

July 2020

Question:

Can you explain the gold sale process? What is the price and formula?

The Steppe team pours gold bars every two weeks, and they are delivered to the SI lab where we get the results four hours later. They are sold to either the central bank or in most cases now, the largest commercial bank in Mongolia, TDB.

It is such a quick process: we are paid in Mongolian tögrög which arrive in our TDB bank account, 30 minutes after the assay results are received. If we get the gold to the bank before 2pm, Steppe is paid the same day - if not, first thing the next morning.

Then, we settle the stream the following day with Triple Flag in gold credits. The deductions off the sales are 5% royalty and \$2 per ounce of gold / \$1 per ounce of silver in treatment refining charges.

Question:

Are you aiming to increase the amount of silver sold over time?

The price of silver is 1/100th of the price of gold. Steppe has large quantities of silver, and we pour silver bars on a quarterly basis. We will sell these in larger chunks given the lower value.

Right now, when you look at the silver numbers in Steppe's overall production and sales figures, and think "well, they seem very low", it is because they only reflect the silver content in our gold bars.

**with Aneel Waraich and
Jeremy South**



Aneel Waraich (left): EVP, Director

Jeremy South (right): SVP, CFO

Again, most of our silver is sitting in drums waiting for our quarterly dedicated silver pours. That is the real reason why you see such low silver figures alongside the gold numbers - it is not because of low recovery rates.

You will see about a 75/25 split in the doré. We are aiming to get that higher as we move forward in the ramp-up.

Question:

Can you confirm free cash flow levels in Q2 2020, after the



stream and royalty payments were made?

After the royalty payments, our free cashflow was around 25% of \$26 million. All of the numbers we used in terms of EBITDA and net cash flow, are net of royalties. When we say 60,000 ounces, that is our gross production - but on a net basis, we are producing 45,000 ounces for Steppe. Those 45,000 ounces are at over a \$1,200 margin, so I think that highlights how robust the profit is to Steppe and our shareholders.

Question:

Is there a limited drilling season in Mongolia due to weather conditions?

Yes, there is definitely a limited drilling season! Steppe could drill through all 12 months of the year if we really wanted to, but it starts getting cold in October. Spring and fall come early here, in Mongolia. We can realistically drill into October

and November, and then start again in March. We could drill over the winter months, but it is certainly more difficult - it can get down to minus 41 or even 50. And it is very dry, not a lot of precipitation or snow. We are really looking at a 9-month drilling season.

Operationally, we run all the way around - every day of the year. We blast, we mine, we crush, we stack all year round. We built the ADR plant through the winter; we were able to pull concrete and dig holes for the foundations. And indeed, we can leach throughout as well. In fact, we maintained normal operations and even brought production online during this global pandemic.

Question:

When are the resource upgrades due, and are the pending assays on track to increase Steppe's gold reserves?

We have drilled 30,000 metres; 11,000 metres are

pending assays that are currently being processed. We expect the results to come out later this summer. Then we will add that into the resource and reserve update which takes about 60 - 90 days once the results are received. So, we are targeting Q4 for Steppe's resource upgrades and a reserve increase.

It should be meaningful in terms of an update to all the deposits in terms of oxides and sulphides, and of course you have Mungu. Perhaps there will be more work required to convert some of those new resources into reserves, but there is definitely going to be a significant update.

Question:

What is the cost to build the CIL plant and how long will it take?

~\$100 million was the number drawn from our Feasibility Study. We are required to maintain an up-to-date Feasibility Study on these projects in Mongolia, which is required to obtain a mine license. We have not converted to a 43-101 so we have not been able to release more information to the market, but we have a good idea of what this will cost.

The plant will most probably be a 1-year build. Steppe has a cost and logistical advantage of being

located right next to China - we do not have wait times like other entities in Mongolia, who are located on the west side of the country. The CIL plant will be built by the same team that built our ADR plant, who are also CIL specialists. We are familiar with the team and their capabilities, and already know what they accomplished in very short order with Phase 1.

Question:

Grade reconciliation – how is that going, and is the reserve of gold higher than measured?

Steppe conducts grade reconciliations regularly. We have publicly announced that we see an average of 2gpt vs. 1.25; we are guiding people to 1.5 to be conservative across the oxides. But we are seeing some spots of high grade.

We do expect grade reconciliation to continue regularly and cannot say if it will be this strong out of the gate. We are going from a 30 x 30 block model originally by Centerra to a 5 x 5 model as we are blasting and mining. So, we are picking-up the gaps where {the grades} would be understated as waste and there are higher-grade pockets. We think this is a big win and this will continue, both in the oxides and fresh rock.



Question:

At what stage is the Feasibility Study for ATO fresh rock, and what by-products could be extracted?

The Feasibility Study is fairly advanced, as we started from a base of Centerra's work that they used to get the licensing and permitting. We took a phased approach - we built the heap leach first, instead of building it along with the CIL and flotation all at once.

Earlier, we mentioned a new discovery of ours called Mungu. It has never been included in our feasibility study, never been put into a technical report and never had any metallurgical work done on it. So, there is still some work to wrap up our Feasibility Study, mainly to get the metallurgical work completed on the Mungu discovery. But we can still move forward now with the study just on ATO 1, 2, and 4 and will add Mungu in when it is ready.

