Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022

(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)

	Notes	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Current assets			
Cash		17,300	2,640
Short term investments		1,452	1,431
Receivables and other assets	**3**	5,967	5,498
Prepaid tax		343	323
Inventories	**4**	24,515	22,358
Current portion of restricted cash	**12**	5,130	-
Total current assets		**54,707**	**32,250**
Long-term assets			
Non current restricted cash	**12**	37,306	69,177
Uudam Khundii Project		1,834	1,917
Property, plant and equipment	**5**	35,175	35,990
Deposits on property, plant and equipment	**5**	6,736	6,001
Deferred tax asset		986	941
Total long-term assets		**82,037**	**114,026**
Total assets		**136,744**	**146,276**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and other liabilities	**6**	7,204	6,570
Current portion of streaming arrangement	**8**	19,196	23,305
Current portion of lease liability	**9**	139	140
Convertible debentures – derivative	**10**	2,748	1,074
Convertible debentures – loan liability	**10**	-	2,930
Short term loan – Gold sales loan	**11**	9,945	10,566
Current portion of long term loan	**12**	23,738	28,360
Total current liabilities		**62,970**	**72,945**
Long-term liabilities			
Long term portion of streaming arrangement	**8**	30,979	23,624
Asset retirement obligation	**7**	3,899	3,185
Lease liability	**9**	485	513
Convertible debentures – loan liability	**10**	1,106	-
Long term loan	**12**	37,303	38,994
Total long-term liabilities		**73,772**	**66,316**
Total liabilities		**136,742**	**139,261**
Shareholders' equity			
Share capital	**13**	55,292	55,292
Warrants		11,165	11,165
Contributed surplus		11,992	11,749
Accumulated other comprehensive loss		(8,967)	(7,791)
Deficit		(69,220)	(63,146)
Total equity attributable to the owners of the Company		**262**	**7,269**
Non-controlling interest		(260)	(254)
Total shareholders' equity		**2**	**7,015**
Total liabilities and shareholders' equity		**136,744**	**146,276**

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

	Notes	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited) (Note 22)
Revenue	**14**	**5,457**	**1,854**
Cost of sales	**15**	(3,126)	(921)
Gross profit		**2,331**	**933**
Exploration and evaluation expenditures	**16**	(37)	(161)
Corporate administration	**17**	(1,911)	(2,089)
Operating profit/(loss)		**383**	**(1,317)**
Finance (costs)/income	**18**	(5,094)	2,401
Foreign exchange (loss)/gain		(1,366)	19
Net (loss)/profit before tax		**(6,077)**	**1,103**
Income tax		(3)	(146)
Net (loss)/profit after tax		**(6,080)**	**957**
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustment		(1,176)	(121)
Net (loss)/gain and comprehensive (loss)/gain		**(7,256)**	**836**
Net (loss)/gain attributable to shareholders of the Company		(6,074)	980
Net loss attributable to non-controlling interest		(6)	(23)
		(6,080)	**957**
Net (loss)/gain and comprehensive (loss)/gain attributable to shareholders of the Company		(7,250)	859
Net loss and comprehensive loss attributable to non-controlling interest		(6)	(23)
		(7,256)	**836**
Basic and diluted net (loss)/gain and comprehensive (loss)/gain per common share	**19**	(0.087)	0.014
Weighted average number of common shares outstanding - basic and diluted	**19**	69,548,657	68,422,607

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)

	Notes	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
			(Note 22)
Operating activities			
Net (loss)/profit for the period		(6,080)	957
Adjustments for non-cash items:			
Change in the fair value of converted debenture	**10**	776	-
Change in the fair value of Gold Sales Loan	**11**	727	-
Gain on modification of convertible debenture	**10**	(1,074)	-
Accretion and financing costs		1,242	(1,451)
Depreciation	**5**	483	251
Stock based compensation		232	519
Unrealized foreign exchange loss/(gain)		29	(91)
Change in the fair value of stream liability	**8**	3,874	(1,351)
Deferred tax		(45)	146
Operating cash flows before changes in non-cash working capital items		**164**	**(1,020)**
Changes in working capital items:			
Inventories		(2,166)	(3,632)
Receivables and other assets		(489)	(662)
Amounts payable and other liabilities		4,025	777
Net cash generated by/(used in) operations		**1,534**	**(4,537)**
Investing activities			
Acquisition of property, plant and equipment		(578)	(443)
Deposits on property, plant and equipment		(735)	(1,005)
Net cash used in investing activities		**(1,313)**	**(1,448)**
Financing activities			
Proceeds from Capitron loan	**12**	-	2,850
Proceeds from interest income		919	(58)
Interest paid on convertible debentures	**10**	(90)	-
Interest paid on long term loan TDB		(1,452)	-
Repayment of 2020 Gold 2 Loan	**12**	(3,391)	-
Repayment of TDB Gold sales loan	**11**	(1,230)	-
Repayment of stream financing	**8**	(628)	(292)
Lease obligation payments	**9**	(51)	(103)
Restricted cash	**12**	20,347	(3,000)
Net cash generated by/(used in) financing activities		**14,424**	**(603)**
Effect of exchange rate changes on cash held in foreign currency		15	-
Net increase /(decrease) in cash		**14,660**	**(6,588)**
Cash at the beginning of the period		2,640	15,089
Cash at the end of the period		**17,300**	**8,501**

