STEPPE GOLD LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2019 AND DECEMBER 31, 2018

(EXPRESSED IN US DOLLARS)

Independent Auditor's Report

To the Shareholders of Steppe Gold Ltd.:

Opinion

We have audited the consolidated financial statements of Steppe Gold Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had working capital deficit of $12,172,921 as at December 31, 2019, and incurred a net loss of $5,233,497 and had negative cashflows from operations of $5,627,311 for the year then ended. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marufur Raza.

MNP LLP

Toronto, Ontario
March 30, 2020

Chartered Professional Accountants
Licensed Public Accountants

MNP

STEPPE GOLD LTD.
Consolidated Statements of Financial Position
As at
(Expressed in US Dollars)

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		671,421	7,015,846
Receivables and other assets	3	1,147,626	1,022,751
Inventories	4	8,356,042	1,388,933
Total current assets		**10,175,089**	**9,427,530**
Long-term assets			
Uudam Khundii Project	6	1,991,415	2,044,835
Property, plant and equipment under construction	7	41,276,284	32,079,060
Total long-term assets		**43,267,699**	**34,123,895**
Total assets		**53,442,788**	**43,551,425**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and other liabilities	8	5,694,915	1,697,984
Current portion of streaming arrangement	11	10,395,856	-
Lease liability	12	398,998	-
Purchase price payable	6	350,000	500,000
Promissory notes	9	-	4,308,864
Convertible debentures – derivative	13	5,508,241	-
Total current liabilities		**22,348,010**	**6,506,848**
Long-term liabilities			
Long term portion of streaming arrangement	11	15,390,491	20,112,036
Asset retirement obligation	10	270,950	320,536
Lease liability	12	176,883	-
Convertible debentures – loan liability	13	4,185,803	-
Total long-term liabilities		**20,024,127**	**20,432,572**
Total liabilities		**42,372,137**	**26,939,420**
Shareholders' equity			
Share capital	14	22,539,071	20,421,437
Shares to be issued	6	-	647,322
Warrants	19	13,655,083	13,655,083
Contributed surplus		3,779,806	3,296,458
Non-controlling interest		(112,380)	(88,280)
Accumulated other comprehensive loss		(5,372,211)	(3,110,694)
Deficit		(23,418,718)	(18,209,321)
Total shareholders' equity		**11,070,651**	**16,612,005**
Total liabilities and shareholders' equity		**53,442,788**	**43,551,425**

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

Nature of operations and going concern (Note1)

Approved on behalf of the Board:

(Signed) "Matthew Wood"____________, Director (Signed) “Batkhuu Budnyam"____________, Director

STEPPE GOLD LTD.

Consolidated Statements of Loss and Comprehensive loss

For the years ended

(Expressed in US Dollars)

		December 31	
	Notes	**2019**	**2018**
Operating expenses			
Exploration and evaluation expenditures	**15**	125,328	1,033,172
Management compensation	**18**	892,097	1,005,101
Stock based compensation	**16**	505,391	3,281,524
Professional fees		1,093,072	1,495,648
Foreign exchange gain		(1,212,571)	(177,684)
Office and general		871,576	951,437
Investor relations		410,590	395,361
Accretion and financing costs		1,020,105	588,146
Travel and accommodation		187,815	481,152
Reporting issuer costs		96,898	202,515
Depreciation	**7**	169,541	18,760
Corporate social responsibility expenses		248,061	-
Convertible debenture issuance costs	**13**	255,038	-
Change in the fair value of derivatives	**13**	873,753	2,940,539
Gain on modification of streaming arrangement	**11**	(303,197)	-
Net loss		**(5,233,497)**	**(12,215,671)**
Other comprehensive loss			
Cumulative translation adjustment		(2,261,517)	(2,969,426)
Net loss and comprehensive loss for the year		**(7,495,014)**	**(15,185,097)**
Net loss attributable to shareholders of the Company		(5,209,397)	(12,134,235)
Net loss attributable to non-controlling interest		(24,100)	(81,436)
		(5,233,497)	**(12,215,671)**
Net loss and comprehensive loss attributable to shareholders of the Company		(7,470,914)	(15,178,253)
Net loss and comprehensive loss attributable to non-controlling interest		(24,100)	(6,844)
		(7,495,014)	**(15,185,097)**
Basic and diluted net loss and comprehensive loss per common share	**17**	(0.12)	(0.33)
Weighted average number of common shares outstanding - basic and diluted		41,844,102	36,677,887

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

STEPPE GOLD LTD.

Consolidated Statements of Cash Flows

For the years ended
(Expressed in US Dollars)

	Notes	December 31, 2019	December 31, 2018
Operating activities			
Net loss for the period		(5,233,497)	(12,215,671)
Adjustments for non cash items:			
Change in the fair value of derivative	**13**	873,753	2,940,359
Gain on modification of streaming arrangement	**11**	(303,197)	-
Accretion and financing costs		1,020,105	588,146
Depreciation	**7**	169,541	18,760
Stock based compensation	**16**	505,391	3,281,524
Unrealized foreign exchange gain		(1,224,050)	(1,298,981)
Changes in non-cash working capital items:			
Inventory		(5,758,192)	(1,259,116)
Receivables and other assets		(124,875)	(592,756)
Amounts payable and other liabilities		4,447,710	1,504,972
Net cash used in operating activities		**(5,627,311)**	**(7,032,763)**
Investing activities			
Acquisition of property,plant and equipment under construction		(8,144,144)	(13,132,319)
Net cash used in investing activities		**(8,144,144)**	**(13,132,319)**
Financing activities			
Proceeds from the issuance of convertible debentures	**13**	7,840,000	-
Interest paid on convertible debentures		(374,203)	-
Convertible debenture issuance costs	**13**	(222,375)	-
Proceeds from equity financing	**14**	1,447,490	14,902,283
Proceeds from special warrants		-	3,020,202
Proceeds from stream financing	**11**	5,000,000	11,500,000
Repayment of promissory note	**9**	(5,000,000)	(5,069,682)
Repayment of Purchase Price Payable	**6**	(150,000)	-
Lease obligation payments	**12**	(916,525)	-
Net cash generated from financing activities		**7,624,387**	**24,352,803**
Effect of exchange rate changes on cash held in foreign currency		**(197,357)**	**465,977**
Net (decrease)increase in cash		(6,344,425)	4,653,698
Cash, beginning of year		7,015,846	2,362,148
Cash, end of year		**671,421**	**7,015,846**

