STEPPE GOLD LTD

Consolidated Financial Statements

For the years ended December 31, 2022 and December 31, 2021

(Expressed in US Dollars)

KINGSTON
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March 31, 2023
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Steppe Gold Ltd.

Opinion

We have audited the consolidated financial statements of Steppe Gold Ltd. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of profit or loss and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of inventories and cost of sales

We refer to financial statement summary of significant accounting policies on inventories, cost of sales and related disclosure in Note 5.

(continues)

At the balance sheet date, the value of inventory amounted to $24,165,000, representing 33% of total assets and 136% of total equity. Inventories and cost of sales were considered as a key audit matter due to the size of the balance and because inventory valuation involves management judgment which directly impacts cost of sales. According to the financial statements' accounting principles inventories are measured at the lower of production cost and net realizable value based on estimated metal content, with net realizable value approximated as the prevailing and long-term metal prices less estimated future production costs to convert inventories into saleable form and estimated costs to sell. The Company has specific procedures for identifying risk for obsolescence and measuring inventories at the lower of cost or net realizable value.

To address the risk for material misstatement on inventories, our audit procedures included, amongst other procedures:

- Assessing the compliance of Company's accounting policies over inventory with applicable accounting standards.
- Assessing the inventory valuation processes and practices.
- Evaluating the analyses and calculations made by management with respect the remaining estimated costs to produce finished goods and evaluate the possibility of impairment.

We assessed the adequacy of the Company's disclosures related to inventories and cost of sales.

Valuation of streaming arrangement

We refer to financial statement summary of significant accounting policies on streaming arrangement and related disclosure in Note 10.

At the balance sheet date, the value of streaming arrangement amounted to $27,820, representing 50% of total liabilities and 157% of total equity. Streaming arrangement was considered as a key audit matter due to the size of the balance and because the related valuation involves management judgment. According to the financial statements' accounting principles streaming arrangement has been determined the obligation is a derivative liability to be carried at fair value through profit and loss. The fair value of the stream arrangement has been valued using a discounted cash flow approach with consideration for the contractual terms of the related 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 income approach 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.

To address the risk for material misstatement on the streaming arrangement, our audit procedures included, amongst other procedures:

- Developing an independent point estimate of the fair value of the streaming arrangement, which included assessment of the independently prepared valuation report, the input variables and assumptions utilized.
- Evaluation of the management's experts' competence, capabilities and objectivity in developing the valuation report.
- Evaluate the work of managements experts in assessing the life of the mine and reserve estimates which were utilized in developing the valuation report.

We assessed the adequacy of the Company's disclosures related to the streaming arrangement.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

(continues)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(continues)

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

STEPPE GOLD LTD.
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	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash		2,515	2,640
Short term investments	**3**	365	1,431
Receivables and other assets	**4**	2,534	5,498
Prepaid tax		-	323
Inventories	**5**	24,165	22,358
Total current assets		**29,579**	**32,250**
Long-term assets			
Restricted cash	**14**	-	69,177
Uudam Khundii Project	**6**	1,571	1,917
Property, plant and equipment	**7**	39,328	35,990
Deposits on property, plant and equipment	**7**	-	6,001
Deferred tax asset		2,180	941
Total long-term assets		**43,079**	**114,026**
Total assets		**72,658**	**146,276**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and other liabilities	**8**	11,016	6,570
Current portion of streaming arrangement	**10**	15,735	23,305
Current portion of lease liability	**11**	154	140
Current tax liability	**27**	2,386	-
Convertible debentures – derivative	**12**	1,299	1,074
Convertible debentures – loan liability	**12**	-	2,930
Short term loan – TDB	**13**	-	10,566
Gold Prepay loan – Triple Flag	**13**	4,531	-
Current portion of long term loan	**14**	-	28,360
Total current liabilities		**35,121**	**72,945**
Long-term liabilities			
Long term portion of streaming arrangement	**10**	12,085	23,624
Asset retirement obligation	**9**	3,398	3,185
Lease liability	**11**	397	513
Convertible debentures – loan liability	**12**	1,596	-
Long-term loan	**14**	2,838	38,994
Total long-term liabilities		**20,314**	**66,316**
Total liabilities		**55,435**	**139,261**
Shareholders' equity			
Share capital	**15**	55,760	55,292
Warrants	**16**	5,642	11,165
Contributed surplus		19,559	11,749
Accumulated other comprehensive loss		(16,055)	(7,791)
Deficit		(47,190)	(63,146)
Total equity attributable to the owners of the Company		**17,716**	**7,269**
Non-controlling interest		(493)	(254)
Total shareholders' equity		**17,223**	**7,015**
Total liabilities and shareholders' equity		**72,658**	**146,276**

The accompanying notes are an integral part of these consolidated financial statements.
Approved on behalf of the Board:

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

STEPPE GOLD LTD.
Consolidated Statement of Profit or Loss and Comprehensive Income
(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)

	Notes	December 31, 2022	December 31, 2021
Revenue	**17**	**62,366**	**24,050**
Cost of sales	**18**	(31,547)	(14,397)
Gross profit		**30,819**	**9,653**
Exploration and evaluation expenditures	**19**	(2,130)	(1,328)
Corporate administration	**20**	(12,980)	(9,149)
Operating profit/(loss)		**15,709**	**(824)**
Finance income/(cost)	**21**	4,652	(22,098)
Foreign exchange loss		(2,821)	(26)
Net profit/(loss) for the year before tax		**17,540**	**(22,948)**
Income tax	**27**	(1,823)	273
Net profit/(loss) for the year after tax		**15,717**	**(22,675)**
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustment		(8,264)	(447)
Net profit/(loss) and comprehensive income/(loss) for the year		**7,453**	**(23,122)**
Net profit/(loss) for the year attributable to shareholders of the Company		15,956	(22,620)
Net loss attributable to non-controlling interest		(239)	(55)
		15,717	**(22,675)**
Net income/(loss) and comprehensive income/(loss) for the year attributable to shareholders of the Company		7,692	(23,067)
Net loss and comprehensive loss attributable to non-controlling interest		(239)	(55)
		7,453	**(23,122)**
Basic profit/(loss) per share		0.229	(0.329)
Diluted profit/(loss) per share		0.186	(0.243)

