

**STEPPE GOLD LTD.  
CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED,  
SEPTEMBER 30, 2019  
(EXPRESSED IN US DOLLARS)**

**UNAUDITED**

# STEPPE GOLD LTD.

## Condensed Interim Consolidated Statements of Financial Position (Expressed in US Dollars) (Unaudited)

	Note	September 30, 2019	December 31, 2018
<b>ASSETS</b>			
<b>(Audited)</b>			
<b>Current assets</b>			
Cash		3,390,122	7,015,846
Receivables and other assets	3	1,305,876	1,022,751
Inventories	4	5,706,472	1,388,933
<b>Total current assets</b>		<b>10,402,470</b>	<b>9,427,530</b>
<b>Long-term assets</b>			
Altan Tsagaan Ovoo Project	5	-	-
Uudam Khundii Project	6	2,250,000	2,044,835
Property and equipment under construction	7	41,513,072	32,079,060
<b>Total long-term assets</b>		<b>43,763,072</b>	<b>34,123,895</b>
<b>Total assets</b>		<b>54,165,542</b>	<b>43,551,425</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Amounts payable and other liabilities	8	4,690,587	1,697,984
Lease liability	12	335,592	-
Purchase price payable	6	450,000	500,000
Promissory notes	9	-	4,308,864
<b>Total current liabilities</b>		<b>5,476,179</b>	<b>6,506,848</b>
<b>Long-term liabilities</b>			
Streaming arrangement	11	25,749,889	20,112,036
Asset retirement obligation	10	381,091	320,536
Lease liability	12	399,288	-
Convertible Debentures – Loan liability	13	4,274,167	-
Convertible Debentures – Derivative	13	6,345,462	-
<b>Total long-term liabilities</b>		<b>37,149,897</b>	<b>20,432,572</b>
<b>Total liabilities</b>		<b>42,626,076</b>	<b>26,939,420</b>
<b>Shareholders' equity</b>			
Share capital	14	20,444,259	20,421,437
Shares to be issued	6	647,322	647,322
Warrants	19	13,655,083	13,655,083
Contributed surplus		4,096,660	3,296,458
Non-controlling interest		(103,016)	(88,280)
Accumulated other comprehensive loss		(2,200,090)	(3,110,694)
Deficit		(25,000,752)	(18,209,321)
<b>Total shareholders' equity</b>		<b>11,539,466</b>	<b>16,612,005</b>
<b>Total liabilities and shareholders' equity</b>		<b>54,165,542</b>	<b>43,551,425</b>

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

### Approved on behalf of the Board:

(Signed) "Matthew Wood" \_\_\_\_\_, Director  
Director

(Signed) "Patrick Michaels" \_\_\_\_\_,

**STEPPE GOLD LTD.****Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Expressed in US Dollars)  
(Unaudited)**

	Notes	Three Months Ended September 30		Nine Months Ended September 30	
		2019	2018	2019	2018
<b>Operating expenses</b>					
Exploration and evaluation expenditures	15	11,479	102,060	14,313	751,316
Management compensation	18	224,044	421,385	656,557	983,621
Stock based compensation	16	368,036	-	675,348	2,891,326
Professional fees		253,336	181,453	687,520	610,296
Foreign exchange loss (gain)		618,247	(36,144)	515,553	1,152,063
Office and general		212,225	221,752	584,797	739,670
Investor relations		94,219	131,909	328,929	236,383
Accretion and financing costs		720,941	-	806,699	591,826
Travel		47,400	145,040	143,740	440,200
Reporting issuer costs		46,844	3,116	84,435	191,390
Depreciation	7	42,166	1,392	122,188	4,166
Corporate social responsibility expense		75,507	-	216,482	-
Cost of issue convertible debentures		257,682	-	257,682	-
Change in the fair value measurement		1,711,924	-	1,711,924	2,958,935
<b>Net loss</b>		<b>(4,684,050)</b>	<b>(1,171,963)</b>	<b>(6,806,167)</b>	<b>(11,551,192)</b>
<b>Other comprehensive loss</b>					
Cumulative translation adjustment		379,027	(1,480,562)	910,604	520,676
<b>Net loss and comprehensive loss for the period</b>		<b>(4,305,023)</b>	<b>(2,652,525)</b>	<b>(5,895,563)</b>	<b>(11,030,516)</b>
Net loss attributable to shareholders of the Company		<b>(4,680,964)</b>	<b>(1,171,963)</b>	<b>(6,791,431)</b>	<b>(11,551,192)</b>
Net loss attributable to non-controlling interest		<b>(3,086)</b>	-	<b>(14,736)</b>	-
		<b>(4,684,050)</b>	<b>(1,171,963)</b>	<b>(6,806,167)</b>	<b>(11,551,192)</b>
Net loss and comprehensive loss attributable to shareholders of the Company		<b>(4,301,937)</b>	<b>(2,652,525)</b>	<b>(5,880,827)</b>	<b>(11,030,516)</b>
Net loss and comprehensive loss attributable to non-controlling interest		<b>(3,086)</b>	-	<b>(14,736)</b>	-
		<b>(4,305,023)</b>	<b>(2,652,525)</b>	<b>(5,895,563)</b>	<b>(11,030,516)</b>
<b>Basic and diluted net loss and comprehensive loss per common share</b>	17	(0.113)	(0.03)	(0.164)	(0.33)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	17	41,576,189	41,540,895	41,576,189	35,145,160

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

# STEPPE GOLD LTD.

## Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended 30 September 2019

(Expressed in US Dollars)