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

STEPPE GOLD LTD.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended
(Expressed in US Dollars)

	Notes	Number of shares	Share capital	Shares to be issued	Contributed surplus	Warrants	Special warrants	Non-contolling interest Corundum	Accumulated other comprehensive loss	Deficit	Total equity
			$	$	$	$	$	$	$	$	$
Balance as at December 31, 2017		29,040,911	7,861,287	647,322	-	-	1,307,933	-	(148,112)	(6,075,086)	3,593,344
Initial public offering		10,569,185	11,013,701	-	-	5,089,432	-	-	-	-	16,103,133
Special warrants to be issued		-	-	-	-	-	(1,307,933)	-	-	-	(1,307,933)
Conversion of special warrants		1,930,799	3,020,202	-	-	852,446	-	-	-	-	3,872,648
Conversion of warrant liability		-	-	-	-	8,292,749	-	-	-	-	8,292,749
Cost of issue		-	(1,473,753)	-	-	(579,544)	-	-	-	-	(2,053,297)
Stock based compensation		-	-	-	3,296,458	-	-	-	-	-	3,296,458
Comprehensive loss for the period		-	-	-	-	-	-	(88,280)	(2,962,582)	(12,134,235)	(15,185,097)
Balance as at December 31, 2018		**41,540,895**	**20,421,437**	**647,322**	**3,296,458**	**13,655,083**	**-**	**(88,280)**	**(3,110,694)**	**(18,209,321)**	**16,612,005**
Balance as at December 31, 2018		**41,540,895**	**20,421,437**	**647,322**	**3,296,458**	**13,655,083**	**-**	**(88,280)**	**(3,110,694)**	**(18,209,321)**	**16,612,005**
Shares issued from exercise of RSU's	**16**	35,294	22,822	-	-	-	-	-	-	-	22,822
Uudam Khundii shares issued	**6**	1,400,000	647,322	(647,322)	-	-	-	-	-	-	-
Equity financing	**14**	2,222,222	1,447,490	-	-	-	-	-	-	-	1,447,490
Stock based compensation	**16**	-	-	-	483,348	-	-	-	-	-	483,348
Comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(24,100)**	**(2,261,517)**	**(5,209,397)**	**(7,495,014)**
Balance as at December 31, 2019		**45,198,411**	**22,539,071**	**-**	**3,779,806**	**13,655,083**	**-**	**(112,380)**	**(5,372,211)**	**(23,418,718)**	**11,070,651**

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

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 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 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 a working capital deficit of $12,172,921 at December 31, 2019 (December 31, 2018: working capital $2,920,682). For the year ended December 31, 2019, the Company had a net loss of $5,233,497 (December 31, 2018: $12,215,671) and had cash outflows from operations of $5,627,311 (December 31, 2018: $7,032,763). These material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

Longer term, the Company may pursue opportunities to raise additional capital through equity markets; however, there can be no assurance that the Company will be able to raise funds in the future. The ultimate ability of the Company is to remain a going concern and complete the exploration and development of it’s properties which is highly dependent on the Company’s ability to raise additional financings.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

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. Subsequent to year-end, the Company completed certain financings as referred to in Note 25.

2. Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 27, 2020.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. Significant accounting policies (continued)

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(q).

(c) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries, Steppe Gold LLC ("Steppe Mongolia"), a company incorporated in accordance with Company Law of Mongolia and Implementation Law to the Company Law adopted on October 6, 2011 by the State Great Hural of Mongolia and Steppe West LLC ("Steppe West"), Mongolian entity, which owns 80% of Corundum Geo LLC (“Corundum”). In addition, the Company includes Steppe Investments Limited ("Steppe BVI"), a company incorporated under the Business Corporations Act, 2004 of the British Virgin Islands on June 19, 2017.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns. The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of loss and comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(d) Functional and presentation currency

These consolidated financial statements have been prepared in US dollars (“USD”), which is the Company's presentation currency. As of December 31, 2019, the functional currency was determined to be the Mongolian Tughrik for its Mongolian wholly-owned subsidiaries and to be the Canadian dollar (“CAD”) for Steppe Gold Limited and Steppe BVI.

The consolidated financial statements for all periods presented are in USD. The historical financial statements have been translated into USD in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”, as follows:

- Assets and liabilities presented have been translated into USD using period end exchange rates of 1.2988 (December 31, 2019) and 1.3642 (December 31, 2018);
- Consolidated statements of loss and comprehensive loss have been translated using average foreign exchange rates prevailing during the reporting periods of 1.3268 (January 1, 2019 to December 31, 2019);
- Shareholder’s equity balances have been translated using historical foreign exchange rates in effect on the date that transactions occurred;
- Resulting exchange differences have been recorded within the accumulated other comprehensive loss accounts.

(e) Financial instruments

Below is a summary showing the classification and measurement bases of the Company’s financial instruments.

Classification	**IFRS 9**
Cash	FVTPL
Amounts payable and other liabilities	Amortized cost
Convertible debentures – loan liability	Amortized cost
Convertible debentures – derivative	FVTPL
Purchase price payable	Amortized cost
Promissory notes	Amortized cost
Streaming arrangement	Amortized cost

2. Significant accounting policies (continued)

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets measured at FVTPL.

ii. Investments recorded at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis

iii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

ii. Financial liabilities recorded fair value through profit or loss ("FVTPL")

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains or losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains or losses recognized in other comprehensive income.