All of this has not resulted in delays, as our focus has really just been on Phase 1. Now we have the money and time to complete the resource update and revisions to the design and engineering work (which is being done as we speak). So, 6 - 9 months is not that far away.

The Feasibility Study done last year, about 9 months of work, was all done for permitting - the reagents. That was done on the full project: 11-15 years, oxides and sulphides. So, we have already costed-out CIL plants and some of the capex. The work has been done; it just has to be upgraded to 43-101.

Regarding by-products: there is a lot of lead and zinc.

Question:

Is the fresh ore below the oxides equally responsive to heap leaching with current design?

No, that is the CIL plant. We will need to build a CIL plant and probably a flotation circuit to process the fresh rock ores for the sulphide zone.

Question:

How many metres are you planning to drill at ATO with the 2 drilling pads?

We need to see how the first program starts off at ATO at depth, and at the Mungu discovery before we can realistically answer that question. Once we get the initial results, we have the ability to just continue and pivot if necessary, to ensure that our full plan is realistic and achievable.

Originally, we were going to process the 11,000 metres, wait for the resource update, conduct more studies and start this much later in the year. Now Steppe has the capital and ability to do more discovery drilling. All I can say at this moment is it costs US\$130/m to diamond drill, so we'll be able to do a decent amount of drilling for just a few million dollars.

Question:

Does STGO anticipate it will find other ATO-style deposits around the license?

It is very possible. It is possible the 20 km trend on page 20 of our latest corporation has possible



parallel structures coming off the trend. We just have not had the chance to focus on it, but it will be part of our additional exploration as we continue to move forward.

As mentioned earlier, we have been fully focused on Phase 1, but as we move forward it will be part of our additional exploration as we continue to move forward.

We had a consultant do some work in the epithermal gold zones, 100 km north up into Russia. We certainly feel that this is the start of a very large zone, but time will only tell.

Question:

Is there an ATO 3?

Yes, there is. It is a barren pipe - this is why you see on our map 1, 2 and 4; 3 is on the far left off of our map. 1 and 4 are Steppe's highlights at this point.

Question:

There's been many mentions about the Mungu Gap. What makes you think Mungu is connected to ATO?

On page 20 of our latest corporate presentation, you can see that we have extended ATO 4 towards Mungu - so it has been drilled.

The 11,000 metres of mostly infill drilling we conducted last year, is being interpreted right now. That will certainly help in our final analysis - but we need to continue to do this work to find out the extent of the connection between the two.

Question:

How could Mungu affect the life of mine on the oxide plant?

We're not sure if it'll add any meaningful extension. Centerra never drilled from surface, they stepped back about 30m when they drilled Mungu.

When we drilled from surface, we only encountered about 8m of oxides compared to the 25 - 40m in ATO 1, 2 and 4. The grade was a bit lower too. It's a higher grade deposit, **that will go into the phase 2 plan for production and processing.**

Mungu was the jewel in the crown for Centerra, but it is deeper.

Question:

Will you be working with banks for any financing packages?

There has already been interest from Canadian banks - Scotia has that debt component, and CIBC does too. CIBC has actually funded Oyu Tolgoi in the past with their expansions and funding. We are open to all banking relationships. Currently, we do not require any equity for our operations - we are building up our balance sheet with strong cash flow generation so there is no rush to raise equity - but we are always looking for bank coverage.

Contact Us

Shangri-La office, Suite 1201,

Olympic street 19A,

Sukhbaatar District 1,

Ulaanbaatar 14241, Mongolia

Tel: +976 7732 1914

Disclaimer: Technical Information

Technical information relating to the Altan Tsagaan Ovoo Project (the “ATO Project”) contained in this document is derived from, and in some instances is an extract from, the Technical Report titled “Altan Tsagaan Ovoo Gold Project, Tsagaan Ovoo, Dornod, Mongolia” dated August 20, 2017, with an effective date of June 20, 2017, which was prepared for the Company by Oyungerel Bayanjargal,

MAusIMM of GSTATS Consulting Ltd (the “Technical Report”) and prepared in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”). Reference should be made to the

text of the Technical Report which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review under the Company’s profile on SEDAR at www.sedar.com.

Technical information in this document not contained in the Technical Report has been prepared under the supervision of Enkhtuvshin Khishigsuren a “qualified person”.

Cautionary Note for United States Investors

Technical disclosure regarding our properties included herein (the “Technical Disclosure”) has not been prepared in accordance with the requirements of United States securities laws. Without limiting the foregoing, the Technical Disclosure uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all mineral reserve and mineral resource estimates contained in the Technical Disclosure have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. These standards differ significantly from the requirements of SEC Industry Guide 7, and resource information contained in the Technical Disclosure may not be comparable to similar information disclosed by U.S. companies.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the Securities and Exchange Commission (the “SEC”).

Investors are cautioned not to assume that any part or

all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases.

Additionally, disclosure of “contained ounces” in a resource is permitted disclosure under Canadian securities laws, however the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measurements. Accordingly, information contained in the Technical Disclosure may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of United States federal securities laws and the rules and regulations thereunder.