Nine Months Ended	Notes	September 30, 2019	September 30, 2018
<b>Operating activities</b>			
Net loss for the period		<b>(6,806,167)</b>	(11,551,191)
Adjustments for:			
Change in the fair value measurement		1,711,924	2,958,935
Accretion and financing costs		806,699	591,826
Depreciation	7	122,188	4,166
Stock based compensation	16	675,348	2,891,326
Unrealized foreign exchange (gain)loss		(644,915)	587,837
Changes in non-cash working capital items:			
Inventory		(4,317,539)	-
Receivables and other assets		(283,125)	(567,352)
Amounts payable and other liabilities		3,278,195	(26,527)
<b>Net cash used in operating activities</b>		<b>(5,457,392)</b>	<b>(5,110,981)</b>
<b>Investing activities</b>			
Purchase of property and equipment under construction		(5,634,320)	(8,133,113)
Deposits paid on equipment		-	(558,382)
<b>Net cash used in investing activities</b>		<b>(5,634,320)</b>	<b>(8,691,495)</b>
<b>Financing Activities</b>			
Proceeds from initial public offering	13	-	16,416,082
Proceeds from Convertible debentures	13	7,840,000	-
Cost of issue	13	(353,537)	(1,843,170)
Proceeds from special warrants		-	2,998,988
Proceeds from stream financing	11	5,000,000	3,829,085
Repayment of promissory note	9	(5,000,000)	(5,000,000)
<b>Net cash generated from financing activities</b>		<b>7,486,463</b>	<b>16,400,985</b>
<b>Effect of exchange rate changes on cash held in foreign currency</b>		<b>(20,475)</b>	<b>(54,083)</b>
<b>Net (decrease)increase in cash</b>		<b>(3,625,724)</b>	<b>2,544,426</b>
<b>Cash, beginning of period</b>		<b>7,015,846</b>	<b>2,362,148</b>
<b>Cash, end of period</b>		<b>3,390,122</b>	<b>4,906,574</b>

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

## STEPPE GOLD LTD.

### Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2019

(Expressed in US Dollars)

	Notes	Number of shares	Share capital	Shares to be issued	Contributed surplus	Warrants	Special warrants	NCI - Corundum	Accumulated other comprehensive loss	Deficit	Total equity
			\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at December 31, 2017</b>		29,040,911	7,861,287	647,322	-	-	1,307,933	-	(148,112)	(6,075,086)	<b>3,593,344</b>
Initial public offering		10,569,185	11,013,701	-	-	5,900,143	-	-	-	-	<b>16,913,844</b>
Special warrants to be issued		-	-	-	-	-	(1,307,933)	-	-	-	<b>(1,307,933)</b>
Conversion of special warrants		1,930,799	3,020,202	-	-	-	-	-	-	-	<b>3,020,202</b>
Conversion of warrant liability		-	-	-	-	8,292,749	-	-	-	-	<b>8,292,749</b>
Cost of issue		-	(1,473,753)	-	-	(537,809)	-	-	-	-	<b>(2,011,562)</b>
Stock based compensation		-	-	-	3,296,458	-	-	-	-	-	<b>3,296,458</b>
Net income (loss) and comprehensive income (loss) for the period		-	-	-	-	-	-	-	520,676	(11,551,192)	<b>(11,030,516)</b>
<b>Balance as at September 30, 2018</b>		<b>41,540,895</b>	<b>20,421,437</b>	<b>647,322</b>	<b>3,296,458</b>	<b>13,655,083</b>	-	-	<b>372,564</b>	<b>(17,626,278)</b>	<b>20,766,586</b>
<b>Balance as at December 31, 2018</b>		<b>41,540,895</b>	<b>20,421,437</b>	<b>647,322</b>	<b>3,296,458</b>	<b>13,655,083</b>	-	<b>(88,280)</b>	<b>(3,110,694)</b>	<b>(18,209,321)</b>	<b>16,612,005</b>
Restricted share units	16	35,294	22,822	-	-	-	-	-	-	-	22,822
Stock based compensation		-	-	-	800,202	-	-	-	-	-	800,202
Net income (loss) and comprehensive income (loss) for the period		-	-	-	-	-	-	(14,736)	910,604	(6,791,431)	(5,895,563)
<b>Balance as at September 30, 2019</b>		<b>41,576,189</b>	<b>20,444,259</b>	<b>647,322</b>	<b>4,096,660</b>	<b>13,655,083</b>	-	<b>(103,016)</b>	<b>(2,200,090)</b>	<b>(25,000,752)</b>	<b>11,539,466</b>

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

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2019 (Expressed in US Dollars)

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### 1. Nature of operations and going concern

Steppe Gold Ltd. (the "Company" or "Steppe") was incorporated under the laws of the Ontario Business Corporations Act by Articles of Incorporation dated October 5, 2016. The Company is domiciled in Canada and its registered office is located at 18 King East, Suite 902, Toronto, Ontario, M5C 1C4. The Company is focused on operating, developing, exploring and acquiring gold properties primarily in Mongolia. At the date of these condensed interim consolidated financial statements, the Company has not yet earned any income as the Company has not reached commercial production.

Steppe is at an early stage of operating, developing, exploring and acquiring gold properties and as is common with many similar companies, it raises financing for its exploration and development activities in discrete tranches.

These condensed interim consolidated financial statements have been prepared assuming the company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and to develop profitable operations. The Company has working capital of \$4,926,291 at September 30, 2019 (December 31, 2018: \$2,920,682). For the nine months ended September 30, 2019, the Company had a net loss of \$6,806,167 (nine months ended September 30, 2018: \$11,511,192) and had cash outflows from operations of \$5,457,392 (nine months ended September 30, 2018: \$4,961,275). These circumstances cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

### 2. Significant accounting policies

#### (a) *Statement of compliance*

The Company applies international Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS interpretations Committee. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements.

The Board of Directors approved these condensed interim consolidated financial statements on November 12, 2019. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at December 31, 2018, except as noted below.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of January 1, 2019. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim financial statements.

