing with simulated heap loading to ensure that the heap will perform as predicted.
- Geotechnical investigations into the heap stability.

### 1.13.5 Geotechnical Investigations

---

- Geotechnical and hydrological drilling is required to support detailed mine design.
- Geotechnical drilling and analysis are required to support detailed design of the processing facilities including the ADR, Crushing circuit, and heap leach pad.

### 1.13.6 Capital and Operating Cost Estimates

---

### 1.13.7 Infrastructure

---

#### 1.13.7.1 Electric Power

- Advance design of electrical power supply connection and distribution across the site. Electric power is expected to be supplied by a connection to the existing national power grid.
- Further refinement of the capital equipment necessary to connect to the national grid should be investigated to improve the estimate to a pre-feasibility level.

#### 1.13.7.2 Water

- Develop a comprehensive site-wide water balance that integrates the various process facilities with their water demands, rainfall/runoff relationships, contact versus non-contact waters, etc.
- Water sourcing demands and availability from both groundwater and surface water sources on a seasonal and life of mine basis needs to be estimated.

### 1.13.8 Other

---

#### 1.13.8.1 Preferred Development Option

- Given the grade of the oxide and transition, the construction of a whole ore leaching facility (mill and CIL) might be leveraged to reduce the future capital cost of sulphide processing with the increase in operating and capital costs offset by an incremental recovery improvement.
- The PEA describes a low capital, oxide heap leaching project. The preferred process option presented in the PEA of three stage crushing and heap leaching of oxide and transition mineralized materials, requires validation and further optimization.
- Future evaluation may consider the potential opportunities related to the proximity of the Lagunas Norte site, such as the purchase of leached ore for the use in construction of overliner for the Tres Cruces heap leach pad, rental of Boroo's existing camp infrastructure, evaluation of potential use of processing facilities infrastructure such as the gold room, and use of the airstrip.

#### 1.13.8.2 Environmental Baseline

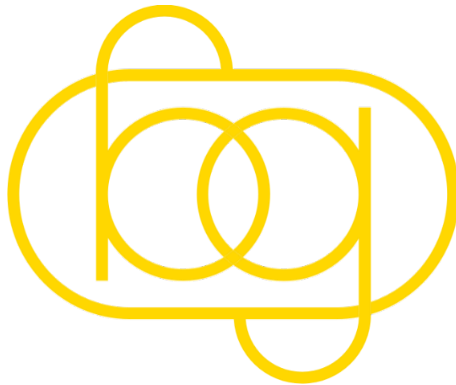
- Continued collection of environmental baseline data should be continued. Studies on acid/base accounting for the waste rock should be included in an updated reclamation and closure plan. This plan will evaluate the opportunity for concurrent reclamation and the mitigation and possible treatment of any acid drainage.

#### 1.13.8.3 Stakeholder Engagement

- Define a comprehensive strategy for the engagement of local, regional, and national stakeholders. Evaluate the social and economic impacts to the communities surrounding the project that might accompany project development. Study the availability of skilled and unskilled labor for project construction and operation.
- It is recommended that the next stage of testwork assess the risks associated with mercury, copper, and sulphide in the oxide resource, and develop solutions to control any risks found.
- Low cobalt (oxidized) material extends below the bottom of the pit in some areas. This could be an opportunity for increasing the oxide resource.

**SCHEDULE I**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF BOROO GOLD AS OF DECEMBER 31,**  
**2023, AND 2022 AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF BOROO GOLD AS**  
**OF DECEMBER 31, 2022 AND 2021**

**[See attached]**



**BOROO GOLD LLC**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

Year Ended December 31, 2023

**April 26, 2024**

*Blue Sky Tower, Level 7*  
*Sukhbaatar District, 1<sup>st</sup> Khoroo,*  
*Ulaanbaatar City-14240, Mongolia*  
*Tel.: (976-11) 31-77-98*  
[info@boroogold.mn](mailto:info@boroogold.mn)

**TABLE OF CONTENTS**

Cautionary Statement regarding Forward-Looking Information.....	3
Non-IFRS Measures.....	4
Technical Report.....	4
Proposed Transaction Details.....	5
Company Overview.....	5
Health and Safety.....	6
Key Factors Affecting Our Results.....	7
Gold Prices.....	7
COVID-19.....	7
Ukraine Conflict.....	7
Financial Overview.....	8
Balance Sheet.....	8
Income Statement.....	12
Cash Flows.....	15
Financing Activities.....	15
Operational Overview.....	17
Mine Operational Summary.....	17
Mineral Reserves Update.....	18
Summary of Quarterly Result.....	18
Exploration and Development.....	19
Bornuur Exploration Site.....	19
Exploration Outlook.....	19
Outlook.....	20
Critical Accounting Policies, Estimates and Accounting changes.....	20
Financial instruments and Other instruments.....	20
Non-IFRS Performance Measures.....	22
Reconciliation of Non-GAAP Financial Measures.....	22
Key Performance Indicators.....	23
Corporate Governance.....	24





## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) and operating results of Boroo Gold LLC (“Boroo Gold” or the “Company”) are dated December 31, 2023, and should be read in conjunction with the audited annual financial statements for the years ended December 31, 2023 and 2022 (together, the “Financial Statements”). These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are reported in thousands of US dollars, unless otherwise indicated. This MD&A is dated as of April 26, 2024 unless otherwise indicated.

The MD&A contains non-GAAP measures and forward-looking information. Readers are advised to read the MD&A in conjunction with both the “Non-IFRS Measures” and “Cautionary Statement regarding Forward-Looking Information” sections contained at the end of this document.

Management is responsible for preparing the MD&A. The MD&A has been approved by the Company’s Board of Directors. Additional information about the operations can be found on the Company’s website at [www.boroogold.mn](http://www.boroogold.mn). Information contained in or otherwise accessed through Boroo Gold’s website ([www.boroogold.mn](http://www.boroogold.mn)), or any other website included herein, do not form part of this MD&A. All such references to Boroo Gold’s website are for informational purposes only.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and statements which may not be based on fact, including without limitation, statements regarding the Company’s expectations in respect of: future financial position; business strategy; future exploration and production; mineral resource potential; the timing of Steppe Gold’s annual general and special shareholder meeting; exploration drilling; permitting; access to capital; reagent supply chain operations; events or developments that the Company expects to take place in the future; the expected results of exploration activities; the estimation of mineral resources; the ability to identify new mineral resources and convert mineral resources into mineral reserves; ability to raise additional capital and complete future financings; capital expenditures and costs, including forecasted costs; use and repayment of loan proceeds; future loan agreements; Company pledge of certain licenses, movable properties and immovable properties; the ability of the Company to comply with environmental, safety and other regulatory requirements; future prices of precious metals the production and construction schedule of, and the ability of the Company to maintain all necessary approvals and permits in connection with the operation of the Boroo and Ulaanbulag mines.

All statements, other than statements of historical facts, are forward-looking information and statements. The words “aim”, “anticipated”, “assume”, “believe”, “expected”, “focus”, “forecasted”, “future”, “goal”, “objectives”, “opportunity”, “plan”, “scheduled”, “may”, “will”, “could”, “would” and similar expressions identify forward-looking information and statements.

Readers are cautioned that forward-looking information and statements are not guarantees of future performance. There can be no assurance that such information and statements will prove to be accurate and actual results and future events could differ materially from those presented in such information and statements. Forward-looking information and statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information and statements. Such risks include, but are not limited to: the volatility of the price of gold; uncertainty of mineral resources; exploration potential; mineral grades and mineral recovery estimates; delays in exploration and development plans; insufficient capital to complete development and exploration plans; risks inherent with mineral acquisitions; delays in obtaining government approvals or permits; financing of additional capital requirements; commercial viability of mineral deposits; cost of exploration and development programs; risks associated with competition in the mining industry; risks associated with the ability to retain key executives and personnel; the impact of COVID-19; the impact of the Russian invasion of Ukraine; title disputes and other claims; the risk that insurance may not be available to Boroo Gold on reasonable terms or at all. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information and statements.

Below tables show the highlights of the Technical Report.

<b>Description</b>	<b>Units</b>	<b>Life of Mine</b>
Tonnes CIP Processed	Mt	13.8
CIP Gold Head Grade	g/t	1.20
Tonnes Heap Leach Processed	Mt	16.7
Heap Leach Gold Head Grade	g/t	0.30
Total LOM Gold Production	Koz	431.3
Mine Life	Years	8
Free Cash Flow, Pre-Tax	US\$mm	\$227.2
Free Cash Flow, After-Tax	US\$mm	\$181.3
Sustaining Capital Expenditure	US\$mm	\$68.4
<b>Net Present Value (NPV 5%), Pre-Tax</b>	<b>US\$mm</b>	<b>\$191.1</b>
<b>Net Present Value (NPV 5%), After-Tax</b>	<b>US\$mm</b>	<b>\$151.7</b>

### PROPOSED TRANSACTION DETAILS

On April 11, 2024, the Company's indirect parent Boroo Pte. Ltd. entered into a share exchange agreement with Steppe Gold Ltd ("Steppe Gold"), pursuant to which Steppe Gold will acquire all of the issued and outstanding common shares of the Company from Boroo Pte. Ltd in an all-share transaction (the "Transaction"). In exchange, Boroo Pte. Ltd. will hold approximately 55.9% of the issued and outstanding common shares of Steppe Gold on completion of the Transaction. Additionally, pursuant to separate definitive share purchase agreements, each between one of Steppe Gold's wholly-owned subsidiaries, on the one hand, and Boroo Pte. Ltd. or one of its affiliates, on the other hand, each dated April 11, 2024, Steppe Gold will sell the Tres Cruces Project to Boroo Pte. Ltd. for approximately CAD\$12 million in cash payable over an 18-month period beginning on the closing date of the Transaction. The Transaction is subject to customary closing conditions, including receipt of approval by Steppe Gold's shareholders at the annual general and special meeting of shareholders expected to be held at the end of June 2024, and certain regulatory approvals, including the approvals of the Toronto Stock Exchange and applicable Mongolian authorities.

On January 22, 2024, Boroo Pte. Ltd. entered into a binding term sheet in connection with the Transaction, the terms of which were superseded by the definitive agreements entered into on April 11, 2024.

### ADDITIONAL INFORMATION

Additional information about the Company's operations can be found at [www.boroogold.mn](http://www.boroogold.mn).

### COMPANY OVERVIEW

Boroo Gold LLC was incorporated under the Laws of Mongolia on May 5, 1997. The head office of the Company is located in Blue Sky Tower, Level 7, Sukhbaatar District, 1st Khoroo, Ulaanbaatar 14240, Mongolia.

Boroo Gold is a precious metals exploration, development, and production company focused on opportunities in Mongolia. The Company has two principal operating open pit mines of Boroo gold mine located in in Bayangol and Mandal soums of Selenge aimag, and the Ulaanbulag gold mine located in Bornuur soum of Tuv aimag.

### Year Ended December 31, 2023 Highlights (all figures in US\$ 000's unless stated otherwise)

- Revenue for the year ended December 31, 2023, was \$132,055 (December 31, 2022: \$105,499) on sales of 67,315 gold ounces (December 31, 2022: 56,304 gold ounces) and 13,800 silver

ounces (December 31, 2022: 14,133 silver ounces) with average realized prices per ounce of gold \$1,957 and silver \$22 respectively (December 31, 2022: \$1,868 and \$21).

- EBITDA for the year ended December 31, 2023 was \$80,574 (December 31, 2022: \$50,982).
- All-in sustaining costs ("AISC") per ounce sold averaged \$847 in 2023, compared to \$1,140 in 2022.
- As at December 31, 2023, the Company recorded a cash balance of \$14,903, compared to the year ended December 31, 2022 of \$1,991.
- During the year ended December 31, 2023, 2,072,976 tonnes of ore and 10,685,567 tonnes of waste were mined. Total of 1,675,330 tonnes of ore were processed at the Boroo mill processing plant with an average gold grade of 1.88 g/t at a gold recovery rate of 64%, and 783,157 tonnes of heap leach ore were processed at the Boroo heap leach processing plant with an average grade of 0.30 g/t at a gold recovery of 29%.
- Pursuant to a decision made by the Company's Board of Directors on December 20, 2023, dividends totaling \$30,000, amounting to \$10 per share, were declared from the retained earnings.

**Fourth Quarter Ended December 31, 2023 Highlights** (all figures in US\$ 000's unless stated otherwise)

- Revenue for the three months ended December 31, 2023, was \$35,240 (fourth quarter of 2022: \$21,521) on sales of 17,413 gold ounces (fourth quarter of 2022: 11,778 gold ounces) and 3,966 silver ounces (fourth quarter of 2022: 3,757 silver ounces) with average realized prices per ounce of gold \$2,018 and silver \$23 respectively (fourth quarter of 2022: \$1,820 and \$20).
- EBITDA for the three months ended December 31, 2023 was \$13,106 (fourth quarter of 2022: \$3,244).
- All-in sustaining costs ("AISC") per ounce sold averaged \$1,045 in the fourth quarter of 2023, compared to \$1,485 in the same period in 2022.
- During the three months ended December 31, 2023, 603,136 tonnes of ore and 1,679,666 tonnes of waste were mined. Total of 414,281 tonnes of ore were processed at the Boroo mill processing plant with an average gold grade of 2.46 g/t at a gold recovery rate of 40%, and 308,066 tonnes of heap leach ore were processed at the Boroo heap leach processing plant with an average grade of 0.26 g/t at a gold recovery of 30%.

**HEALTH AND SAFETY**

At Boroo Gold LLC, we prioritize the health and safety of our employees above all, implementing stringent measures and continuous training to uphold the highest standards of safety across our operations. Our commitment extends through our both open pit mines.

The year witnessed one documented case of accident and injury, including one lost-time injury (LTI) and zero recordable injuries (FI), culminating in an accident frequency rate of 0.12 LTIs per 200,000 man-hours worked. This reflects an improvement from the previous year's frequency of 0.25 LTIs.

The Company is committed to continuous improvement in our safety protocols, embracing new technologies, and fostering a safety-first culture to strive towards a zero-incident workplace. The safety and well-being of our employees are paramount. A proactive and comprehensive approach to health and safety is integral to our operational excellence and sustainability. Our achievements in 2023 underscore our commitment to not only maintaining but continually enhancing the safety and health standards within our operations.

## **Environment, Social and Governance (“ESG”) Reporting**

While the Company itself does not publish a standalone sustainability report, the Boroo Group, the Company’s indirect parent Boroo Pte. Ltd. along with its material subsidiaries operating in Mongolia and Peru, collectively issues a sustainability report that encompasses all of its operations. The forthcoming Group sustainability publication, the 2023 Environmental, Social, and Governance (ESG) report, is scheduled for release in April 2024. For the most recent updates and reports, stakeholders are encouraged to visit the ESG report segment on our Group website at [www.boroomc.com.sg](http://www.boroomc.com.sg).