2. Significant accounting policies (continued)

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(f) Cash

Cash is comprised of cash on hand and deposits held with banks that are readily convertible into known amounts of cash.

(g) Inventories and Stockpiled Ore

Stockpile inventory represents unprocessed ore that has been mined and is available for further processing. The unprocessed ore stockpile is measured by estimating the number of tonnes added and removed from the stockpile, the number of contained tonnes (based on assay data) and estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to the stockpile based on the current mining cost per tonne incurred up to the point of stockpiling the ore, including applicable overhead, depletion and amortization relating to mining operations, and are removed at the average cost per ounce.

At year end, the Company did not have any finished goods and work in progress.

Consumable supplies and spare parts are valued at the “lower of cost or net realizable value”. Any provision for obsolescence is determined by reference to specific stock items identified as obsolete. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

(h) Property, plant and equipment under construction

Property, plant and equipment under construction include property and plant, Altan Tsagaan Ovoo property, equipment under construction and right of use assets.

Mining properties:

Producing mining interests are carried at cost less accumulated depletion and depreciation and accumulated impairment losses. Depreciation is based on units of production. The costs related to the mining interests are depleted and charged to operations on the unit of production method as a proportion of estimated recoverable mineral reserves.

Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

2. Significant accounting policies (continued)

Costs capitalized for plant and equipment include borrowing costs incurred that are attributable to qualifying plant and equipment. The carrying amounts of plant and equipment are depreciated using either the straight-line or unit-of production method over the shorter of the estimated useful life of the asset or the life of mine. The significant classes of depreciable plant and equipment and their estimated useful lives are as follows:

Crusher and its components	units of production
Heap leach	units of production
Other mining equipment	11 years
Lights vehicles	10 years
Computer equipment	2 years
Furniture and fixtures	10 years

Property, plant and equipment under construction are depreciated when they are substantially complete and available for their intended use, over their estimated useful lives.

Furniture and fittings unrelated to production are depreciated using the straight-line method based on estimated useful lives and expensed to the consolidated statement of loss and comprehensive loss.

Management reviews the estimated useful lives, residual values and depreciation and depletion methods of the Company's plant and equipment at the end of each financial year, and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Stripping and other costs incurred in a pit expansion are capitalized and amortized using the units of production method from estimated proven and probable reserves contained in the pit expansion.

Derecognition:

Upon disposal or abandonment, the carrying amounts of property, plant and equipment under construction are derecognized and any associated gains or losses are recognized in net earnings. The cost and accumulated depreciation and depletion and impairment of fully depleted mineral properties and fully depreciated plant and equipment are derecognized.

(i) Impairment of non-financial assets

The carrying values of property, plant and equipment under construction are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets of the Company. This generally results in the Company evaluating its non-financial assets on a geographical or license basis.

The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use.

The calculation of fair value less costs of disposal would could be determined based on recent market transactions or a binding sales agreement. In calculating value in use ("VIU"), the estimated future cash flows of a mine or development property 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. Estimated future cash flows include estimates of recoverable ounces of gold. Estimated future cash flows also involve estimates regarding gold prices, production levels, capital, closure and rehabilitation costs and income taxes. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows could affect the recoverability of long-lived assets. An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the

2. Significant accounting policies (continued)

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 amortization, if no impairment loss had been recognized.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of loss and comprehensive loss so as to reduce the carrying amount to its recoverable amount.

(j) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Exploration and evaluation and pre-development expenditure

Exploration and evaluation expenditures related to the acquisition of rights to explore and develop resource projects are capitalized. Mineral rights for exploration and evaluation are carried at cost less any accumulated impairment losses.

All exploration and evaluation expenditures of the Company within an area of interest are expensed until management and Board of Directors conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable.

In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource is considered. Once a project has been established as commercially viable and technically feasible, and approval is received from the Board of Directors, an impairment test is performed and further expenditures are capitalized as development costs.

(l) Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

2. Significant accounting policies (continued)

The grant date fair value of stock options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The Company has restricted share units granted to employees and non-employees. The Company accounts for restricted share units using the fair value method as prescribed by IFRS 2. Under this method, the fair value of restricted share units at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus if they will be settled in shares or the offsetting credit to accounts payable and other liabilities if the Company has a present obligation to settle in cash.

(m) Provision

Provisions are liabilities that are uncertain in timing or amount. The Company records a provision when and only when:

- The Company has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and,
- A reliable estimate can be made of the amount of the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

- By an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and
- As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted or reversed to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Where discounting has been used, the carrying amount of a provision is accreted during the period to reflect the passage of time. This accretion expense is included in accretion and financing costs in the consolidated statements of loss and comprehensive loss.

Asset Retirement Obligation

The Company records a provision for the estimated future costs of reclamation and closure of operating, closed and inactive mines and development projects when environmental disturbance occurs or a constructive obligation arises.

Management has estimated the future costs of reclamation and closure of mine site, which has taken into consideration the effects of inflation, movements in foreign exchange rates, the effects of country and other specific risks associated with the related liabilities. These estimates of future costs are discounted to net present value using the risk-free interest rate applicable to the future cash outflows. The provision for the Company's reclamation and closure cost obligations is accreted over time to reflect the unwinding of the discount with the accretion expense included in accretion and financing costs. The provision for reclamation and closure cost obligations is remeasured at the end of each reporting period for changes in estimates or circumstances.

Changes in circumstances, which includes changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities or changes to cost estimates will result in a change in value to the corresponding asset. Changes in estimates, which includes changes to the risk-free interest rates or inflations rates will result in a change in value to the corresponding asset. Accretion costs recognized during the year for the Asset Retirement Obligation are recorded in the statement of loss and comprehensive loss.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other

2. Significant accounting policies (continued)

borrowing costs not directly attributable to a qualifying asset are expensed in the consolidated statement of loss and comprehensive loss in the period in which they are incurred.

(o) 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.

(p) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common 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 loss attributable to common 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 common shares.

