STEPPE GOLD

Mongolia's Premier Precious Metals Company

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(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)

As at	Notes	(Unaudited) **September 30, 2021**	(Audited) **December 31, 2020**
ASSETS			
Current assets			
Cash		1,018	15,089
Short term investments	**3**	4,920	5,033
Receivables and other assets	**4**	7,701	3,372
Inventories	**5**	19,805	9,904
Total current assets		**33,444**	**33,398**
Long-term assets			
Restricted cash	**14**	68,222	12,483
Uudam Khundii Project	**6**	1,891	1,907
Property, plant and equipment	**7**	36,198	37,828
Deposits on property, plant and equipment	**7**	3,479	-
Deferred tax asset	**8**	-	398
Total long-term assets		**109,790**	**52,616**
Total assets		**143,234**	**86,014**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and other liabilities	**9**	7,687	3,910
Current portion of streaming arrangement	**11**	6,878	6,689
Current portion of lease liability	**12**	155	242
Current tax liability	**8**	151	-
Convertible debentures – derivative	**13**	1,360	5,808
Convertible debentures – loan liability	**13**	2,728	-
Current portion of long term loan	**14**	28,893	3,558
Total current liabilities		**47,852**	**20,207**
Long-term liabilities			
Long term portion of streaming arrangement	**11**	12,601	14,082
Asset retirement obligation	**10**	2,054	1,060
Lease liability	**12**	538	48
Convertible debentures – loan liability	**13**	-	2,237
Deferred tax liability	**8**	636	-
Long term loan	**14**	38,457	7,052
Total long-term liabilities		**54,286**	**24,479**
Total liabilities		**102,138**	**44,686**
Shareholders' equity			
Share capital	**15**	54,693	54,081
Shares to be issued	**15**	946	946
Warrants	**16**	11,165	11,165
Contributed surplus		10,919	10,063
Accumulated other comprehensive loss		(7,873)	(7,344)
Deficit		(28,508)	(27,384)
Total equity attributable to the owners of the Company		**41,342**	**41,527**
Non-controlling interest		(246)	(199)
Total shareholders' equity		**41,096**	**41,328**
Total liabilities and shareholders' equity		**143,234**	**86,014**

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

Nature of operations (Note 1)
Approved on behalf of the Board:

(Signed) "Matthew Wood", Director (Signed) "Batjargal Zamba", Director

STEPPE GOLD LTD.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
(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 September 30 2021	Three Months Ended September 30 2020	Nine Months Ended September 30 2021	Nine Months Ended September 30 2020
Revenue	**17**	**3,072**	**19,360**	**15,477**	**38,880**
Cost of sales	**18**	(3,222)	(8,036)	(10,444)	(17,663)
Gross profit /(loss)		**(150)**	**11,324**	**5,033**	**21,217**
Exploration and evaluation expenditures	**19**	(478)	(1,700)	(870)	(1,708)
Corporate administration	**20**	(2,265)	(3,506)	(6,492)	(6,064)
Operating profit/(loss)		**(2,893)**	**6,118**	**(2,329)**	**13,445**
Finance income/(costs)	**22**	1,043	(10,379)	2,360	(20,764)
Foreign exchange (loss)/gain		(147)	727	(16)	(476)
Net profit/(loss) before tax		**(1,997)**	**(3,534)**	**15**	**(7,795)**
Income tax	**8**	(164)	2,653	(1,186)	700
Net loss after tax		**(2,161)**	**(881)**	**(1,171)**	**(7,095)**
Items that may be reclassified subsequently to profit or loss:					
Cumulative translation adjustment		7	(990)	(529)	(1,283)
Net loss and comprehensive loss		**(2,154)**	**(1,871)**	**(1,700)**	**(8,378)**
Net loss attributable to shareholders of the Company		(2,156)	(841)	(1,124)	(7,043)
Net loss attributable to non-controlling interest		(5)	(40)	(47)	(52)
		(2,161)	**(881)**	**(1,171)**	**(7,095)**
Net loss and comprehensive loss attributable to shareholders of the Company		(2,149)	(1,831)	(1,653)	(8,326)
Net loss and comprehensive loss attributable to non-controlling interest		(5)	(40)	(47)	(52)
		(2,154)	**(1,871)**	**(1,700)**	**(8,378)**
Net loss and		-	-	-	-
Comprehensive loss per common share Basic		(0.032)	(0.01)	(0.017)	(0.14)
Diluted		(0.031)	(0.01)	(0.017)	(0.14)
Weighted average number of common shares outstanding - basic	**23**	68,495,020	60,224,528	68,495,020	51,852,496
Weighted average number of common shares outstanding - diluted	**23**	69,669,551	60,224,528	69,669,551	51,852,496

