A copy of this preliminary prospectus has been filed with the securities regulatory authorities in every province of Canada (except Québec) but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

***No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.** This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws. Accordingly, these securities may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws or except pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. See "Plan of Distribution".*

PRELIMINARY PROSPECTUS

Initial Public Offering

November 2, 2017

STEPPE GOLD LTD.

$●

● Common Shares

This prospectus qualifies the distribution of ● common shares (the "**Offered Shares**") of Steppe Gold Ltd. (the "**Company**") at a price of $● per Offered Share (the "**Offering Price**") for aggregate gross proceeds of $● (the "**Offering**"). The terms of the Offering, including the Offering Price, were determined by negotiation between the Company and Eight Capital, on its own behalf and on behalf of PI Financial Corp. and Echelon Wealth Partners Inc. (collectively, the "**Underwriters**").

PRICE: $● PER OFFERED SHARE

	Price to the Public	Underwriters' Fee (1)	Net Proceeds to the Company (2)
Per Offered Share	$●	$●	$●
Total Offering(3)	$●	$●	$●

Notes:

(1) Upon the closing of the Offering, the Company will pay the Underwriters a cash commission (the "**Underwriters' Fee**") equal to 6% of the gross proceeds of the Offering, including proceeds realized from the sale of any Additional Offered Shares (as defined below) sold pursuant to the exercise of the Over-Allotment Option (as defined below). As additional compensation, the Company has agreed to grant to the Underwriters non-transferrable common share purchase warrants (each a "**Compensation Warrant**") that will entitle the Underwriter to purchase, at the Offer Price, such number of common shares of the Company (each a "**Compensation Share**") as is equal to 6% of the number of Offered Shares sold under the Offering, including Additional Offered Shares sold pursuant to the exercise of the Over-Allotment Option. See "*Plan of Distribution*".

(2) Before deducting expenses of the Offering estimated to be $500,000, which, together with the Underwriters' Fee, will be paid from the proceeds of the Offering.

(3) The Company has granted the Underwriters an over-allotment option (the "**Over-Allotment Option**"), exercisable in whole or in part, from time to time, for a period of 30 days from closing of the Offering (including the date thereof), to purchase up to an additional ● Offered Shares (the "**Additional Offered Shares**") at the Offering Price per Additional Offered Share, to cover over-allotments, if any, and for market stabilization purposes. The grant of the Over-Allotment Option and the Additional Offered Shares issuable upon exercise of the Over-Allotment Option are hereby qualified for distribution under this prospectus. A purchaser who acquires Additional Offered Shares issuable on the exercise of the Over-Allotment Option acquires such Additional Offered Shares under this prospectus regardless of whether the Over-Allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' Fee and net proceeds to the Company (before deducting expenses of the Offering) in respect of the Offering will be $●, $● and $●, respectively. Where applicable, references to "Offering" and "Offered Shares" include the Additional Offered Shares issuable upon the exercise of the Over-Allotment Option. See "*Plan of Distribution – Over-Allotment Option*".

The following table sets forth the number of securities that may be issued by the Company pursuant to the exercise of the Over-Allotment Option:

Underwriters' Position	**Maximum Size or Number of Securities Available**	**Exercise Period**	**Exercise Price**
Over-Allotment Option	● Additional Offered Shares	For a period of 30 days from closing of the Offering	$● per Additional Offered Share
Compensation Warrants	● Compensation Warrants	For a period of 24 months from the closing of the Offering	$● per Compensation Share

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Peterson McVicar LLP and on behalf of the Underwriters by Bennett Jones LLP.

Subject to applicable law, the Underwriters may, in connection with the Offering, over-allocate or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without prior notice. Closing of the Offering (the "**Closing**") is expected to take place on December ●, 2017 or such other date as may be agreed upon by the Company and the Underwriters (the "**Closing Date**"). The Offered Shares are to be taken up by the Underwriters, if at all, on or before the date that is not later than 42 days after the date of the receipt for the final prospectus related to the Offering. The Offering will be conducted under the book-based system. A subscriber who purchases Offered Shares will receive a customer confirmation from the registered dealer from or through whom Offered Shares are purchased and who is a CDS Clearing and Depository Services Inc. ("**CDS**") depository service participant. CDS will record the CDS participants who hold Offered Shares on behalf of owners who have purchased Offered Shares in accordance with the book-based system. No certificates evidencing the Offered Shares will be issued, except in certain limited circumstances, and registration will be made in the name of the nominee of CDS.

The Underwriters propose to offer the Offered Shares initially at the Offering Price specified above. After a reasonable effort has been made to sell all of the Offered Shares at the Offering Price, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Offered Shares remaining unsold. Any such reduction will not affect the proceeds received by the Company. The Underwriters will inform the Company if the Offering Price is reduced. See "*Plan of Distribution*".

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors". Closing of the Offering is conditional on the common shares of the Company (the "**Common Shares**") being approved for listing on the Toronto Stock Exchange (''**TSX**'').

An investment in the Offered Shares is subject to various risks that should be considered by prospective subscribers including those risks inherent to the industries in which the Company operates. Prospective subscribers should carefully consider the risks described under "*Risk Factors*" before deciding whether to invest in any Offered Shares.

Matthew Wood, Bataa Tumur-Ochir, Zamba Batjargal and Patrick Michaels, each of whom is a director of the Company, reside outside of Canada and have appointed the Company at its registered office set forth below as their agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the person has appointed an agent for service of process.

The registered office of the Company is 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2 and the head office of the Company is 90 Adelaide Street West, Suite 400, Toronto, Ontario, M5H 2Y2.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This prospectus contains or incorporates by reference "forward-looking statements" and "forward-looking information" (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws concerning the Company's plans for its properties, operations and other matters. Except for statements of historical fact relating to the Company, certain statements contained herein or incorporated by reference constitute forward-looking statements including, but not limited to, statements regarding the completion of the Offering and the timing thereof, the use of the proceeds of the Offering, future anticipated and current exploration programs and expenditures, exploration results, the potential discovery and delineation of mineral deposits/resources/reserves, potential mining and processing scenarios, production estimates, the anticipated success of mineral processing procedures, anticipated continued sales of ore and concentrate sales, proposed business plans, anticipated business trends and metal prices, future anticipated operating costs, reclamation cost estimates, revenues and cash flow, and may relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates", "believes", "proposed", "intends" or "does not intend", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be, or not be, taken, occur or be or not be achieved) are not statements of fact and may be forward-looking statements.

Forward-looking statements are subject to a variety of risks and uncertainties, many of which are beyond the Company's control, which could cause actual events or results to differ materially and adversely from those reflected in the forward-looking statements. These risks are described or referred to below under the headings "*Risk Factors*" and under the heading "*Management's Discussion and Analysis - Risk and Uncertainties*" in this prospectus. Should one or more of the risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially and adversely from those described in the forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates, assumptions and opinions on the date the statements are made and, other than as required by applicable law, the Company undertakes no obligation to update the forward-looking statements if these beliefs, estimates, assumptions and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty or weight to forward-looking statements. Forward-looking statements made in a document incorporated by reference in the prospectus are made as at the date of the original document and have not been updated except as expressly provided for in this prospectus.

Readers are also cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements, and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or that, if any of them do so, what benefits the Company will derive therefrom.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and is qualified in its entirety by, and should be read together with, the more detailed information and financial data and statements contained elsewhere in this prospectus.

THE COMPANY

The Company was incorporated under the *Business Corporation Act* (Ontario) on October 5, 2016. The head office of the Company is located at 90 Adelaide Street West, Suite 400 Toronto, Ontario M5H 4A6, the registered office of the Company is located at 390 Bay Street, Suite 806, Toronto, Ontario M5H 2Y2 and its website address is www.steppegold.com. The Company has five subsidiaries, see "*Corporate Structure*".

The Company is a precious metals exploration and development company focussed on opportunities in Mongolia. In September 2017, the Company completed an acquisition of the advanced-staged ATO Project in Mongolia from Centerra Mongolia, a subsidiary of Centerra Gold Inc., for aggregate consideration of US$19.8 million plus US$1.98 million in value added tax. See "A*cquisition of the Altan Tsagaan Ovoo Project"*. Prior to being acquired by the Company, Centerra Mongolia spent over US$25 million on exploration on the ATO Project. The Company has also acquired two exploration-stage mineral properties in Mongolia, the Uudam Khundii property and the Bayan Undur property. See "*Other Mineral Properties*".

THE ATO PROJECT

The ATO Project is comprised of one mining license (MV-017111) over an area of 5,492.63 ha. The ATO Project is located in the territory of Tsagaan Ovoo soum, Dornod province of Eastern Mongolia, 660 km east of the Ulaanbaatar, the capital of Mongolia, 120 km northwest of Choibalsan, the provincial capital of Dornod Province, 38 km west of Tsagaan Ovoo soum, in the Davkhariin Aryn valley, and is at the junction of rivers of Bayan and Duruu. It is near the foot of the mountains Delger Ulziit, Bayan, Namkhai Hill and Yaruu.

The ATO Project area was initially explored by Cogegobi LLC, a wholly-owned subsidiary of French nuclear company Areva, starting in 1997 before the property was optioned to Centerra Mongolia in 2010.

The geology of the ATO Project consists of metamorphosed Devonian sedimentary rock overlain by a volcanic and sedimentary sequence of Permian age and remnant scraps of probable Jurassic volcanoclastic units, intruded by Jurassic plutons ranging from diorite to granite in composition and including rhyolitic phases mainly as dikes. Mineralization on the property is thought to be related to the Jurassic magmatic rocks as sources of heat, metals, and fluids. Three mineralized pipes at ATO Project (Pipes 1, 2, and 4) have been emplaced into stratified rocks thought to be Early to Middle Jurassic in age. Pipe 4 is mainly concealed. Pipe 3 contains abundant pyrite, but no significant amounts of Au, Ag, Pb, and Zn. The ATO deposit is an epithermal gold and polymetallic deposit of transitional sulfides in breccia pipes in a Mesozoic continental rift zone in eastern Mongolia.

See "*Details of the Altan Tsagaan Ovoo Project*.

INVESTMENT HIGHLIGHTS

Advanced-Stage Gold Project with Positive Economics

The company owns the advanced-stage ATO Project, comprised of one mining license (MV-017111) over an area of 5,492.63 ha. and located in the territory of Tsagaan Ovoo soum, Dornod province of Eastern Mongolia, 660 km east of the Ulaanbaatar, the capital of Mongolia. The ATO Project has established Measured and Indicated Mineral Resources (inclusive of Proven and Probable Mineral Reserves) totalling approximately 587,000 ounces of gold at an average grade of 1.49 g/t Au and 3.9 million ounces of silver at an average grade of 9.99 g/t Ag and Inferred Mineral Resources totalling approximately 35,000 ounces of gold at an average grade of 1.1 g/t Au and 848,000 ounces of silver at an average grade of 25.18 g/t Ag, and with recently established Proven and Probable Minerals Reserves totalling approximately 210,000 ounces of gold at an average grade of 1.25 g/t Au and 673,000 ounces of Silver at an average grade of 10 g/t Ag (such estimates having an effective date of August 21, 2017).

ATO Mineral Resources [1]		Average Grade (g/t)		Contained Metal (koz)	
	Tonnage (mt)	Au	Ag	Au	Ag
Measured	7.77	1.51	8.16	378	2,039
Indicated	4.46	1.46	13.17	209	1,889
Measured and Indicated	**12.23**	**1.49**	**9.99**	**587**	**3,927**
Inferred	**1.05**	**1.03**	**25.18**	**35**	**848**

Notes:

(1) Does not include Proven and Probable Reserves.

ATO Mineral Reserves		Average Grade (g/t)		Contained Metal (koz)	
	Tonnage (mt)	Au	Ag	Au	Ag
Proven	3.41	1.41	9.72	155	1,065
Probable	1.82	0.93	10.52	55	616
Proven and Probable	**5.23**	**1.25**	**10.00**	**210**	**1,681**

The Technical Report proposed a development plan for an open-pit heap leach operation at the ATO Project estimated to produce 146,699 oz of Au and 672,518 oz Ag over the project period at an attractive total capital cost of US$19.6 million and total operating cost of $48.8 million over the project period.

ATO Project Highlights

- INITIAL FOCUS ON QUICK START-UP, LOW CAPEX, LOW OPEX, HIGH-MARGIN OXIDE HEAP LEACH GOLD AND SILVER OPERATION
- 1.2Mt OXIDE ORE PER ANNUM
- 5.2Mt OF ORE MINED AT 1.25 g/t GOLD AND 10.0 g/t SILVER

Heap leach Gold Recovery:	70%
Heap leach Silver Recovery:	40%
Gold Production	146,669 oz
Silver Production	672,518 oz
Heap Leach Capex	Approx. US$19.6 million

Additional Resource Potential ATO Project

Mungu Gold and Silver Discovery

Mungu Gold and Silver discovery is located immediately northeast of current resource at ATO Project. It is a structurally controlled epithermal gold silver system with localized bonanza grades. The high-grade gold-silver mineralization in the northern part of ATO Pipe #4 has been interpreted by Steppe Gold to have a steeply westward dipping structural control with a similar NE strike projecting toward and possibly joining the Mungu zone of mineralization. This interpreted link between the gold-silver mineralization at Mungu and similar mineralization at Pipe #4 is approximately 500m in strike length and is a priority drill target for the company. The Mungu mineralised zone remains open to the north along structure and at depth and this is also a priority drill target for the company.

During four years of exploration, Centerra Mongolia drilled 38 holes with total meterage of 12,206.

In April of 2017, Steppe Gold completed five diamond core drill holes at Mungu and two drill holes at ATO Pipe #4. All holes returned with significant gold and silver mineralization.

In September 2017, Steppe Gold completed a total of 56 diamond core drill holes for 3,641.6m. As of the date of this prospectus, the Company has received a portion of the assay results from this drill program, with the balance of the assay results still pending. These results will be included into a new model for the calculation of an initial resource estimate for the Mungu Oxide zone.

Bayan Munkh Copper Gold Porphyry Target

The Bayan Munkh porphyry copper target is located approximately 25 km to north east of the ATO Project mining licence. A recently completed deep seeking IP dipole-dipole geophysical survey has identified a large (up to 500m) coincident chargeability and resistivity anomaly in the north-east section of the survey area.

Pipeline of Prospective Projects

Uudam Khundii Property

The Uudam Khundii property is comprised of one exploration licence covering 14,397 hectares that was granted in August 2017. The project area is located 800 km south-west of Ulaanbaatar. The property is located between and adjoining the Bayan Khundii gold discovery and Altan Nar epithermal gold deposits explored by Erdene Resource Development Corporation.

Within the exploration license a number of prospects have recently been discovered by Steppe Gold – The Golden Steppe Au-Ag-Zn-Pb, the Milky Way epithermal vein system with high Ag and Cu-Pb mineralization and the Blue Hill quartz-tourmaline breccia hosted Au. The Company has commenced initial exploration activity on the prospects including geological mapping, geochemical sampling, geophysical surveys, chip/grab sampling and trenching. To date the company has completed a 1,940-line kilometer ground magnetic survey and 12-line kilometer IP survey. These geophysical programmes are ongoing. In addition to this the company has collected and is receiving results for 208 rock chip samples and 4,543 soil geochemical samples.

Bayan Undur Copper Property

The Bayan Undur copper gold silver property is comprised of four mining licences covering a total area of 4,853 hectares and located in the Province of Bayakhongor, Mongolia.

A large of amount of historical exploration has been conducted on Bayan Under by past explorers. This database is currently being compiled and reviewed with a focus on the precious metals content and potential. The date historical exploration includes: Soil Geochemistry: 3,968 samples; Trenching: 1,973 metres; and Diamond core and RC drilling: 57,446 metres. In addition, the entire licence package has been covered with magnetic, IP and gravity geophysical surveys.

Proven Management Team with Experience in Mongolia

The Company is led by an executive management team and board that has a record of creating significant shareholder value through exploration success and project development, with specific experience doing so in Mongolia.

Matthew Wood, the President and Chief Executive Officer of the Company, is a mineral resource explorer and developer with over 25 years global industry experience in mining and commodities investment. Mr. Wood was formerly the joint founder and Executive Chairman of ASX All Sector 2010 IPO of the year, Mongolian Coal Company, Hunnu Coal Limited. Hunnu Coal was sold to Banpu PCL in 2011 for $500M and was awarded global deal of the year at Hong Kong Mines and Money in March 2012. Mr. Wood has an Honours Degree in Geology from the University of New South Wales and a Graduate Certificate in Mineral Economics from the Western Australian School of Mines. He is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM).

Bataa Tumur-Ochir, the Vice-President, Mongolia of the Company, is a Mongolian citizen and has served as Wolf Petroleum Limited's Chief Operating Officer since its incorporation in 2010 and was appointed as an Executive Director in August 2011. Mr. Tumur-Ochir is responsible for new business acquisitions, development and government and community relations. Mr. Tumur-Ochir is also responsible for daily operations in Mongolia. Under his guidance, Wolf Petroleum was awarded with the "Operator of the Year Award" from the Petroleum Authority of Mongolia, and today, Wolf Petroleum is recognised as the fastest growing petroleum exploration company in Mongolia. Mr. Tumur-Ochir holds a bachelor's degree in business administration and graduate certificates in international business and marketing from institutions in Australia and Singapore.

Dr. Zamba Batjargal, a Director or the Company, is currently serving as the Special Envoy of Mongolia on Climate change, National Focal Point of Mongolia for the United Nations Framework Convention on Climate Change covering and coordinating activities related to the Intergovernmental Panel on Climate Change and Green Climate Fund. Dr. Batjargal received his PhD degree in physics and mathematics in 1978 from the Hydrometeorological State University, St. Petersburg, Russia. Dr. Batjargal has more than 35 years' experience working for the government entities in Mongolia dealing with issues of environmental protection, nature conservation, climate change, water resources and hydrometeorological hazards. He was the Minister of the Environment of Mongolia from 1990 to 1996 and Director-General of the National Agency for Meteorology, Hydrology and Environmental Monitoring from 1996 to 2001. He was Ambassador of Mongolia to Japan from 2001 to 2005.

Enkhtuvshin ("Enkhe") Khishigsure, Manager, Exploration of Company, has over 30 years of Mongolian mineral exploration experience. Mr. Khishigsure has been responsible to identifying targets and properties based on his knowledge and experience that have resulted in the discovery of several prospective gold and copper deposits in Mongolia; such as the multimillion ounce gold deposit Olon Ovoot, a large molybdenum porphyry deposit Zuun mod and the Shand copper porphyry deposit near Erdenet copper mine. Mr. Khishigsure holds bachelor degree of Geological exploration from Azerbaijan State University (former Soviet Union) and a master's degree of Geological Science from Shimane University, Japan.

THE OFFERING

The Offering: This prospectus qualifies the distribution of ● Offered Shares. See "*Plan of Distribution*".

Offering Price: $● per Offered Share.

Over-Allotment Option: The Company has granted the Underwriters the Over-Allotment Option, exercisable in whole or in part, from time to time, for a period of 30 days from closing of the Offering (including the date thereof), to purchase up to ● Additional Offered Shares at the Offering Price per Additional Offered Share, to cover over-allotments, if any, and for market stabilization purposes. The grant of the Over-Allotment Option and the Additional Offered Shares issuable upon exercise of the Over-Allotment Option are hereby qualified for distribution under this prospectus. See "*Plan of Distribution – Over-Allotment Option*".

Fees: Upon the closing of the Offering, the Company will pay the Underwriters a cash commission equal to 6% of the gross proceeds of the Offering, including proceeds realized from the sale of any Additional Offered Shares sold pursuant to the exercise of the Over-Allotment Option (as defined below). As additional compensation, the Company has agreed to grant to the Underwriters non-transferrable Compensation Warrants that will entitle the Underwriters to purchase, at the Offer Price, such number of Compensation Shares as is equal to 6.0% of the number of Offered Shares sold under the Offering, including Additional Offered Shares sold pursuant to the exercise of the Over-Allotment Option. See "*Plan of Distribution*".

Use of Proceeds: The net proceeds to the Company from the Offering will be approximately $● after deducting the Underwriters' Fee of $● and the expenses of the Offering estimated to be $●. If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering will be approximately $● after deducting the Underwriters' Fee of $● and the expenses of the Offering of $●. The Underwriters' Fee and the expenses of the Offering will be paid from the proceeds of the Offering.

Subject to adjustments that will be reflected in the Company's interim unaudited financial statements for the quarter ended September 30, 2017, the Company's net working capital (being the Company's current assets minus current liabilities) as at June 30, 2017 was approximately $837,050. The Company intends to use the net proceeds of the Offering for the development of the ATO Project, exploration drilling at the ATO Project, exploration and drilling at other targets and for working capital expenses and for general corporate purposes, as follows:

ATO Oxide Heap Leach Development, Construction and Commissioning	$●
ATO extension and infill drilling (2,000m)	$●
Mungu Target drilling (14,000m)	$●
Bayan Munkh Target drilling (1,000m)	$●

Uudam Khundii exploration and drilling (6,000m)	$●
Bayan Under exploration and drilling (1,000m)	$●
Working capital and general corporate purposes	$●
Total:	$●

The Company's current primary business objectives are to: (1) complete construction and development at the ATO Project to commence production in the third quarter of 2018; (2) conduct exploration on the ATO project and other properties of the Company; and (3) identify and act on additional opportunities in Mongolia. The net proceeds will primarily be used towards objective (1), set out above. A portion of the proceeds, estimated at approximately $●, will be used towards objective (2). To attain objective (1), the Company intends to draw down on the Second Upfront Deposit under the Stream Agreement to fund the estimated capital investment required to develop the ATO Project of US$19.6 million. Under the terms of the Stream Agreement, to access the Second Initial Tranche, the Company must expend at least US$15 million on the ATO Project. The ability of the Company to meet the requirement to expend the US$15 million will depend on many factors, including being able to obtain the permits necessary for the construction and implementation of the project from the Mongolian government.

If the Over-Allotment Option is exercised, any additional net proceeds will be allocated primarily to additional exploration activity on the Company's exploration projects, with marginal amounts to general working capital.

The Company's management has broad discretion over the use of the net proceeds of the Offering. See "*Use of Proceeds*" and "*Risk Factors – Risks Related to the Offering – Use of Proceeds".*

Risk Factors:

An investment in the Offered Shares involves a number of risks, including risks inherent in the industry in which the Company operates. See "*Risk Factors*". Such risk factors include:

Risks related to the Offering

- Use of Proceeds
- Dilution
- The Common Shares are Subject to Market Price Volatility
- There is no existing public market for the Common Shares
- A purchaser of the Offered Shares under the Offering will purchase such shares at a substantial premium to the current book value per Common Share
- The Company does not intend to pay dividends
- Investment Eligibility
- Book-Based System

Risks related to the Company and its Business

- Fluctuation of Metal Prices
- No Assurance of Profitability
- Resource Exploration and Development is a Speculative Business
- Uncertainty of Reserve and Resource Estimates
- Surface Rights and Access
- Mine Development Risk
- Operating Hazards and Other Uncertainties
- Title to the ATO Project may be disputed
- Liquidity and Financing
- The Company has pledged a material portion of its assets as security
- The Company is subject to restrictive covenants that limit its ability to operate its business

- Enforcement of Legal Rights
- The Company will require additional permits for the ATO Project
- Mining Industry is Intensely Competitive
- Infrastructure
- The Company does not currently maintain insurance coverage to cover potential losses, liabilities and damages related to its business
- Government Regulation
- Environmental Matters
- Decommissioning and Site Rehabilitation Costs
- The Company is subject to legal and political risk in Mongolia
- Recent and future amendments to Mongolian laws could adversely affect the Company's interests
- The Government of Mongolia could determine that any one or more of the Company's projects in Mongolia is a Mineral Deposit of Strategic Importance
- Compliance with Anti-Corruption Laws
- Dependence upon Others and Key Personnel
- Currency Fluctuations
- Price Fluctuations and Share Price Volatility
- Liquidity Risk
- Credit Risk
- Acquisition Strategy
- Conflicts of Interest
- Prolonged periods of severe weather conditions could materially and adversely affect the Company's business and results of operations
- The Company will incur reporting requirements, rules and regulations affecting public issuers

SELECTED FINANCIAL INFORMATION

The Company

The following table sets forth selected consolidated audited and unaudited financial information of the Company as at and for the periods indicated. This financial information is derived from, and should be read in conjunction with, the audited consolidated annual financial statements of the Company for the financial year ended December 31, 2016 and the condensed interim financial statements of the Company as at and for the six months ended June 30, 2017, and the respective notes thereto, along with the "Management's Discussion and Analysis", all of which are included elsewhere in this prospectus. Financial information presented below is prepared in accordance with accounting policies in accordance with IFRS unless otherwise stated.

	As at and for the six months ended June 30, 2017	As at and for year ended December 31, 2016
Total Assets………………………………….	$3,039,549	$387,895
Cash …………………………………………….	$1,280,663	$347,562
Property and Equipment……………….	$10,579	-
Current Liabilities………………………….	$492,493	$234,199
Total Liabilities………………………………	$492,493	$234,199
Net Income (Loss)…………………………	($1,730,474)	($663,145)
Basic and Diluted Net Income Loss) per Share……………………………..	($0.13)	($0.08)

The ATO Project

The following table sets forth selected audited and unaudited carve-out financial information of the ATO Project as at and for the periods indicated. This financial information is derived from, and should be read in conjunction with, the audited carve-out financial statements of the ATO Project for the financial years ended December 31, 2016, 2015 and 2014 and the unaudited interim carve-out financial statements of the Company as at and for the six months ended June 30, 2017 and 2016, and the respective notes thereto, along with the "Management's Discussion and Analysis", all of which are included elsewhere in this prospectus. Financial information presented below is prepared in accordance with accounting policies in accordance with IFRS unless otherwise stated.

	As at and for six months ended		As at and for years ended		As at January 1, 2015
(US$)	June 30, 2017	June 30, 2016	December 31, 2016	December 31, 2015	and for the year ended December 31, 2014
Total Assets…………………………………….	$16,342,024	-	$16,334,267	$27,321,369	$27,764,618
Cash …………………………………………………	-	-	-	-	-
Exploration and Evaluation of Assets….	$16,342,024	-	$16,300,000	$27,246,747	$27,660,208
Current Liabilities…………………………….	$215,485	-	$215,387	$15,725	$106,982
Total Liabilities…………………………………	$215,485	-	$228,879	$1,801,159	$1,703,364
Net Income (Loss)……………………………	$10,218	$58,501	($9,344,266)	($943,198)	($808,906)
Basic and Diluted Net Income (Loss) per Share……………………………….	n/a	n/a	n/a	n/a	n/a

Pro Forma Information

The following table sets forth selected consolidated unaudited financial information of the Company and the ATO Project and selected unaudited pro forma financial information as at and for the periods indicated. This financial information is derived from, and should be read in conjunction with, the unaudited pro forma interim financial statements as at and for the six months ended June 30, 2017 and the respective notes thereto, all of which are included elsewhere in this prospectus. Financial information presented below is prepared in accordance with accounting policies in accordance with IFRS unless otherwise stated.

	Company as at and for the six months ended June 30, 2017	**ATO Project as at for six months ended June 30, 2017(1)**	**Pro Forma as at and for six months ended June 30, 2017**
Total Assets…………………………..……	$3,039,549	$21,207,045	$42,564,630
Cash ……………………………………………	$1,280,663	-	$12,111,489
Property and Equipment……….……	$10,579	-	$10,579
Current Liabilities……………….………	$492,493	$279,635	$8,207,949
Total Liabilities……………….…………	$492,493	$279,635	$23,354,313
Net Income (Loss)………………………	($1,730,474)	($13,635)	($2,219,239)
Basic and Diluted Net Income (Loss) per Share…………………………	($0.13)	n/a	($0.17)

Notes:

(1) Amounts converted from US$ to C$ at an exchange rate of US$1.00 = C$1.2977.

See "*Selected Financial Information*".

GENERAL MATTERS

You should rely only on the information contained or incorporated by reference in this prospectus*. *In addition, prospective investors should not rely on part of the information contained in or incorporated by reference in this prospectus to the exclusion of other. Neither the Company nor the Underwriters have authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. The Company and the Underwriters are not making an offer to sell or seeking an offer to purchase the securities offered pursuant to this prospectus in any jurisdiction where to offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date of those documents and that information contained in any document incorporated by reference is accurate only as of the date of that document or other date specified in that document. Subject to the Company's obligations under applicable securities laws, the information contained in this prospectus is accurate only as of the date of this prospectus regardless of the time of delivery of this prospectus or of any sale of the Offered Shares.

The financial statements of the Company included in this prospectus are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Unless the context otherwise requires, all references in this prospectus to the "Company", "we", "us" and "our" refer to Steppe Gold Ltd. and its subsidiaries.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. All references to "dollars", "$" or "C$" are to Canadian dollars and all references to "US$" are to United States dollars. For purposes of the amounts referenced in this prospectus, unless specified otherwise, the rate of exchange was US$1.00=$1.2885 or $1.00=US$0.7761, each based on the Bank of Canada's daily average exchange rate for November 1, 2017, the day immediately prior to the filing of this prospectus.

The following table sets out: (1) the high and low rate of exchange for one Canadian dollar in U.S. dollars during the indicated periods; (2) the average of the rate of exchange on the last business day of each month during those periods; and (3) the exchange rate in effect as at the end of each of those periods, each based on the noon rate published by the Bank of Canada with the exception of the six-month period ended June 30, 2017. As of May 1st, 2017, the Bank of Canada no longer publishes "daily noon rates". In the following table, the exchange rate disclosed for the six-month period ended June 30, 2017 is the new Bank of Canada standard, "the daily average exchange rate".

	Six months ended June 30, 2017	Six months ended June 30, 2016	Year ended December 31, 2016	Year ended December 31, 2015
	(expressed in Canadian dollars)			
High	1.3743	1.4593	1.4661	1.3990
Low	1.2991	1.2527	1.2497	1.1728
Average	1.3344	1.3321	1.3248	1.2787
Closing	1.2991	1.2017	1.3427	1.3840

TECHNICAL INFORMATION

Technical information relating to the Altan Tsagaan Ovoo Project (the "**ATO Project**") contained in this prospectus is derived from, and in some instances is an extract from, the Technical Report titled "Altan Tsagaan Ovoo Gold Project, Tsagaan Ovoo, Dornod, Mongolia" dated August 20, 2017, with an effective date of June 20, 2017, which was prepared for the Company by Oyungerel Bayanjargal, MAusIMM of Glogex Consulting LLC (the "**Technical Report**") and prepared in accordance with National Instrument 43-101 — Standards of Disclosure for Mineral Projects ("**NI 43-101**").

Technical information in this prospectus not contained in the Technical Report has been prepared under the supervision of Matthew Wood (AusIMM), President and CEO of the Company and a "qualified person" under NI 43-101.

Reference should be made to the full text of the Technical Report which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review under the Company's profile on SEDAR at www.sedar.com. Alternatively, a copy of the Technical Report may be inspected until the day that is thirty days after the date hereof during normal business hours at the Company's head office and at the offices of our Canadian legal counsel, Peterson McVicar LLP in Toronto, Ontario.

For the meanings of certain technical terms and abbreviations used in this prospectus, see "Glossary of Selected Technical Terms" and "List of Abbreviations" beginning on page 15 of this prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Peterson McVicar LLP, counsel to the Company, and Bennett Jones LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) (together with the current provisions of the regulations thereunder, the "**Tax Act**") in force as of the date hereof, the Offered Shares, if issued on the date hereof, would be on such date "qualified investments" under the Tax Act for a trust governed by a registered retirement savings plan (an "**RRSP**"), a registered retirement income fund (a "**RRIF**"), a deferred profit sharing plan, a registered education savings plan (a "**RESP**"), a registered disability savings plan (a "**RDSP**") or a tax-free savings account (a "**TFSA**", and each such funds, plans or accounts a "**Plan**") at the time of the acquisition of such Offered Shares by the Plan, provided that, at such time, the Offered Shares are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the TSX) or the Company is a "public corporation" as defined in the Tax Act.

Notwithstanding that an Offered Share may be a qualified investment for a trust governed by a TFSA, RRSP or RRIF, a holder of a TFSA or an annuitant of an RRSP or RRIF, as applicable, will be subject to a penalty tax in respect of such Offered Share held in the TFSA, RRSP or RRIF, if such Offered Share is a "prohibited investment" within the meaning of the Tax Act. An Offered Share will not be a "prohibited investment" for a trust governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Company for purposes of the Tax Act, or (ii) has a "significant interest" (as defined for the purposes of the prohibited investment rules in the Tax Act) in the Company. In addition, the Offered Shares will not be a prohibited investment if such securities are "excluded property", as defined in subsection 207.01(1) of the Tax Act, for a TFSA, RRSP or RRIF. The federal budget released by the Minister of Finance (Canada) on March 22, 2017 included proposals to amend the Tax Act to extend the application of the "prohibited investment" rules to investments held by RDSPs and RESPs, applicable to investments acquired, and transactions occurring, after March 22, 2017.

Prospective purchasers who intend to hold the Offered Shares through a Plan should consult their own tax advisors regarding their particular circumstances.

MARKETING MATERIALS

A "template version" of the following "marketing materials" (each such term as defined in National Instrument 41-101 – General Prospectus Requirements ("NI 41-101")) for the Offering filed with the securities commission or similar regulatory authority in each of the provinces of Canada, except Quebec, are specifically incorporated by reference into this prospectus:

1. the investor presentation dated November •, 2017; and
2. the term sheet dated November •, 2017.

The investor presentation and term sheet referred to above are available under the Company's profile on SEDAR at www.sedar.com.