(q) Critical accounting estimates and judgments

The preparation of the 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 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. The model values the warrants and stock options by inputting the share price, exercise price, expected life, volatility rate, dividend rate and discount rate into a mathematical model.

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.

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 depreciation expense.

Depreciation and depletion – 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 under construction are depreciated, net of residual value over the useful life of the property,plant and equipment under construction 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 depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

2. Significant accounting policies (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 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.

Convertible Debentures – The derivative liability is revalued at each reporting period using the Black Scholes model which utilizes management estimates for inputs as at the closing date of the reporting period. Any changes to the fair value measurement are recorded through the consolidated statement of loss and comprehensive loss.

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.

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.

2. Significant accounting policies (continued)

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.

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.

(r) 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 and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at January 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at transition. The associated right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16.

In addition, the Company elected to utilize practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to apply a single discount rate to a portfolio of leases with reasonably similar characteristics, and rely on its assessment as to whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

Adoption of the new standard at January 1, 2019 resulted in the recording of additional right-of-use assets and lease liabilities of $870,790, related to office space, generator and light vehicle leases.

All leases are accounted for by recognising 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. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

(Expressed in US Dollars)

2. Significant accounting policies (continued)

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

The Company entered into leases during the 2018 fiscal year and were recorded in accounts payable as at December 31, 2018. These leases were reclassified and included in the lease liability balances as at December 31, 2019.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised 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.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value.

3. Receivables and other assets

	December 31, 2019 $	December 31, 2018 $
Amounts receivable	-	3,578
Prepaid expenses	999,133	879,673
Other receivables	148,493	139,500
Total receivables and other assets	**1,147,626**	**1,022,751**

4. Inventories

	December 31, 2019 $	December 31, 2018 $
Stockpiles of ore	8,177,942	1,007,882
Spare parts and supplies	178,100	381,051
	8,356,042	**1,388,933**

(Expressed in US Dollars)

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

(1) The first promissory note of $5,000,000 is non-interest bearing and was paid in full September 28, 2018.
(2) The second promissory note of $5,000,000 is non-interest bearing and was paid in full on September 30, 2019 (Note 9).
(3) The third promissory note of $1,000,000 is non-interest bearing and was paid in full October 13, 2017.

(b) Continuity

	December 31, 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,plant and equipment under construction (1)	-	(19,833,054)
Balance, end of year	-	-

(1) The Company's ATO project entered into mine development for accounting purposes effective July 1, 2018 as the technical and commercial feasibility of the mine has been met. As a result, all costs that were capitalized to the ATO project to June 30, 2018 were transferred to property, plant and equipment under construction amounting to $19,833,054.

(c) Impairments

The Company's management completed an impairment test on the carrying value at July 1, 2018. The recoverable amount of the ATO Property was based on management's estimate of value in use.

Key assumptions:

The determination of value in use is most sensitive to the following key assumptions:

Production volumes:
In calculating the value in use, the production volumes incorporated into the cash flow models were 5,106,000 tonnes of ore. Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted. The cash flows of the mine are computed using an economic model with key assumptions established by management.

(Expressed in US Dollars)

5. Altan Tsagaan Ovoo Project (continued)

The production profiles used were consistent with the reserves and resource volumes approved as part of the Company's process for the estimation of proved and probable reserves, and resource estimates. These are then assessed to ensure they are consistent with what a market participant would estimate.

Commodity prices:
Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions. Estimated gold prices used in the model range from $1,306 to $1,281 per ounce and have been used to estimate future revenues. Sensitivity to a minus $100 change in the commodity price would not yield any impairment.

Discount rates:
In calculating the value in use, a real post-tax discount rate of 29% was applied to the post-tax cash flows expressed in real terms. This discount rate is derived from the Company's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. Sensitivity to a plus 10% change in the discount rate would not yield any impairment.

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 Corundum. 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 was been accounted for as an asset acquisition. On August 18, 2017 the agreement was amended and the revised terms are outlined below:

- $600,000 cash payment (fully paid)
- $500,000 upon completion of the exploration programs ($150,000 paid to date);
- Issue of 1,400,000 shares of Steppe Gold Limited

The $350,000 unpaid cash portion of the payment is recorded as a liability. The share portion has been recorded as equity and the issue of 1,400,000 shares was finalized on November 5, 2019 (Note 14).

Uudam Khundii project acquisition:

	$
Asset - December 31, 2017	**2,195,817**
Foreign exchange adjustment	(150,982)
Asset - December 31, 2018	**2,044,835**
Foreign exchange adjustrment	(53,420)
Asset - December 31, 2019	**1,991,415**

(Expressed in US Dollars)

7. Property, plant and equipment under construction

	Note	Property and Equipment	Altan Tsagaan Ovoo Property	Equipment under construction	Right of use asset	Total
		$	$	$	$	$
Cost						
Balance, January 1, 2018		**11,250**	**-**	**444,889**	**-**	**456,139**
Transfer from ATO Project	**5**	-	19,833,054	-	-	**19,833,054**
Additions		7,078,096	1,538,496	4,515,727	-	**13,132,319**
Accretion costs		-	657,394	-	-	**657,394**
Asset retirement costs		-	320,536	-	-	**320,536**
Foreign exchange		(461,357)	(1,411,359)	(291,209)	-	**(2,163,925)**
Balance, December 31, 2018		**6,627,989**	**20,938,121**	**4,669,407**	**-**	**32,235,517**
Transfer from PPE		(487,644)	-	-	487,644	**-**
Additions		2,393,562	2,563,615	3,610,996	894,553	**9,462,726**
Transfer of equipment completed		1,016,899	-	(1,016,899)	-	**-**
Accretion costs		-	1,869,401	-	-	**1,869,401**
Asset retirement costs		-	30,489	-	-	**30,489**
Foreign exchange		(104,080)	(517,233)	(161,119)	(13,078)	**(795,509)**
Balance, December 31, 2019		**9,446,726**	**24,884,393**	**7,102,385**	**1,369,119**	**42,802,623**
Accumulated depreciation						
Balance, January 1, 2018		**5,622**	**-**	**-**	**-**	**5,622**
Additions		78,352	70,225	-	-	**148,577**
Foreign exchange		6,787	(4,529)	-	-	**2,258**
Balance, December 31, 2018		**90,761**	**65,696**	**-**	**-**	**156,457**
Transfer from PPE		(449)	-	-	449	**-**
Additions		751,515	476,899	-	150,044	**1,378,458**
Foreign exchange		(6,804)	(1,761)	-	(11)	**(8,576)**
Balance, December 31, 2019		**835,023**	**540,834**	**-**	**150,482**	**1,526,339**
Net book value						
Balance, December 31, 2018		**6,537,228**	**20,872,425**	**4,669,407**	**-**	**32,079,060**
Balance, December 31, 2019		**8,611,703**	**24,343,559**	**7,102,385**	**1,218,637**	**41,276,284**

