



Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(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	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Current assets			
Cash		532	2,640
Short term investments		1,408	1,431
Receivables and other assets	3	6,173	5,498
Prepaid tax		-	323
Inventories	4	26,006	22,358
Current portion of restricted cash	12	23,926	-
Total current assets		58,045	32,250
Long-term assets			
Non current restricted cash	12	15,926	69,177
Uudam Khundii Project		1,722	1,917
Property, plant and equipment	5	33,145	35,990
Deposits on property, plant and equipment	5	8,034	6,001
Deferred tax asset		663	941
Total long-term assets		59,490	114,026
Total assets		117,535	146,276
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and other liabilities	6	9,875	6,570
Current portion of streaming arrangement	8	25,295	23,305
Current portion of lease liability	9	128	140
Current tax liability		4	-
Convertible debentures – derivative	10	1,558	1,074
Convertible debentures – loan liability	10	-	2,930
Short term loan – TDB Gold sales loan	11	6,978	10,566
Current portion of long term loan	12	9,554	28,360
Total current liabilities		53,392	72,945
Long-term liabilities			
Long term portion of streaming arrangement	8	17,789	23,624
Asset retirement obligation	7	5,395	3,185
Lease liability	9	444	513
Convertible debentures – loan liability	10	1,239	-
Long term loan	12	35,030	38,994
Total long-term liabilities		59,897	66,316
Total liabilities		113,289	139,261
Shareholders' equity			
Share capital	13	55,292	55,292
Warrants		11,165	11,165
Contributed surplus		12,237	11,749
Accumulated other comprehensive loss		(11,228)	(7,791)
Deficit		(62,915)	(63,146)
Total equity attributable to the owners of the Company		4,551	7,269
Non-controlling interest		(305)	(254)
Total shareholders' equity		4,246	7,015
Total liabilities and shareholders' equity		117,535	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 Income and Comprehensive Income**

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

	Notes	Three Months ended June 30,		Six Months Ended June 30,	
		2022 (Unaudited)	2021 (Unaudited) (Note 22)	2022 (Unaudited)	2021 (Unaudited) (Note 22)
Revenue	14	17,237	12,136	22,694	13,990
Cost of sales	15	(8,541)	(6,300)	(11,667)	(7,222)
Gross profit		8,696	5,836	11,027	6,768
Exploration and evaluation expenditures	16	(773)	(231)	(810)	(392)
Corporate administration	17	(2,243)	(2,138)	(4,154)	(4,227)
Operating profit		5,680	3,467	6,063	2,149
Finance income/(costs)	18	1,858	(75)	(3,237)	2,326
Foreign exchange gain/(loss)		(617)	111	(1,982)	131
Net profit before tax		6,921	3,503	844	4,606
Income tax		(660)	(876)	(664)	(1,022)
Net profit after tax		6,261	2,627	180	3,584
Items that may be reclassified subsequently to profit or loss:					
Cumulative translation adjustment		(2,261)	(415)	(3,437)	(536)
Net profit/(loss) and comprehensive income/(loss)		4,000	2,212	(3,257)	3,048
Net income attributable to shareholders of the Company		6,306	2,645	231	3,626
Net income attributable to non-controlling interest		(45)	(18)	(51)	(42)
		6,261	2,627	180	3,584
Net profit/(loss) and comprehensive income / (loss) attributable to shareholders of the Company		4,045	2,230	(3,206)	3,090
Net income attributable to non-controlling interest		(45)	(18)	(51)	(42)
		4,000	2,212	(3,257)	3,048
Basic and diluted net income and comprehensive income per common share	19	0.09	0.038	0.003	0.051
Weighted average number of common shares outstanding - basic and diluted	19	69,548,657	69,597,139	69,548,657	69,597,139