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

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	September 30, 2021	September 30, 2020
Operating activities			
Net loss for the period		(1,171)	(7,095)
Adjustments for non-cash items:			
Change in the fair value of derivative		-	17,953
Accretion and financing costs		(4,239)	2,811
Depletion and depreciation	**7**	1,874	2,985
Stock based compensation	**21**	1,397	708
Unrealized foreign exchange (gain)/loss		(270)	500
Drawdown of gold and silver stream	**11**	(1,696)	(4,759)
Income tax expense	**8**	1,034	-
Deferred tax		-	(690)
Operating cash flows before changes in non-cash working capital items		**(3,071)**	**12,413**
Changes in working capital items:			
Inventories		(7,967)	928
Receivables and other assets		(2,269)	(508)
Amounts payable and other liabilities		4,827	(1,243)
Net cash (used in)/generated from operations		**(8,480)**	**11,590**
Investing activities			
Additions to property, plant and equipment	**7**	(1,723)	(2,173)
Deposits on property, plant and equipment	**7**	(3,478)	-
Short term of investment		1,500	-
Net cash used in investing activities		**(3,701)**	**(2,173)**
Financing activities			
Proceeds from the issuance of convertible debentures	**13**	-	3,000
Proceeds from long term loan	**14**	62,283	10,510
Interest paid on convertible debentures		(239)	(558)
Convertible debenture issuance costs		-	(180)
Proceeds from equity financing		-	11,103
Repayment of purchase price payable		-	(350)
Repayment of loan		(6,346)	-
Convertible debenture – Aranjin Resources		(1,424)	-
Lease obligation payments	**12**	(243)	(308)
Increase in restricted cash	**14**	(55,846)	(12,436)
Net cash (used in)/generated from financing activities		**(1,815)**	**10,781**
Effect of exchange rate changes on cash held in foreign currency		(75)	77
Net (decrease)/increase in cash		**(14,071)**	**20,275**
Cash at the beginning of the period		15,089	671
Cash at the end of the period		**1,018**	**20,946**

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

STEPPE GOLD LTD.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2021
(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	Accumulated other comprehensive loss	Deficit	Sub-total	Non-controlling interest Corundum	Total equity
			$	$	$	$	$	$		$	$
Balance as at January 1, 2020		**45,198,411**	**22,539**	**-**	**3,780**	**13,655**	**(5,372)**	**(23,419)**	**11,183**	**(112)**	**11,071**
Shares issued from exercise of RSUs		35,294	23	-	-	-	-	-	23	-	**23**
Equity financing		7,371,944	8,231	-	-	2,872	-	-	11,103	-	**11,103**
Convertible debt converted into shares		16,230,756	23,917	-	-	-	-	-	23,917	-	**23,917**
Stock based compensation		-	-	-	556	-	-	-	556	-	**556**
Comprehensive loss for the period		-	-	-	-	-	(1,283)	(7,043)	(8,326)	(52)	**(8,378)**
Burping warrants		-	-	-	5,362	(5,362)	-	-	-	-	-
Balance as at September 30, 2020		**68,836,405**	**54,710**	**-**	**9,698**	**11,165**	**(6,655)**	**(30,462)**	**38,456**	**(164)**	**38,292**
Balance as at January 1, 2021		**68,422,607**	**54,081**	**946**	**10,063**	**11,165**	**(7,344)**	**(27,384)**	**41,527**	**(199)**	**41,328**
Stock based compensation	**21**	549,127	612	-	856	-	-	-	1,468	-	1,468
Comprehensive loss for the period		-	-	-	-	-	(529)	(1,124)	(1,653)	(47)	(1,700)
Balance as at September 30, 2021		**68,971,734**	**54,693**	**946**	**10,919**	**11,165**	**(7,873)**	**(28,508)**	**41,342**	**(246)**	**41,096**

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

1. Nature of operations

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 55 Metcalfe St Suite 1300, Ottawa, ON K1P 6L5, Canada. The Company is focused on operating, developing, exploring and acquiring precious metal projects in Mongolia.

On September 15, 2017, the Company completed the acquisition of the Altan Tsagaan Ovoo Property (the "ATO Project" or "ATO Mine"), located in Eastern Mongolia, from Centerra Gold Mongolia LLC, for aggregate consideration of $19,800 plus $1,980 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.

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going concern basis.

The COVID 19 pandemic has caused major disruption to doing business in Mongolia, notably with supply chain logistics, and this was quite pronounced in the quarter and continues to hamper operations. This has caused major disruptions across the mining industry in Mongolia as most mining companies are heavily reliant on Chinese suppliers. These issues have been raised at national government level in China and Mongolia. With COVID cases on the rise in Mongolia in 2021, Chinese suppliers have been heavily restricted on transport of goods into Mongolia and this has been most pronounced in the transport of chemicals for mine production. Specifically, the ongoing supply chain delays in China and related border issues has meant that reagent supply is now disrupted and the Company has been forced to pause gold production, effective late July. It was conserving reagent supply earlier in 2021 and consequently production in 2021 has been well below planned levels.

While the Company is optimistic of a near term resolution, the delays could persist and further impact the production schedule in 2021 and into 2022. This continues to be the major near-term headwind for the Company.

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, 2020 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 November 12, 2021.

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, 2020 other than as noted below.

Commercial Production

During the second quarter ended June 30, 2020, the Company determined commercial production was achieved for the ATO Mine. Prior to the commencement of commercial production, production costs were capitalized within construction in progress.

2. Significant accounting policies

Accounting policies

Revenue recognition

Revenue is generated from the sale of gold and silver. The Company produces dore bars which contain gold and silver. The dore 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, usually a commercial bank in Mongolia. There have been no export sales to date, but the Company may export silver bars for sale. 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 International (Note 11).

Investment in debentures

Investment in convertible debentures is initially recognized at its fair value and classified as fair value through profit or loss in accordance with the IFRS 9.

Critical accounting estimates

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 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 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 restricted share units ("RSUs") 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. RSUs that have cash redeemable option is accounted under RSU liability and the RSUs that has only share redeemable condition is recorded under contributed surplus.