Equipment under construction includes plant and equipment which is not available for use and therefore is not depreciated. During the year ended December 31, 2019, $169,541 (the year ended December 31, 2018: $18,760) of depreciation was expensed to the consolidated statement of loss and comprehensive loss and the remaining $1,208,917 (year ended December 31, 2018: $129,817) 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 year lease terms.

(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.

	December 31, 2019 $	December 31, 2018 $
Amounts payable	3,684,938	1,608,858
Accrued liabilities	1,912,144	65,973
Other payables	97,833	23,153
Total amounts payable and accrued liabilities	**5,694,915**	**1,697,984**

9. Promissory notes

Promissory notes of the Company are comprised of the following:

Due	Principal $	December 31, 2019 $	December 31, 2018 $
September 30, 2019 (note 5)	5,000,000	5,000,000	4,308,864
Total		**5,000,000**	**4,308,864**
Paid		(5,000,000)	-
Total		**-**	**4,308,864**

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

Accretion during the year ended December 31, 2019 amounted to $707,188 (December 31, 2018 - $759,800). $Nil (December 31, 2018 - $365,55) was expensed to the consolidated statement of loss and comprehensive loss. $707,188 (December 31, 2018 - $394,241) of accretion was capitalized to property, plant and equipment under construction.

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 $687,982 as at December 31, 2019 (December 31, 2018: $643,997), over a period of 11 years, and discounted using a risk-free rate of 14.50% per annum.

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

	December 31, 2019 $	December 31, 2018 $
Balance, beginning of year	320,536	-
Movements	(82,006)	320,536
Accretion	39,629	-
Foreign exchange	(7,209)	-
Balance, end of year	**270,950**	320,536

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 (Stream Agreement) dated August 11, 2017 with Triple Flag Bermuda. 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 (plus 250 ounces of gold for each three month period in which the commercial production date follows September 30, 2018)and 45,000 ounces for silver (plus 2,045 ounces of silver for each three month period in which the commercial production date follows September 30, 2018). 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 CAD$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 CAD$2.00 per on or before September 15, 2022.

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 price 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 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.

The Company has determined that the amendement to the agreement is considered a modification to the liability and has recorded a gain of $303,197 to the consolidate statement of loss and comprehensive loss on modification.

Accretion expenses during the year ended December 31, 2019 $1,127,508 (year ended December 31, 2018: $485,740). During the year ended December 31, 2019 $Nil (December 31, 2018 - $222,587) was expensed to the consolidated statement of loss and comprehensive loss, $1,127,508 (December 31, 2018 - $263,153) of accretion was capitalized to property,plant and equipment under construction.

(Expressed in US Dollars)

11. Streaming arrangement (continued)

The Stream Agreement is subject to various financial covenants that come into affect as follows. 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. 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. The EBITDA ratio is defined in the agreement as a Leverage Ratio, calculated as Net Indebtedness to EBITDA, while the forecast ratio is defined as a Forward Leverage Ratio, calculated as Net Indebtedness to forecasted EBITDA. Net Indebtedness is defined as the indebtedness of the Steppe Parent excluding the Centerra Deferred Purchase Price Amount less any cash and liquid securities that is greater than the Centerra Deferred Purchase Price Amount. 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.

The continuity of the streaming liability is presented as follows:

	$
Balance, December 31, 2017	**8,191,188**
Funding received	11,500,000
Accretion	485,740
Foreign exchange	(64,892)
Balance, December 31, 2018	**20,112,036**
Funding received	5,000,000
Transactional cost	(150,000)
Accretion	1,127,508
Gain on modification of debt	(303,197)
Balance, December 31, 2019	**25,786,347**
Less: Current portion	**10,395,856**
Long term portion of streaming liability	**15,390,491**

12. Leases

The Company has leases for an office, generators and light motor vehicles. Each lease is reflected on the consolidated statement of financial position 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 under construction (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.

Lease liabilities

The continuity of lease liability is presented as follows:

	Lease liability
Balance, December 31, 2018	**-**
Additions	1,369,119
Interest expense	116,102
Lease payments	(916,525)
Foreign exchange	7,185
Balance, December 31, 2019	**575,881**
Less: Current portion	**398,998**
Lease liability non-current	**176,883**

(Expressed in US Dollars)

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	Within 1 year $	1 – 2 years $	2 – 3 years $	3 – 4 years $	**Total** **$**
December 31, 2019					
Lease payments payables	(398,998)	(220,507)	(21,461)	(6,849)	**(647,815)**

13. Convertible Debentures

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

On August 27, 2019 the Company closed the second and final tranche of its previously announced private placement issuing $3.04 million principal amount of two year unsecured convertible debentures bringing the aggregate principal amount of debentures issued under the offering to $8.44million. $600,000 of the proceeds from the debentures was allocated from unsettled accounts payable.

(Expressed in US Dollars)

13. Convertible Debentures (continued)

Both tranches collectively known as the “Debentures” 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 are 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 are 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 $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 CAD2.00 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 feature is denominated in a currency other than the Company’s functional currency, and as such does not meet the fixed for fixed criteria.