In addition, any template version of any marketing materials that has been, or will be, filed under the Company's profile on www.sedar.com before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this prospectus. Any template version of any marketing materials that are utilized by the Underwriters in connection with the Offering are not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus.

CAUTIONARY NOTE FOR UNITED STATES INVESTORS

Technical disclosure regarding our properties included herein (the "**Technical Disclosure**") has not been prepared in accordance with the requirements of United States securities laws. Without limiting the foregoing, the Technical Disclosure uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all mineral reserve and mineral resource estimates contained in the Technical Disclosure have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. These standards differ significantly from the requirements of SEC Industry Guide 7, and resource information contained in the Technical Disclosure may not be comparable to similar information disclosed by U.S. companies.

The definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the Securities and Exchange Commission (the "**SEC**").

Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases.

Additionally, disclosure of "contained ounces" in a resource is permitted disclosure under Canadian securities laws. However, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measurements. Accordingly, information contained in the Technical Disclosure may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of United States federal securities laws and the rules and regulations thereunder.

GLOSSARY OF SELECTED TECHNICAL TERMS

The following is a glossary of selected technical terms that appear in this prospectus.

Assay	A chemical analysis to determine the amount or proportion of the element of interest contained within a sample, typically base metals or precious metals.
Carbon-in-leach (CIL)	A recovery process in which precious metals are dissolved from finely ground ore during cyanidation and simultaneously adsorbed on relatively coarse activated carbon (burnt coconut shell) granules. The loaded carbon particles are separated from the slurry and recycled in the process following precious metal removal and reactivation through chemical and thermal means.
CIM	The Canadian Institute of Mining, Metallurgy and Petroleum
Concentrate	A product from a mineral processing facility such as gravity separation or flotation in which the valuable constituents have been upgraded and unwanted gangue materials rejected as waste.
Contained ounces	A measure of in-situ or contained metal based on an estimate of tonnage and grade.
Crushing	A unit operation that reduces the size of material delivered as Run of Mine Ore for further processing.
Cut-off grade	A calculated minimum metal grade at which material can be mined and processed at break-even cost.
Development	Work carried out for the purpose of preparing a mineral deposit for production. In an underground mine, development includes shaft sinking, crosscutting, drifting and raising. In an open pit mine, development includes the removal of overburden and/or waste rock.

Dilution	The effect of waste or low-grade ore which is unavoidably included in the mined ore, lowering the recovered grade.
Doré	Composite gold and silver bullion usually consisting of approximately 90% precious metals that will be further refined to separate pure metals.
Drilling	*Core*: a drilling method that uses a rotating barrel and an annular-shaped, diamond-impregnated rockcutting bit to produce cylindrical rock cores and lift such cores to the surface, where they may be collected, examined and assayed. *Reverse circulation*: a drilling method that uses a rotating cutting bit within a double-walled drill pipe and produces rock chips rather than core. Air or water is circulated down to the bit between the inner and outer wall of the drill pipe. The chips are forced to the surface through the center of the drill pipe and are collected, examined and assayed. *Conventional rotary*: a drilling method that produces rock chips similar to reverse circulation except that the sample is collected using a single-walled drill pipe. Air or water circulates down through the center of the drill pipe and returns chips to the surface around the outside of the pipe. *In-fill*: the collection of additional samples between existing samples, used to provide greater geological detail and to provide more closely-spaced assay data.
Exploration	Prospecting, sampling, mapping, diamond-drilling and other work involved in locating the presence of economic deposits and establishing their nature, shape and grade.
Flotation	A process which concentrates minerals by taking advantage of specific surface properties and applying chemicals such as collectors, depressants, modifiers and frothers in the presence of water and finely dispersed air bubbles.
Grade	The concentration of an element of interest expressed as relative mass units (percentage, parts per million, ounces per ton, grams per tonne, etc.).
Heap leaching	A process whereby precious or base metals are extracted from stacked material placed on top of an impermeable plastic liner and after applying leach solutions which dissolve and transport values for recovery in the process plant.
Mill	A facility where ore is finely ground and thereafter undergoes physical or chemical treatment to extract the valuable metals.
Mineral Reserve	The economically mineable portion of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are sub-divided in order of increasing confidence into probable mineral reserves and proven mineral reserves. *Probable mineral reserve*: the economically mineable portion of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. *Proven mineral reserve*: the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Mineral Resource	A concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories. *Inferred mineral resource*: that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. *Indicated mineral resource*: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. *Measured mineral resource*: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
Net smelter return royalty	A royalty based on a percentage of valuable minerals produced with settlement made either in kind or in currency based on the sale proceeds received less all of the offsite smelting, refining and transportation costs associated with the purification of the economic metals.
Open pit mine	A mine where materials are removed in an excavation from surface.
Ore	Material containing metallic or non-metallic minerals which can be mined and processed at a profit.
Orebody	A sufficiently large amount of ore that is contiguous and can be mined economically.
Oxide ore	Mineralized rock in which some of the host rock or original mineralization has been oxidized.
Qualified Person (QP)	"Qualified Person" as defined in NI 43-101.
QAQC	Quality Control Quality Assurance.
Reclamation	The process by which lands disturbed as a result of mining activity are modified to support beneficial land use. Reclamation activity may include the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings storage facilities, leach pads and other mine features, and contouring, covering and re-vegetation of waste rock and other disturbed areas.
Reclamation and closure costs	The cost of reclamation plus other costs, including without limitation certain personnel costs, insurance, property holding costs such as taxes, rental and claim fees, and community programs associated with closing an operating mine.

Recovery rate	A term used in process metallurgy to indicate the proportion of valuable material physically recovered in the processing of ore. It is generally stated as a percentage of the material recovered compared to the total material originally present.
Refining	The final stage of metal production in which impurities are removed from a molten metal.
Tailings	The material that remains after processing.
Tailings pond	An area constructed for long term storage of material that remains after processing.
Tonne (t)	Metric tonne (1,000 kilograms or approximately 2,205 pounds).

LIST OF ABBREVIATIONS

In this prospectus, the following abbreviations have the meaning set forth below:

Au	gold	Mo	molybdenum
Ag	silver	Moz	million troy ounces
Cu	copper	MNT	Mongolian Tugrik - currency
g	gram	Mt	million tonnes
g/t	Gram per tonne	ppb	parts per billion
Mlbs	million pounds	ppm	parts per million
km	kilometre	t	metric tonne
koz	thousand troy ounces	oz	troy ounce (31.103477 g)
m	metre	VAT	value added tax
mm	millimetre	Zn	zinc

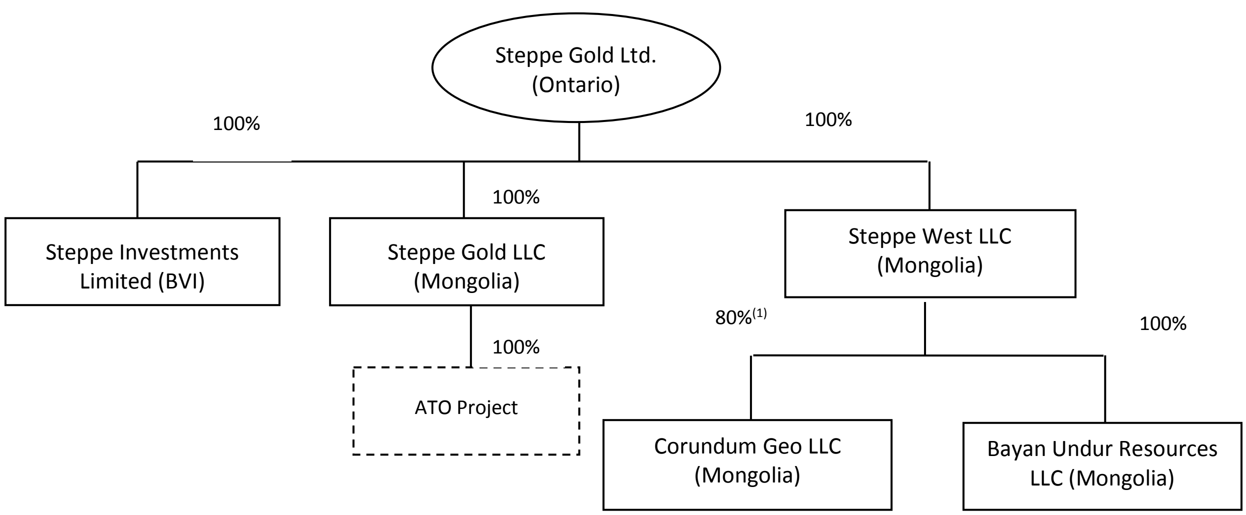
CORPORATE STRUCTURE

Name, Address and Incorporation

Steppe Gold Ltd. was incorporated under the *Business Corporation Act* (Ontario) (the "**OBCA**") on October 5, 2016. The head office of the Company is located at 90 Adelaide Street West, Suite 400 Toronto, Ontario M5H 4A6 and the registered office of the Company is located at 390 Bay Street, Suite 806, Toronto, Ontario M5H 2Y2. The Company's telephone number is (647) 951-6506 and its website address is www.steppegold.com.

Intercorporate Relationships

The Company has five subsidiaries: Steppe Gold LLC, a limited liability company incorporated under the Company Law of Mongolia on August 25, 2016 ("**Steppe Mongolia**"), Steppe Investments Limited, a company incorporated under the *BVI Business Companies Act, 2004* of the British Virgin Islands on June 19, 2017 ("**Steppe BVI**"), Steppe West LLC, a limited liability company incorporated under the Company Law of Mongolia on May 3, 2017 ("**Steppe West**"), Corundum Geo LLC, a limited liability company incorporated under the Company Law of Mongolia on November 3, 2016, and Bayan Undur Resources LLC, a limited liability company incorporated under the Company Law of Mongolia on January 25, 2010. Steppe West was formed by Bataa Tumir-Ochir, an officer and director of the Company, for the benefit of the Company. The Company became the sole shareholder of Steppe West on September 29, 2017.



Notes:

(1) 20% of the shares of Corundum Geo LLC are owned by Bayankhongor New Mining LLC, a company owned by the Province of Bayankhongor, Mongolia.

BUSINESS OF THE COMPANY

Overview

The Company is a precious metals exploration and development company focussed on opportunities in Mongolia. In September 2017, the Company completed an acquisition of the advanced-staged Altan Tsagaan Ovoo gold and silver project (the "**ATO Project**") in Mongolia from Centerra Gold Mongolia LLC ("**Centerra Mongolia**"), a subsidiary of Centerra Gold Inc. Prior to being acquired by the Company, Centerra Mongolia spent over US$25 million on exploration on the ATO Project.

The Company has also acquired two exploration-stage mineral properties in Mongolia, the Uudam Khundii property and the Bayan Undur property. See "*Other Mineral Properties*".

Recent Developments

May 2017 Private Placement

The Company completed the first tranche a non-brokered private placement ("**May 2017 Private Placement**") of units of the Company ("**Private Placement Units**") at a price of $2.00 per Private Placement Unit for gross proceeds of $4,980,000 on July 27, 2017. Each Private Placement Unit was comprised of one Common Share and one common share purchase warrant (a "**Warrant**"). Each Warrant is exercisable by the holder at the Offering Price for a period ending five years from the date of the completion of the Offering. The Warrants are exercisable at a price of $2.50 per share prior the completion of the Offering in the event that there is a change of control transaction involving the Company.

On October 6, 2017, the Company completed the second tranche of the May 2017 Private Placement pursuant to which it issued 237,500 Private Placement Units for gross proceeds of $475,000, bringing the total gross proceeds raised under the May 2017 Private Placement to $5,455,000.

The Company paid an aggregate of $387,585 in finder's fees and issued 1,750 finder's warrants ("**Finder's Warrants**") in connection with the May 2017 Private Placement. Each Finder's Warrant is exercisable for one Common Share on the same terms as the Warrants issued under the May 2017 Private Placement.

Acquisition of Altan Tsagaan Ovoo Project

On September 15, 2017, the Company, through Steppe Mongolia, completed the acquisition of the ATO Project from Centerra Mongolia, a subsidiary of Centerra Gold Inc., for aggregate consideration of US$19.8 million plus US$1.98 million in value added tax (the "**ATO Acquisition**"). For details regarding the ATO Acquisition see "*Acquisition of the Altan Tsagaan Ovoo Project".*

Memorandum of Understanding with Mongolian Government

On March 5, 2017, the Company signed a memorandum of understanding with the Mongolian Ministry of Mining and Heavy Industry regarding the Mongolian government's "Gold-2" programme, which is aimed at supporting gold exploration and mining companies with the goal of doubling the annual gold production from Mongolia by 2020. Under the memorandum of understanding, the Company agreed to cooperate in the Gold-2 programme by investing $25 million and commencing mining operations within 3 years. Under the memorandum of understanding the government agreed to improve the legal environment for the gold sector, ensure support to increase gold reserves, provide and keep a favourable tax and royalty regime and support gold producing companies by accelerating permitting procedures and simplifying provincial regulations.

Metals Purchase and Sale Agreement

In connection with the ATO Acquisition, the Company, Steppe Mongolia and Steppe BVI entered into a metals purchase and sale agreement dated August 11, 2017 (the "**Stream Agreement**") with Triple Flag Mining Finance Bermuda Inc. ("**Triple Flag Bermuda**") pursuant to which Steppe BVI agreed to sell to Triple Flag Bermuda a portion of the gold and silver produced from the ATO Project. Under the terms of the Stream Agreement, Steppe BVI is obligated to sell to Triple Flag Bermuda 25% of the gold and 50% of the silver produced from the ATO Project until such time as Steppe BVI has sold an aggregate of 46,000 ounces of gold and 375,000 ounces of silver, respectively (the "**Delivery Milestones**"). Thereafter the annual amounts that Steppe BVI is obligated to sell to Triple Flag Bermuda is capped at 5,500 ounces for gold and 45,000 ounces for silver. The obligation of Steppe BVI to sell gold and silver to Triple Flag Bermuda continues for the life of mine and includes any gold or silver produced by Steppe Mongolia within the stream area, which is the area within 20km from the boundary of the original mineral licences comprising the ATO Project.

As consideration for the grant of the stream by Steppe BVI, Triple Flag Bermuda agreed to make an upfront deposit (the "**Upfront Deposit**") against the purchase price for the gold and silver of US$23 million in two $11.5 million tranches. The first tranche of US$11.5 million (the "**Initial Upfront Deposit**") was advanced on September 15, 2017 in connection with the completion of the ATO Acquisition. Of the US$11.5 million advanced pursuant to the Initial Upfront Deposit, $9 million was used to satisfy the balance of the cash portion of the purchase price for the ATO Project and $980,000 was used to pay the associated value added tax ("**VAT**").

The second tranche of US$11.5 million (the "**Second Upfront Deposit**") is to be advanced once Steppe Mongolia has expended at least US$15 million on the ATO Project and can be drawn down in tranches representing 3-month forecasted expenditures for development of the ATO Project. On completion of the development of the ATO Project, any amount of the Second

Upfront Deposit that has not been draw-down by Steppe BVI will be paid to Steppe BVI as a lump sum. The proceeds of the Upfront Deposit are required to be loaned to Steppe Mongolia to advance the ATO Project.

As additional consideration for entering into the Stream Agreement, the Company granted 2,300,000 purchase warrants to Triple Flag Bermuda, with each warrant (a "**Stream Warrant"**) entitling the holder to acquire one unit of the Company (a "**Stream Unit**") at a price of $2.00 per Stream Unit on or before September 15, 2022. Each Stream Unit is comprised of one Common Share and one common share purchase warrant, which entitles the holder to acquire one additional Common Share at the Offering Price per share for a period ending five years from the date of the completion of the Offering or at a price of $2.50 per share prior the completion of the Offering in the event that there is a change of control transaction involving the Company.

So long as the Upfront Deposit remains outstanding, the purchase price for the gold and silver required to be sold to Triple Flag Bermuda under the Stream Agreement is based on the spot prices for gold and silver price during a 7-day quotational period following the date of delivery of the sale. The purchase price is to be satisfied as to 70% as against the uncredited balance of the Upfront Deposit and 30% is payable in cash by Triple Flag Bermuda. Once the uncredited balance of the Upfront Deposit has been reduced to nil the purchase price by Triple Flag Bermuda for the gold and silver shall be 30% of price determined with reference to the spot prices for gold and silver during a 7-day quotational period following the date of delivery, payable in cash.

The obligations of Steppe BVI under the Stream Agreement were guaranteed by the Company and Steppe Mongolia and secured by all of the assets of Steppe Mongolia, including a pledge of the ATO Project mining licence and the exploration licences owned by Steppe Mongolia, all of the assets of Steppe BVI and through the pledge by the Company of all of shares of both Steppe BVI and Steppe Mongolia.

In connection with the Stream Agreement, Triple Flag Bermuda subscribed for 2,000,000 units of the Company (the "**Triple Flag Units**") on the same terms as the Private Placement Units issued under the May 2017 Private Placement for an aggregate subscription price of $4,000,000 (the "**Triple Flag Subscription**"). The Triple Flag Subscription was completed on October 19, 2017. The Company issued an additional 80,000 Triple Flag Units to Triple Flag Bermuda as compensation units in connection with the Triple Flag Subscription.

The Company and Triple Flag Bermuda are also parties to an investor rights agreement dated September 15, 2017 (the "**Investor Rights Agreement**"), pursuant to which the Company granted Triple Flag Bermuda certain rights and agreed to certain restrictions. In particular, Triple Flag Bermuda was granted the pre-emptive right to subscribe for its pro rata portion of securities offered in future equity financings undertaken by the Company, including the Offering, and the right to nominate one candidate for election or appointment to the board of directors of the Company (the "**Board**"). In addition, in the event that the Company fails to place the ATO Project into commercial production by June 30, 2020, Triple Flag Bermuda has the right to cause certain changes to the management of the ATO Project. Triple Flag Bermuda also has the right to provide project financing at a 15% interest rate in the event that the Company has insufficient funds to bring the ATO Project into commercial production. The Investor Rights Agreement remains in force until the Delivery Milestones are achieved, at which time the agreement terminates.

A total of 17 shareholders of the Company entered into lock-up agreements with Triple Flag Bermuda on September 15, 2017 (the "**Lock-up Agreements**") pursuant to which the shareholders agreed not to sell certain of their Common Shares until the earlier to occur of (i) the date that is two years from the Closing of the Offering; and (ii) the date of commencement of mining operations at the ATO Project. A total of 13,233,964 Common Shares are subject to the Lock-up Agreements.

Management Changes

On March 31, 2017, the Board appointed Jeremy South to the Board as an additional director. Mr. South is managing partner of a private investment group based in Canada. Previously, he was a partner and senior managing director, merger and acquisition advisory, at Deloitte LLP, where he also held the role of global mining merger and acquisition leader for over nine years.

On August 31, 2017, at the Company's annual shareholders meeting, in addition to the re-election of the incumbent directors of the Company, Dr. Zamba Batjargal was elected as a new director of the Company. Dr. Batjargal is currently Special Envoy for Mongolia on Climate Change, National Focal Point of Mongolia for the United Nations Framework Convention on Climate Change (UNFCCC).

On October 2, 2017, Brian McMaster resigned from the Board to pursue other opportunities and Mr. Patrick Michaels was appointed as a director of the Company. Mr. Michaels is Executive Vice President of Precious Capital AG and a portfolio manager with Asty Capital AG and Zuri-Invest AG in Zurich, Switzerland.

Mongolia's Mining Regulatory Framework

Legislative Overview

In Mongolia, mineral exploration and mining activities are primarily regulated by the following legislation: the Minerals Law, the Law on Environmental Impact Assessment, the Environmental Protection Law, the Law on Land, the Law on Water and the Law on Subsoil. The Minerals Law is administered by the Ministry of Mining and Heavy Industry of Mongolia and the Mineral Resources and Petroleum Authority of Mongolia, the government's implementing agency (the "**MRPAM**"*)*. The MRPAM is the primary governmental authority in charge of recommending policies and plans for preservation, conservation and rehabilitation of geological resources and has the authority to terminate mineral licenses. The Ministry of Environment and Tourism of Mongolia is responsible for administering laws related to environment.

In addition to the legislation noted above, there are other laws and regulations that can impact the mineral industry, including the Law on Special Permit for Business Activities, the Law on Cultural Heritage Protection, the Law on Prohibition against Exploration and Mining in Headwater Areas, Protected Zones for Water Reserves and Forest Lands, the Law on Safety and Hygiene and the Law on Corporate Income Tax.

To ensure continuous protection of the environment and Mongolia's resources, the government has implemented several protective laws. For example, the Law on Environmental Impact Assessment requires license holders to have an environmental impact assessment (general and detailed) conducted by an authorized Mongolian legal entity and verified by the Ministry of Environment and Tourism of Mongolia, before any activities can take place on the licensed area. This is also a pre-requisite for obtaining a Mining License (as defined below). The Cultural Heritage Protection Law also requires applicants to have an archaeological and paleontological survey on the relevant area, conducted by experts prior to the issuance of land use rights and an Exploration License (as defined below). If the paleontological, archaeological or ethnological preliminary prospecting concludes that there is a risk to Mongolia's cultural heritage, mining activities cannot be continued.

The Law of Mongolia on the Prohibition against Exploration and Mining in Headwater Areas, Protected Zones for Water Reserves and Forest Lands ("**Prohibition Law**") forbids exploration and mining of minerals in areas overlapping with (i) headwaters of rivers and lakes, (ii) forested areas, and (iii) protected zones for water reservoirs (the implementation of this law is still pending due to lack of concrete identification of affected areas under the Government's Resolution No. 194).

Finally, to ensure local economic prosperity, the Minerals Law of Mongolia obligates mineral license holders to cooperate with the local administrative agency on issues related to environmental protection, mine operation, production infrastructure and increasing employment opportunities by giving a preferential supply of the mining products to domestic refineries or processing plants.

Mineral Rights

Generally, there are two types of mineral rights that can be granted to private entities under the Minerals Law, an exploration license ("**Exploration Licence**") and a mining license ("**Mining Licence**"). Only legal entities duly incorporated in Mongolia, operating under the laws of Mongolia and that are taxpayers in Mongolia are eligible to hold an Exploration License or a Mining License. Exploration Licenses and Mining Licenses are granted in two manners, on application to MRPAM or pursuant to tenders conducted by MRPAM.

<u>Exploration License</u>

An Exploration License permits the holder to carry out work on and under the earth's surface for the purpose of identifying the location of minerals and evaluating the economic and commercial value of the minerals. Pursuant to the Minerals Law, Exploration Licences granted on or after August 26, 2006, which was the date Minerals Law came into effect, have an initial term of three years. The holder of an Exploration Licence may apply for an extension of the licence for three successive additional periods of three years each. As such, the maximum period that an Exploration Licence may be held by one holders (or its transferees) is twelve years from the date of issue. Upon expiration of the its term, an Exploration Licence can be converted into a Mining Licence.

Under the Minerals Law, the minimum and maximum total square area of the Exploration Licence area is 25 hectares and 150 hectares, respectively.

An exploration licence may be cancelled if the applicable annual licence fee or minimum annual expenditure on exploration activities are not paid or incurred respectively or if the exploration licence holder fails to comply with certain other requirements of the Minerals Law or other relevant Mongolian laws. The tables below highlight the annual fees payable and minimum annual expenditure on exploration activities per hectare for each of the first three years and the relevant extensions.

(a) Annual fees payable per hectare of the Exploration Licence area:

Year	**Annual fee per hectare (MNT)**
Initial term – Year 1	145 (~US$0.06)
Initial term – Year 2	290 (~US$0.12)
Initial term – Year 3	435 (~S$0.18)
First extension (3 years)	1450 each year (~US$0.59)
Second extension (3 years)	2175 each year (~US$0.89)
Third extension (3 years)	7250 each year (~US$2.97)

(b) Minimum annual expenditure on exploration activities per hectare within the Exploration Licence area:

Year	**Annual amount per hectare (US$)**
Initial term – Year 1	No expenditure required
Initial term – Year 2	0.50
Initial term – Year 3	0.50
First extension (3 years)	1.00 each year
Second extension (3 years)	1.50 each year
Third extension (3 years)	10.00 each year

Under the Minerals Law, failure by the Exploration Licence holder to pay the relevant annual fee when due will result in a penalty which is calculated at a rate of 0.3% of the payable annual fee for each day it remains unpaid. If the Exploration Licence holder fails to pay the annual fee within 30 days, the exploration licence will be revoked.

Mining License

A Mining License permits the holder to carry out a range of activities including separating and extracting minerals from land surface and subsoil, ore stockpiling, waste or tailings, increasing the concentration of its usable contents, producing products, marketing and selling those products.

All minerals in the ground are owned by the Mongolian government and only Mongolian legal entities are entitled to hold mining licences.

Only holders of Exploration Licenses have the right to apply for a Mining License. To receive a Mining Licence, an Exploration Licence holder must submit an application to MRPAM together with, among other documents, the mineral resources council's notes and a decision of the State administrative body on acceptance of the exploration work results, a document verifying its performance of the duties under environment management plan during the exploration work and the environmental impact assessment. Mining Licenses are granted for a term of 30 years and can be extended for two additional terms of 20 years. During this period, the holder of a Mining Licence is entitled to extract and sell the minerals located within the land area covered by the licence. Upon the expiration of a Mining Licence, the licence and the rights under such licence shall revert to Mongolian government.

Transfer of Licenses

In accordance with the Minerals Law, the holder of an Exploration Licence is not permitted to sell the licence itself. The holder may, however, sell the material and data obtained from prospecting and exploration work ("**Licence Area Data**") in respect of the licence. Upon completion of the sale of the Licence Area Data, and payment of applicable taxes (evidenced by a document showing payment of such tax), the holder may transfer the licence.

Similarly, the holder of a Mining Licence is not permitted to sell the licence itself. The holder may, however, sell the mine, together with its machinery, equipment and documents that are located within the relevant licence area. Upon completion of the sale of the mine, and payment of applicable taxes (evidenced by a document showing payment of such tax), the holder may transfer the licence.

Holders are entitled to pledge their licenses to banks and non-banking financial institutions for the purpose of financing its investments, development and operations with the related documents, such as exploration work report feasibility studies, and geological research and other related documents, and properties which are permitted to pledge by law.

Strategic Deposits and Government Ownership Rights

The Mongolian Parliament has the authority to designate certain mineral deposits to be Mineral Deposits of Strategic Importance. Resolution No. 27 has designated sixteen (16) deposits as mineral deposits of Strategic Importance and thirty-nine (39) deposits as potential strategic deposits. The State has the right to own up to a 50% equity interest in an entity that holds a Mining License for a Strategic Deposit in the event that the entity has received state funding. If no state funding was used to locate the deposit, the State's ownership level is capped at 34%. In addition, owners of Mineral Deposits of Strategic Importance are required to list at least 10% of their share capital on the Mongolian Stock Exchange.

Taxation and Royalties

Exploration and mining companies are subject to a 10% corporate income tax on annual profits up to MNT 3 billion (approx. US$1.25 million) and a 25% corporate income tax on annual profits exceeding MNT 3 billion.

In the absence of a tax treaty, dividends, interest and royalties received by a non-resident legal entity from a Mongolian source are subject to a Mongolian income tax rate of 20%, which is withheld by the payer. The Mongolian legal entity making such payments is obligated to withhold the Mongolian income tax from such payments. Mongolia has entered into double tax treaties with a number of countries. Such treaties provide for lower rates of taxation in certain circumstances. Canada and Mongolia are parties to the Canada-Mongolia Income Tax Convention (signed May 27, 2002), which provides for dividend withholding tax rates as low as 5% for intercorporate dividends.

A royalty at the rate of 5% is payable in respect of the sales value of all products extracted pursuant to a Mining Licence (other than domestically sold coal and construction minerals) that are sold, shipped for sale, or otherwise used. A portion of this 5% royalty rate goes to the central treasury, while the remaining portion goes to local authorities.

An additional progressive royalty rate is also payable in respect of gold and silver at the rates set out in the table below.

	Market Price (US$)	**Royalty Rate**
Gold	0-900	0%
	900-1,000	1%
	1,000-1,100	2%
	1,100-1,200	3%
	1,200-1,300	4%
	1,300 and above	5%
Silver	0-25	0%
	25-30	1%
	30-35	2%
	35-40	3%
	40-45	4%
	45 and above	5%

Tailings and Mine Closure

A waste management plan is required to be a part of the environmental management plan, which Exploration and Mining Licence holders are required to submit to the public, the local government, and other stakeholders within the deadline specified by the Ministry of Environment and Tourism of Mongolia.

Mine closure plans must be prepared and submitted to the Ministry of the Environment and Tourism of Mongolia at least three years prior to the proposed mine closure of the project and MRPAM must be informed of the closure at least one year in advance. The exploration and the mining licence holders shall take all necessary measures to ensure safe use of the mining area for public purposes and to rehabilitate the environment and take preventive measures if the mine area may be dangerous for public use, and remove all machinery, equipment and other property from the mining area except those permitted by local administrative bodies or the agency for specialized inspection with respect to the mine closure.

ACQUISITION OF THE ALTAN TSAGAAN OVOO PROJECT

The Company acquired the ATO Project from Centerra Mongolia on September 15, 2017 pursuant to agreements entered into between the parties on January 31, 2017 for aggregate consideration of US$19,800,000 plus $1, 980,000 of VAT (the "**ATO Acquisition**").

In particular, the Company's subsidiary, Steppe Mongolia and Centerra Mongolia entered into a Licence Data Sale and Purchase Agreement on January 31, 2017 (the "**Licence Purchase Agreement**") providing for the purchase by Steppe Mongolia of one mining licence, which comprises the ATO Project, and two exploration licences, together with all related records, data and information, in consideration for the payment of US$9,800,000 in cash (the "**Licence Purchase Price**") plus US$980,000 in VAT, of which US$800,000 was paid on the signing of the purchase agreement. The Company, Steppe Mongolia, and Centerra Mongolia also entered into an asset purchase agreement on January 31, 2017 (the "**Purchase Agreement**") providing for the purchase by Steppe Mongolia of all the core samples of Centerra Mongolia that were extracted from the area of the licences being acquired for consideration of US$10,000,000 (the "**Core Purchase Price**"), plus US$1 million in VAT, payable through the issuance by Steppe Mongolia to Centerra Mongolia of two US$5 million principal amount non-interest bearing secured promissory notes due September 30, 2018 and September 30, 2019 (the "**Core Purchase Notes**") in respect of the Core Purchase Price, plus a US$1 million promissory note due October 9, 2017 in respect of the VAT (the "**VAT Note**", and together with the Core Purchase Note, the "**Notes**").

The parties also entered into a guarantee agreement dated January 31, 2017 (the "**Guarantee**") pursuant to which the Company guaranteed all of the obligations of Steppe Mongolia under the Licence Purchase Agreement and Steppe Mongolia agreed to assume the obligations of Centerra Gold Mongolia for the 1.75% net smelter returns royalty payable to Cogegobi LLC ("**Cogegobi**") in respect of products extracted from the ATO mining licence.

The Licence Purchase Price was satisfied with a portion of the Initial Deposit made by Triple Flag Bermuda under the Stream Agreement, which was funded concurrently with the closing of the ATO Acquisition on September 15, 2017. The Core Purchase Price and associated VAT were satisfied by the issuance of the Notes on September 15, 2017.

On the closing of the ATO Acquisition, the Company, Steppe Mongolia and Centerra Mongolia entered into a share pledge agreement whereby the Company pledged its shares of Steppe Mongolia to secure its guarantee of the obligations of Steppe Mongolia under the Notes. As the Steppe Mongolia shares were concurrently pledged to Triple Flag Bermuda as collateral to secure the Company's obligations under the Stream Agreement, Centerra Mongolia and Triple Flag Bermuda entered into a security sharing agreement dated September 15, 2017 to establish their respective rights in respect of the shares in the event of default (the "**Security Sharing Agreement**").

The Company repaid the VAT Note in full on October 16, 2017.

DETAILS OF THE ALTAN TSAGAAN OVOO PROJECT

Current Technical Report

Unless otherwise stated, the information that follows relating to the ATO Project is derived from, and in some instances, is an extract from, the Technical Report titled "*Altan Tsagaan Ovoo Gold Project, Tsagaan Ovoo, Dornod, Mongolia*" dated August 20, 2017, with an effective date of June 20, 2017, which was prepared for the Company by Oyungerel Bayanjargal, MAusIMM of Glogex Consulting LLC. The Technical Report has been filed under the Company's profile at www.sedar.com.

Property Description, Location and Access

Location

The ATO Project is comprised of one mining license (MV-017111) over an area of 5,492.63 ha. The ATO Project is located in the territory of Tsagaan Ovoo soum, Dornod province of Eastern Mongolia, 660 km east of the Ulaanbaatar, the capital of Mongolia, 120 km northwest of Choibalsan, the provincial capital of Dornod Province, 38 km west of Tsagaan Ovoo soum, in the Davkhariin Aryn valley, and is at the junction of rivers of Bayan and Duruu. It is near the foot of the mountains Delger Ulziit, Bayan, Namkhai Hill and Yaruu. The geographic zone of ATO Project is in datum WGS-84 Zone 49N of UTM coordinate system and the geographic center of the property is 48°26’N latitude and 112°46’E longitude.

Access to the property from Ulaanbaatar is possible by highway to Choibalsan, the capital of the Dornod Province, and then by improved unpaved roads to Tsagaan Ovoo soum. The property is connected to other settlements by dirt roads. It is possible to fly to Choibalsan from Ulaanbaatar via domestic airlines.

Ownership

Pursuant to the Licence Purchase Agreement dated January 31, 2017, Steppe Mongolia acquired the ATO Project from Centerra Mongolia on September 15, 2017. The ATO mining licence was registered in the name of Steppe Mongolia effective on September 5, 2017. Steppe Mongolia now has legal ownership of 100% of the ATO Project licences.