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.

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. Certain property, plant and equipment are depreciated using the unit-of-production method. The calculation of the units of production rate, and therefore the annual depletion and depreciation expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production and expansion of mineral reserves through exploration activities. Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Impairment of mining interests

The Company's management reviews the carrying values of its mining interests on transfer from an exploration and evaluation property to a development property and on a regular basis to determine whether any write-downs are necessary.

Property, plant and equipment is reviewed at each reporting period to determine whether any write-downs are necessary. The recovery of amounts recorded for mining interests and property, plant and equipment under construction depends on the Company's interpretation of its interest in the underlying mineral claims based on existing regulations, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on the life-of-mine plans in its assessments of economic recoverability and probability of future economic benefit. Life-of-mine plans provide an economic model to support the economic extraction of reserves and resources.

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

Asset retirement obligation

The Company assesses its provision for environmental rehabilitation at each reporting period or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for environmental rehabilitation 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 valuation 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 statements of loss and comprehensive loss.

2. Significant accounting policies (continued)

Leases

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

Investment in debentures

Fair value of investment in convertible debentures is assessed using the observable inputs other than quoted active market prices under Level 2 of the Fair Value Hierarchy as the active market is not available for the convertible debentures. The Company concluded that fair value is measured at its transaction price as the investee's current performance, budgets and milestones are unchanged and there are no credit risks related to the debentures.

Critical judgments in applying accounting policies

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.

Functional currency

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

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.

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

3. Short term investments

	September 30, 2021 $	December 31, 2020 $
Bank savings (i)	3,533	5,033
Convertible debenture – Aranjin (ii)	1,424	-
Foreign exchange	(37)	-
Total short term investments	**4,920**	**5,033**

(i) On December 31, 2020, the Company opened two savings accounts of Mongolian Tugriks ("MNT") 10 billion and $1,500 respectively at Capitron bank. The MNT Savings account has an annual interest rate of 12% for a period of 12 months and the US$ Savings account has an interest rate of 3% per annum for a period of 12 months. On September 30, 2021, the Company closed a savings account in the amount of $1,500 at Capitron bank, releasing these funds to the current account.

(ii) Effective August 10, 2021, the Company subscribed for C$1,814 (US$1,424) in convertible debentures of Aranjin Resources Ltd. The investment has a 12 months term and 15% interest per annum, payable on maturity date, August 10, 2022. The Company can convert the debentures into shares of Aranjin Resources Ltd. for C$0.055 per share. The Company has accrued C$38 in interest income as at September 30, 2021. The Company assessed the fair value of the investment using the observable inputs in accordance with Level 2 of the Fair Value Hierarchy given the lack of an active market available for the debentures. Conversion of the debentures will not result the Company in controlling position of the investee.

4. Receivables and other assets

	September 30, 2021 $	December 31, 2020 $
Prepaid expenses	4,810	2,682
Trade receivables	54	99
Interest receivables	2,498	-
Other receivables	339	591
Total receivables and other assets	**7,701**	**3,372**

Receivables aging is as follow:

	Within 30days $	30–60 days $	60–90 days $	90+days $	**Total $**
September 30, 2021					
Prepaid expenses	580	650	92	3,488	**4,810**
Trade receivables	54	-	-	-	**54**
Interest receivables	493	496	148	1,361	**2,498**
Other receivables	72	57	-	210	**339**
Total receivables and other assets	**1,199**	**1,203**	**240**	**5,059**	**7,701**

5. Inventories

	September 30, 2021 $	December 31, 2020 $
Stockpiles of ore	6,328	4,340
Gold in circuit	9,269	3,507
Finished goods	2,941	1,025
Consumables and supplies	1,267	1,032
Total inventories	**19,805**	**9,904**

As at September 30, 2021, revenue generating inventory included 583,392 tonnes of ore to be processed with a carrying value of $6,328, 4,299 ounces of gold in the heap leach circuit with a carrying value of $9,269 and 1,625 ounces of gold in finished goods with a carrying value of $2,941.

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

5. Inventories (continued)

At the year end of the December 31, 2020, inventory included 463,328 tonnes of ore to be processed with a carrying value of $4,340, 3,317 ounces of gold in the heap leach circuit with a carrying value of $3,507, and 1,421 ounces of gold held for sale with a carrying value of $1,025.
Finished goods inventory represents gold ounces located at the mine and gold inventory contained in silver bars. The Company concluded that silver inventory is a by product as the primary product is gold.

6. Uudam Khundii Project

The Company, through its subsidiary Steppe West LLC, entered into a share sales agreement dated May 15, 2017, with an unrelated third party to acquire 80% of Corundum Geo LLC for cash consideration of $1,100 and share consideration of 1,400,000 common shares of the Company. The transaction was accounted for as an asset acquisition.

There is no material addition to the exploration and evaluation asset during the nine months ended September 30, 2021 (December 31, 2020: nil).