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2019 (Expressed in US Dollars)

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### 2. Significant accounting policies (continued)

#### (b) *New accounting policy*

##### IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”), replacing IAS 17 – Leases. IFRS 16 provides a single lessee accounting model. Almost all leases are recognized in the statement of financial position as a ‘right-of-use’ asset and a lease liability. There are narrow exceptions to this recognition principle for leases where the underlying asset is of low value and for short term leases (i.e. those with a contractual term of 12 months or less).

The Company has adopted the IFRS starting from January 1, 2019.

‘Right-of-use’ asset initially recognized is comprised of:

- Lease liability
- Initial direct costs
- Costs of removal and restoring
- Payments made at or prior to commencements

Lease liability initially recognized is comprised of:

- Fixed payments from commencement date
- Certain variable payments
- Residual value guarantee
- Exercise price of purchase options
- Termination penalties

The right-of-use asset is subsequently accounted for in accordance with the cost or revaluation model in IAS 16 Property, Plant and Equipment or as Investment Property under IAS 40 Investment Property. The lease liability is unwound over the term of the lease giving rise to an interest expense.

All the components of the lease liability as described above are required to be discounted to reflect the present value of the payments. The discount rate to use is the rate implicit in the lease, unless this cannot readily be determined, in which case the lessee’s incremental rate of borrowing is used instead.

#### (c) *Critical accounting estimates and judgments*

The preparation of the condensed interim consolidated 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 condensed interim consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

##### Critical accounting estimates

Warrant and stock option valuation - The fair value is measured at the grant date and at each reporting period. The fair value of the warrants and stock options are measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the warrants and stock options were issued.

Restricted share units valuation - The fair value is measured at the grant date and at each reporting period. The fair value of the restricted share units is measured using the share price on the valuation date taking into account the terms and conditions upon which the restricted share units were issued.

## STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2019  
(Expressed in US Dollars)

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### 2. Significant accounting policies (continued)

#### (c) Critical accounting estimates and judgments (continued)

Recoverable reserves – Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its recoverable reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of, commodity prices, production costs, future capital requirements, and foreign exchange rates, along with geological assumptions and judgments made in estimating the size and grade of the ore body, and metallurgical assumptions made in estimating the recovery of the ore body. Changes in the reserve or resource estimates may impact the carrying value of mineral properties, decommissioning liabilities, inventories and amortization expense.

Depreciation, depletion and amortization – Mining properties 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.

Property, plant and equipment are depreciated, net of residual value over the useful life of the equipment but do not exceed the related estimated life of the mine based on estimated recoverable mineral reserves. The calculation of the units of production rate, and therefore the annual depletion and amortization 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 amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

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 also reviewed on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining interests and property, plant and equipment 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 – The Company assesses its provision for environmental rehabilitation on an annual basis 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 requires management to make estimates of the future costs the Company will incur to complete the rehabilitation 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. 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.

## STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2019  
(Expressed in US Dollars)

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### 2. Significant accounting policies (continued)

#### *(c) Critical accounting estimates and judgments (continued)*

Convertible Debentures – In 2019 the company has issued Convertible debentures which contain an embedded derivative element. In particular, at any time after closing date but prior to the maturity date, at the holder's election, the debentures are convertible into common shares of the company at a price of US\$0.52 per share. If at any time the common shares of the Company close at \$2.00 or above for more than 30 consecutive trading days, the company shall have the right, exercisable within 10 business days of the end of the trading period, to require conversion of the debentures into common shares at the conversion price. This embedded option is not considered clearly and closely related to the debt host and results in an embedded derivative that must be accounted for separately from the debt host. Accordingly, the company has recorded these options as a derivative financial liability. Conversion features that fail equity classification and are accounted for as derivative liabilities are accounted for separately from the loan liability as the fair value of the conversion feature is affected by changes in the fair value of the issuer's shares, and the fair value of the loan liability is not.

Given the nature of the convertible debentures, a loan liability will be accounted for at amortised cost, with an embedded derivative liability being measured at fair value with changes in value being recorded in profit or loss.

Transaction costs are apportioned to the debt liability and the embedded derivative. The portion attributed the conversion feature is immediately expensed. For the portion of transaction costs that are attributed to the loan, these are added to the carrying amount of the financial liability and amortised as part of the effective interest rate.

The derivative liability is revalued at each reporting period using the Black Scholes model by updating the stock price and risk-free interest rate as at the closing date of the reporting period. Any changes to the fair value measurement are recorded through the profit or loss statement.

#### 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 as discussed in note 1.

Functional currency - The assessment of the Company's functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its subsidiaries operate in.

Acquisition method accounting - during the acquisition of the Altan Tsagaan Ovoo Project ("ATO Project") and Uudam Khundii property, judgment was required to determine if the acquisitions represented a business combination or an asset purchase. More specifically, management concluded that they did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill generated on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their relative fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated balance sheets.

Accounting for streaming arrangement - significant judgment was required in determining the appropriate accounting for the streaming arrangement that was entered. The upfront cash deposit received on the stream transaction has been accounted for as a financial liability as management has determined that it will be satisfied through the delivery of financial items. It is not management's intention to settle the obligations under the streaming arrangement through its own production but through metals obtained through an alternative source. See note 11.

## STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2019  
(Expressed in US Dollars)

### 2. Significant accounting policies (continued)

Critical judgments in applying accounting policies (continued)

Production stage of mine – The determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production. As a mine is constructed, costs incurred are capitalized and proceeds from metal sales are offset against the capitalized costs. This continues until the mine is available for use in the manner intended by management, which requires significant judgment in its determination.