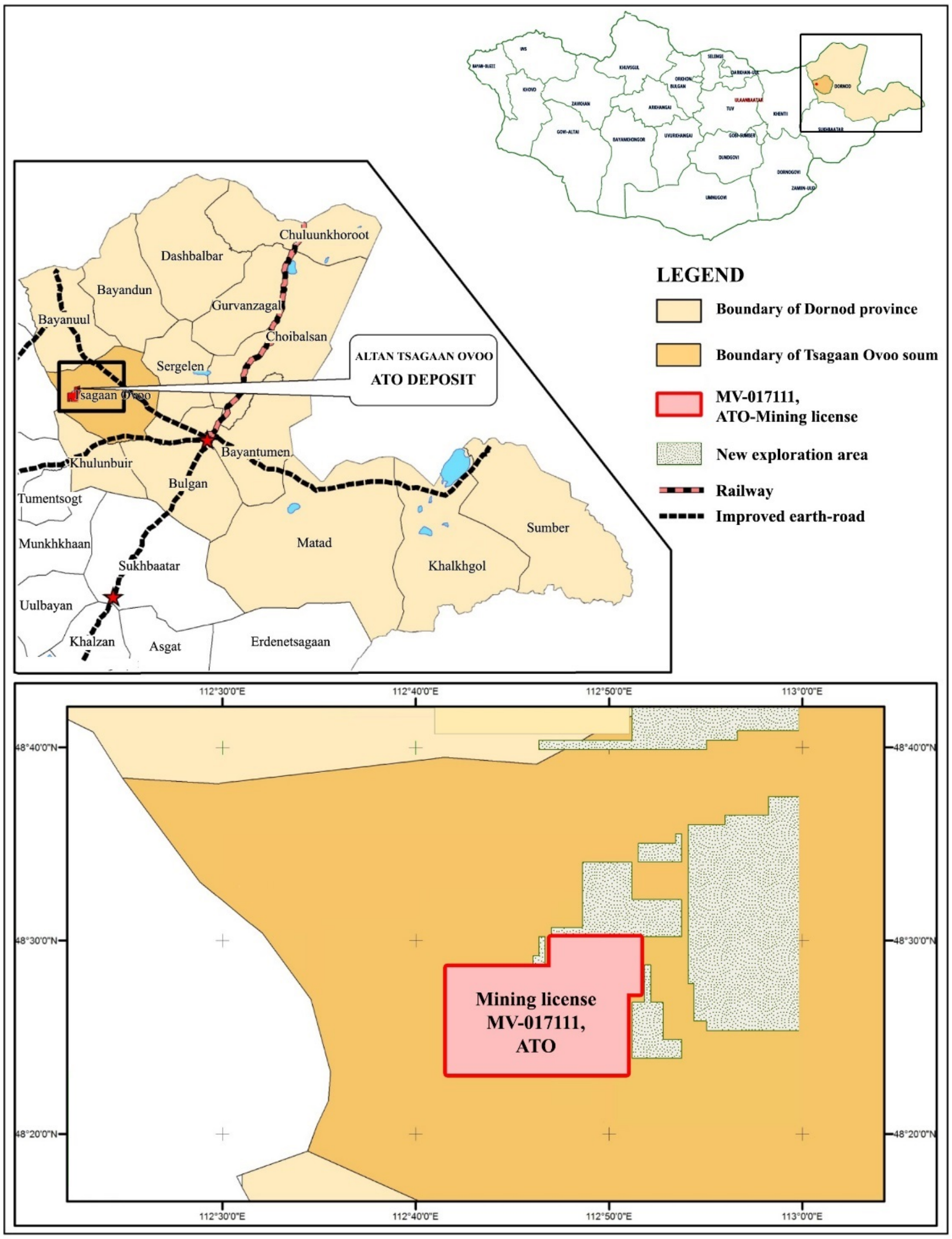


Figure 1: Location map for the ATO project

Royalties and Similar Arrangements

Mineral production in Mongolia is subject to fixed and sliding scale government royalties. The production of gold is subject to a flat rate 5% royalty and an additional sliding scale royalty up to 5% based on the market price of gold. In 2014 the Mongolian Minerals Law was amended to provide that for gold sold to the Mongolian central bank or Mongolian licenced commercial bank the royalty rate would be reduced to a flat rate of 2.5%. The amendments are in effect until January 2019. Silver production is subject to a 5% flat rate royalty and an additional sliding scale royalty of up to a maximum of 5%. The 5% maximum royalty is reached when the price of silver is US$45/oz or higher.

The ATO Project is also subject to a 1.75% net smelter returns royalty in favour of Cogegobi on all minerals produced from the project after the commencement of commercial production. The royalty provides that the percentage shall be adjusted inversely to any change in the rate of Mongolian government royalties after the date of the agreement, being March 26, 2010.

The Company is also obligated to sell a certain portion of the production of gold and silver from the ATO Project to Triple Flag Bermuda pursuant to the Stream Agreement. See "*Business of the Company – Recent Developments*".

Permitting

The Company will be required to obtain permission to commence mining operations. To obtain permission the Company will be required to prepare and submit an updated resource report, an updated feasibility study and an updated detailed environmental impact assessment. The Company will also be required to obtain, or in certain cases hire, contractors that possess, the following permits.

- Land Use or Possession Certificate - grants the right to use or possess land for the mine claim, camp and other permanent facilities for its mining operations. Only Mongolian citizens and legal entities are entitled to hold land possession rights.
- Water Use Permit – granted by State central administrative organization or local authority depending on proposed amount of water usage.
- Construction Permits - permissions for construction. The Company intends to obtain the following construction permissions:
  - Camp by November 2017
  - Water supply system by April 2018
  - Heap leach facility by April 2018
  - Tailings pond by April 2018
  - Processing plant and laboratory by April 2018
  - Diesel generator foundation by April 2018
  - Warehouse and fuel storage by April 2018
  - Maintenance, workshop and administration office by April 2018
- Explosive Permit – It is expected that blasting will be performed by a blasting contractor that will have the required permit.

History

Regional geologic field parties working for Cogegobi were the first to recognize mineralized rocks cropping out at the ATO Project. In 1997, Cogegobi (a wholly owned subsidiary of the French multinational company Areva) began its exploration efforts in eastern Mongolia. After a six-year long reconnaissance effort, Cogegobi in 2003 settled on a selected region and obtained eight exploration licenses in eastern and southeastern Mongolia. Cogegobi then embarked upon a four-year-long concerted effort in the search for viable Au and uranium deposits in all eight of their licensed areas. Two of their licenses (3,425.5 km^2 in all) were in the general area of the ATO Project. As part of that effort, Cogegobi geologists eventually collected 52 grab samples from outcrops and subcrop at the ATO Project, and identified anomalous gold concentrations in vein quartz-rich rock there (0.06 to 27.8 g/t Au). They initially were led to the occurrence by a stream sediment sampling program. Almost all Au–anomalous samples collected by Cogegobi were from Hills 1 and 2. Cogegobi then proceeded to describe the occurrence at the ATO Project as "intense hydrothermal alteration associated with volcano-plutonic structures" (Hocquet, 2005).

However, at the end of a four-year-long, exploration cycle by Cogegobi in their eight licensed areas, which was primarily focused on gold deposits but also included uranium, uranium prices in mid-2007 rose from approximately US$30 per lb. U_3O_8 to about US$140 per lb. U_3O_8. Areva subsequently acquired East Asia Minerals Energy Company in September 2007, became Areva Mongol in 2008, and now (2017) has a 100 percent interest in Cogegobi. Consequently, Areva Mongol's interest shifted from precious metals to the energy sector, and one of their two exploration licenses surrounding the ATO Project was dropped.

Initial Field Examination by CGM and Discovery

Centerra Mongolia geologists were invited by Areva to visit the ATO Project area in the fall of 2009. They were accompanied during their field examination by Areva Mongol geologists. Subsequently, initial agreement to explore the one remaining licensed area (Tsagaan Ovoo) encompassing the ATO Project was obtained from Areva Mongol by Centerra Mongolia in May 2010, and all rights to the property were obtained by Centerra Mongolia late in 2010. Cogegobi retains a 1.75 percent NSR in the Tsagaan Ovoo license.

During the first visit to the property by Centerra Mongolia geologists, they observed exposures of the mineralized system at the ATO Project include highly disrupted, near paleosurface epithermal, silica-dominated rocks that had the potential to host a significant tonnage of precious- and base-metal mineralized rock. Four grab samples collected by Centerra Mongolia (1.3 to 3.3 g/t Au) during its initial visit to the property, confirmed presence of the anomalous Au originally reported at the ATO Project site by Cogegobi.

The recent exploration history at the ATO Project, thus, comprised three stages: (1) initial work by Cogegobi/Areva; (2) a due diligence stage by Centerra Mongolia that also included soil geochemistry and limited IP; and (3) post-May 2010 comprehensive exploration by Centerra Mongolia. Beginning in May 2010 and through to December 2014, Centerra Mongolia conducted a significant amount of exploration work in the area, incorporating geologic mapping (including ASTER imaging), widespread grab sampling, additional grid soil sampling, stream-sediment sampling, geophysical surveys (air mag, ground mag, IP, gravity), trenching, and extensive core drilling. In addition, a wide-ranging district-wide grab sampling program was conducted in association with regional geologic mapping.

The exploration efforts led to the finding of the bulk of the presently known precious and base metal mineralization at the ATO Project is in three carrot-shaped vertically downward plunging, presumably Jurassic breccia pipes. Two of the pipes (Pipes 1 and 2) respectively underlie Hills 1 and 2, and Pipe 4 is completely concealed to the SE of Pipe 2.

Geology and Mineralization

The geology of the ATO Project consists of metamorphosed Devonian sedimentary rock overlain by a volcanic and sedimentary sequence of Permian age and remnant scraps of probable Jurassic volcanoclastic units, intruded by Jurassic plutons ranging from diorite to granite in composition and including rhyolitic phases mainly as dikes.

Mineralization on the property is thought to be related to the Jurassic magmatic rocks as sources of heat, metals, and fluids. Three mineralized pipes at ATO Project (Pipes 1, 2, and 4) have been emplaced into stratified rocks thought to be as young as Early to Middle Jurassic in age. Pipe 4 is mainly concealed. Pipe 3 contains abundant pyrite, but no significant amounts of Au, Ag, Pb, and Zn.

The ATO deposit is an epithermal gold and polymetallic deposit of transitional sulfides in breccia pipes in a Mesozoic continental rift zone in eastern Mongolia.

Exploration and Drilling

Since acquiring the ATO Project in 2010 until the end of 2014, Centerra Mongolia completed a total of approximately 63,866m of exploration drilling in 597 holes on the project. Of this, 54,425m was core drilling in 370 holes and 9,441m was completed in 227 RC holes. The drilling was spread over the ATO Project mining license. Drilling efforts have generally focused on expanding the known mineralization, but also include confirmation drilling and exploration drilling in several potential target areas on the ATO Project. In addition to exploration drilling, Centerra Mongolia completed geologic mapping, soil and outcrop sampling, and gravity survey at the ATO Project.

Sampling, Analysis and Data Verification

Centerra Mongolia implemented a series of industry standard routine verifications to ensure the collection of reliable exploration data. Documented exploration procedures exist to guide most exploration tasks to ensure the consistency and reliability of exploration data. In accordance with NI 43-101 guidelines, the QP visited the ATO deposit on August 23 and October 2, 2017. The site visits were conducted to ascertain the geological setting of the ATO Project gold-lead-zinc mineralization and to witness the extent of exploration work carried out on the property.

Routine verifications were completed by the QP to ensure the reliability of the drill hole and topo surface data, and analytical data provided by Steppe. In the opinion of the QP, the electronic data of drill holes is reliable, appropriately documented and exhaustive. The analytical results are sufficiently reliable for the purpose of resource estimation.

Metallurgical Testing and Processing

Metallurgical tests for mineral processing at ATO Project were conducted at the Central Laboratory of Xstrata Support Process in Canada, ALS Metallurgy-Ammtec laboratory in Australia and Boroo Gold LLC processing plant in Mongolia.

Mineral processing method was effectively chosen for a heap leaching of oxidized ore and most metallurgical tests were concentrated to the oxide ore testing.

Metallurgical test samples consisted of samples from the drill core and bulk samples from the oxidized zone of the pipes including some sulfide ore from deeper zone of the pipes. Metallurgical tests included a step- by-step leaching test carried out by the roll-up test (bottle-roll test) and granular ore test. Tests were conducted in 4 phases:

1. Bottle-Roll tests of the Xstrata Process Support Center in Canada (from 4 April 2010 to June 30, 2011)
2. Destruction Testing and Analysis - Canadian Xstrata Process Support (September 2011)
3. Column leach tests with low diameter (75 mm) (conducted in crushed ore) - ALS Metallurgy in AMMTEC laboratory in Perth, Australia (completed in November 2011 in April 2012)
4. Additional analysis of column tests with a large-scale diameter (280mm) - in CIL plant of Boroo Gold LLC in Mongolia (September 2012)

Mineral Reserves and Mineral Resources Estimates

Table 1: ATO Deposit Mineral Reserve and Mineral Resource Summary (at August 21, 2017)

ATO Mineral Reserves (1)(3)(5)(6)(7)(8)(9)(10)(12)							
	Tonnage	Au	Ag	Contained Metal		Recovered Metal	
				Au	Ag	Au	Ag
	(mt)	(g/t)	(g/t)	(koz)	(koz)	(koz)	(koz)
Proven	3.41	1.41	9.72	155	1,065	108	426
Probable	1.82	0.93	10.52	55	616	38	246
Proven and Probable	**5.23**	**1.25**	**10.00**	**210**	**1,681**	**147**	**673**

ATO Mineral Resources (1)(2)(4)(5)(8)(9)(10)(12)									
Measured and Indicated Mineral Resources									
	Tonnage	Au	Ag	Pb	Zn	Contained Metal			
						Au	Ag	Pb	Zn
	(mt)	(g/t)	(g/t)	(%)	(%)	(koz)	(koz)	(mlb)	(mlb)
Measured	7.77	1.51	8.16	0.86	1.54	378	2,039	148	263
Indicated	4.46	1.46	13.17	0.55	1.01	209	1,889	54	99
Measured + Indicated	**12.23**	**1.49**	**9.99**	**0.75**	**1.34**	**587**	**3,927**	**202**	**362**

Inferred Mineral Resources (11)									
	Tonnage	Au	Ag	Pb	Zn	Contained Metal			
						Au	Ag	Pb	Zn
	(mt)	(g/t)	(g/t)	(%)	(%)	(koz)	(koz)	(mlb)	(mlb)
Inferred	1.05	1.03	25.18	0.52	1.11	35	848	12	26

Notes:

1. ATO Mineral Reserves and Mineral Resources are as at August 21, 2017 using the CIM Definition Standards (2014).
2. Mineral Resources are in addition to Mineral Reserves.
3. Mineral Reserves are constrained within an optimized pit shell based on a gold price of $1,300 per ounce.
4. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
5. Contained gold estimates have not been adjusted for metallurgical recoveries.
6. Recovered gold estimates have been adjusted for metallurgical recoveries based on 70% for Au and 40% for Ag.
7. Mining dilution is 3% and Ore loss is 2%.
8. Mineral Reserves and Mineral Resources are estimated using a 0.3 g/t AuEq cut-off grade for oxide material and a 1.1 g/t AuEq.cut-off grade for fresh material.
9. A conversion factor of 31.103477 grams per ounce 453.59237 grams per pound are used in the reserve and resource estimates.
10. AuEq has been calculated using assumed metal prices ($1,306.6/oz for gold, $21.6/oz).
    Oxide ore calculation: AuEq(g/t) = Au(g/t) + (Ag(g/t) x 21.6 x 0.0321507 x 0.4) / (1,306.6 x 0.0321507 x 0.7)
    Fresh ore calculation: AuEq(g/t) = Au(g/t) + ((Ag(g/t) x 21.6 x 0.0321507 x 0.75) + (Pb% x 1,844 x 10-6 x 0.6) + (Zn% x 1,944 x 10-6 x 0.55)) / (1,306.6 x 0.0321507 x 0.71)
11. Inferred Mineral Resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the Inferred Mineral Resources will ever be upgraded to a higher category.
12. Totals may not match due to rounding.

Mining Methods and Pit Optimization

The ATO project has been planned as an open-pit truck and shovel operation. The truck and shovel method provides reasonable cost benefits and selectivity for this type of deposit. Only open-pit mining methods were considered for mining at ATO.

Pit optimization was done to define pit limits with input for economic and slope parameters. Optimization used only Measured and Indicated Resources for oxide ore processing. All material under 0.3 g/t AuEq was considered waste. Whittle pit optimizations were run using the economic and slope parameters and completed using prices of $950 to $1,650 per ounce Au in increments of $65 per ounce in order to analyze the deposit's sensitivity to gold prices. The ultimate $1,300 pit limit was determined using cash-flow analysis based on a 10% discount rate. Pit designs were created to use 2.5 meters benches for mining. Slope parameters were applied as up to 50-degree inter-ramp slope angles; up to 70-degree bench face angles. Ramps were designed to have a maximum centerline gradient of 10%. In areas where the ramps may curve along the outside of the pit, the inside gradient may be up to 11% or 12% for short distances. Design criteria accounts for 3.5 times the width of the truck for running room in areas using two-way traffic. For roads designed outside of the pit, and additional safety berm is accounted for in the road widths. The ultimate pit is an integrated design using interior pit phases and it separates 3 small mines. Based on a resource block size of 5m by 5m by 2.5 blocks, ore loss and dilution were assumed to be not more than 3% and 2%, respectively.

Processing and Recovery Methods

The recovery methods used for the ATO Project for the crushing, heap leach and process facilities. Flowsheet development, operating parameters and design criteria were based on results from metallurgical test work. The gold recovery process was designed on the basis of leaching 1.2 Mt of ore per year with an average gold grade of 1.13 g/t, average silver grade of 9.25 g/t at an overall gold recovery of 70%, silver recovery 40%.

The three-stage crushing plant will operate at a nominal 5860 t/d throughput, 275 days per year.

The process plant, located near to and down-gradient from the heap leach facility HLF to minimize the pumping and pipeline requirements for pregnant and barren solutions, will operate 365 days per year. The pregnant solution will flow to the plant at a nominal rate of 200m^3/h and a design flowrate of 250m^3/h. The plant is designed to process 5 ton of carbon per day using an absorption, desorption and refining process to extract gold from the pregnant solution to produce the gold doré.

Infrastructure, Permitted and Compliance Activities

Infrastructure

The following buildings and other infrastructure is required for the development of the ATO Project. The buildings are to be designed and constructed for the harsh weather conditions in Mongolia.

- Process-related facilities
- Laboratory
- Warehouse and maintenance areas

- Office building
- Fuel storage
- Explosives storage
- Power supply
- Water supply
- Heap leach facilities and ponds
- Camp

Facilities

The following outlines the key features of the facilities proposed to be constructed at the ATO Project.

- Processing Plant – Dimensions of 28m width x 50m length x 20m height and built by sandwich technology with a triangle top. The building will contain workshop, inventory side, gold room and management room.
- Laboratory - Laboratory building will be located close to Processing Plant. The building will be a 400m^2 single storey building and house some administrative and technical staff.
- Warehouse – the Warehouse will be a 2-story building with a combination of multitask rooms and a warehousing area. Selected rooms will be air-conditioned/heated to protect sensitive equipment. The second story is to include inventory storage, office room, restroom and electrical panel room. There is to be a separate truck wash pad with high pressure monitors and oil separator to augment the maintenance facilities. Adjacent to the wash pad is a reinforced concrete pad for tire and large component maintenance work.
- Office Building - The office building is to be a single-story, 750m^2 modular building to house all administrative and technical staff. Building space is also allocated for meetings and training.
- Fuel Depots - Diesel and gasoline will be purchased in bulk and stored on site at 6 refueling depots with steel fuel tanks. Both will be constructed with full containment systems in the event of tank rupture. Mining and on-site diesel powered mobile equipment will be fueled at the storage tanks.
- Explosive Storage – explosives will be stored inside a gravel dam to be located 3 km from open pit. All explosive, detonators and transfer wires will be stored in separate containers.
- Camp - The mining camp to be constructed at the ATO Project will have capacity for 300 staff including kitchen capacity for 250 people. Space is allocated for restrooms, a cold storage area and a staff room. There will be a laundry building, heating plant and septic system.

Water Supply

RPS Aquaterra has completed water exploration and found capable source of water 420 l/sec for 20 years. The ATO Project will have a total consumptive of 11.02 litres per second.

Table 2: Water usage

No	User	Total usage	
		l/sec	м^3/hour
1	Camp	0.6	2.16
2	Open pit	2.65	9.54
3	Processing plant	7.77	27.97
Total		11.02	39.67

Power Supply

The project's normal operating demand load is estimated to be 2.4 megawatts. The project will use a CAT 3512B b diesel power generator which generates 3.6 megawatts.

Table 3: Power usage

No	User	Each unit power usage, кWт
1	Camp	425.67
2	Open pit	51.5
3	Processing plant	1,938
Total		**2,415**

Roads

The mine access road connects the project site to Choibalsan city 120 km, approximately 660 km from the Ulaanbaatar city. The road is constructed as a gravel embankment.

Communications

A communication system is to be installed site to support internet, VOIP, and data communications necessary for daily operation of the mine, plant, and office. The mine site also has good cell phone coverage. Plant operators, survey crews, supervisors, and the mine contractor should all have portable hand-held radios for operational communications.

Mine Production Schedule

Proven and Probable Reserves were used to schedule mine production, and Inferred Resources inside of the pit were considered as waste. The final production schedule uses trucks and shovels as required to produce the ore to be fed into the process plant and maintain stripping requirements for each case.

Table 4: Mine Production Schedule

Years	Total rock tonnage	Oxide ore tonnage, ROM	Waste tonnage	Au g/t	Ag g/t	Au, K Oz	Ag, K Oz
2018-IY	544,172	302,204	241,968	1.16	8.80	11.3	86
2019	1,868,323	1,212,138	656,185	1.29	8.66	50.1	337
2020	1,909,434	1,215,459	693,975	1.29	10.45	50.3	408
2021	1,795,449	1,212,138	583,311	1.32	10.25	51.5	400
2022	1,849,953	1,212,138	637,815	1.14	11.26	44.6	439
2023	105,578	73,180	32,399	0.72	4.94	1.7	12
Total	**8,072,910**	**5,227,257**	**2,845,653**	**1.25**	**10.00**	**209.5**	**1,681**

Capital and Operating Costs

Capital Costs

According to the Technical Report, the total capital investment required for the project is $19,591,000 or $3.75 per tonne of ROM ore. The investment amount includes VAT, customs duties, transportation costs and installation costs, see Table 5 below. The investment amount assumes that the mining operations will be conducted by a mining contractor and the operation of the processing plant will be contracted out.

Table 5: Estimated Project Investment Summary

	TOTAL INVESTMENT					
	Pre-mining overburden and ore stock preparation expenses, 1,000 USD	**Engineering design drawings and permits expenses, 1,000 USD**	**Plant construction and equipment's cost, 1,000 USD**	**Camp and infrastructures, 1,000 USD**	**Working capital (60 days need), 1,000 USD**	**Total, 1,000 USD**
2017-III		500				500
2017-IY		500		1,500		2,000
2018-I		500	6,007	1,000		7,507
2018-II		500	3,604	1,000		5,104
2018-III			1,201	645		1,846
2018-IY	1,317		1,201		114	2,632
Total	**1,317**	**2,000**	**12,015**	**4,145**	**114**	**19,591**

Operating Costs

The total operating costs of the project is expected to be $48,812,000, which includes expected open pit mine operating costs $18,220,000, the expected cost of processing of $26,136,000 and expected general administration costs of $4,182,000. The total estimated cost per tonne of ore is US$9.3 or US$332.8 per ounce of gold, as described in Table 6 below.

Table 6: Estimated Project Operational Cost and General Expenses

Period	**Rock mass (Tx1,000)**	**Mining cost ($/t)**	**Mining cost ($'000)**	**ROM ore (Tx1,000)**	**Ore processing cost ($/t)**	**Ore processing cost ($'000)**	**G&A cost ($/t)**	**G&A cost ($'000)**	**License fee ($'000)**	**Total OPEX ($'000)**	**OPEX per ton of ore ($)**	**OPEX per ounce ($)**	**Project stage**
2018 IY	544.2	2.42			-	-	-	-		1,317			Pre - mining stage
2019	1,868.3	2.42	4,521	1,200.0	5.0	6,000	0.8	960	55	11,536	9.6	330.7	Mining stage
2020	1,909.4	2.42	4,621	1,200.0	5.0	6,000	0.8	960	55	11,636	9.7	333.6	Mining stage
2021	1,795.4	2.42	4,345	1,200.0	5.0	6,000	0.8	960	55	11,360	9.5	325.7	Mining stage
2022	1,850.0	2.42	4,477	1,200.0	5.0	6,000	0.8	960	55	11,492	9.6	329.4	Mining stage
2023-I	105.6	2.42	255	427.3	5.0	2,136	0.8	342	55	2,789	6.5	390.8	Mining stage
Total	**8,072.9**	**2.42**	**18,220**	**5,227.3**	**5.0**	**26,136**	**0.8**	**4,182**	**275**	**48,812**	**9.3**	**332.8**	

Economic Analysis

The following disclosure of the economic analysis of the ATO Project is extracted from the Technical Report and was prepared as of an effective date prior to the date of the Stream Agreement. As a result, the economic analysis does not consider the impacts of the obligations of the Company under the Stream Agreement to sell a certain amount of the gold and silver produced from the ATO Project to Triple Flag Bermuda. Investors are cautioned that the obligations of the Company under the Stream Agreement could make the actual economics of the ATO Project materially less favorable than the results of the economic analysis appearing in this prospectus and could materially reduce the estimates for ATO Project revenue, net profit, net present value and internal rate of return.

Revenue

The Technical Report provides that gold production is expected to begin in the first quarter of 2019 and the Company estimates that it will produce 146,669 ounces of gold and 672,518 ounces of silver during the project period. For the purposes of the revenue estimates, based on market research, gold price was forecast at $1,306.6 and silver price was $21.6 per ounce. At the assumed price levels, as at effective date of the Technical Report, the total estimated gross revenue of the project was $206,164,000 of which estimated gold revenue was $191,638,000 and estimated silver revenue is $14,526,000.

Table 7: Estimated Revenue

Period	Gold in ROM ore, oz	Silver in ROM ore, oz	Gold recovery	Silver recovery	Gold produced, oz	Silver produced, oz	Gold price, $/oz	Silver price, $/oz	Gold revenue, $1,000	Silver revenue, $1,000	Total revenue, $1,000
2019	49,834	337,583	70%	40%	34,883.56	135,033	1306.6	21.6	45,579	2,917	48,496
2020	49,834	401,884	70%	40%	34,884	160,754	1306.6	21.6	45,579	3,472	49,051
2021	49,834	401,884	70%	40%	34,884	160,754	1306.6	21.6	45,579	3,472	49,051
2022	49,834	401,884	70%	40%	34,884	160,754	1306.6	21.6	45,579	3,472	49,051
2023-I	10,193	138,059	70%	40%	7,135	55,224	1306.6	21.6	9,322	1,193	10,515
Total	**209,527**	**1,681,295**	**70%**	**40%**	**146,669**	**672,518**	**1306.6**	**21.6**	**191,638**	**14,526**	**206,164**

Selling cost

Selling cost is comprised of royalties and refining costs. Mongolian government gold royalties are estimated at 2.5% of sales revenues and 5% for silver royalties. The refinery cost is estimated to be US$6 per ounce of gold and US$0.6 per ounce of silver. Over the project period, the aggregate selling cost is estimated to be US$6,801,000.

Cash flow analysis

The Technical Report included estimated total net revenue from the project of US$206,164,000, estimated EBIDTA of US$150,551,000 and estimated total non-discounted net cash flow of US$130,960,000.

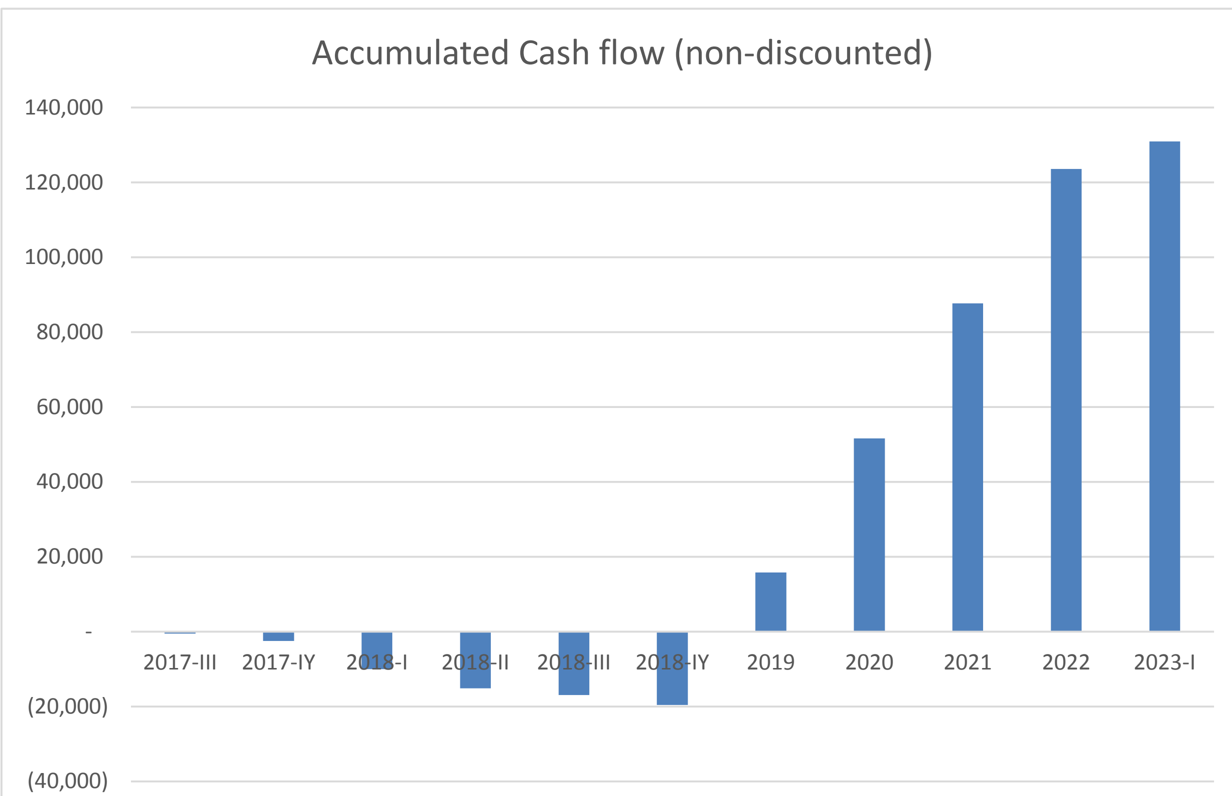


Figure 2: Accumulated Cash flow (non-discounted) (US$’000s)

Table 8: Non-Discounted cash flow before tax, interests, and depreciations (non-discounted) (US$'000s)

Period	OPERATIONAL CASHFLOW(US$'000s)					INVESTMENT CASH OUTFLOW(US$'000s)						Periodical Cash flow (US$'000s)	Accumulated Cash flow (US$'000s)	Project development stages
	Total revenue	Selling cost	Net revenue	OPEX	EBIDTA	Pre-mining overburden and ore stock preparation expenses	Engineering design drawings and permits expenses	Plant construction and equipment cost	Camp and infrastructure	Working capital (60 days need)	Total cash outflow			
2017-III		-	-				500				**500**	(500)	(500)	Pre-mining stage
2017-IY		-	-				500		1,500		**2,000**	(2,000)	(2,500)	Pre-mining stage
2018-I		-					500	6,007	1,000		**7,507**	(7,507)	(10,007)	Pre-mining stage
2018-II		-					500	3,604	1,000		**5,104**	(5,104)	(15,112)	Pre-mining stage
2018-III		-	-					1,201	645		**1,846**	(1,846)	(16,958)	Pre-mining stage
2018-IY		-	-			1,317		1,201		114	**2,632**	(2,632)	(19,591)	Pre-mining stage
2019	48,496	1,576	46,920	11,536	35,384						-	35,384	15,793	Operation stage
2020	49,051	1,619	47,432	11,636	35,797						-	35,797	51,590	Operation stage
2021	49,051	1,619	47,432	11,360	36,072						-	36,072	87,662	Operation stage
2022	49,051	1,619	47,432	11,492	35,940						-	35,940	123,602	Operation stage
2023-I	10,515	369	10,147	2,789	7,358						-	7,358	130,960	Operation stage
Total	**206,164**	**6,801**	**199,363**	**48,812**	**150,551**	**1,317**	**2,000**	**12,015**	**4,145**	**114**	**19,591**	**130,960**		

Income statement and profit ratios

The Technical Report included estimated EBIDTA for the project of US$150,551,000, with estimated after tax net profit of US$105,086,000 and a profit margin of 51%.