Uudam Khundii project acquisition:

	$
Balance at December 31, 2020	**1,907**
Foreign exchange adjustment	(16)
Balance at September 30, 2021	**1,891**

7. Property, plant and equipment

	Property and Equipment	Altan Tsagaan Ovoo Property	Equipment under construction	Right-of-use asset	Total
	$	$	$	$	$
Cost					
Balance at January 1, 2020	**9,447**	**24,884**	**7,102**	**1,370**	**42,803**
Transfer from property and equipment	650	289	1,235	88	2,262
Additions	6,848	-	(6,848)	-	-
Transfer of equipment completed	31	-	-	(31)	-
Accretion costs	-	335	-	-	335
Asset retirement costs	-	500	-	-	500
Foreign exchange	(413)	(806)	(262)	(33)	(1,514)
Balance at December 31, 2020	**16,563**	**25,202**	**1,227**	**1,394**	**44,386**
Additions	1,205	62	456	590	2,313
Transfer of equipment completed	1,221	-	(1,221)	-	-
Asset retirement costs	-	11	-	-	11
Foreign exchange	(146)	(181)	(7)	(22)	(356)
Balance at September 30, 2021	**18,843**	**25,094**	**455**	**1,962**	**46,354**
Accumulated depreciation					
Balance at January 1, 2020	**835**	**541**	**-**	**151**	**1,527**
Transfer from PPE	2	-	-	(2)	-
Additions	2,442	2,421	-	222	5,085
Foreign exchange	(52)	(10)	-	8	(54)
Balance at December 31, 2020	**3,227**	**2,952**	**-**	**379**	**6,558**
Additions	1,870	1,637	-	160	3,667
Foreign exchange	(35)	(32)	-	(2)	(69)
Balance at September 30, 2021	**5,062**	**4,557**	**-**	**537**	**10,156**
Net book value					
Balance at December 31, 2020	**13,336**	**22,250**	**1,227**	**1,015**	**37,828**
Balance at September 30, 2021	**13,781**	**20,537**	**455**	**1,425**	**36,198**

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

7. Property, plant and equipment (continued)

During the nine months ended September 30, 2021, the Company acquired items of property, plant and equipment with a cost of approximately $2,313 (nine months ended September 30, 2020: $2,262).

During the nine months ended September 30, 2021, $2,003 (nine months ended September 30, 2020: $2,985) of depreciation was expensed to the condensed interim consolidated statements of loss and comprehensive loss and $1,793 (nine months ended September 30, 2020: $798) was capitalized to inventory.

Heap leach cells which were under construction as at December 31, 2020 have been completed and concluded to be ready for use during the nine months ended September 30, 2021 and the capitalized amount of $1,221 has been transferred to Property and Plant. The heap leach cells were used for operation in second quarter.

During the nine months ended September 30, 2021, the lease agreement for the office was modified, reducing the leased space and extending the term for an additional 5.4 years. In connection with the modification, the carrying value of the right-of-use asset was increased by $487 and a loss on modification of lease was recognized in the condensed interim consolidated statement of loss and comprehensive loss totaling $18 (Note 22). In addition, there was an increase of $103 in the right-of-use asset related to a new light vehicle lease.

During the nine months ended September 30, 2021, the Company paid amounts totaling $3,478 (nine months ended September 30, 2020: nil) as an upfront deposit on a new crusher. The upfront deposit has been included in deposits on property, plant and equipment in the condensed interim consolidated statement of financial position as at September 30, 2021.

(i) Non-depreciable assets
The non-depreciable assets mainly include the equipment under construction. Depreciation on these assets will commence once they are ready for their intended use.

(ii) Pledge on items of property, plant and equipment
As at September 30, 2021, 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 were pledged as security for the Stream Agreement granted to the Company (Note 11).

(iii)Right-of-use assets
The right-of-use assets relate to office, generator and light motor vehicles amounted to $1,425 as at September 30, 2021 (December 31, 2020: $1,015).

8. Taxes

The Canadian statutory tax rate was 26.5% (2020: 26.5%) on the estimated assessable profits arising in Canada during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Company and its subsidiaries operate. During the nine months ended September 30, 2021, The Company reported taxable income for the period and $151 tax payable is disclosed as tax liability.

The Company has recognized the following deferred tax assets:

	September 30, 2021 **$**	**December 31, 2020** **$**
Deferred tax assets		
Non-capital losses - Canada	-	312
Unrealized foreign exchange on intercompany balances	134	211
Deferred tax liabilities		
Property, plant and equipment	(183)	(116)
Other receivables	(508)	-
Right of use assets and liabilities	(75)	(9)
Unrealized foreign exchange	(4)	-
Net deferred tax (liability)/asset	**(636)**	**398**

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

9. Amounts payable and other liabilities

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

	September 30, 2021 $	December 31, 2020 $
Amounts payable	7,117	3,371
Accrued liabilities	144	242
Other payables	426	297
Total amounts payable and other liabilities	**7,687**	**3,910**

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 $2,173 as at September 30, 2021 (December 31, 2020: $2,280), over a period of 9.50 years (December 31, 2020: 10.25 years), and discounted using a risk-free rate of 10.25% for the period (December 31, 2020: 10.25%).

A summary of the Company's asset retirement obligation as at September 30, 2021 and December 31, 2020 is presented below:

	September 30, 2021 $	December 31, 2020 $
Balance beginning of the period	**1,060**	**271**
Movements	1	659
Accretion	30	76
Change in estimate of asset retirement obligation	975	71
Foreign exchange	(12)	(17)
Balance end of the period	**2,054**	**1,060**

During the nine months ended September 30, 2021, movements in the asset retirement obligation due to an increase (decrease) in disturbance costs totaling $11 (nine months ended September 30, 2020: $593) was capitalized to property, plant and equipment and $(10) (nine months ended September 30, 2020: $nil) was capitalized to inventory.

