



## Condensed Interim Consolidated Financial Statements

Three and Six months ended June 30, 2020 and 2019

(Expressed in US Dollars)

(Unaudited)

**STEPPE GOLD LTD.****Condensed Interim Consolidated Statements of Financial Position**

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

(Unaudited)

	Notes	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>(Audited)</b>			
<b>Current assets</b>			
Cash		6,882	671
Receivables and other assets	3	2,020	1,148
Inventories	4	8,245	8,356
<b>Total current assets</b>		<b>17,147</b>	<b>10,175</b>
<b>Long-term assets</b>			
Uudam Khundii Project	5	1,921	1,992
Property, plant and equipment under construction	6	39,081	41,276
<b>Total long-term assets</b>		<b>41,002</b>	<b>43,268</b>
<b>Total assets</b>		<b>58,149</b>	<b>53,443</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Amounts payable and other liabilities	7	6,033	5,695
Current portion of streaming arrangement	9	11,930	10,396
Lease liability	10	336	399
Purchase price payable	5	-	350
Convertible debentures – derivative	11	14,082	5,508
<b>Total current liabilities</b>		<b>32,381</b>	<b>22,348</b>
<b>Long-term liabilities</b>			
Long term portion of streaming arrangement	9	12,073	15,390
Asset retirement obligation	8	525	271
Lease liability	10	95	177
Convertible debentures – loan liability	11	5,308	4,186
<b>Total long-term liabilities</b>		<b>18,001</b>	<b>20,024</b>
<b>Total liabilities</b>		<b>50,382</b>	<b>42,372</b>
<b>Shareholders' equity</b>			
Share capital	12	25,670	22,539
Warrants	13	8,293	13,655
Contributed surplus		9,214	3,780
Non-controlling interest		(124)	(112)
Accumulated other comprehensive loss		(5,665)	(5,372)
Deficit		(29,621)	(23,419)
<b>Total shareholders' equity</b>		<b>7,767</b>	<b>11,071</b>
<b>Total liabilities and shareholders' equity</b>		<b>58,149</b>	<b>53,443</b>

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

*Nature of operations and going concern (Note 1)*

**Approved on behalf of the Board:**

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

(Signed) "Batkhuu Budnyam" \_\_\_\_\_, Director

**STEPPE GOLD LTD.****Condensed Interim Consolidated Statements of Loss and Comprehensive loss**

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

(Unaudited)

	Notes	Three Months Ended June 30		Six months Ended June 30	
		2020	2019	2020	2019
<b>Revenue</b>	<b>15</b>	<b>19,520</b>	-	<b>19,520</b>	-
Cost of sales	<b>16</b>				
Production cost		(6,039)	-	(6,039)	-
Depletion and depreciation		(2,153)	-	(2,153)	-
Royalties		(1,435)	-	(1,435)	-
<b>Profit from mine operations</b>		<b>9,893</b>	-	<b>9,893</b>	-
Exploration and evaluation expenditures	<b>14</b>	(2)	-	(8)	(3)
Corporate administration	<b>17</b>	(1,682)	(1,084)	(2,558)	(2,138)
<b>Operating profit/(loss)</b>		<b>8,209</b>	<b>(1,084)</b>	<b>7,327</b>	<b>(2,141)</b>
Finance costs	<b>19</b>	(10,981)	(49)	(10,385)	(86)
Foreign exchange gain/(loss)		2,405	(464)	(1,203)	103
<b>Net (loss) before tax</b>		<b>(367)</b>	<b>(1,597)</b>	<b>(4,261)</b>	<b>(2,124)</b>
<b>Income tax</b>		(1,953)	-	(1,953)	-
<b>Net (loss) after tax</b>		<b>(2,320)</b>	<b>(1,597)</b>	<b>(6,214)</b>	<b>(2,124)</b>
Cumulative translation adjustment		(2,295)	317	(293)	532
<b>Net loss and comprehensive loss</b>		<b>(4,615)</b>	<b>(1,280)</b>	<b>(6,507)</b>	<b>(1,592)</b>
Net loss attributable to shareholders of the Company		(2,310)	(1,595)	(6,202)	(2,112)
Net loss attributable to non-controlling interest		(10)	(2)	(12)	(12)
		<b>(2,320)</b>	<b>(1,597)</b>	<b>(6,214)</b>	<b>(2,124)</b>
Net loss and comprehensive loss attributable to shareholders of the Company		(4,605)	(1,278)	(6,495)	(1,580)
Net loss and comprehensive loss attributable to non-controlling interest		(10)	(2)	(12)	(12)
		<b>(4,615)</b>	<b>(1,280)</b>	<b>(6,507)</b>	<b>(1,592)</b>
<b>Basic and diluted net loss and comprehensive loss per common share</b>		-	-	-	-
		(0.047)	(0.038)	(0.130)	(0.051)
<b>Weighted average number of common shares outstanding - basic and diluted</b>		49,744,584	41,553,444	47,620,479	41,553,444