Table 9: Income Statement and Profit Ratios (US$'000s)

(US$'000s)	2019	2020	2021	2022	2023-I	Total
Sales revenue	**48,496**	**49,051**	**49,051**	**49,051**	**10,515**	**206,164**
Less variable costs	13,112	13,255	12,979	13,111	3,157	**55,613**
VARIABLE MARGIN	**35,384**	**35,797**	**36,072**	**35,940**	**7,358**	**150,551**
in % of sales revenue	73.0	73.0	73.5	73.3	70.0	73.0
Less fixed costs	2,337	2,337	2,337	2,337	2,337	**11,686**
OPERATIONAL MARGIN	**33,046**	**33,459**	**33,735**	**33,603**	**5,021**	**138,865**
in % of sales revenue	68.1	68.2	68.8	68.5	47.7	67.4
Interest on short-term deposits	-	-	-	-	-	-
Financial costs	-	-	-	-	-	-

(US$'000s)	2019	2020	2021	2022	2023-I	Total
GROSS PROFIT FROM OPERATIONS	**33,046**	**33,459**	**33,735**	**33,603**	**5,021**	**138,865**
in % of sales revenue	68.1	68.2	68.8	68.5	47.7	67.4
Extraordinary income	-	-	-	-	-	-
Extraordinary loss	-	-	-	-	-	-
Depreciation allowances	-	-	-	-	-	-
GROSS PROFIT	33,046	33,459	33,735	33,603	5,021	**138,865**
Investment allowances	-	-	-	-	-	-
TAXABLE PROFIT	**33,046**	**33,459**	**33,735**	**33,603**	**5,021**	**138,865**
Income (corporate) tax	8,074	8,177	8,246	8,213	1,068	**33,779**
NET PROFIT	**24,972.36**	**25,282.01**	**25,488.89**	**25,389.96**	**3,953.15**	**105,086**
in % of sales revenue	51.5	51.5	52.0	51.8	37.6	51.0
Dividends	0	0	0	0	0	-
RETAINED PROFIT	**24,972**	**25,282**	**25,489**	**25,390**	**3,953**	**105,086**

Discounted cash flow (after tax)

The Technical Report calculated the discounted cash flow using a discount rate of 10% per year, depreciation of 5 years and a scrap value of 40% at the end of the project. Income tax is estimated at 10% on revenue under 3 billion MNT (or US$1,250,000 at US$1=2,400MNT) and 25% on revenue above 3 billion MNT (or US$1,250,000).

The discounted cash flow analysis was carried out on Comfar Expert-III software. The net present value (NPV) was estimated to be US$67,779,000 with a repayment period of 2.81 years and an internal rate (IRR) of return of 118%.

Table 10: Discounted Cash Flow (after tax) (US$'000s)

(US$'000s)	2017	2018	2019	2020	2021	2022	2023	Scrap
TOTAL CASH INFLOW	**-**	**-**	**48,496**	**49,051**	**49,051**	**49,051**	**10,515**	**7,905**
Inflow operation	-	-	48,496	49,051	49,051	49,051	10,515	-
Other income	-	-	-	-	-	-	-	7,905
TOTAL CASH OUTFLOW	**2,500**	**16,977**	**21,659**	**21,437**	**21,215**	**21,329**	**3,865**	**-**
Increase in fixed assets	2,500	16,977	-	-	-	-	-	-
Increase in net working capital	-	-	473	5	(10)	5	(359)	-
Operating costs	**-**	**-**	**13,112**	**13,255**	**12,979**	**13,111**	**3,157**	-
Marketing costs	-	-	-	-	-	-	-	-
Income (corporate) tax	-	-	8,074	8,177	8,246	8,213	1,068	-
NET CASH FLOW	**(2,500)**	**(16,977)**	**26,836**	**27,614**	**27,836**	**27,722**	**6,650**	**7,905**
CUMULATIVE NET CASH FLOW	**(2,500)**	**(19,477)**	**7,359**	**34,973**	**62,810**	**90,532**	**97,182**	**105,086**
Net present value	(2,441)	(15,070)	21,656	20,258	18,565	16,808	3,665	4,357
Cumulative net present value	**(2,441)**	**(17,511)**	**4,145**	**24,404**	**42,968**	**59,776**	**63,442**	**67,799**
NET PRESENT VALUE	at 10%	67,799						
INTERNAL RATE OF RETURN	118%							
MODIFIED INTERNAL RATE OF RETURN	118%							

(US$'000s)	2017	2018	2019	2020	2021	2022	2023	Scrap
NORMAL PAYBACK	**at 0%**	**2.73 years**	**2019**					
DYNAMIC PAYBACK	**at 10%**	**2.81 years**	**2019**					
NPV RATIO	3.831497							
Net present values discounted to	Sep-17							

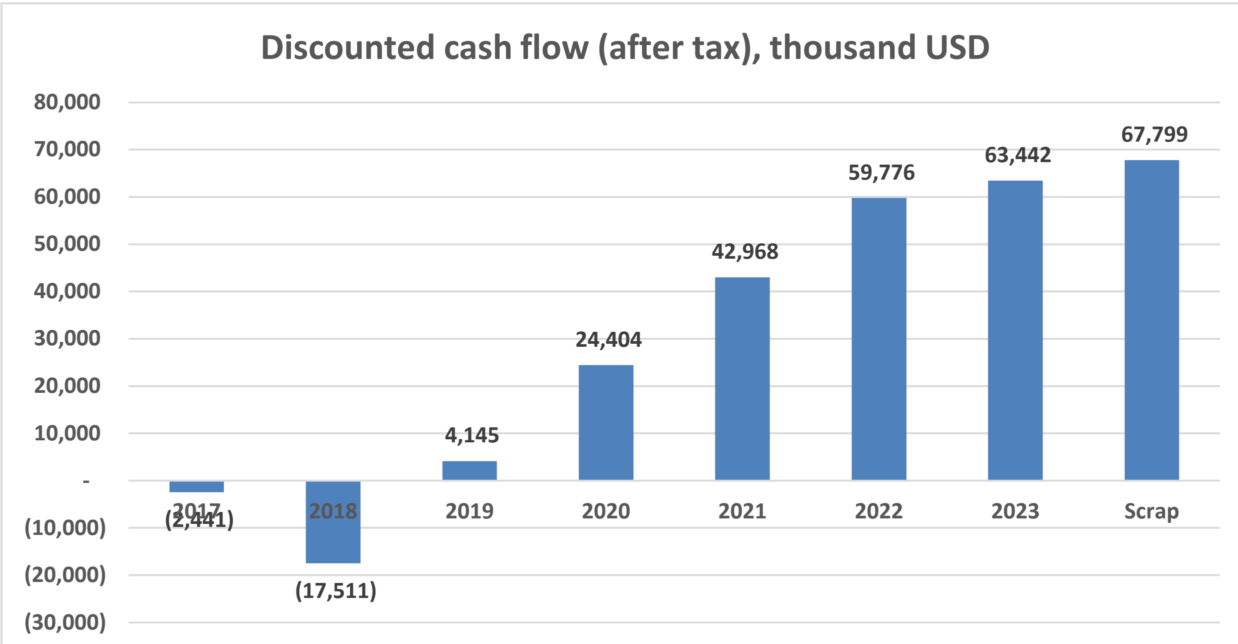


Figure 4: Discounted Cash Flow (after tax) (US$'000s)

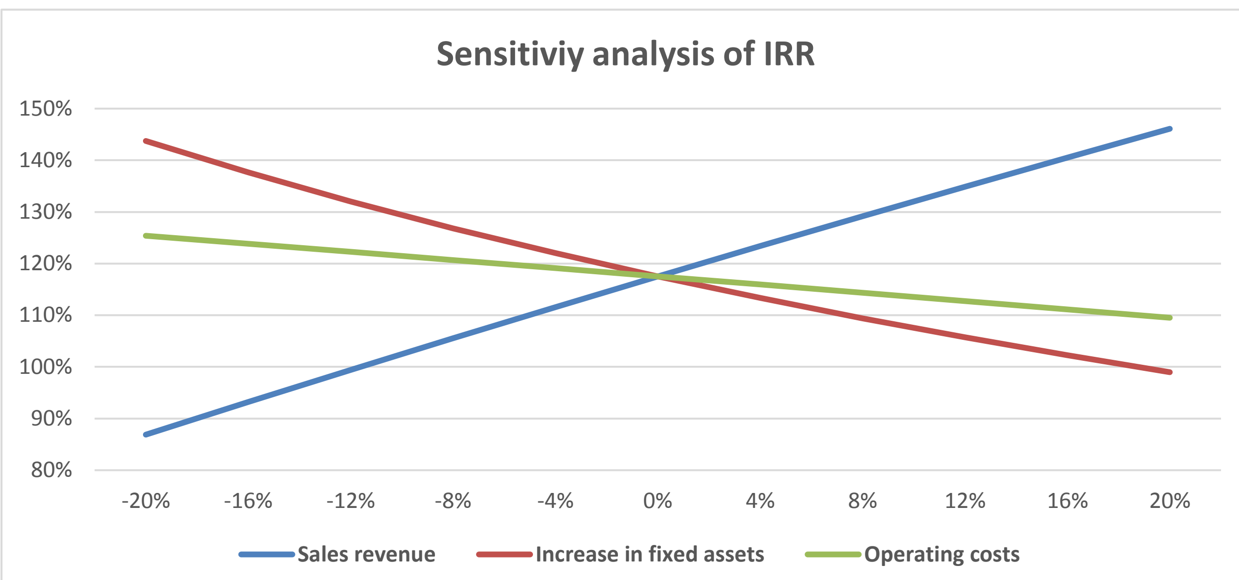


Figure 5: Sensitivity analysis of IRR

Table 11: Sensitivity of IRR

Variation (%)	Sales revenue	Increase in fixed assets	Operating costs
-20%	87%	144%	125%
-16%	93%	138%	124%
-12%	99%	132%	122%
-8%	106%	127%	121%
-4%	112%	122%	119%
0%	118%	118%	118%
4%	123%	113%	116%
8%	129%	109%	114%
12%	135%	106%	113%
16%	141%	102%	111%
20%	146%	99%	109%

According to the Technical Report, a 20% decrease in projected revenue would reduce the IRR to 87% and if projected capital costs increased by 20%, the IRR would be reduced to 99%. The IRR would only decline to 109% if projected operating cost, increased by 20%.

Conclusions and Recommendations

Based on the information contained in the Technical Report, the author of the Technical Report came to the following interpretations and conclusions:

Geology and Mineral Resources

- The ATO Project is an epithermal gold and polymetallic deposit of transitional sulfides in breccia pipes in a Mesozoic continental rift zone in eastern Mongolia.
- The procedures for drilling, sampling, sample preparation and analyses are appropriate for the type of mineralization and estimation of Mineral Resources.
- The classification of Mineral Resources conforms to CIM Definition Standards.
- Mineral Resources were estimated as of August 21, 2017.
- Combined Measured and Indicated Mineral Resources total 12.23 Mt at 1.49 g/t Au, 9.99 g/t Ag, 0.75 %Pb and 1.34% Zn containing 587,000 oz of gold, 3,927,000 oz of silver, 202 million lbs of lead and 362 million lbs of zinc.
- Inferred Mineral Resources total 1.05 Mt at 1.03 g/t Au, 25.18 g/t Ag, 0.52 %Pb and 1.11% Zn containing 35,000 oz of gold, 848,000 oz of silver, 12 million lbs of lead and 26 million lbs of zinc.
- The Mineral Resource estimate is constrained within the mineralized pipes and do not have demonstrated economic viability.

Mining and Mineral Reserves

- The Mineral Reserve estimate has been prepared utilizing acceptable estimation methodologies and the classification of Proven and Probable Mineral Reserves conform to CIM Definition Standards and NI 43-101.
- The Mineral Reserve estimate was developed through the construction of an ultimate open pit design within the Mineral Resource model at cost estimates set out it the Technical Report and the reserve spot metal price assumptions of $1,306.6/oz gold and $21.6/oz silver.

- The Proven and Probable Mineral Reserve totals 5.23 Mt at 1.25 g/t Au and 10.00 g/t Ag containing 210,000 oz of gold and 1,681,000 oz of silver.
- The Mineral Reserve estimate takes into consideration mining and processing costs, metallurgical recoveries, sales prices, refining charges and royalties in determining economic viability.
- The Mineral Reserve estimate is classified as 65% Proven and 35% Probable.
- The methodology used for mine planning, pit limit determination, production sequence and scheduling, and estimation of equipment/manpower requirements is in line industry practice.

Mineral Processing

- The metallurgical test works meet industry standards.
- The gold recovery process was designed on the basis of leaching 1.2 Mt of ore per year with an average gold grade of 1.13 g/t, average silver grade of 9.25 g/t at an overall gold recovery of 70%, silver recovery 40%.
- The three-stage crushing plant and the process plant will operate to produce the gold doré.

Economic Analysis

- Discounted cash flow calculated at a discount rate of 10% per year, depreciation of 5 years and scrap value of 40% at the end of the project and income tax estimated 10% on profit under 3 billion MNT revenue (US$1=2,400MNT) and 25% on profit above 3 billion MNT (or US$1,250 thousand).
- The net present value of the project is $67,779,000, the repayment period is 2.81 years and the IRR is 118%.
- If the projected revenue decreases by 20%, the IRR decreases to 87% and if projected capital costs increase by 20%, the IRR decreases to 99%. The IRR only decreases to 109% if projected operating costs increase by 20%.

The ATO Project shows positive economic potential, and should, with continued work, result in the commencement of mining by the end of 2018. The Technical Report recommends the following:

- Assess the block model to determine if there are regions within the resource area limits, currently defined as inferred resource owing to the influence of Au assays, that could potentially be upgraded for gold grade and confidence levels by additional drilling. Positive upgrades may result in addition to the measured and indicated resources, if areas of significance are identified. Particularly, Pipe 2 needs resource infill drilling.
- To improve future modeling efforts, the number of identified lithology type should be reduced and made more specific for mining needs. The current lithology database has 24 different lithology codes. Some of those lithology types were similar and combined based on the available information, which resulted in 10 lithology types that were used for analysis in this report.
- Near pit exploration drilling where mineralization is open along the trend to add resources to the model. Recommendation applies especially to Pipe 4.
- Continuing work on refinement of bulk density estimate of ore material.
- Conduct a significant check assay program utilizing a number of labs in addition to ALS. While standard and blank analysis results of Centerra Mongolia's QA/QC program do not raise questions relative to ALS's results, the check assay program ensures a test of any potential bias in the existing results. This recommendation applies to production sampling as well as for exploration data.
- Additional metallurgical test work is needed for both Pipe 1, Pipe 2 and Pipe 4 ore material. This will include bulk samples in large columns investigating crush size, agglomeration and leach rates as the mine advances.

Additional ATO Targets

The following summarizes the additional prospects of the ATO Project not contained in the Technical Report.

Mungu Gold and Silver Discovery

The Mungu gold and silver discovery is a structurally controlled epithermal gold silver system with localized bonanza grades. Mineralization consists of variable concentrations of mainly pyrite with arsenical rims, in a relatively steep structure which has been traced over a lateral distance of at least 500m and to a depth of approximately 400m. The mineralized zone is predominantly hosted within rhyolitic rocks. Quartz veining is a minor component of the mineralization, and banding and other typical epithermal textures are rare.

The Mungu zone of mineralization has NE-SW to N-S trend with a generally steep to moderately westward dipping main structure. The high-grade gold-silver mineralization in the northern part of ATO Pipe #4 has been interpreted by Steppe Gold ("Company") to have a steeply westward dipping structural control with a similar NE strike projecting toward and possibly joining the Mungu zone of mineralization. This interpreted link between the gold-silver mineralization at Mungu and similar mineralization at Pipe #4 is approximately 500m in strike length and is a priority drill target for the company. The Mungu mineralised zone remains open to the north along structure and at depth and this is also a priority drill target for the company.

During the four years of exploration Centerra Mongolia drilled 38 holes with total meterage of 12,206.

Better Drill results included:

Hole ID	Interval(1)		Interval(2)	Au	Ag
	From	To	Metres	g/t	g/t
MG-01	263.9	391.3	127.4	3.0	37.5
including	275.60	324.6	49	5.6	45.5
MG-04	161.2	245.6	84.4	6.4	92.7
Including	217.9	230.2	12.3	42.2	52.3
MG-05	139.85	396.0	256.15	1.4	31.3
Including	274.45	338-95	64.5	4.4	28.7
MG-22	166.15	279.25	113.1	2.8	40.2
Including	179.65	234.15	54.5	7.3	88.2
MG-25	289.9	360.2	70.3	2.1	53.9
Including	337.9	351.9	14.0	8.1	34.7
MG-28	301.5	373.8	72.3	1.6	59.0
Including	359.8	372.8	13.0	5.2	24.6
MG-29	291.1	431.35	140.25	1.6	12.6
including	330.25	335.25	5	5.4	42
and	378.65	406.65	28.0	5.1	4.7

Notes:

(1) From-To intervals are measured from the drill collar.

(2) All intervals are reported as core length.

In April of 2017, the Company completed five diamond core drill holes at Mungu and two drill holes at ATO Pipe #4. All holes returned with significant gold and silver mineralization as below.

Better drill results from Mungu included:

Hole ID	Interval(1)		Interval(2)	Au	Ag
	From	To	Metres	g/t	g/t
MG-49	218.5	264.5	46	14.98	82.02
including	218.5	241.5	23	26.18	68.8
MG-51	258	320.5	62.5	3.28	29.79
MG-52	190	342	152	2.06	72.64
Including	300	342	42	5.75	16.97

Notes:

(1) From-To intervals are measured from the drill collar.

(2) All intervals are reported as core length.

In September 2017, the Company completed a total of 56 diamond core drill holes for total of 3,641.6m. As of the date of this prospectus, the Company has received a portion of the assay results from this drill program, with the balance of the assay results still pending. The results will be included into a new model for the calculation of an initial resource estimate for the Mungu Oxide zone.

Better results at time of reporting include:

Hole ID	Interval[1]		Interval[2]	Au	Ag
	From	To	Metres	g/t	g/t
MG-54	19.0	37.3	18.3	1.84	130.21
including	27.0	33.0	6	3.3	333.4
MG-67	0.0	56.0	56	1.03	35.15
Including	0.0	17.0	17	2.23	37.22
MG-71	14.0	95.0	81	1.0	45.46
Including	15.0	25.5	10.5	2.18	49.21
MG-72	2.0	57.0	55	0.92	46.25
including	2.0	22.0	20	1.5	27.62
and	41.0	43.0	2	1.35	288.5

Notes:

(1) From-To intervals are measured from the drill collar.

(2) All intervals are reported as core length.

Bayan Munkh Copper Gold Porphyry Target

The Bayan Munkh porphyry copper target is located approximately 25 km to north east of the ATO Project mining licence. A recently completed deep seeking IP dipole-dipole geophysical survey has identified a highly encouraging large (up to 500m) coincident chargeability and resistivity anomaly in the north-east section of the survey area. The anomaly is located within large magnetic low anomaly which is typical of gold copper porphyry systems. The area is surrounded by anomalous gold and copper geochemistry. Additional follow up IP geophysics was underway at the time of writing. It is envisaged that targets will be drilled in the coming months.

OTHER MINERAL PROPERTIES

The Company, through Steppe West, holds the following additional properties, each of which is located in Mongolia.

Uudam Khundii Property

The Uudam Khundii property is comprised of one exploration licence covering 14,397 hectares that was granted in August 2017. The project area is located 800 km south-west of Ulaanbaatar and 300 km south-west of Bayankhongor, the capital city of the Province of Bayakhongor. Access is available on paved road from Ulaanbaatar to Bayanteeg coal mine (around 6 hours) and by dirt road to property (about 7 hours).

The property is located between and adjoining the Bayan khundii gold discovery and Altan Nar epithermal gold deposits explored by Erdene Resource Development Corporation.

The Uudam Khundii license area is dominated by two separate sequences of volcanic rocks, both assumed to be Devonian to Carboniferous in age. The geology of the central and southern part of the Uudam Khundii license area consists mostly of a sequence of andesite and tuffaceous rocks of intermediate composition, with subordinate rhyolite, rhyodacite, andesite tuff, and green-colored andesite. Western and Eastern part consists of Middle Paleozoic calc-alkaline intrusions. A package of trachyandesite and minor rhyolite are interpreted to be a steeply dipping volcanic sequence that was intruded by sub-parallel, NW-trending granite porphyry and fine-grained granite intrusions interpreted to be sills, or possibly laccoliths. Topographic low areas throughout the Uudam Khundii license area are underlain by unconsolidated Quaternary sediments.

Gold and silver mineralization is hosted by a series of Devonian to Carboniferous shallow dipping trachyandesite and andesite tuff units that were intruded by several, late stage, volumetrically minor, biotite feldspar porphyry, quartz-feldspar porphyry, rhyolite stocks, andesite dykes and covered by cretaceous basalt.

Within the exploration license a number of prospects have recently been discovered by Steppe Gold – The Golden Steppe Au-Ag-Zn-Pb, the Milky Way epithermal vein system with high Ag and Cu-Pb mineralization and the Blue Hill quartz-tourmaline breccia hosted Au.

The Company has commenced initial exploration activity on the prospects including geological mapping, geochemical sampling, geophysical surveys, chip/grab sampling and trenching.

To date the Company has completed a 1,940-line kilometer ground magnetic survey and a 12-line kilometer IP survey. These geophysical programmes are ongoing. In addition to this the company has collected and is receiving results for 208 rock chip samples and 4,543 soil geochemical samples.

Golden Steppe Zone

The gold-polymetallic mineralization on the northern part of the project area seems structurally controlled within a NNW-trending zone that appears to be directly connected to the Altan Nar mineralised trend (Erdene Resources Development Corp). The host andesitic volcanic and volcanoclastic units have been pervasively altered to epidote dominant propylitic alteration and quartz-sericite-pyrite alteration. Base metal Cu-Pb-Zn sulphides in multi-stage quartz veining and brecciation of low sulphidation state show level below boiling zone at northern area of the Golden Steppe Zone. The southern area of the Golden Steppe Zone shows evidence of mineralization and quartz textures above or within the boiling zone. Erdene had proposed preliminary paragenetic sequences as: 1. Early stage massive quartz veining and brecciation; 2. Brecciation, silicification and comb quartz veining and associated quartz-sericite-pyrite alteration and crystallization of galena-sphalerite-chalcopyrite-gold ± arsenopyrite; 3. Localized arsenopyrite-pyrite-gold overprint on above sequences, with some associated chalcedony veining and silicification; 4. Mn-Ca carbonate veining (rhodochrosite, calcite, etc.) – late hypogene; 5. Late-stage supergene oxidation – limonite, Mn oxides, malachite.

Initial significant results from rock chip sample received to date are summarized below:

Samples	Description
UK-0011	Quartz vein. Grab sample - **5.39 g/t Au.**
UK-0158	Quartz vein. NE-20°, L-15m, W-3m. Grab sample - **3.85 g/t Au.**
UK-0178	Quartz vein. Grab sample - **2.72 g/t Au.**
UK-0153	Quartz vein. Grab sample results were **2.03 g/t Au.**
UK-0009	Quartz vein. Grab sample results were **1.02 g/t Au @ 1.88 % Pb.**
UK-0007	Quartz vein. NE-30°, L-7m, W-0.7m. Grab - **0.96 g/t Au @ 2.91 % Pb.**
UK-0159	Quartz vein. NE-10°, L-18m, W-1.2m. Grab sample - **0.6 g/t Au @ 0.2 % Cu @ 2.6 % Pb @ 1.78 % Zn @ 663 ppm Mo.**
UK-0156	Quartz vein. Grab sample results were **0.58 g/t Au @ 0.18% Cu @ 2.21 % Pb.**
UK-0191	Quartz vein. Grab sample results were **0.53 g/t Au.**
UK-0157	Quartz vein. Grab sample - **0.44 g/t Au @ 1.83 % Pb @ 422 ppm Mo.**
UK-0161	Quartz vein. Grab sample - **0.27 g/t Au @ 4.08 % Pb @ 547 ppm Mo.**

Samples	Description
UK-0167	Quartz vein. NE-20°, L-1m, W-0.3m. Grab sample - **0.45 g/t Au @ 120 ppm Ag @ 1.1 % Cu @ 1.74 % Pb.**

Milky Way Zone

The Milky Way Zone is a gold-silver rich quartz vein system which strikes N-S and has high gold and silver mineralization. The significant results from rock chip sample received to date are summarized below:

Samples	Description
UK-0026	Quartz vein. NE-20°, L-200m, W-0.2m. Grab sample - **2.04 g/t Au @ 370 ppm Ag @ 6.39 % Cu @ 4.62 % Pb.**
UK-0025	Quartz vein. NE-20°, L-200m, W-0.5m. Grab sample - **0.56 g/t Au @ 140 ppm Ag @ 1.85 % Cu @ 1.71 % Pb @ 0.5 % Zn.**
UK-0045	Quartz vein. NE-20°, L-1m, W-0.4m. Grab sample - **0.21 g/t Au @ 139 ppm Ag @ 2.32 % Cu @ 6.42 % Pb @ 774 ppm Mo.**

Blue Hill Zone

The Blue Hill Zone is a multi-kilometer scale quartz-sericite-tourmaline alteration, quartz vein zone and quartz-sericite-hematite alteration zone located in southern part of the project area. The zone strikes from NW to SE along the SW flange of the large magnetic low feature. Highest gold value in this zone was over 0.15 g/t Au and in most SW corner of the BH zone is identified large low-grade soil anomaly (10-36 ppb Au) which will be subject for next follow up and infill sampling.

A quartz vein zone located in north side of the Blue Hill zone is over 800m long and 250m wide and contains visible gold in cavity of the banded and sugary quartz vein. Assay results from samples taken in the Blue Hill Zone are pending.

Bayan Undur Copper Property

The Bayan Undur copper gold silver property is comprised of four mining licences covering a total area of 4,853 hectares and located in the Province of Bayakhongor, Mongolia.

Bayan Undur is located in the highly mineralized Edren Belt of the Paleozoic-aged Trans Altai terrane, 800 km south-west of Ulaanbaatar and approximately 320 km south of the town of Bayankhongor, the capital city of the province.

Geologically, the project area is comprised of early Devonian age Ulgii formation’s volcano-terrigenic unit and Khuviin khar formation’s volcanogenic unit and intruded in to them early Carboniferrous Bayan airag complex's intrusives.

The mineralization is hosted in argillic, silicified Khuviin khar formation’s rhyolite sequence and Bayan airag complex’s monzonite. Quartz monzodiorite intrusive and quartz-tourmaline veins and quartz-tourmaline breccia bodies cut through the host rock and is strongly copper mineralized. Near the Kukur deposit identified strong biotite alteration and silicified and quartz veined rhyolite which are assumed to form the top of the copper porphyry system.

A large of amount of historical exploration has been conducted on Bayan Under by past explorers. This database is currently being compiled and reviewed with a focus on the precious metals content and potential. The date historical exploration includes: Soil Geochemistry: 3,968 samples; Trenching: 1,973 metres; and Diamond core and RC drilling: 57,446 metres.

In addition, the entire licence package has been covered with magnetic, IP and gravity geophysical surveys.

USE OF PROCEEDS

The net proceeds to the Company from the Offering will be approximately $● after deducting the Underwriters' Fee of $● and the expenses of the Offering estimated to be $●. If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering will be approximately $● after deducting the Underwriters' Fee of $● and the expenses of the Offering of $500,000. The Underwriters' Fee and the expenses of the Offering will be paid from the gross proceeds of the Offering.

Subject to adjustments that will be reflected in the Company's interim unaudited financial statements for the quarter ended September 30, 2017, the Company's net working capital (being the Company's current assets minus current liabilities) as at June 30, 2017 was approximately $837,050. The Company intends to use the net proceeds of the Offering for the development of the ATO Project, exploration drilling at the ATO Project, exploration and drilling at other targets and for working capital expenses and for general corporate purposes, as follows:

ATO Oxide Heap Leach Development, Construction and Commissioning	$●
ATO extension and infill drilling (2,000m)	$●
Mungu Target drilling (14,000m)	$●
Bayan Munkh Target drilling (1,000m)	$●
Uudam Khundii exploration and drilling (6,000m)	$●
Bayan Under exploration and drilling (1,000m)	$●
Working capital and general corporate purposes	$●
Total:	$●

The Company’s current primary business objectives are to: (1) complete construction and development at the ATO Project to commence production in the third quarter of 2018; (2) conduct exploration on the ATO project and other properties of the Company; and (3) identify and act on additional opportunities in Mongolia. The net proceeds will primarily be used towards objective (1), set out above. A portion of the proceeds, estimated at approximately ●, will be used towards objective (2). To attain objective (1), the Company intends to draw down on the Second Initial Tranche under the Stream Agreement to fund the estimated capital investment required to develop the ATO Project of US$19.6 million. Under the terms of the Stream Agreement, to access the Second Initial Tranche, the Company must expend at least US$15 million on the ATO Project. The ability of the Company to meet the requirement to expend the US$15 million will depend on many factors, including being able to obtain the permits necessary for the construction and implementation of the project from the Mongolian government.

If the Over-Allotment Option is exercised, any additional net proceeds will be allocated primarily to additional exploration activity on the Company’s exploration projects, with marginal amounts to general working capital.

The Company's management has broad discretion over the use of the net proceeds of the Offering. See "*Risk Factors – Risks Related to the Offering – Use of Proceeds*".

DIVIDENDS OR DISTRIBUTIONS

The Company has not, since its incorporation, declared or paid any dividends on our Common Shares, and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, we anticipate that we will not pay dividends but will retain future earnings and other cash resources for the operation and development of our business. The payment of dividends in the future will depend on our earnings, if any, our financial condition and such other factors as our directors consider appropriate.

SELECTED FINANCIAL INFORMATION

The Company

The following table sets forth selected consolidated audited and unaudited financial information of the Company as at and for the periods indicated. This financial information is derived from, and should be read in conjunction with, the audited consolidated annual financial statements of the Company for the financial year ended December 31, 2016 and the condensed interim financial statements of the Company as at and for the six months ended June 30, 2017, and the respective notes thereto, along with the “Management’s Discussion and Analysis”, all of which are included elsewhere in this prospectus.

Financial information presented below is prepared in accordance with accounting policies in accordance with IFRS unless otherwise stated.

	As at and for the six months ended June 30, 2017	As at and for period ended December 31, 2016
Total Assets……………………………………..	$3,039,549	$387,895
Cash ………………………………………………	$1,280,663	$347,562
Property and Equipment…………………..	$10,579	-
Current Liabilities……………………………..	$492,493	$234,199
Total Liabilities…………………………………	$492,493	$234,199
Net Income (Loss)…………………………….	($1,749,093)	($663,145)
Basic and Diluted Net Income (Loss) per Share………………………………..	($0.13)	($0.08)

The ATO Project

The following table sets forth selected audited and unaudited carve-out financial information of the ATO Project as at and for the periods indicated. This financial information is derived from, and should be read in conjunction with, the audited carve-out financial statements of the ATO Project for the financial years ended December 31, 2016, 2015 and 2014 and the unaudited interim carve-out financial statements of the ATO Project as at and for the six months ended June 30, 2017 and 2016, and the respective notes thereto, along with the "Management's Discussion and Analysis", all of which are included elsewhere in this prospectus. Financial information presented below is prepared in accordance with accounting policies in accordance with IFRS unless otherwise stated.

	As at and for six months ended		As at and for years ended		As at January 1, 2015
(US$)	**June 30, 2017**	**June 30, 2016**	**December 31, 2016**	**December 31, 2015**	**and for the year ended December 31, 2014**
Total Assets……………………..	$16,342,024		$16,334,267	$27,321,369	$27,764,618
Cash ………………………………	-	-	-	-	-
Exploration and Evaluation of Assets….	$16,342,024	-	$16,300,000	$27,246,747	$27,660,208
Current Liabilities…………….	$215,485	-	$215,387	$15,725	$106,982
Total Liabilities…………………	$215,485	-	$228,879	$1,801,159	$1,703,364
Net Income (Loss)……………	$10,218	$58,501	($9,344,266)	($943,198)	($808,906)
Basic and Diluted Net Income (Loss) per Share………………………………	n/a	n/a	n/a	n/a	n/a

Pro Forma Information

The following table sets forth selected consolidated interim unaudited financial information of the Company and the ATO Project and selected unaudited pro forma financial information as at and for the periods indicated. This financial information is derived from, and should be read in conjunction with, the unaudited pro forma interim financial statements as at and for the six months ended June 30, 2017 and the respective notes thereto, all of which are included elsewhere in this prospectus. Financial information presented below is prepared in accordance with accounting policies in accordance with IFRS unless otherwise stated.

	Company as at and for the six months ended June 30, 2017	ATO Project as at for the six months ended June 30, 2017[(1)]	Pro Forma as at and for six months ended June 30, 2017
Total Assets………………………………..	$3,039,549	$21,207,045	$42,564,630
Cash …………………………………………	$1,280,663	-	$12,111,489
Property and Equipment……………..	$10,579	-	$10,579
Current Liabilities……………………….	$492,493	$279,635	$8,207,949
Total Liabilities……………………………	$492,493	$279,635	$23,354,313
Net Income (Loss)……………………….	($1,730,474)	($13,635)	($2,219,239)
Basic and Diluted Net Income (Loss) per Share…………………………..	($0.13)	n/a	($0.17)

Notes:

(1) Amounts converted from US$ to C$ at an exchange rate of US$1.00 = C$1.2977.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis for the Company

*The following management's discussion and analysis of financial condition and results of operations ("**Steppe MD&A**") has been prepared as at and for the year ended December 31, 2016 and as at and for the six-month period ended June 30, 2017 and should be read in conjunction with the remainder of this prospectus, including sections entitled "Selected Financial Information" and "Risk Factors" in this prospectus and the Company's audited and unaudited condensed interim financial statements and related notes thereto included elsewhere in this prospectus. The Company's financial statements are prepared in accordance with IFRS. This management's discussion and analysis contains forward-looking information, such as statements regarding the Company's future plans and objectives that are subject to various risks and uncertainties, and those set forth in "Cautionary Note Regarding Forward-Looking Information" and "Risk Factors" in this prospectus. The Company cannot assure investors that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future periods. Investors are cautioned not to place undue reliance on this forward-looking information.*

Description of Business

For a description of the business of the Company see "*Business of the Company*" in this prospectus.