11. Streaming arrangement

In connection with the ATO Acquisition, the Company's subsidiaries, Steppe Gold LLC ("Steppe Mongolia") and Steppe Investments LLC ("Steppe BVI") entered into a metals purchase and sale agreement (the "Stream Agreement") dated August 11, 2017 with Triple Flag International to sell gold and silver produced from the ATO Project. Under the terms of the Stream Agreement, Triple Flag International advanced an upfront deposit of $23,000 to Steppe Gold and Steppe BVI is obligated to sell to Triple Flag international 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 International 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 variable gold and silver price payable by Triple Flag International on delivery of gold and silver is 30% of the relevant market price. The obligation of Steppe BVI to sell gold and silver to Triple Flag International 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.

11. Streaming arrangement (continued)

Triple Flag Bermuda has determined the Annual Cap Amounts upon the achievement of the Commercial Production Date as the Gold Cap Amount to be 7,125 ounces of Produced Gold annually and the Silver Cap Amount to be 59,315 of Produced Silver annually. Pursuant to the Stream Agreement, Steppe BVI has an option to buy gold and silver from open market and resell such gold and silver to Triple Flag International.

In addition, the Company granted 2,300,000 purchase warrants to Triple Flag International, with each warrant (a "Stream Warrant") entitling the holder to acquire one unit of the Company (a "Stream Unit") at a price of C$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 C$2.00 per common share 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 International. Under the terms of the amendment, Triple Flag International advanced an additional deposit of $5,000 to Steppe Gold, bringing the total amount advanced to Steppe Gold by Triple Flag International under the gold stream to $28,000. The proceeds received from Triple Flag International were used to repay the final $5,000 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 International 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 International 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 International under the Stream Agreement is based on the product of 0.99 and spot prices as 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 International. Once the uncredited balance of the Upfront Deposit has been reduced to nil the purchase price by Triple Flag International 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 nine months ended September 30, 2021, accretion expenses totaling $404 were expensed (nine months ended September 30, 2020: $630) in the condensed interim consolidated statement of loss and comprehensive loss (Note 22).

The Stream Agreement is subject to various financial covenants in the form of ratios. These covenants include the indebtedness of the Company, excluding all amounts owing from time to time under the Company's promissory note on completion of the ATO Acquisition ("Centerra Deferred Purchase Price Amount") less any cash and liquid securities that is greater than the Centerra Deferred Purchase Price Amount ("Net Indebtedness") and earnings before interest, taxes, depreciation and amortization ("EBITDA"). The covenant is defined in the agreement as a leverage ratio, calculated as Net Indebtedness of the Company to EBITDA ("EBITDA Ratio") and a forward leverage ratio, calculated as Net Indebtedness to forecasted EBITDA ("Forcasted EBITDA Ratio"). Per the agreement, the EBITDA Ratio cannot exceed 2.0 and its Forecasted EBITDA Ratio cannot 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 EBITDA Ratio does not exceed 2.5 and Forecasted EBITDA Ratio does not exceed 2.5. 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.

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

11. Streaming arrangement (continued)

The continuity of the streaming liability is presented as follows:

	September 30, 2021 $	December 31, 2020 $
Balance beginning of the period	**20,771**	**25,786**
Accretion	404	1,150
Drawdown of gold and silver stream	(1,696)	(6,165)
Balance end of the period	**19,479**	**20,771**
Current portion	**6,878**	**6,689**
Long term portion	**12,601**	**14,082**

12. Lease Liability

The Company has leases in place for its office in Toronto, Canada, a diesel generator and certain 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 (Note 7).

The lease term for the office is expired to 2026 while the lease term for the light vehicles and the generators range from one to seven years. The leases have fixed payment terms.

The continuity of lease liability is presented as follows:

	September 30, 2021	December 31, 2020
Balance beginning of the period	**290**	**576**
Additions (Note 7)	590	88
Interest expense	70	60
Lease payments	(243)	(415)
Foreign exchange	(14)	(19)
Balance end of the period	**693**	**290**
Current portion	**155**	**242**
Long term portion	**538**	**48**

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at September 30, 2021 is as follows:

	Within 1 year $	1 – 2 years $	2 – 3 years $	3 + years $	**Total** **$**
September 30, 2021					
Lease payments	(218)	(195)	(179)	(345)	**(937)**

13. Convertible Debentures

(i) Private placement of convertible debentures

On July 2, 2019 and on August 27, 2019, the Company closed the private placements issuing $5,400 and $3,040 principal amount of two-year unsecured convertible debentures ("Debentures") respectively. $600 of the proceeds from the debentures was allocated from unsettled accounts payable.

The Debentures bore interest from the date of closing at 10% per annum and were convertible at the option of the holder into common shares of the Company at a conversion price of $0.52 per common share.

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

13. Convertible Debentures (continued)

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.

Convertible debentures loan liability component has been subsequently measured at amortized cost using effective interest method. 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, 2020, all convertible debentures noted above were converted into 15,653,833 common shares and shares to be issued. The loan liability portion of the convertible debentures was transferred to share capital and shares to be issued and totaled $5,187. The fair value of the derivative component of $18,730 was transferred to share capital to be issued.

(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 $3,000. 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 July 30 and January 30 in each year, commencing on July 30, 2020 and will mature on January 30, 2022.