**STEPPE GOLD LTD.****Condensed Interim Consolidated Statements of Cash Flows**

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

(Unaudited)

	Notes	June 30, 2020	June 30, 2019
<b>Operating activities</b>			
Net loss for the period		(6,214)	(2,124)
<i>Adjustments for non-cash items:</i>			
Change in the fair value of derivative	<b>11</b>	8,718	-
Accretion and financing costs		1,607	86
Depreciation	<b>6</b>	2,153	80
Stock based compensation	<b>18</b>	72	307
Unrealized foreign exchange loss		1,097	1,280
<i>Changes in working capital items:</i>			
Inventories	<b>4</b>	111	(3,586)
Receivables and other assets	<b>3</b>	(871)	(161)
Amounts payable and other liabilities	<b>7</b>	338	2,355
Drawdown of gold and silver stream	<b>9</b>	(2,449)	-
<b>Net generated by (used in) operations</b>		<b>4,562</b>	<b>(1,763)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(629)	(5,852)
<b>Net cash used in investing activities</b>		<b>(629)</b>	<b>(5,852)</b>
<b>Financing activities</b>			
Proceeds from the issuance of convertible debentures	<b>11</b>	3,000	6,200
Interest paid on convertible debentures	<b>11</b>	(238)	-
Convertible debenture issuance costs	<b>11</b>	(115)	(200)
Proceeds from equity financing	<b>12</b>	250	-
Repayment of purchase price payable	<b>5</b>	(350)	-
Lease obligation payments	<b>10</b>	(224)	-
<b>Net cash generated from financing activities</b>		<b>2,323</b>	<b>6,000</b>
<b>Effect of exchange rate changes on cash held in foreign currency</b>		<b>(45)</b>	<b>(13)</b>
<b>Net increase/(decrease) in cash</b>		<b>6,211</b>	<b>(1,628)</b>
<b>Cash, beginning of period</b>		<b>671</b>	<b>7,016</b>
<b>Cash, end of period</b>		<b>6,882</b>	<b>5,388</b>

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

**STEPPE GOLD LTD.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****For the six months ended June 30, 2020**

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

(Unaudited)

	Notes	Number of shares	Share capital	Shares to be issued	Contributed surplus	Warrants	Non-controlling interest Corundum	Accumulated other comprehensive loss	Deficit	Total equity
			\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at December 31, 2018</b>		41,540,895	20,421	647	3,297	13,655	(88)	(3,111)	(18,209)	16,612
Shares issued from exercise of RSU's		35,294	23	-	-	-	-	-	-	23
Stock based compensation		-	-	-	311	-	-	-	-	311
Comprehensive loss for the period		-	-	-	-	-	(12)	532	(2,112)	(1,592)
<b>Balance as at June 30, 2019</b>		<b>41,576,189</b>	<b>20,444</b>	<b>647</b>	<b>3,608</b>	<b>13,655</b>	<b>(100)</b>	<b>(2,579)</b>	<b>(20,321)</b>	<b>15,354</b>
<b>Balance as at December 31, 2019</b>		<b>45,198,411</b>	<b>22,539</b>	<b>-</b>	<b>3,780</b>	<b>13,655</b>	<b>(112)</b>	<b>(5,372)</b>	<b>(23,419)</b>	<b>11,071</b>
Shares issued from exercise of RSU's	<b>12</b>	35,294	23	-	-	-	-	-	-	23
Equity financing	<b>12</b>	390,000	250	-	-	-	-	-	-	250
Convertible debt converted into shares	<b>12</b>	4,807,692	2,858	-	-	-	-	-	-	2,858
Stock based compensation	<b>18</b>	-	-	-	72	-	-	-	-	72
Comprehensive loss for the period		-	-	-	-	-	(12)	(293)	(6,202)	(6,507)
Burping warrants		-	-	-	5,362	(5,362)	-	-	-	-
<b>Balance as at June 30, 2020</b>		<b>50,431,397</b>	<b>25,670</b>	<b>-</b>	<b>9,214</b>	<b>8,293</b>	<b>(124)</b>	<b>(5,665)</b>	<b>(29,621)</b>	<b>7,767</b>

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

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

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

(Unaudited)

### 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 precious metal projects, primarily in Mongolia.

On September 15, 2017, the Company 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.