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

STEPPE GOLD LTD.
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	December 31, 2022	December 31, 2021
Operating activities			
Net profit/(loss) for the year		15,717	(22,675)
Adjustments for non-cash items:			
Change in the fair value of converted debenture	**12**	(673)	(5,081)
Change in the fair value of TDB loan	**13**	233	5,460
Fair value of Triple Flag Gold Prepay loan	**13**	641	-
Fair value of Aranjin Convertible Debenture	**3**	972	-
Gain on convertible debenture modification	**12**	(1,074)	-
Accretion and financing costs		698	3,265
Depreciation	**7**	4,209	2,782
Stock based compensation		2,672	1,623
Unrealized foreign exchange loss		(4,717)	(500)
Change in the fair value of stream liability	**10**	(6,316)	18,359
Income tax expense		-	(536)
Deferred tax		(1,239)	-
Operating cash flows before changes in non-cash working capital items		**11,123**	**2,697**
Changes in working capital items:			
Inventories		(2,592)	(10,498)
Receivables and other assets		3,287	(2,448)
Amounts payable and other liabilities		6,897	3,210
Net cash generated by/ (used in) operations		**18,715**	**(7,039)**
Investing activities			
Acquisition of property, plant and equipment		(5,922)	(2,914)
Deposits on property, plant and equipment		-	(6,001)
Short term investment		**-**	5,033
Net cash (used in) investing activities		**(5,922)**	**(3,882)**
Financing activities			
Proceeds from TDB and Capitron loan	**14**	-	63,115
Proceeds from TDB gold loan	**13**	-	5,000
Proceeds from interest income		3,561	3,412
Proceeds from Gold Prepay loan - Triple Flag	**13**	4,800	-
Interest paid on convertible debentures	**12**	(360)	(360)
Interest paid on long term loan TDB		(3,499)	(3,481)
Repayment of stream financing	**10**	(12,793)	(5,007)
Repayment of loan TDB and Capitron	**14**	(53,283)	(6,395)
Repayment of TDB Gold Loan	**13**	(10,695)	-
Loan repayment - Gold Prepay loan - Triple Flag	**13**	(910)	-
Convertible debenture – Aranjin Resources	**23**	-	(1,431)
Lease obligation payments	**11**	(196)	(311)
Restricted cash		60,181	(56,627)
Issue of common shares	**15**	-	612
Net cash (used in) financing activities		**(13,194)**	**(1,473)**
Effect of exchange rate changes on cash held in foreign currency		276	(55)
Net (decrease) in cash		**(125)**	**(12,449)**
Cash at the beginning of the year		2,640	15,089
Cash at the end of the year		**2,515**	**2,640**

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

STEPPE GOLD LTD.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2022 and December 31, 2021
(All dollar amounts expressed in thousands of United States Dollars, other than the per share amounts or unless otherwise noted)
(Audited)

	Notes	Number of shares	Share capital	Shares to be issued	Contributed surplus	Warrants	Accumulated other comprehensive loss	Surplus/ (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		-	-	-	1,686	-	-	-	1,686	-	1,686
Shares issued from exercise of RSUs	**15**	549,127	612	-	-	-	-	-	612	-	612
Convertible debt shares issued	**15**	576,923	599	(946)	-	-	-	-	(347)	-	(347)
Comprehensive loss for the year		-	-	-	-	-	(447)	(22,620)	(23,067)	(55)	(23,122)
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		541,625	468	-	2,287	-	-	-	2,755	-	2,755
Comprehensive income for the year	**15**	-	-	-	-	-	(8,264)	15,956	7,692	(239)	7,453
Warrants	**16**	-	-	-	5,523	(5,523)	-	-	-	-	-
Balance as at December 31, 2022		**70,090,282**	**55,760**	**-**	**19,559**	**5,642**	**(16,055)**	**(47,190)**	**17,716**	**(493)**	**17,223**

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

1. Nature of operations

Steppe Gold Ltd. (the "Company" or "Group") 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 and its commercially producing mine is the Altan Tsagaan Ovoo Property (the "ATO Project" or "ATO Mine"), located in Eastern Mongolia,

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

In 2021, the impact of the COVID-19 pandemic caused disruptions to business in Mongolia. Preventative measures were put in place to ensure the well-being of employees and contractors. Management closely monitors the situation at the site and corporate offices to prevent or minimize any effects that COVID-19 may have on operational or financial reporting activities. However, the closure of the border with China meant that there were challenges in supply chain logistics which hampered operations in 2021 and continued into 2022. Specifically, the ongoing supply chain delays in China and related border issues meant that the supply of key reagents was severely disrupted throughput 2021, which limited production.

On March 1, 2022, the Company announced the resumption of gold and silver production as it had 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 has supported continued production in 2022, as well as a buildup of reagent inventory.

Mongolia is land locked between China and Russia and on 24 February 2022, Russia invaded Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed on Russia. However, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. Specifically for Mongolia, it imports all its fuel from Russia, and its financial system relies on access to certain Russian banks and financial institutions. There has been disruption in the supply of US Dollars, certain foodstuffs as well as mining equipment. As with many other countries, Mongolia has suffered from increased energy costs, higher inflation, increased interest rates and pressure on foreign currency exchange rates.

Ultimately, Mongolia, and thus the Company, is currently completely reliant on Russia for its fuel and while there have been minor disruptions in supply the Government of Mongolia has signed a deal with Russia to cap imported fuel prices.

The alternate supply route for the Company's reagents noted above is via Russia and the Company has increased its holding of reagents and identified alternative, albeit more expensive, suppliers should the need arise.

Company management closely monitors the events in Ukraine, however the degree to which it may be affected by them largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

Customer concentration

The Group's precious metals production is ultimately sold to the Bank of Mongolia through an intermediary Mongolian bank. Settlement is received within one day.

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

2. Significant accounting policies

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements were approved and authorized for issuance by the Board of Directors on March 31, 2023.

Commercial Production

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

Adoption of new and revised Standards

In the current year, the Group has applied several amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods that begin on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 Reference to the Conceptual Framework	The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use	The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, the Group recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

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

2. Significant accounting policies (continued)

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards. *IFRS 1 First-time Adoption of International Financial Reporting Standards* The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). *IFRS 9 Financial Instruments* The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. *IFRS 16 Leases* The amendment removes the illustration of the reimbursement of leasehold improvements. *IAS 41 Agriculture* The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

2. Significant accounting policies (continued)

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17) Insurance Contracts

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 1 Classification of Liabilities as Current or Non-current Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

Amendments to IAS 8 Definition of Accounting Estimates Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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

Basis of consolidation

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases.

Control is achieved when the Company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2. Significant accounting policies (continued)

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

2. Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below)
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquiror's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. Significant accounting policies (continued)

Goodwill

Goodwill is initially recognised and measured as set out above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue is generated from the sale of gold and silver. The Company produces dore bars which contain gold and silver. The dore bars are analysed by the Mongolian Agency for Standardization and Metrology ("MASM") which determines the gold and silver content to be sold to the customer, usually a commercial bank in Mongolia for onward sale to the Bank of Mongolia. The performance obligation for revenue is recognized when control over the metal is transferred to the customer. Control is achieved when the gold or silver bars are delivered to the customer's gold vault.

Leases

The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise :

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options

2. Significant accounting policies (continued)

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group has not entered into any lease agreements as a lessor.

2. Significant accounting policies (continued)

Foreign currencies

Functional and presentation currency

These consolidated financial statements have been prepared in US dollars ("USD"), which is the Group's presentation currency. As of December 31, 2021, the functional currency was determined to be the Mongolian Tugrik for its Mongolian wholly-owned subsidiaries and to be the Canadian dollar ("CAD") for Steppe Gold Limited and Steppe BVI.

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- Exchange differences on transactions entered into to hedge certain foreign currency risks (currently, the Group does not enter into hedge transactions)
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalization rate to the expenditure on that asset. The capitalization rate will be the weighted average of the borrowing costs applicable to the general pool. Capitalization should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Significant accounting policies (continued)

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.
For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

2. Significant accounting policies (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.
For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income/ (costs)" note 21.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset only when the Company has a current and legally enforceable right to set-off the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Finance income - Other' line item in profit or loss.