The MNIF Debentures are secured obligations of the Company and rank pari passu in right of payment of principal and interest.

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

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

	$
Balance at January 1, 2020	**4,186**
Initial recognition - MNIF Debentures	1,923
Issuance costs	(115)
Accretion	2,198
Interest	(768)
Converted to common shares	(5,187)
Balance at December 31, 2020	**2,237**
Accretion	760
Interest (i)	(269)
Balance at September 30, 2021	**2,728**

(i) $30 of interest paid and $239 of accrued interest as at September 30, 2021. Accrued interest payable is included in amounts payable and other liabilities (Note 9)

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

13. Convertible Debentures (continued)

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

	$
Balance at January 1, 2020	**5,508**
Initial recognition - MNIF Debentures	1,077
Change in fair value of derivative liability	17,953
Converted to common shares	(18,730)
Balance at December 31, 2020	**5,808**
Change in fair value of derivative liability	(4,448)
Balance at September 30, 2021	**1,360**

14. Long Term Loan

On September 18, 2020, the Company entered into a loan agreement with the Trade and Development Bank of Mongolia ("TDB") for 30 billion Mongolian Tugriks ($10,510) (the "2020 Gold 2 Loan"). The loan is financed by the Bank of Mongolia for a period of 24 months secured by a cash deposit held by TDB totaling 35.4 billion Mongolian Tugriks ($12,386 as at June 30, 2021). The cash deposit is disclosed as restricted cash. Under the terms of the loan, the Company is required to sell all of gold produced throughout the financing period to TDB and maintain a 50% deposit of total budgeted environmental activities as security to fulfil its obligations of environment protection. The purpose of the loan is to provide financing for further expansion at the ATO project. The loan is subject to interest at a rate of 11% per annum, payable monthly. Repayment of the principal balance on the loan is required to be made in three equal tranches on September 18, 2021, March 18, 2022 and September 18, 2022.

On September 23, 2021, the Company repaid the first tranche of $3,496 from the cash deposit in accordance with the schedule of loan agreement.

On February 9, 2021, the Company entered into a loan agreement with the Capitron Bank of Mongolia ("Capitron") for $2,850. The loan is secured with a cash deposit held by Capitron totaling $3,000. The cash deposit is disclosed as restricted cash. Under the terms of the loan, the Company is required to sell 30% of its gold produced throughout the financing period to Capitron. The purpose of the loan is to provide financing for the purchase of a new crusher at the ATO project. The outstanding principal balance on the loan is subject to interest at a rate of 8.2% per annum, payable monthly. Repayment of the principal balance on the loan is due on January 28, 2023.

The Company repaid the loan for new crusher of $2,850 from the its cash deposit of $3,000 on September 27, 2021.

The Company entered into the 2021 Gold 2 Loan with 9% interest per annum for a term of 36 months under Bank of Mongolia "Gold 2" program. The funds under this loan were advanced on July 30, 2021 following a conditional agreement between the Bank of Mongolia and TDB.

The loan will be available in 3 tranches: tranche 1 - MNT 60 billion; tranche 2 - MNT 60 billion; tranche 3 - MNT 50 billion.

Tranche 1 will be available immediately on closing and further tranches will be released based on the Bank's credit approval. In addition to the loan agreement, a savings agreement has been entered into between the Company and the TDB and the loan amount is held in a deposit account registered on the Company. The TDB shall pay 7% deposit interest on the deposit account where remaining tranches are placed and the cash deposit is disclosed as restricted cash.

In order to secure the obligations under the 2021 Gold 2 Loan, the Company will pledge its licenses, movable properties and immovable properties. An intercreditor agreement governs the priority and ranking of charges between the TDB and Triple Flag. On November 10, 2021, the Company announced the 2021 Gold 2 Loan with only the registration of pledges remaining.

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

14. Long Term Loan (continued)

The final decision of the Bank on the Intercreditor Agreement is expected to be issued on November 2, 2021.

	September 30, 2021 $	December 31, 2020 $
Current portion	**28,893**	**3,558**
Long term portion	**38,457**	**7,052**

Restricted cash:

	September 30, 2021 $	December 31, 2020 $
Balance beginning of the period	**12,483**	**-**
Initial deposit for loan	-	12,436
Additional deposit	59,433	-
Repayment of 1st tranche of loan	(3,496)	-
Repayment of interest	(95)	-
Foreign exchange	(103)	47
Balance end of the period	**68,222**	**12,483**

On September 23, 2021, the Company repaid the first tranche of $3,496 in accordance with the schedule for the loan received on September 18, 2020.

15. 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	$
Balance at January 1, 2020	**45,198,411**	**22,539**
Equity financing (i) (ii)	7,371,944	8,231
Exercise of restricted share units (iii)	198,419	340
Convertible debentures converted into shares (iv)	15,653,833	22,971
Balance at December 31, 2020	**68,422,607**	**54,081**
Exercise of restricted share units (v)	549,127	612
Balance at September 30, 2021	**68,971,734**	**54,693**