In the second quarter of 2020 the Company achieved commercial production at the ATO Mine, with all operations and facilities running to plan and all relevant metrics met.

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and to develop profitable operations.

As at June 30, 2020 and for the six month periods ended June 30, 2019 the Company had the following working capital deficit, comprehensive loss and cash flows:

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
	<b>\$000's</b>	<b>\$000's</b>
Working capital deficit	15,234	12,173
Net loss and comprehensive loss	6,507	1,592
Cash in/(out)flow from operations	4,562	(1,763)

Ongoing operations of the ATO Mine are dependent on the Company's ability to generate sufficient cash flow from production. To continue operations, 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.

These condensed interim 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 material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

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.

The COVID-19 pandemic has not resulted in any material impact on operations and the Company currently does not expect it will impact its 2020 production. Preventative measures are in place to ensure the well-being of employees and contractors and no risks were noted at the end of the interim reporting period. Management continues to monitor the situation at the site and corporate office to identify any issues that may affect operational or financial reporting activities.

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

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

(Unaudited)

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## 2. Significant accounting policies

### *Statement of compliance*

The Company applies international Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS interpretations Committee. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements and advise readers of these unaudited condensed interim consolidated financial statements to review the audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2019 in conjunction with the review of these unaudited condensed interim consolidated financial statements. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 14, 2020.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2019 other than as noted below.

### *Commercial Production*

During the quarter ended June 30, 2020 the Company determined commercial production was achieved for the ATO Mine. As a result, June 2019 comparative figures for the six months ended June 30, 2019 shown in the condensed interim consolidated statements of loss and comprehensive loss have been adjusted to align with the revised presentation. Prior to the commencement of commercial production, production costs were capitalized within construction in progress.

### *Accounting policies*

#### Revenue recognition

Revenue is generated from the sale of gold and silver. The Company produces doré which contains gold and silver. The doré bars are analysed by the Mongolian Agency for Standardization And Metrology ("MASM") which determines the gold and silver content to be sold to the customer. The performance obligation for revenue is recognized when control over the metal is transferred to the customer. Control is achieved when the gold or silver bars are delivered to the customer's gold vault. Revenue is presented, where applicable, after taking account of settlement of the streaming arrangement with Triple Flag Mining Bermuda (note 9).

#### Inventory

Due to the commencement of commercial production the Company revised the accounting policy on inventory to include gold in circuit and finished gold.

Inventories include ore stockpiles, gold in circuit, finished goods (doré bars including gold and silver) and supplies inventory. Ore stockpiles, heap leach ore or finished goods inventory are valued at the lower of weighted average production cost or net realizable value based on estimated metal content.

The Company allocates direct and indirect production costs to gold on a systematic and rational basis. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and applicable depreciation and depletion of mineral properties, plant and equipment. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert inventories into saleable form and estimated costs to sell.

Gold in circuit inventory represents ore on the surface that has been extracted from the mine and is available for further processing. When ore is placed on the heap leach pad, an estimate of recoverable ounces is made based on tonnage, ore grade and estimated recoveries of ore that was placed on the heap leach pad. The estimated recoverable ounces on the heap leach pad are used to determine inventory cost. The estimated recoverable ounces carried on the heap leach pad are adjusted based on recoveries estimated in the feasibility study.

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

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

(Unaudited)

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#### 2. Significant accounting policies (continued)

Inventory (continued)

Finished gold inventory represents gold and silver ounces located at the mine and bars still under assay at the MASM. Materials and supplies inventories are valued at the lower of weighted average cost and net realizable value.

Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value.

##### *Critical accounting estimates and judgments*

The preparation of the condensed interim consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the condensed interim consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

##### Warrant and stock option valuation

The fair value is measured at the grant date and at each reporting period for such items that are classified as derivatives. 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 of the liability 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 interests. 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, asset retirement obligations, inventories and depreciation expense.



# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

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

(Unaudited)

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### 2. Significant accounting policies (continued)

#### Depreciation and depletion

Mining interests are depleted using the unit-of-production method over a period not to exceed the estimated life of the ore body based on estimated recoverable reserves. 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 depreciation expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production and expansion of mineral reserves through exploration activities. Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

#### 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 under construction 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 under construction depends on the Company's interpretation of its interest in the underlying mineral claims based on existing regulations, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on the life-of-mine plans in its assessments of economic recoverability and probability of future economic benefit. Life-of-mine plans provide an economic model to support the economic extraction of reserves and resources.