A financial asset is held for trading if either:

- It has been acquired principally for the purpose of selling it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition

2. Significant accounting policies (continued)

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'finance income/ (costs)'line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "finance income/ (costs)" line item
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'finance income/ (costs)' line item. As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the investment's revaluation reserve
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'finance income/ (costs)' line item as part of the fair value gain or loss

For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment's revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Bank of Mongolia buys all of the Group's gold and silver production.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

2. Significant accounting policies (continued)

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- An actual or expected significant deterioration in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default.
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2. Significant accounting policies (continued)

(ii*) Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

2. Significant accounting policies (continued)

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial instruments

Below is a summary showing the classification and measurement bases of financial instruments:

Classification	**IFRS 9**
Cash	FVTPL
Short term investments	FVTPL
Receivables and other assets	Amortized cost
Restricted cash	FVTPL
Amounts payable and other liabilities	Amortized cost
Convertible debentures – loan liability	Amortized cost
Convertible debentures – derivative	FVTPL
Promissory notes	Amortized cost
Streaming arrangement	FVTPL
Lease liability	Amortized cost
Short term loan - TDB	FVTPL
Gold Prepay loan - Triple Flag	FVTPL
Long term loan	Amortized cost

2. Significant accounting policies (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of the convertible debentures issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible debenture, the balance recognised in equity will be transferred to [retained earnings/other equity]. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debentures are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible debentures using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is:

(i) contingent consideration of an acquirer in a business combination,
(ii) held for trading or
(iii) it is designated as at FVTPL.

2. Significant accounting policies (continued)

A financial liability is classified as held for trading if either:

- It has been acquired principally for the purpose of repurchasing it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument. (Currently, the Company does not enter into hedging transactions.)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'finance income/(costs)' in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note 26.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not are measured subsequently at amortised cost using the effective interest method.

(i) contingent consideration of an acquirer in a business combination,
(ii) held-for trading, or
(iii) designated as at FVTPL,

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance income/(costs)' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

2. Significant accounting policies (continued)

For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value will be recognised as a financial asset whereas a derivative with a negative fair value will be recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company has designated its streaming arrangement as a derivative financial instrument (see note 10).

Fair value for derivative instruments is determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. The Group makes use of external valuation consultants in determining the fair value of its derivative financial instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

2. Significant accounting policies (continued)

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL. An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Derecognition

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

2. Significant accounting policies (continued)

Cash

Cash and cash equivalents in the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for use by the Group but subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 14. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above with the exception of restricted cash, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

Inventory

Inventories include ore stockpiles, gold in circuit, finished goods (dore bars including gold and silver) and supplies inventory. Ore stockpiles, heap leach ore or finished goods inventory are measured by external consultants and are valued at the lower of production costs or net realizable value based on estimated metal content.

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

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

Finished goods inventory represents gold ounces located at the mine and bars still under assay at the Mongolian Agency for Standardization and Metrology ("MASM") and gold inventory extracted from silver bars. The Company concluded that silver inventory is the by product in addition to the primary product gold. Therefore, the finished goods inventory excludes the by product.

Materials and supplies inventories are valued at the lower of cost and net realizable value.
Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value.

Property, plant and equipment

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

Mining properties:

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

2. Significant accounting policies (continued)

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

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

Crusher and its components	units of production
Heap leach	units of production
Other mining equipment	14 years
Light vehicles	10 years
Computer equipment	2 years
Furniture and fixtures	10 years

Property, plant and equipment include the Heap Leach which is depreciated using units of production basis when it is ready to use and completed.

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

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

Management reviews the estimated useful lives, residual values and depreciation and depletion methods of the Company's plant and equipment at the end of each reporting period, and when events and circumstances indicate that such a review should be made. On February 21, 2023, the Company has announced updated Feasibility Study results and the management concluded that the effective date of changes in estimates is September 1, 2022. Changes to estimated useful lives, residual values or depreciation methods resulting from the review are accounted for prospectively.

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

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Derecognition:

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2. Significant accounting policies (continued)

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Exploration and evaluation and pre-development expenditure

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs not directly attributable to a qualifying asset are expensed in the consolidated statements of loss and comprehensive loss in the period in which they are incurred.

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where funds are part of a general pool, the eligible amount is determined by applying a capitalization rate to the expenditure on that asset.

The capitalization rate will be the weighted average of the borrowing costs applicable to the general pool. Capitalization should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

2. Significant accounting policies (continued)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Profit (Loss) per share

The Company presents basic and diluted profit or loss per share data for its common shares, calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants, options and restricted share units outstanding that may add to the total number of common shares.

Critical accounting estimates

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

Warrant and stock option valuation

The fair value of the warrants and stock options are measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the warrants and stock options were issued.

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

Restricted share units valuation

The fair value of the restricted share units ("RSUs") is measured using the share price on the valuation date taking into account the terms and conditions upon which the restricted share units were issued. RSUs that have cash redeemable option is accounted under RSU liability and the RSUs that have only share redeemable condition is recorded under contributed surplus.

Recoverable reserves

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining interests. The Company estimates its recoverable reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data.

The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, production costs, future capital requirements, and foreign exchange rates, along with geological assumptions and judgments made in estimating the size and grade of the ore body, and metallurgical assumptions made in estimating the recovery of the ore body. Changes in the reserve or resource estimates may impact the carrying value of mineral properties, asset retirement obligations, inventories and depreciation expense.

Depreciation and depletion

Mining interests are depleted using the unit-of-production method over a period not to exceed the estimated life of the ore body based on estimated recoverable reserves. Certain property, plant and equipment are depreciated using the unit-of-production method.

2. Significant accounting policies (continued)

The calculation of the units of production rate, and therefore the annual depletion and depreciation expense, could be materially affected by changes in the underlying estimates.

Changes in estimates can be the result of actual future production differing from current forecasts of future production and expansion of mineral reserves through exploration activities. Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Impairment of mining interests

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

Property, plant and equipment is reviewed at each reporting period to determine whether any write-downs are necessary.

The recovery of amounts recorded for mining interests and property, plant and equipment under construction depends on the Company's interpretation of its interest in the underlying mineral claims based on existing regulations, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on the life-of-mine plans in its assessments of economic recoverability and probability of future economic benefit.

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

Asset retirement obligation

The Company engages outside certified engineers and experts to assist in the assessment of its provision for environmental rehabilitation, decommissioning of plant or other site restoration work at each reporting period or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

Accounting for environmental rehabilitation, decommissioning of plant or other site restoration work requires management to make estimates of the future costs the Company will incur to complete the work required to comply with existing laws and regulations at each mining operation. Also, future changes to environmental laws and regulations could increase the extent of rehabilitation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for environmental rehabilitation, decommissioning of plant or other site restoration work. The provision represents management's best estimate of the present value of the future provision for environmental rehabilitation. The actual future expenditures may differ from the amounts currently provided.

Convertible debentures

The convertible debentures are a compound instrument if there is a contractual obligation to pay interest and could be required to repay the principal amount where the investor chooses not to convert the debentures and the instrument have similar characteristics to equity. Each component of the compound financial instrument is assessed separately.