Overall Performance and Results of Operations

Six months ended June 30, 2017

During the six months ended June 30, 2017, the Company had no operating revenues and reported a net loss of $1,730,474 with basic and diluted loss per share of $0.13. The net loss can be attributed to:

- Exploration and evaluation expenditures amounted to $562,528 for the six months ended June 30, 2017. The $562,528 is mainly attributable to support costs to acquire the ATO Project. In addition, the Company had an ongoing diamond drill programme with a cost of $412,040.
- Management compensation amounted to $444,633 for the six months ended June 30, 2017, paid to management to oversee the affairs of Steppe Gold.
- Travel expense amounted to $124,733 during the six months ended June 30, 2017 primarily due to management travel costs to increase Steppe Gold's investor profile.
- Professional fees amounted to $321,495 for the six months ended June 30, 2017. This amount is attributable to corporate activity requiring consulting, legal and business development services from non-related service providers to the Company.

- Office and general costs amounted to $214,847 for the six months ended June 30, 2017. This amount was primarily due to higher support costs for the Company's Mongolian operations. The Company continues to assess these costs to ensure that cost-effective choices are being made.
- All other costs are for working capital purposes.

On June 30, 2017, the Company's total assets were $3,039,549, mostly composed of cash, which at June 30, 2017, totalled $1,280,663 and a deposit for the ATO Project in the amount of $1,038,160 (US$800,000) and a deposit for the Uudam Khundii property in the amount of $661,267 (US$500,000). The Company's total assets also included the amount of $48,880 related to receivables and other assets and $10,579 related to furniture for the Company's offices in Toronto, Canada.

Period from Incorporation to December 31, 2016

During the period ended December 31, 2016, the Company had no operating revenues and reported a net loss of $663,145 with basic and diluted loss per share of $0.08. The net loss can be attributed to:

- Explorations and evaluation expenditures amounted to $426,642 for the period ended December 31, 2016. The amount is mainly attributable support costs to acquire the ATO Project.
- Management compensation amounted to $188,917 for the period ended December 31, 2016. The amount is attributable to compensation paid to management to oversee the affairs of the Company.
- Travel expense was $15,068 during the period ended December 31, 2016. This amount was primarily due to management travel costs to increase the Company's investor profile.
- Professional fees amounted to $24,075 for the period ended December 31, 2016. The amount is attributable to corporate activity requiring consulting, legal and business development services from non-related service providers to the Company.
- Office and general costs were $8,294 during the period ended December 31, 2016. This amount was primarily due to support costs for the Company's Mongolian operations.

On December 31, 2016, the Company's total assets were $387,895, mostly comprised of cash, which at December 31, 2016, totalled $347,562. The Company's total assets also included the amount of $40,333 related to receivables and other assets.

Summary of Quarterly Results

	June 30, 2017	**Mar 31, 2017**	**Dec 31, 2016**
Net Income (Loss)	($1,730,474) (1)	($490,086) (2)	($663,145) (3)
Net Income (Loss) per share	($0.13)	($0.06)	($0.08)

Notes:

(1) The net loss for the three months ended June 30, 2017, consisted primarily of (i) exploration and evaluation expenditures of $453,128; (ii) management compensation of $290,966; (iii) travel of $70,211; (iv) professional fees of $290,286; (v) office and general of $139,311; (vi) investor relations of $16,154; (vii) depreciation of $3,527; and (viii) foreign exchange gain of $23,195.

(2) The net loss for the three months ended March 31, 2017, consisted primarily of (i) exploration and evaluation expenditures of $109,400; (ii) management compensation of $153,667; (iii) travel of $54,521; (iv) professional fees of $31,209; (v) office and general of $75,536; (vi) investor relations of $57,763; and (vii) foreign exchange loss of $7,990.

(3) The net loss from October 5, 2016 (date of incorporation) to December 31, 2016, consisted primarily of (i) exploration and evaluation expenditures of $426,642; (ii) management compensation of $188,917; (iii) travel of $15,068; (iv) professional fees of $24,075; (v) office and general of $8,294; and (vi) foreign exchange loss of $149.

(4) Per share amounts are rounded to the nearest cent therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Liquidity and Capital Resources

The Company does not generate cash from mining operations. In order to fund its exploration work and administrative activities, the Company is dependent upon financing through the issuance of shares or debt sources. From January 1, 2017 to June 30, 2017, the Company received cash aggregating $3,468,297 (net of issue costs of $246,792). Included in the cash was $1,390,000 for shares to be issued.

The Company's aggregate operating, investing and financing activities during the six months ended June 30, 2017 resulted in a net cash position of $1,280,663 and working capital of $837,050. In total, the Company's shareholders' equity at June 30, 2017 increased by $2,393,360, mainly as a result of the shares issued on May 4, 2017 and May 5, 2017, for an aggregate total of $3,142,245, shares to be issued of $1,480,839, cost of issue of $246,792, other comprehensive loss of $18,619 and net loss of $1,730,474.

The Company has material commitments and obligations for cash resources set out below (which exclude discretionary acquisition and exploration expenses). The amounts presented are based on undiscounted cash flows. Failure to meet these obligations could lead to termination of the Company's underlying interests.

Contractual Obligations	**Total**	**Up to 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
	($)	($)	($)	($)	($)
Amounts payable and other liabilities	492,493	492,493	-	-	-
Promissory notes (a)	11,297,700	1,297,700	10,000,000	-	-
	11,790,193	**1,790,193**	**10,000,000**	-	-

Steppe Mongolia issued the VAT Note in the amount of $1,297,700 (US$1 million) promissory note in favour of Centerra Mongolia in respect of the VAT owing for the Core Purchase Price. The VAT Note is due October 9, 2017. In addition, the Core Purchase Notes in the amount of US$5 million were issued to satisfy the Core Purchase Price under the Core Purchase Agreement. The Core Purchase Notes are due September 30, 2018 and September 30, 2019 respectively.

The Company is in the development stage and its financial success will be dependent upon the extent to which it can bring the ATO Project into production and successfully generate positive cash flow from its operation. The sales value of any minerals mined by the Company will be largely dependent upon factors beyond the Company's control, such as the market value of minerals produced. The Company intends to meet all cash requirements for operation from external funding sources including additional proceeds from Triple Flag Bermuda under the Stream Agreement and funds raised from the Offering. Future funding needs of the Company are dependent upon the Company's ability to generate positive cash flow from the ATO Project and its continued ability to obtain equity and/or debt financing to meet its financial obligations as they come due. See "Risk Factors".

Critical Accounting Estimates

The preparation of quarterly and yearly consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Share-based payments

Management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the volatility and expected life of the instruments.

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 wholly-owned subsidiary involves judgment regarding the primary economic environment the Company and its wholly owned subsidiary operates in.

Off-Balance-Sheet Arrangements

As of the date of this prospectus, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Outstanding Share Data

As of the date of this prospectus, the Company had 29,040,911 issued and outstanding Common Shares and 9,408,750 Common Shares issuable on the exercise of the 4,807,000 Warrants, 2,300,000 Stream Warrants and 1,750 Finder's Warrants, which are outstanding as of the date of this prospectus.

Change in Accounting Policies

Property and Equipment

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

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Period	Method
Furniture	2 years	Straight line

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

Subsidiary

The Company included the accounts of Steppe West LLC, a newly incorporated Mongolian entity wholly owned by Steppe.

Financial Instruments

At December 31, 2016, categories of financial instruments consist of: Financial assets: cash - $347,562 and amounts receivable- $40,333. Financial liabilities consist of amounts payable and other liabilities of $234,199.

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's amounts receivable and amounts payable and other liabilities approximates fair value due to their short-term maturity.

New Standards and Interpretations Not Yet Adopted

(i) IFRS 9 – Financial Instruments ("**IFRS 9**") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("**IAS 39**"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015. The Company is still in the process of assessing the impact of this pronouncement.

(ii) IFRS 16 Leases (New) - In January 2016, the IASB issued a new IFRS on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the ACSB in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the new standard on its results of operations, financial position and disclosures.

Related Party Transactions

(a) On October 5, 2016, 3,100,000 of the founder shares were subscribed for by directors or companies related to the directors of the Company. Specifically, Bataa Tumur-Ochir and Aneel Waraich, directors of the Company, subscribed for 800,000 and 400,000 Common Shares of the Company, respectively. In addition, Whistling Kite Equity Limited, a company controlled by Matthew Wood, subscribed for 200,000 Common Shares.

(b) During the three and six months ended June 30, 2017, management fees paid, or otherwise accrued, to key management personnel (defined as the Chief Executive Officer ("**CEO**") and directors) totaled $290,966 and $444,633, respectively. As at June 30, 2017, key management personnel were owed $156,666 and these amounts were included in accounts payable and other liabilities. The Chief Financial Officer (“**CFO**”) is also part of key management. Fees paid to the CFO were paid to Marrelli Support Services Inc. (“**Marrelli Support**”) as disclosed below.

(c) During the three and six months ended June 30, 2017, the Company expensed professional fees and disbursements of $11,372 and $17,392, respectively to Marrelli Support, an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the CFO of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters and these amounts are included in professional fees. As at June 30, 2017, Marrelli Support was owed $11,771 and these amounts were included in amounts payable and accrued liabilities.

(d) During the period ended December 31, 2016, Garrison Capital (UK) Limited and Garrison Capital (Dubai) (collectively “**Garrison**”), companies controlled by key management of the Company, entered into an agreement for $263,640 (USD 200,000) on behalf of the Company, to support in a potential transaction with Centerra Mongolia relating to the acquisition of certain mining and exploration licenses relating to the ATO Project. In addition, Garrison advanced funds of $132,743 to Steppe Mongolia and the Company incurred business development expenses to Garrison of $157,261. Garrison raised $553,651 in funds in contemplation of the Company being set up as such the Company issued 8,400,000 shares at US$0.05 to the individuals that advanced the funds.

(e) As at June 30, 2017, Garrison was owed $7,132 (December 31, 2016 - $nil) for out of pocket expenses and these amounts were included in amounts payable and other liabilities.

(f) On May 4, 2017, ATMACORP Ltd., a company controlled in part by Aneel Waraich, a director of the Company, subscribed for 1,996,140 Common Shares.

(g) On May 5, 2017, 1,266,062 Common Shares were issued for services provided by directors or companies related to the directors of the Company. Specifically, Aneel Waraich (issued to ATMACORP Ltd, a company controlled in part by Aneel Waraich), Matthew Wood, Bataa Tumur-Ochir and Jeremy South, directors of the Company, received 336,000, 550,062, 280,000 and 100,000 Common Shares, respectively. In addition, Aneel Waraich, a director of the Company, subscribed for 80,124 Common Shares.

Capital Management

The Company includes equity, comprising issued share capital, shares to be issued, accumulated other comprehensive income and deficit, in the definition of capital, which as at June 30, 2017, totaled $2,547,056.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration commitments. To secure the additional capital necessary to continue with the exploration of mineral properties, the Company may attempt to raise additional funds through the issuance of debt or equity. The Company is not subject to any capital requirements imposed by a lending institution.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares and adjusting capital spending. The capital structure is reviewed by management and the Board on an ongoing basis. The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 2017.

Financial Risk Factors

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).

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 and amounts receivable. Cash is held with a Canadian chartered bank and a financial institution in Mongolia, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of June 30, 2017. Management believes that the credit risk with respect to these amounts receivable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2017, the Company had cash of $1,280,663 to settle current liabilities of $492,493. All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company obtained its financing through private placements. Negative trends in the general equity market and the fall in commodity prices can adversely impact the Company's ability to obtain financing at favourable terms. If the Company cannot obtain the necessary financing to fund its operating and exploration activities, the Company might not be able to continue as a going concern entity.

There can be no assurance that additional financing, if and when required, will be available or on terms acceptable to the Company.

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.

Interest rate risk

The Company has cash balances. The Company's current policy is to invest surplus cash in high yield savings accounts with a Canadian chartered bank with which it keeps its bank accounts. As at June 30, 2017, the Company did not have any surplus cash. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company also has significant balances in US and Mongolian dollars that are subject to foreign currency risk.

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and other liabilities that are denominated in US and Mongolian dollars. Sensitivity to a plus or minus 5% change in the foreign exchange rate of the US and Mongolian dollar compared to the Canadian dollar would affect net loss by approximately $2,000 with all other variables held constant

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company other than the Offering or as described in this prospectus.

Outlook

Following the completion of the Offering the Company will continue to focus on the development of the ATO Project, completing the acquisition of the Uudam Khundii and Bayan Undur properties and continuing to look for additional opportunities in Mongolia.

Management's Discussion and Analysis for the ATO Project

*The following management's discussion and analysis of financial condition and results of operations of the ATO Project ("**ATO Project MD&A**") has been prepared as at and for the years ended December 31, 2016, 2015 and 2014, and as at and for the six-month periods ended June 30, 2017 and 2016 and should be read in conjunction with this prospectus, including sections entitled "Selected Financial Information" and "Risk Factors" in this prospectus and the carve-out financial statements for the ATO Project and related notes thereto included elsewhere in this prospectus. The ATO Project carve-out financial statements are prepared in accordance with IFRS. This management's discussion and analysis contains forward-looking information, such as statements regarding the ATO Project's future plans and objectives that are subject to various risks and uncertainties, and those set forth in "Statement Regarding Forward-Looking Information" and "Risk Factors" in this prospectus. The Company cannot assure investors that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future periods. Investors are cautioned not to place undue reliance on this forward-looking information.*

Overall Performance and Results of Operations

<u>Six months ended June 30, 2017 compared to June 30, 2016</u>

During the six months ended June 30, 2017, the ATO Project had no operating revenues and reported a net income after tax of US$10,218 compared to net income of US$58,501 in the comparative period. The net income can be attributed to:

- Administrative costs amounted to US$3,274 for the six months ended June 30, 2017 compared to US$1,515 in the comparative period. These amounts were primarily support costs for the ATO Project.

On June 30, 2017, the ATO Project's total assets were US$16,342,024.

Year ended December 31, 2016 compared to December 31, 2015 and December 31, 2014

During the year ended December 31, 2016, the ATO Project had no operating revenues and reported a net loss after tax of US$9,344,266 compared to a loss of US$943,198 for the year ended December 31, 2015 and a loss of US$808,906 for the year ended December 31, 2014. The net loss can be attributed to:

- The ATO Project recorded an impairment loss of US$11,115,278 for the year ended December 31, 2016 to impair the ATO Project to the recoverable amount based on the sale price that Centerra Mongolia agreed to with the Company. The purchase price, less applicable taxes and fees, was recorded using a discount rate of 2.8%. Most of the expenses for the years ended December 31, 2015 and December 31, 2014 related to expired licenses in the amount of US$713,619 and US$505,521, respectively.

On December 31, 2016, the ATO Project's total assets were US$16,334,267.

Liquidity and Capital Resources

The ATO Project does not generate cash from mining operations. In order to fund its exploration work and administrative activities, the ATO Project was dependent upon funding from Centerra Mongolia.

The aggregate operating, investing and financing activities for the ATO Project during the six months ended June 30, 2017 resulted in a net cash position of $nil and working capital deficit of $215,485. In total, net investment in the ATO Project at June 30, 2017 increased by $21,151, mainly as a result of net income and comprehensive income of $10,218 and contributions from Centerra Mongolia of $10,933 in the six months ended June 30, 2017.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

Each Common Share entitles its holder to notice of, and to one vote at, all meetings of shareholders. Each Common Share carries an entitlement to receive dividends if, as and when declared by the board of directors of the Company. In the event of the liquidation, dissolution or winding-up of the Company, the assets available for distribution to shareholders will be distributed rateably among the holders of Common Shares.

The authorized share capital of the Company consists of an unlimited number of Common Shares of which 29,040,911 Common Shares are issued and outstanding as of the date hereof.

CONSOLIDATED CAPITALIZATION

There have been no material changes in the share and loan capital of the Company since June 30, 2017 except for (i) the issuance of an aggregate of 5,291,850 Common Shares for aggregate gross proceeds of $10,583,700, and (ii) the issuance of the Core Purchase Notes (the "**Capital Adjustment**"). The following table sets forth (i) the consolidated capitalization of the Company as at June 30, 2017, (ii) the pro forma consolidated capitalization of the Company as at June 30, 2017 adjusted to give effect to the Capital Adjustment, and (iii) the pro forma consolidated capitalization of the Company as at June 30, 2017 adjusted to give effect to the Capital Adjustment and the Offering.

	As at June 30, 2017(1)	**As at June 30, 2017, after giving effect to the Capital Adjustment(1)**	**As at June 30, 2017, after giving effect to the Capital Adjustment and the Offering(1)(2)**
Long-Term Debt:			
Promissory Notes	-	US$5,101,473(3)	
Shareholders' Equity:			
Common Shares	$3,722,253 23,409,061 Common Shares	$8,223,971 29,040,911 Common Shares	$● ● Common Shares
Deficit	($2,393,619)	($3,153,332)	$●
Total Shareholders' Equity	$2,547,056	41,712,167	

Notes:

(1) Does not include the 9,408,750 additional Common Share issuable on the exercise of the 4,807,000 Warrants, 2,300,000 Stream Warrants, and 1,750 Finder's Warrants, which are outstanding as of the date of this prospectus and the 1,900,000 million Common Shares issuable in connection the acquisitions of the Corundum Geo LLC and Bayan Undur Resources LLC.

(2) Does not include any Additional Offered Shares issuable on the exercise of the Over-Allotment Option. See "*Plan of Distribution*".

(3) This represents the Centerra Promissory Note of US$5,000,000 due September 30, 2019. At July 1, 2016, this promissory note has been discounted at a rate of 20% to US$3,362,668 or $4,363,734 based on nature of the mining industry. The balance was accreted up to $5,101,473 as at June 30, 2017.

OPTIONS TO PURCHASE SECURITIES

The following table sets forth certain information in respect of options to purchase Common Shares that anticipated to be issued in connection with the Offering and be outstanding at Closing.

Group (number in Group)	Number of Options	Exercise Price ($)	Expiry Date
Current and former executive officers of the Company (3 persons)	1,800,000	IPO Price	5 years from Closing
Current and former executive officers of the Company, excluding executive officers (2 persons)	300,000	IPO Price	5 years from Closing
Current and former Employees of the Company (2 persons)	400,000	IPO Price	5 years from Closing

PRIOR SALES

During the twelve (12) month period before the date of this prospectus, the Company has issued Common Shares and securities convertible into Common Shares as follows:

Date Issued	Number and Type of Security Issued	Issue/ Exercise Price
October 5, 2016	8,900,000 Common Shares	US$0.05
February 10, 2017	500,000 Common Shares	US$0.05
February 10, 2017	1,270,000 Common Shares	US$0.25
March 28, 2107	850,000 Common Shares	US$0.25
March 29, 2017	330,000 Common Shares	US$0.25
May 4, 2017	5,896,640 Common Shares	US$0.05
May 5, 2017	6,042,421 Common Shares(1)	US$0.25
July 27, 2017	2,490,000 Common Shares	$2.00
July 27, 2017	2,490,000 Warrants(2)	Offering Price
September 15, 2017	2,300,000 Stream Warrants(3)	$2.00
September 28, 2017	484,350 Common Shares	$2.00
October 6, 2017	237,500 Common Shares(4)	$2.00
October 6, 2017	237,500 Warrants(2)(4)	Offering Price
October 6, 2017	1,750 Finder's Warrants(2)	Offering Price
October 19, 2017	2,080,000 Common Shares	$2.00
October 19, 2017	2,080,000 Warrants(2)	Offering Price

Notes:

(1) 40,000 of these Common Shares were subsequently returned to treasury for cancellation.

(2) These warrants are exercisable for Common Shares and have a term of five (5) years from completion of the Offering.

(3) These warrants were issued pursuant to the Stream Agreement and are exercisable for units consisting of one Common Share and one common share purchase warrant exercisable for one additional Common Share at the Offering Price for a term of five (5) years from completion of the Offering.

(4) These Common Shares and Warrants were issued under the closing of the second tranche of the May 2017 Private Placement.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The Common Shares that are expected to be subject to escrow or contractual restrictions on transfer at Closing, and the percentage of our outstanding Common Shares (immediately after the Closing) represented by such Common Shares, are set out below.

Designation of Class	Number of securities in escrow or subject to contractual restrictions on transfer(1)(2) (3)	Percentage of class after giving effect to the Offering(4)
Common Shares	23,057,487	

Notes:

(1) 23,057,487 of these Common Shares will be subject to contractual restrictions on transfer pursuant to lock-up agreements to be entered into in connection with the Underwriting Agreement until the date that is 180 days following the Closing. See "*Plan of Distribution*".

(2) 13,756,139 of these Common Shares are subject to contractual restrictions on transfer pursuant to the Lock-up Agreements until the earlier of (i) the date that is two years following the Closing, and (ii) the date of commencement of mining operations at the ATO Project. See "*Business of the Company – Recent Developments - Metals Purchase and Sale Agreement*".

(3) 5,237,398 of these Common Shares will be deposited into escrow in accordance with National Policy 46-201 *Escrow for Initial Public Offerings.* It is expected that TMX Equity Trust will be appointed as escrow agent.

(4) On a non-diluted basis assuming no exercise of the Over-Allotment Option.

PRINCIPAL SECURITYHOLDERS

After giving effect to the Offering, to the knowledge our directors and executive officers, no person will beneficially own, directly or indirectly, or exercise control or direction over, Common Shares carrying 10% or more of the voting rights attaching to all issued and outstanding Common Shares.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Province or State, Country of Residence and Offices Held

The following table sets forth the name of each of our directors and executive officers, their province or state and country of residence, their position(s) with the Company, their principal occupation, number of securities of the Company owned and the date they first became a director of the Company. Each director's term will expire immediately prior to the following the next annual meeting of shareholders.

Name and Residence	Position with Company	Principal Occupation	Director Since	Number of Common Shares Held (%)(1)
Matthew Wood *Ulaanbaatar, Mongolia*	Chairman, President and Chief Executive Officer and Director	Executive Director of Company since October 5, 2016; President and CEO of Five Star Diamonds Ltd. since April 2017 and Executive Director of its predecessor company since May 2014. Prior thereto, Director, Garrison Capital Pty Ltd. since January 2002.	October 5, 2016	950,062(2) (3.27%)

Name and Residence	Position with Company	Principal Occupation	Director Since	Number of Common Shares Held (%)[1]
Patrick Michaels *Zurich, Switzerland*	Director	Chairman of Asty Capital AG since July 2014, previously Managing Director since February 1998; Chairman of Zuri-Invest AG since June 2002; previously Managing Director of Precious Capital AG from October 2005 to June 2014.	October 2, 2017	25,000 (0.09%)
Aneel Waraich *Toronto, ON*	Executive Vice-President and Director	Founder and Managing Partner of ATMA Capital Markets and ATMACORP LTD, which focuses primarily on advising public and private companies in the natural resources sector, since October 2011.	October 5, 2016	2,812,264[3] (9.68%)
Bataa Tumur-Ochir *Ulaanbaatar, Mongolia*	Vice-President, Mongolia and Director	Chief Executive Officer of Wolf Petroleum Limited since 2011 and previously Chief Operating Officer of since 2010.	October 5, 2016	1,080,000 (3.72%)
Jeremy South *Vancouver, BC*	Director	Managing partner of SouthPac Partners Inc. since January 2017; previously Partner at Deloitte LLP since February 2006.	March 31, 2017	100,000 (0.34%)
Zamba Batjargal *Ulaanbaatar, Mongolia*	Director	Special Envoy of Mongolia on Climate Change, National Focal Point of Mongolia; Previously independent consultant and advisor at the Office of the President of the United Nations Environmental Assembly (UNEA) of UNEP in Ulaanbaatar from 2014 to 2016; Previously research fellow at the Research Institute for Humanity and Nature (RIHN) in Kyoto, Japan from 2011 to 2013.	August 31, 2017	- (0%)
Carmello Marrelli *Woodbridge, ON*	Chief Financial Officer	Principal of Marrelli Support Services Inc., since February 2009	-	30,072 (0.10%)
Enkhtuvshin Khishigsuren *Ulaanbaatar, Mongolia*	Manager - Exploration	Executive Director of Erdenyn Erel, a mining consulting company, since 2005.	-	240,000 (0.83%)

Notes:

(1) Based on 29,040,911 Common Shares issued and outstanding.

(2) 200,000 Common Shares are held by Whistling Kite Equity Limited, a company controlled by Mr. Wood.

(3) 2,332,140 Common shares are held by Atmacorp Ltd., a company controlled by Mr. Waraich.

Shareholdings of Directors and Senior Officers

Following completion of the Offering, directors and executive officers, as a group, will beneficially own, control or direct, directly or indirectly, • Common Shares, representing approximately •% of the issued and outstanding Common Shares before giving effect to any exercise of the Over-Allotment Option (•% if the Over-Allotment Option is exercised in full).

Committees of the Board

The Board has formed three committees: the Audit Committee, with Messrs. South (Chair), Batjargal and Michaels as its appointed members; the Corporate Governance and Nominating Committee, with Messrs. Michaels (Chair), South and Batjargal as its appointed members; and the Compensation Committee, with Messrs. South (Chair), Batjargal and Michaels as its appointed members.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the directors or executive officers of the Company is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period or more than 30 consecutive days (a "**Cease Trade Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such issuer, or (b) was subject to a Cease Trade Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of the directors or executive officers of the Company, nor, to the knowledge of the Company, any shareholder holding a sufficient number of our securities to affect materially the control of the Company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including ours) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

None of the directors or executive officers of the Company, nor, to the knowledge of the Company, any shareholder holding a sufficient number of our securities to affect materially the control of the Company, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest between the Company or its subsidiaries and any of the directors or officers of the Company or a director or officer of its subsidiaries. However, certain of directors and officers are, or may become, directors or officers of other companies, with businesses which may conflict with the business of the Company. Accordingly, conflicts of interest may arise which could influence these individuals in evaluating possible acquisitions or in generally acting on behalf of the Company. Pursuant to the OBCA, directors are required to act honestly and in good faith with a view to the best interests of the Company. As required under the OBCA:

(a) A director or executive officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or executive officer of the Company, must promptly disclose the nature and extent of that conflict.

(b) A director who holds a disclosable interest (as that term is used in the OBCA) in a contract or transaction into which the Company has entered or proposes to enter may generally not vote on any directors' resolution to approve the contract or transaction.

Generally, as a matter of practice, directors or executive officers who have disclosed a material interest in any transaction or agreement that the Board is considering will not take part in any Board discussion respecting that contract or transaction. If on occasion such directors do participate in the discussions, they will abstain from voting on any matters relating to matters in which they have disclosed a material interest. In appropriate cases, a special committee of independent directors will be established to review a matter in which directors, or management, may have a conflict. See "*Risk Factors — Conflicts of Interests*".

Management

Matthew Wood – Chairman, President and Chief Executive Officer and Director

Mr. Wood is a mineral resource explorer and developer with over 25 years global industry experience in mining and commodities investment. He has managed deals in coal, energy, ferrous metals, base and precious metals and other commodities. His experience includes the identification and technical and economic evaluation of resource opportunities together with realizing on those opportunities through acquisitions, financings and public listings. In addition to being President and CEO of the Company, Mr. Wood is also the President and CEO of Five Star Diamonds Ltd., a company he founded in 2014 and took public in April 2017 with a listing on the TSX Venture Exchange (TSXV:STAR). Mr. Wood was formerly the joint founder and Executive Chairman of ASX All Sector 2010 IPO of the year, Mongolian Coal Company, Hunnu Coal Limited. Hunnu Coal was sold to Banpu PCL in 2011 for $500M and was awarded global deal of the year at Hong Kong Mines and Money in March 2012. Mr. Wood has an Honours Degree in Geology from the University of New South Wales and a Graduate Certificate in Mineral Economics from the Western Australian School of Mines. He is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM).

Aneel Waraich – Executive Vice President and Director

Mr. Waraich is the founder and managing partner of ATMA Capital Markets and ATMACORP Ltd., which focuses primarily on advising public and private companies in the natural resources sector. Prior to founding ATMA Capital Markets, Mr. Waraich worked as an investment banker at Dundee Capital Markets focusing on deal origination, going-public transactions and financings for both public and private companies in the resource and technology sectors. In previous roles at Goodman and Company Investment Counsel and Dundee Capital Markets, Mr. Waraich worked as an analyst valuing private equity companies. Mr. Waraich completed his MBA from the Goodman Institute of Investment Management at the John Molson School of Business and passed level II of the CFA ® program.

Bataa Tumur-Ochir –Vice-President, Mongolia and Director

Mr. Tumur-Ochir is a Mongolian citizen and has served as Wolf Petroleum Limited's Chief Operating Officer since its incorporation in 2010 and was appointed as an Executive Director in August 2011. Mr. Tumur-Ochir is responsible for new business acquisitions, development and government and community relations. Mr. Tumur-Ochir is also responsible for daily operations in Mongolia. Under his guidance, Wolf Petroleum was awarded with the "Operator of the Year Award" from the Petroleum Authority of Mongolia, and today, Wolf Petroleum is recognised as the fastest growing petroleum exploration company in Mongolia. Mr. Tumur-Ochir holds a bachelor's degree in business administration and graduate certificates in international business and marketing from institutions in Australia and Singapore.

Jeremy South - Director

Mr. South has been active in capital markets for over 30 years, including a number of senior investment banking roles in Europe, Asia and North America. He is currently managing partner of a private investment group based in Canada. Previously, he was senior managing director, merger and acquisition advisory, at Deloitte, where he also held the role of global mining merger and acquisition leader for over nine years. Mr. South was based in Beijing for four years, where he helped build Deloitte's energy and resources practice across Asia Pacific. In addition to advising Western mining companies, he has advised leading Asian trading houses and leading financial investors on outbound mining investment.

Patrick Michaels – Director

Mr. Michaels is the Chairman of Zuri-Invest AG and the Chairman of Asty Capital AG in Zurich, Switzerland. Mr. Michaels has been involved in numerous financings of gold mines in North America as well as various other countries and is a well-respected financial adviser and fund manager throughout Europe. Mr. Michaels has extensive experience in the fields of mining finance, fund management and asset allocation. Mr. Michaels has a background in law and economics, and did his training in the areas of private banking and investment research at UBS in Zurich. Additionally, he attended post-graduate courses at the Colorado School of Mines in Golden, Colorado.

Zamba Batjargal - Director

Dr. Batjargal is currently serving as the Special Envoy of Mongolia on Climate change, National Focal Point of Mongolia for the United Nations Framework Convention on Climate Change covering and coordinating activities related to the Intergovernmental Panel on Climate Change and Green Climate Fund. Dr. Batjargal received his PhD degree in physics and mathematics in 1978 from the Hydrometeorological State University, St. Petersburg, Russia. Dr. Batjargal has more than 35 years' experience working for the government entities in Mongolia dealing with issues of environmental protection, nature conservation, climate change, water resources and hydrometeorological hazards. He was the Minister of the Environment of Mongolia from 1990 to 1996 and Director-General of the National Agency for Meteorology, Hydrology and Environmental Monitoring from 1996 to 2001. Dr. Batjargal has extensive work outside of Mongolia being engaged in international bi- and multilateral cooperation activities. He was Ambassador of Mongolia to Japan from 2001 to 2005. For the period 2005-2011 worked in New York as the Representative of the World Meteorological Organization at the United Nations. After retirement from the United Nations, Dr. Batjargal worked as a visiting research fellow from 2011 to 2013 at the Research Institute for Humanity and Nature in Kyoto, Japan. Since 2014 Dr. Batjargal has served as an independent consultant on climate change and green development policy to public institutions and non-profit organizations. He was also an advisor at the Office of the President of the United Nations Environmental Assembly of the United Nations Environmental Program in Ulaanbaatar (2014-2016).

Carmelo Marrelli – Chief Financial Officer

Mr. Marrelli is the principal of Marrelli Support Services Inc., a firm that has delivered accounting and regulatory compliance services to listed companies on various exchanges for over twenty years. In addition, Mr. Marrelli also controls DSA Corporate Services Inc., a firm providing corporate secretarial and regulatory filing services. Carmelo is a Chartered Professional Accountant (CPA, CA, CGA), and a member of the Institute of Chartered Secretaries and Administrators, a professional body that certifies corporate secretaries. He has a Bachelor of Commerce degree from the University of Toronto.

Enkhtuvshin ("Enkhe") Khishigsure – Manager, Exploration

Mr. Khishigsure has over 30 years of Mongolian mineral exploration experience. He has focused his expertise on the precious metals exploration sector resulting in successes for numerous companies. Mr. Khishigsure spent the first 10-12 years of his career at Central Geological Expedition doing regional geological mapping in various areas of Mongolia, followed by 7 years as senior exploration manager on exploration of precious metal in Mongolia for Harrods Minerals (a privately funded exploration company). Since 2005 he has been running his own company Erdenyn Erel and conducting exploration and consulting services to Western exploration and mining companies. Mr. Khishigsure has been responsible to identifying targets and properties based on his knowledge and experience that have resulted in the discovery of several prospective gold and copper deposits in Mongolia; such as the multimillion ounce gold deposit Olon Ovoot, a large molybdenum porphyry deposit Zuun mod and the Shand copper porphyry deposit near Erdenet copper mine. Mr. Khishigsure holds bachelor degree of Geological exploration from Azerbaijan State University (former Soviet Union) and a master's degree of Geological Science from Shimane University, Japan.