A long-term life-of-mine plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body. The life-of-mine plan requires the use of estimates and assumptions such as long term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, mineral reserves, and operating performance (which includes production and sales volume).

#### Asset retirement obligation

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 - derivative

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 condensed interim consolidated statement of loss and comprehensive loss.

# STEPPE GOLD LTD.

## Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

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

(Unaudited)

### 2. Significant accounting policies (continued)

#### Deferred taxes

The Company operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its condensed interim consolidated 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.

#### Commercial production

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgement which impacts when the Company recognizes revenue, operating costs and depreciation and depletion. In making this determination, management considers specific facts and circumstances. These factors include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning and consistent operating results being achieved at pre-determined levels of design capacity for a reasonable period of time.

#### Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term. The determination of the incremental borrowing rate utilized on commencement of the lease to present value the contractual payments requires significant judgement in its determination.

### 3. Receivables and other assets

	June 30, 2020	December 31, 2019
	\$	\$
Prepaid expenses	1,513	999
Trade receivables	222	-
Other receivables	285	149
<b>Total receivables and other assets</b>	<b>2,020</b>	<b>1,148</b>

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

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

(Unaudited)

#### 4. Inventories

	June 30, 2020	December 31, 2019
	\$	\$
Stockpiles of ore	3,594	8,178
Inventory - Gold in Circuit	2,151	-
Inventory - Finished Goods	1,719	-
Inventory - Consumables and supplies	781	178
	<b>8,245</b>	<b>8,356</b>

#### 5. Uudam Khundii Project

The Company, through its subsidiary Steppe West LLC ("Steppe West"), entered into a share sales agreement dated May 15, 2017, with an unrelated third party to acquire 80% of Corundum Geo LLC ("Corundum"). The acquisition was been accounted as an asset acquisition.

Uudam Khundii project acquisition terms are outlined below:

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

On May 14, 2020, the Company has settled remaining \$350,000 in relation to Uudam Khundii project acquisition.

Uudam Khundii project acquisition:

	\$
<b>Balance as at December 31, 2018</b>	<b>2,045</b>
Foreign exchange adjustment	(53)
<b>Balance as at December 31, 2019</b>	<b>1,992</b>
Foreign exchange adjustment	(71)
<b>Balance as at June 30, 2020</b>	<b>1,921</b>

The accumulated other comprehensive loss related to foreign exchange for the six months ended June 30, 2020 totaled \$71 (six months ended June 30, 2019: \$206).

## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

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

(Unaudited)

#### 6. Property, plant and equipment under construction

	Property and Equipment \$	Altan Tsagaan Ovoo Property \$	Equipment under construction \$	Right of use asset \$	Total \$
<i>Cost</i>					
<b>Balance at January 1, 2019</b>	<b>6,628</b>	<b>20,938</b>	<b>4,670</b>	-	<b>32,236</b>
Transfer from property and equipment	(488)	-	-	488	-
Additions	2,394	2,564	3,610	895	9,463
Transfer of equipment completed	1,017	-	(1,017)	-	-
Accretion costs	-	1,869	-	-	1,869
Asset retirement costs	-	30	-	-	30
Foreign exchange	(104)	(517)	(161)	(13)	(795)
<b>Balance at December 31, 2019</b>	<b>9,447</b>	<b>24,884</b>	<b>7,102</b>	<b>1,370</b>	<b>42,803</b>
Additions	207	334	-	88	629
Transfer of equipment completed	6,008	-	(6,008)	-	-
Accretion costs	-	336	-	-	336
Asset retirement costs	-	486	-	-	486
Foreign exchange	(415)	(924)	(178)	(55)	(1,572)
<b>Balance at June 30, 2020</b>	<b>15,247</b>	<b>25,116</b>	<b>916</b>	<b>1,403</b>	<b>42,682</b>
<i>Accumulated depreciation</i>					
<b>Balance at January 1, 2019</b>	<b>91</b>	<b>66</b>	-	-	<b>157</b>
Transfer from PPE	(1)	-	-	1	-
Additions	752	477	-	150	1,379
Foreign exchange	(7)	(2)	-	0	(9)
<b>Balance at December 31, 2019</b>	<b>835</b>	<b>541</b>	-	<b>151</b>	<b>1,527</b>
Additions	1,012	1,037	-	104	2,153
Foreign exchange	(42)	(30)	-	(7)	(79)
<b>Balance at June 30, 2020</b>	<b>1,805</b>	<b>1,548</b>	-	<b>248</b>	<b>3,601</b>
<i>Net book value</i>					
<b>Balance at December 31, 2019</b>	<b>8,612</b>	<b>24,343</b>	<b>7,102</b>	<b>1,219</b>	<b>41,276</b>
<b>Balance at June 30, 2020</b>	<b>13,442</b>	<b>23,568</b>	<b>916</b>	<b>1,155</b>	<b>39,081</b>