## **KEY FACTORS AFFECTING OUR RESULTS**

Various key factors affect the Company’s outcome. These include, but are not limited to, the following:

### **GOLD PRICES**

The Company's primary source of revenue comes from the sale of gold. For the years ended December 31, 2023, and 2022, gold sales accounted for 99.8% and 99.7% of total revenue, respectively, with the balance resulting from by-product silver in dore bars. The Company's financial performance is significantly affected by market prices of gold, which have historically fluctuated subject to various factors beyond the Company's control, including international economic and political trends, expectation of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increase production due to improved mining and production methods.

The Company sells its production in the form of dore bars, which contain gold and silver, to the Central Bank of Mongolia through TDB. The Central Bank of Mongolia sets the official gold and silver prices for the day based on the London Metal Exchange (LME) closing price from the previous day.

During the years ended December 31, 2023, and 2022, the Company did not have any hedging arrangements in place for its production.

Gold averaged approximately US\$1,920 per ounce for the twelve months ended December 31, 2023, up from around US\$1,800 per ounce for the same period in 2022. This slight increase reflects fluctuations in the gold market, driven by broader economic factors, changes in interest rates, evolving inflation expectations, and shifts in global demand. Despite earlier disruptions caused by the COVID-19 pandemic, gold prices continued to climb, demonstrating resilience amid economic uncertainty. In 2023, geopolitical events, supply chain issues, and the performance of major economies like China and the United States played a significant role in shaping gold's market price. Further economic changes or variations in demand from key gold-consuming regions could continue to impact market trends in the future.

A decline in gold prices could have an adverse impact on the Company’s revenues and financial results.

### **COVID-19**

In 2023, the impact of the COVID-19 pandemic had largely subsided in Mongolia, and this allowed the Company's operations continue as normal without any disruptions. As a result, the Company’s business returned to its normal workflow and focused on meeting its production targets without the challenges that the pandemic had previously imposed.

### **UKRAINE CONFLICT**

On February 24, 2022, Russian military forces launched a full-scale military invasion of Ukraine. The ongoing conflict between Russia and Ukraine continues to change as military operations progress and additional sanctions are placed on Russia. The war's impact on the global economy and financial markets is escalating, leading to issues such as rising inflation and disruptions in global supply chains. For Mongolia, this situation poses unique challenges since the country imports most of its fuel from

Russia, relies on specific Russian banks and financial institutions, and has experienced disruptions in the supply of US Dollars, some food items, and mining equipment. Like many other countries, Mongolia has been hit by increasing energy costs, higher inflation, rising interest rates, and fluctuations in currency exchange rates.

The reliance on Russian fuel has significant implications for Mongolia and the Company. Although there have been minor disruptions in supply, the Government of Mongolia secured an agreement with Russia to limit imported fuel prices.

The Company's management is closely monitoring developments in Ukraine. However, the extent to which the conflict may impact the Company is beyond its control and is influenced by unpredictable factors, including further military escalations, additional sanctions, and the response of global financial markets.

## FINANCIAL OVERVIEW

As at December 31, 2023, total assets were \$267,286 and total liabilities were \$151,750, compared to \$229,192 in total assets and \$146,504 in total liabilities the year ended December 31, 2022.

As at December 31, 2023, the inventory balance increased to \$20,872 compared to \$16,508 as at the year ended December 31, 2022. The increases are mainly contributed to the growth in production inventory, specifically in ore stockpile and gold-in-circuit inventories, which was caused by the increased mining and processing production in 2023.

As at December 31, 2023, the net book value of property, plant and equipment was \$67,105, compared to \$63,440 as at December 31, 2022. The increase was mainly driven by acquisition of new assets totaling \$10,283 and net revaluation surplus totaling \$16,606, offset by depreciation expenses of \$18,580 and impairment losses of \$4,182.

The Company reported a net increase in total liabilities of \$5,247 for the year ended December 31, 2023. The main reason for the increase was the repayment of \$17,874 of the loans and offset by additional loans drawn down of \$12,854.

The overall net cash inflow for the year ended December 31, 2023, amounted to \$12,912. This consisted of cash generated by operations totaling \$72,244, offset by cash used in investing activities of \$13,320, financing activities of \$46,012. This compares to overall net cash inflow of \$196 for the year ended December 31, 2022.

## BALANCE SHEET

(US\$ 000's)	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Cash and Equivalents	14,903	1,991
Inventories	20,872	16,508
Other Current Assets	4,881	4,749
Non-Current Assets	226,630	205,944
<b>Total Assets</b>	<b>267,286</b>	<b>229,192</b>
Current Liabilities	126,598	39,407
Non-Current Liabilities	25,153	107,097
<b>Total Liabilities</b>	<b>151,750</b>	<b>146,504</b>
<b>Total Equity</b>	<b>115,536</b>	<b>82,688</b>

### Cash and Equivalents

As at December 31, 2023, the Company's had a total cash balance of \$14,903, compared to \$1,991 as at December 31, 2022. The increase is attributable to the net cash inflow from operating activities

amounted to \$72,244, offset by the net cash outflows from investing activities of \$13,320 and net cash outflows from financing activities of \$46,012.

As at December 31, 2023, the Company had a net debt of \$70,515, compared to \$115,724 as at December 31, 2022.

The continuity table of net debt is as follows:

(US\$ 000's)	As at Dec 31, 2023	As at Dec 31, 2022
<b>Cash and Equivalents</b>	<b>14,903</b>	<b>1,991</b>
Short-term Loan &	82,603	28,094
Long-term Loan	2,815	89,621
<b>Total Debt</b>	<b>85,418</b>	<b>117,715</b>
<b>Net Debt</b>	<b>(70,515)</b>	<b>(115,724)</b>

### Inventories

As at December 31, 2023, the Company reported total inventory of \$20,872, compared to \$16,508 as at December 31, 2022. Inventory includes ore stockpiles, gold-in-circuit, warehouse consumables, biological assets, spare parts and supplies, and other biological assets, as follows:

(US\$ 000's)	As at Dec 31, 2023	As at Dec 31, 2022
Ore Stockpiles	6,905	4,796
Gold-in-Circuit	3,434	2,317
Consumables, Spare Parts & Supplies	10,418	9,395
Others	115	-
<b>Total Inventory</b>	<b>20,872</b>	<b>16,508</b>

As at December 31, 2023, ore stockpiles had a carrying value of \$6,905 and contained 27,247 ounces of gold (December 31, 2022: \$4,796 and 15,980 ounces). Gold-in-circuit included 6,715 ounces of recoverable gold with a carrying value of \$3,434 (December 31, 2022: 3,689 ounces and \$2,317).

As at December 31, 2023, the carrying balance of warehouse consumables, spare parts & supplies was \$10,418 compared to \$9,395 as at December 31, 2022. This increase was primarily due to an increase in cyanide and metabisulphite inventories.

### Other Current Assets

Other current assets consist of trade and other receivables, as well as prepayments. As at December 31, 2023, the company recorded a total of \$1,922 in trade and other receivables, compared to \$1,232 for the same period in 2022. Additionally, the company's prepayments, which mostly consist of payments for the purchase of chemicals, fuel and mine equipment spare parts, totaled \$2,959 in 2023 compared to \$3,517 in 2022.

### Non-Current Assets

As at December 31, 2023, the Company's non-current assets totaled \$226,630, compared to \$205,944 as at December 31, 2022. Non-current assets comprise mainly financial assets, which represents the accumulated interest and principal amount of bonds issued by the Company's indirect parent company Boroo Pte Ltd, that is held by the Company, as well as property, plant, and equipment related to the operations at both Boroo and Ulaanbulag mines.

(US\$ 000's)	As at Dec 31, 2023	As at Dec 31, 2022
Financial Assets <sup>(1)</sup>	156,442	139,926
Property, Plant and Equipment	67,105	63,440
Other <sup>(2)</sup>	3,084	2,578
<b>Total Non-Current Assets</b>	<b>226,630</b>	<b>205,944</b>

(1) Financial assets measured at amortized cost.

(2) Other current assets include Intangible asset, Exploration and evaluation assets and Investment in securities valued at fair value through profit or loss ("FVTPL").

The financial assets, measured at amortized cost, was \$156,442 as at December 31, 2023, compared to \$139,926 as at December 31, 2022. During the reporting period, the Company purchased additional bonds issued under the previous agreements by Boroo Pte Ltd, amounting to a total of \$2,800, with interest rates at between 10% and 13.4% per annum. These financial assets are measured at amortized cost and the increase in the value of the financial assets is mainly due to the above subscription of the bond during the reporting period, as well as accretion of interest receivables.

As at December 31, 2023, the net book value of property, plant and equipment was \$67,105, compared to \$63,440 as at December 31, 2022. During the reporting period, the Company acquired fixed assets totaling \$10,283, incurred depreciation expenses of \$18,580, and disposed of an asset valued at \$967, with depreciation recorded at \$503. Additionally, net revaluation surplus totaling \$16,606 was recorded during the reporting period, offset by impairment losses of \$4,182. These activities resulted in a net increase of \$3,665 in the carrying value of property, plant, and equipment.

During the reporting period, a significant portion of the Company's capital expenditure, amounting to 79% of total fixed asset investments, was strategically directed towards enhancing our operational and tailings capacity.

As at December 31, 2023, the other non-current assets amounted to \$3,084, compared to \$2,578 as at December 31, 2022. These comprise intangible assets, exploration and evaluation assets as well as investment in securities valued at FVTPL.

## Liabilities

As at December 31, 2023, there were total liabilities of \$151,750 compared to \$146,504 as at December 31, 2022, a net increase in total liabilities of \$5,246.

(US\$ 000's)	As at Dec 31, 2023	As at Dec 31, 2022
<b>Current</b>		
Loans and Borrowings	82,603	28,094
Trade and Other Payables	32,504	6,489
Short-Term Provision	132	131
Income Tax Payable	11,358	4,693
<b>Total Current Liabilities</b>	<b>126,597</b>	<b>39,407</b>
<b>Non-Current</b>		
Loans and Borrowings	2,815	89,621
Long-Term Provision	12,002	12,203
Deferred Tax Liability	10,336	5,273
<b>Total Non-Current Liabilities</b>	<b>25,153</b>	<b>107,097</b>
<b>Total Liabilities</b>	<b>151,750</b>	<b>146,504</b>

### Loans and Borrowings

As at December 31, 2023, the loans and borrowings were \$85,418, compared to \$117,715 as at December 31, 2022. During the reporting period, the Company did not obtain any new loans and the loan repayments amounted to \$34,146. Additionally, the Company recorded \$2,609 increase in the loan and borrowing balance, arising from the loans that were denominated in Mongolian Tugrik ("MNT"), due to the strengthening of MNT against US dollars.

Details regarding the loans and borrowings movement are available in the Financing Activities section of this MD&A.

### Trade and Other Payables

As at December 31, 2023, the Company reported total trade and other payables amounting to \$32,504, compared to \$6,489 as at December 31, 2022. The main reason for the increase was due to the dividends declared totaling \$30,000, pursuant to a decision made by the Company's Board of Directors on December 20, 2023. The other payables accounts breakdown includes \$1,610 in trade payables (December 31, 2022: \$5,984), tax and social security payables of \$279 (December 31, 2022: \$455), and other payables and accruals of \$615 (December 31, 2022: \$50).

### Long and Short-Term Provision

As at December 31, 2023, the Company reported total long and short-term provision amounting to \$12,134, compared to \$12,334 as at December 31, 2022. In the reporting year, the technical and biological rehabilitation to land area covering a total of 15.0 hectares, exceeding the initial plan in the Environmental Management Plan. As a result, a total of 559.8 hectares of land has now been rehabilitated. The rest of the rehabilitation of Boroo deposit is planned to start in 2032, and the Ulaanbulag deposit is planned to start in 2028. These will rehabilitate a total of 363.81 hectares of land, including large structures at the Boroo deposit, and 58.5 hectares of the Ulaanbulag mine.

### Income Tax Payable and Deferred Tax Liability

According to the Corporate Income Tax Law of Mongolia, the Company is obligated to pay Corporate Income Tax at a rate of 10% on taxable profits up to MNT 6 billion (2022: 6 billion), and 25% on taxable profits exceeding MNT 6 billion (2022: 6 billion).

As at December 31, 2023, the total current tax expense for the year amounted to \$16,617, with a total of \$9,952 in income taxes paid, compared to \$9,792 in current tax expense and \$10,781 in paid income taxes for the year ended December 31, 2022.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 24% (2022: 10%). As at December 31, 2023, the Company reported total deferred tax assets and liabilities amounting to \$10,336, compared to \$5,273 as at December 31, 2022. The increase was mainly due to the increased tax rate used for the year 2023.

As at December 31, 2023, the following are present values of material commitments and obligations that will result in cash outflows as set out in the table below.

(US\$ 000's)	<1 year	1 – 3 years	3 - 5 years	>5 years	Total
Trade and Other Payables	32,504				32,504
Income Tax Payable	11,358				11,358
Loans and Borrowings	82,603	336	755	1,724	85,418
Rehabilitation Provision	132			12,002	12,134
<b>Total</b>	<b>130,511</b>	<b>1,395</b>	<b>958</b>	<b>14,725</b>	<b>141,414</b>
<b>Deferred Tax Liability</b>					<b>10,336</b>

As at 31 December 2022, the following are present values of material commitments and obligations that will result in cash outflows as set out in the table below.



(US\$ 000's)	<1 year	1 – 3 years	3 - 5 years	>5 years	Total
Trade and Other Payables	6,489	-	-	-	6,489
Income Tax Payable	4,693	-	-	-	4,693
Loans and Borrowings	28,094	87,227	573	1,822	117,715
Rehabilitation Provision	131	-	-	12,203	12,334
<b>Total</b>	<b>39,407</b>	<b>87,227</b>	<b>573</b>	<b>14,025</b>	<b>141,231</b>
<b>Deferred Tax Liability</b>					<b>5,273</b>

### Shareholder's Equity

As at December 31, 2023 there was an increase in shareholders' equity to \$115,536, compared to \$82,688 as at December 31, 2022. This increase was mainly due to profit for the year of \$51,615 and increase in revaluation surplus of \$11,232, offset by dividends declared amounting to \$30,000.

Common Shares Issued	Number of Shares Units	Share Capital US\$ 000's
Balance as at December 31, 2022	3,000,000	3,000
Balance as at December 31, 2023	3,000,000	3,000

### Off Balance Sheet Arrangements

As at December 31, 2023, the Company had no off-balance sheet arrangements or transactions, including but not limited to potential obligations from warranty agreements, asset transfers to third-parties or derivative instruments that could expose the Company to financing, liquidity, or market risks.