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 three months ended March 31, 2022
(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 December 31, 2020		**68,422,607**	**54,081**	**946**	**10,063**	**11,165**	**(7,344)**	**(40,526)**	**28,385**	**(199)**	**28,186**
Stock based compensation		-	-	-	553	-	-	-	553	-	553
Comprehensive loss for the period		-	-	-	-	-	(121)	980	859	(23)	836
Balance as at March 31, 2021		**68,422,607**	**54,081**	**946**	**10,616**	**11,165**	**(7,465)**	**(39,546)**	**29,797**	**(222)**	**29,575**
Balance as at December 31, 2021		**69,548,657**	**55,292**	**-**	**11,749**	**11,165**	**(7,791)**	**(63,146)**	**7,269**	**(254)**	**7,015**
Stock based compensation		-	-	-	243	-	-	-	243	-	243
Comprehensive loss for the period		-	-	-	-	-	(1,176)	(6,074)	(7,250)	(6)	(7,256)
Balance as at March 31, 2022		**69,548,657**	**55,292**	**-**	**11,992**	**11,165**	**(8,967)**	**(69,220)**	**262**	**(260)**	**2**

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.

Impacts of the COVID-19 pandemic have continued to cause disruptions to business in Mongolia, notably there have been challenges in supply chain logistics, which have hampered operations in 2022. These supply chain challenges have caused major disruptions across the mining industry in Mongolia as most mining companies are heavily reliant on Chinese suppliers. Notably, Chinese suppliers have been heavily restricted transport of goods into Mongolia and this has been most pronounced in the transport of chemicals that are critical for gold production.

On March 1, 2022, the Company announced the resumption of gold and silver production as it has received a new shipment of key reagents. While the China/Mongolia border remains closed to certain key reagents, the Company has established alternate supply arrangements which it believes will support continued production. However, with COVID issues now pronounced in China, there remains a risk of further disruption to supply in the future.

Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. For the period ended March 31, 2022, the Company incurred a net loss of $6,080 (March 31, 2021 – profit of $957) and an accumulated deficit and other comprehensive losses of $1,176 (March 31, 2021- $121).

As at March 31, 2022, the company had total current assets of $54,707 (December 2021 : $32,250) and total current liabilities of $62,970 (December 2021 : $72,945)

In 2022, the Company's operations have been financed using a combination of funds generated through gold sales and advanced from the TDB Gold Sales Loan.

The Company has experienced significant disruption to supplies of key reagents due to the ongoing worldwide pandemic of COVID-19. While the supplies of these reagents resumed after the 2021 year end, the Company continues to monitor these uncertainties and take prudent actions where appropriate to manage financial risks.

Management is of the opinion that the production and resource outlook supports the position that Steppe will maintain its liquidity from ongoing operations through 2022 and currently has sufficient financing arrangements in place to support further expansion.

Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 13, 2022.

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 consolidated financial statements as at and for the year ended December 31, 2021 other than as noted below.

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

2. Recent pronouncements not yet effective and that have not been adopted early

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are not yet effective. The standards and amendments issued that are applicable to the Company are as follows:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. No significant impact to the Company's financial statements is expected.

Amendments to IAS 8 – accounting policies, changes in accounting estimates and errors

The amendments to IAS 8 are applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event, or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendments effective for annual periods beginning on or after January 1, 2023, with early application permitted. No significant impact to the Company's financial statements is expected.

Amendments to IAS 12– income taxes

The amendments to IAS 12 implement a so-called ''comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. No significant impact to the Company's income taxes is expected.