The Company has incurred total transaction costs of $477,413 of which $255,038 was expensed in the consolidated statement of loss and comprehensive loss and $222,375 was capitalized to the convertible debentures - loan liability component. These costs included 6% finders’ fees of $467,400 and legal expenses of $9,878.

The fair value of the conversion feature of the Debentures was estimated based on the Black Scholes pricing model using a risk free interest rate of 1.48% (first tranche), 1.34% (second tranche) based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rates of 78% (first tranche) 83% (second tranche) based on comparable companies, and an expected life of 2 years.

Convertible debentures loan liability component has been subsequently accounted using effective interest method at amortized cost. Effective interest rate of the loan liability (tranche 1 - 48% and tranche 2 - 93%) are based on the present value (principal, less conversion feature and issuance costs), future value and term.

As at December 31, 2019, the fair value of convertible debentures - derivative component was estimated based on the Black Scholes pricing model using a risk free interest rate of 1.69% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rate of 83% based on comparable companies, and an expected life of 1.5 years (first tranche) and 1.69 years (second tranche).

On December 31, 2019, the Company made the first semi-annual 10% interest payments of $374,203 to the Debenture holders.

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	(4,634,488)
Convertible debenture - loan liability component	**3,805,512**

The changes in the convertible debenture loan liability are as follows:	**$**
Value at initial recognition	3,805,512
Transaction costs	(222,375)
Accretion	976,869
Interest payments	(374,203)
Balance December 31, 2019	**4,185,803**

(Expressed in US Dollars)

13. Convertible Debentures (continued)

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

	$
Value at initial recognition	4,634,488
Change in fair value of derivative liability	873,753
Balance December 31, 2019	**5,508,241**

14. Share Capital

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

b) Common shares issued:

	Note	Number of common shares	$
Balance, December 31, 2017		**29,040,911**	**7,861,287**
Initial public offering (i)		10,569,185	11,013,701
Cost of issue (i)		-	(1,473,753)
Conversion of special warrants (ii)		1,930,799	3,020,202
Balance, December 31, 2018		**41,540,895**	**20,421,437**
Equity Financing (iii)		2,222,222	1,447,490
Uudam Khundii shares issued (iv)		1,400,000	647,322
Exercise of restricted share units (v)		35,294	22,822
Balance, December 31, 2019		**45,198,411**	**22,539,071**

(i) On May 22, 2018, Steppe announced the closing of its initial public offering (“the Offering”) of units of the Company (“Units”). Under the Offering, the Company issued 10,569,185 Units at a price of CAD2.00 per Unit (“the Issue Price”) for gross proceeds of $16,532,434. Each Unit is comprised of one common share of the Company and one common share purchase warrant (“a Warrant”). Each Warrant is exercisable for one common share at an exercise price equal to CAD2.34 for a period of 24 months after the closing date of the Offering. The distribution of the Units was qualified by way of prospectus dated May 2, 2018 filed with the securities regulatory authorities in each of the provinces and territories of Canada, other than Quebec. Haywood Securities Inc. and PI Financial Corp. (“Agents”) acted as co-lead agents on the Offering. Total cash costs for the initial public offering amounted $1,630,152, allocated as follows: $1,473,752 to common shares; and $156,400 to Warrants.

(ii) The final prospectus dated May 2, 2018 qualified the distribution of 1,930,799 Units on the deemed exercise of 1,287,210 previously issued Warrants of the Company (Special Warrants). The Special Warrants were issued on a private placement basis on February 1, 2018 and February 22,2018 pursuant to the terms of a Special Warrant Indenture dated February 1, 2018, as amended, between the Company and TSX Trust Company, as Special Warrant Agent for gross proceeds of $3,020,202. A summary of the assumptions used in the valuation model for re-measuring the fair value of the Warrants at May 22, 2018 is as follows: strike price – CAD2.00; stock price – CAD2.00; estimated life in years – 5 years; estimated volatility using similar companies – 104%; and risk-free interest rate – 2.24%.

(iii) On December 23, 2019 the Company issued 2,222,222 common shares for C2,000,000 and incurred C120,000 related share issue costs.

(iv) On November 5, 2019 the Company issued 1,400,000 shares as part of the Uudam Khundii project acquisition (Note 6).

(v) The Company issued 35,294 common shares related to restricted share units (RSUs) for the year ended December 31, 2019 (Note 16).

(Expressed in US Dollars)

15. Exploration and evaluation expenditures

For the year ended December 31, 2019

	ATO Project $	Uudam Khundii Project $	South Tsagaan Temeet Prospect $	Bayan Munkh West and East Prospect $	Total $
General exploration	-	20,064	4,748	8,236	33,048
Drilling	-	-	9,073	73,764	82,837
Survey	-	9,443	-	-	9,443
Total exploration and evaluation expenditures	**-**	**29,507**	**13,821**	**82,000**	**125,328**

For the year ended December 31, 2018

	ATO Project $	Uudam Khundii Project $	South Tsagaan Temeet Prospect $	Bayan Munkh West and East Prospect $	Total $
General exploration	203,234	95,839	-	-	299,073
Consulting	105,711	-	10,526	1,066	117,303
Assays	-	63,361	3,236	243	66,840
Drilling	259,797	-	8,546	4,078	272,421
Sampling	17,936	40,271	-	45,312	103,519
Survey	-	107,378	283	13,153	120,814
Casual labour	-	53,202	-	-	53,202
Total exploration and evaluation expenditures	**586,678**	**360,051**	**22,591**	**63,852**	**1,033,172**

Exploration expenditure on the ATO Project for the year ended December 31, 2019 totaling to $2,563,615 (year ended December 31, 2018: $1,538,496) have been capitalized to ATO project due to the project entering into the development phase on July 1, 2018 (Note 5).