### INCOME STATEMENT

(US\$ 000's)	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Revenue	35,240	21,521	132,055	105,499
Cost of Sales	(19,967)	(12,143)	(55,347)	(55,739)
<b>Gross Profit</b>	<b>15,273</b>	<b>9,378</b>	<b>76,708</b>	<b>49,760</b>
General and Admin. Expenses	(1,604)	(748)	(3,200)	(2,345)
Royalty	(1,762)	(1,076)	(6,603)	(5,275)
Other Gains / (Losses)	(3,822)	429	(3,559)	366
<b>Operating Profit</b>	<b>8,085</b>	<b>7,983</b>	<b>63,346</b>	<b>42,506</b>
Finance Income/(Expense)	2,272	1,146	4,707	8,411
Other Expenses	(277)	(6,576)	(520)	(5,676)
<b>Profit / (Loss) Before Tax</b>	<b>10,080</b>	<b>2,552</b>	<b>67,533</b>	<b>45,241</b>
Income Tax	(8,130)	(4,345)	(15,917)	(9,398)
<b>Profit / (Loss) After Tax</b>	<b>1,949</b>	<b>(1,793)</b>	<b>51,616</b>	<b>35,843</b>
<i>Basic and Diluted Net Profit/(Loss) per Share</i>	<i>0.650</i>	<i>(0.598)</i>	<i>17.220</i>	<i>11.948</i>

### Revenue

For the fourth quarter ended December 31, 2023, the Company sold 17,413 ounces of gold and 3,966 ounces of silver at average prices of \$2,018/oz and \$23/oz respectively, generating a total revenue of \$35,240. This is in comparison to the revenue generated for the fourth quarter ended December 31, 2022 of \$21,521 where the Company sold 11,778 ounces of gold and 3,757 ounces of silver at average prices of \$1,820/oz and \$20/oz respectively.

For the year ended December 31, 2023, the Company sold 67,315 ounces of gold and 13,800 ounces of silver at average prices of \$1,957/oz and \$22/oz respectively, generating a total revenue of \$132,055. This is in comparison to the revenue generated for the year ended December 31, 2022 of \$105,499 where the Company sold 56,304 ounces of gold and 14,133 ounces of silver at average prices of \$1,868/oz and \$21/oz respectively.

### Cost of Sales

Cost of sales includes all operating expenses relating to the production and sale of goods. These comprise production costs, which consist of direct expenses such as salaries and incentives, costs of works and services from third party contractors, as well as expenses for chemicals, utilities, fuel, maintenance, and depreciation.

Cost of sales for the fourth quarter ended December 31, 2023 amounted to \$19,967, compared to \$12,143 for the same time period in 2022. The cost increase in 2023 was mainly due to higher sales for the period.

Cost of sales was \$55,347 for the year ended December 31, 2023, compared to \$55,739 for the same period in 2022. The overall cost of sales remained quite stable for the year 2023 compared to 2022. However, in the cost of sales breakdown shown below, the main increases was due to increased mining and processing activities for ore mined from Boroo mine, offset by reduced mining and processing activities for ore mine from Ulaanbulag mine and the cessation of Alluvial mine operations in 2022.

(US\$ 000's)	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Boroo Mine	22,112	6,458
Ulaanbulag Mine	33,235	41,063
Alluvial Operation	-	8,218
<b>Total Cost of Sales</b>	<b>55,347</b>	<b>55,739</b>

### General and Administrative Expenses

General and Administrative Expenses include costs associated with the Ulaanbaatar office and other operational expenses.

General and Administrative Expenses amounted to \$1,604 for the fourth quarter ended December 31, 2023, compared to \$748 for the same period in 2022. The increase was mainly due to the fees for technical consultants for the NI 43-101 report and the management fee charged by the Company's indirect parent, Boroo Pte Ltd.

For the year ended December 31, 2023, general and administrative expenses were \$3,200, compared to \$2,345 for the same period in 2022. The top five categories within these expenses in 2023 were professional service fees, salaries and incentives, depreciation and amortization, social donations, and other expenses.

### Royalty

For the fourth quarter ended December 31, 2023, royalty taxes amounted to \$1,762, compared to \$1,076 for the same period in 2022.

Royalty taxes imposed for the year ended December 31, 2023, amounted to \$6,603, compared to \$5,275 for the same period in 2022. This increase was attributable to higher gold and silver sales in the reporting period.

### Other Gains / (Losses)

For the fourth quarter ended December 31, 2023, the Company reported other losses totaling \$3,822, compared to a gain of \$429 for the same period in 2022. This was primarily due to the impairment loss

of property, plant, and equipment being recognized in the fourth quarter due to revaluation of assets completed in 2023.

For the year ended December 31, 2023, the Company reported other losses totaling \$3,559. This was primarily due to an impairment loss of property, plant, and equipment amounting to \$4,182, and a loss from the disposal of assets totaling \$183. These losses were partially offset by a reversal of impairment loss of inventories amounting to \$806.

During the same period in 2022, the Company reported other gains amounting to \$366. This was from a \$14 loss from asset disposals, offset by a \$380 reversal of impairment loss on supplies inventory.

The allowance for supplies inventory obsolescence was set aside in prior years when there were no or limited mining operations. As the mining and processing activities restarted in 2020, the aging of the supplies inventory has improved in 2022 and 2023, and hence the required allowance for obsolescence reduced accordingly.

### **Finance Income / (Expense)**

For the fourth quarter ended December 31, 2023, finance income amounted to \$3,496 compared to \$3,432 for the same period in 2022.

Interest expense for the fourth quarter ended December 31, 2023 was \$2,575, compared to \$3,531 for the same period in 2022. The decrease was mainly due to lower loan balances in 2023.

For the fourth quarter ended December 31, 2023, the Company reported a net foreign exchange loss of \$100 compared to a net exchange gain of \$1,689 for the same period in 2022. As part of the borrowings of the Company are denominated in MNT, the slight appreciation of the MNT against USD in the fourth quarter of 2023, resulted in a net foreign exchange loss for the period.

Finance income for the year ended December 31, 2023 was \$29,643 compared to \$22,130 for the same period in 2022. The increase was mainly due to additional interest income accrued from additional bonds purchased during the year.

Interest expense for the year ended December 31, 2023 was \$11,106, compared to \$12,452 for the same period in 2022. The decrease in interest expense for the year 2023 was mainly due to lower loan balances.

For the year ended December 31, 2023, the Company reported a net foreign exchange gain of \$1,550 compared to a net foreign exchange gain of \$9,286 for the year ended December 31, 2022. As part of the borrowings of the Company are denominated in MNT, the depreciation of the MNT against the USD in 2023, resulted in a net foreign exchange gain for the year.

### **Other Expenses**

For the fourth quarter ended December 31, 2023, the Company reported other expenses amounting to \$277, compared to \$6,576 for the same period in 2022. The decrease was mainly due to reduced bad debt expenses and no impairment loss of investment in bonds recorded in 2023.

Other Expenses include costs associated with the bad debt expenses, impairment loss of investment in bond and other operational expenses. As at December 31, 2023, the Company reported total bad debt of \$528, compared to \$3,849 for the same period in 2022. The bad debt expense primarily relates to the receivables from Centerra Gold Mongolia LLC ("CGM"), a related company. Provisions have been made due to CGM's inability to operate after the Government of Mongolia designated its licensed areas as specially protected area, which raises uncertainties on the recoverability of the funds provided.

### **Income Tax**

For the fourth quarter ended December 31, 2023, income taxes totaled \$8,130 compared to \$4,345 for the same period in 2022. The increase was primarily due to increased sales and reduced tax-deductible expenses.

## NON-IFRS MEASURES

Certain non-IFRS measures are included in this MD&A, including earnings before interest, taxation, depreciation and amortization (“EBITDA”), cash costs and all-in sustaining cost (“AISC”), which are non-IFRS performance measurements.

Cash costs and AISC are included because these statistics are widely accepted as the standard of reporting cash costs of production in North America. These performance measurements do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measurements should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Certain other key measures are included below:

1. The effective date of the Mineral Reserve estimate is February 1, 2024. Mineral Reserves were estimates has been compiled under the supervision of QP Tuvshinbayar Tumurkhuyag.
2. The Mineral Reserve estimates were prepared with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards (2014 CIM Definition Standards) and the 2003 CIM Best Practice Guidelines.
3. Reserves estimated assuming open pit mining methods.
4. Reserves are reported on a dry in-situ basis.
5. The cut-off grade used to report the reserves has been chosen by Game Mine at greater than 0.1 g/t gold for heap leach ore and greater than 0.43, 0.46 and 0.52 g/t gold for milling depends on mill recovery domain.
6. Reserves are based on a gold price of \$1,750/oz, mining cost of \$1.77/tonne, milling costs of \$14.99/t and general and administrative costs of \$2.22/t. Heap leaching costs of 2.39\$/t. Heap leaching recovery of 40%.
7. In the block model, no additional provisions were introduced to account for external dilution or losses during mining, while these factors always occur to some degree during mining, it would appear from the reliability of the block model relative to the production results obtained to date that the required levels of adjustment for these factors has been adequately accounted for in the initial interpolation and later unsmoothing introduced during block model creation.
8. A conversion factor of 31.1034768 grams per troy ounce is used in the mineral resource and reserves estimates.

## TECHNICAL REPORT

The Company completed a technical report compliant with the National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) titled “Boroo and Ulaanbulag Gold Project 2024 Mineral Resources & Reserves Report (NI 43-101)” on February 21, 2024 (the “Technical Report”). The technical information contained herein relating to mineral reserve estimates of the Boroo and Ulaanbulag projects are based on, and fairly represents, information compiled by T.Tuvshinbayar /MAusIMM (CP). Mr. Tuvshinbayar is an independent consultant within the meaning of NI 43-101, as a consultant for Game Mine LLC. Mr. Tuvshinbayar has sufficient experience which is relevant to the style of mineralization, types of deposits, technical and geoscientific content under consideration and to the activity for which he is undertaking to qualify as a “Qualified Person” under NI 43-101.

The effective date of the current mineral resource estimate is February 1, 2024. All mineral reserve and resources have been estimated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101.

Proven and Probable Mineral Reserves at Boroo gold deposit are estimated to contain 24.3 million tonnes (Mt) grading 0.72 g/t Au for a total of 567 thousand ounces (Koz) of contained Au metal. Proven and Probable Mineral Reserves at Ulaanbulag gold deposit are estimated to contain 6.2 million tonnes (Mt) grading 0.66 g/t Au for a total of 130 thousand ounces (Koz) of contained Au metal.

Income tax for the year ended December 31, 2023 was \$15,917 compared to \$9,398 for the same period in 2022. The increase in income tax expenses in 2023 compared to 2022 was mainly due to higher sales revenue and decrease in tax-deductible expenses.

## CASH FLOWS

(US\$ 000's)	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year end Dec 31, 2023	Year end Dec 31, 2022
Cash Flows from Operating Activities	18,776	10,346	72,244	42,914
Cash Flows from Investing Activities	(2,414)	(5,739)	(13,320)	(20,941)
Cash Flows from Financing Activities	(9,620)	(2,636)	(46,012)	(21,397)
Effect of Exchange Rate Changes on Cash Held in Foreign Currency	-	(20)	-	(380)
<b>Net Increase / (Decrease) in Cash</b>	<b>6,741</b>	<b>1,951</b>	<b>12,912</b>	<b>196</b>

Cash generated from operating activities for the three months ended December 31, 2023, amounted to \$18,776 compared to \$10,346 for the same period in 2022. The increase in cash inflow was mainly due to improved profits and higher non-cash adjustments for impairment losses.

Cash generated from operating activities for the year ended December 31, 2023 was \$72,244, compared to cash generated from operating activities of \$42,914 in the same period in 2022. The increase in cash inflow from operating activities during the year 2022 was mainly due to an increased net profit before tax of \$22,292, higher adjustments for non-cash items of \$8,542, lesser taxes paid and higher interest incomes, offset by deterioration in working capital of \$2,610 compared to 2022.

Cash used in investing activities for the three months ended December 31, 2023, amounted to \$2,414 compared to \$5,739 for the same period in 2022. The decrease in cash outflow was mainly due to lesser purchases of property, plant, and equipment, offset by higher investment in bonds compared to the same period in 2022.

Cash used in investing activities for the year ended December 31, 2023, was \$13,320 compared to \$20,941 for the year ended December 31, 2022. The decrease is mainly attributable to lesser bond investments in 2023, offset by higher purchases of property, plant, and equipment compared to 2022.

Cash used on financing activities for the three months ended December 31, 2023, amounted to \$9,620 compared to \$2,636 for the same period in 2022. The increase in cash outflow is mainly due to higher loan repayments and no additional loans taken during the period compared to 2022.

Cash used on financing activities was \$46,012 for the year ended December 31, 2022, compared to \$21,397 for the same period in 2022. The increase in 2023 is mainly due to higher loan repayments compared to 2022. Also, the Company did not take additional loans during the year ended December 31, 2023.

## FINANCING ACTIVITIES

### Loans and Borrowings

For the three months ended December 31, 2023, the Company accrued \$2,575 in interest payable on loans and borrowings. Payments made towards loans principal and interests totaled \$9,620 for the quarter ended December 31, 2023.

During the year ended December 31, 2023, the Company accrued \$11,106 in interest payable on loans and borrowings. Payments made towards loans principal and interests totaled \$46,012 for the year ended December 31, 2023.

(US\$ 000's)	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
<b>Balance Beginning of the Period</b>	<b>91,785</b>	<b>111,374</b>	<b>117,715</b>	<b>126,598</b>
Additional Loans	-	10,992	-	12,854
Accrued Interest	2,575	3,287	11,106	12,452
Repayment of Loan Principals	(8,827)	(6,171)	(34,146)	(17,874)
Repayment of Loan Interests	(793)	(1,466)	(11,866)	(12,201)
Effect of change in FX Rate	678	(301)	2,609	(4,114)
<b>Balance End of the Period</b>	<b>85,418</b>	<b>117,715</b>	<b>85,418</b>	<b>117,715</b>
<b>Current Portion</b>	<b>82,603</b>	<b>28,094</b>	<b>82,603</b>	<b>28,094</b>
<b>Long-term Portion</b>	<b>2,815</b>	<b>89,621</b>	<b>2,815</b>	<b>89,621</b>

### Related Party Transactions

For the years ended December 31, 2023 and 2022, management fees paid to key management personnel are shown below:

(US\$ 000's)	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Salaries	64	43	235	158
Social Security Contribution (Employer)	15	9	46	26
Bonuses	42	18	81	18
<b>Total</b>	<b>121</b>	<b>70</b>	<b>362</b>	<b>202</b>

The transactions with related parties are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties. In the reporting period, related party transactions are as follows.