3. Receivables and other assets

	March 31, 2022 $	December 31, 2021 $
Prepaid expenses	3,803	3,209
Trade receivables	5	5
Interest receivable	1,636	1,488
Other receivables	523	796
Total receivables and other assets	**5,967**	**5,498**

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

4. Inventories

	March 31, 2022	December 31, 2021
	$	$
Stockpiles of ore	13,449	12,726
Gold in circuit	9,283	7,857
Finished goods	27	751
Consumables and supplies	1,756	1,024
Total inventories	**24,515**	**22,358**

As at March 31, 2022, the balance of the run of mine or ROM pad and stacked ore is 429,695 (December 31, 2021: 552,762) tonnes with a carrying value of $13,449 and 45,447 ounces of gold (December 31, 2021: 33,681) is estimated to be generated. Gold in circuit included 10,473 ounces of gold (December 31, 2021: 13,148) with a carrying value of $9,283 and finished goods included 25 ounces of gold (December 31, 2021: 533) with a carrying value of $27.

Finished goods inventory represents gold ounces located at the mine and bars still under assay at the MASM and gold inventory extracted from silver bars. The Company concluded that silver inventory is a by-product in addition to the primary product gold. Therefore, the finished goods inventory excludes the by-product.

5. Property, plant and equipment under construction

	Property and Equipment	Altan Tsagaan Ovoo Property	Equipment under construction	Right-of-use asset	Total
	$	$	$	$	$
Cost					
Balance at January 1, 2021	**16,563**	**24,866**	**1,227**	**1,394**	**44,050**
Additions	1,425	62	841	586	2,914
Transfer of equipment completed	1,739	-	(1,739)	-	-
Asset retirement costs	-	118	-	-	118
Foreign exchange	120	113	(3)	3	233
Balance at December 31, 2021	**19,847**	**25,159**	**326**	**1,983**	**47,315**
Additions	525	8	45	-	578
Asset retirement costs	-	422	-	-	422
Foreign exchange	(838)	(880)	(14)	(34)	(1,766)
Balance at March 31, 2022	**19,534**	**24,709**	**357**	**1,949**	**46,549**
Accumulated depreciation					
Balance at January 1, 2021	**3,227**	**2,952**	**-**	**379**	**6,558**
Additions	2,502	1,987	-	205	4,694
Foreign exchange	43	29	-	1	73
Balance at December 31, 2021	**5,772**	**4,968**	**-**	**585**	**11,325**
Additions	389	52	-	35	476
Foreign exchange	(259)	(166)	-	(2)	(427)
Balance at March 31, 2022	**5,902**	**4,854**	**-**	**618**	**11,374**
Net book value					
Balance at December 31, 2021	**14,075**	**20,191**	**326**	**1,398**	**35,990**
Balance at March 31, 2022	**13,632**	**19,855**	**357**	**1,331**	**35,175**

During the three months ended March 31, 2022, the Company acquired items of property, plant and equipment with a cost of approximately $578 (December 31, 2021: $2,914).

During the three months ended March 31, 2022, $483 (year ended December 31, 2021: $2,782) of depreciation was expensed to the condensed interim consolidated statements of loss and comprehensive loss and $(7) (December 31, 2021: $1,912) was capitalized to inventory.

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

5. Property, plant and equipment under construction (continued)

On October 27, 2021, the Company announced the results of an updated Feasibility Study results and the management concluded that the effective date of associated changes in estimates is November 1, 2021. Amortisation of assets depreciated based on the life of mine were recalculated by amortising the net book value of the assets over the new estimated life of mine which is 12.5 years.

Adjustments to the assets depreciated on the unit of production basis were calculated on the net book value as at November 1, 2021 amortised over the remaining tons of ore determined as of the date of the report, net off any tons that are mined between the period July 1, 2021 and October 31, 2021.

As at three months ended March 31, 2022, the Company paid amounts totaling $6,736 (December 31, 2021: $6,001) 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 March 31, 2022.

(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 March 31, 2022, 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 8).

(iii) Right-of-use assets

The right-of-use assets relate to office, generator and light motor vehicles amounted to $1,331 as at March 31, 2022 (December 31, 2021: $1,398).

6. 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.

	March 31, 2022	**December 31, 2021**
	$	**$**
Amounts payable	6,464	6,104
Accrued liabilities	525	384
Other payables	215	82
Total amounts payable and other liabilities	**7,204**	**6,570**

7. 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 $2,480 as at March 31, 2022 (December 31, 2021: $2,239).