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	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited) (Note 23)
Operating activities			
Net profit for the period		180	3,584
<u>Adjustments for non-cash items:</u>			
Change in the fair value of convertible debenture	10	(414)	-
Change in the fair value of TDB Gold Sales Loan	11	1,489	-
Gain on modification of convertible debenture	18	(1,074)	-
Accretion and financing income/(costs)		2,841	(2,221)
Depreciation	5	1,737	1,289
Stock based compensation	17	464	1,061
Unrealized foreign exchange loss		(2,488)	(325)
Change in the fair value of stream liability	8	1,003	(769)
Deferred tax		278	512
Operating cash flows before changes in non-cash working capital items		4,016	3,131
<u>Changes in working capital items:</u>			
Inventories		(3,373)	(4,092)
Receivables and other assets		(352)	(935)
Amounts payable and other liabilities		6,667	362
Net cash generated by/(used in) operations		6,958	(1,534)
Investing activities			
Acquisition of property, plant and equipment		(1,131)	(1,039)
Deposits on property, plant and equipment		(2,033)	(1,200)
Net cash used in investing activities		(3,164)	(2,239)
Financing activities			
Proceeds from Capitron loan	12	-	2,850
Interest income		1,479	-
Interest paid on convertible debentures	10	(180)	(148)
Interest paid on TDB long term loan		(2,532)	-
Repayment of Gold 2 Loans	12	(16,130)	-
Repayment of TDB Gold sales loan	11	(4,066)	-
Repayment of stream financing	8	(4,848)	(2,891)
Convertible debenture – Aranjin Resources		-	(1,464)
Lease obligation payments	9	(100)	(167)
Restricted cash	12	20,347	(3,000)
Net cash used in financing activities		(6,030)	(4,820)
Effect of exchange rate changes on cash held in foreign currency		128	(98)
Net decrease in cash		(2,108)	(8,691)
Cash at the beginning of the period		2,640	15,089
Cash at the end of the period		532	6,398

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 six months ended June 30, 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		-	-	-	1,111	-	-	-	1,111	-	1,111
Comprehensive income/(loss) for the period		-	-	-	-	-	(536)	3,626	3,090	(42)	3,048
Balance as at June 30, 2021		68,422,607	54,081	946	11,174	11,165	(7,880)	(36,900)	32,586	(241)	32,345
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		-	-	-	488	-	-	-	488	-	488
Comprehensive income/(loss) for the period		-	-	-	-	-	(3,437)	231	(3,206)	(51)	(3,257)
Balance as at June 30, 2022		69,548,657	55,292	-	12,237	11,165	(11,228)	(62,915)	4,551	(305)	4,246

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

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2022

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

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 and now the conflict in Ukraine continue to cause disruptions to business in Mongolia. 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 heavily restricted transport of goods into Mongolia and this has been most pronounced in the transport of chemicals that are critical for gold production. The conflict in Ukraine has also caused disruption to supply chains in Russia and some banking arrangements in Central Asian countries which has restricted the supply of US dollars in some cases.

Preventative measures are in place to ensure the well-being of employees and contractors. Management continues to monitor the situation at the site and corporate offices to prevent or minimize any effects that the COVID-19 the pandemic may have on operational or financial reporting activities.

The Company announced the resumption of gold and silver production with new shipments of key reagents. While the China/Mongolia border remains closed to certain key reagents, the Company has established alternate supply arrangements which, while more expensive, it believes will support continued production. However, with COVID-19 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 six months period ended June 30, 2022, the Company earned a net income of \$180 (June 30, 2021: \$3,584) and an accumulated deficit and other comprehensive losses of \$74,143 (December 31, 2021- \$70,937).

As at June 30, 2022, the company had total current assets of \$58,045 (December 31, 2021: \$32,250) and total current liabilities of \$53,392 (December 31, 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.

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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 12, 2022.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2022

(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

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.