The host debt component is classified as a financial liability in its entirety and calculated by discounting the future cash flows of the debentures at the rate of similar debt.

2. Significant accounting policies (continued)

Conversion feature of the debentures meets the definition of a derivative liability if the conversion feature is denominated in a currency other than the Company's functional currency, and as such does not meet the fixed for fixed criteria. The derivative liability is revalued at each reporting period using the valuation model which utilizes management estimates for inputs as at the closing date of the reporting period. Any changes to the fair value measurement are recorded through the consolidated statements of loss and comprehensive loss.

Deferred taxes

The Company operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. In calculating the income taxes, the Company considers factors such as tax rates in the different jurisdictions, non-deductible expenses, changes in tax law and management's expectations of future results. The Company estimates deferred income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws.

The tax effects of these temporary differences are recorded as deferred tax assets or liabilities in the financial statements. The Company does not recognize deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates, adjustments are made in subsequent periods.

Valuation of stream liability

Fair value of the stream liability is determined using a discounted cash flow methodology which uses production estimates and the expected forward price of gold and silver with reference to the Commodity Exchange (COMEX) forward contract price. Company management engage with independent valuation consultants to assist in the valuation of the stream liability.

Valuation of inventory

In determining mine production costs recognized in the consolidated income statement, the Company along with independent measurement consultants make estimates of quantities of ore stacked in stockpiles, placed on the heap leach pad and in process and the recoverable gold and silver in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories.

Critical judgments in applying accounting policies

Going concern

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

Functional currency

The assessment of the Company's functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its subsidiaries operate in.

Commercial production

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgment which impacts when the Company recognizes revenue, operating costs and depreciation and depletion. In making this determination, management considers specific facts and circumstances.

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

2. Significant accounting policies (continued)

These factors include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning and consistent operating results being achieved at pre-determined levels of design capacity for a reasonable period of time.

Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term. The determination of the incremental borrowing rate utilized on commencement of the lease to present value the contractual payments require significant judgment in its determination.

3. Short term investments

	December 31, 2022 $	December 31, 2021 $
Balance beginning of the year	**1,431**	**-**
Convertible debenture – Aranjin (i)	-	1,431
Fair value revaluation (ii)	(972)	-
Foreign exchange	(94)	-
Total short term investments	**365**	**1,431**

(i) Effective August 10, 2021, the Company subscribed for C$1,814 (US$1,431) in convertible debentures of Aranjin Resources Ltd. The investment had a 12 month term and 15% interest rate per annum, with principal and interest payable on maturity date, August 10, 2022. The Company can convert the debentures into shares of Aranjin Resources Ltd. at C$0.055 per share. The Company assessed the fair value of the investment using the observable inputs in accordance with Level 2 of the Fair Value Hierarchy given the lack of an active market available for the debentures. Conversion of the debentures will not result the Company in controlling position of the investee. The maturity date on this debenture has been extended to August 10, 2023.

(ii) Aranjin Resources convertible debenture is revalued using the share price at the end of the reporting period and loss on fair value revaluation of $972 has been recognized in the consolidated statements profit or loss and comprehensive income or loss.

4. Receivables and other assets

	December 31, 2022 $	December 31, 2021 $
Prepaid expenses	1,576	3,209
Trade receivables	136	5
Interest receivable – TDB savings account	-	1,404
Interest receivable – Aranjin Convertible Debenture	-	84
Other receivables	822	796
Total receivables and other assets	**2,534**	**5,498**

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

5. Inventories

	December 31, 2022 $	December 31, 2021 $
Stockpiles of ore	12,919	12,726
Gold in circuit	7,986	7,857
Finished goods	106	751
Consumables and supplies	3,153	1,024
Total inventories	**24,165**	**22,358**

As at December 31, 2022, the balance of the run of mine (ROM) pad and stacked ore is 498,697 tonnes (December 31, 2021 - 552,762) with a carrying value of $12,919 (December 31, 2021 - 12,726) and 39,676 ounces of gold (December 31, 2021 - 33,681) is estimated to be generated. Gold in circuit included 13,228 ounces of gold (December 31, 2021 - 13,148) with a carrying value of $7,986 (December 31, 2021 – 7,857) and finished goods included 152 ounces of gold (December 31, 2021 - 533) with a carrying value of $106 (December 31, 2021 - 751).

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.

6. Uudam Khundii Project

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

There was $809 of exploration and evaluation expenditures incurred during the year ended December 31, 2022 (December 31, 2021: $48).

Uudam Khundii project acquisition:

	$
Balance at December 31, 2021	**1,917**
Foreign exchange adjustment	(346)
Balance at December 31, 2022	**1,571**

The accumulated other comprehensive loss related to foreign exchange for the year ended December 31, 2022 totaled $346 (December 31, 2021: gain $10).

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

7. Property, plant and equipment 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	1,491	36	10,338	58	11,923
Asset retirement costs	-	540	-	-	540
Foreign exchange	(3,526)	(4,098)	(66)	(255)	(7,945)
Balance at December 31, 2022	**17,812**	**21,637**	**10,598**	**1,786**	**51,833**
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	2,330	646	-	133	3,109
Foreign exchange	(1,069)	(800)	-	(60)	(1,929)
Balance at December 31, 2022	**7,033**	**4,816**	**-**	**658**	**12,505**
Net book value					
Balance at December 31, 2021	**14,075**	**20,191**	**326**	**1,398**	**35,990**
Balance at December 31, 2022	**10,779**	**16,823**	**10,598**	**1,128**	**39,328**

During the year ended December 31, 2022, the Company acquired items of property, plant and equipment with a cost of $11,923 (December 31, 2021: $2,914).

During the year ended December 31, 2022, $4,209 (December 31, 2021: $2,782) of depreciation was expensed to the consolidated statements of loss and comprehensive loss and $(1,100) (December 31, 2021: $1,912) was capitalized to inventory.

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

On February 21, 2023, 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 September 1, 2022. Amortization of assets depreciated based on the life of mine were recalculated by amortizing the net book value of the assets over the new estimated life of mine which is 14 years.

In the twelve months ended December 31, 2022, the Company paid amounts totaling $3,598 (December 31, 2021: $6,001) as an upfront deposit for a new crusher which will be used primarily for Phase 2 of the ATO project. The total of $9,599 upfront deposit has been reported under deposits on property, plant and equipment as at December 31, 2022. It had been reclassified as a property, plant and equipment under construction in the consolidated statement of financial position as at December 31, 2022.

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

(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 December 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, and all of the assets of Steppe BVI were pledged as security for the Stream Agreement granted to the Company (Note 10). 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 $1,128 as at December 31, 2022 (December 31, 2021: $1,398).

8. Amounts payable and other liabilities

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

	December 31, 2022 $	December 31, 2021 $
Amounts payable	10,153	6,104
Accrued liabilities	691	384
Other payables	172	82
Total amounts payable and other liabilities	**11,016**	**6,570**

9. Asset retirement obligation

The provision for environmental rehabilitation consists of land rehabilitation, decommissioning 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 $2,432 as at December 31, 2022 (December 31, 2021: $2,239). In connection with the updated Feasibility Study result, the remaining life of mine is changed to 14 years as of December 31, 2022 (December 31, 2021: 12.5 years) and discounted using a risk-free rate of 10.25% for the period (December 31, 2021: 10.25%).