Equipment under construction includes plant and equipment which is not available for use and therefore is not depreciated. The six months ended June 30, 2020, \$2,153 (the six months ended June 30, 2019: \$80) of depreciation was expensed to the condensed interim consolidated statements of loss and comprehensive loss .

On January 20, 2020, the Company's Adsorption-Desorption Recovery (ADR) Plant was fully commissioned by the Professional Inspection Agency of Mongolia. As a result of this event, cost of \$6,008 was transferred from Equipment under construction to Property and Equipment.

Right of use assets comprise of headquarter office lease with lease term until July 31, 2021, generators with lease terms until November 12, 2021, four light vehicles with one to four year lease terms.

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#### 7. 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.

	June 30, 2020	December 31, 2019
	\$	\$
Amounts payable	2,800	3,685
Accrued liabilities	980	1,912
Tax payable	1,929	-
Other payables	324	98
<b>Total amounts payable and accrued liabilities</b>	<b>6,033</b>	<b>5,695</b>

#### 8. 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 \$1,848 as at June 30, 2020 (December 31, 2019: \$688), 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 June 30, 2020 and December 31, 2019 is presented below:

	June 30, 2020	December 31, 2019
	\$	\$
<b>Balance, beginning of period</b>	<b>271</b>	<b>321</b>
Movements	486	(82)
Accretion	60	40
Change in present value of asset retirement obligation	(284)	-
Foreign exchange	(8)	(8)
<b>Balance, end of period</b>	<b>525</b>	<b>271</b>

#### 9. Streaming arrangement

In connection with the ATO Acquisition, the Company, Steppe Gold LLC ("Steppe Mongolia") and Steppe Investments Limited ("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

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#### 9. Streaming arrangement (continued)

to acquire one additional common share at CAD\$2.00 per on or before September 15, 2022.

On September 30, 2019 the Company 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 to Steppe Gold, bringing the total amount advanced to Steppe Gold by Triple Flag Bermuda under the gold stream to \$28,000. 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.

As consideration for the additional advance of \$5,000 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.

As long as the upfront deposit of \$28,000 (the "Upfront Deposit") remains outstanding, the purchase price for the gold and silver required to be sold to Triple Flag Bermuda under the Stream Agreement is based on the product of 0.99 and spot prices of delivery date. The purchase price is to be satisfied as to 83% against the uncredited balance of the Upfront Deposit and 17% is payable in cash by Triple Flag 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 17% of price determined with reference to the product of 0.99 and spot prices of the delivery date, 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.

During the year ended December 31, 2019, the Company determined that the amendment to the agreement was considered a modification to the liability and recorded a gain of \$303 to the condensed interim consolidated statement of loss and comprehensive loss.

Accretion expenses of \$666 during the six months ended June 30, 2020 (six months ended June 30, 2019: \$524) were capitalized to property, plant and equipment under construction.

The Stream Agreement is subject to various financial covenants that come into effect 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 Company 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 Company is compliant with the covenants as noted in the the stream arrangement.

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#### 9. Streaming arrangement (continued)

The continuity of the streaming liability is presented as follows:

	June 30, 2020	December 31, 2019
	\$	\$
<b>Balance, beginning of the period</b>	<b>25,786</b>	<b>20,112</b>
Funding received	-	5,000
Transactional cost	-	(150)
Gain on modification of debt	-	(304)
Accretion	666	1,128
Drawdown of gold and silver stream	(2,449)	-
<b>Balance, end of the period</b>	<b>24,003</b>	<b>25,786</b>
<b>Current portion</b>	<b>11,930</b>	<b>10,396</b>
<b>Long term portion</b>	<b>12,073</b>	<b>15,390</b>

#### 10. Leases

The Company has leases for an office, generators and light motor vehicles. Each lease is reflected on the condensed interim 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 6).

The lease term for the office is three years while the lease term for the light vehicles and the generators range from one to three years. The leases have fixed payment terms.