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

	June 30, 2022	December 31, 2021
	\$	\$
Prepaid expenses	3,800	3,209
Trade receivables	-	5
Interest receivable	1,719	1,488
Other receivables	654	796
Total receivables and other assets	6,173	5,498

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2022

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

4. Inventories

	June 30, 2022	December 31, 2021
	\$	\$
Stockpiles of ore	11,959	12,726
Gold in circuit	10,719	7,857
Finished goods	1,143	751
Consumables and supplies	2,185	1,024
Total inventories	26,006	22,358

As at June 30, 2022, the balance of the run of mine or ROM pad and stacked ore is 657,748 (December 31, 2021: 552,762) tons with a carrying value of \$11,959 and 41,184 ounces of gold (December 31, 2021: 33,681) is estimated to be generated. Gold in circuit included 14,058 ounces of gold (December 31, 2021: 13,148) with a carrying value of \$10,719 and finished goods included 1,447 ounces of gold (December 31, 2021: 533) with a carrying value of \$1,143.

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
	\$	\$	\$	\$	\$
<i>Cost</i>					
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	786	7	368	(30)	1,131
Asset retirement costs	-	1,316	-	-	1,316
Foreign exchange	(1,974)	(2,247)	(38)	(126)	(4,385)
Balance at June 30, 2022	18,659	24,235	656	1,827	45,377
<i>Accumulated depreciation</i>					
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	1,474	413	-	90	1,977
Foreign exchange	(608)	(436)	-	(26)	(1,070)
Balance at June 30, 2022	6,638	4,945	-	649	12,232
<i>Net book value</i>					
Balance at December 31, 2021	14,075	20,191	326	1,398	35,990
Balance at June 30, 2022	12,021	19,290	656	1,178	33,145

During the six months ended June 30, 2022, the Company acquired items of property, plant and equipment with a cost of approximately \$1,131 (June 30, 2021: \$1,629).

During the six months ended June 30, 2022, \$1,737 (June 30, 2021: \$1,289) of depreciation was expensed to the condensed interim consolidated statements of income and comprehensive income and \$240 (June 30, 2021: \$667) was capitalized to inventory.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2022

(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 six months ended June 30, 2022, the Company paid amounts totaling \$8,034 (June 30, 2021: \$1,200) as an upfront deposit on a new crusher. The upfront deposit has been reported under deposits on property, plant and equipment in the condensed interim consolidated statement of financial position as at June 30, 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 June 30, 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). Steppe Mongolia's licenses, movable properties and immovable properties were pledged under 2021 Gold 2 Loan agreement. An intercreditor agreement governs the priority and rankings of charges between TDB and Triple Flag.

(iii) Right-of-use assets

The right-of-use assets relate to office, generator and light motor vehicles amounted to \$1,178 as at June 30, 2022 (June 30, 2021: \$1,504).

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.

	June 30, 2022	December 31, 2021
	\$	\$
Amounts payable	8,968	6,104
Accrued liabilities	504	384
Other payables	403	82
Total amounts payable and other liabilities	9,875	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 \$2,901 as at June 30, 2022 (December 31, 2021: \$2,239).

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2022

(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 June 30, 2022 and December 31, 2021 is presented below:

	June 30, 2022	December 31, 2021
	\$	\$
Balance beginning of the period	3,185	1,060
Movements	1,327	(23)
Accretion	152	79
Change in estimate of asset retirement obligation	1,133	2,040
Foreign exchange	(402)	29
Balance end of the period	5,395	3,185

During the six months ended June 30, 2022, movements in the asset retirement obligation due to an increase in disturbance costs totaling \$1,316 (December 31, 2021: \$118) was capitalized to property, plant and equipment and \$11 (December 31, 2021: \$(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.

STEPPE GOLD LTD.

Notes to Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2022

(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. The obligations are also secured by 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 ("Forecasted 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 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:

	June 30, 2022	December 31, 2021
	\$	\$
Balance beginning of the period	46,929	33,577
Fair value movement for the period	1,003	18,359
Repayment	(4,848)	(5,007)
Balance end of the period	43,084	46,929
Current portion	25,295	23,305
Long term portion	17,789	23,624

9. Lease Liability

The Company has leases in place for its office in Toronto, Canada and certain light motor vehicles. Each lease is included 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).