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

7. Asset retirement obligation (continued)

A summary of the Company's asset retirement obligation as at March 31, 2022 and December 31, 2021 is presented below:

	March 31, 2022 $	December 31, 2021 $
Balance beginning of the period	**3,185**	**1,060**
Movements	418	(23)
Accretion	62	79
Change in estimate of asset retirement obligation	386	2,040
Foreign exchange	(152)	29
Balance end of the period	**3,899**	**3,185**

During the three months ended March 31, 2022, movements in the asset retirement obligation due to an increase in disturbance costs totaling $422 (December 31, 2021: $118) was capitalized to property, plant and equipment and $(4) (December 31, 2020: $(141)) was capitalized to inventory.

8. 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 (Triple Flag) to sell gold and silver produced from the ATO Project. Under the terms of the Stream Agreement, Triple Flag advanced an upfront deposit of $23,000 to Steppe Gold and Steppe BVI is obligated to sell to Triple Flag 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 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 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 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.

On September 30, 2019, the Company entered into an agreement to amend the terms of its existing gold stream with Triple Flag. Under the terms of the amendment, Triple Flag advanced an additional deposit of $5,000 to Steppe Gold, bringing the total amount advanced to Steppe Gold by Triple Flag under the gold stream to $28,000. The proceeds received from Triple Flag 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 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 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 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. Once the uncredited balance of the Upfront Deposit has been reduced to nil the purchase price by Triple Flag 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.

Triple Flag 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.

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

8. Streaming arrangement (continued)

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.

In addition, the Company granted 2,300,000 purchase warrants to Triple Flag, with each 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.

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 in compliance with the covenants as noted in the the stream arrangement.

The Stream Agreement is recorded at fair value at each statement of financial position date as the Company has determined the obligation is a derivative liability to be carried at FVTPL. The fair value of the Stream Agreement was valued using a discounted cash flow approach with consideration for the contractual terms of the Stream Agreement and using input assumptions including mine production plans, expected production taking into consideration technical feasibility reports, expected forward prices of gold and silver using the COMEX forward contract price and discount rate related to the risk of the forecasted cash flows.

The valuation was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons.

The continuity of the streaming liability is presented as follows:

	March 31, 2022 $	December 31, 2021 $
Balance beginning of the period	**46,929**	**33,577**
Fair value movement for the period	3,874	18,359
Repayment	(628)	(5,007)
Balance end of the period	**50,175**	**46,929**
Current portion	**19,196**	**23,305**
Long term portion	**30,979**	**23,624**

9. 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 5).

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

9. Lease Liability (continued)

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 six years. The leases have fixed payment terms.

The continuity of lease liability is presented as follows:

	March 31, 2022 $	December 31, 2021 $
Balance beginning of the period	**653**	**290**
Additions	-	586
Interest expense	21	92
Lease payments	(51)	(311)
Foreign exchange	1	(4)
Balance end of the period	**624**	**653**
Current portion	**139**	**140**
Long term portion	**485**	**513**

10. Convertible Debenture

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 (the "debentures") of the Company in the principal amount of $3,000.

The 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 with the maturity date on January 30, 2022. The debentures are secured obligations of the Company and rank pari passu in right of payment of principal and interest.

The debentures are 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 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.

On January 27, 2022, Development Bank of Mongolia ("DBM") debentures holder and Bataa Tumur-Ochir entered into a form of transfer (the "Transfer Agreement"). Pursuant to the Transfer Agreement, DBM agreed to transfer to Mr. Tumur-Ochir the debentures of the Company held by DBM. Subsequently the maturity date of the debentures has been extended to January 27, 2024 and the interest payment term has been changed to quarterly basis.

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

	$
Balance at January 1, 2021	**2,237**
Accretion	1,053
Interest	(360)
Balance at December 31, 2021	**2,930**
Gain on modification of Loan liability (i)	(1,972)
Accretion	240
Interest (ii)	(92)
Balance at March 31, 2022	**1,106**

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

10. Convertible Debentures (continued)

(i) The Company has extinguished the MNIF debentures and recognised the new Convertible debentures issued to Bataa Tumur-Ochir at its fair value using Black Scholes pricing model as at January 27, 2022. It resulted a gain of $1,972 which is recognised on the condensed interim consolidated statements of loss and comprehensive loss as at three months ended March 31, 2022.
(ii) Total of $90 interest expense paid and $2 was accrued as at March 31, 2022.