### 3. Receivables and other assets

	September 30, 2019 \$	December 31, 2018 \$
Amounts receivable	-	3,578
Prepaid expenses	1,116,848	879,673
Other receivables	189,028	139,500
<b>Total receivables and other assets</b>	<b>1,305,876</b>	<b>1,022,751</b>

### 4. Inventories

	September 30, 2019 \$	December 31, 2018 \$
Stockpiles of ore	4,850,234	988,932
Spare parts and supplies	856,238	400,001
	<b>5,706,472</b>	<b>1,388,933</b>

### 5. Altan Tsagaan Ovoo Project

(a) Acquisition

On September 15, 2017, the Company and Steppe Mongolia, completed the acquisition of the ATO Project, located in Eastern Mongolia, from Centerra Gold Mongolia LLC, for aggregate consideration of \$19.8 million plus \$1.98 million in value added tax (the "ATO Acquisition"). The transaction has been accounted for as an asset acquisition.

At the date of the ATO Acquisition, the ATO Project had the following assigned values:

#### Purchase price consideration

Issuance of promissory note 1 <sup>(1)</sup>	5,000,000
Issuance of promissory note 2 <sup>(2)</sup>	3,362,668
Issuance of promissory note 3 <sup>(3)</sup>	1,000,000
Initial deposit	800,000
Funding from Triple Flag	9,980,000
Transaction costs	53,040
<b>Total consideration</b>	<b>\$ 20,195,708</b>
<b>Allocation of purchase price</b>	
Altan Tsagaan Ovoo Project	<b>\$ 20,195,708</b>

<sup>(1)</sup> The first promissory note of \$5,000,000 is non-interest bearing and was paid in full September 28, 2018.

<sup>(2)</sup> The second promissory note of \$5,000,000 is non-interest bearing and was paid in full on September 30, 2019 (Note 9).

<sup>(3)</sup> The third promissory note of \$1,000,000 is non-interest bearing and was paid in full October 13, 2017.

## STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2019  
(Expressed in US Dollars)

### 5. Altan Tsagaan Ovoo Project (continued)

(b) Continuity

	September 30, 2019	December 31, 2018
	\$	\$
Balance, beginning of year	-	19,611,328
Additions to the ATO Project	-	48,980
Foreign exchange	-	172,746
Transfer to property and equipment under construction	-	(19,833,054)
Balance, end of year	-	-

### 6. Uudam Khundii Project

The Company, through its subsidiary Steppe West, entered into a share sales agreement dated May 15, 2017, with an unrelated third party to acquire 80% of Geo Corundum as outlined below. Corundum is currently in the bidding process to acquire a license for minerals exploration with local province owned Bayankhongor New Mining LLC of Bayankhongor province, Mongolia. The acquisition has been accounted for as an asset acquisition.

The purchase price was determined as:

- \$600,000 cash payment (fully paid)
- \$500,000 upon completion of the exploration programs (\$50,000 paid to date);
- Issue of 1,400,000 shares of Steppe Gold Limited

The \$450,000 unpaid cash portion of the payment has been recorded as a liability. The share portion has been recorded as equity, as the number of shares issuable is fixed. The issue of 1,400,000 shares was finalized in November 2019.

## STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2019  
(Expressed in US Dollars)

### 7. Property and equipment under construction

	Property and Equipment	Altan Tsagaan Ovoo Property	Equipment under construction	Right of use asset	Total
Note	\$	\$	\$	\$	\$
<b>Cost</b>					
<b>Balance, January 1, 2018</b>	<b>11,250</b>	-	<b>444,889</b>	-	<b>456,139</b>
Transfer from ATO Project	-	19,833,054	-	-	<b>19,833,054</b>
Additions	7,078,096	1,538,496	4,515,727	-	<b>13,132,319</b>
Accretion costs	-	657,394	-	-	<b>657,394</b>
Asset retirement costs	-	320,536	-	-	<b>320,536</b>
Foreign exchange	(461,357)	(1,411,359)	(291,209)	-	<b>(2,163,925)</b>
<b>Balance, December 31, 2018</b>	<b>6,627,989</b>	<b>20,938,121</b>	<b>4,669,407</b>	-	<b>32,235,517</b>
Transfer from PPE	(581,561)	-	-	581,561	-
Additions	3,603,460	1,346,738	3,219,992	904,855	<b>9,075,045</b>
Accretion costs	-	2,083,552	-	-	<b>2,083,552</b>
Asset retirement costs	-	25,690	-	-	<b>25,690</b>
Foreign exchange	(72,326)	(38,046)	(63,093)	(7,149)	<b>(180,614)</b>
<b>Balance, September 30, 2019</b>	<b>9,577,562</b>	<b>24,356,055</b>	<b>7,826,306</b>	<b>1,479,267</b>	<b>43,239,190</b>
<b>Accumulated depreciation</b>					
<b>Balance, January 1, 2018</b>	<b>5,622</b>	-	-	-	<b>5,622</b>
Additions	78,352	70,225	-	-	<b>148,577</b>
Foreign exchange	6,787	(4,529)	-	-	<b>2,258</b>
<b>Balance, December 31, 2018</b>	<b>90,761</b>	<b>65,696</b>	-	-	<b>156,457</b>
Additions	1,271,546	160,646	-	212,523	<b>1,644,715</b>
Foreign exchange	(7,631)	(66,677)	-	(746)	<b>(75,054)</b>
<b>Balance, September 30, 2019</b>	<b>1,354,676</b>	<b>159,665</b>	-	<b>211,777</b>	<b>1,726,118</b>
<b>Net book value</b>					
<b>Balance, December 31, 2018</b>	<b>6,537,228</b>	<b>20,872,425</b>	<b>4,669,407</b>	-	<b>32,079,060</b>
<b>Balance, September 30, 2019</b>	<b>8,222,886</b>	<b>24,196,390</b>	<b>7,826,306</b>	<b>1,267,490</b>	<b>41,513,072</b>

Equipment under construction includes plant and equipment which is not yet operational and therefore is not depreciated. During the three and nine months ended September 30, 2019, \$42,166 and \$122,188 respectively (the three and nine months ended September 30, 2018: \$1,392 and \$4,166 respectively) of depreciation was expensed to the condensed interim consolidated statement of income (loss) and comprehensive income (loss) and the remaining \$1,522,527 (year ended December 31, 2018: \$490,676) of depreciation is allocated to raw material inventory stockpile.