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9. Lease Liability (continued)

The continuity of lease liability is presented as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Balance beginning of the period	653	290
Additions	-	586
Interest expense	41	92
Lease payments	(100)	(311)
Foreign exchange	(22)	(4)
Balance end of the period	572	653
Current portion	128	140
Long term portion	444	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 Tumor-Ochir entered into a form of transfer (the "Transfer Agreement"). Pursuant to the Transfer Agreement, DBM agreed to transfer to Mr. Tumor-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	463
Interest (ii)	(182)
Balance at June 30, 2022	1,239

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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. This resulted in a gain of \$1,972 which is recognised on the condensed interim consolidated statements of income and comprehensive income.
- (ii) Total of \$180 interest expense paid during six months ended June 30, 2022 and \$2 was accrued as at June 30, 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	(414)
Balance at June 30, 2022	1,558

- (i) Due to the modification of the MNIF debentures, the Company recognised \$898 of loss on derivative liability component which is recognised on the condensed interim consolidated statements of income and comprehensive income.

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 the Central Bank of Mongolia's gold prices. Repayments commenced March 2022.

The continuity table of the short term loan is as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Balance beginning of the period	10,566	-
Loan advanced	-	5,000
Fair value revaluation	1,489	5,460
Loan repayment	(4,066)	-
Foreign exchange adjustment	(1,011)	106
Balance end of the period	6,978	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 Mongolia for a period of 24 months secured by a cash deposit held by TDB totaling 35.4 billion Mongolian Tugriks. The cash deposit is disclosed as restricted cash.

Under the terms of the 2020 Gold 2 Loan, the Company is required to sell all 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.

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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 the 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. 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 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:

	June 30, 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	(16,130)	(6,346)
Foreign exchange	(6,640)	807
Balance end of the period	44,584	67,354
Current portion	9,554	28,360
Long term portion	35,030	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:

	June 30, 2022	December 31, 2021
	\$	\$
Balance beginning of the period	69,177	12,483
Additional deposit	-	59,433
Repayment of 2020 Gold 2 loan	(3,391)	(3,496)
Interest payment	-	(95)
Transfer to cash	(20,347)	-
Foreign exchange	(5,587)	852
Balance end of the period	39,852	69,177
Current portion	23,926	-
Long term portion	15,926	69,177

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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 June 30, 2022	69,548,657	55,292

(i) On October 6, 2021, 576,923 shares to be issued at a price of \$0.52 per share were issued in relation to previously issued convertible debentures in 2018 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 income and comprehensive income.

(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 to share capital.

14. Revenue

Revenue by metal for the three and six months ended June 30, 2022 and June 30, 2021 were as follows:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Gold revenue	17,223	12,118	22,706	13,950
Silver revenue	14	18	(12)	40
Total	17,237	12,136	22,694	13,990

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Contractors	2,562	2,612	3,981	4,736
Employee compensation	724	657	1,376	1,260
Materials and consumables	4,198	1,828	5,901	3,070
Other expenses	858	338	1,755	584
Change in inventory	(2,202)	(920)	(4,628)	(4,588)
Depletion and depreciation	1,254	1,038	1,737	1,289
Royalties	1,147	747	1,545	871
Total	8,541	6,300	11,667	7,222

16. Exploration and evaluation expenditures

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
ATO project	639	3	673	6
Uudam Khundii project	134	228	137	386
Total	773	231	810	392

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

17. Corporate administration

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management compensation	344	329	663	650
Stock based compensation	232	541	464	1,061
Corporate social responsibility	190	110	317	156
Direct general administrative	1,477	1,158	2,710	2,360
Total	2,243	2,138	4,154	4,227

18. Finance costs/(income)

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Accretion on convertible debentures	223	253	463	487
Accretion on lease liability	20	27	41	45
Accretion on asset retirement obligation	90	(2)	152	24
Interest on long term loan	1,169	347	2,382	664
Interest on convertible debenture - Aranjin	(53)	-	(106)	-
Interest on restricted cash	(754)	(452)	(1,832)	(909)
Change in fair value of converted debenture	(1,190)	(1,283)	(414)	(2,556)
Changes in estimate of asset retirement obligation	747	656	1,133	625
Fair value of short term loan	761	-	1,489	-
Fair value of stream liability	(2,871)	529	1,003	(724)
Loss on modification of lease	-	-	-	18
Gain on modification of convertible debenture	-	-	(1,074)	-
Total	(1,858)	75	3,237	(2,326)