(US\$ 000's)	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Intercompany Transactions with Fellow Company	78	68	391	1,433
Bonds Purchased from Indirect Parent	1,500	-	2,800	13,000
Bond Repayment from Indirect Parent	-	-	-	11
Interest Receivables from Indirect Parent	3,496	3,408	13,716	12,844
Others	2	3	9	26

For the fourth quarter ended December 31, 2023, the Company had intercompany transactions with the Company's fellow company CGM amounting to \$78 compared to \$68 in the same period in 2022.

For the year ended December 31, 2023, the Company had intercompany transactions with the Company's fellow company CGM amounting to \$391, compared to \$1,433 for the same period in 2022.

On September 20, 2023, the Company purchased an additional 130 unsecured bonds issued by the Company's indirect parent Boroo Pte Ltd, at a unit price of \$10,000, i.e. \$1,300 in total, with an interest rate of 13.4% per annum.

On December 7, 2023, the Company purchased an additional 150 unsecured bonds issued by the Company's indirect parent Boroo Pte Ltd at a unit price of \$10,000, i.e. \$1,500 in total, with an interest rate of 10.0% per annum.

## OPERATIONAL OVERVIEW

Boroo gold mine is an open pit mining operation with a mill/CIP processing circuit and a heap leach processing circuit. Ulaanbulag gold mine is an open pit mining operation with ore mined being hauled to Boroo gold mine for further processing.

On April 17, 2023, the Company signed a cooperation agreement with Tod Undarga LLC ("Tod Undarga") to carry out further exploration activities inside Boroo gold mine's mining license to explore and assess further potential to continue mining and processing of alluvial gold. The cooperation agreement provides that, among other things, exploration activities will be carried out at the expense of Tod Undarga. If additional economically viable alluvial mineral reserves are discovered, Tod Undarga will have a preferential right to operate the alluvial deposit, contingent upon reaching a new mutually beneficial agreement with the Company.

## MINE OPERATIONAL SUMMARY

For the fourth quarter ended December 31, 2023, 2.3 million tonnes of total material were moved, comprising 0.6 million tonnes of mill ore mined, compared to a total of 3.3 million tonnes of total material were moved, including 0.3 million tonnes of mill ore and 15,609 tonnes of heap leach ore were mined for the fourth quarter ended December 31, 2022.

For the year ended December 31, 2023, 12.8 million tonnes of total material were moved, comprising 2.0 million tonnes of mill ore and 38,823 tonnes of heap leach ore, compared to a total of 10.2 million tonnes of total material were moved, including 2.0 million tonnes of mill ore and 32,000 tonnes of heap leach ore were mined for the year ended December 31, 2022.

	Unit	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Waste Mined	tonnes	1,679,666	2,970,260	10,685,567	8,179,544
Mill Ore Mined	tonnes	603,136	283,066	2,034,153	1,963,168
Heap Leach Ore Mined	tonnes	-	15,609	38,823	32,000
Milled Ore	tonnes	414,281	381,588	1,675,330	1,772,763
Grade	g/t	2.46	1.21	1.88	1.04
Gold Recovery	%	40%	84%	64%	84%
Primary Leaching	tonnes	129,036	10,142	415,159	19,041
Secondary Leaching	tonnes	179,030	5,466	367,998	12,959
Grade	g/t	0.26	0.50	0.30	0.50
Gold Recovery	%	30%	51%	29%	51%
Gold Produced from Boroo and Ulaanbulag	oz	13,789	12,547	67,315	50,445
Gold Produced from Alluvial Operation	oz	-	-	-	5,859
<b>Total Gold Produced</b>	<b>oz</b>	<b>13,789</b>	<b>12,547</b>	<b>67,315</b>	<b>56,304</b>
<b>Gold Sold</b>	<b>oz</b>	<b>17,413</b>	<b>11,778</b>	<b>67,315</b>	<b>56,304</b>
<b>Silver Sold</b>	<b>oz</b>	<b>3,966</b>	<b>3,757</b>	<b>13,800</b>	<b>14,133</b>

The Company produced 13,789 ounces and sold 17,413 ounces of gold during the fourth quarter of 2023, compared to 12,547 ounces of gold produced and 11,778 ounces of gold sold for the same period of 2022.

There were gold sales of 67,315 ounces during the year ended December 31, 2023, compared to 56,304 ounces of gold sales for the year ended December 31, 2022.

For the three months ended December 31, 2023, total capital expenditure was \$1,603 compared to \$6,330. The higher capital expenditures in the fourth quarter of 2022 were due to mine equipment purchase.

For the year ended December 31, 2023, the total capital expenditure was \$11,413 compared to \$12,606 for the same period in 2022. The capital expenditure incurred during 2023 is comprised of mine equipment purchase and maintenance, tailing dam, exploration drill and others.

(US\$ 000's)	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
General Sustaining	1,603	6,330	10,030	12,606
Growth and Expansion	-	-	1,383	-
<b>Total</b>	<b>1,603</b>	<b>6,330</b>	<b>11,413</b>	<b>12,606</b>

## MINERAL RESERVES UPDATE

The Company completed a technical report compliant with the National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) titled "Boroo and Ulaanbulag Gold Project 2024 Mineral Resources & Reserves Report (NI 43-101)" on February 21, 2024 (the "Technical Report"). The technical information contained herein relating to mineral reserve estimates of the Boroo and Ulaanbulag projects are based on, and fairly represents, information compiled by T.Tuvshinbayar /MAusIMM (CP). Mr. Tuvshinbayar is an independent consultant within the meaning of NI 43-101, as a consultant for Game Mine LLC. Mr. Tuvshinbayar has sufficient experience which is relevant to the style of mineralization, types of deposits, technical and geoscientific content under consideration and to the activity for which he is undertaking to qualify as a "Qualified Person" under NI 43-101.

The effective date of the current mineral resource estimate is February 1, 2024. All mineral reserve and resources have been estimated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101.

Proven and Probable Mineral Reserves at Boroo gold deposit are estimated to contain 24.3 million tonnes (Mt) grading 0.72 g/t Au for a total of 567 thousand ounces (Koz) of contained Au metal. Proven and Probable Mineral Reserves at Ulaanbulag gold deposit are estimated to contain 6.2 million tonnes (Mt) grading 0.66 g/t Au for a total of 130 thousand ounces (Koz) of contained Au metal.

## SUMMARY OF QUARTERLY RESULT

(US\$ 000's)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	35,240	39,398	24,583	32,834	21,521	21,518	28,209	34,251
Profit/(Loss) after Tax	1,949	16,561	14,192	18,913	(1,793)	9,567	14,488	13,581
Basic Profit/(Loss) per share	0.65	5.52	4.73	6.30	(0.60)	3.19	4.83	4.53
Net Increase / (Decrease) in Cash	6,741	6,998	(2,925)	2,097	1,951	(55)	(613)	(1,087)



In the fourth quarter of 2023, revenue increased to \$35,240 on sales of 17,413 gold ounces and 3,966 silver ounces compared to same period of 2022, with revenue of \$21,521 on sales of 11,778 gold ounces and 3,757 silver ounces.

Production cost of sales in the fourth quarter of 2023 increased to \$19,967 compared to \$12,143 for the fourth quarter of 2022.

During the fourth quarter of 2023, net cash and equivalents increased by \$6,741 compared to \$1,951 for the same period in 2022. Typically, the increases in net cash observed in the fourth quarter is primarily attributed to the articles of the Mineral Laws of Mongolia, mandating that gold produced must be sold within the same year of its production.

## **EXPLORATION AND DEVELOPMENT**

The Boroo gold mine holds 6 mining licenses MV-000198, MV-000238, MV-001960, MV-001970, MV-011761 and MV-012039 covering an area of 3,602.07 ha in total. The Ulaanbulag gold mine site covers 1,204.47 ha area under mining license MV-015285.

Results of exploration activities at the following areas conducted in the reporting year of the Company ending on December 31, 2023, are summarized below.

- Boroo gold mine – The Company drilled 3,630 meters from 36 drill holes and took 1,175 samples from the Boroo gold mine area in the reporting period with the purpose to extend the life of mine, expand the pit boundaries and verify the ore body and its structure. Following the exploration activities, the mineral reserves located in Pit-4 and the southwestern section of Pit-3 of the Boroo mine were verified and results are included in the now completed NI 43-101 Technical Report.
- Ulaanbulag gold mine – The Company drilled 5,916 meters from 72 drill holes and took 3,244 samples from the Ulaanbulag gold mine area in the reporting period with the purpose to extend the life of mine, expand the pit boundaries and check the ore body and structure and previous drill holes drilled in the southeastern part of the area under the mining license, and it is planned to conduct additional exploration drilling in 2024.

## **BORNUUR EXPLORATION SITE**

On September 20, 2021, the Company obtained the Bornuur exploration license XV-021931, located in Bornuur and Jargalant soums of Tuv aimag, Bayangol soum of Selenge aimag encompassing an area of 2,039.82 ha. On April 1, 2022, a portion of the exploration license area, specifically 252.43 hectares, was relinquished back to the state, leaving the current exploration license area at 1,787.39 hectares.

In 2022, the Company carried out trenching, drilling, and sampling activities in the exploration area and no additional field exploration was conducted in the exploration area in 2023.

## **EXPLORATION OUTLOOK**

In the long-term, the Company plans to intensify exploration activities as indicated below.

- To expand the boundaries of the Boroo and Ulaanbulag mine hard-rock gold deposits, discover potential mineralization and alteration zones at the mine sites, determine continuity of ore bodies and increase reserves.
- To explore targets along the Boroo fault zone, conduct and continue additional exploration at the exploration sites held by the Company.

Within the scope of the above planning, the operating plan and investment budget planned to drill 7,163 meters in 2024.

## **OUTLOOK**

The year 2023 saw significant mining and processing activities at both the Boroo and Ulaanbulag gold mines. Operations proceeded without disruption, even amidst the challenges posed by Russia-Ukraine conflict. In 2023, Mongolia encountered some challenges related to fuel shortages and rising prices, potentially as direct or indirect consequences of the conflict between Russia and Ukraine.

In 2024, the Company aims to maintain steady production levels at both the Boroo and Ulaanbulag open pit mines, guaranteeing continuous processing activities at the Boroo mill and heap leach facilities.

## **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND ACCOUNTING CHANGES**

The Company prepares its financial statements following IFRS guidelines, which involve management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The critical estimates, assumptions and judgments applied in the preparation of the Company's financial statements are consistent with those applied and disclosed in Notes 3 and 31 of the Company's Financial Statements for the year ended December 31, 2023.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments entail the following risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity price risk).

### **Credit Risk**

Credit risk is the probability of a financial loss resulting from a borrower's failure to repay a loan. Essentially, credit risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

The Company is mainly exposed to credit risk from trade and other receivables and investment in bonds, the Company's policy is to deal with creditworthy counterparties and/or obtaining sufficient collaterals, where appropriate, to mitigate credit risk. In addition, these receivables and investments in bonds are monitored closely on an on-going basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions, from which management believes the risk of loss to be minimal. The Company's credit risk is primarily attributable to cash and amounts receivable. The Company's current and savings accounts are at the TDB (Moody's rating: B3).

The Company sells its production to the Bank of Mongolia, via TDB, and funds are received within a day, therefore, risk on trade receivables are minimal.

### **Liquidity Risk**

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. If the Company lacks sufficient liquidity to meet its obligations, it will consider securing additional debt financing.

The Company's financial obligations consist of trade and other payables and short- and long-term loans.

The maturity analysis of financial liabilities as at December 31, 2023 is as follows.

(US\$ 000's)	<1 year	1 – 3 years	3 - 5 years	>5 years	Total
Trade and Other Payables	32,504				32,504
Loans and Borrowings	82,603	336	755	1,724	85,418
<b>Total</b>	<b>115,107</b>	<b>336</b>	<b>755</b>	<b>1,724</b>	<b>117,922</b>

The maturity analysis of financial liabilities as at December 31, 2022 is as follows.

(US\$ 000's)	<1 year	1 – 3 years	3 - 5 years	>5 years	Total
Trade and Other Payables	6,489	-	-	-	6,489
Loans and Borrowings	28,094	87,227	573	1,822	117,715
<b>Total</b>	<b>34,583</b>	<b>87,227</b>	<b>573</b>	<b>1,822</b>	<b>124,204</b>

### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

### Interest Risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate as a result of changes in the market interest rates. The management of the Company believes that changes in interest rates will not have material impact on the income statement and equity based on the interest rate sensitivity analysis done at the end of the reporting period on financial assets and financial liabilities.

### Foreign Currency Risk

Foreign exchange risk is a risk in which the value of financial instruments fluctuates as a result of change in foreign currency exchange rate. Foreign exchange risk arises when future transaction, recognized assets or liabilities are denominated in a currency other than Mongolian tugriks.

The following table presents profit and loss and equity sensitivity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant.

(US\$ 000's)	Year ended Dec 31, 2023	Year ended Dec 31, 2022
USD Strengthening by 5%	(134)	1,368
USD Weakening by 5%	134	(1,368)

### Commodity Price Risk

The profitability of the Company's operations and mineral resource properties relates primarily to the market price and outlook of gold and silver. Gold and silver prices historically have fluctuated widely and are affected by numerous factors outside of the company's control, including, but not limited to, industrial, residential and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes, macro-economic variables, geopolitical events and certain other factors related specifically to gold (including central bank reserves management).

To the extent that prices of gold and silver increase over time, the fair value of the Company's mineral assets increases and cash flows will improve; conversely, declines in the price of gold will reduce the fair value of mineral assets and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. The Company conducts analyses to certain extent on factors that affect the gold price and regularly informs the management about potential future impacts.

To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel, chemicals), the Company's profitability and cash flows may be impacted. The Company analyses

domestic export and import on a quarterly basis in terms of the above commodities and monitors factors that may affect the commodity prices.

### Capital Risk Management

The Company's capital management objective is to safeguard the company's ability to continue as a going concern and provide returns to the shareholders by setting product and service prices taking into account the levels of risks. The Company determines the amount of required capital in connection with associated risks.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new debt, acquire or dispose of assets to facilitate the management of its capital requirements.

### NON-IFRS PERFORMANCE MEASURES

#### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Certain non-IFRS measures, including non-IFRS performance measures such as earnings before interest, tax, depreciation and amortization ("EBITDA") and all-in sustaining costs ("AISC"), are included in this MD&A.

The Company has included certain non-GAAP financial measures in this document. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issuers.

#### EBITDA

EBITDA, which stands for Earnings before Interest, Taxes, Depreciation, and Amortization, represents a key financial metric used to assess the Company's core operational profitability. It isolates earnings derived purely from daily operations, excluding the impact of financing methods, tax jurisdictions, and non-cash items.

This non-GAAP measure offers valuable insight into the operational effectiveness and cash-generating capability of our business, facilitating a clearer comparison with industry peers by eliminating differences caused by capital structure, tax strategies, and significant asset bases.