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

	$
Balance at January 1, 2021	**5,808**
Change in fair value of derivative liability	(4,734)
Balance at December 31, 2021	**1,074**
Loss on modification of derivative liability (i)	898
Change in fair value of derivative liability	776
Balance at March 31, 2022	**2,748**

(i) Due to the modification of the MNIF debentures, the Company recognised $898 of loss on derivative liability component.

11. Short Term Loan

On November 11, 2021, the Company reached agreement for an additional $5,000 (the "TDB Gold Sales Loan") for allocation to working capital funded directly from the TDB in the form of a prepaid TDB Gold Sales Loan. The TDB Gold Sales Loan will be repaid over a period of 9 months based on gold sales, with repayments in cash equivalent for a total of 5,800 ounces of gold at Central Bank of Mongolia's gold prices. The Company is making monthly repayments commencing March 2022.

The continuity table of short term loans is as follows:

	March 31, 2022 $	**December 31, 2021** $
Balance beginning of the period	**10,566**	**-**
Loan advanced	-	5,000
Fair value	727	5,460
Loan repayment	(1,230)	-
Foreign exchange	(118)	106
Balance end of the period	**9,945**	**10,566**

12. Long Term Loans

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 2020 Gold 2 Loan is financed by the Central Bank of Mongol 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 2020 Gold 2 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 2020 Gold 2 Loan is to provide financing for further expansion at the ATO project.

The 2020 Gold 2 Loan is subject to interest at a rate of 11% per annum, payable monthly. Repayment of the principal balance on the 2020 Gold 2 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 2020 Gold 2 Loan agreement.

On January 31, 2022, the Company repaid the first tranche of $3,391 in accordance with the schedule for 2020 Gold 2 Loan.

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

12. Long Term Loan (continued)

On February 9, 2021, Steppe Mongolia entered into a short term loan agreement with Capitron (the "Capitron Loan") for $2,850. The Capitron Loan was secured with a cash deposit held by Capitron totaling $3,000 which was disclosed as restricted cash. The purpose of the Capitron loan was to provide financing for the purchase of a new crusher at the ATO project. The Capitron Loan was repaid on September 27, 2021.

In 2021, the Company entered into a loan agreement (the "2021 Gold 2 Loan") which is covenant light loan, 9% interest per annum for a term of 36 months facilitated under the Central Bank of Mongolia "Gold 2" program.

The funds under 2021 Gold 2 Loan were advanced based on the conditional agreement between the Central Bank of Mongolia and TDB, which was completed on November 10, 2021 and then funds were advanced under tranche 1 in March 2022 after registration of pledges was completed. The 2021 Gold 2 Loan is available in 3 tranches: tranche 1 – MNT 60 billion; tranche 2 – MNT 60 billion; tranche 3 – MNT 50 billion.

Tranche 1 has now been made available and further tranches will be released based on the TDB's credit approval. In addition to the 2021 Gold 2 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 and the cash deposit is disclosed as restricted cash.

In order to secure the obligations under the 2021 Gold 2 Loan, the Company provided a first pledge of its licenses, movable properties and immovable properties. An intercreditor agreement governs the priority and ranking of charges between the TDB and Triple Flag.

The continuity table of long term loans is as follows:

	March 31, 2022 $	December 31, 2021 $
Balance beginning of the period	**67,354**	**10,610**
2021 Gold 2 Loan – Tranche 1	-	59,433
Crusher loan advance	-	2,850
Repayment	(3,391)	(6,346)
Foreign exchange	(2,922)	807
Balance end of the period	**61,041**	**67,354**
Current portion	**23,738**	**28,360**
Long term portion	**37,303**	**38,994**

On March 2, 2022, the Company met all the conditions set out on the conditional agreement and the first tranche of $20,347 became available from the restricted cash to the Company.

Restricted cash is as follows:

	March 31, 2022 $	December 31, 2021 $
Balance beginning of the period	**69,177**	**12,483**
Additional deposit	-	59,433
Repayment of 1st tranche of 2020 credit loan	(3,391)	(3,496)
Repayment of interest	-	(95)
Transferred to cash	(20,347)	-
Foreign exchange	(3,003)	852
Balance end of the period	**42,436**	**69,177**
Current portion	**5,130**	**-**
Long term portion	**37,306**	**69,177**

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

13. Share Capital

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.