(i) On January 27, 2020, and August 17, 2020 the Company issued 390,000 and 5,000 common shares respectively for C$351 and incurred share issue costs of C$21.
(ii) On August 5, 2020, the Company issued 6,976,944 units at a price of C$2.15 per unit for gross proceeds of C$15,000. 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 of the Company at a price of C$3.00 per share for a period of 24 months from the closing date. The Company incurred finders fees of C$600 and legal fee of C$7 in relation to equity financing.
(iii) During the year ended December 31, 2020, the Company issued 198,419 common shares in relation to RSUs granted to its executive officers and employees. The fair value of the RSUs exercised was $340, of which $317 was transferred from contributed surplus and $23 was transferred from amounts payable and other liabilities to share capital on exercise.
(iv) During the year ended December 31, 2020, convertible debentures with a principal balance of $8,140 and $300 were converted into 15,653,833 common shares of the Company and 576,823 shares to be issued at a price of $0.52 per share. On the date of conversion, the fair value of the derivative component and amortized cost of the loan liability on convertible debentures totaling $22,971 were transferred to share capital and $946 were transferred to shares to be issued (Note 13).
(v) On August 26, 2021, the Company vested 549,127 common shares in relation to RSUs granted to its executive officers and employees. The fair value of the RSUs exercised of $612 was transferred from contributed surplus.

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

16. Warrants

	Number of warrants	Warrant (Equity) $
Balance at January 1, 2020	**20,243,385**	**13,655**
Expired on May 22, 2020	(13,134,135)	(5,362)
Issued on August 5, 2020	6,976,944	2,872
Balance at December 31, 2020	**14,086,194**	**11,165**
Balance at September 30, 2021	**14,086,194**	**11,165**

The following table reflects the actual warrants issued, outstanding and exercisable as of September 30, 2021:

Expiry date	Exercise price (C$)	Warrants outstanding	Fair Value ($)
May 22, 2023	2.00	4,809,250	5,642
September 15, 2022	2.00	2,300,000	2,651
August 5, 2022	3.00	6,976,944	2,872
Total	2.50	**14,086,194**	**11,165**

17. Revenue

Revenue by metal for the nine months ended September 30, 2021 and September 30, 2020 was as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Gold revenue	3,047	19,290	15,417	38,742
Silver revenue	25	70	60	138
Total	**3,072**	**19,360**	**15,477**	**38,880**

The Company's revenue is mainly derived from the sale of gold and silver to banks in Mongolia at spot rate.

18. Cost of sales

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Contractors	3,343	2,192	8,079	4,838
Employee compensation	608	292	1,868	978
Materials and consumables	1,376	1,665	4,446	3,671
Other expenses	377	684	961	764
Change in inventory	(3,424)	361	(8,012)	1,553
Depletion and depreciation	714	1,403	2,003	2,985
Royalties	228	1,439	1,099	2,874
Total	**3,222**	**8,036**	**10,444**	**17,663**

19. Exploration and evaluation expenditures

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
ATO project	470	1,564	856	1,566
Uudam Khundii project	8	136	14	142
Total	**478**	**1,700**	**870**	**1,708**

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

20. Corporate administration

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Management compensation	436	1,327	1,085	1,810
Stock based compensation	336	636	1,397	708
Corporate social responsibility	144	204	300	598
Direct general administrative	1,349	1,339	3,710	2,948
Total	**2,265**	**3,506**	**6,492**	**6,064**

21. Stock based compensation

The following table reflects the continuity of options for the nine months ended September 30, 2021:

Expiry date	Exercise price (C$)	Number of options	Options exercisable	Fair Value of Options $
May 22, 2023	2.00	2,600,000	2,600,000	3,028
October 10, 2023	2.00	1,475,000	1,475,000	860
Balance at September 30, 2021		**4,075,000**	**4,075,000**	**3,888**

	Number of options	Exercisable price $
Balance at January 1, 2020	**4,155,000**	**2.00**
Expired options	(80,000)	2.00
Balance at December 31, 2020	**4,075,000**	**2.00**
Balance at September 30, 2021	**4,075,000**	**2.00**

During the nine months ended September 30, 2021, stock based compensation totaling $1,468 (nine months ended September 30, 2020: $709) related to options was expensed in the condensed interim consolidated statements of loss and comprehensive loss.

The following table reflects the continuity of Restricted Share Units (RSUs) as at September 30, 2021 and December 31, 2020:

	Outstanding number of RSU
Balance at January 1, 2020	**70,588**
Granted (i)	1,957,500
Exercised (ii) (iii) (v)	(747,546)
Forfeited (iv)	(35,294)
Balance at December 31, 2020	**1,245,248**
Balance at September 30, 2021	**1,245,248**

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

21. Stock based compensation (continued)

(i) On August 21, 2020, the Company granted 1,957,500 RSUs to its executive officers and employees. In accordance with the plan, for participants that are not identified as Management, 657,500 RSUs shall vest in four equal instalments on July 31 2020, July 31 2021, July 31 2022 and July 31 2023 and each RSU is exercisable into one common share of the Company at no additional cost. For participants identified as Management, 1,300,000 RSUs shall vest in three equal instalments on July 31 2021, July 31 2022 and July 31 2023 and each RSU is exercisable into one common share of the Company at no additional cost.
(ii) On February 11, 2020, 35,294 RSUs were exercised and $23 was transferred from liability to equity.
(iii) On October 5, 2020, 163,125 RSUs were exercised and $317 was transferred from contributed surplus to equity (Note 15).
(iv) On October 26, 2020, according to the resignation of an employee, 35,294 RSUs were forfeited.
(v) On August 26, 2021, 549,127 RSUs were exercised and $612 was transferred from contributed surplus to equity.