16. Stock based compensation

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

	Exercisable options	Number of options	Fair value of stock options $	Weighted average exercise price CAD $
Balance at December 31, 2017				
Issuance at May 22, 2018 (i)	2,600,000	2,600,000	3,028,324	2.00
Issuance at October 10, 2018 (ii)	1,036,667	1,555,000	863,003	2.00
Balance at December 31, 2018	**3,118,333**	**4,155,000**	**3,891,327**	2.00
Balance at December 31, 2019	**3,636,667**	**4,155,000**	**3,891,327**	2.00

(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 CAD$2.00 per share until May 22, 2023. A fair value of $3,028,324 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - CAD1.95; dividend yield – 0%; expected volatility (based on historical price data of similar companies) – 104%; 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 CAD$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 $863,003 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price – CAD$1.00; dividend yield – 0%; expected volatility (based on historical price data of similar companies) – 111%; risk-free interest rate – 2.43%; and an expected life – 5 years. Stock based compensation of $359,044 for the year ended December 31, 2019 (year ended December 31, 2018: $385,647) was expensed in the consolidated statement of loss and comprehensive loss. During the year, two directors resigned from the Company. In accordance with the stock option plan, these options immediately vest upon resignation. A total of 80,000 options related to the October 10, 2018 stock option issuance were accelerated during the year.

The following table reflects the continuity of RSUs for the year ended December 31, 2019:

	Outstanding number of RSU
Balance at December 31, 2017	-
Issue December 31, 2018	105,882
Balance at December 31, 2018	105,882
Exercised February 27, 2019	(35,294)
Balance at December 31, 2019	**70,588**

On December 31, 2018, the Company granted 105,882 restricted share units to officers of the Company with each RSU exercisable into one common share of the Company at an exercise price of CAD$0.85 per share or the cash equivalent thereof upon the vesting conditions being met until December 31, 2020. The RSUs vest 1/3 over a period of two years. 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. A fair value of $65,973 was determined based on exercisable price.

On February 27, 2019, 35,294 RSUs were exercised and $22,822 was transferred from liability to equity (note 14). Vesting of RSUs of $33,916 was expensed in the consolidated statement of loss and comprehensive loss for the year December 31, 2019 (2018 - $23,153) . As at year ended December 31, 2019, there were 70,588 RSUs outstanding and 35,294 RSUs exercisable.

17. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2019 was based on the net loss attributable to common shareholders of $5,209,397 (year ended December 31, 2018 - loss of $12,134,235) and the weighted average number of common shares outstanding of 41,844,102 (year ended December 31, 2018 – 36,677,887).

(Expressed in US Dollars)

18. Related party transactions

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

During the year ended December 31, 2019, management fees paid, or otherwise accrued, to key management personnel (defined as the Chief Executive Officer ("CEO") and directors) totaled $1,515,493, (year ended December 31, 2018: $1,541,276). Stock based compensation of $3,281,524 and $505,391 was granted to management for the years ended December 31, 2018 and 2019 respectively. As at December 31, 2019, key management personnel were owed $17,844 (December 31, 2018: $nil).

During the year ended December 31, 2019, a company for which the Vice President of Exploration is the CEO of provided services to the Company totaling $1,497,880 (2018 - $nil). As at December 31, 2019, $1,497,880 was owed to the company (December 31, 2018 - $nil).

Bataa Tumur-Ochir, a director and officer of Steppe Gold Ltd announced that on October 28, 2019 he purchased US$2,500,000 of the 10% two-year unsecured Company 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.

19. Warrants

	Note	Number of warrants	Warrant (Equity) $	Warrant Liability $
Balance, December 31, 2017		**7,109,250**		**5,352,210**
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)
Balance, December 31, 2018		**20,243,385**	**13,655,083**	**-**
Balance, December 31, 2019		**20,243,385**	**13,655,083**	**-**

The following table reflects the actual warrants issued and outstanding as of December 31, 2019:

Expiry date	Exercise price (CAD$)	Warrants outstanding	Fair Value ($)
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
		20,243,385	**13,655,083**

(Expressed in US Dollars)

19. Warrants (continued)

(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 CAD1.95; 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 were 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 CAD1.95; 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.

20. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a Canadian chartered bank and a financial institution in Mongolia, from which management believes the risk of loss to be minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet its obligations, it will consider securing additional equity or debt funding.

The Company's cash is currently invested in business accounts with high-credit quality financial institutions which are available on demand by the Company.

The Company's financial obligations consist of accounts payable and other liabilities, purchase price payable and lease liability. Long term liabilities consist of the streaming arrangement, long term portion of lease liability as well as the loan liability and derivative components of the convertible debentures.

The maturity analysis of financial liabilities as at December 31, 2019 is as follows:

	Less than one year	1-3 years	3-5 years	More than 5 years	Total
Accounts payable and other liabilities	5,694,915	-	-	-	5,694,915
Lease liability	398,998	170,242	6,641	-	575,881
Purchase price payable	350,000	-	-	-	350,000
Stream arrangement	10,395,856	11,465,626	3,924,865	-	25,786,347
Convertible debentures – loan liability	-	4,185,803	-	-	4,185,803
Convertible debentures – derivative	5,508,241	-	-	-	5,508,241
Total	**22,348,010**	**15,821,671**	**3,931,506**	**-**	**42,101,188**

20. Financial risk management (continued)

The maturity analysis of financial liabilities as at December 31, 2018 is as follows:

	Less than one year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Accounts payable and other liabilities	1,674,831	23,153	-	-	1,697,984
Purchase price payable	500,000	-	-	-	500,000
Promissory note	4,308,864	-	-	-	4,308,864
Stream arrangement	-	9,257,122	5,434,939	5,419,975	20,112,036
Total	**6,483,695**	**9,280,275**	**5,434,939**	**5,419,975**	**26,618,884**

(iii) 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.