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

	December 31, 2022 $	December 31, 2021 $
Balance beginning of the year	**3,185**	**1,060**
Movements	670	(23)
Accretion	390	79
Change in estimate of asset retirement obligation	(60)	2,040
Foreign exchange	(787)	29
Balance end of the year	**3,398**	**3,185**

During the year ended December 31, 2022, movements in the asset retirement obligation due to an increase (decrease) in disturbance costs totaling $540 (December 31, 2021: $118) was capitalized to property, plant and equipment and $130 (December 31, 2021: $(141)) was capitalized to inventory.

10. Streaming arrangement

In connection with the ATO Acquisition and in order to fund the exploration and development of the ATO site, the Company's subsidiaries, Steppe Gold LLC ("Steppe Mongolia") and Steppe Investments LLC ("Steppe BVI") entered into a metals purchase and sale agreement dated August 11, 2017, which was subsequently amended on September 30, 2019, with Triple Flag International (Triple Flag) to sell gold and silver produced from the ATO Project(the "Stream Agreement").

Under the terms of the Stream Agreement, Triple Flag advanced $28,000 to Steppe Gold and Steppe BVI is obligated to sell annually to Triple Flag 25% of the gold and 50% of the silver produced, subject to an annual cap of 7,125 ounces of gold and 59,315 of silver 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.

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.

Under the terms of the Stream Agreement the parties agreed the variable gold and silver price payable by Triple Flag on delivery of gold and silver should be 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.

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.

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 the 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 that comprised of one common share and one common share purchase warrant of the Company at a price of C$2.00 per unit on or before September 15, 2022.

All of the purchase warrants expired on September 15, 2022, without having been exercised.

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. The Company is in compliance with the covenants as noted in the Stream Agreement.

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

The Stream Agreement liability 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, qualified valuator and the Phase 1 life of mine production schedule and expectations are based on the information recently updated by independent technical consultants. Financing for Phase 2 of the ATO Gold Mine is not currently in place and accordingly, only the remaining life of mine for Phase 1 has been used in calculating the stream liability as at December 31, 2022. If the Company is not successful in raising the required finance for Phase 2 of the ATO project there will be no further stream liability other than the amount for the remaining life of mine for Phase 1.

The continuity of the streaming liability is presented as follows:

	December 31, 2022 $	December 31, 2021 $
Balance beginning of the year	**46,929**	**33,577**
Fair value movement for the period	(6,316)	18,359
Repayment	(12,793)	(5,007)
Balance end of the year	**27,820**	**46,929**
Current portion	**15,735**	**23,305**
Long term portion	**12,085**	**23,624**

11. 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 consolidated statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (Note 7).

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

The continuity of lease liability is presented as follows:

	December 31, 2022 $	December 31, 2021 $
Balance beginning of the year	**653**	**290**
Additions	68	586
Interest expense	79	92
Lease payments	(196)	(311)
Foreign exchange	(53)	(4)
Balance end of the year	**551**	**653**
Current portion	**154**	**140**
Long term portion	**397**	**513**

12. Convertible Debentures

On January 30, 2020, the Company received funding from the Mongolian National Investment Fund PIF SPV ("MNIF") by issuing $3,000 of convertible debentures ("debentures") at 12% interest rate per annum, with two years maturity date from the date of grant at a conversion price of US$0.68 per common shares. The debentures were secured by all of the shares of Steppe West LLC, a wholly owned subsidiary of the Company.

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.

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

On January 27, 2022, MNIF and the CEO of the Company, Bataa Tumur-Ochir, entered into a form of transfer (the "Transfer Agreement"). Pursuant to the Transfer Agreement, MNIF agreed to transfer to Mr. Tumur-Ochir the debentures of the Company held by MNIF. Subsequently the maturity date of the debentures was extended to January 27, 2024 and the interest payment terms have been changed to a quarterly basis. Following the transfer of the debentures from MNIF, all security was released. The debentures are now unsecured obligations of the Company.

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	1,001
Interest (ii)	(363)
Balance at December 31, 2022	**1,596**

(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 in the consolidated statements of profit or loss and comprehensive income.

(ii) Total of $360 interest expense paid during the twelve months ended December 31, 2022 and $3 was accrued as at December 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	(673)
Balance at December 31, 2022	**1,299**

(i) Due to the modification of the debentures in 2022, the Company recognised $898 of loss on derivative liability component which is recognised in the consolidated statements of profit or loss and comprehensive income.

The fair value of the conversion feature of the debentures was estimated based on the Black Scholes pricing model using a risk-free interest rate of 1.28% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rates of 61% based on comparable companies, and an expected life of 2 years.

13. Short Term Loans

TDB Gold Sales Loan

On November 11, 2021, the Company reached agreement for a short-term loan of $5,000 (the "TDB Gold Sales Loan") for allocation to working capital funded directly from the TDB. The TDB Gold Sales Loan is 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 in March 2022.

The continuity table of the TDB Gold Sales Loan is as follows:

	December 31, 2022	December 31, 2021
	$	$
Balance beginning of the period	**10,566**	**-**
Loan advanced	-	5,000
Fair value revaluation	233	5,460
Loan repayment	(10,695)	-
Foreign exchange adjustment	(104)	106
Balance end of the period	**-**	**10,566**

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

The TDB Gold Sales loan was revalued using the Central Bank of Mongolia's gold price at the end of the reporting periods and the loss on fair value revaluation of $233 (as at December 31, 2021: $5,460) has been recognised in the consolidated statements of profit and loss. The loan has been fully repaid as at December 31, 2022.

Triple Flag Gold Prepay Loan

On September 26, 2022, the Company entered into an agreement with Triple Flag for a $4,800 short-term gold prepayment facility (the "Triple Flag Gold Prepay loan").

One of the consequences of the zero Covid policy in China and the attendant China/Mongolia border closures has been a shortage of available US dollars with banks in Mongolia. The Company's sales revenue is received in Mongolian Tugrik, while most of its operating costs are also paid in local currency. United States dollars are required to acquire reagents and to fund deliveries to Triple Flag under the Streaming agreement (note 10). The Triple Flag Gold Prepay loan assisted the Company with meeting its obligations during this temporary market disruption.

The Company has paid $150 of loan structuring costs and $50 of legal costs in cash and accrued $144 of finder's fees related to the Triple Flag Gold Prepay loan agreement. The Triple Flag Gold Prepay loan will be repaid over 6 months starting from December 23, 2022, by six monthly deliveries of 500 ounces of gold for a total of 3,000 ounces.

The continuity table of the Triple Flag Gold Prepay loan is as follows:

	December 31, 2022 $	December 31, 2021 $
Balance beginning of the period	**-**	**-**
Loan advanced	4,800	-
Repayment	(910)	
Fair value revaluation	641	-
Balance end of the period	**4,531**	**-**

The Triple Flag Gold Prepay loan is revalued using the London Bullion Market Association ('LBMA') gold price at the end of the reporting period and loss on fair value revaluation of $641 has been recognized in the consolidated statements of loss and comprehensive loss. The first repayment of 500 ounces was delivered on December 23, 2022.