STATEMENT OF EXECUTIVE COMPENSATION

Named Executive Officers

The following describes the particulars of compensation for a) the CEO, b) the CFO, c) each of the three most highly compensated executive officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and the CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000 for that financial year; and d) each individual who would be a named executive officer but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year (each a "**Named Executive Office**r" or "**NEO**"). For the financial year ended December 31, 2016, the Named Executive Officers of the Company were:

- Matthew Wood, President and Chief Executive Officer
- Carmello Marrelli, Chief Financial Officer
- Aneel Waraich, Executive Vice-President
- Bataa Tumur-Ochir, Vice President Mongolia

Compensation Policy Objectives

The Company's executive compensation program following completion of the Offering will be designed to reward corporate and individual performance, and motivate executives to achieve overall corporate goals.

The Company's executive compensation program will have the following objectives:

- to attract, retain and motivate qualified executives;
- to provide incentives to executives to maximize productivity and enhance enterprise value by aligning the interests of the executives with those of the Shareholders;
- to foster teamwork and entrepreneurial spirit;
- to establish a direct link between all elements of compensation and the performance of the Company and its subsidiaries, and individual performance;
- to integrate compensation incentives with the development and successful execution of strategic and operating plans; and
- to enhance Shareholder value.

The Compensation Committee of the Company is comprised of Messrs. South (Chair), Michaels and Batjargal, each of whom are considered independent for the purposes of National Policy 58-201 – Corporate Governance Guidelines ("**NP 58-201**"). Overall, the members of the committee have held senior executive and board positions with other publicly traded companies where they have had direct involvement in the development and implementation of compensation policies and practices for employees at all levels, including executive officers. The Board believes that the Compensation Committee members possess all of the knowledge, experience and the profile needed in order to fulfill the mandate of the Compensation Committee.

The Compensation Committee was formed on October 2, 2017 and will be responsible for making recommendations to the Board with respect to the compensation of the Company's directors, Named Executive Officers and certain employees. The Compensation Committee will work in conjunction with the President and CEO on the review and assessment of the performance of executive officers and other employees in accordance with the Company's compensation practices. The Board will review the Compensation Committee's recommendations to ensure that total compensation paid to all Named Executive Officers is fair and reasonable and is consistent with the Company's compensation program.

Following the Closing of the Offering, the executive compensation program will be comprised of fixed and variable elements of compensation; base salary, indirect compensation (benefits), discretionary bonus, and long-term equity-based incentives. In determining actual compensation levels, the Compensation Committee will consider the total compensation program, rather than any single element in isolation. Total compensation levels will be designed to reflect both the marketplace (to ensure competitiveness) and the responsibility of each position (to ensure internal equity). These elements of compensation, when combined, should form an appropriate mix of compensation, and provide competitive salary, link the majority of the executives' compensation to corporate and individual performance (which induces and rewards behaviour that creates long-term value for Shareholders and other stakeholders), and encourage retention with time-based vesting attached to long-term equity-based incentives.

The compensation level of the President and CEO will be designed to recognize his personal contributions and leadership. At the end of each fiscal year, the Compensation Committee will formally evaluate the performance of the President and CEO. Using both financial and non-financial measures, the Compensation Committee may recommend to the Board an increase to the President's total compensation to levels that are consistent with corporate and individual performance.

Similarly, the Compensation Committee will review and ensure that the directors' compensation packages are competitive in light of the responsibility and the time commitment required from directors. Based on such reviews, the Committee will make recommendations to the Board with respect to changes to executive compensation and director compensation.

Base Salaries

Base salaries for the executive officers will be designed to be competitive and will be adjusted for the realities of the market. Initial base salaries are based on market comparables, formal job evaluation, publicly available salary survey data, experience level, leadership and management skills, responsibilities and proven or expected performance. The Compensation Committee will review the recommendations of the President and CEO and recommend to the Board the base salaries for executive officers taking into consideration the individual's performance, contributions to the success of the Company, and internal equities among positions. No specific weightings are assigned to each factor; instead a subjective determination is made based on a general assessment of the individual relative to such factors.

The Board of Directors and Compensation Committee will review executive compensation on an ongoing basis, with the expectation that salaries will be modified in consideration of commodity prices and the Company's financial position.

Discretionary Bonus

A discretionary bonus is intended to provide incentives to executive officers to enhance the growth and development of the Company, to encourage and motivate executive officers to achieve short-term goals, and to reward individual contribution to the achievement of corporate objectives. The bonus can be based as a percentage of annual salary or a fixed dollar amount and is awarded at the discretion of the Board as recommended by the Compensation Committee.

No cash bonuses were paid during the 2016 fiscal year.

Long-Term Incentives

In connection with the Offering, the Company will adopt a long-term incentive plan ("**LTIP**") to allow for a variety of equity-based awards that provide different types of incentives to be granted to our directors, executive officers, employees and consultants. The LTIP will facilitate granting of Options, Restricted Share Units ("**RSUs**"), Deferred Share Units (''**DSUs**'') and Performance Share Units ("**PSUs**", and together with Options and RSUs, ''**Awards**'') representing the right to receive one Common Share in accordance with the terms of the LTIP. The following discussion is qualified in its entirety by the text of the LTIP.

Under the terms of the LTIP, the Board, or if authorized by the Board, the Compensation Committee, may grant Awards to eligible participants. Participation in the LTIP is voluntary and, if an eligible participant agrees to participate, the grant of Awards will be evidenced by a grant agreement with each such participant. The interest of any participant in any Award is not assignable or transferable, whether voluntary, involuntary, by operation of law or otherwise, except upon the death of the participant.

The LTIP will provide that appropriate adjustments, if any, will be made by the Board in connection with a reclassification, reorganization or other change in share capital, consolidation, distribution, merger or amalgamation, in the Common Shares issuable or amounts payable to preclude a dilution or enlargement of the benefits under the LTIP.

The maximum number of Common Shares reserved for issuance, in the aggregate, under our LTIP will be 10% of the aggregate number of Common Shares issued and outstanding from time to time. The LTIP places annual limits the value of awards that can be granted to non-executive directors.

The Board shall establish the vesting terms of Options granted and the term during with the Options shall be exercisable, which shall commence on the date of the grant and shall terminate no later than ten years after the date of the granting of the option or such shorter period as the Board may determine. The LTIP will provide that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a black-out period. In such cases, the extended exercise period shall terminate 10 business days after the last day of the blackout-period. The number of Shares issuable to insiders, within any one-year period, under the LTIP and any other share-based compensation arrangements cannot exceed 10% of the outstanding Common Shares.

In order to facilitate the payment of the exercise price of the Options, the LTIP has a cashless exercise feature pursuant to which a participant may elect to undertake a ''cashless exercise''' subject to the procedures set out in the LTIP, including the consent of the Board, where required.

With respect to RSUs, the Board is authorized to determine the vesting conditions, which may include the passing of time, performance or other conditions. With respect to DSUs, DSUs will vest at the end of the restricted period determined by the Board and set out in the participant' award letter.

The following table describes the impact of certain events upon the rights of holders of Awards under the LTIP, other than directors, including termination for cause, termination other than for cause and death, subject to the terms of a participant's employment agreement:

Event	**Treatment**
Termination for cause	Immediate forfeiture of all vested and unvested Awards.
Termination other than for cause	Subject to the terms of the grant or as determined by the Board, upon a participant ceasing to be a participant other than for cause, all unvested Awards terminate and all other Awards are exercisable until the earlier of the original expiry date and 90 days after ceasing to be a participant.
Death	All unvested Options will vest and may be exercised within 12 months after death. A pro rata portion of any unvested RSUs or PSUs will vest, determined based on the portion of the restricted period or performance period that has passed since the date of the grant.

In the case of the retirement of a Director, all Options and DSUs immediately vest and the Options remain exercisable to the end of their term or for 12 months, whichever occurs earlier.

If an employee participant is terminated without cause or resigns for good reason during the 12-month period following a change of control, or after the Board has adopted a resolution approving a change of control that is imminent, then any unvested Awards will immediately vest and may be exercised within 30 days of such date.

The Board may amend the LTIP or any LTIP Unit at any time without the consent of a participant provided that such amendment shall (i) not adversely alter or impair any LTIP Unit previously granted except as permitted by the terms of the LTIP, (ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the TSX, and (iii) be subject to shareholder approval, where required by law, the requirements of the TSX or the LTIP, provided however that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to:

- amendments of a housekeeping nature;
- the addition of or a change to the vesting provisions of any Award;
- a change to the termination provisions of an Award or the LTIP that does not entail an extension beyond; the original expiry date; and
- the addition or amendment of a cashless exercise feature, payable in cash or securities that provides for a full deduction of the number of underlying Common Shares from the LTIP reserve.

During the fiscal year ended December 31, 2016, no equity-based compensation was granted.

Indirect Compensation

The Named Executive Officers will be entitled to participate in any Company benefit plans in place from time to time, including for group health, dental, extended medical coverage, and life insurance, including long-term disability.

Pension Plan Benefits

The Company does not provide retirement benefits for directors, executive officers or employees.

Share Ownership Requirements

The Company has not imposed minimum share ownership requirements, in line with industry practices for similar companies of its size.

Risks Associated with Compensation Practices

As of the date of this prospectus, the Company's directors had not, collectively, considered the implications of any risks associated with the Company's compensation policies applicable to its executive officers.

Financial Instruments

The Company has not, to date, adopted a policy restricting its executive officers and directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by executive officers or directors. As of the date of this Circular, entitlement to grants of incentive stock options under the Company's Stock Option Plan is the only equity-based security elements awarded to executive officers and directors.

Summary Compensation Table

The following table sets out information concerning the compensation anticipated to be earned by the Named Executive Officers for the fiscal year ending December 31, 2018.

					Non-Equity Incentive Plan Compensation				
Name and Principal Position	**Year**	**Salary ($)**	**Share-based Awards ($)**	**Option-based Awards[2] ($)**	**Annual Incentive Plans**	**Long-term Incentive Plans**	**Pension Value ($)**	**All Other Compensation ($)**	**Total Compensation ($)**
Matthew Wood President, Chief Executive Officer	2018	US$240,000	-	•	-	-	-	-	•
Carmelo Marrelli[1] Chief Financial Officer	2018	$60,000	-	•	-	-	-	-	•
Aneel Waraich Executive Vice-President	2018	US$204,000	-	•	-	-	-	-	•
Bataa Tumir-Ochir Vice-President, Mongolia	2018	US$180,000	-	•	-	-	-	-	•

Notes:

(1) The Company has a consulting agreement with Marrelli Support Services Inc. under which the services of Mr. Marrelli are provided to the Company.

(2) Determined based on the Offering Price.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The Company did not have any option-based awards outstanding in respect of any NEO as at December 31, 2016.

Value Vested or Earned During the Year

For the year ended December 31, 2016, no option-based incentive plan awards or share-based incentive plan awards held by NEOs vested during the year.

Employment Agreements

The Company expects to enter into employment agreements with its President and Chief Executive Officer, Executive Vice President and Vice-President, Mongolia on the terms set forth below. All of the executive employment agreements provide for base salary, discretionary bonuses and equity plan awards, as approved by the Board, paid vacation and enrolment in the Company's benefits plans in place from time to time, and provide payment on termination without just cause or in the event of change of control of the Company as described below.

The Chief Financial Officer provides his services pursuant to an existing consulting agreement between the Company and Marrelli Support Services Inc.

Termination and Change of Control Benefits

"**Change of Control**" for the Company is defined in the Company's employment agreements, as "a transaction or series of transactions whereby directly or indirectly:

(a) any person or combination of persons obtains a sufficient number of securities of the Corporation to affect materially the control of the Corporation; for the purposes of this Agreement, a person or combination of persons holding shares or other securities in excess of the number which, directly or following conversion thereof, would entitle the holders thereof to cast 50% or more of the votes attaching to all shares of the Corporation which may be cast to elect directors of the Corporation, shall be deemed to be in a position to affect materially the control of the Corporation; or

(b) the Corporation shall consolidate or merge with or into, amalgamate with, or enter into a statutory arrangement with, any other person (other than a subsidiary of the Corporation) and, in connection therewith, which results in the holders of voting securities of that other person holding, in the aggregate, 50% or more of the votes attached to all outstanding voting shares of the entity resulting from the consolidation, merger, amalgamation, arrangement or other form of business combination; or

(c) there occurs a change in the composition of the Corporation's Board of Directors, which occurs at a single meeting, or a succession of meetings occurring within 6 months of each other, of the shareholders of the Corporation, whereby such individuals who were members of the Board of Directors immediately prior to such meeting or succession of meetings cease to constitute a majority of the Board of Directors without the Board of Directors, as constituted immediately prior to such meeting, approving of such change."

Matthew Wood, President and Chief Executive Officer: Under the terms of his employment agreement, if within 12 months of a Change of Control, Mr. Wood's employment is terminated or he chooses to terminate his employment for good reason, Mr. Wood is entitled to receive a lump sum payment equal to three times the sum of (i) his base salary at the time of termination of employment plus (ii) the average bonus paid to him for the previous two years. In addition, Mr. Wood's group insurance benefit coverage, other than long and short-term disability, will continue until the earlier of 12 months following termination and the day he commences employment with another employer. In the event of the termination of Mr. Wood's employment without just cause either before or in the absence of a Change of Control or beyond the 12-month period following a Change of Control, Mr. Wood is entitled to receive a lump sum payment equal to two times of the sum of (i) his base salary at the time of termination of employment plus (ii) the average bonus paid to him for the previous two years.

Aneel Waraich, Executive Vice-President: Under the terms of his employment agreement, if within 12 months of a Change of Control, Mr. Waraich's employment is terminated or he chooses to terminate his employment for good reason, Mr. Waraich's is entitled to receive a lump sum payment equal to three times the sum of (i) his base salary at the time of termination of employment plus (ii) the average bonus paid to him for the previous two years. In addition, Mr. Waraich's group insurance benefit coverage, other than long and short-term disability, will continue until the earlier of 12 months following termination and the day he commences employment with another employer. In the event of the termination of Mr. Waraich's employment without just cause either before or in the absence of a Change of Control or beyond a 12 -month period following a Change of Control, Mr. Waraich is entitled to receive a lump sum payment equal to two times of the sum of (i) his base salary at the time of termination of employment plus (ii) the average bonus paid to him for the previous two years.

Bataa Tumir-Ochir, Vice-President, Mongolia: Under the terms of his employment agreement, if within 12 months of a Change of Control, Mr. Tumur-Ochir employment is terminated or he chooses to terminate his employment for good reason, Mr. Tumir-Ochir is entitled to receive a lump sum payment equal to three times the sum of (i) his base salary at the time of termination of employment plus (ii) the average bonus paid to him for the previous two years. In addition, Mr. Tumir-Ochir's group insurance benefit coverage, other than long and short-term disability, will continue until the earlier of 12 months following termination and the day he commences employment with another employer. In the event of the termination of Mr. Tumir-Ochir's employment without just cause either before or in the absence of a Change of Control or beyond a 12-month period following a Change of Control, Mr. Tumir-Ochir is entitled to receive is entitled to receive a lump sum payment equal to two times of the sum of (i) his base salary at the time of termination of employment plus (ii) the average bonus paid to him for the previous two years.

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers for termination without just cause and termination on a change of control, assuming termination on December 31, 2017:

Name	Triggering Event	Base Salary ($)	Value of Option-Based Awards if Exercised on Termination [1] ($)	All Other Compensation ($)	Total ($)
Matthew Wood	Change of control	US$720,000	•	-	•
	Termination without just cause	US$480,000	•	-	•
Aneel Waraich	Change of control	US$612,000	•	-	•
	Termination without just cause	US$408,000	•	-	•
Bataa Tumir-Ochir	Change of control	US$540,000	•	-	•
	Termination without just cause	US$360,000	•	-	•

Notes:

(1) Determined based on the Offering Price.

DIRECTORS COMPENSATION

Summary Compensation Table

The following table sets out information concerning the compensation anticipated to be earned by the non-executive directors for the fiscal year ending December 31, 2018.

Directors Compensation Table [1]

Name	Fees Earned ($)	Share-Based Awards ($)	Option-Based Awards[2] ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Jeremy South	30,000	-	•	-	-	-	•
Zamba Batjargal	30,000	-	•	-	-	-	•
Patrick Michaels	30,000	-	•	-	-	-	•

Notes:

(1) The table does not include any amount paid as reimbursement for travel, meals and accommodation expenses to attend Board and/or Committee meetings.

(2) Determined based on the Offering Price.

The Board, on recommendation of the Compensation Committee, will determine director compensation. The objective in determining such director compensation will be to ensure that the Company can attract and retain experienced and qualified individuals to serve as directors. Following the completion of the Offering, the Company expects to compensate its non-executive directors through the payment of director fees (on an annual retainer) and through the grant of long-term equity incentives. The annual retainer for non-executive directors is expected to be $30,000 per year, and to be paid *pro rata* on a quarterly basis.

Directors are also reimbursed for out-of-pocket expenses incurred in attending meetings and otherwise carrying out their duties as directors of the Company. In addition, directors are eligible to participate in the Company's LTIP. In connection with the Offering it is expected the Company will award 2,500,000 Options to purchase 2,500,000 Common Shares, of which 300,000 are expected to be granted to non-executive directors, representing approximately 12% of the Options to be granted.

Incentive Plan Awards

Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation

The Company did not have any option-based awards outstanding in respect of any non-executive director as at December 31, 2016.

Value Vested or Earned During the Year

For the year ended December 31, 2016, no option-based incentive plan awards or share-based incentive plan awards held by directors vested during the year.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Company did not have any equity compensation plans as of December 31, 2016, under which securities of the Company are authorized for issuance to directors, officers, employees and consultants of the Company and its affiliates. For a description of the LTIP proposed to be adopted in connection with the Offering, see "*Statement of Executive Compensation – Compensation Policy Objectives – Long-Term Incentives*".

INDEBTEDNESS OF DIRECTORS AND OFFICERS

There is not, and there has not been within the thirty days before the date of this prospectus, any indebtedness owing to the Company from any executive officers or directors or former directors or executive officers or any subsidiary or any associate of such person, including indebtedness that is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any subsidiary.

AUDIT COMMITTEE

Composition of the Audit Committee

The current members of the Audit Committee are Messrs. South (Chair), Batjargal and Michaels. All of the members are financially literate and all are independent. "Independent" and "financially literate" have the meaning used in National Instrument 52-110 ("**NI 52-110**") of the Canadian Securities Administrators. The charter of the Company's Audit Committee is attached to this prospectus as Appendix A.

Relevant Education and Experience

Every member in the Audit Committee has sufficient education and experience to perform its responsibilities in relation to the Audit Committee, including:

- understanding the accounting principles used by the Company to prepare its financial statements;
- having the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

For the relevant education and/or experience of each member of the Audit Committee see *"Directors and Officers – Management*".

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor (MNP LLP, Chartered Accountants) not adopted by the Board.

Reliance on Certain Exemptions

The Company has not relied on the exemptions contained in sections 2.4 or 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company's Board of Directors, and where applicable by the Audit Committee, on a case by case basis.

External Auditor Service Fees (by Category)

The aggregate fees charged to the Company by the external auditor in each of the last two fiscal years are as follows:

	FYE 2016
Audit Fees	$15,000
Audit Related Fees	-
Tax Fees	-[1]
All Other Fees	-[2]
Total Fees:	**$15,000**

Notes:

(1) Tax fees relate to the preparation of annual tax returns and general advisory services.

(2) All other fees relate to financial and tax due diligence relating to the Acquisition.

CORPORATE GOVERNANCE

Overview

The Company, its Board and its management are committed to implementing best practices in corporate governance and transparency. The Board is responsible for the overall corporate governance of the Company and for regularly monitoring and seeking to improve the Company's corporate governance practices through the evaluation of regulatory developments and the practices of the Company's peer companies. The Company, its Board and its management recognize the integral role of strong corporate governance practices in ensuring the Company is effectively managed with a view to achieving its strategic and risk oversight objectives and protecting its employees, shareholders and other stakeholders.

The Board carries out its mandate and exercises its duties directly and through its Committees. The Board has three standing committees:

- Audit Committee;
- Corporate Governance and Nominating Committee; and
- Compensation Committee.

The Board has adopted a written charter, a copy of which is attached to this prospectus as Appendix B. The full text of the Company's corporate governance policies and charters for each committee will be available on the Company's website at www.steppegold.com.

Director Independence and Other Relationships

The Board believes that it must be independent of management to be effective. The Board, with assistance from the Corporate Governance and Nominating Committee, will assess the personal, business, and other relationships and dealings between directors and the Company. The Board considers a director to be independent if he or she does not have a material relationship with the Company that could interfere with his or her ability to exercise independent judgement, other than the interests and relationships arising from shareholdings. Certain relationships (for example, being an officer of the Company) automatically mean a director is not independent.

The Board is comprised of six directors. Three of the directors are independent and three are not independent. The Board considers that Messrs. South, Batjargal and Michaels are independent directors and that Messrs. Wood, Waraich and Tumir-Ochir are not independent directors as they each serve as an executive officer of the Company.

The roles of Chairman and CEO are not currently separate. The Chairman's role includes reviewing items of importance for consideration by the directors and providing leadership to the directors in discharging their duties to the Company. The Board has adopted written positions descriptions for each of the Chairman and the CEO.

The independent directors will generally convene without executive directors and other management at the conclusion of each meeting of the Board, and they will be encouraged to meet independently of management on an as needed basis, depending on the circumstances experienced by the Company. Directors will be encouraged to raise any issues of concern. Any issues addressed at in camera sessions requiring action on behalf of, or communication to, management will be communicated by the independent directors. As the committees of the Board are all made up solely of independent directors, there is generally no need for separate in camera meetings following committee meetings other than in the case of the Audit Committee. The Audit Committee meets in camera with the Company's auditors after every regularly scheduled meeting of the committee (as these meetings routinely include management representatives).

Directorships

It is expected that each director will be able to devote sufficient time to the Company in order to effectively discharge his or her responsibilities. As such, the current obligations of each director to other public company boards is carefully considered and the number of public company boards that each director may join is monitored.

To maintain director independence and avoid potential conflicts of interest, the Board has adopted a policy that requires directors to advise the Chairman prior to accepting any other public company directorship. In addition, directors are expected to report changes in their business and professional affiliations or responsibilities, including retirement, to the Chairman.

The directors of the Company are currently directors of the following other reporting issuers:

Name of Director	Name of Reporting Issuer (Exchange)
Matthew Wood	Five Star Diamonds Ltd. (TSXV)
	Antler Hill Mining Ltd. (TSXV)
Patrick Michaels	GoldQuest Mining Corp. (TSXV)
Aneel Waraich	Five Star Diamonds Ltd. (TSXV)
	Antler Hill Mining Ltd. (TSXV)
Jeremy South	Cipher Resources Inc. (TSXV)

Risk Management Oversight

The Board and management expect to devote a significant amount of time to the identification, management, reporting and mitigation of risk. A description of the kinds of risks facing the Company can be found under the heading *"Risk Factors*".

The Company expects to manage its material business risks through the implementation and monitoring of various corporate and operational-level policies that will be developed as necessary.

Individual directors and committees may, in appropriate circumstances, engage independent professional advice at the expense of the Company. The Board and the Board committees also have access to senior management, although contact is usually in the context of committee responsibilities.

Orientation and Continuing Education

The Board of Directors of the Company will brief all new directors with the policies of the Board, and other relevant corporate and business information. The Corporate Governance and Nominating Committee intends to work with management to ensure that new recruits to the Board are familiarized with the business of the Company, its management, its professional advisors and its facilities.

Directors will be encouraged to periodically attend applicable conferences or seminars, or obtain materials pertaining to their role on the Board or that may otherwise increase their knowledge of current issues in the mining industry, which may be paid for in part or in whole by the Company.

Advance Notice By-Law

The Company has adopted By-Law No. 2 - Advance Notice Requirement for the Nomination of Directors (the "**Advance Notice By-Law**"), which provides a framework for nominating directors of the Company. The Advance Notice By-Law fixes a deadline prior to any shareholders' meeting called for the election of directors by which a registered or beneficial shareholder may submit director nominations to the Company, and sets forth the information that the nominating shareholder must include in the notice to the Company in order for a nominee to be eligible for election.

In summary, the Advance Notice By-Law:

- provides that advance notice to the Company must be given where nominations of persons for election to the board of directors are made by shareholders of the Company other than pursuant to: (i) a "proposal" made in accordance with section 188 section 99(1) of of the OBCA; or (ii) a requisition made in accordance with section 105 of the OBCA;
- fixes a deadline by which a registered or beneficial shareholder may submit director nominations to the Company prior to any annual or special meeting and sets out the specific information that must be included in the written notice to the Company for an effective nomination to occur;
- provides that in the case of an annual meeting, notice to the Company must be given no fewer than 30 nor more than 65 days prior to the date of the meeting; provided that if the meeting is to be held on a date that is fewer than 50 days after the date on which the first public announcement of the date of the meeting was made, notice may be given no later than the close of business on the 10th day following such public announcement;
- provides that in the case of a special meeting that is not also an annual meeting, notice to the Company must be made no later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made; and
- provides that the Board, in its sole discretion, may waive any requirement of the Advance Notice By-Law.

A copy of the Advance Notice By-Law is filed on SEDAR at www.sedar.com.

Ethical Business Conduct

The Board expects to adopt a written Code of Business Conduct and Ethics (the "**Code**") for its directors, officers, employees and consultants, a copy of which will be available on the Company's website at www.steppegold.com. The Corporate Governance and Nominating Committee will be responsible for assisting the Board in dealing with conflict of interest issues as contemplated by the Code, and reviewing and reassessing the adequacy of the Code annually and recommending changes to the Board.

The Code is intended to: promote honest and ethical conduct and manage conflicts that may arise; promote full, fair, accurate, timely and understandable disclosure to the public, including our periodic reports required to be filed with the Canadian securities regulatory authorities; promote compliance with applicable governmental rules and regulations; provide guidance to directors, officers and employees of the Company to help them recognize and deal with ethical issues; provide a mechanism to report unethical conduct; and help foster a culture of honesty and accountability.

The Board is also committed to best practices in making timely and accurate disclosure of all material information and providing fair and equal access to material information. The Board expects to adopt a written Corporate Disclosure Policy and Share Trading Policy to set guidelines for the Company and its directors, officers, employees and consultants in respect of satisfying the legal and ethical obligations related to the proper and effective disclosure of corporate information and the trading of securities with that information.

The Board expects to adopt an Anti-Bribery and Anti-Corruption Policy to provide a procedure to ensure that the Company, together with its directors, officers, employees, consultants and contractors, conducts its business in an honest and ethical manner reflecting the highest standards of integrity and in compliance with all relevant laws and regulations applicable to it and in compliance with anticorruption legislation applicable to the Company and subsidiaries.

The Board expects to adopt a Whistleblower Policy for ensuring that a confidential and anonymous process exists whereby persons can report any concerns related to compliance with all applicable laws, rules and regulations, corporate reporting and disclosure, accounting practices, accounting controls, auditing practices and other matters relating to fraud against stakeholders of the Company.

The Corporate Disclosure Policy and Share Trading Policy, Anti-Bribery and Anti-Corruption Policy and Whistleblower Policy will be available on the Company's website at www.steppegold.com.

Nomination of Directors

The Corporate Governance and Nominating Committee will be responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of the shareholders. See "*Corporate Governance — Other Board Committees — Corporate Governance and Nominating Committee*".

Specifically, the Corporate Governance and Nominating Committee is responsible for:

- Periodically reviewing the composition of the full Board and the various committees to determine whether additional Board or committee members with specific qualifications or areas of expertise are needed to further enhance the composition of the Board and committees and working with other Board members in attracting candidates with these qualifications.
- Identifying and reviewing the qualifications of prospective nominees for Director and recommending the slate of nominees for inclusion in the Company's information circular and presentation to the shareholders at the Annual Meeting.
- Identifying and recommending candidates qualified to become directors and on an ongoing basis, maintaining a database of potential director candidates.
- Recommending board members for appointment to committees of the Board.

The Company expects to adopt a Majority Voting Policy, whereby any nominee for election as a director who receives a greater number of votes "withheld" than votes "for" to tender his or her resignation to the chair of the Board following the shareholders' meeting to be effective upon acceptance by the Board. The Board will refer resignations to the Corporate Governance and Nominating Committee who shall consider the offer of resignation and make a recommendation to the Board on whether or not to accept it. Unless exceptional circumstances warrant the continued service of the applicable director on the Board, the Corporate Governance and Nominating Committee shall recommend acceptance of the resignation by the Board. The Board of Directors will determine whether or not to accept the resignation, after considering such resignation and will accept the resignation absent exceptional circumstances. A director who tenders his resignation pursuant to this policy will not participate in any meeting of the Board or the Corporate Governance and Nominating Committee at which the resignation is considered. Once the determination of the Board to accept or reject the director's resignation has been made, the Company shall promptly announce the Board's decision by press release.

The Majority Voting Policy will be available on the Company's website at www.steppegold.com.

Compensation

The Compensation Committee of the Board will be established to review the adequacy and form of compensation of directors and senior management as a whole and to make recommendations to the Board. See "*Executive Compensation*" and "*Executive Compensation — Compensation Committee*".

Other Board Committees

The Board of Directors does not currently expect to have any other committees on completion of the Offering other than the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is a committee of the Board comprised of a minimum of three directors, all of whom shall be independent directors. The Board has adopted a Corporate Governance and Nominating Committee Charter, which is available on the Company's website at www.steppegold.com. The responsibility of the Corporate Governance and Nominating Committee is to monitor the governance of the Board including the size, structure and membership of the Board and Board committees.

In particular, the role of the Corporate Governance and Nominating Committee, subject to applicable laws and obligations and the Company's constating documents, is to: develop and monitor the effectiveness of the Company's system of corporate governance; establish procedures for the identification of new nominees to the Board and lead the candidate selection process; develop and implement orientation procedures for new directors; assess the effectiveness of directors, the Board and the various committees of the Board; ensure appropriate corporate governance and the proper delineation of the roles, duties and responsibilities of management, the Board, and its committees; and assist the Board in setting the objectives for the CEO of the Company and evaluating CEO performance.

It is expected that the Corporate Governance and Nominating Committee will meet at least once annually and as many times as is necessary to carry out its responsibilities.

Assessments

The Corporate Governance and Nominating Committee will be responsible for implementing a process for assessing the effectiveness of the Board and its committees and for assessing the contribution of each of the Company's directors.

The Corporate Governance and Nominating Committee will monitor the performance of the Board and its committees, and considers whether the current mix of directors' skills, expertise and experience is best suited to achieve the strategic goals of the Company and carrying out the mandate of the Board.

The Board believes that a broad range of skills and expertise is necessary for the Board to discharge its responsibilities. Specific skills and expertise must be considered in the context of integrity and good judgment, together with the ability to devote sufficient time to Board affairs. See "*Corporate Governance — Other Board Committees — Corporate Governance and Nominating Committee*".

Director Term Limits and Other Mechanisms of Board Renewal

The Board believes that the need to have experienced directors who are familiar with the business of the Company must be balanced with the need for renewal and fresh perspectives when assessing management and its recommendations. The Board has implemented a formal assessment process that evaluates the performance of the Board and its committees and the skills and contribution of each director. Pursuant to the Board of Directors Charter adopted by the Company, directors are eligible to serve a maximum of 10 years on the Board. However, on a case-by-case basis, and on the recommendation of the Corporate Governance and Nominating Committee, the Board may extend a director's initial 10 year term limit by up to an additional three to five years if the director has received positive annual performance assessments and the Corporate Governance and Nominating Committee believes it is in the best interests of the Company that the director continues to serve on the Board, taking into account any factors the Corporate Governance and Nominating Committee deems material.

Diversity Policy

The Board recognizes that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of its people. To this end, the Board expects to adopt a Diversity Policy.

The Company's overall strategy includes pursuing the following objectives:

- recruit, manage and promote on the basis of an individual's competence, qualification, experience and performance, regardless of gender, age, race, nationality, religious beliefs, cultural background, sexual orientation or any other basis;
- create a workplace characterized by inclusive practices and behaviours for the benefit of all staff and stakeholders, which is free from discriminatory behaviours and business practices;

- identify relevant factors to be taken into account in the employee selection process and develop practices to limit potential unconscious bias;
- attract and retain a diverse range of talented individuals to further the Company's corporate goals;
- provide appropriate flexible work practices and policies to support employees;
- establish procedures for monitoring, encouraging and assessing diversity within the Company; and
- take action to discourage discrimination, bullying and harassment.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated November ●, 2017 (the "**Underwriting Agreement**") among the Company and the Underwriters, the Company has agreed to sell, and the Underwriters have agreed severally, and not jointly nor jointly and severally, to purchase, as principals, on the Closing Date, an aggregate of ● Offered Shares at the Offering Price for gross proceeds of $●, payable in cash to the Company against delivery of the Offered Shares. The obligations of the Underwriters under the Underwriting Agreement are several and not joint, nor joint and several, and may be terminated at their discretion on the basis of "regulatory change out", "market out", "disaster out", "material change out" and "breach out" provisions contained in the Underwriting Agreement, and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Offered Shares if any of the securities are purchased under the Underwriting Agreement. The Offering Price was determined by negotiation among the Company and Eight Capital, on its own behalf and on behalf of the Underwriters.