#### Lease liabilities

The continuity of lease liability is presented as follows:

	June 30, 2020	December 31, 2019
<b>Balance, beginning of the period</b>	<b>576</b>	<b>-</b>
Adoption of IFRS16	-	1,106
Additions	71	263
Interest expense	33	116
Lease payments	(224)	(916)
Foreign exchange	(25)	7
<b>Balance, end of the period</b>	<b>431</b>	<b>576</b>
<b>Current portion</b>	<b>336</b>	<b>399</b>
<b>Long term portion</b>	<b>95</b>	<b>177</b>

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#### 10. Leases (continued)

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at June 30, 2020 is as follows:

	Within 1 year \$	1 – 2 years \$	2 – 3 years \$	3 – 4 years \$	Total \$
<b>June 30, 2020</b>					
Lease payments	(336)	(38)	(34)	(23)	<b>(431)</b>

#### 11. Convertible Debentures

##### (i) Private placement of 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 value of debentures issued under the offering to \$8.44million. \$600 of the proceeds from the debentures was allocated from unsettled accounts payable.

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 2019 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 fair values of the conversion feature of the Debentures was valued on their closing date and 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 measured 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.

During the year ended December 31, 2019, the Company incurred transaction costs of \$477 of which \$255 was expensed in the consolidated statement of loss and comprehensive loss and \$222 was capitalized to the convertible debentures - loan liability component in relation to Debentures. These costs included 6% finders' fees of \$467 and legal expenses of \$10.



## STEPPE GOLD LTD.

### Notes to Condensed Interim Consolidated Financial Statements

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#### 11. Convertible Debentures (continued)

On December 31, 2019, the Company made the first semi-annual 10% interest payments of \$374 and on June 30, 2020, the Company made the next semi-annual 10% interest payments of \$238 to the Debenture holders of Debentures.

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 April 9, 2020, \$2,500 of first tranche convertible debentures was converted into common shares. The fair value of the derivative component was transferred to the share capital and was estimated at \$1,221 based on the Black Scholes pricing model using a risk free interest rate of 0.39% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rate of 91% based on comparable companies, and an expected life of 1.23 years. In addition, \$1,636 of the loan liability was transferred to share capital on conversion.

As at June 30, 2020, the fair value of convertible debentures - derivative component was estimated based on the Black Scholes pricing model using a risk free interest rate of 0.28% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rate of 103.4% (first tranche) and 102.8% (second tranche) based on comparable companies, and an expected life of 1.01 years (first tranche) and 1.16 years (second tranche).

#### *(ii) Mongolian National Investment Fund Debentures (MNIF Debentures)*

On January 30, 2020, the Company received funding from the Mongolian National Investment Fund PIF SPV (the "Fund"). The Fund has subscribed for a 12% two-year secured convertible debenture of the Company in the principal amount of \$3 million. The debt is secured against all of the shares of Steppe West owned by the Company.

The MNIF Debentures will bear interest from the date of closing at 12% per annum, calculated and payable semi-annually in arrears on June 30 and December 31 in each year, commencing on June 30, 2020 and will mature on January 30, 2022.

The MNIF 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 MNIF Debentures will be convertible at the option of the holder into common shares of the Company at any time 4 months after the closing date and prior to the close of business on the maturity date at a conversion price of \$0.68 per common share.

The conversion feature of the MNIF 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 fair value of the conversion feature of the MNIF Debentures was estimated based on the Black Scholes pricing model using a risk free interest rate of 1.47% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rates of 77% based on comparable companies, and an expected life of 2 years.

The convertible debentures loan liability component has been subsequently measured for using the effective interest method at amortized cost. The effective interest rate of the loan liability (42%) is based on the present value (principal, less conversion feature and issuance costs), future value and term.

During the six months ended June 30, 2020, the Company has incurred transaction costs (finders fees of 6%) of \$180 of which \$65 was expensed in the consolidated statement of loss and comprehensive loss for the period and \$115 was capitalized to the convertible debentures - loan liability component in relation to MNIF Debenture.

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### 11. Convertible Debentures (continued)

condensed interim consolidated statement of loss and comprehensive loss and \$115 was capitalized to the convertible debentures - loan liability component in relation to MNIF Debenture.

As at June 30, 2020, the fair value of convertible debentures - derivative component was estimated based on the Black Scholes pricing model using a risk free interest rate of 0.28% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rate of 92% based on comparable companies, and an expected life of 1.59 years.