For the fourth quarter ended December 31, 2023, total net profit of the Company was \$1,949 and EBITDA was \$13,106 compared net loss of \$1,793 and EBITDA \$3,244 for the fourth quarter ended December 31, 2022

For the year ended December 31, 2023, total net profit of the Company was \$51,616 and EBITDA was \$80,574 compared to net profit of \$35,843 and EBITDA \$50,982 for the year ended December 31, 2022.

(US\$ 000's)	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Net Profit / (Loss)	1,949	(1,793)	51,616	35,843
Finance Cost / (Income)	(2,372)	544	(3,157)	875
Income Tax	8,130	4,345	15,917	9,398
Depreciation and Amortization	5,298	1,837	17,750	14,152
Foreign Exchange Loss / (Gain)	100	(1,689)	(1,550)	(9,286)
<b>EBITDA</b>	<b>13,106</b>	<b>3,244</b>	<b>80,574</b>	<b>50,982</b>

## KEY PERFORMANCE INDICATORS

Key performance indicators for the business are non-IFRS metrics but provide the ability to evaluate the underlying performance of the Company. These include cash cost per ounce of gold sold, and AISC per ounce of gold sold.

Cash cost per ounce is a measurement of the site cash cost required to sell an ounce of gold. This is an indication and trend of the cash operating margin of producing an ounce of gold.

All-in sustaining costs is a non-IFRS measure. AISC is calculated by adding sustaining cost to production costs. The management uses AISC to assess direct operating costs and capital costs required in generating revenue in the reporting period and maintaining normal operations of the mine.

The following disclosures provide information regarding the adjustments made in determining the Cash Costs and AISC:

- *Mining Cost*: All direct and indirect costs related to mining, including labor, equipment, drilling, blasting, and other operational costs, and excludes depreciation, depletion, and amortization.
- *Processing Cost*: All direct and indirect costs related to processing, such as crushing, milling, leaching, and other processes, and excludes depreciation, depletion, and amortization.
- *General & Administrative Cost*: Overheads at the mine site, such as salaries for administrative personnel, office expenses, and other general administrative costs.
- *Change in Inventory – Cash*: Adjustment for changes in inventory levels based on the movement in stockpiles and gold-in-circuit and excludes non-cash inventory movements.
- *Royalty*: Royalty payments made to the Mongolian government on revenues from metals sold.
- *Corporate Social Responsibility*: Costs related to community engagement, environmental programs, and other socially responsible initiatives undertaken by the Company.
- *By-Product Credits*: Revenue generated from silver sales, deducted from the total cash cost to arrive at the net cash costs.
- *Net Cash Costs*: Consists of mining cost, processing cost, change in inventory, including mining, processing, G&A, royalty, CSR, and other relevant costs, net of by-product credits.
- *Sustaining Capital Expenditure*: Capital expenditures that are necessary to maintain current production and execute the current mine plan.
- *Corporate Administration*: Overheads related to the off-site administration, including executive salaries, Ulaanbaatar office expenses, legal fees, and other overheads.
- *Asset Retirement Accretion*: Accretion expense related to increase in the asset retirement obligation over time for the Company's operating mines.
- *All-in-Sustaining Costs (AISC)*: Consists of net cash costs, sustaining capital expenditures, corporate administration and other.

For the three months ended December 31, 2023, cash costs were \$844 per ounce and \$874 per ounce for the same period in 2022. Decreases in cash cost per ounce of gold mainly due to higher ounces produced.

AISC for the three months ended December 31, 2023, amounted to \$1,045 per ounce, a decrease from \$1,485 per ounce reported in the corresponding period of 2022. This reduction in AISC in 2023 was primarily attributable to lower sustaining capital expenditure, i.e. in October 2022, the Company invested in mine equipment to expand its capacity, which is contributing to the decrease in the sustaining capital for the three months ended December 31, 2023.

(US\$ 000's)	Q4 Dec 31, 2023	Q4 Dec 31, 2022	Year ended Dec 31, 2023	Year ended Dec 31, 2022
<b>Cash Cost of Sales:</b>				
Mining Cost	5,296	3,892	18,500	14,927
Processing Cost	4,819	4,571	17,977	24,839
G&A Cost	1,325	1,188	4,710	4,757
Change in Inventory – Cash	1,505	(473)	(4,856)	(950)
Royalty	1,762	1,076	6,603	5,275
Corporate Social Responsibility	74	117	226	231
By-Product Credits	(91)	(76)	(310)	(296)
<b>Net Cash Costs</b>	<b>14,690</b>	<b>10,294</b>	<b>42,850</b>	<b>48,784</b>
Sustaining Capital Expenditure	1,603	6,331	10,241	12,606
Corporate Administration	1,572	506	2,605	1,605
Asset Retirement Accretion	330	359	1,306	1,182
<b>All-in-Sustaining Costs</b>	<b>18,194</b>	<b>17,490</b>	<b>57,002</b>	<b>64,177</b>
Gold Sales	17,413	11,778	67,315	56,304
<b>Cash Cost per Ounce</b>	<b>844</b>	<b>874</b>	<b>637</b>	<b>866</b>
<b>All-in Sustaining Cost per Ounce</b>	<b>1,045</b>	<b>1,485</b>	<b>847</b>	<b>1,140</b>

During the twelve months ending December 31, 2023, cash costs decreased to \$637 per ounce from \$866 per ounce for the same period in 2022. Decreases in cash cost per ounce of gold in 2023 were due to the cessation of Alluvial operations and increased gold production and sales in 2023.

AISC for the year ended December 31, 2023 was \$847 per ounce, compared to \$1,140 per ounce in the same period in 2022. The decrease was primarily driven by reduced sustaining capital expenditure and increased gold production and sales in 2023.

## CORPORATE GOVERNANCE

### Disclosure Controls and Procedures

Disclosure controls and procedures are to ensure the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to the company management to allow timely decisions regarding required disclosure.

### Internal Control over Financial Reporting

The Company's internal control over financial reporting is a process to ensure reliability of financial reporting and the preparation of financial statements in accordance with IFRS, with appropriate approvals for transactions, prevention from unauthorized or improper disposition of assets and properly recorded transactions.

The following internal controls over financial reporting are in place.

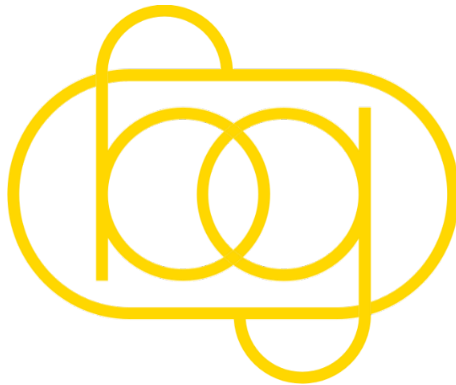
- Maintaining records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company.
- Maintaining records of the Company revenue and expenses at authorization of the management and directors according to reasonable IFRS requirements.
- Preventing and timely detecting unauthorized acquisition, use or disposition of the assets that could have a material effect on the Company's financial statements.

**Limitation of Controls and Procedures**

The Company's management, including the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Changes in Internal Control over Financial Reporting**

Other than as described above, there were no changes in internal control over financial reporting during the last fiscal year that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.



**BOROO GOLD LLC**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

Year Ended December 31, 2022

**April 26, 2024**

*Blue Sky Tower, Level 7*  
*Sukhbaatar District, 1<sup>st</sup> Khoroo,*  
*Ulaanbaatar City-14240, Mongolia*  
*Tel.: (976-11) 31-77-98*  
[info@boroogold.mn](mailto:info@boroogold.mn)



**TABLE OF CONTENTS**

Cautionary Statement regarding Forward-Looking Information.....	3
Non-IFRS Measures.....	4
Technical Report.....	4
Proposed Transaction Details.....	4
Company Overview.....	4
Health and Safety.....	5
Key Factors Affecting Our Results.....	6
Gold Prices.....	6
COVID-19.....	6
Ukraine Conflict.....	6
Financial Overview.....	7
Balance Sheet.....	7
Income Statement.....	11
Cash Flows.....	13
Financing Activities.....	13
Operational Overview.....	15
Mine Operational Summary.....	15
Alluvial Deposit Operation Summary.....	16
Mineral Reserves Update.....	16
Summary of Quarterly Result.....	16
Exploration and Development.....	17
Bornuur Exploration Property.....	17
Exploration Outlook.....	17
Outlook.....	17
Critical Accounting Policies, Estimates and Accounting Changes.....	18
Financial Instruments and Other Instruments.....	18
Non-IFRS Performance Measures.....	20
Reconciliation of Non-GAAP Financial Measures.....	20
Key Performance Indicators.....	20
Corporate Governance.....	22



## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) and operating results of Boroo Gold LLC (“Boroo Gold” or the “Company”) are dated December 31, 2022, and should be read in conjunction with the audited annual financial statements for the years ended December 31, 2022 and 2021 (together, the “Financial Statements”). These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are reported in thousands of US dollars, unless otherwise indicated. This MD&A is dated as of April 26, 2024 unless otherwise indicated.

The MD&A contains non-GAAP measures and forward-looking information. Readers are advised to read the MD&A in conjunction with both the “Non-IFRS Measures” and “Cautionary Statement regarding Forward-Looking Information” sections contained at the end of this document.

Management is responsible for preparing the MD&A. The MD&A has been approved by the Company’s Board of Directors. Additional information about the operations can be found on the Company’s website at [www.boroogold.mn](http://www.boroogold.mn). Information contained in or otherwise accessed through Boroo Gold’s website ([www.boroogold.mn](http://www.boroogold.mn)), or any other website included herein, do not form part of this MD&A. All such references to Boroo Gold’s website are for informational purposes only.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and statements which may not be based on fact, including without limitation, statements regarding the Company’s expectations in respect of: future financial position; business strategy; future exploration and production; mineral resource potential; exploration drilling; permitting; access to capital; reagent supply chain operations; events or developments that the Company expects to take place in the future; the expected results of exploration activities; the estimation of mineral resources; the ability to identify new mineral resources and convert mineral resources into mineral reserves; ability to raise additional capital and complete future financings; capital expenditures and costs, including forecasted costs; use and repayment of loan proceeds; future loan agreements; Company pledge of certain licenses, movable properties and immovable properties; the ability of the Company to comply with environmental, safety and other regulatory requirements; future prices of precious metals the production and construction schedule of, and the ability of the Company to obtain all necessary approvals and permits in connection, with the development of the Boroo and Ulaanbulag mines.

All statements, other than statements of historical facts, are forward-looking information and statements. The words “aim”, “anticipated”, “assume”, “believe”, “expected” “”, “focus”, “forecasted”, “future”, “goal”, “objectives”, “opportunity”, “plan”, “scheduled”, “may”, “will”, “could”, “would” and similar expressions identify forward-looking information and statements.

Readers are cautioned that forward-looking information and statements are not guarantees of future performance. There can be no assurance that such information and statements will prove to be accurate and actual results and future events could differ materially from those presented in such information and statements. Forward-looking information and statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information and statements. Such risks include, but are not limited to: the volatility of the price of gold; uncertainty of mineral resources; exploration potential; mineral grades and mineral recovery estimates; delays in exploration and development plans; insufficient capital to complete development and exploration plans; risks inherent with mineral acquisitions; delays in obtaining government approvals or permits; financing of additional capital requirements; commercial viability of mineral deposits; cost of exploration and development programs; risks associated with competition in the mining industry; risks associated with the ability to retain key executives and personnel; the impact of COVID-19; the impact of the Russian invasion of Ukraine; title disputes and other claims; the risk that insurance may not be available to Boroo Gold on reasonable terms or at all. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information and statements.

## **NON-IFRS MEASURES**

Certain non-IFRS measures are included in this MD&A, including earnings before interest, taxation, depreciation and amortization (“EBITDA”) and all-in sustaining cost (“AISC”), which are non-IFRS performance measurements.

Cash costs and AISC are included because these measures are considered to be key indicators of the Company’s ability to generate operating earnings and cash flows from its mining operations. These performance measurements do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measurements should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Certain other key measures are included below:

1. A conversion factor of 31.1034768 grams per troy ounce is used in the mineral resource and reserves estimates.

## **TECHNICAL REPORT**

During the reporting period, the Company did not generate any reserve reports in compliance with the NI 43-101 regulations. However, future plans include conducting additional exploration activities aimed at expanding mineral reserves at the Boroo and Ulaanbulag mines. Subsequently, an updated technical report adhering to NI 43-101 standards will be developed to reflect these additional mineral reserves and revised boundaries.

## **PROPOSED TRANSACTION DETAILS**

On April 11, 2024, the Company’s indirect parent Boroo Pte. Ltd. entered into a share exchange agreement with Steppe Gold Ltd (“Steppe Gold”), pursuant to which Steppe Gold will acquire all of the issued and outstanding common shares of the Company from Boroo Pte. Ltd in an all-share transaction (the “Transaction”). In exchange, Boroo Pte. Ltd. will hold approximately 55.9% of the issued and outstanding common shares of Steppe Gold on completion of the Transaction. Additionally, pursuant to separate definitive share purchase agreements, each between one of Steppe Gold’s wholly-owned subsidiaries, on the one hand, and Boroo Pte. Ltd. or one of its affiliates, on the other hand, each dated April 11, 2024, Steppe Gold will sell the Tres Cruces Project to Boroo Pte. Ltd. for approximately CAD\$12 million in cash payable over an 18-month period beginning on the closing date of the Transaction.

On January 22, 2024, Boroo Pte. Ltd. entered into a binding term sheet in connection with the Transaction, the terms of which were superseded by the definitive agreements entered into on April 11, 2024.

## **ADDITIONAL INFORMATION**

Additional information about the Company’s operations can be found at [www.boroogold.mn](http://www.boroogold.mn).

## **COMPANY OVERVIEW**

Boroo Gold LLC was incorporated under the Laws of Mongolia on May 5, 1997. The head office of the Company is located in Blue Sky Tower, Level 7, Sukhbaatar District, 1st Khoroo, Ulaanbaatar 14240, Mongolia.

Boroo Gold is a precious metals exploration, development, and production company focused on opportunities in Mongolia. The Company has two principal operating open pit mines of Boroo gold mine located in in Bayangol and Mandal soums of Selenge aimag, and the Ulaanbulag gold mine located in Bornuur soum of Tuv aimag.