19. Net income per common share

The calculation of basic and diluted income per share for the six months ended June 30, 2022 was based on the net income attributable to common shareholders of \$231 (June 30, 2021: \$3,626) and the weighted average number of common shares outstanding of diluted 69,548,657 (June 30, 2021: 69,597,139).

20. Related party transactions

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

During the six months ended June 30, 2022 and 2021, management fees paid, or otherwise accrued, to key management personnel (defined as officers and directors of the Company) are shown below:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management fees paid to key personnel	401	329	720	650
Stock based compensation	111	804	221	1,061
Total	512	1,133	941	1,711

As at June 30, 2022, key management personnel were owed \$9 (June 30, 2021: \$1).

During the six months ended June 30, 2022, Erdenyn Erel, a company for which the Vice President of Exploration is the CEO provided services to the Company totaling \$656 (June 30, 2021 - \$200). As at June 30, 2022, \$656 was owed to Erdenyn Erel (June 30, 2021 - \$694).

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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 balance 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\$242 in interest income as at June 30, 2022. Bataa Tumur-Ochir, Matthew Wood and Jeremy South are directors of Aranjin. Subsequent to the reporting period, the maturity on this debenture has been extended to August 10, 2023. This extension is subject to regulatory approval.

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 June 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Cash	532	532	-	-
Current portion of restricted cash	23,926	23,926	-	-
Non current restricted cash	15,926	15,926	-	-
Short term investment	1,408	1,408	-	-
	41,792	41,792	-	-
Liabilities				
Convertible debenture derivative	1,558	-	1,558	-
Short term loan - TDB Gold Sales Loan	6,978	-	6,978	-
Current portion of streaming arrangement	25,295	-	25,295	-
Long term portion of streaming arrangement	17,789	-	17,789	-
	51,620	-	51,620	-

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21. Fair value measurements (continued)

	Fair value at December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Assets</u>				
Cash	2,640	2,640	-	-
Restricted cash	69,177	69,177	-	-
Short term investment	1,431	1,431	-	-
	73,248	73,248	-	-
<u>Liabilities</u>				
	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 income and comprehensive income 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%	310	(294)
Exercise price	10%	(139)	155
Volatility rate	10%	85	(85)
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%	4,308	(4,309)
Discount rate	10%	(3,182)	3,852

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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.

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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:

	June 30, 2021 as originally reported	Adjustments	June 30, 2021 (restated)
ASSETS			
Current assets			
Cash	6,398	-	6,398
Short term investments	4,994	-	4,994
Receivables and other assets	6,677	-	6,677
Inventories	14,652	-	14,652
Total current assets	32,721	-	32,721
Long-term assets			
Restricted cash	15,377	-	15,377
Uudam Khundii Project	1,892	-	1,892
Property, plant and equipment	37,288	(336)	36,952
Deposits on property, plant and equipment	1,200	-	1,200
Total long-term assets	55,757	(336)	55,421
Total assets	88,478	(336)	88,142
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and other liabilities	3,833	-	3,833
Current portion of streaming arrangement	6,824	4,399	11,223
Current portion of lease liability	182	-	182
Current tax liability	510	-	510
Convertible debentures – derivative	3,252	-	3,252
Convertible debentures – loan liability	2,545	-	2,545
Current portion of long term loan	7,039	-	7,039
Total current liabilities	24,185	4,399	28,584
Long-term liabilities			
Long term portion of streaming arrangement	12,881	5,813	18,694
Asset retirement obligation	1,486	-	1,486
Lease liability	578	-	578
Deferred tax liability	115	-	115
Long term loan	6,340	-	6,340
Total long-term liabilities	21,400	5,813	27,213
Total liabilities	45,585	10,212	55,797
Shareholders' equity			
Share capital	54,081	-	54,081
Shares to be issued	946	-	946
Warrants	11,165	-	11,165
Contributed surplus	11,174	-	11,174
Non-controlling interest	(241)	-	(241)
Accumulated other comprehensive loss	(7,880)	-	(7,880)
Deficit	(26,352)	(10,548)	(36,900)
Total shareholders' equity	42,893	(10,548)	32,345
Total liabilities and shareholders' equity	88,478	(336)	88,142