(a) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Company's interest rate risk includes potential decreases on the interest rate offered on cash held with chartered Canadian and Mongolian financial institutions. The Company considers the interest rate risk on cash held with chartered Canadian and Mongolian financial institutions to be immaterial. There is no interest rate risk on the convertible debentures as the rate is fixed.

(b) Foreign currency risk

The Company has significant balances in US dollars that are subject to foreign currency risk. The Company is exposed to foreign currency risk on fluctuations related to cash, streaming arrangement, purchase price payable and convertible debentures that are denominated in US dollars. Sensitivity to a plus or minus 5% change in the foreign exchange rate of the US dollars compared to the Canadian dollar would affect net loss by $1,676,003 (gain) and $1,852,424 (loss) with all other variables held constant.

(iv) 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. Adverse changes in the price of certain raw materials can also significantly affect the Company's cash flows. 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 in supply and demand due to speculative or hedging activities, macro-economic variables, geopolitical events and certain other factors related specifically to gold (including central bank reserves management). To the extent that the price 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. To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel), the Company's profitability and cash flows may be impacted. Once production commences the Company will monitor gold and silver prices to identify measures that may be required to mitigate commodity price risk. Diesel fuel purchases are currently at spot price and are not considered material enough to require hedging to mitigate the price risk.

(Expressed in US Dollars)

20. Financial risk management (continued)

(v) Embedded derivatives

The Company has issued convertible debentures which contain an embedded derivative component (Note 13). The following table is a sensitivity analysis of the impact on the consolidated statement of loss and comprehensive loss of an increase or a decrease in the assumptions that are used to value the derivative liability. The following represents the Company's sensitivity for Financial instruments measured at FVPTL and classified as level 3.

Input	Sensitivity rate	Impact of increase $	Impact of Decrease $
Stock price	10%	906,846	(876,592)
Exercise price	10%	(328,054)	357,269
Volatility rate	10%	394,800	(405,123)
Discount rate	0.5%	25,969	(26,554)

21. Capital risk management

The Company's objectives in the managing of the liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of debt instruments and equity attributable to common shareholders, comprising of issued share capital, shares to be issued, warrants, contributed surplus, accumulated other comprehensive loss and deficit. 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 shares, issue new debt, acquire or dispose of assets to facilitate the management of its capital requirements. The Company does not have sufficient funds to meet its current operating obligations. See note 1 for going concern discussion. The Company defines capital as total debt less cash and equivalents and it is managed by management subject to approved policies and limits by the Board of Directors. The Company is not subject to any externally imposed capital requirements except for the coventants detailed in note 11.

22. Fair value measurements

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

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

(Expressed in US Dollars)

22. Fair value measurements (continued)

The following tables set forth the Company's assets and liabilities measured at fair value on a recurring basis (at least annually) by level within the fair value hierarchy. As required by accounting guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair value at December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	671,421	671,421	-	-
	671,421	**671,421**	**-**	**-**
Liabilities				
Convertible debenture derivative	5,508,241	-	-	5,508,241
	5,508,241	**-**	**-**	**5,508,241**

	Fair value at December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	7,015,846	7,015,846	-	-
	7,015,846	**7,015,846**	**-**	**-**

23. Income tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 – 26.5%) to the effective tax rate is as follows:

	December 31, 2019 $	December 31, 2018 $
Loss before income tax	(5,233,497)	(12,215,666)
Expected income tax (recovery) expense	(1,386,880)	(3,237,150)
Differences due to foreign tax rate	(211,960)	834,550
Share issuance cost booked directly to equity	-	(544,120)
Tax rate changes and other adjustments	(50,310)	101,520
Non-deductible expenses	558,080	1,896,130
Change in tax benefits not recognized	1,091,070	949,070
Total tax recovery	-	-

Deferred tax assets

The following table summarizes the components of deferred tax:

	December 31, 2019 $	December 31, 2018 $
Deferred tax assets		
Non-capital losses - Canada	23,830	-
Non-capital losses - Mongolia	175,840	97,790
Deferred tax liabilities		
Property, plant, and equipment	(175,840)	(97,790)
Mineral properties	(3,110)	-
Unrealized foreign exchange	(20,720)	
Net deferred tax asset	-	-

(Expressed in US Dollars)

23. Income tax (continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of the temporary differences that arise due to the differences between the income tax valued and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2019 $	December 31, 2018 $
Property, plant, and equipment	25,530	330,230
Convertible debentures	1,254,040	-
Share issuance costs	1,842,590	1,942,660
Non-capital losses carried forward - Canada	6,102,430	2,836,280
Non-capital losses carried forward - Mongolia	1,690,080	3,284,080
Unrealized FX	-	2,835,940

The Company's Canadian non-capital income tax losses expire as follows:

Year	
2036	**173,340**
2037	**2,409,070**
2038	**395,980**
2039	**3,268,010**
	6,246,400

The Company's Mongolian non-capital income tax losses expire as follows:

Year	
2025	**967,150**
2026	**2,221,950**
2027	**259,350**
	3,448,450

24. Contingencies

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

25. Events after reporting period

Private placement offering

Pursuant to the Board of Directors resolution dated December 19, 2020 the Company completed a private placement offering of 2,612,222 common shares at a price of CAD0.90 per common share for aggregate gross proceeds of CAD2,351,000 (note 14). On December 23, 2019 the Company completed the first tranche of 2,222,222 common shares for CAD2,000,000. On January 30, 2020 it completed the final tranche of 390,000 common shares for gross proceeds of CAD351,000.

25. Events after reporting period (continued)

Funding received

The Company has received funding from the Mongolian National Investment Fund PIF SPV. The fund has subscribed for a 12% two-year secured convertible debenture of the Company in the principal amount of $3 million. The debenture will bear interest from the date of closing at 12% per annum, calculated and payable semi- annually in arrears, and will mature two years from the date of issuance. The debenture 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 $0.68 per common share. The offering closed on January 30, 2020.

Global Issues

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian and Mongolian governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, Mongolia and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, and staff shortages, all of which may negatively impact the Company's business and financial condition.