14. Long Term Loan

On September 18, 2020, the Company entered into a loan agreement with the Trade and Development Bank of Mongolia ("TDB") for 30 billion Mongolian Tugriks ($10,510) (the "2020 Gold 2 Loan") which was financed by the Central Bank of Mongolia for a period of 24 months secured by a cash deposit with 11% interest per annum held by TDB totaling 35.4 billion Mongolian Tugriks. The cash deposit was disclosed as restricted cash. The 2020 Gold 2 Loan was subject to interest at a rate of 11% per annum, payable monthly.

Under the terms of the 2020 Gold 2 Loan, the Company was 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.

Repayments of the principal balance on the 2020 Gold 2 Loan have been made in three equal tranches on September 23, 2021, January 31, 2022 and September 22, 2022.

On September 20, 2022, the Company received the accumulated interest income of $1,491 on cash deposit held by TDB.

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 November 2021, the Company entered into a loan agreement with TDB for 170 billion Mongolian Tugriks ($59,700) (the "2021 Gold 2 Loan") which is a covenant light loan with 9% interest per annum for a term of 36 months facilitated under the Central Bank of Mongolia "Gold 2" program.

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

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.

The 2021 Gold 2 Loan was available for use in 3 tranches: tranche 1 – MNT 60 billion; tranche 2 – MNT 60 billion; tranche 3 – MNT 50 billion. Tranche 1 fund became available for use after completion of pledge registration in March 2022 and further tranches will be released based on the TDB's credit approval. In addition, the Company entered into a savings agreement with TDB at the interest rate of 7% per annum and deposited the loan amount of MNT 170 billion Mongolian Tugriks. The cash deposit is disclosed as restricted cash.

In order to secure the obligations under 2021 Gold 2 Loan, the Company provided a 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:

	December 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 (i)	(53,283)	(6,346)
Foreign exchange	(11,233)	807
Balance end of the period	**2,838**	**67,354**
Current portion	**-**	**28,360**
Long term portion	**2,838**	**38,994**

(i) In 2021, the Company repaid the tranche 1 of 2020 Gold 2 loan for $3,496. The Capitron Loan of $2,850 was repaid on September 27, 2021.
On May 12, 2022, the Company repaid $12,739 (MNT 40 billion) of the tranche 1 of 2021 Gold 2 loan to TDB. On September 22, 2022, the final tranches of 2020 Gold 2 loan have been repaid in full for $6,427. On September 30, 2022, the Company has made repayment of $2,914 to the tranche 1 of 2021 Gold 2 loan from the savings balance. On October 21, 2022, the Company repaid $31,203 of the 2021 Gold 2 loan from the savings account balance.

The 2021 Gold 2 Loan is for a term of 36 months with the balance of $2,838 to be repaid by July 28, 2024.

The continuity table of restricted cash is as follows:

	December 31, 2022 $	December 31, 2021 $
Balance beginning of the period	**69,177**	**12,483**
Additional deposit	-	59,433
Transfer to cash (i)	(20,347)	-
Repayment of 2020 Gold 2 loan (ii)	(6,398)	(3,496)
Interest income/(expense) (iii)	1,462	(95)
Repayment of 2021 Gold 2 loan – Tranche 1 (iv)	(35,644)	-
Foreign exchange	(8,250)	852
Balance end of the period	**-**	**69,177**
Current portion	**-**	**-**
Long term portion	**-**	**69,177**

(i) On March 2, 2022, the Company met all the conditions set out on the conditional agreement and the tranche 1 of 2021 Gold 2 loan $20,347 (MNT 60 billion) became available from the restricted cash to the Company.

(ii) On September 23, 2021, the Company repaid the tranche 1 of 2020 Gold 2 loan for $3,496. On January 31, 2022, the tranche 2 of 2020 Gold 2 loan has been repaid for $3,391. The loan and the savings agreements were terminated on September 22, 2022, and the final payment of $3,007 has been repaid to TDB with the interest of $29.

(iii) In accordance with the 2020 Gold 2 loan and cash deposit agreements, the accumulated interest income of $1,491 has been received and $29 interest paid for Gold-2 loan 2020 on September 20, 2022.

(iv) On September 30, 2022, the Company repaid $2,943 of the tranche 1 of 2021 Gold 2 loan from the savings balance. On October 21, 2022, $32,701 of 2021 Gold 2 loan has been repaid from the savings account.

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

15. 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**
Exercise of restricted share units (iii)	541,625	468
Balance at December 31, 2022	**70,090,282**	**55,760**

(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 a gain of $347 in changes in fair value of derivatives was recognized in the 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 to share capital.
(iii) On August 26, 2022, 541,625 common shares were issued in relation to RSUs granted to its executive officers and employees in 2021. The fair value of the RSUs exercised of $468 was transferred from contributed surplus to share capital.

16. Warrants

	Number of warrants	Warrant (Equity) $
Balance at January 1, 2021	**14,086,194**	**11,165**
Balance at December 31, 2021	**14,086,194**	**11,165**
Expired on August 5, 2022 (i)	(2,300,000)	(2,651)
Expired on September 15, 2022 (ii)	(6,976,944)	(2,872)
Balance at December 31, 2022	**4,809,250**	**5,642**

(i) On September 15, 2022, 2,300,000 special warrants issued to Triple Flag International Limited expired without exercise which had an exercise price of C$2.00 per unit and entitling the holder to acquire one unit of the Company which comprises of one common share and one common share purchase warrant.
(ii) On August 5, 2022, 6,976,944 warrants expired without exercise which were issued on August 5, 2020 with the exercise price of C$3.00 per share.

The following table reflects the actual warrants issued, outstanding and exercisable as of December 31, 2022:

Expiry date	Exercise price (CAD$)	Warrants outstanding	Carrying value $
May 22, 2023	2.00	4,809,250	5,642
	2.00	**4,809,250**	**5,642**

17. Revenue

Revenue by metal for the year ended December 31, 2022 and December 31, 2021 was as follows:

	December 31, 2022 $	December 31, 2021 $
Gold revenue	61,705	22,787
Silver revenue	661	1,263
Total	**62,366**	**24,050**

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

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

18. Cost of sales

	December 31, 2022 $	December 31, 2021 $
Contractors	8,202	10,564
Employee compensation	2,992	2,429
Materials and consumables	12,510	6,030
Other expenses	4,165	1,464
Change in inventory	(4,924)	(10,377)
Depletion and depreciation	4,209	2,782
Royalties	4,393	1,505
Total	**31,547**	**14,397**

19. Exploration and evaluation expenditures

For the year ended December 31, 2021

	ATO Project $	Uudam Khundii Project $	South Tsagaan Temeet Prospect $	Bayan Munkh West and East Prospect $	Total $
General exploration	95	48	2	3	**148**
Assays	144	-	-	-	**144**
Drilling	876	-	-	148	**1,024**
Sampling	-	-	-	12	**12**
Total exploration and evaluation expenditures	**1,115**	**48**	**2**	**163**	**1,328**