Common shares issued:

	Number of common shares	$
Balance at January 1, 2021	**68,422,607**	**54,081**
Shares to be issued (i)	576,923	599
Exercise of restricted share units (ii)	549,127	612
Balance at December 31, 2021	**69,548,657**	**55,292**
Balance at March 31, 2022	**69,548,657**	**55,292**

(i) 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 576,923 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.
On October 6, 2021, 576,923 shares to be issued at a price of $0.52 per share were issued and $599 were transferred to share capital and gain of $347 in changes in fair value of derivatives was recognized in the condensed interim consolidated statements of loss and comprehensive loss.

(ii) On August 26, 2021, 549,127 common shares were issued in relation to RSUs granted to its executive officers and employees in 2020. The fair value of the RSUs exercised of $612 was transferred from contributed surplus.

14. Revenue

Revenue by metal for the three months ended March 31, 2022 and March 31, 2021 was as follows:

	March 31, 2022 $	March 31, 2021 $
Gold revenue	5,482	1,832
Silver revenue	(25)	22
Total	**5,457**	**1,854**

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

15. Cost of sales

	March 31, 2022 $	March 31, 2021 $
Contractors	1,419	276
Employee compensation	652	78
Materials and consumables	1,703	161
Other expenses	897	32
Change in inventory	(2,426)	-
Depletion and depreciation	483	251
Royalties	398	123
Total	**3,126**	**921**

16. Exploration and evaluation expenditures

	March 31, 2022 $	March 31, 2021 $
ATO project	3	158
Uudam Khundii project	34	3
Total	**37**	**161**

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

17. Corporate administration

	March 31, 2022 $	March 31, 2021 $
Management compensation	319	421
Stock based compensation	232	519
Corporate social responsibility	126	117
Direct general administrative	1,234	1,032
Total	**1,911**	**2,089**

18. Finance costs/(income)

	March 31, 2022 $	March 31, 2021 $
Accretion on convertible debentures	240	234
Accretion on lease liability	21	18
Accretion on asset retirement obligation	62	26
Interest on long term loan	1,213	317
Interest on convertible debenture - Aranjin	(53)	-
Interest on restricted cash	(1,078)	(457)
Change in fair value of converted debenture	776	(1,273)
Changes in estimate of asset retirement obligation	386	(31)
Fair value of short term loan	727	-
Fair value of stream liability	3,874	(1,351)
Loss on stream liability	-	98
Loss on modification of lease	-	18
Gain on modification of convertible debenture	(1,074)	-
Total	**5,094**	**(2,401)**

19. Net (loss)/profit per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2022 was based on the net loss attributable to common shareholders of $6,074 (March 31, 2021: profit of $980) and the weighted average number of common shares outstanding of basic and diluted 69,548,657 (March 31, 2021: 68,422,607).

20. Related party transactions

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

During the three months ended March 31, 2022 and 2021, management fees paid, or otherwise accrued, to key management personnel (defined as officers and directors of the Company) are shown below:

	March 31, 2022 $	March 31, 2021 $
Management fees paid to key personnel	319	321
Stock based compensation	110	257
Total	**429**	**578**

As at March 31, 2022, key management personnel were owed $nil (March 31, 2021: $1).

During the three months ended March 31, 2021, Erdenyn Erel, a company for which the Vice President of Exploration is the CEO provided services to the Company totaling $5 (March 31, 2021 - $nil). As at March 31, 2022, $nil was owed to Erdenyn Erel (March 31, 2021 - $707).

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

20. Related party transactions (continued)

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 was held in receivables and other assets as at September 30, 2021. Due to continued uncertainty with respect to this licence, the receivable has been written off as at December 31, 2021.

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 earns 15% interest per annum, all 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$174 in interest income as at March 31, 2022. Bataa Tumur-Ochir, Matthew Wood and Jeremy South are directors of Aranjin.

21. 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).

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 March 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	17,300	17,300	-	-
Restricted cash	42,436	42,436	-	-
Short term investment	1,452	1,452	-	-
	61,188	**61,188**	**-**	**-**
Liabilities				
Convertible debenture derivative	2,748	-	2,748	-
Short term loan - TDB Gold Sales Loan	9,945	-	9,945	-
Current portion of streaming arrangement	19,196	-	19,196	-
Long term portion of streaming arrangement	30,979	-	30,979	-
	62,868	**-**	**62,868**	**-**

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

21. Fair value measurements (continued)

	Fair value at December 31, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	2,640	2,640	-	-
Restricted cash	69,177	69,177	-	-
Short term investment	1,431	1,431	-	-
	73,248	**73,248**	**-**	**-**
Liabilities				
	Total	**Level 1**	**Level 2**	**Level 3**
Convertible debenture derivative	1,074	-	1,074	-
Short term loan – TDB Gold Sales Loan	10,566	-	10,566	-
Current portion of streaming arrangement	23,305	-	23,305	-
Long term portion of streaming arrangement	23,624	-	23,624	-
	58,569	**-**	**58,569**	**-**