Right of use assets comprise of headquarter office lease with lease term until July 31, 2021, two generators with lease terms until November 12, 2021 and April 15, 2020 respectively and three light vehicles with one to three years of lease terms.

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2019 (Expressed in US Dollars)

#### 8. Amounts payable and other liabilities

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

	September 30, 2019	December 31, 2018
	\$	\$
Amounts payable	3,248,332	1,632,011
Accrued liabilities	1,395,546	65,973
Other payables	46,709	-
<b>Total amounts payable and accrued liabilities</b>	<b>4,690,587</b>	<b>1,697,984</b>

#### 9. Promissory notes

Promissory notes of the Company are comprised of the following:

Due	Principal \$	September 30, 2019 \$	December 31, 2018 \$
September 30, 2019 (note 5)	5,000,000	5,000,000	4,308,864
<b>Total</b>		<b>5,000,000</b>	<b>4,308,864</b>
Paid		(5,000,000)	-
<b>Total</b>		<b>-</b>	<b>4,308,864</b>

On September 30, 2019 the Company repaid its promissory note 2 by entering into an agreement to amend the terms of its existing gold stream with Triple Flag Bermuda (Note 11).

The promissory note 1 was paid in full on September 28, 2018 (note 5).

#### 10. Asset retirement obligation

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

The provision for environmental rehabilitation relates to reclamation and closure costs of the Company's ATO Project. The undiscounted provision for environmental rehabilitation is estimated at \$693,373 as at September 30, 2019, over a period of 11 years, and discounted using a risk-free rate of 13.9% per annum.

A summary of the Company's asset retirement obligation as at September 30, 2019 and December 31, 2018 is presented below:

	September 30, 2019	December 31, 2018
	\$	\$
Balance, beginning of year	320,536	-
Additions	24,577	320,536
Accretion	35,690	-
Foreign exchange	288	-
<b>Balance, end of periods</b>	<b>381,091</b>	<b>320,536</b>

## STEPPE GOLD LTD.

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### 11. Streaming arrangement

In connection with the ATO Acquisition (note 5), the Company, Steppe Mongolia and Steppe BVI entered into a metals purchase and sale agreement dated August 11, 2017 with Triple Flag Mining Finance Bermuda Inc. to sell gold and silver produced from the ATO Project. Under the terms of the Stream Agreement, Steppe BVI is obligated to sell to Triple Flag Bermuda 25% of the gold and 50% of the silver produced from the ATO Project until such time as Steppe BVI has sold an aggregate of 46,000 ounces of gold and 375,000 ounces of silver, respectively. Thereafter the annual amounts that Steppe BVI is obligated to sell to Triple Flag Bermuda is capped at 5,500 ounces for gold and 45,000 ounces for silver. The obligation of Steppe BVI to sell gold and silver to Triple Flag Bermuda continues for the life of mine and includes any gold or silver produced by Steppe Mongolia within the stream area, which is the area within 20km from the boundary of the original mineral licenses comprising the ATO Project.

As additional consideration for entering into the Stream Agreement, the Company granted 2,300,000 purchase warrants to Triple Flag Bermuda, with each warrant (a "Stream Warrant") entitling the holder to acquire one unit of the Company (a "Stream Unit") at a price of CDN\$2.00 per Stream Unit on or before September 15, 2022. Each Stream Unit is comprised of one common share and one common share purchase warrant, which entitles the holder to acquire one additional common share at the CDN\$2.00 per share for a period ending five years from May 22, 2018.

As long as the upfront deposit of \$23,000,000 (the "Upfront Deposit") remains outstanding, the purchase price for the gold and silver required to be sold to Triple Flag Bermuda under the Stream Agreement is based on the spot prices for gold and silver during a 7-day quotational period following the date of delivery of the sale. The purchase price is to be satisfied as to 70% against the uncredited balance of the Upfront Deposit and 30% is payable in cash by Triple Flag Bermuda. Once the uncredited balance of the Upfront Deposit has been reduced to nil the purchase price by Triple Flag Bermuda for the gold and silver shall be 30% of price determined with reference to the spot prices for gold and silver during a 7-day quotational period following the date of delivery, payable in cash.

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

The Company has determined that the stream obligation is in substance a debt instrument with embedded derivatives linked to gold and silver commodity prices. As the stream is in substance a debt instrument, the effective interest on the debt host is capitalized as a borrowing cost during the development phase of the ATO Project.

On September 30, 2019 the Company has entered into an agreement to amend the terms of its existing gold stream with Triple Flag Bermuda. Under the terms of the amendment Triple Flag Bermuda advanced an additional deposit of \$5,000,000 to Steppe Gold, bringing the total amount advanced to Steppe Gold by Triple Flag Bermuda under the gold stream to \$28,000,000. The proceeds received from Triple Flag Bermuda were used to repay the final \$5,000,000 promissory note issued as part of the purchase price for the acquisition by the Company of the ATO Project.

The purchase price for the ATO Project has now been paid in full. As consideration for the additional advance of \$5,000,000 million, the parties agreed to reduce the variable gold and silver price payable by Triple Flag Bermuda on delivery of gold and silver from 30% to 17% of the relevant market price. As additional consideration, Steppe West LLC, a wholly owned subsidiary of Steppe Gold, granted a 3% net smelter returns royalty to a subsidiary of Triple Flag Bermuda on minerals derived from the Uudam Khundii property owned by Corundum Geo LLC, an 80% owned subsidiary of Steppe West LLC.