**Year Ended December 31, 2022 Highlights** (all figures in US\$ 000's unless stated otherwise)

- Revenue for the year ended December 31, 2022, was \$105,499 (December 31, 2021: \$116,260) on sales of 56,304 gold ounces (December 31, 2021: 64,566 gold ounces) and 14,133 silver ounces (December 31, 2021: 10,090 silver ounces) with average realized prices per ounce of gold \$1,868 and silver \$21 respectively (December 31, 2021: \$1,797 and \$24).
- EBITDA for the year ended December 31, 2022 was \$50,982 (December 31, 2021: \$32,538).
- All-in sustaining costs ("AISC") per ounce sold averaged \$1,140 in 2022, compared to \$1,039 in 2021.
- As at December 31, 2022, the Company recorded a cash balance of \$1,991, compared to the year ended December 31, 2021 of \$1,795.
- During the year ended December 31, 2022, the Company secured loans of \$12,854 for financing working capital needs, boosting the capacity of open pit mines and investing purpose from the Trade and Development Bank of Mongolia ("TDB").
- During the year ended December 31, 2022, 1,995,168 tonnes of ore and 8,179,544 tonnes of waste were mined. Total of 1,772,763 tonnes of ore were processed at the Boroo mill processing plant with an average gold grade of 1.04 g/t at a gold recovery rate of 84%, and 32,000 tonnes of heap leach ore were stacked and processed at the Boroo heap leach processing plant with an average grade of 0.50 g/t at a gold recovery of 51%.
- In November 2022, Boroo Gold completed construction of the East tailings dam at the Boroo Gold Mine, ensuring the processing plant's continued operation.
- The Company joined the "One Billion Trees" national campaign initiated by the President of Mongolia and is committed to planting 3 million trees over the next decade. To support this commitment, a tree nursery was established in April 2022.

**HEALTH AND SAFETY**

At Boroo Gold LLC, we prioritize the health and safety of our employees above all, implementing stringent measures and continuous training to uphold the highest standards of safety across our operations. Our commitment extends through our both open pit mines.

The year witnessed three documented cases of accidents and injuries, including one lost-time injury (LTI) and two recordable injuries (FI), culminating in an accident frequency rate of 0.25 LTIs per 200,000 man-hours worked. This reflects a slight improvement from the previous year's frequency of 0.26 LTIs.

The Company is committed to continuous improvement in our safety protocols, embracing new technologies, and fostering a safety-first culture to strive towards a zero-incident workplace. The safety and well-being of our employees are paramount. A proactive and comprehensive approach to health and safety is integral to our operational excellence and sustainability. Our achievements in 2022 underscore our commitment to not only maintaining but continually enhancing the safety and health standards within our operations.

**Environment, Social and Governance ("ESG") Reporting**

While the Company itself does not publish a standalone sustainability report, the Boroo Group, the Company's indirect parent Boroo Pte. Ltd. along with its material subsidiaries operating in Mongolia and Peru, collectively issues a sustainability report that encompasses all of its operations. The forthcoming Group sustainability publication, the 2022 Environmental, Social, and Governance (ESG) report, is scheduled for release in March 2023. For the most recent updates and reports, stakeholders are encouraged to visit the ESG report segment on our Group website at [www.boroomc.com.sg](http://www.boroomc.com.sg).

## **KEY FACTORS AFFECTING OUR RESULTS**

Various key factors affect the Company's outcome. These include, but are not limited to, the following:

### **GOLD PRICES**

The Company's primary source of revenue comes from the sale of gold. For the years ended December 31, 2022, and 2021, gold sales accounted for 99.7% and 99.8% of total revenue, respectively, with the balance resulting from by-product silver in dore bars. The Company's financial performance is significantly affected by market prices of gold, which have historically fluctuated subject to various factors beyond the Company's control, including international economic and political trends, expectation of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increase production due to improved mining and production methods.

The Company sells its production in the form of dore bars, which contain gold and silver, to the Central Bank of Mongolia through TDB. The Central Bank of Mongolia sets the official gold and silver prices for the day based on the London Metal Exchange (LME) closing price from the previous day.

During the years ended December 31, 2022, and 2021, the Company did not have any hedging arrangements in place for its production.

Gold averaged US\$1,800 per ounce for the twelve months ended December 31, 2022, down from US\$1,810 per ounce for the same period in 2021. This slight decrease reflects fluctuations in the gold market, influenced by broader economic trends, interest rates, inflation expectations, and global demand. While the COVID-19 pandemic caused significant disruptions in 2020, gold prices remained relatively stable, reflecting an average of around US\$1,770 per ounce compared to approximately US\$1,400 per ounce in 2019. Future economic shifts or changes in demand from major gold-consuming regions, such as China or the United States, could further influence market prices.

A decline in gold prices could have an adverse impact on the Company's revenues and financial results.

### **COVID-19**

The COVID-19 pandemic caused disruption in the ability of the Company to conduct business in Mongolia, particularly affecting supply chain logistics, which posed challenges for the Company's activities in 2022. Despite the COVID-19 pandemic causing widespread disruptions across Mongolia's mining industry—since most mining companies depend heavily on Chinese suppliers—the Company managed to navigate the situation successfully without any significant disruptions to its operations.

With the easing of Mongolian border restrictions in 2022, even though the China-Mongolia border remained closed to certain key reagents, the Company established alternative supply arrangements which has ensured continued production without any significant disruptions.

### **UKRAINE CONFLICT**

On February 24, 2022, Russian military forces launched a full-scale military invasion of Ukraine. The ongoing conflict between Russia and Ukraine continues to change as military operations progress and additional sanctions are placed on Russia. The war's impact on the global economy and financial markets is escalating, leading to issues such as rising inflation and disruptions in global supply chains. For Mongolia, this situation poses unique challenges since the country imports most of its fuel from Russia, relies on specific Russian banks and financial institutions, and has experienced disruptions in the supply of US Dollars, some food items, and mining equipment. Like many other countries, Mongolia has been hit by increasing energy costs, higher inflation, rising interest rates, and fluctuations in currency exchange rates.

The reliance on Russian fuel has significant implications for Mongolia and the Company. Although there have been minor disruptions in supply, the Government of Mongolia secured an agreement with Russia to limit imported fuel prices.

The alternative supply route for the Company's reagents mentioned above also runs through Russia. As a precaution, the Company has increased its holdings of reagents and identified other, albeit more costly, suppliers if the need arises.

The Company's management is closely monitoring developments in Ukraine. However, the extent to which the conflict may impact the Company is beyond its control and is influenced by unpredictable factors, including further military escalations, additional sanctions, and the response of global financial markets.

## FINANCIAL OVERVIEW

As at December 31, 2022, total assets were \$229,192 and total liabilities were \$146,504, compared to \$202,494 in total assets and \$155,649 in total liabilities as at December 31, 2021.

As at December 31, 2022, the inventory balance increased to \$16,508 compared to \$11,631 as at the year ended December 31, 2021. The increase in consumables and supplies, which was caused by the increased holdings of chemical reagents, mainly contributed to the growth in inventory.

As at December 31, 2022, the net book value of property, plant and equipment was \$63,440, compared to \$65,849 as at December 31, 2021. The decrease was mainly driven by depreciation expenses of \$13,617, offset by the acquisition of new assets totaling \$11,732.

The Company reported a net decrease in total liabilities of \$9,145 for the year ended December 31, 2022. The main reason for the decrease was the repayment of \$17,874 of the loans and offset by additional loans drawn down of \$12,854.

The overall net cash inflow for the year ended December 31, 2022, amounted to \$196. This consisted of cash generated by operations totaling \$42,914, offset by cash used in investing activities of \$20,941, financing activities of \$21,397. This compares to overall net cash outflow of \$1,259 for the year ended December 31, 2021.

## BALANCE SHEET

(US\$ 000's)	As at Dec 31, 2022	As at Dec 31, 2021
Cash and Equivalents	1,991	1,795
Inventories	16,508	11,631
Other Current Assets	4,749	5,180
Non-Current Assets	205,944	183,888
<b>Total Assets</b>	<b>229,192</b>	<b>202,494</b>
Current Liabilities	39,407	51,392
Non-Current Liabilities	107,097	104,257
<b>Total Liabilities</b>	<b>146,504</b>	<b>155,649</b>
<b>Total Equity</b>	<b>82,688</b>	<b>46,845</b>

### Cash and Equivalents

As at December 31, 2022, the Company's had a total cash balance of \$1,991, compared to \$1,795 as at December 31, 2021. The increase is attributable to the net cash inflow from operating activities which amounted to \$42,914, offset by the net cash outflows from investing activities of \$20,941 and net cash outflows from financing activities of \$21,397.

As at December 31, 2022, the Company had a net debt of \$115,724, compared to \$124,803 as at December 31, 2021.

The continuity table of net debt is as follows:

(US\$ 000's)	As at Dec 31, 2022	As at Dec 31, 2021
<b>Cash and Equivalents</b>	<b>1,991</b>	<b>1,795</b>
Short-term Loan &	28,094	40,648
Long-term Loan	89,621	85,950
<b>Total Debt</b>	<b>117,715</b>	<b>126,598</b>
<b>Net Debt</b>	<b>(115,724)</b>	<b>(124,803)</b>

### Inventories

As at December 31, 2022, the Company reported total inventory of \$16,508, compared to \$11,631 as at December 31, 2021. Inventory includes ore stockpiles, gold-in-circuit, warehouse consumables, spare parts and supplies, as follows:

(US\$ 000's)	As at Dec 31, 2022	As at Dec 31, 2021
Ore Stockpiles	4,796	3,593
Gold-in-Circuit	2,317	2,164
Consumables, Spare Parts & Supplies	9,395	5,874
<b>Total Inventory</b>	<b>16,508</b>	<b>11,631</b>

As at December 31, 2022, ore stockpiles had a carrying value of \$4,796 and contained 15,980 ounces of gold (December 31, 2021: \$3,593 and 21,458 ounces). Gold-in-circuit included 3,689 ounces of recoverable gold with a carrying value of \$2,317 (December 31, 2021: 3,004 ounces and \$2,164).

As at December 31, 2022, the carrying balance of warehouse consumables, spare parts & supplies was \$9,395 compared to \$5,874 as at December 31, 2021. This increase was primarily due to an increase in cyanide inventory and accumulation of activated carbon inventory in the third quarter of 2022, in anticipation of higher mining and production activities in the year 2023. Additionally, the easing of border restrictions in 2022 after the COVID-19 pandemic contributed to a notable increase in the supplies inventory levels compared to 2021.

### Other Current Assets

Other current assets consist of trade and other receivables, as well as prepayments. As at December 31, 2022, the Company recorded a total of \$1,232 in trade and other receivables, compared to \$1,480 as at year ended December 31, 2021. Additionally, the Company's prepayments, which mostly consist of prepayments for the purchase of chemical reagents, which totaled \$3,517 in 2022 compared to \$3,700 in 2021.

### Non-Current Assets

As at December 31, 2022, the Company's non-current assets totaled \$205,944, compared to \$183,888 as at December 31, 2021. Non-current assets comprise mainly financial assets, which represents the accumulated interest and principal amount of bonds issued by the Company's indirect parent company Boroo Pte. Ltd., as well as property, plant, and equipment related to the operations at both Boroo and Ulaanbulag gold mines.

(US\$ 000's)	As at Dec 31, 2022	As at Dec 31, 2021
Financial Assets <sup>(1)</sup>	139,926	115,713
Property, Plant and Equipment	63,440	65,849
Other <sup>(2)</sup>	2,578	2,326
<b>Total Non-Current Assets</b>	<b>205,944</b>	<b>183,888</b>

(1) Financial assets measured at amortized cost.

(2) Other current assets include Intangible asset and Exploration and evaluation assets.

The financial assets, measured at amortized cost, was \$139,926 as at December 31, 2022, compared to \$115,713 as at December 31, 2021. During the reporting period, the Company entered into two unsecured bond agreements to purchase bonds issued by Boroo Pte Ltd, amounting to a total of \$13,000, with interest rates at 10% and 13.4% per annum. These financial assets are measured at amortized cost and the increase in the value of the financial assets is mainly due to the above subscription of the bond during the reporting period, as well as accretion of interest receivables.

As at December 31, 2022, the net book value of property, plant and equipment was \$63,440, compared to \$65,849 as at December 31, 2021. During the reporting period, the Company acquired fixed assets totaling \$11,732, incurred depreciation expenses of \$13,617, and disposals valued at \$61, with related movement of depreciation from disposals at \$9. Additionally, exploration and evaluation assets worth a total of \$472 were reclassified during the reporting period. These activities resulted in a net decrease of \$2,409 in the carrying value of property, plant, and equipment.

During the reporting period, a significant portion of the Company's capital expenditure, amounting to 82% of total fixed asset investments, was strategically directed towards enhancing our operational and tailings capacity.

As at December 31, 2022, the other non-current assets amounted to \$2,578, compared to \$2,326 as at December 31, 2021. These comprise intangible assets, as well as exploration and evaluation assets owned by the Company.

## Liabilities

As at December 31, 2022, there were total liabilities of \$146,504 compared to \$155,649 as at December 31, 2021, a net decrease in total liabilities of \$9,145.

(US\$ 000's)	As at Dec 31, 2022	As at Dec 31, 2021
<b>Current</b>		
Loans and Borrowings	28,094	40,648
Trade and Other Payables	6,489	4,904
Short-Term Provision	131	158
Income Tax Payable	4,693	5,682
<b>Total Current Liabilities</b>	<b>39,407</b>	<b>51,392</b>
<b>Non-Current</b>		
Loans and Borrowings	89,621	85,950
Long-Term Provision	12,203	13,428
Deferred Tax Liability	5,273	4,879
<b>Total Non-Current Liabilities</b>	<b>107,097</b>	<b>104,257</b>
<b>Total Liabilities</b>	<b>146,504</b>	<b>155,649</b>



### Loans and Borrowings

As at December 31, 2022, the total loan and borrowings were \$117,715, compared to \$126,598 as at December 31, 2021. During the reporting period, the Company secured additional loans of \$12,854 from TDB, offset by loan repayments of \$17,874. Additionally, the Company recorded \$4,114 reduction in the loan and borrowing balance, arising from the loans there were denominated in Mongolian Tugrik ("MNT"), due to the weakening of MNT against US dollars.

Details regarding the new loans secured during 2022 are available in the Financing Activities section of this MD&A.

### Trade and Other Payables

As at December 31, 2022, the Company reported total trade and other payables amounting to \$6,489, compared to \$4,904 as at December 31, 2021. The breakdown includes \$5,984 in trade payables (December 31, 2021: \$4,194), tax and social security payables of \$455 (December 31, 2021: \$428), and other payables and accruals of \$50 (December 31, 2021: \$282).

### Long and Short-Term Provision

As at December 31, 2022, the Company reported total long and short-term provisions relating to rehabilitation amounting to \$12,334, compared to \$13,586 as at December 31, 2021. In the reporting year, the technical and biological rehabilitation to land area covering a total of 43.9 hectares, exceeding the initial plan in the Environmental Management Plan. As a result, a total of 544.8 hectares of land has now been rehabilitated. The rest of the rehabilitation of Boroo gold mine is planned to start in 2031, and the Ulaanbulag gold mine is planned to start in 2025. These will rehabilitate a total of 370.8 hectares of land, including large structures at the Boroo gold mine, and 58 hectares of the Ulaanbulag mine.