Embedded derivatives

The Company has issued convertible debentures which contain an embedded derivative component (Note 10). The following table is a sensitivity analysis of the impact on the condensed interim consolidated statement of loss and comprehensive loss of an increase or a decrease in the assumptions that are used to value the derivative liability which is and classified as a level 2 in the fair value hierarchy:

Input	**Sensitivity rate**	**Impact of increase**	**Impact of Decrease**
		$	**$**
Stock price	10%	468	(454)
Exercise price	10%	(180)	194
Volatility rate	10%	84	(81)
Discount rate	0.5%	4	(4)

Streaming arrangement

In connection with the ATO Acquisition, the Company's subsidiaries have entered into a metals purchase and sale agreement (the "Stream Agreement") with Triple Flag to sell gold and silver produced from the ATO Project. The Stream Agreement is recorded at fair value at each statement of financial position date as the Company has determined the obligation is a derivative liability to be carried at FVTPL. The fair value of the Stream Agreement was valued using the income approach with consideration for the contractual terms of the Stream Agreement and use of various input assumptions.

Input	**Sensitivity rate**	**Impact of increase**	**Impact of Decrease**
		$	**$**
Forward price	10%	5,017	(5,018)
Discount rate	10%	(3,976)	4,859

22. Restatement of financial statements

In conjunction with preparation of the Company's financial statements for the year ended December 31, 2021 and as part of a continuous disclosure review by the Staff of Company's principal securities regulator in relation to the accounting for the Streaming Agreement, Steppe identified an error in how the arrangement has been accounted for in the previously issued financial statements.

The Company previously determined that the stream obligation was in substance a debt instrument (carried at amortized cost) with embedded derivatives (recognized at $nil value) linked to gold and silver commodity prices. Upon further review of the arrangement the Company has determined that the arrangement should be accounted for in its entirety as a derivative measured at fair value through profit and losses (FVTPL).

Steppe Gold also identified an error in the revenue recognized in previously issued financial statements as a result of Steppe's practice of netting the impact of the stream obligation to revenue recognized. The Streaming Agreement is by nature a financing transaction and not a revenue contract with Triple Flag. The revenue contract is with the Central Bank of Mongolia. Accordingly, Steppe Gold determined that for accounting purposes an adjustment to revenue was also required.

The analysis resulted in changes to revenue, property, plant and equipment, the stream liability and the corresponding fair value gains/losses. The Company evaluated the significance of the corrections and determined the adjustments were material to the condensed interim consolidated financial statements.

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

22. Restatement of financial statements (continued)

Financial impact

The following tables summarise the effects of the restatement.

Selected line items restated in the Condensed Interim Consolidated Statements of Financial Position:

	Mar 31, 2021 as originally reported	Adjustments	Mar 31, 2021 (restated)
ASSETS			
Current assets			
Cash	8,501	-	8,501
Short term investments	5,020	-	5,020
Receivables and other assets	4,491	-	4,491
Inventories	14,107	-	14,107
Total current assets	**32,119**	**-**	**32,119**
Long-term assets			
Restricted cash	15,455	-	15,455
Uudam Khundii Project	1,902	-	1,902
Property, plant and equipment	37,903	(336)	37,567
Deposits on property, plant and equipment	1,005	-	1,005
Deferred tax	250	-	250
Total long-term assets	**56,515**	**(336)**	**56,179**
Total assets	**88,634**	**(336)**	**88,298**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and other liabilities	4,718	-	4,718
Current portion of streaming arrangement	6,768	5,760	12,528
Current portion of lease liability	210	-	210
Convertible debentures – derivative	4,535	-	4,535
Convertible debentures – loan liability	2,382	-	2,382
Current portion of long term loan	7,078	-	7,078
Total current liabilities	**25,691**	**5,760**	**31,451**
Long-term liabilities			
Long term portion of streaming arrangement	13,980	5,426	19,406
Asset retirement obligation	901	-	901
Lease liability	593	-	593
Long term loan	6,372	-	6,372
Total long-term liabilities	**21,846**	**5,426**	**27,272**
Total liabilities	**47,537**	**11,186**	**58,723**
Shareholders' equity			
Share capital	54,081	-	54,081
Shares to be issued	946	-	946
Warrants	11,165	-	11,165
Contributed surplus	10,616	-	10,616
Non-controlling interest	(222)	-	(222)
Accumulated other comprehensive loss	(7,465)	-	(7,465)
Deficit	(28,024)	(11,522)	(39,546)
Total shareholders' equity	**41,097**	**(11,522)**	**29,575**
Total liabilities and shareholders' equity	**88,634**	**(336)**	**88,298**