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part, at any time and from time to time, in the sole discretion of the Underwriters, for a period of 30 days from the Closing Date, to purchase up to an additional amount of Common Shares equal to 15% of the Offered Shares sold pursuant to the Offering, being ● Additional Offered Shares, at the Offering Price, to cover over-allotments, if any, and for market stabilization purposes. The grant of the Over-Allotment Option and the Additional Offered Shares issuable upon exercise of the Over-Allotment Option are hereby qualified for distribution under this prospectus. A purchaser who acquires Additional Offered Shares issuable on the exercise of the Over-Allotment Option acquires such Additional Offered Shares under this prospectus regardless of whether the Over-Allotment Position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' Fee and net proceeds to the Company (before payment of the expenses of the Offering) will be approximately $●, $● and $●, respectively.

Subject to applicable law, the Underwriters may, with the consent of the Company, offer to sell the Offered Shares outside of Canada, in each case in accordance with applicable laws provided that no prospectus, registration statement or similar document is required to be filed in any such jurisdiction.

Closing of the Offering is conditional on the Common Shares being approved for listing on the TSX.

Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters the Underwriters' Fee which will be to 6.0% of the gross proceeds from the issue and sale of the Offered Shares and the Additional Offered Shares, if any, in consideration of the services rendered to the Company in connection with the Offering. As additional compensation, the Company has agreed to grant to the Underwriters, Compensation Warrants to acquire, at the Offering Price, that number of Compensation Shares as is equal to 6.0% of the number of Offered Shares sold under the Offering, including any Additional Offered Shares sold on exercise of the Over-Allotment Option, for a period of 24 months from the Closing Date. The Company has also agreed to reimburse the Underwriters for their out-of-pocket fees and expenses, including the fees and expenses of their legal counsel whether or not the Offering is completed. All amounts payable to the Underwriters will be paid from the proceeds of the Offering.

The Company has agreed not to, directly or indirectly, sell, or announce its intention to sell, nor authorize or issue, or announce its intention to authorize or issue, any Common Shares or securities or other financial instruments convertible or exchangeable for or exercisable into Common Shares, or publicly announce an intention to effect any such a transaction (except in conjunction with: (1) the issuance of Offered Shares in connection with the Offering and the issuance of Additional Offered Shares pursuant to the Over-Allotment Option; (2) the grant or exercise of stock options and other similar issuances pursuant to the stock option plan of the Company and other share compensation arrangements; (3) the exercise of outstanding warrants, convertible securities or other existing contractual rights; or (4) the issuance of securities in connection with a *bona fide* acquisition by the Company) for a period starting on the Closing Date and ending on the date that is 180 days from the Closing Date without the prior written consent of the Underwriters, such consent not to be unreasonably withheld, conditioned or delayed.

Pursuant to rules and policy statements of certain Canadian securities regulatory authorities, the Underwriters may not, throughout the period of distribution under the Offering, bid for or purchase Common Shares for their own accounts or for accounts over which they exercise control or direction. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Common Shares. Such exceptions include a bid or purchase permitted under Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities, and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to applicable laws and in connection with the Offering, the Underwriters may over-allot and effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Common Shares while the Offering is in progress. These transactions may also include making short sales of Common Shares, which involve the sale by the Underwriters of a greater number of Common Shares than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount. Such transactions, if commenced, may be discontinued at any time.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Common Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of the Common Shares available for purchase in the open market compared to the price at which they may purchase Additional Offered Shares through the exercise of the Over-Allotment Option. The Underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Common Shares in the open market that could adversely affect investors who purchase the Offered Shares. Any naked short sales will form part of the Underwriters' over-allocation position. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position resulting from any covered short sales or naked short sales will, in each case, acquire such Common Shares under this Prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated upon the occurrence of certain stated events, including, but not limited to, the following: (a) there should be discovered any material fact which existed as of the date hereof but which has not been publicly disclosed which, in the opinion of any of the Underwriters, acting reasonably, has or would be expected to have a significant adverse effect on the market price or value of the Common Shares; (b) there is, in the opinion of any of the Underwriters, acting reasonably, a material change or a change in any material fact or new material fact shall arise which would be expected to have a significant adverse effect on the business, affairs, operations or profitability of the Company and/or its subsidiaries or on the market price or the value of the Common Shares; (c) there should develop, occur or come into effect any event of any nature, including, without limitation, an act of terrorism, accident, or new or change in governmental law or regulation or other condition or financial occurrence of national or international consequence, which, in the opinion of any of the Underwriters, acting reasonably, seriously adversely affects or involves, or would seriously adversely affect and involve, the financial markets in Canada or in the United States or the business, affairs, operations or profitability of the Company or its subsidiaries (taken as a whole) or the market price or value of the Common Shares; (d) any inquiry, action, suit, proceeding or investigation (whether formal or informal) including, without limitation, matters of regulatory transgression or unlawful conduct, is commenced, announced or threatened in relation to the Company, its subsidiaries or any of their respective officers or directors, which, in the opinion of any of the Underwriters, acting reasonably, operates to prevent or materially restrict the distribution or trading of the Common Shares or which has or would be expected to have a material adverse effect on the market price or value of the Common Shares; (e) any order to cease trading in securities of the Company is made or threatened by a securities regulatory authority; or (f) the Company is in breach of any material term, condition or covenant of the Underwriting Agreement or any material representation or warranty given by the Company in the Underwriting Agreement becomes or is false.

The Company has agreed, pursuant to the Underwriting Agreement, to indemnify the Underwriters and their respective affiliates and each of their respective directors, officers, employees, affiliates and agents and each Person, if any, who controls any Underwriter, and certain other related parties, harmless from and against certain losses, claims, suits, liabilities, costs, damages, or expenses, including liabilities under Canadian securities legislation in certain circumstances or to contribute to payments the Underwriters may have to make because of such liabilities.

The Underwriters propose to offer the Offered Shares initially at the Offering Price specified above. After a reasonable effort has been made to sell all of the Offered Shares at the Offering Price, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Offered Shares remaining unsold. Any such reduction will not affect the proceeds received by the Company. The Underwriters will inform the Company if the Offering Price is reduced.

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Other than pursuant to certain exceptions, the Offered Shares will be available for delivery in book-based form through CDS or its nominee and will be deposited with CDS on the Closing Date. A purchaser of Offered Shares will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS Participant through which the Offered Shares are purchased.

Book-Based System

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without prior notice. Closing is expected to take place on December ●, 2017, or such later date as may be agreed upon by the Company and the Underwriters. The Offering will be conducted under the book-based system. A subscriber who purchases Offered Shares will receive a customer confirmation from the registered dealer from or through whom Offered Shares are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Offered Shares on behalf of owners who have purchased Offered Shares in accordance with the book-based system. No certificates evidencing the Offered Shares will be issued, except in certain limited circumstances, and registration will be made in the name of the nominee of CDS.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date of this prospectus, a summary of the principal Canadian federal income tax considerations generally applicable to an investor who acquires an Offered Share pursuant to the Offering.

This summary applies only to an investor who is a beneficial owner of Offered Shares acquired pursuant to this Offering, and who, for the purposes of the Tax Act, and at all relevant times, deals at arm's length with the Company and the Underwriters, is not affiliated with the Company or the Underwriters, and who acquires and holds the Offered Shares as capital property (a "**Holder**"). Generally, the Offered Shares will be considered to be capital property to a Holder thereof provided that the Holder does not use the Offered Shares in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder: (i) that is a ''financial institution'' for purposes of the ''mark-to-market'' rules in the Tax Act; (ii) that is a ''specified financial institution'' as defined in the Tax Act; (iii) that is a partnership; (iv) where an interest in such Holder would be a ''tax shelter investment'' as defined in the Tax Act; (v) that has elected to determine its Canadian tax results in a foreign currency pursuant to the functional currency reporting rules in the Tax Act; (vi) that is exempt from tax under Part I of the Tax Act; or (vii) that has entered or will enter into, in respect of Offered Shares, a ''synthetic disposition arrangement'' or a ''derivative forward agreement'' as those terms are defined in the Tax Act. This summary does not address the deductibility of interest by any Holder who borrows money to acquire Offered Shares pursuant to this Offering. **All such Holders should consult their own tax advisors with respect to an investment in Offered Shares.**

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Offered Shares, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Offered Shares.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder ("**Regulations**") in force as of the date hereof, counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") and all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"). This summary assumes that the Tax Proposals will be enacted substantially as proposed; however, no assurance can be given that the Tax Proposals will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or the CRA's administrative policies or assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations. This summary assumes that the Company is at all material times a "taxable Canadian corporation" within the meaning of the Tax Act.

On July 18, 2017, the Minister of Finance (Canada) released a consultation paper that included an announcement of the Government's intention to amend the Tax Act to, among other things, increase the amount of tax applicable to certain investment income earned through a private corporation (the "**July 2017 Tax Proposals**"). Legislative proposals are expected to be released by the Minister of Finance (Canada) following the consultation process for the July 2017 Proposals. This summary does not address the potential implications of the July 2017 Tax Proposals. **Holders should consult their tax advisors with respect to the implications of the July 2017 Tax Proposals as they relate to the acquisition and holding of Offered Shares.**

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations that may apply to an investment in Offered Shares. The income and other tax consequences of acquiring, holding or disposing of Offered Shares will vary depending on a purchaser's particular status and circumstances, including the country, province or territory in which the Holder resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. No representations are made with respect to the income tax consequences to any particular Holder. Holders should consult their own tax advisors for advice with respect to the income tax considerations that apply to investing in Offered Shares, including the application and effect of the income and other tax laws of any applicable country, province, state or local tax authority, having regard to their own particular circumstances.

Holders Resident in Canada

The following section of this summary is generally applicable to a Holder who, for the purposes of the Tax Act, is or is deemed to be resident in Canada at all relevant times ("**Resident Holder**").

A Resident Holder whose Offered Shares might not otherwise qualify as capital property may be entitled to make an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Offered Shares, and every other "Canadian security" (as defined in the Tax Act), held by such Resident Holder, in the taxation year of the election and each subsequent taxation year to be capital property. **Resident Holders should consult their own tax advisors regarding this election.**

Dividends

Dividends received or deemed to be received on the Offered Shares will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as defined in the Tax Act). An enhanced dividend tax credit will be available to individuals in respect of "eligible dividends" designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act.

Dividends received or deemed to be received by a Resident Holder that is a corporation on the Offered Shares must be included in computing its income but generally will be deductible in computing its taxable income. A Resident Holder that is a "private corporation" or a "subject corporation" (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Offered Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income.

In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. **Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.**

Dispositions of Shares

Upon a disposition (or a deemed disposition) of a Share, a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Capital Gains and Capital Losses

A Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Offered Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstances specified by the Tax Act. Similar rules may apply where a Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year which will include taxable capital gains.

Alternative Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. Resident Holders should consult their own advisors with respect to the application of the alternative minimum tax.

Holders Not Resident in Canada

The following section of this summary is generally applicable to Holders who for the purposes of the Tax Act: (i) have not been, and will not be deemed, to be resident in Canada at any time while they hold the Offered Shares; and (ii) do not use or hold the Offered Shares in carrying on a business in Canada ("**Non-Resident Holders**").

Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere. Such Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company will be subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the *Canada-United States Tax Convention (1980)*, as amended (the "**Treaty**"), the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty and fully entitled to benefits under the Treaty (a "**U.S. Holder**") is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a corporation beneficially owning at least 10% of the Company's voting shares). Not all persons who are residents of the United States will qualify for the benefits of the Treaty. **Non-Resident Holders are advised to consult their tax advisors in this regard.**

Dispositions of Offered Shares

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Share, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Share constitutes "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Provided the Offered Shares are listed on a "designated stock exchange", as defined in the Tax Act (which includes the TSX), at the time of disposition, the Offered Shares generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) one or any combination of the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the Offered Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law a right in, any such property, whether or not such property exists. Notwithstanding the foregoing, a Share may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act in certain circumstances. A Non-Resident Holder's capital gain (or capital loss) in respect of a disposition of Offered Shares that constitute or are deemed to constitute taxable Canadian property to a Non-Resident Holder (and are not "treaty-protected property" as defined in the Tax Act) will generally be computed in the manner described above under the subheading "Holders Resident in Canada — Dispositions of Offered Shares”.

Non-Resident Holders whose Offered Shares may be taxable Canadian property should consult their own tax advisors regarding the tax and compliance considerations that may be relevant to them. There may be additional considerations not described herein in respect of a disposition of a Share by a Non-Resident Holder to the Company. Non-Resident Holders who dispose of Offered Shares to the Company should consult their own tax advisors.

RISK FACTORS

An investment in the Offered Shares involves a number of risks, including risks inherent in the industry in which the Company operates. Any one or more of such risk factors could have a material adverse effect on our business, results of operations and financial condition, causing you to lose all or part of your investment.

The risks and uncertainties described below are not the only ones faced by the Company. Additional risks and uncertainties that the Company is not aware of or focused on, or currently deems to be immaterial, may also impair the Company's business operations and cause the price of the Company's Common Shares to decline.

Risks Related to Offering

Use of Proceeds

The Company currently intends to use the net proceeds received from the Offering (including on any exercise of the Over-Allotment Option) as described under "*Use of Proceeds*". However, the Company has broad discretion over the actual use of the net proceeds, and may elect to allocate net proceeds differently from that described under "*Use of Proceeds*" if determined to be in the Company's best interests to do so. Shareholders may not agree with the manner in which the Company chooses to allocate and spend the net proceeds. The failure by the Company to use the net proceeds effectively could have a material adverse effect on the Company's business.

Dilution

The Company may sell or issue additional Common Shares or other securities in the future to finance future activities, including its growth strategy. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares. Issuances of substantial numbers of Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices of the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

The Common Shares are Subject to Market Price Volatility

The market price at which the Common Shares will trade cannot be predicted. The market price of the Common Shares may be adversely affected by a variety of factors relating to our business, including fluctuations in operating and financial results.

In addition, the stock markets in general have recently experienced extreme volatility. This volatility may adversely affect the market price of the Common Shares. The liquidity of the Common Shares may also be impacted by general market volatility.

Investment Eligibility

There can be no assurance that the Offered Shares will continue to be qualified investments under relevant Canadian tax laws for trusts governed by RRSPs, RRIFs, deferred profit sharing plans, registered education savings plans, registered disability savings plans and TFSAs. The Tax Act imposes penalties for the acquisition or holding of nonqualified or prohibited investments. See "*Eligibility for Investment*".

There is no existing public market for the Common Shares

There is currently no existing public market for the Common Shares. The Common Shares are not currently listed or quoted on any stock exchange or market in Canada or elsewhere. If an active trading market does not develop, the trading price of the Common Shares may decline, and investors may have difficulty selling any of the Offered Shares that they purchase or acquire by way of the Offering. Prior to the Offering, there has been no public trading market for the Common Shares, and the Company cannot offer assurances that one will develop or be sustained after the Offering. The Company cannot predict the prices at which the Common Shares will trade. The Offering Price will be determined by arm's length negotiation between the Company and the Underwriters and may not bear any relationship to the market price at which the Common Shares will trade after the Offering, or to any other established criteria of the Company's value. Shares of companies often trade at a discount to the initial offering price due to sales loads, underwriting discounts and related offering expenses.

A purchaser of the Offered Shares under the Offering will purchase such shares at a substantial premium to the current book value per Common Share

The Offering Price of $• per Common Share is substantially higher than the current book value per share of the Common Shares issued prior to the Closing. As a result, purchasers of Offered Shares pursuant to the Offering will experience immediate dilution.

The Company does not intend to pay dividends

The Company has not, since the date of its incorporation, declared or paid any dividends or other distributions on its Common Shares. The Company anticipates that, for the foreseeable future, it will retain its cash resources for the operation and development of its business. The declaration and payment of any dividends in the future is at the discretion of the Board and will depend on numerous factors, including compliance with applicable laws, financial performance, working capital requirements of the Company and such other factors as its directors consider appropriate, and the Company may never paydividends.

Book-Based System

Unless and until certificated Offered Shares are issued in exchange for book-entry interests in the Offered Shares, owners of the book-entry interests will not be considered owners or holders of Offered Shares. Instead, the depository or its nominee will be the sole holder of the Offered Shares. Unlike holders of the Offered Shares themselves, owners of book-based interests will not have the direct right to act upon the Company's solicitations or requests or other actions from holders of the Offered Shares. Instead, holders of beneficial interests in the Offered Shares will be permitted to act only to the extent such holders have received appropriate proxies to do so from CDS or, if applicable, a CDS participant. There is no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of beneficial interests in the Offered Shares to vote on any requested actions on a timely basis. See "*Plan of Distribution – Book-Based System*".

Risks Related to Company and its Business

Fluctuation of Metal Prices

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in a deposit will be such that the Company's properties can be mined at a profit. The Company is particularly exposed to the risk of movement in the price of silver. Declining market prices for gold, silver, lead and zinc could have a material effect on the Company's profitability, and the Company's policy is not to hedge its exposure to gold or silver.

No Assurance of Profitability

The Company has no history of earnings and due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is through the sale of its securities, short-term high-cost borrowing, or the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings, short-term borrowing or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Resource Exploration and Development is a Speculative Business

Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, and government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Uncertainty of Reserve and Resource Estimates

There are numerous uncertainties inherent in estimating quantities of Mineral Reserves and grades of mineralization, including many factors beyond our control. In making determinations about whether to advance any of our projects to development, we must rely upon estimated calculations as to the Mineral Reserves and grades of mineralization on our properties. Until ore is actually mined and processed, Mineral Reserves and grades of mineralization must be considered as estimates only. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling which may prove to be unreliable. We cannot assure you that Mineral Reserves, Mineral Resources or other mineralization estimates will be accurate, or mineralization can be mined or processed profitably. Any material changes in Mineral Reserves estimates and grades of mineralization will affect the economic viability of placing a property into production and a property’s return on capital. The estimates of Mineral Reserves and Mineral Resources have been determined and valued based on various assumptions including future prices, cut-off grades and operating costs and various geological and lithographical interpretations that may prove to be inaccurate. The Technical Report has made a number of recommendations for additional work and studies to be conducted to increase the confidence in the Mineral Reserves and Mineral Resources. Such work and studies, if completed, may not have a positive outcome and could adversely affect the current estimates of Mineral Reserves and Mineral Resources. Extended declines in market prices for gold, silver and other precious metals may render portions of our mineralization uneconomic and result in reduced reported Mineral Reserves. Any material reductions in estimates of mineralization, or of our ability to extract this mineralization, including estimates made in the Technical Report, could have a material adverse effect on our results of operations or financial condition.

Surface Rights and Access

Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming.

It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate.

Mine Development Risk

The Company's ability to bring the ATO Project into production is based on estimates of future operating costs and capital requirements contained in the Technical Report. Such estimates are based on a set of assumptions current as at the date of completion of these studies. The realised operating and capital costs achieved by the Company may differ substantially owing to factors outside the control of the Company, including currency fluctuations, supply and demand factors for the equipment and supplies, global commodity prices, transport and logistics costs and competition for human resources. Though the Company incorporates a level of contingency in its assumptions, these may not be adequate depending on market conditions.

Further, the Company relies on certain key third-party suppliers and contractors for equipment, raw materials and services used in, and the provision of services necessary for, the development of the ATO Project. As a result, the Company's ability to complete the development of the ATO Project is subject to numerous risks, some of which are outside of the Company's control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen events and failure of a supplier or contractor to perform under its agreement with the Company. The occurrence of one or more of these risks could materially delay or prevent the development of the ATO Project which could have a material adverse effect on the Company's business, results of operations and financial position.

Operating Hazards and Other Uncertainties

The Company's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including:

- environmental hazards;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- labour disputes and shortages;
- supply and shipping problems and delays;
- shortage of equipment and contractor availability;
- unusual or unexpected geological or operating conditions;
- fire;
- changes in the regulatory environment; and
- natural phenomena such as inclement weather conditions, floods and earthquakes.

These or other occurrences could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company could also incur liabilities as a result of pollution and other casualties all of which could be very costly and could have a material adverse effect on the Company's financial position and results of operations.

Title to the ATO Project may be disputed

Although the Company has received title opinions for the ATO Project there is no guarantee that title to such properties will not be challenged or impugned. The Company's claims may be subject to prior unregistered agreements or transfers and title may be affected by unidentified or unknown defects. The Company has conducted an investigation on the title of properties that it has acquired to confirm that there are no claims or agreements that could affect its title to its mineral tenure or surface rights. There is no guarantee that such title will not be challenged or impaired. If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company. Title insurance generally is not available for mineral tenure or surface rights and the Company's ability to ensure that it has obtained secure claim to title may be constrained.

Liquidity and Financing

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Disruptions in the capital and credit markets as a result of uncertainty, geo-political events, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

The ability of the Company to drawdown the Second Upfront Deposit under its Stream Agreement with Triple Flag Bermuda is subject to a number of conditions precedent, some of which are outside of the control of the Company. In addition, pursuant to the Stream Agreement the Company is subject to a number of financial and other covenants. If the Company breaches a covenant contained in the Stream Agreement, it may constitute an event of default thereunder failing receipt of a waiver in respect of such breach, and as a result the Company could lose its interest in, or could be forced to sell, some or all of its properties and be subject to monetary damages. If either of these events were to occur, they could have a material adverse effect on the Company.

The Company has pledged a material portion of its assets as security

Pursuant to the Stream Agreement, the Company has pledged substantially all of the assets comprising the ATO Project as security to Triple Flag Bermuda. In addition, the Company has pledged the shares of Steppe Mongolia to Centerra Mongolia as security for the Guarantee. The existence of the security could inhibit the ability of the Company to raise debt or other financing in the future on reasonable terms if at all. In the event that either Triple Flag Bermuda or Centerra Mongolia realize on its security, the Company could lose its interest in the ATO Project, which would have a material adverse effect on the Company.

The Company is subject to restrictive covenants that limit its ability to operate its business

The Company's subsidiaries are subject to certain affirmative and restrictive covenants contained in the Stream Agreement. The Stream Agreement contains operating and financial covenants that could restrict the Company and its subsidiaries' ability to, among other things: incur additional indebtedness needed to fund its respective operations; pay dividends or make certain other distributions; make investments; create liens; sell or transfer assets; or enter into transactions with affiliates. Compliance with the covenants contained in the Stream Agreement may impair the Company's ability to finance future operations or capital. The restrictions on the Company's ability to manage its business in management's sole discretion could adversely affect the Company's business by, among other things, limiting its ability to take advantage of business opportunities that management believes would be beneficial to the shareholders and limiting its ability to adjust to changing market conditions.

Enforcement of Legal Rights

The Company's material subsidiaries are organized under the laws of foreign jurisdictions and certain of the Company's directors, management personnel and experts are located in foreign jurisdictions. Given that the Company's material assets and certain of its directors, management personnel and experts are located outside of Canada, investors may have difficulty in effecting service of process within Canada and collecting from or enforcing against the Company or its directors, officers and experts, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada.

The Company will require additional permits for the ATO Project

The Company intends to advance the ATO Project to production but will require additional permits to construct and operate the mine. The operations of the Company require licenses and permits from various governmental authorities. The Company currently has or in the process of applying for all permits and licences that it believes are necessary to carry out its current exploration and development operations at its projects. The Company may require additional licences or permits in the future and there can be no assurance that the Company will be able to obtain all such additional licenses and permits. In addition, there can be no assurance that any existing licences and permits will be renewable if and when required or that such existing licences and permits will not be revoked.

Mining Industry is Intensely Competitive

The Company's business is the acquisition, exploration, development, and exploitation of mineral properties. The mining industry is intensely competitive and the Company competes with other companies that have far greater financial resources, more significant investments in capital equipment and mining infrastructure for the ongoing development, exploration and acquisition of mineral interests, as well as for the recruitment and retention of qualified employees.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Company's business.

The Company does not currently maintain insurance coverage to cover potential losses, liabilities and damages related to its business.

The Company’s business is subject to a number of risks and hazards (as further described herein). The Company does not currently maintain insurance to protect against the potential risks associated with its activities, including any future mining operations. If the Company does in the future maintain insurance in such amounts as it considers to be reasonable, such insurance may not cover all the potential risks associated with its activities, including any future mining operations. The Company may not be able to obtain or maintain insurance to cover its risks at economically feasible premiums, or at all. Even if the Company obtained insurance, such insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration or production may not be available to the Company on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it is does not insure against or in future may not insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs which could have a material adverse effect on Company’s business, financial condition, results of operations or prospects.

Government Regulation

Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes, health and safety, and employment standards. As indicated above, the Company requires permits and licenses from a variety of governmental authorities. The Company's mining, exploration and development projects could be adversely affected by amendments to such laws and regulations, by future laws and regulations, by more stringent enforcement of current laws and regulations, by changes in policies affecting foreign trade, investment, mining and repatriation of financial assets, by shifts in political attitudes and by exchange controls and currency fluctuations. The Company cannot predict the extent to which future legislation and regulation could cause additional expense, capital expenditures, restrictions, and delays in the development of its properties, including those with respect to unpatented mining claims. Further, there can be no assurance that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Environmental Matters

Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit the mining properties is subject to various reporting requirements and to obtaining certain government approvals and there is no assurance that such approvals, including environmental approvals, will be obtained without inordinate delay or at all.

Environmental legislation is evolving in a manner which will require, in certain jurisdictions, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. No certainty exists that future changes in environmental regulation, if any, will not adversely affect the Company's operations or development properties. Environmental hazards may exist on the Company's properties which are unknown to management at present and which have been caused by previous owners or operators of the properties.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of exploration properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Decommissioning and Site Rehabilitation Costs

The costs of performing the decommissioning and reclamation must be funded by the Company's operations. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

The Company is subject to legal and political risk in Mongolia

The Company's primary projects and interests are located in Mongolia, where mineral exploration and mining activities may be affected in varying degrees by political instability, economic conditions, expropriation or nationalization of property and changes in government regulations such as foreign investment laws, tax laws, business laws, environmental laws and mining laws, affecting the Company's business in this country. Government policy may change to discourage foreign investment, nationalization of the mining industry may occur and other government limitations, restrictions or requirements may be implemented. There can be no assurance that the Company’s assets will not be subject to nationalization, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body. In addition, there can be no assurance that neighbouring countries’ political and economic policies in relation to Mongolia will not have adverse economic effects on the development of the Company’s assets, including with respect to ability to access power, transport and sell products and access construction labour, supplies and materials. The political, social and economic environment in Mongolia presents a number of serious risks, including: uncertain legal enforcement; invalidation, confiscation, expropriation or rescission of governmental orders, permits, licences, agreements and property rights; the effects of local political, labour and economic developments, instability and unrest; corruption, requests for improper payments or other corrupt practices; and significant or abrupt changes in the applicable regulatory or legal climate.

There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would be effective to restore the full value of the Company’s original investment or to compensate for the loss of the current value of its assets. The Company may be affected in varying degrees by, among other things, government regulations with respect to restrictions on foreign ownership, state ownership of Strategic Deposits, royalties, production, price controls, export controls, income and other taxes, expropriation of property, employment, land use, water use, environmental legislation, mine safety and annual fees to maintain mining licences in good standing. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. There may be ambiguities, inconsistencies and anomalies in the agreements, licences and title documents through which the Company holds its assets, or the underlying legislation upon which those assets are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of the Company’s rights and obligations. Mongolian institutions and bureaucracies responsible for administering laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. Many laws have been enacted, but in many instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary and unfair manner, while legal remedies may be uncertain, delayed or unavailable. In addition, the Company's licences, permits and assets are often affected in varying degrees, by political instability and governmental regulations and bureaucratic processes, any one or more of which could preclude the Company from carrying out business activities fairly in Mongolia. Legal redress for such actions, if available, is uncertain and can often involve significant delays.

Mongolia is classified by Global Edge as having a risk rating of D: "a high-risk political and economic situation and an often very difficult business environment can have a very significant impact on corporate payment behavior". Mongolia is rated as having a country risk of 6 on a scale of 7 by the OECD Country risk classification report dated June 23, 2017. On June 29, 2016, Mongolian People's Party (previously the opposition party) won an overwhelming majority with 65 seats out of 76 seats in the Parliament. On June 26, 2017, a presidential election was held in Mongolia and won by Mr. Battulga Khaltmaa from Democratic Party. The inauguration of President Battulga Khaltmaa was held on July 10, 2017. When a new government is formed as a result of a Parliamentary election, the government bureaucracy is often restructured. Most government careers are obtained through patronage, loyalty to a political party or politician. These changes can result in gaps in services and the placing unqualified or unskilled people, which can have a negative impact on business operating in Mongolia.

Recent and future amendments to Mongolian laws could adversely affect the Company's interests.

The Government of Mongolia has put in place a framework and environment for foreign direct investment. However, there are political constituencies within Mongolia that have espoused ideas that would not be regarded by the international mining community as conducive to foreign investment if they were to become law or official government policy. This was evidenced by revisions to the Minerals Law in 2006 as well as by the 2012 passage of legislation to control foreign direct investment in strategic sectors of the Mongolian economy, including mining.

In October 2011, Prime Minister Batbold stated in his 2012 budget speech that the Government of Mongolia is revisiting all treaties for the avoidance of double taxation, including the 2002 convention between Canada and Mongolia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital (the "**Canadian Double Tax Treaty**").

On November 2, 2013, an Investment Law came into effect in Mongolia. The law is aimed at reviving foreign investment by easing restrictions on investors (including foreign and domestic) in key sectors such as mining and by providing greater certainty on the taxes they must pay and certain guarantees in relation to their investments in Mongolia. The full impact of the Investment Law is still not yet known.

On January 16, 2014, the Mongolian Parliament adopted a new State Minerals Policy. The main focus of the policy is to establish a stable investment environment; improve the quality of mineral exploration, mining and processing; encourage the use of environmentally friendly and modern technology; and strengthen the competitiveness of the Mongolian mining sector on the international market. The State Minerals Policy is also intended to serve as the basis for amendments to the existing Minerals Law and other laws relating to the mining sector. On July 1, 2014, the Mongolian Parliament passed the 2014 Amendments to the Minerals Law. In addition, the Mongolian Parliament also passed a separate law which repeals the 2010 statute which imposed a moratorium on the granting of new exploration licences and the transfer of existing licences. The 2014 Amendments extend the maximum period for an exploration licence from 9 years to 12 years (although it ended the three year pre-mining period sometimes given to licence holders upon the expiration of their exploration rights), extend the requirement for holders of mining licences to ensure that 90% of their workforce is comprised of Mongolian nationals to the mining licence holder's subcontractors as well, make clearer the roles and responsibilities of government ministries and departments with respect to mineral matters, modify the definition of Strategic Deposit to reflect its impact on the national economy and not regional economy, and provide for some instances where a tender may not be required to obtain minerals licences where state funding has been used if related to compensation for declaring a special needs area, among other changes.

On February 18, 2015, the Mongolian Parliament adopted the 2015 Amendment, which permits a licence holder to negotiate with the Government of Mongolia with respect to an exchange of the Government's 34% (50% in cases where exploration has been funded by the State budget) equity interest in a licence holder with a Strategic Deposit for an additional royalty payable to the Government. The amount of the royalty payment would vary depending on the particulars of the Strategic Deposit but cannot exceed 5%. The rate of this royalty payment shall be approved by the Government of Mongolia. The full impact of the 2015 Amendment is not yet known.

On November 20, 2016, the Mongolian Parliament adopted the 2016 Amendment, which introduces the term “derivative deposit” and applicable regulations for mining/exploitation of derivative deposits. Mining/exploitation of a derivative deposit by a licence holder or any other contracted third party (with the licence holder) is subject to licence. Further, the 2016 Amendment sets the royalty payment for mining/exploitation of a derivative deposit at 2.5% of the sales value, with an additional royalty of between 0% and 5% for gold if it is sold other than to the Central Bank of Mongolia.

The Ministry of Mining is currently working on a draft mining law, aimed at regulating the mining sector in greater detail in Mongolia. The Ministry plans to propose this law to Parliament in 2017 for adoption. If adopted, the draft mining law could adversely affect the Company’s interests. It is not possible to determine when, if ever, this draft law will be adopted and in what form.

The Ministry of Finance and certain Members of Parliament have released draft laws and draft amendments to the tax legislation of Mongolia which include provisions related to the taxation of foreign legal entities operating in Mongolia and minerals companies in general. If certain provisions of these amendments were adopted by Parliament as currently drafted, they could adversely affect the Company's interests. It is not possible to determine when, if ever, these amendments would be adopted and in what form.

If the Government of Mongolia revises, amends or cancels the Canadian Double Tax Treaty; if the Investment Law, State Minerals Policy, 2014 Amendments, 2015 Amendment, 2016 Amendment or new mining law are implemented or interpreted in a manner that is not favourable to foreign investment or the Company’s interests; or if new tax laws or amendments to tax laws are adopted that are not favourable to foreign investment or the Company’s interests, it could have an adverse effect on the Company’s operations in Mongolia and future cash flow, earnings, results of operations and financial condition as well as the Company’s share price.

The Government of Mongolia could determine that any one or more of the Company’s projects in Mongolia is a Mineral Deposit of Strategic Importance.

Under the 2006 Minerals Law, the Parliament of Mongolia has wide discretion to designate mineral deposits to be “Mineral Deposits of Strategic Importance”. The Government of Mongolia is empowered to participate on an equity basis with the licence holder in the exploitation and/or mining of each Mineral Deposit of Strategic Importance on terms to be negotiated between the Government of Mongolia and such licence holder. Details of any minerals reserves must be filed by the relevant licence holder with the Government of Mongolia, and those deposits on the Strategic Deposits List represent most of the largest and highest profile deposits in Mongolia. In addition to deposits currently on the Strategic Deposits List and the additional Tier 2 Deposits List, the Parliament of Mongolia may at any time designate other deposits not yet currently on such Lists to be Mineral Deposits of Strategic Importance, add such deposits to either the Strategic Deposits List or the Tier 2 Deposits List and, in the former case, commence negotiations with the relevant licence holder with respect to the terms under which the Government of Mongolia will take an interest in such deposit. While the Government of Mongolia is in the process of adding the exact location and coordinates for each Mineral Deposit of Strategic Importance, a number of deposits on the Strategic Deposits List are identified by name only with no indication of the latitude and longitude coordinates for the deposit, and it is therefore not always possible to precisely determine the intended geographic area covered by each designated Mineral Deposit of Strategic Importance or to accurately determine whether or not any given licence area is within, or overlaps, a Mineral Deposit of Strategic Importance.