Accretion expenses during the three and nine months ended September 30, 2019 amounted to \$272,092 and \$806,699 respectively (the three and nine months ended September 30, 2018: \$114,688 and \$335,821 respectively).

## STEPPE GOLD LTD.

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### 11. Streaming arrangement (continued)

The Stream Agreement is subject to various covenants of which Company has complied with as of September 30, 2019. These covenants include the maintenance of a net indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio that does not exceed 2.0 and its net indebtedness to Forecasted EBITDA ratio does not exceed 2.0 until the date of the later of the delivery of 46,000 ounces of gold or 375,000 ounces of silver, and on or after the later of the delivery of 46,000 ounces of gold or 375,000 ounces of silver, the Company must ensure that its net indebtedness to EBITDA ratio does not exceed 2.5 and its net indebtedness to Forecasted EBITDA ratio does not exceed 2.5. Also prior to the commercial production date the Company shall not declare or pay any dividend or any other distributions on any of its capital stock or other securities.

### 12. Leases

The Company has leases for an office, some generators and some light motor vehicles. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (Note 7)

The lease for the office is 3 years while the lease for the light vehicles and the generators range from 1 to 4 years. The leases have fixed payment terms.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized on balance sheet:

Right of use asset	Number of right of use assets leased	Range of remaining term	Number of leases with termination options
Office rent	1	1 – 2 years	1
Light motor vehicles	3	1 – 3.5 years	3
Plant and machinery	2	1 – 2.5 years	2

#### Right of use assets

Additional information on the right-of-use assets by class of assets is as follows:

Description	Additions	Depreciation	Carrying amount
Office	395,400	(98,582)	296,818
Light motor vehicles	103,867	(5,211)	98,656
Plant and machinery	980,000	(107,984)	872,016
<b>Total</b>	<b>1,479,267</b>	<b>(211,777)</b>	<b>1,267,490</b>

#### Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	September 30, 2019	December 31, 2018
Current	335,592	-
Non – current	399,288	-
<b>Total liability</b>	<b>734,880</b>	

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities at September 30, 2019 is as follows:

	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	Total
	\$	\$	\$	\$	\$
<b>September 30, 2019</b>					
Lease Payments	(502,211)	(278,998)	(40,441)	(12,435)	(834,085)
Finance charges	68,770	26,095	4,065	275	99,205
<b>Total liability</b>	<b>(433,441)</b>	<b>(252,903)</b>	<b>(36,376)</b>	<b>(12,160)</b>	<b>(734,880)</b>

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2019 (Expressed in US Dollars)

#### 13. Convertible Debentures

On July 2, 2019 the Company closed its previously announced private placement issuing \$5.4million of 10% two-year unsecured convertible debentures.

On August 27, 2019 the Company closed the second and final tranche of its previously announced private placement issuing \$3.04million of two year unsecured convertible debentures bringing the aggregate principal amount of debentures issued under the offering to \$8.44million. Two of the Company's contractors subscribed to \$300,000 of the convertible debenture each, in lieu of payables due to them.

The Debentures will bear interest from the date of closing at 10% per annum, calculated and payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2019 and will mature on July 2, 2021 and on August 27, 2021 respectively.

The Debentures will be unsecured obligations of the Company and rank pari passu in right of payment of principal and interest with all other Debentures issued under the Offering.

The Debentures will be convertible at the option of the holder into common shares of the Company at any time prior to the close of business on the maturity date at a conversion price of US\$0.52 per common share. The Company has the right to accelerate the conversion of the Debentures in the event the closing price of the common shares on the Toronto Stock Exchange exceeds CDN\$2.00 for any period of 30 consecutive trading days.

The conversion feature of the debentures meets the definition of a derivative liability instrument as the conversion price is denominated in a different currency than the Company's functional currency. The derivative liability has been valued using the Black Scholes pricing model. The debt component is classified as measured at amortized cost using the effective interest method. The effective interest rate of the debt was approximately 182%.

Transaction costs of \$467,535 were expensed at closing. These costs included 6% finder's fees of \$467,400. The fair value of the conversion feature was estimated based on the Black Scholes pricing model using a risk free interest rate of 1.58% an expected dividend yield of 0%, a volatility rates of 78% (first tranche) 83% (second tranche), and an expected life of 2 years.

The following table discloses the components associated with this transaction on the closing date:

	\$
Proceeds from issue of convertible debentures	8,440,000
Less derivative component	(4,633,538)
<b>Convertible debenture Loan liability</b>	<b>3,806,462</b>

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

	\$
Opening balance	3,806,462
Transaction costs	(210,860)
Accretion	678,565
<b>Balance 30 September 2019</b>	<b>4,274,167</b>

The changes in the derivative liability related to the conversion feature are as follows:

	\$
Opening balance	4,633,538
Change in fair value of derivative liability	1,711,924
<b>Balance 30 September 2019</b>	<b>6,345,462</b>

## STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements  
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### 14. Share Capital

- a) Authorized share capital – the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.
- b) Common shares issued:

	Note	Number of common shares	\$
<b>Balance, December 31, 2017</b>		<b>29,040,911</b>	<b>7,861,287</b>
Initial public offering		10,569,185	11,013,701
Conversion of special warrants		1,930,799	3,020,202
Cost of issue		-	(1,473,753)
<b>Balance, December 31, 2018</b>		<b>41,540,895</b>	<b>20,421,437</b>
Exercise of restricted share units		35,294	22,822
<b>Balance, September 30, 2019</b>		<b>41,576,189</b>	<b>20,444,259</b>

The following table reflects the continuity of restricted share units (“RSUs”) for the nine months ended September 30, 2019:

	Outstanding Number of RSU	Fair value of RSU \$	Weighted average exercise price CDN \$
<b>Balance at December 31, 2017</b>			
Issuance at December 31, 2018	105,882	65,973	0.85
<b>Balance at December 31, 2018</b>	<b>105,588</b>	<b>65,973</b>	0.85
Exercised February 27, 2019	(35,294)	(22,822)	0.85
<b>Balance at September 30, 2019</b>	<b>70,588</b>	<b>43,151</b>	0.85

On December 31, 2018, the Company granted 105,882 restricted share units (“RSU”) to officers of the Company with each RSU exercisable into the one common share of the Company at an exercise price of CDN\$0.85 per share or the cash equivalent thereof upon the vesting conditions being met until December 31, 2020. The restricted share units granted are accounted for under the liability method whereby a liability is recorded at grant date equal to the fair value of the restricted share unit included in accounts payable and other liabilities. A fair value of \$21,991 was determined based on the exercisable price. A third of RSUs vested as at year ended December 31, 2018 and \$23,153 was expensed as at year ended December 31, 2018. During the three and nine months ended September 30, 2019, \$33,749 and \$8,464 was expensed as stock-based compensation. The Company recorded The Company has issued 35,294 common shares related to RSUs during nine months ended September 30, 2019.

## STEPPE GOLD LTD.

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### 15. Exploration and evaluation expenditures

For the three months ended September 30, 2019

	ATO Project	Uudam Khundii Project	South Tsagaan Temeet Prospect	Bayan Munkh West and East Prospect	Total
	\$	\$	\$	\$	\$
General exploration	-	360	6,762	4,357	11,479
<b>Total exploration and evaluation expenditures</b>	<b>-</b>	<b>360</b>	<b>6,762</b>	<b>4,357</b>	<b>11,479</b>

For the three months ended September 30, 2018

	ATO Project	Uudam Khundii Project	South Tsagaan Temeet Prospect	Bayan Munkh West and East Prospect	Total
	\$	\$	\$	\$	\$
General exploration	-	(3,445)	(77,359)	(25,291)	(106,095)
Consulting	-	-	1,069	10,555	11,624
Assays	-	25,046	(500)	(61)	24,485
Drilling	-	(86,317)	79,146	26,070	18,899
Sampling	-	36,480	491	-	36,971
Survey	-	98,727	13,187	-	111,914
Casual labour	-	4,262	-	-	4,262
<b>Total exploration and evaluation expenditures</b>	<b>-</b>	<b>74,753</b>	<b>16,034</b>	<b>11,273</b>	<b>102,060</b>

For the nine months ended September 30, 2019

	ATO Project	Uudam Khundii Project	South Tsagaan Temeet Prospect	Bayan Munkh West and East Prospect	Total
	\$	\$	\$	\$	\$
General exploration	-	3,194	6,762	4,357	14,313
<b>Total exploration and evaluation expenditures</b>	<b>-</b>	<b>3,194</b>	<b>6,762</b>	<b>4,357</b>	<b>14,313</b>

Exploration expenditure on the ATO Project for the nine months ended 30 September 2019 amounted to \$1,346,738 and has been capitalized to the project (note 7).

## STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2019  
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### 15. Exploration and evaluation expenditures (continued)

For the nine months ended September 30, 2019

	ATO Project	Uudam Khundii Project	South Tsagaan Temeet Prospect	Bayan Munkh West and East Prospect	Total
	\$	\$	\$	\$	\$
General exploration	9,251	41,491	(77,290)	(18,838)	(45,386)
Consulting	106,373	-	1,085	10,712	118,170
Rent	29,354	-	-	-	29,354
Assays	18,049	166,979	13,883	3,293	202,204
Drilling	261,422	-	80,331	26,461	368,214
Insurance	12,321	-	-	-	12,321
Meals	42,952	-	-	-	42,952
Security	20,307	-	-	-	20,307
Access fees	3,180	-	-	-	3,180
<b>Total exploration and evaluation expenditures</b>	<b>503,209</b>	<b>208,470</b>	<b>18,009</b>	<b>21,628</b>	<b>751,316</b>

### 16. Stock based compensation

The following table reflects the continuity of options for the periods ended December 31, 2018 and September 30, 2019:

	Exercisable date	Number of options	Fair value of stock options	Weighted average exercise price CDN
			\$	\$
<b>Balance at December 31, 2017</b>				
Issuance at May 22, 2018 (i)		2,600,000	3,291,498	2.00
Issuance at October 10, 2018 (ii)	October 10, 2018	693,005	394,007	2.00
Issuance at October 10, 2018 (ii)	October 10, 2019	661,052	375,840	2.00
Issuance at October 10, 2018 (ii)	October 10, 2020	200,943	114,246	2.00
<b>Balance at December 31, 2018</b>		<b>4,155,000</b>	<b>4,175,591</b>	2.00
<b>Balance at September 30, 2019</b>		<b>4,155,000</b>	<b>4,175,591</b>	2.00

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2019 (Expressed in US Dollars)

#### 16. Stock based compensation (continued)

- i. On May 22, 2018, the Company granted 2,600,000 stock options to officers and directors of the Company with each option exercisable into the one common share of the Company at an exercise price of CDN\$2.00 per share until May 22, 2023. A fair value of \$3,291,498 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - CDN\$1.95; dividend yield – 0%; expected volatility (based on historical price data of similar companies) – 121%; risk-free interest rate – 2.30%; and an expected life – 5 years. The options vested immediately.
- ii. On October 10, 2018, the Company granted 1,555,000 stock options to officers and directors of the Company with each option exercisable into the one common share of the Company at an exercise price of CDN\$2.00 per share until October 10, 2023 on the terms indicated and the vesting of 1/3 over a period of three years. A fair value of \$884,093 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - CDN\$1.00; dividend yield – 0%; expected volatility (based on historical price data of similar companies) – 115%; risk-free interest rate – 2.43%; and an expected life – 5 years.