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22. Restatement of financial statements (continued)

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

	June 30, 2021 as originally reported	Adjustments	June 30, 2021 (restated)
Revenue	12,405	1,585	13,990
Cost of sales	(7,222)	-	(7,222)
Gross income	5,183	1,585	6,768
Exploration and evaluation expenditures	(392)	-	(392)
Corporate administration	(4,227)	-	(4,227)
Operating income	564	1,585	2,149
Finance costs	1,317	1,009	2,326
Foreign exchange loss	131	-	131
Net income before tax	2,012	2,594	4,606
Income tax	(1,022)	-	(1,022)
Net income after tax	990	2,594	3,584
Cumulative translation adjustment	(536)	-	(536)
Net income and comprehensive profit	454	2,594	3,048
Net income attributable to shareholders of the Company	1,032	2,594	3,626
Net income attributable to non-controlling interest	(42)	-	(42)
	990	2,594	3,584
Net income and comprehensive income attributable to shareholders of the Company	496	2,594	3,090
Net income and comprehensive income attributable to non-controlling interest	(42)	-	(42)
	454	2,594	3,048
Basic and diluted net income and comprehensive income per common share	-	-	-
	0.015	0.036	0.051
Weighted average number of common shares outstanding - basic and diluted	69,597,139	-	69,597,139

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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:

	June 30, 2021 as originally reported	Adjustments	June 30, 2021 (restated)
Deficit, beginning of the period	(27,384)	(13,142)	(40,526)
Gain for the year, attributable to shareholders	1,032	2,594	3,626
Deficit, end of the period	(26,352)	(10,548)	(36,900)
Total shareholder's deficit	42,893	(10,548)	32,345

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(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:

	June 30, 2021 as originally reported	Adjustments	June 30, 2021 (restated)
Operating activities			
Net income for the period	990	2,594	3,584
<u>Adjustments for non-cash items:</u>			
Accretion and financing costs	(1,936)	(285)	(2,221)
Depletion and depreciation	1,289	-	1,289
Stock based compensation	1,061	-	1,061
Unrealized foreign exchange gain	(325)	-	(325)
Drawdown of gold and silver stream	(1,351)	1,351	-
Change in the fair value of stream liability	-	(769)	(769)
Income tax expense	512	-	512
<u>Changes in working capital items:</u>			
Inventories	(4,092)	-	(4,092)
Receivables and other assets	(935)	-	(935)
Amounts payable and other liabilities	362	-	362
Net cash used in operations	(4,425)	2,891	(1,534)
Investing activities			
Acquisition of property, plant and equipment	(1,039)	-	(1,039)
Short term investment	(1,200)	-	(1,200)
Net cash used in investing activities	(2,239)	-	(2,239)
Financing activities			
Proceed from long term loan	2,850	-	2,850
Interest paid on convertible debentures	(148)	-	(148)
Repayment of stream financing	-	(2,891)	(2,891)
Convertible debenture – Aranjin Resource	(1,464)	-	(1,464)
Lease obligation payments	(167)	-	(167)
Restricted cash	(3,000)	-	(3,000)
Net cash used in financing activities	(1,929)	(2,891)	(4,820)
Effect of exchange rate changes on cash held in foreign currency	(98)	-	(98)
Net decrease in cash and restricted cash	(8,691)	-	(8,691)
Cash at the beginning of the period	15,089	-	15,089
Cash at the end of the period	6,398	-	6,398