### Income Tax Payable and Deferred Tax Liability

According to the Corporate Income Tax Law of Mongolia, the Company is obligated to pay Corporate Income Tax at a rate of 10% on taxable profits up to MNT 6 billion (2021: 6 billion), and 25% on taxable profits exceeding MNT 6 billion (2021: 6 billion).

As at December 31, 2022, the total current tax expense for the year amounted to \$9,792, with a total of \$10,781 in income taxes paid, compared to \$10,897 in current tax expense and \$6,999 in income taxes paid for the year ended December 31, 2021.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 10% (2021: 10%). As at December 31, 2022, the Company reported total deferred tax assets and liabilities amounting to \$5,273, compared to \$4,879 as at December 31, 2021.

As at 31 December 2022, the following are present values of material commitments and obligations that will result in cash outflows as set out in the table below.

(US\$ 000's)	<1 year	1 – 3 years	3 - 5 years	>5 years	Total
Trade and Other Payables	6,489	-	-	-	6,489
Income Tax Payable	4,693	-	-	-	4,693
Loans and Borrowings	28,094	87,227	573	1,822	117,715
Rehabilitation Provision	131	-	-	12,203	12,334
<b>Total</b>	<b>39,407</b>	<b>87,227</b>	<b>573</b>	<b>14,025</b>	<b>141,231</b>
<b>Deferred Tax Liability</b>					<b>5,273</b>

As at 31 December 2021, the following are present values of material commitments and obligations that will result in cash outflows as set out in the table below.

(US\$ 000's)	<1 year	1 – 3 years	3 - 5 years	>5 years	Total
Trade and Other Payables	4,904	-	-	-	4,904
Income Tax Payable	5,682	-	-	-	5,682
Loans and Borrowings	40,648	83,166	357	2,427	126,598
Rehabilitation Provision	158	-	-	13,428	13,586
<b>Total</b>	<b>51,392</b>	<b>83,166</b>	<b>357</b>	<b>15,855</b>	<b>150,770</b>
<b>Deferred Tax Liability</b>					<b>4,879</b>

### Shareholder's Equity

As at December 31, 2022, there was an increase in shareholders' equity to \$82,688, compared to \$46,845 as at December 31, 2021, which was contributed by profit for the year ended 31 December 2022.

Common Shares Issued	Number of Shares Units	Share Capital US\$ 000's
Balance as at December 31, 2021	3,000,000	3,000
Balance as at December 31, 2022	3,000,000	3,000

### Off Balance Sheet Arrangements

As at December 31, 2022, the Company had no off-balance sheet arrangements or transactions, including but not limited to potential obligations from warranty agreements, asset transfers to third-parties, or derivative instruments that could expose the Company to financing, liquidity, or market risks.

### INCOME STATEMENT

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
Revenue	105,499	116,260
Cost of Sales	(55,739)	(56,693)
<b>Gross Profit</b>	<b>49,760</b>	<b>59,567</b>
General and Administrative Expenses	(2,345)	(2,247)
Royalty	(5,275)	(5,815)
Other Gains / (Losses)	366	(235)
<b>Operating Profit</b>	<b>42,506</b>	<b>51,270</b>
Finance Income/(Expense)	8,411	(3,677)
Other Expenses	(5,676)	(29,264)
<b>Profit / (Loss) Before Tax</b>	<b>45,241</b>	<b>18,329</b>
Income Tax	(9,398)	(13,592)
<b>Profit / (Loss) After Tax</b>	<b>35,843</b>	<b>4,737</b>
<i>Basic and Diluted Net Profit per Share</i>	<i>11.948</i>	<i>1.579</i>

### Revenue

For the year ended December 31, 2022, the Company sold 56,304 ounces of gold and 14,133 ounces of silver at average prices of \$1,868/oz and \$21/oz respectively, generating a total revenue of \$105,499. This is in comparison to the revenue generated for the year ended December 31, 2021 of \$116,260 where the Company sold 64,566 ounces of gold and 10,054 ounces of silver at average prices of \$1,797/oz and \$24/oz respectively.

**Cost of Sales**

Cost of sales includes all operating expenses relating to the production and sale of goods. These comprise production costs, which consist of direct expenses such as salaries and incentives, costs of works and services from third party contractors, as well as expenses for chemicals, utilities, fuel, maintenance, and depreciation.

Cost of sales was \$55,739 for the year ended December 31, 2022, compared to \$56,693 for the same period in 2021. The lower cost of sales in 2022 was mainly due to a reduction in production during the year, as evident from the lower volume of gold produced in year 2022.

**General and Administrative Expenses**

General and Administrative Expenses include costs associated with the Ulaanbaatar office and other operational expenses. For the year ended December 31, 2022, general and administrative expenses were \$2,345, which is marginally higher compared to \$2,247 for the same period in 2021. The top five categories within these expenses in 2022 were salaries and incentives, depreciation and amortization, social donations, business meeting expenses and professional service fees.

**Royalty**

Royalty taxes imposed for the year ended December 31, 2022 was \$5,275 compared to \$5,815 for the same period in 2021. The decrease was due a decrease in gold and silver sales in 2022.

**Other Gains / (Losses)**

For the year ended December 31, 2022, the Company reported other gains totaling \$366. This was primarily a result of reversing a previous impairment loss on supplies inventory, which contributed \$380 to the gains, offset by a \$14 loss on asset disposals.

During the same period in 2021, the Company reported other losses amounting to \$235. This was from a \$940 loss from asset disposals, offset by a \$705 reversal of impairment loss on supplies inventory.

The allowance for supplies inventory obsolescence was set aside in prior years when there were no or limited mining operations. As the mining and processing activities restarted in 2020, the aging of the supplies inventory has improved in 2021 and 2022, and hence the required allowance for obsolescence reduced accordingly.

**Finance Income/(Expense)**

Finance income for the year ended December 31, 2022 was \$22,130 compared to \$11,110 for the same period in 2021. The increase was mainly due to additional interest income accrued from two bonds subscription agreements entered during the year.

Interest expense for the year ended December 31, 2022 was \$12,452, compared to \$11,379 for the same period in 2021. The increase in interest expense for the year 2022 was mainly due to higher interest rates on new loans drawn down during the reporting year, while loans with lower interest were repaid.

Accretion of interest and revision of estimates arising from rehabilitation provision for the year ended December 31, 2022 was \$1,267 compared to \$1,650 for the same period in 2021.

For the year ended December 31, 2022, the Company reported a net foreign exchange gain of \$9,286 compared to a net foreign exchange loss of \$43 for the year ended December 31, 2021. As part of the borrowings of the Company are denominated in MNT, the depreciation of the MNT against the USD in 2022, resulted in a net foreign exchange gain for the year.

## Other Expenses

Other Expenses include costs associated with the bad debt expenses, impairment loss of investment in bond and other operational expenses.

As at December 31, 2022, the Company reported total bad debt of \$3,849, compared to \$28,555 for the same period in 2021. The bad debt expense primarily relates to the receivables from Centerra Gold Mongolia LLC ("CGM"), a related company. Provisions have been made due to CGM's inability to operate after the Government of Mongolia designated its licensed areas as specially protected area, which raises uncertainties on the recoverability of the funds provided.

As at December 31, 2022, the Company recorded an impairment loss of investment in bonds amounting to \$1,620, compared to \$533 for the same period in 2021. The impairment loss primarily relates to the management's assessment of the credit risk over the duration of bonds.

## Income Tax

Income tax for the year ended December 31, 2022 was \$9,398 compared to \$13,592 for the same period in 2021. The decrease in income tax expenses in 2022 compared to 2021 was mainly due to lower sales revenue and increase in tax-deductible expenses.

## CASH FLOWS

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
Cash Flows from Operating Activities	42,914	33,454
Cash Flows from Investing Activities	(20,941)	(20,599)
Cash Flows from Financing Activities	(21,397)	(14,114)
Effect of Exchange Rate Changes on Cash Held in Foreign Currency	(380)	-
<b>Net Increase / (Decrease) in Cash</b>	<b>196</b>	<b>(1,259)</b>

Cash generated from operating activities for the year ended December 31, 2022 was \$42,914, compared to cash generated from operating activities of \$33,454 in the same period in 2021. The increase in cash inflow from operating activities during the year 2022 was mainly due to an increased net profit before tax of \$26,912 and improvements in working capital of \$15,885 offset by lower adjustments for non-cash items of \$29,364 and higher tax payments of \$3,782 and lesser interest income of \$191 compared to 2021.

Cash used in investing activities for the year ended December 31, 2022, was \$20,941 compared to \$20,599 for the year ended December 31, 2021. The slight decrease is mainly attributable to variations in cash flows relating to bond investments.

Cash used on financing activities was \$21,397 for the year ended December 31, 2022, compared to \$14,114 for the same period in 2021. The increase in 2022 is mainly due to fewer new financings and offset by lower loan repayments compared to 2021, arising from strong cash flow generated from operations.

## FINANCING ACTIVITIES

### Loans and Borrowings

During the year ended December 31, 2022, the Company secured additional loans amounting \$12,854 and accrued \$12,452 in interest payable on loans and borrowings. Payments made towards loans principal and interests totaled \$30,075 for the year ended December 31, 2022.

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
<b>Balance Beginning of the Period</b>	<b>126,598</b>	<b>72,463</b>
Additional Loans	12,854	88,215
Accrued Interest	12,452	11,379
Repayment of Loan Principals	(17,874)	(35,428)
Repayment of Loan Interests	(12,201)	(10,043)
Effect of change in Foreign Currency Rate	(4,114)	12
<b>Balance End of the Period</b>	<b>117,715</b>	<b>126,598</b>
<b>Current Portion</b>	<b>28,094</b>	<b>40,648</b>
<b>Long-term Portion</b>	<b>89,621</b>	<b>85,950</b>

Details of loan secured and drawn down during the financial year ended December 31, 2022:

- On March 4, 2022, the Company entered into a loan agreement with TDB for \$678 (MNT 2 billion) at an interest of 12% per annum for a period of 60 months and for a purpose of green borrowing. This loan was to support the initial funding for establishing a tree nursery as part of the "One Billion Trees" national campaign initiated by the President of Mongolia. The Company's commitment to this campaign involves planting 3 million trees over the next decade.
- On May 24, 2022, the Company entered into a loan agreement with TDB for \$3,000 at an interest of 9% per annum for a period of 6 months and for a purpose of investment. Interest rate and interest period were changed to 12% and 11 months respectively by an amendment to the loan agreement dated December 16 2022.
- On October 4, 2022, the Company entered into a loan agreement with TDB for \$4,177 (MNT 14 billion) at an interest of 17% per annum for a period of 24 months and for a purpose of acquiring mining fleets to boost the mining capacity.
- On October 22, 2022, the Company entered into a loan agreement with TDB for \$5,000 at an interest of 12% per annum for a period of 24 months and for a purpose of financing working capital needs.

### Related Party Transactions

For the years ended December 31, 2022 and 2021, management fees paid to key management personnel are shown below:

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
Salaries	158	185
Social Security Contribution (Employer)	26	36
Bonuses	18	33
<b>Total</b>	<b>202</b>	<b>254</b>

The transactions with related parties are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties. In the reporting period, related party transactions are as follows.

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
Intercompany Transactions with Fellow Company	1,433	28,092
Bonds Purchased from Indirect Parent	13,000	86,787
Bond Repayment from Indirect Parent	11	20,300
Interest Receivables from Indirect Parent	12,844	9,204
Others	26	264

For the year ended December 31, 2022, the Company had intercompany transactions with the Company's fellow company Centerra Gold Mongolia LLC amounting to \$1,433, compared to \$28,092 for the same period in 2022.

On May 12, 2022, the Company purchased 800 unsecured bonds issued by the Company's indirect parent Boroo Pte Ltd, at a unit price of \$10,000, i.e. \$8,000 in total, with an interest rate of 10% per annum.

On September 28, 2022, the Company purchased additional 500 unsecured bonds issued by the Company's indirect parent Boroo Pte Ltd at a unit price of \$10,000, i.e. \$5,000 in total, with an interest rate of 13.4% per annum.

## OPERATIONAL OVERVIEW

Boroo gold mine is an open pit mining operation with a mill/CIP processing circuit and a heap leach processing circuit. Ulaanbulag gold mine is an open pit mining operation with ore mined being hauled to Boroo gold mine for further processing.

In November 2021, Boroo Gold joined the "One Billion Trees" national campaign initiated by the President of Mongolia and committed to planting 3 million trees over the next decade. As part of Boroo Gold's commitment under the national campaign, a tree nursery was established in April 2022. The tree nursery will operate for a decade with a projected output of 6.2 million seedlings and saplings, of which 3 million are committed to the campaign.

In November 2022, Boroo Gold completed construction of the East tailings dam at the Boroo Gold Mine, ensuring the processing plant's continued operation.

## MINE OPERATIONAL SUMMARY

For the year ended December 31, 2022, 10.2 million tonnes of total material were moved, comprising 2.0 million tonnes of mill ore and 32,000 tonnes of heap leach ore, compared to a total of 12.3 million tonnes of total material were moved, including 2.3 million tonnes of mill ore were mined for the year ended December 31, 2021.

	Unit	Year ended Dec 31, 2022	Year ended Dec 31, 2021
Waste Mined	tonnes	8,179,544	9,989,605
Mill Ore Mined	tonnes	1,963,168	2,324,686
Heap Leach Ore Mined	tonnes	32,000	-
Milled Ore	tonnes	1,772,763	1,531,103
Grade	g/t	1.04	1.11
Gold Recovery	%	84%	82%
Primary Leaching	tonnes	19,041	-
Secondary Leaching	tonnes	12,959	3,702,905
Grade	g/t	0.50	0.37
Gold Recovery	%	51%	14%
Gold Produced from Boroo and Ulaanbulag	oz	50,445	50,854
Gold Produced from Alluvial Operation	oz	5,859	13,789
<b>Total Gold Produced</b>	<b>oz</b>	<b>56,304</b>	<b>64,643</b>
<b>Gold Sold</b>	<b>oz</b>	<b>56,304</b>	<b>64,566</b>
<b>Silver Sold</b>	<b>oz</b>	<b>14,133</b>	<b>10,090</b>

There were gold sales of 56,304 ounces during the year ended December 31, 2022, compared to 64,566 ounces of gold sales for the year ended December 31, 2021.

The Company produced 12,547 ounces of gold during the fourth quarter of 2022, compared to 13,543 ounces of gold for the same period of 2021.

For the year ended December 31, 2022, the total capital expenditure was \$12,606 compared to \$11,688 for the same period in 2021. The capital expenditure incurred during 2022 is comprised of mine equipment purchase and maintenance, expansion of tailings facilities, tree nursery and others.