For the year ended December 31, 2022

	ATO project $	Uudam Khundii Project $	South Tsagaan Temeet Prospect $	Bayan Munkh West and East Prospect $	Total $
General exploration	141	360	-	-	**501**
Assays	84	73	-	-	**157**
Drilling	1,096	376	-	-	**1,472**
Total exploration and evaluation expenditures	**1,321**	**809**	**-**	**-**	**2,130**

20. Corporate administration

	December 31, 2022 $	December 31, 2021 $
Management compensation	3,268	1,402
Stock based compensation	2,672	1,623
Corporate social responsibility	1,053	415
Direct general administrative	5,987	5,709
Total	**12,980**	**9,149**

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

21. Finance income/(costs)

	December 31, 2022 $	December 31, 2021 $
Accretion on convertible debentures	(1,001)	(1,053)
Accretion on lease liability	(79)	(92)
Accretion on asset retirement obligation	(390)	(79)
Interest on long term loan	(3,627)	(3,481)
Interest on convertible debenture	(69)	84
Interest on restricted cash	3,541	3,412
Change in fair value of derivative liability	673	4,734
Change in fair value of converted debenture	-	347
Changes in estimate of asset retirement obligation	60	(2,040)
Fair value of stream liability	6,316	(18,359)
Fair value of convertible debenture - Aranjin	(972)	-
Loss on stream liability	-	(93)
Fair value of TDB gold loan	(233)	(5,460)
Fair value of short term loan - Gold prepay loan	(641)	-
Loss on modification of lease	-	(18)
Gain on modification of convertible debenture	1,074	-
Total	**4,652**	**(22,098)**

22. Net profit (loss) per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on the net profit attributable to common shareholders of $15,956 (December 31, 2021: loss of $22,620) and the weighted average number of common shares outstanding of basic 69,772,725 and diluted 85,807,716 (December 31, 2021: basic 68,751,111 and diluted 93,036,243).

23. Related party transactions

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

During the year ended December 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:

	December 31, 2022 $	December 31, 2021 $
Management fees paid to key personnel	1,453	1,402
Stock based compensation	1,677	766
Total	**3,130**	**2,168**

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

During the year ended December 31, 2022, Erdenyn Erel, a company for which the Vice President of Exploration is the CEO provided services to the Company totaling $1,152 (December 31, 2021 - $964). As at December 31, 2022, $1,028 was owed to Erdenyn Erel (December 31, 2021 - $579).

In addition, effective August 10, 2021, the Company subscribed for C$1,814 in convertible debentures of Aranjin. The investment had a 12 month term and earns 15% interest per annum. The Company can convert the debentures into shares of Aranjin Resources Ltd. for C$0.055 per share. Bataa Tumur-Ochir, Matthew Wood and Jeremy South are directors of Aranjin. The maturity date on this debenture has been extended to August 10, 2023.

On January 27, 2022, the Mongolian National Investment Fund PIF SPV ("MNIF") and the CEO of the Company, Bataa Tumur-Ochir, entered into a Transfer Agreement, whereby MNIF agreed to transfer to Mr. Tumur-Ochir the debentures of the Company held by MNIF. Subsequently, the maturity date of the debentures was extended to January 27, 2024 and the interest payment terms changed to a quarterly basis. Following the transfer of the debentures from MNIF, all security was released. The debentures are now unsecured obligations of the Company.

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

24. Financial risk management

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

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short term investments, receivables and other assets and restricted cash. Cash and restricted cash are held with a Canadian chartered bank and a financial institution in Mongolia, from which management believes the risk of loss to be minimal. Short term investments comprise a convertible debenture maturing on August 10, 2023.

Receivables and other assets are comprised of trade receivables, interest receivable and other receivables that are subject to credit risk. The Company manages credit risks on receivables and other assets by tendering all sales of gold and silver with commercial banks in Mongolia.

(ii) Liquidity risk

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

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

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

The maturity analysis of financial liabilities as at December 31, 2022 is as follows:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Accounts payable and other liabilities	11,016	-	-	-	11,016
Lease liability	154	246	105	46	551
Streaming arrangement	15,735	12,085	-	-	27,820
Convertible debentures – derivative	1,299	-	-	-	1,299
Convertible debentures – loan liability	-	1,596	-	-	1,596
Gold Prepay loan - Triple Flag	4,531	-	-	-	4,531
Long term loan	-	2,838	-	-	2,838
Total	**32,735**	**16,765**	**105**	**46**	**49,651**

The maturity analysis of financial liabilities as at December 31, 2021 is as follows:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Accounts payable and other liabilities	6,570	-	-	-	6,570
Lease liability	140	362	121	30	653
Streaming arrangement	23,305	23,624	-	-	46,929
Convertible debentures – derivative	1,074	-	-	-	1,074
Convertible debentures – loan liability	2,930	-	-	-	2,930
Short term loan - TDB	10,566				10,566
Long term loan	28,360	38,994	-	-	67,354
Total	**72,945**	**62,980**	**121**	**30**	**136,076**

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

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

(b) Foreign currency risk

The Company has significant balances in US dollars that are subject to foreign currency risk. The Company is exposed to foreign currency risk on fluctuations related to cash, streaming arrangement, purchase price payable and convertible debentures that are denominated in US dollars. Sensitivity to a plus or minus 5% change in the foreign exchange rate of the US dollars compared to the Canadian dollar would affect net loss by $1,618 (gain) and $1,788 (loss) with all other variables held constant.

(iv) Commodity price risk

The profitability of the Company's operations and mineral resource properties relates primarily to the market price and outlook of gold and silver. Adverse changes in the price of certain raw materials can also significantly affect the Company's cash flows.

Gold and silver prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial, residential and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative or hedging activities, macro-economic variables, geopolitical events and certain other factors related specifically to gold (including central bank reserves management). To the extent that the price of gold and silver increase over time, the fair value of the Company's mineral assets increases and cash flows will improve; conversely, declines in the price of gold will reduce the fair value of mineral assets and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel), the Company's profitability and cash flows may be impacted. As the Company commenced its production, it is monitoring gold and silver prices to identify measures that may be required to mitigate commodity price risk. Diesel fuel purchases are currently at spot price and are not considered material enough to require hedging to mitigate the price risk.

25. Capital risk management

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of debt instruments and equity attributable to common shareholders, comprising of issued share capital, shares to be issued, warrants, contributed surplus, accumulated other comprehensive loss and deficit. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets to facilitate the management of its capital requirements. The Company defines capital as total debt less cash and equivalents and it is managed by management subject to approved policies and limits by the Board of Directors. The Company is not subject to any externally imposed capital requirements except for the covenants detailed in note 10 and note 12.

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

26. Fair value measurements

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 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).