Vesting of RSUs of $1,397 as at September 30, 2021 (September 30, 2020: $605) are included in corporate administration costs and $152 (September 30, 2020: $nil) are included in production costs in the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2021. As at September 30, 2021, there were 1,245.24 RSUs outstanding and nil RSUs exercisable.

22. Finance (income)/costs

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Accretion on convertible debentures	273	511	760	1,974
Accretion on lease liability	25	14	70	47
Accretion on asset retirement obligation	6	(7)	30	53
Accretion on stream liability	119	300	404	630
Interest on long term loan	(2,717)	-	(2,053)	29
Interest on long convertible debenture	(30)	-	(30)	-
Interest on restricted cash	2,823	29	1,914	-
Change in fair value of derivative liability	(1,892)	9,235	(4,448)	17,953
Changes in estimate of asset retirement obligation	350	297	975	13
Loss on modification of lease	-	-	18	-
Cost of issue convertible debentures	-	-	-	65
Total	**(1,043)**	**10,379**	**(2,360)**	**20,764**

23. Net loss per common share

The calculation of basic and diluted loss per share for the nine months ended September 30, 2021 was based on the net loss attributable to common shareholders of $1,124 (nine months ended September 30, 2020: loss of $7,043) and the weighted average number of common shares outstanding of basic 68,495,020, diluted 69,669,551 (nine months ended September 30, 2020: basic and diluted 51,852,496).

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

24. Related party transactions

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

During the nine months ended September 30, 2021 and 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 September 30		**Nine months ended September 30**	
	2021	**2020**	**2021**	**2020**
Management fees paid to key personnel	435	1,327	1,085	1,810
Stock based compensation	10	98	1,071	160
Total	**445**	**1,425**	**2,156**	**1,970**

As at September 30, 2021, key management personnel were owed $nil (September 30, 2020: $ nil).

During the nine months ended September 30, 2021, Erdenyn Erel, a company for which the Vice President of Exploration is the CEO provided services to the Company totaling $612 (2020 - $1,572). As at September 30, 2021, $612 was owed to Erdenyn Erel (September 30, 2020 - $1,572).

Bataa Tumur-Ochir, a director and officer of Steppe Gold Ltd. announced that on October 28, 2019, he purchased $2,500 of the 10% two-year unsecured Company Debentures from Chinggis Khaan Bank. During the nine months ended September 30, 2021, interest paid to Bataa Tumur-Ochir totaled $nil (nine months ended September 30, 2020 - $77)

During the year ended December 31, 2020, the Company entered into a non-binding term sheet with Aranjin Resources Limited ("Aranjin") to acquire a 50% interest in all gold contained in a prospective exploration license. As part of the agreement, the Company advanced a non-refundable initial deposit of $50 to Aranjin that is held in receivables and other assets. In addition, effective August 10, 2021, the Company subscribed for C$1,814 in convertible debentures of Aranjin. The investment has a 12 months term and 15% interest per annum, payable on maturity date, August 10, 2022. The Company can convert the debentures into shares of Aranjin Resources Ltd. for C$0.055 per share. The Company has accrued C$38 in interest income as at September 30, 2021. Bataa Tumur-Ochir, Matthew Wood and Jeremy South are directors of Aranjin.

25. 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).

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

25. 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 September 30, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Short term investment	1,424	-	1,424	-
	1,424	**-**	**1,424**	**-**
Liabilities				
Convertible debenture derivative	1,360	-	1,360	-
	1,360	**-**	**1,360**	**-**

	Fair value at December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Liabilities				
Convertible debenture derivative	5,808	-	5,808	-
	5,808	**-**	**5,808**	**-**

26. Events after reporting period

Completion of the Feasibility Study for the ATO Gold Project

On October 27, 2021, the Company announced an updated feasibility study for its ATO Project. The positive results of the Feasibility Study on the 100% owned ATO Gold Project in Mongolia (the "Feasibility Study"), comprising a further two years at the producing oxide phase and a 10.5 years expansion ("Phase 2 Expansion"), for a 12.5 years aggregate mine life. The results reinforce the Company's current Phase 2 Expansion plans with construction already underway, and existing permitting and infrastructure in place. The Company expects to file the 43-101 report relating to the Feasibility Study by November 30 2021. As the 43-101 report was not available at September 30, 2021, management concluded that it was not appropriate to reflect the new technical information, including a change in reserves, in the third quarter financial statements.

Project Finance and Working Capital Facility

On November 10, 2021, announced that it had reached agreement for up to $65m (all figures in US$ unless otherwise stated) in debt capital (the "Loans") to fast track its phase two construction of the ATO Gold Mine.

Of the total $65m in Loans, MNT 170 billion or approximately US$59.7m (the "2021 Gold-2 Loan"), has been funded through the Gold-2 National Program, facilitated through the Bank of Mongolia. The 2021 Gold-2 Loan proceeds were advanced during the third quarter to Steppe Gold by the TDB. The 2021 Gold-2 Loan is a special purpose covenant-light loan, with a three-year term at 9% interest and full prepayment rights without penalty. All interest amounts are paid monthly. Draw down of the loan proceeds will commence on completion of registration of security, expected later this month.

Further the Company has reached agreement for an additional US$5m for allocation to working capital to be funded directly from TDB in the form of a prepaid gold sales loan ("the TDB Gold Loan"). The TDB Gold Loan will be repaid over a period of 12 months based on gold sales, with repayments in cash equivalent at Bank of Mongolia gold prices.