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
General Sustaining	12,606	10,553
Growth and Expansion	-	1,135
<b>Total</b>	<b>12,606</b>	<b>11,688</b>

#### ALLUVIAL DEPOSIT OPERATION SUMMARY

In 2019, the Company entered into an agreement with Tod Undarga LLC, a mineral exploration and mining company, to mine its alluvial deposits. According to the agreement, Tod Undarga LLC and the Company to receive 75% and 25% of the revenue, respectively, after deducting royalty tax from the sales of gold extracted from Ikh Dashir alluvial deposit. The agreement was extended in 2021 for one more year which expired on June 30, 2022 and has not been renewed.

Pursuant to the agreement with Tod Undarga LLC, mining operation was conducted at 7.5 block area of mineral resource B category of the alluvial deposit area under license MV-001970, i.e. lower part of the main Ikh Dashir valley, 286 thousand cubic meters of sand were washed and processed, and 5,859 oz of gold was produced and sold in the reporting period.

#### MINERAL RESERVES UPDATE

Boroo gold mine: On March 3, 2022, an updated Feasibility Study for Pit2 mine's west and north wall and Pit5 mine's west wall were approved by Mineral Resources and Petroleum Authority of Mongolia ("MRPAM").

Ulaanbulag gold mine: The Feasibility Study for the Ulaanbulag gold mine, initially approved on March 18, 2016, and was updated and approved by MRPAM on July 1, 2022, based on the remaining mineral resources and reserves as of January 1, 2022.

#### SUMMARY OF QUARTERLY RESULT

(US\$ 000's)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	21,521	21,518	28,209	34,251	30,654	30,028	28,693	26,886
Profit/(Loss) after Tax	(1,793)	9,567	14,488	13,581	(26,508)	11,150	10,897	9,198
Basic Profit/(Loss) per share	(0.60)	3.19	4.83	4.53	(8.84)	3.72	3.63	3.07
Net Increase / (Decrease) in Cash	1,951	(55)	(613)	(1,087)	1,718	(64)	(251)	(2,662)

In the fourth quarter of 2022, revenue increased to \$21,521 on sales of 11,778 gold ounces and 3,757 silver ounces compared to same period of 2021, with revenue of \$30,654 on sales of 16,934 gold ounces and 2,457 silver ounces.

Production cost of sales in the fourth quarter of 2022 increased to \$12,143 compared to \$18,657 for the fourth quarter of 2021.

During the fourth quarter of 2022, net cash and equivalents increased by \$1,951 compared to \$1,718 for the same period in 2021. Typically, the increases in net cash observed in the fourth quarter is

primarily attributed to the articles of the Mineral Laws of Mongolia, mandating that gold produced must be sold within the same year of its production.

## **EXPLORATION AND DEVELOPMENT**

The Boroo gold mine holds 6 mining licenses MV-000198, MV-000238, MV-001960, MV-001970, MV-011761 and MV-012039 covering an area of 3,602.07 ha in total. The Ulaanbulag gold mine site covers 1,204.47 ha area under mining license MV-015285.

Results of exploration activities at the following areas conducted in the reporting year of the Company ending on December 31, 2022, are summarized below.

The Company drilled 1,359.1 meters from 12 drill holes and took 986 samples at the area under mining license MV-001960 in the reporting period with the purpose to check anomalies found with previous geophysical activities, confirm results of drill holes, and detect mineralization and alteration zones that may be within the mine site boundaries.

## **BORNUUR EXPLORATION PROPERTY**

On September 20, 2021, the Company obtained the Bornuur exploration license XV-021931, located in Bornuur and Jargalant soums of Tuv aimag, Bayangol soum of Selenge aimag encompassing an area of 2,039.82 ha. On April 1, 2022, a portion of the exploration license area, specifically 252.43 hectares, was relinquished back to the state, leaving the current exploration license area at 1,787.39 hectares.

During 2022, Boroo Gold conducted various exploration activities at its Bor Nuur exploration property, including trenching, drilling, and sampling. The specific work included 60 km of geological prospecting, including prospecting traverse and grab sampling at the exploration area such as checking mineralization points and occurrences, as well as geophysical and geochemical anomalies determined with previous exploration, determining boundaries of rocks and checking alteration zones, collection of 56 grab samples, 1,433 meters of core drilling, 819 meters of trenching and a total of 1,223 assays from trenching and core sampling.

## **EXPLORATION OUTLOOK**

In the long-term, the Company plans to intensify exploration activities as indicated below.

- To expand the boundaries of the Boroo and Ulaanbulag mine hard-rock gold deposits, discover potential mineralization and alteration zones at the mine sites, determine continuity of ore bodies and increase reserves.
- To explore targets along the Boroo fault zone, conduct and continue additional exploration at the exploration sites held by the company.

Within the scope of the above planning, the operating plan and investment budget planned to drill 11,300 meters in 2023.

## **OUTLOOK**

The year 2022 saw significant mining and processing activities at both the Boroo and Ulaanbulag gold mines. Operations proceeded without disruption, even amidst the challenges posed by COVID-19 and associated supply chain issues with China. The recent relaxation of China's zero COVID-19 policy has led to an improvement in the logistics between China and Mongolia.

In 2023, the Company aims to maintain steady production levels at both the Boroo and Ulaanbulag open pit mines, guaranteeing continuous processing activities at the Boroo mill and heap leach facilities.



## CRITICAL ACCOUNTING POLICIES, ESTIMATES AND ACCOUNTING CHANGES

The Company prepares its financial statements following IFRS guidelines, which involve management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The critical estimates, assumptions and judgments applied in the preparation of the Company's financial statements are consistent with those applied and disclosed in Notes 3 and 30 of the Company's Financial Statements for the year ended December 31, 2022.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments entail the following risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity price risk).

### Credit Risk

Credit risk is the probability of a financial loss resulting from a borrower's failure to repay a loan. Essentially, credit risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

The Company is mainly exposed to credit risk from trade and other receivables and investment in bonds, the Company's policy is to deal with creditworthy counterparties and/or obtaining sufficient collaterals, where appropriate, to mitigate credit risk. In addition, these receivables and investments in bonds are monitored closely on an on-going basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions, from which management believes the risk of loss to be minimal. The Company's credit risk is primarily attributable to cash and amounts receivable. The Company's current and savings accounts are at the TDB (Moody's rating: B3).

The Company sells its production to the Bank of Mongolia, via TDB, and funds are received within a day, therefore, risk on trade receivables are minimal.

### Liquidity Risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. If the Company lacks sufficient liquidity to meet its obligations, it will consider securing additional debt financing.

The Company's financial obligations consist of trade and other payables and short- and long-term loans.

The maturity analysis of financial liabilities as at December 31, 2022 is as follows.

(US\$ 000's)	<1 year	1 – 3 years	3 - 5 years	>5 years	Total
Trade and Other Payables	6,489	-	-	-	6,489
Loans and Borrowings	28,094	87,227	573	1,822	117,715
<b>Total</b>	<b>34,583</b>	<b>87,227</b>	<b>573</b>	<b>1,822</b>	<b>124,204</b>

The maturity analysis of financial liabilities as at December 31, 2021 is as follows.

(US\$ 000's)	<1 year	1 – 3 years	3 - 5 years	>5 years	Total
Trade and Other Payables	4,904	-	-	-	4,904
Loans and Borrowings	40,648	83,166	357	2,427	126,598
<b>Total</b>	<b>45,552</b>	<b>83,166</b>	<b>357</b>	<b>2,427</b>	<b>131,502</b>

### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

### Interest Risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate as a result of changes in the market interest rates. The management of the Company believes that changes in interest rates will not have material impact on the income statement and equity based on the interest rate sensitivity analysis done at the end of the reporting period on financial assets and financial liabilities.

### Foreign Currency Risk

Foreign exchange risk is a risk in which the value of financial instruments fluctuates as a result of change in foreign currency exchange rate. Foreign exchange risk arises when future transaction, recognized assets or liabilities are denominated in a currency other than Mongolian tugriks.

The following table presents profit and loss and equity sensitivity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant.

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
USD Strengthening by 5%	1,368	1,757
USD Weakening by 5%	(1,368)	(1,757)

### Commodity Price Risk

The profitability of the Company's operations and mineral resource properties relates primarily to the market price and outlook of gold and silver. Gold and silver prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial, residential and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes, macro-economic variables, geopolitical events and certain other factors related specifically to gold (including central bank reserves management).

To the extent that prices of gold and silver increase over time, the fair value of the Company's mineral assets increases and cash flows will improve; conversely, declines in the price of gold will reduce the fair value of mineral assets and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. The Company conducts analyses to certain extent on factors that affect the gold price and regularly informs the management about potential future impacts.

To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel, chemicals), the Company's profitability and cash flows may be impacted. The Company analyses domestic export and import on a quarterly basis in terms of the above commodities and monitors factors that may affect the commodity prices.

### Capital Risk Management

The Company's capital management objective is to safeguard the Company's ability to continue as a going concern and provide returns to the shareholders by setting product and service prices taking into account the levels of risks. The Company determines the amount of required capital in connection with associated risks.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new debt, acquire or dispose of assets to facilitate the management of its capital requirements.

## NON-IFRS PERFORMANCE MEASURES

### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Certain non-IFRS measures, including non-IFRS performance measures such as earnings before interest, tax, depreciation and amortization (“EBITDA”) and all-in sustaining costs (“AISC”), are included in this MD&A.

The Company has included certain non-GAAP financial measures in this document. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issuers.

#### EBITDA

EBITDA, which stands for Earnings before Interest, Taxes, Depreciation, and Amortization, represents a key financial metric used to assess the Company's core operational profitability. It isolates earnings derived purely from daily operations, excluding the impact of financing methods, tax jurisdictions, and non-cash items.

This non-GAAP measure offers valuable insight into the operational effectiveness and cash-generating capability of our business, facilitating a clearer comparison with industry peers by eliminating differences caused by capital structure, tax strategies, and significant asset bases.

For the year ended December 31, 2022, total net profit of the Company was \$35,843 and EBITDA was \$50,982 compared to net profit of \$4,737 and EBITDA \$32,538 for the year ended December 31, 2021.

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
Net Profit / (Loss)	35,843	4,737
Finance Cost / (Income)	875	3,634
Income Tax	9,398	13,592
Depreciation and Amortization	14,152	10,532
Foreign Exchange Loss / (Gain)	(9,286)	43
<b>EBITDA</b>	<b>50,982</b>	<b>32,538</b>

#### KEY PERFORMANCE INDICATORS

Key performance indicators for the business are non-IFRS metrics but provide the ability to evaluate the underlying performance of the Company. These include cash cost per ounce of gold sold, and AISC per ounce of gold sold.

Cash cost per ounce is a measurement of the site cash cost required to sell an ounce of gold. This is an indication and trend of the cash operating margin of producing an ounce of gold.

AISC is a non-IFRS measure. AISC is calculated by adding sustaining cost to production costs. The management uses AISC to assess direct operating costs and capital costs required in generating revenue in the reporting period and maintaining normal operations of the mine.

The following disclosures provide information regarding the adjustments made in determining the Cash Costs and AISC:

- *Mining Cost:* All direct and indirect costs related to mining, including labor, equipment, drilling, blasting, and other operational costs, and excludes depreciation, depletion, and amortization.

- *Processing Cost*: All direct and indirect costs related to processing, such as crushing, milling, leaching, and other processes, and excludes depreciation, depletion, and amortization.
- *General & Administrative Cost*: Overheads at the mine site, such as salaries for administrative personnel, office expenses, and other general administrative costs.
- *Change in Inventory – Cash*: Adjustment for changes in inventory levels based on the movement in stockpiles and gold-in-circuit and excludes non-cash inventory movements.
- *Royalty*: Royalty payments made to the Mongolian government on revenues from metals sold.
- *Corporate Social Responsibility*: Costs related to community engagement, environmental programs, and other socially responsible initiatives undertaken by the Company.
- *By-Product Credits*: Revenue generated from silver sales, deducted from the total cash cost to arrive at the net cash costs.
- *Net Cash Costs*: Consists of mining cost, processing cost, change in inventory, including mining, processing, G&A, royalty, CSR, and other relevant costs, net of by-product credits.
- *Sustaining Capital Expenditure*: Capital expenditures that are necessary to maintain current production and execute the current mine plan.
- *Corporate Administration*: Overheads related to the off-site administration, including executive salaries, Ulaanbaatar office expenses, legal fees, and other overheads.
- *Asset Retirement Accretion*: Accretion expense related to increase in the asset retirement obligation over time for the Company's operating mines.
- *All-in-Sustaining Costs (AISC)*: Consists of net cash costs, sustaining capital expenditures, corporate administration and other.

(US\$ 000's)	Year ended Dec 31, 2022	Year ended Dec 31, 2021
<b>Cash Cost of Sales:</b>		
Mining Cost	14,927	11,466
Processing Cost	24,839	34,090
G&A Cost	4,757	4,587
Change in Inventory – Cash	(950)	(2,360)
Royalty	5,275	5,816
Corporate Social Responsibility	231	385
By-Product Credits	(296)	(246)
<b>Net Cash Costs</b>	<b>48,784</b>	<b>53,738</b>
Sustaining Capital Expenditure	12,606	10,553
Corporate Administration	1,605	1,546
Asset Retirement Accretion	1,182	1,263
<b>All-in-Sustaining Costs</b>	<b>64,177</b>	<b>67,100</b>
Gold Sales	56,304	64,566
<b>Cash Cost per Ounce</b>	<b>866</b>	<b>832</b>
<b>All-in Sustaining Cost per Ounce</b>	<b>1,140</b>	<b>1,039</b>

During the twelve months ended December 31, 2022, cash costs rose to \$866 per ounce from \$832 per ounce for the same period in 2021. Increases in cash cost per ounce of gold in 2022 were due to lesser ounces produced, higher mining costs, as well as the change in inventory resulting from lower levels of production during the period.

AISC for the year ended December 31, 2022 was \$1,140 per ounce, compared to \$1,039 per ounce in the same period in 2021. This increase was primarily driven by the acquisition of new CAT-773 mining equipment and capital costs associated with the expansion of tailings facilities in 2022.

## **CORPORATE GOVERNANCE**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are to ensure the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to the Company management to allow timely decisions regarding required disclosure.

### **Internal Control over Financial Reporting**

The Company's internal control over financial reporting is a process to ensure reliability of financial reporting and the preparation of financial statements in accordance with IFRS, with appropriate approvals for transactions, prevention from unauthorized or improper disposition of assets and properly recorded transactions.

The following internal controls over financial reporting are in place.

- Maintaining records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company.
- Maintaining records of the Company revenue and expenses at authorization of the management and directors according to reasonable IFRS requirements.
- Preventing and timely detecting unauthorized acquisition, use or disposition of the assets that could have a material effect on the Company's financial statements.

### **Limitation of Controls and Procedures**

The Company's management, including the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

### **Changes in Internal Control over Financial Reporting**

Other than as described above, there were no changes in internal control over financial reporting during the last fiscal year that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.