Information sources

- The short-term investment is valued at the listed stock price of the investment as at December 31, 2022.
- The fair value of the conversion feature of the debentures was estimated based on the Black Scholes pricing model using a risk-free interest rate of 1.28% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rates of 61% based on comparable companies, and an expected life of 2 years. (Note 12)
- The short-term loan is based on the balance of gold ounces outstanding as at December 31, 2022 multiplied by the LBMA gold rate as at December 31, 2022.
- The fair value of the streaming liability has been calculated by an independent valuation consultant in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuators. The consultant used an income approach, specifically a discounted cash flow, which is a generally accepted valuation methodology for valuing contractual obligations. The inputs used in the valuation are based on production information provided by Company management using the latest technical report, the forward price of gold and silver using the forward COMEX price as at December 31, 2022, the prevailing discount rate of 27.5% as at December 31, 2022 , and the contractual terms of the Triple Flag agreement (see note 10).

	Fair value at December 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	2,515	2,515	-	-
Short term investment	365	365	-	-
	2,880	**2,880**	**-**	**-**
Liabilities				
Convertible debenture derivative	1,299	-	1,299	-
Short term loan – Triple Flag Gold Prepay loan	4,531	-	4,531	-
Current portion of streaming arrangement	15,735	-	15,735	-
Long term portion of streaming arrangement	12,085	-	12,085	-
	33,650	**-**	**33,650**	**-**

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

	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	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**	**-**

Convertible debenture derivative

The Company has issued convertible debentures which contain an embedded derivative component (Note 12). The following table is a sensitivity analysis of the impact on the consolidated statement of profit or loss 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%	284	(267)
Exercise price	10%	(137)	154
Volatility rate	10%	77	(77)
Discount rate	0.5%	3	(3)

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 International 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%	2,782	(2,782)
Discount rate	10%	(2,137)	2,627

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

27. Income tax

The major components of the Company's income tax expense/(recovery) for the years ended December 31, 2022 & 2021 are:

Consolidated profit/loss

	December 31, 2022 $	December 31, 2021 $
Current tax expense	3,158	263
Deferred tax recovery	(1,335)	(536)
Total expense (recovery) expense	**1,823**	**(273)**

Consolidated other comprehensive income

Deferred tax related to items recognized in OCI

	December 31, 2022 $	December 31, 2021 $
Income tax related to the translation of foreign operations	**96**	**10**

The reconciliation of the tax expense and the accounting profit multiplied by the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) is as follows:

	December 31, 2022 $	December 31, 2021 $
Net profit (loss) before income tax	17,540	(22,948)
Expected income tax (recovery) expense	4,648	(6,081)
Differences due to foreign tax rate	(531)	4,516
Income not subject to tax	(7,056)	(1,361)
Non-deductible expenses	2,092	1,738
Withholding taxes	386	246
Group losses not deductible	2,284	884
Tax rate changes and other adjustments	-	(215)
Income tax expense/(recovery) reported within consolidated statement of profit	**1,823**	**(273)**

<u>Deferred tax asset</u>

The following table summarizes the components of deferred tax:

	December 31, 2022 $	December 31, 2021 $
Asset retirement obligation	597	480
Unrealized foreign exchange on intercompany balances	1,608	1,484
Property, plant and equipment	(110)	(540)
Right of use of assets	(95)	(132)
Non-capital losses: Canada	180	-
Deferred interest income	-	(351)
Net deferred tax asset	**2,180**	**941**

Deferred tax assets and liabilities have been offset as these balances relate to Steppe Gold LLC and will be settled with one taxation authority in Mongolia.

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

Unrecognized deferred tax assets

Deferred taxes are provided as a result of the temporary differences that arise due to the differences between the income tax value and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time and there are no other tax planning opportunities or other evidence of recoverability in the near future.

	December 31, 2022	December 31, 2021
	$	$
Share issuance costs	178	749
Non-capital losses carried forward - Canada	14,928	13,449
Non-capital losses carried forward - Mongolia	1,531	1,549
Unrealized foreign exchange gain	-	637
Total unrecognized deductible temporary differences	**16,637**	**16,384**

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

Year	December 31, 2022	December 31, 2021
	$	$
2036	-	177
2037	1,796	2,468
2038	380	406
2039	3,041	3,249
2040	4,423	4,725
2041	2,993	2,424
2042	2,295	-
Total Canadian unused non-capital income tax losses	**14,928**	**13,449**

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

Year	December 31, 2022	December 31, 2021
	$	$
2026	337	360
2027	244	260
2028	821	877
2029	42	52
2030	87	-
Total Mongolian unused non-capital income tax losses	**1,531**	**1,549**

28. Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with vendors. Apart from the matter notified to the Company after the reporting period (see note 29) management is of the position that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain and management's view of these matters may change in the future.

29. Events after reporting period

Receipt of Short-term Loan from TDB

On January 4, 2023, the Company reached to an agreement with TDB for a short-term loan of $5,000. The TDB loan will be repaid within 12 months.

Contingent liability

In February 2023, legal proceedings were brought against the Company alleging unpaid commissions related to the Company's financing activities in prior periods. The claim is alternatively seeking damages and is also seeking costs and interest.

At the year end, management had estimated an amount for unpaid commissions that were potentially payable. Management has consulted with legal counsel to assess the merits of the claim. Based on these consultations, management has assessed the likelihood of an unfavourable outcome as possible but is unable to reliably estimate the overall amount of the loss, if any.

The Company will continue to engage with legal counsel to evaluate the potential financial outcome of the proceedings and will update the provision and/or contingent liability disclosure as appropriate, based on new information or changes in circumstances.

Technical update

On February 21, 2023, the Company announced an updated Technical Report for its ATO Project. Certain information from this technical report has been used in the preparation of these financial statements.

Selected information from the technical report is as follows:

- Increase in proven and probable gold mineral reserves from the 2021 mineral reserve and resources summary by 2.7 million tonnes, from 26.4 million to 29.1 million tonnes.
- The ATO Project deposit contains mineral reserves totaling 29.1 million tonnes at 1.13 g/t gold and 12.43 g/t silver, containing 1.1 million ounces of gold and 11.7 million ounces of silver.
- This derives a total of 1,320,000 oz Au Eq recovered, over oxide and fresh rock phases and a 14-year mine life.
- Fresh rock mine life is extended by 1.5 years to 12 years, extending open pit mining and milling operations to December 2036.

Dual listing

On February 22, 2023, the Company announced that it plans to pursue a dual primary listing of its common shares on the Main Board of the Stock Exchange of Hong Kong Limited ("HKEx"), anticipated to occur later in 2023. There can be no guarantee that the listing will occur in 2023.

Potential Acquisition

On March 6, 2023, the Company entered into a binding letter of intent (the "Binding Agreement") pursuant to which the Company, either directly or through a wholly-owned subsidiary, will acquire all of the issued and outstanding common shares of Anacortes Mining Corp. ("Anacortes") by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia), in an all-share transaction (the "Transaction"). Under the terms of the Binding Agreement, Anacortes shareholders will receive 0.4532 of a Steppe common share for each Anacortes common share, which represented consideration of approximately C$0.48 per Anacortes common share and a premium of 36% based on the closing prices of the Anacortes common shares on the TSX-V and the Steppe common shares on the TSX, each as of the close of trading on March 3, 2023. The Transaction is subject to, among other things, the execution of an arrangement agreement, the receipt of all necessary regulatory, stock exchange and court approvals, and obtaining shareholder approval of the Transaction at a meeting of the Anacortes shareholders, which is expected to be held in Q2 2023.