The following table discloses the components associated with the convertible debenture transactions at initial recognition:

	\$
<b>December 2019</b>	
Proceeds from private placement of Debentures	8,440
Less derivative component	(4,635)
<b>Loan liability component</b>	<b>3,805</b>
<b>June 2020</b>	<b>\$</b>
Proceeds from issue of MNIF Debentures	3,000
Less derivative component	(1,077)
<b>Loan liability component</b>	<b>1,923</b>

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

	\$
Value at initial recognition	3,805
Transaction costs	(222)
Accretion	977
Interest payments	(374)
<b>Balance December 31, 2019</b>	<b>4,186</b>
Initial recognition - MNIF Debentures	1,923
Transaction costs	(114)
Accretion	1,463
Interest (i)	(513)
Converted to common shares (ii)	(1,637)
<b>Balance June 30, 2020</b>	<b>5,308</b>

<sup>(i)</sup> Interest accrued as at June 30, 2020 is included in amounts payable and other liabilities (note 7)

<sup>(ii)</sup> Convertible debentures of \$2,500 were converted to common shares at \$0.52 per share.

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

	\$
Value at initial recognition	4,635
Change in fair value of derivative liability	873
<b>Balance December 31, 2019</b>	<b>5,508</b>
Initial recognition - MNIF Debentures	1,077
Change in fair value of derivative liability	8,718
Converted to common shares (ii)	(1,221)
<b>Balance June 30, 2020</b>	<b>14,082</b>

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#### 12. 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:

	Number of common shares	\$
<b>Balance, December 31, 2018</b>	<b>41,540,895</b>	<b>20,421</b>
Equity Financing (i)	2,222,222	1,448
Uudam Khundii shares issued (ii)	1,400,000	647
Exercise of restricted share units (iii)	35,294	23
<b>Balance, December 31, 2019</b>	<b>45,198,411</b>	<b>22,539</b>
Equity Financing (i)	390,000	250
Exercise of restricted share units (iii)	35,294	23
Convertible debentures converted into shares (iv)	4,807,692	2,858
<b>Balance, June 30, 2020</b>	<b>50,431,397</b>	<b>25,670</b>

\*Share price is not expressed in thousands.

(i) On December 23, 2019 the Company issued 2,222,222 common shares for CAD\$2,000 and incurred share issue costs of CAD\$120. On January 27, 2020 the Company issued 390,000 common shares for CAD\$351 and incurred share issue costs of CAD\$21.

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

(iii) The Company issued 35,294 common shares related to restricted share units (RSUs) exercised on February 27, 2019 and 35,294 common shares related to RSU's exercised on February 11, 2020

(iv) On April 9, 2020, convertible debentures of \$2,858 have been converted into shares at \$0.52 per share (note 11)

#### 13. Warrants

	Number of warrants	Warrant (Equity) \$	Warrant Liability \$
<b>Balance, December 31, 2018</b>	<b>20,243,385</b>	<b>13,655</b>	-
<b>Balance, December 31, 2019</b>	<b>20,243,385</b>	<b>13,655</b>	-
Expired on May 22, 2020	(13,134,135)	(5,362)	-
<b>Balance, June 30, 2020</b>	<b>7,109,250</b>	<b>8,293</b>	-

The following table reflects the actual warrants issued, outstanding and exercisable as of June 30, 2020:

Expiry date	Exercise price (CAD\$)	Warrants outstanding	Fair Value (\$)
May 22, 2023	2.00	4,809,250	5,642
September 15, 2022	2.00	2,300,000	2,651
		<b>7,109,250</b>	<b>8,293</b>

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#### 14. Exploration and evaluation expenditures

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
ATO project	-	-	2	-
Uudam Khundii project	2	-	6	3
	<b>2</b>	<b>-</b>	<b>8</b>	<b>3</b>

#### 15. Revenue

Revenue by metal for the six months and three month ended June 30, 2020 since commencement of commercial production was as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Gold revenue	19,452	-	19,452	-
Silver revenue	68	-	68	-
	<b>19,520</b>	<b>-</b>	<b>19,520</b>	<b>-</b>

#### 16. Production cost

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Contractors	2,646	-	2,646	-
Employee compensation	686	-	686	-
Materials and consumables	2,006	-	2,006	-
Other expenses	298	-	298	-
Change in inventory	403	-	403	-
	<b>6,039</b>	<b>-</b>	<b>6,039</b>	<b>-</b>

#### 17. Corporate administration

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Management compensation	277	226	483	433
Stock based compensation	34	99	72	307
Corporate social responsibility	330	66	394	141
Direct general administrative	1,041	693	1,609	1,257
	<b>1,682</b>	<b>1,084</b>	<b>2,558</b>	<b>2,138</b>

## STEPPE GOLD LTD.

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#### 18. Stock based compensation:

The following table reflects the continuity of options for the year ended December 31, 2019 and six months ended June 30, 2020:

	Exercisable options	Number of options	Fair value of stock options	Weighted average exercise price CAD
			\$	\$
<b>Balance at December 31, 2018</b>	<b>3,118,333</b>	<b>4,155,000</b>	<b>3,891</b>	2.00
<b>Balance at December 31, 2019</b>	<b>3,636,667</b>	<b>4,155,000</b>	<b>3,891</b>	2.00
<b>Balance at June 30, 2020</b>	<b>3,636,667</b>	<b>4,155,000</b>	<b>3,891</b>	2.00

During the year December 31, 2019, 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.