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

22. Restatement of financial statements (continued)

Selected line items restated in the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss:

	Mar 31, 2021 as originally reported	**Adjustments**	**Mar 31, 2021 (restated)**
Revenue	**1,634**	**220**	**1,854**
Cost of sales	(921)	-	(921)
Gross profit	**713**	**220**	**933**
Exploration and evaluation expenditures	(161)	-	(161)
Corporate administration	(2,089)	-	(2,089)
Operating loss	**(1,537)**	**220**	**(1,317)**
Finance costs	1,001	1,400	2,401
Foreign exchange loss	19	-	19
Net (loss)/gain before tax	**(517)**	**1,620**	**1,103**
Income tax	(146)	-	(146)
Net (loss)/gain after tax	**(663)**	**1,620**	**957**
Cumulative translation adjustment	(121)	-	(121)
Net loss and comprehensive (loss)/gain	**(784)**	**1,620**	**836**
Net (loss)/gain attributable to shareholders of the Company	(640)	1,620	980
Net loss attributable to non-controlling interest	(23)	-	(23)
	(663)	**1,620**	**957**
Net (loss)/gain and comprehensive loss attributable to shareholders of the Company	(761)	1,620	859
Net loss and comprehensive loss attributable to non-controlling interest	(23)	-	(23)
	(784)	**1,620**	**836**
Basic and diluted net loss and comprehensive loss per common share	- (0.01)	0.024	- 0.014
Weighted average number of common shares outstanding - basic and diluted	68,422,607	-	68,422,607

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

22. Restatement of financial statements (continued)

The above restatement reflects the impact of change in an accounting judgement whereby the customer of which revenue is recognised has been updated to reflect the total consideration received from a certain bank as the customer which was previously recorded net in finance costs.

Selected line items restated in the Condensed Interim Consolidated Statements of Changes in Shareholder's Equity:

	Mar 31, 2021 as originally reported	Adjustments	Mar 31, 2021 (restated)
Deficit, beginning of the period	(27,384)	(13,142)	(40,526)
(Loss)/Gain for the year, attributable to shareholders	(640)	1,620	980
Deficit, end of the period	(28,024)	(11,522)	(39,546)
Total shareholder's deficit	**41,097**	**(11,522)**	**29,575**

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

22. Restatement of financial statements (continued)

Selected line items restated in the Condensed Interim Consolidated Statements of Cash Flows:

	Mar 31, 2021 as originally reported	Adjustments	Mar 31, 2021 (restated)
Operating activities			
Net (loss)/gain for the period	(663)	1,620	957
Adjustments for non-cash items:			
Accretion and financing costs	(1,304)	(147)	(1,451)
Depletion and depreciation	251	-	251
Stock based compensation	519	-	519
Unrealized foreign exchange gain	(91)	-	(91)
Drawdown of gold and silver stream	(170)	170	-
Change in the fair value of stream liability	-	(1,351)	(1,351)
Income tax expense	146		146
Changes in working capital items:			
Inventories	(3,632)	-	(3,632)
Receivables and other assets	(662)	-	(662)
Amounts payable and other liabilities	777	-	777
Net cash used in operations	**(4,829)**	**292**	**(4,537)**
Investing activities			
Acquisition of property, plant and equipment	(443)	-	(443)
Short term investment	(1,005)	-	(1,005)
Net cash used in investing activities	**(1,448)**	**-**	**(1,448)**
Financing activities			
Proceed from long term loan	2,850	-	2,850
Interest paid on convertible debentures	(58)	-	(58)
Repayment of stream financing	-	(292)	(292)
Lease obligation payments	(103)	-	(103)
Restricted cash	(3,000)	-	(3,000)
Net cash used in financing activities	**(311)**	**(292)**	**(603)**
Effect of exchange rate changes on cash held in foreign currency	-	-	-
Net decrease in cash and restricted cash	**(6,588)**	**-**	**(6,588)**
Cash at the beginning of the period	15,089	-	15,089
Cash at the end of the period	**8,501**	-	**8,501**