Stock based compensation of \$368,036 and \$675,348 during the three and nine months ended September 30, 2019 respectively (three and nine months ended September 30, 2018: \$nil and \$2,891,326 respectively) were expensed in the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

The following table reflects the continuity of restricted share units (“RSUs”) for the nine months ended September 30, 2019:

	Outstanding Number of RSU	Fair value of RSU \$	Weighted average exercise price CDN \$
<b>Balance at December 31, 2017</b>			
Issuance at December 31, 2018	105,882	65,973	0.85
<b>Balance at December 31, 2018</b>	<b>105,882</b>	<b>65,973</b>	0.85
Exercised February 27, 2019	(35,294)	(22,449)	0.85
<b>Balance at September 30, 2019</b>	<b>70,588</b>	<b>43,524</b>	0.85

On December 31, 2018, the Company granted 105,882 restricted share units to officers of the Company with each RSU exercisable into the one common share of the Company at an exercise price of CDN\$0.85 per share or the cash equivalent thereof upon the vesting conditions being met until December 31, 2020. A fair value of \$21,991 was determined based on exercisable price. The 1/3 of RSUs vested immediately and \$23,153 was expensed in the consolidated statement of income (loss) as at year ended December 31, 2018. On February 27, 2019, RSUs of 35,294 was exercised and \$22,449 was transferred from liability to equity.

#### 17. Net loss per common share

The calculation of basic and diluted loss per share for the nine months ended September 30, 2019 was based on the net loss attributable to common shareholders of \$6,791,431 (nine months ended September 30, 2018 - loss of \$11,551,192) and the weighted average number of common shares outstanding of 41,576,189 (nine months ended September 30, 2018 – 35,145,160).

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2019 (Expressed in US Dollars)

#### 18. Related party transactions

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

During the three and nine months ended September 30, 2019, management fees paid, or otherwise accrued, to key management personnel (defined as the Chief Executive Officer ("CEO") and directors) totaled \$224,044 and \$656,557, respectively (three and nine months ended September 30, 2018: \$421,385 and \$983,621, respectively). As at September 30, 2019, key management personnel were owed \$nil (December 31, 2018: \$nil).

During the three and nine months ended September 30, 2018, the Company expensed professional fees and disbursements of \$nil and \$21,298 respectively to Marrelli Support Services Inc., an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the former CFO of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters and these amounts are included in professional fees. The Company did not use the services of Marrelli Support Services during the nine months ended September 30, 2019.

#### 19. Warrants

	Note	Number of warrants	Warrant (Equity) \$	Warrant Liability \$
<b>Balance, December 31, 2017</b>		<b>7,109,250</b>		<b>5,352,210</b>
Warrants issued	(i)	12,499,984	4,939,188	-
Agents warrants issued	(ii)	634,151	423,146	-
Change in the fair value of warrant liability		-		2,940,539
Conversion of warrant liability to equity	(iii)	-	8,292,749	(8,292,749)
<b>Balance, December 31, 2018</b>		<b>20,243,385</b>	<b>13,655,083</b>	-
<b>Balance, September 30, 2019</b>		<b>20,243,385</b>	<b>13,655,083</b>	-

The following table reflects the actual warrants issued and exercisable as of September 30, 2019:

Expiry date	Exercise price (CDN\$)	Warrants exercisable	Fair Value (\$)
May 22, 2020	2.34	12,499,984	4,939,189
May 22, 2020	2.00	634,151	423,146
May 22, 2023	2.00	4,809,250	5,641,775
September 15, 2022	2.00	2,300,000	2,650,973
		<b>20,243,385</b>	<b>13,655,083</b>

- (i) The value of \$4,939,188 was estimated for the 12,499,984 Warrants on the date of grant using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: share price of \$1.95; expected dividend yield of 0%; expected volatility of 81% using the historical price history of the Company; risk-free interest rate of 2.00%; and an expected average life of two (2) years.
- (ii) Agent Warrants of 634,151 was valued at \$423,146 on the date of grant using relative fair value method based on the Black-Scholes option pricing model with the following assumptions: share price of \$1.95; expected dividend yield of 0%; expected volatility of 81% using the historical price history of the Company; risk-free interest rate of 2.00%; and an expected average life of two (2) years. The fair value of Agents Warrants was allocated as follows: \$303,713 to common shares; and \$119,433 to Warrants.
- (iii) On May 22, 2018, the warrant liability met the fixed for fixed criteria and were transferred to warrants under shareholders' equity.

## **STEPPE GOLD LTD.**

**Notes to Condensed Interim Consolidated Financial Statements**  
**For the nine months ended September 30, 2019**  
**(Expressed in US Dollars)**

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### **20. Events after reporting period**

#### **Convertible Debentures**

Bataa Tumur-Ochir, a director and officer of Steppe Gold Ltd announced that on October 28, 2019 he purchased \$2,500,000 of 10% two-year unsecured debentures from Chinggis Khaan Bank. The principal amount of the debentures is convertible into 4,807,692 common shares of Steppe, at a price of US\$0.52 per common share.

Prior to the purchase of the Debentures, Mr. Bataa Tumur-Ochir had ownership, control or direction of 1,122,000 common shares and 800,000 options convertible into common shares of Steppe, representing 4.5% of Steppe's issued and outstanding common shares on a partially diluted basis. Following completion of the purchase, Mr. Tumur-Ochir will have ownership, control or direction of a total of 1,122,000 common shares and 5,607,629 securities convertible into common shares, representing 14.26% of Steppe's issued and outstanding common shares on a partially diluted basis.

#### **UK project acquisition**

As at September 30, 2019, the Company had cash payable balance of \$450,000 in relation to UK Project acquisition (note 6). The Company paid off an additional \$50,000 in October 2019.

Furthermore, the issue of 1,400,000 shares in relation to UK project acquisition was finalized in November 2019.