Stock based compensation of \$72 for the six months ended June 30, 2020 (six months ended June 30, 2019: \$307) was expensed in the condensed interim consolidated statement of loss and comprehensive loss.

The following table reflects the continuity of Restricted Share Units as at June 30, 2020:

	Outstanding number of RSU
<b>Balance at December 31, 2018</b>	<b>105,882</b>
Exercised February 27, 2019	(35,294)
<b>Balance at December 31, 2019</b>	<b>70,588</b>
Exercised February 11, 2020	(35,294)
<b>Balance at June 30, 2020</b>	<b>35,294</b>

On February 27, 2019, 35,294 RSUs were exercised and \$23 was transferred from liability to equity (note 12). As at year ended December 31, 2019, there were 70,588 RSUs outstanding and 35,294 RSUs exercisable.

On February 11, 2020, 35,294 RSUs were exercised and \$23 was transferred from liability to equity (note 12). Vesting of RSUs of \$3 was expensed in the consolidated statement of loss and comprehensive loss for the six months ended June 30, 2020 (2019 - \$9). As at June 30, 2020, there were 35,294 RSUs outstanding and \$Nil RSUs exercisable.

#### 19. Finance costs

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Accretion on convertible debentures	713	-	1,463	-
Accretion on lease liability	14	49	33	86
Accretion on asset retirement obligation	50	-	60	-
Accretion on asset stream liability	330	-	330	-
Cost of issue convertible debentures	-	-	65	-
Change in fair value of convertible debentures	10,220	-	8,718	-
Changes in present value of Asset Retirement Obligation	(346)	-	(284)	-
	<b>10,981</b>	<b>49</b>	<b>10,385</b>	<b>86</b>

## STEPPE GOLD LTD.

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#### 20. Net loss per common share

The calculation of basic and diluted loss per share for the six months ended June 30, 2020 was based on the net loss attributable to common shareholders of \$6,214 (six months ended June 30, 2019 - loss of \$2,124) and the weighted average number of common shares outstanding of 47,620,479 (six months ended June 30, 2019 – 41,553,444).

#### 21. Related party transactions

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

During the three and six months ended June 30, 2020, management fees paid, or otherwise accrued, to key management personnel (defined as officers and directors of the Company) are shown below

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Management fees paid to key personnel	277	226	483	433
Stock based compensation	34	99	72	307
	<b>311</b>	<b>325</b>	<b>555</b>	<b>740</b>

As at June 30, 2020, key management personnel were owed \$nil (December 31, 2019: \$18).

During the three and six month period ended June 30, 2020, a company for which the Vice President of Exploration is the CEO provided services to the Company totaling \$nil (2019 - \$nil). As at June 30, 2020, \$902 was owed to the company (December 31, 2019 - \$1,498).

Bataa Tumur-Ochir, a director and officer of Steppe Gold Ltd. announced that on October 28, 2019, he purchased US\$2,500 of the 10% two-year unsecured Company Debentures from Chinggis Khaan Bank. As at June 30, 2020, all Debentures continue to be issued and outstanding, resulting in interest payable to Bataa Tumur-Ochir totaling \$124 during the six month period (June 30, 2019 – \$nil), of which \$67 was paid in cash during the period.

On July 23, 2020, Bataa Tumur-Ochir has converted his \$2,500 convertible debentures into 4,807,692 common shares at a price of \$0.52 per common share.

#### 22. Events after reporting period

##### Private placement of shares

On August 11, 2020 the Company completed a CAD\$15 million investment in the Company by Mr. Eric Sprott. Mr. Sprott, through 2176423 Ontario Ltd., a corporation beneficially owned by him, acquired a total of 6,976,944 units of the Company at a price of CAD\$2.15 per unit for gross proceeds of CAD\$15 million. Each unit is comprised of one common share of the company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at a price CAD\$3.00 per share for a period of 24 months from the closing date.