Under the 2006 Minerals Law, the size of the Government of Mongolia’s participation is determined largely by the level of state funding which has been provided for the exploration and development of any deposit, with the Government of Mongolia entitled to participate up to 50% in the event that there has been state funding of such deposit and up to 34% if there has not. However, the 2006 Minerals Law is very vague as to the details and method by which the Government of Mongolia will take its interest and the final arrangements in respect of the Government of Mongolia’s interest in each Mineral Deposit of Strategic Importance, including the amount of compensation to be paid to the licence holder and the actual form of the Government of Mongolia’s interest are subject to negotiation between the Government of Mongolia and the licence holder.

The 2006 Minerals Law also contains provisions requiring any company which holds a Mineral Deposit of Strategic Importance to list no less than 10% of its shares on the Mongolian Stock Exchange.

In recent years there have been a number of proposed amendments to the 2006 Minerals Law suggested by various parties, many of which have centered on amending the 2006 Minerals Law to increase the Government of Mongolia’s participating interest in excess of 50%. While the 2006 Minerals Law provides that the interest of the Government of Mongolia should take the form of an equity interest, based on past practice, and depending on the results of individual negotiations, the interest may be in the form of production or profit sharing or some other arrangement negotiated between the licence holder and the Government of Mongolia. There can be no assurance that legislation will not be enacted which further strengthens the Government of Mongolia's right to participate in privately held mineral resources in Mongolia.

None of the deposits covered by the Company's existing mining licences or exploration licences are currently designated as Mineral Deposits of Strategic Importance. However, there can be no assurance that any one or more of these deposits will not be so designated in the future, in which case the Company's business and results of operations may be materially and adversely affected.

Compliance with Anti-Corruption Laws

The Company's operations are governed by, and involve interaction with, many levels of government in Mongolia. The Company is subject to various anti-corruption laws and regulations such as the Canadian Corruption of Foreign Public Officials Act, which prohibit a company and its employees or intermediaries from bribing or making improper payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. The ATO Project is located in Mongolia and, according to Transparency International, Mongolia is perceived as having fairly high levels of corruption relative to Canada. The Company cannot predict the nature, scope or effect of future regulatory requirements to which the Company's operations might be subject or the manner in which existing laws might be administered or interpreted.

Failure to comply with the applicable anti-corruption laws and regulations could expose the Company and its senior management to civil or criminal penalties or other sanctions, which could materially and adversely affect the Company's business, financial condition and results of operations. Likewise, any investigation of any alleged violations of the applicable anti-corruption legislation by Canadian or foreign authorities could also have an adverse impact on the Company's business, reputation, financial condition and results of operations. Although the Company has adopted policies to mitigate such risks, such measures may not be effective in ensuring that the Company, its employees or third-party agents will comply with such laws.

Dependence upon Others and Key Personnel

The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including the ability to produce minerals; the ability to attract and retain additional key personnel in sales, marketing, technical support and finance; and the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of personnel and consultants hired or retained by the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend.

Currency Fluctuations

The Company maintains its accounts in Canadian and US dollars and Mongolian Tughrik. The Company's operations are in Mongolia and some of its payment commitments and exploration expenditures under the various agreements governing its rights to the ATO Project are denominated in US dollars, making these rights subject to foreign currency fluctuations. Such fluctuations may materially affect the Company's financial position and results. The Company engages in limited currency hedging and price protection programs to manage such risk, but there is no certainty that such activities will be sufficient to hedge against significant or prolonged currency fluctuations in the future.

Price Fluctuations and Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual severe fluctuations in price will not occur.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The primary source of funds available to the Company is from equity financing. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, to support its exploration plans, and to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalent. Management believes the credit risk on cash and cash equivalents is very low since the Company's cash and cash equivalents balance are held at large international financial institutions with strong credit ratings.

The Company is exposed to credit risk from its customer, which is a large multi-national corporation operating in the mining and oil & gas industries. Accounts receivable are subject to normal industry credit risks and are considered low.

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration, development and mining opportunities in the resource industry. As a result, the Company may from time to time acquire additional mineral properties or securities of issuers which hold mineral properties. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

Conflicts of Interest

Certain directors and officers are directors and/or officers of other mineral exploration companies and as such may, in certain circumstances, have a conflict of interest, if any, which arise will be subject to and governed by procedures prescribed by the Company's governing corporate law statute which requires a director of a corporation who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with the company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under such legislation.

Prolonged periods of severe weather conditions could materially and adversely affect the Company’s business and results of operations.

Severe weather conditions may require the Company to evacuate personnel or curtail operations and may cause damages to the project site, equipment or facilities, which could result in the temporary suspension of operations or generally reduce the Company’s productivity. Severe weather conditions have not caused any delay or damages to the Company’s operations to date. However, there can be no assurance that severe weather will not occur. Any damages to the Company’s projects or delays in its operations caused by prolonged periods of severe weather could materially and adversely affect its business and results of operations.

The Company will incur reporting requirements, rules and regulations affecting public issuers

As a public issuer, the Company will be subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company’s securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Company’s legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

In particular, as a result of the Offering, the Company will become subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*, which requires annual management assessment of the effectiveness of the Company’s internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations will place significant demands on the Company as well as on the Company's management, administrative, operational and accounting resources.

PROMOTER

Matthew Wood, the President and CEO of the Company, took the initiative in founding and organizing the Company and in pursuing the acquisition of the ATO Project on behalf of the Company and may be considered to be the promoter of the Company within the meaning of applicable securities legislation. To the Company's knowledge, as at the date of this prospectus, Mr. Wood beneficially holds, controls or directs, directly or indirectly through Whistling Kite Equity Limited, a corporation controlled by Mr. Wood, 950,062 Common Shares, representing approximately 3.27% of the outstanding Common Shares on a non-diluted basis prior to giving effect to the Offering. Other than any remuneration Mr. Wood has and will receive in connection with his role as President, CEO and a director of the Company, Mr. Wood has not and will not receive anything of value, including money, property, contracts, options or rights of any kind from the Company or from a subsidiary of the Company. See " *Business of the Company*", "*Directors and Executive Officers*", "*Statement of Executive Compensation*" and "*Options to Purchase Securities*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To our knowledge, there are no legal proceedings or regulatory actions material to us to which we are a party, or to which we have been a party since our incorporation, or of which any property of the Company is or has been the subject matter of, since the beginning of the financial year ended December 31, 2016, and no such proceedings are known by us to be contemplated. There have been no penalties or sanctions imposed against us by a court relating to provincial or territorial securities legislation or by any securities regulatory authority, there have been no penalties or sanctions imposed by a court or regulatory body against us and we have not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with any securities regulatory authority since our incorporation.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than disclosed elsewhere in this prospectus, no director, executive officer of the Company or shareholder of the Company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares, or any of their respective associates or affiliates:

- has any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the Company within the three years preceding the date of this prospectus; or
- was or is to be an underwriter or is associates, affiliates or partners or a person or company that was or is to be an underwriter.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditors

MNP LLP, located at 111 Richmond Street West, Suite 300 Toronto, Ontario M5H 2G4, are the auditors of the Company and have confirmed that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Shares is TMX Trust Company at its principal offices located in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, as of the Closing, the only material contracts which the Company has entered or will enter into are set out below. Copies of such agreements will be available under the Company's profile on SEDAR at www.sedar.com.

- Core Purchase Notes (see "*Acquisition of the ATO Project*");
- Stream Agreement (See "*Recent Developments – Metals Stream*");
- Investor Rights Agreement (See "*Recent Developments – Metals Stream*");

- Underwriting Agreement (see "*Plan of Distribution*");
- Guarantee Agreement (see "*Acquisition of the ATO Project"*); and
- Security Sharing Agreement (see "*Acquisition of the ATO Project"*).

INTEREST OF EXPERTS

MNP LLP, the auditors of the Company and who prepared the auditors' report accompanying the financial statements of the Company as at and for the period ended December 31, 2016 have confirmed that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

KPMG LLP, the auditors who prepared the auditors' report accompanying the carve-out financial statements of the ATO Project as at December 31, 2016, December 31, 2015 and January 1, 2015 and for the three years ended December 31, 2016, have confirmed that they are independent of the ATO Project within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

All scientific and technical information relating to the Company's ATO Project contained in this prospectus is solely derived from the report entitled "Altan Tsagaan Ovoo Gold Project, Tsagaan Ovoo, Dornod, Mongolia" dated August 20, 2017, which was prepared for the Company by Oyungerel Bayanjargal, MAusIMM of Glogex Consulting LLC. Oyungerel Bayanjargal, MAusIMM is an independent "Qualified Person" as defined in National Instrument 43-101 – *Standard of Disclosure for Mineral Projects*.

The aforementioned firm and persons each held less than 1% of the outstanding securities of the Company or of any associate or affiliate of the Company when they prepared the aforementioned report or following the preparation of the report, and did not receive any direct or indirect interest in any securities of the Company or any associate or affiliate of the Company in connection with the preparation of the report.

Certain legal matters relating to the Offering will be passed upon by Peterson McVicar LLP on behalf of the Company and Bennett Jones LLP on behalf of the Underwriters. As at the date of this prospectus, the partners and associates of each of Peterson McVicar LLP and Bennett Jones LLP who participated in or were in a position to directly influence the preparation of the opinions of their respective firms, as respective groups, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares, and such groups respectively each own less than 1% of the outstanding securities of any associate or affiliate of the Company.

PURCHASERS' STATUTORY AND CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies of rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Purchasers should refer to any applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor.

APPENDIX A

AUDIT COMMITTEE CHARTER

This charter governs the operations of the Audit Committee (the "**Committee**") of Steppe Gold Ltd. (the "**Company**"). The purpose, composition, responsibilities, and authority of the Committee are set out in this Charter.

This Charter and the Articles of the Company and such other procedures, not inconsistent therewith, as the Committee may adopt from time to time, shall govern the meetings and procedures of the Committee.

1. Purpose

The Committee shall provide assistance to the Board of Directors of the Company (the "**Board**") in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to:

(a) the integrity of the Company's financial statements;

(b) the financial reporting process;

(c) the systems of internal accounting and financial controls;

(d) financial risk management;

(e) the performance of the Company's internal audit function (if applicable) and independent auditors;

(f) the independent auditors' qualifications and independence; and

(g) the Company's compliance with ethics policies and legal and regulatory requirements.

2. Composition

The Committee shall be composed of at least three (3) directors of the Company (the "**Members**"), each of whom is "independent" as defined by applicable Canadian laws and regulations as well as the rules of relevant stock exchanges.

All Members shall be "financially literate" as defined in National Instrument 52-110 – *Audit Committees* or any successor policy, meaning that the director has the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Company's financial statements.

Members shall be appointed by the Board and shall serve until they resign, cease to be a director, or are removed or replaced by the Board.

3. Authority

The Committee is authorized to carry out its responsibilities as set out in this Charter, and to make recommendations to the Board arising therefrom.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage, and to set and pay the compensation of, independent accountants, legal counsel and other advisers as it determines necessary to carry out its duties.

The Committee may also communicate directly with the auditors, legal and other advisors, management and employees of the Company to carry out its responsibilities and duties set out in this Charter.

The Company shall pay directly or reimburse the Committee for the expenses incurred by the Committee in carrying out its responsibilities.

4. Responsibilities

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour. The following shall be the principal direct responsibilities of the Committee:

(a) Appointment and termination (subject, if applicable, to shareholder ratification), compensation, and oversight of the work of the independent auditors, including resolution of disagreements between management and the auditors regarding financial reporting. The Committee shall arrange for the independent auditors to report directly to the Committee.

(b) Pre-approve all audit and non-audit services provided by the independent auditors and not engage the independent auditors to perform the specific non-audit services prohibited by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

(c) At least annually, obtain and review a report by the independent auditors describing:

  (i) The firm's internal control procedures.

  (ii) Any material issues raised by the most recent internal control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

  (iii) All relationships between the independent auditor and the Company (to assess the auditor's independence).

(d) Establish clear hiring policies for employees, partners, former employees and former partners of the current and former independent auditors of the Company that meet the requirements of applicable securities laws and stock exchange rules.

(e) Discuss with the auditors, the overall scope and plans for audits of the Company's financial statements, including the adequacy of staffing and compensation. Ensure there is rotation of the audit partner having primary responsibility for the independent audit of the Company at such intervals as may be required.

(f) Discuss with management and the auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (e.g. Company's Code of Business Conduct and Ethics).

(g) Periodically meet separately with management and the auditors to discuss issues and concerns warranting Committee attention. The Committee shall provide sufficient opportunity for the auditors to meet privately with the members of the Committee, which shall at minimum include an *in camera* meeting following each quarterly meeting. The Committee shall review with the auditor any audit problems or difficulties and management's response.

The processes set forth represent a guide with the understanding that the Committee may supplement them as appropriate.

5. Chair Responsibilities

The Chair of the Committee shall provide leadership to the Committee to enhance the Committee's effectiveness and ensure adherence to this Charter:

(a) Convene and preside over Committee meetings and ensure they are conducted in an efficient, effective and focused manner that promotes meaningful discussion;

(b) Assist management with the preparation of an agenda and ensure that meeting materials are prepared and disseminated in a timely manner and is appropriate in terms of relevance, efficient format and detail; and

(c) Adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition and management of meetings;

(d) Ensure that the Committee has sufficient time and information to make informed decisions; and

(e) Provide leadership to the Committee and management with respect to matters covered by this mandate.

The Committee shall designate one of its Members as chair of the Committee (the "**Chair**").

The Corporate Secretary of the Company, or the individual designated as fulfilling the function of Secretary of the Company, will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Committee. In the absence of the Corporate Secretary at any meeting, the Committee will appoint another person who may, but need not, be a Member to be the secretary of that meeting.

6. Specifically Delegated Duties

For purposes of this Charter, specific accounting, financial and treasury related duties delegated to the Committee by the Company's Board of Directors include:

Accounting and Financial

(a) Receive regular reports from the independent auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

(b) Where applicable, review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditor's report on management's assertion.

(c) Review and discuss annual and interim earnings press releases before the Company publicly discloses this information.

(d) Review and approve the interim quarterly unaudited financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and, where applicable, the independent auditors prior to the filing of the Company's Quarterly Report or their inclusion in any filing with regulatory authorities. Also, the Committee shall discuss the results of the quarterly review, if any, and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

(e) Review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Annual Report to shareholders and any other filing with regulatory authorities, including their judgment about the quality, not just the acceptability of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.

(f) The Committee shall discuss any matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards and shall specifically review with the independent auditors, upon completion of their audit:

   (i) the contents of their report;

   (ii) the scope and quality of the audit work performed;

   (iii) the adequacy of the Company's financial and auditing personnel;

   (iv) co-operation received from the Company's personnel during the audit;

   (v) significant transactions outside of the normal business of the Company; and

   (vi) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems.

(g) Establish procedures for the review of the public disclosure of financial information extracted from the financial statements of the Company.

(h) Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Approve investment policies and appoint investment managers, where appropriate, for the Company's retirement and other funded benefit plans.

Perform such other duties in respect of financial matters as, in the opinion of the Board, should be performed by the Committee.

7. Meetings and Proceedings

The Committee shall meet as frequently as required, but not less than four times each year. Any Member or the independent auditors of the Company may call a meeting of the Committee.

The agenda of each meeting of the Committee will include input from the independent auditors, directors, officers and employees of the Company as appropriate. Meetings will include presentations by management, or professional advisers and consultants when appropriate, and will allow sufficient time to permit a full and open discussion of agenda items.

Forty-eight (48) hours advance notice of each meeting will be given to each Member verbally, by telephone or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by conference call. Any Member may call a meeting of the Committee.

The independent auditors of the Company are entitled to attend and be heard at meetings of the Committee where there is approval of the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Annual Report to shareholders and any other filing with regulatory authorities. For certainty, the independent auditors of the Company may still be requested by the Committee to attend other meetings of the Committee, from time to time.

The quorum for each meeting of the Committee is a majority of the Members. The Chair of the Committee shall chair each meeting. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The chair of a meeting shall not have a second or casting vote.

The Chair of the Committee or his delegate shall report to the Board following each meeting of the Committee.

The Secretary or his delegate shall keep minutes of all meetings of the Committee, including all resolutions passed by the Committee. Minutes of meetings shall be distributed to the Members and the other directors of the Company after preliminary approval thereof by the Chair of the Committee.

The Committee shall meet regularly, at a minimum quarterly, alone to facilitate full communication.

8. Self-Assessment

The Committee and the Board shall annually assess the effectiveness of the Committee with a view to ensuring that the performance of the Committee accords with best practices.

The Committee shall review and reassess this Charter at least annually and obtain the approval of the Company's Board for any changes.

Last approved: October 2, 2017

Approved by: Board of Directors

APPENDIX B

BOARD OF DIRECTORS MANDATE

The Board of Directors (the "**Board**") of Steppe Gold Ltd. (the "**Company**") is responsible for the stewardship of the business and affairs of the Company. The Board seeks to discharge this responsibility by reviewing, discussing and approving the Company's strategic plans, annual budgets and significant decisions and transactions as well as by overseeing the senior officers of the Company in their management of its day-to- day business and affairs. The Board's primary role is to oversee corporate performance and assure itself of the quality, integrity, depth and continuity of management so that the Company is able to successfully execute its strategic plans and complete its corporate objectives. The composition, responsibilities, and authority of the Board are set out in this Mandate.

This Mandate and the Articles of the Company and such other procedures, not inconsistent therewith, as the Board may adopt from time to time, shall govern the meetings and procedures of the Board.

1. Composition

1.1 The directors of the Company ("**Directors**") should have a mix of competencies and skills necessary to enable the Board and Board committees to properly discharge their responsibilities.

1.2 The Corporate Governance and Nominating Committee will annually (and more frequently, if appropriate) recommend candidates to the Board for election or appointment as Directors, taking into account the Board's conclusions with respect to the appropriate size and composition of the Board and Board committees, the competencies and skills required to enable the Board and Board Committees to properly discharge their responsibilities, and the competencies and skills of the current Board.

1.3 The Board approves the final choice of candidates.

1.4 The shareholders of the Company elect the Directors annually.

1.5 The Board has determined that a majority of the Directors will be "independent" as defined by applicable Canadian laws and regulations as well as the rules of relevant stock exchanges, all as set out in the Company's Director Independence Policy.

1.6 The Board will appoint a Chair from among its members. If the Chair is not independent, the Board will designate one of the independent Directors as the Lead Director to facilitate the functioning of the Board independently of management of the Company. The Chair and, if appointed, the Lead Director, shall hold office at the pleasure of the Board until successors have been duly appointed or until the Chair or Lead Director, as applicable, resign, or are otherwise removed from office by the Board.

1.7 The Corporate Secretary of the Company, or the individual designated as fulfilling the function of Secretary of the Company, will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Board. In the absence of the Corporate Secretary at any meeting, the Board will appoint another person who may, but need not, be a Member to be the secretary of that meeting.

2. Responsibilities

2.1 The Board is responsible for supervising the management of and setting strategic direction for the business and affairs of the Company and its subsidiary entities (the "**Group**").

2.2 In discharging their responsibilities, the Directors owe the following fiduciary duties to the Company:

(a) *a duty of loyalty*: they must act honestly and in good faith with a view to the best interests of the Company; and

(b) *a duty of care*: they must exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

2.3 In discharging their responsibilities, the Directors are entitled to rely on the honesty and integrity of the senior officers of the Company and the independent auditors and other professional advisers of the Company, subject to the Directors' duty of care.

2.4 In discharging their responsibilities, the Directors are also entitled to directors' and officers' liability insurance purchased by the Company and indemnification from the Company to the fullest extent permitted by law and the constating documents of the Company.

2.5 The Board has specifically recognized its responsibilities for:

(a) hiring a Chief Executive Officer (the "**CEO**") and other senior officers who it believes will act with integrity and create a culture of ethical business conduct throughout the Group;

(b) adopting a strategic planning process and approving annually (or more frequently if appropriate) a strategic plan which takes into account, among other things, the opportunities and risks of the business of the Company;

(c) overseeing the identification of the principal risks of the business of the Company and overseeing the implementation of appropriate systems to manage these risks;

(d) overseeing the integrity of the internal control and management information systems of the Company;

(e) succession planning, including (with assistance from the CEO) appointing, training, monitoring and replacing the senior officers of the Company;

(f) ensuring that the Company operates at all times within applicable laws and regulations and to the highest ethical standards;

(g) approving and monitoring compliance with significant policies and procedures by which the Company is operated;

(h) developing strong corporate governance policies and procedures for the Company;

(i) ensuring the Company has in place a disclosure policy to enable the Company to communicate effectively with its shareholders, other stakeholders and the public generally and receive shareholder feedback;

(j) ensuring that the Company's financial results are reported fairly and in accordance with generally accepted accounting standards; and

(k) ensuring the timely reporting of any other developments that have a significant and material impact on the value of the Company.

2.6 It is expected that each director must be able to devote sufficient time to discharge their responsibilities effectively. In order to facilitate this, the Board has adopted a policy limiting the number of boards considered appropriate for directors, having regard to whether they are independent directors or members of management. Specifically, in the case of the CEO, he shall not sit on more than two outside public company boards in addition to that of the Company, and in the case of a non-management director, he shall not sit on more than five outside public company boards in addition to that of the Company.

2.7 Directors are expected to attend Board meetings, meetings of Board committees of which they are members and, where practicable, the annual meeting of the shareholders of the Company. Directors are also expected to spend the time needed, and to meet as frequently as necessary, to discharge their responsibilities.

2.8 Directors are expected to comply with the Code of Business Conduct and Ethics of the Company and any related policies or codes duly approved dealing with business conduct and ethics.

3. Authority

3.1 The Board is authorized to carry out its responsibilities as set out in this Mandate.

3.2 The Board is authorized to retain, and to set and pay the compensation of independent legal counsel and other advisers if it considers this appropriate.

3.3 The Board is authorized to invite officers and employees of the Company and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings, if it considers this appropriate.

3.4 The Directors will have unrestricted access to the officers and employees of the Company. The Directors will use their judgment to ensure that any such contact is not disruptive to the operations of the Company and will, to the extent appropriate, advise the Chief Executive Officer of the Company of any direct communications between them and the officers and employees of the Company.

3.5 The Board and the Directors have unrestricted access to the advice and services of the Corporate Secretary and outside auditors and legal counsel.

3.6 The Board may delegate certain of its functions to Board committees, each of which may have its own charter or mandate. The following committees are currently constituted and are authorized to carry out the duties set out in their respective charters or mandates:

Board Committee	**Charter or Mandate**
Audit Committee	Audit Committee Charter
Compensation Committee	Compensation Committee Charter
Corporate Governance and Nominating Committee	Corporate Governance and Nominating Committee Charter

4. Delegation to Management

4.1 To assist the Directors in discharging their responsibilities, the Board expects management of the Company to:

(a) review and update annually (or more frequently if appropriate) the Company's strategic plan, and report regularly to the Board on the implementation of the strategic plan in light of evolving conditions;

(b) prepare and present to the Board annually (or more frequently if appropriate) a business plan and budget, and report regularly to the Board on the Company's performance against the business plan and budget;

(c) report regularly to the Board on the Company's business and affairs and on any matters of material consequence for the Company and its shareholders;

(d) speak for the Company in its communications with shareholders and the public in accordance with the Company's Disclosure Policy;

(e) comply with any additional expectations that are developed and communicated during the annual strategic planning and budgeting process and during regular Board and Board committee meetings; and

(f) consult the Board with respect to all matters which by law require Board approval and, specifically, as to those matters set out in any delegation of authority policy or other similar directive.

4.2 The Board expects the Chief Executive Officer to fulfill the mandate, duties and responsibilities as set out in the Chief Executive Officer Mandate (**Schedule "A"**).

5. Meetings and Proceedings

5.1 Board meetings and proceedings shall be carried out in accordance with the Company's By-Law Number 1.

5.2 The Secretary or his delegate shall keep minutes of all meetings of the Board, including all resolutions passed by the Board. Minutes of meetings shall be distributed to the Directors after preliminary approval thereof by the Chair.

5.3 An individual who is not a Director may be invited to attend a meeting of the Board for all or part of the meeting.

5.4 The independent Directors shall meet regularly alone to facilitate full communication.

6. Self-Assessment

6.1 The Board shall, together with the Corporate Governance and Nominating Committee, at least annually, assess the Board's effectiveness with a view to ensuring that the performance of the Board accords with best practices.

6.2 The Board shall annually review this Mandate and update it as required.

7. Responsibilities of Chair

7.1 The Chair shall provide leadership to the Board to enhance the Board's effectiveness, including:

(a) ensuring that the responsibilities of the Board are well understood by both management and the Board and acting as a liaison between the Board and management to ensure that relationships between the Board and management are conducted in a professional and constructive manner;

(b) ensuring that the Board works as a cohesive team with open communication;

(c) ensuring that the resources available to the Board (in particular, timely and relevant information) are adequate to support its work;

(d) together with the Corporate Governance and Nominating Committee, ensuring that a process is in place by which the effectiveness of the Board and its committees (including size and composition) is assessed at least annually; and

(e) together with the Corporate Governance and Nominating Committee, ensuring that a process is in place by which the contribution of individual directors to the effectiveness of the Board is assessed at least annually.

7.2 The Chair is responsible for managing the Board, including:

(a) preparing the agenda of the Board meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;

(b) chairing all meetings of the Board in a manner that promotes meaningful discussion;

(c) adopting procedures to ensure that the Board can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;

(d) ensuring meetings are appropriate in terms of frequency, length and content;

(e) ensuring that, where functions are delegated to appropriate committees, the functions are carried out and results are reported to the Board; and

(f) working with the Corporate Governance and Nominating Committee in approaching potential candidates once potential candidates are identified, to explore their interest in joining the board.

(g) fulfills the mandate and responsibilities as set out in the position description for the Chairman of the Board (**Schedule "B"**).

7.3 The Chair is responsible for chairing the meeting of shareholders of the Company, or delegating such duty to an appropriate member of the Board or Management.

7.4 The Chair is responsible for liaising with and, where appropriate, providing direction to the activities of the Corporate Secretary.

7.5 At the request of the Board, the Chair shall represent the Company to external groups such as shareholders and other stakeholders, including community groups and governments.

7.6 The Chair may delegate or share, where appropriate, certain of the above responsibilities with any independent committee of the Board.

Last approved: October 2, 2017

Approved by: Board of Directors

FINANCIAL STATEMENTS

The following financial statements are included in this prospectus:

STEPPE GOLD LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FROM OCTOBER 5, 2016

(DATE OF INCORPORATION)

TO

DECEMBER 31, 2016

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of Steppe Gold Ltd.:

We have audited the accompanying consolidated financial statements of Steppe Gold Ltd., which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of loss and comprehensive loss and cash flows for the period from October 5 (date of incorporation) to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Steppe Gold Ltd. as at December 31, 2016 and its financial performance and its cash flows for the period from October 5 (date of incorporation) to December 31, 2016, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw your attention to Note 1 of the consolidated financial statements which indicate that Steppe Gold Ltd. incurred a net loss and comprehensive loss of $660,151 during the period from October 5 (date of incorporation) to December 31, 2016. Steppe Gold Ltd. also had a negative cash flows from operations of $35,235. These conditions, along with the matters set out in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the ability to continue as a going concern.

MNP LLP

Toronto, Ontario
June 23, 2017

Chartered Professional Accountants
Licensed Public Accountants

STEPPE GOLD LTD.

Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

As at December 31,		2016
ASSETS		
Current assets		
Cash	$	347,562
Receivables and other assets (note 7)		40,333
Total assets	$	387,895
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and other liabilities (notes 8 and 12)	$	234,199
Total liabilities		234,199
Shareholders' equity		
Share capital (note 9)		580,008
Shares to be issued (note 13)		233,839
Accumulated other comprehensive income		2,994
Deficit		(663,145)
Total shareholders' equity		153,696
Total liabilities and shareholders' equity	$	387,895

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

Nature of operations and going concern (note 1)
Events after the reporting period (note 13)

Approved on behalf of the Board:

(Signed) "Aneel Singh Waraich" , Director

(Signed) "Matthew Gaden Western Wood" , Director

STEPPE GOLD LTD.

Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

From October 5, 2016 (date of Incorporation) to December 31, 2016

Operating expenses		
Exploration and evaluation expenditures (note 10)	**$**	**426,642**
Management compensation (note 12)		**188,917**
Travel		**15,068**
Professional fees		**24,075**
Office and general		**8,294**
Foreign exchange loss		**149**
Net loss before taxes		**(663,145)**
Provision for income tax		**-**
Net loss		**(663,145)**
Other comprehensive loss		
Amounts that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment		**2,994**
Net loss and comprehensive loss	**$**	**(660,151)**
Basic and diluted net loss per common share	**$**	**(0.08)**
Weighted average number of common shares outstanding - basic and diluted		**8,800,000**

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

STEPPE GOLD LTD.

Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

From October 5, 2016 (date of Incorporation) to December 31, 2016		
Operating activities		
Net loss for the period	$	(663,145)
Adjustments for:		
Exploration and evaluation expenditures incurred by a related party		420,901
Changes in non-cash working capital items:		
Receivables and other assets		(27,190)
Amounts payable and other liabilities		234,199
Net cash used in operating activities		(35,235)
Financing activities		
Issue of common shares		13,221
Shares to be issued		233,839
Advance from related party		132,743
Net cash provided by financing activities		379,803
Effect of exchange rate changes on cash held in foreign currency		2,994
Net increase in cash		347,562
Cash, beginning of period		-
Cash, end of period	$	347,562

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

STEPPE GOLD LTD.

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
From October 5, 2016 to December 31, 2016

	Number of shares	Share capital	Shares to be issued	Accumulated other comprehensive income	Deficit	Total
Balance, October 5, 2016 (date of incorporation)	-	$ -	$ -	$ -	$ -	$ -
Shares issued (note 9)	8,800,000	580,008	-	-	-	580,008
Shares to be issued	-	-	233,839	-	-	233,839
Comprehensive loss for the period	-	-	-	2,994	(663,145)	(660,151)
Balance, December 31, 2016	**8,800,000**	**$ 580,008**	**$ 233,839**	**$ 2,994**	**$ (663,145)**	**$ 153,696**

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

1. Nature of operations and going concern

Steppe Gold Ltd. (the "Company" or "Steppe") was incorporated under the laws of the Ontario Business Corporations Act by Articles of Incorporation dated October 5, 2016. The Company is domiciled in Canada and its registered office is located at Peterson McVicar LLP, 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2. The Company is focused on operating, developing, exploring and acquiring gold properties primarily in Mongolia. At the date of these consolidated financial statements, the Company has not yet discovered any deposits, nor has it earned any income.

Steppe is at an early stage of operating, developing, exploring and acquiring gold properties and as is common with many small companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company has a working capital balance of $153,696 at December 31, 2016. For the period ended December 31, 2016, the Company had a net loss and comprehensive loss of $663,145 and had cash outflows from operations of $35,235. These circumstances cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable production in the future. The Company is currently evaluating various options in order to address its financing needs. There can be no assurance that the Company's financing activities will continue to be successful or sufficient.

Longer term, the Company may pursue opportunities to raise additional capital through equity markets; however, there can be no assurance it will be able to raise funds in the future. The ultimate ability of the Company to remain a going concern and complete exploration and development of properties, if properties are proven successful, is dependent upon successfully raising additional capital.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

2. Significant accounting policies

(a) 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”), effective for the Company’s reporting for the period ended December 31, 2016. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 23, 2017.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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 note 2(m).

2. Significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary "Steppe Gold" LLC, 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.

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 an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(d) Functional and presentation currency

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency. As of December 31, 2016, the functional currency was determined to be the Mongolian dollar for it's wholly-owned subsidiary.

(e) Financial instruments

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL") which are measured at fair value through profit or loss, 'available-for-sale' financial assets which are measured at fair value through comprehensive income, 'held-to-maturity investments' and 'loans and receivables' which are measured at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Company's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash	FVTPL
Amounts receivable	Loans and receivables

Financial liabilities:	**Classification:**
Amounts payable and other liabilities	Other financial liabilities

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted.
Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(f) Cash

Cash includes cash on hand and with a Canadian chartered bank and a financial institution in Mongolia.

(g) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant accounting policies (continued)

(h) Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(i) Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(j) Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environment costs as at December 31, 2016.

(k) Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

(l) 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.

2. Significant accounting policies (continued)

(m) Critical accounting estimates and judgments

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.

i) Critical accounting estimates

Share-based payments – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the volatility and expected life of the instruments.

ii) Critical judgments in applying accounting policies

Going concern – The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

Functional currency – The assessment of the Company's functional currency and the functional currency of it's wholly-owned subsidiary involves judgment regarding the primary economic environment the Company and it's wholly-owned subsidiary operates in.

(n) Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after the Company's period end. Many are not applicable or do not have a significant impact on the Company and so have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015. The Company is still in the process of assessing the impact of this pronouncement.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(n) Recent accounting pronouncements (continued)

(ii) IFRS 16 Leases (New) - In January 2016, the IASB issued a new IFRS on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the ACSB in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the new standard on its results of operations, financial position and disclosures.

3. Subsidiary

The following companies have been consolidated within the audited annual consolidated financial statements:

Company	Registered	Principal activity
Steppe Gold Ltd.	Canada	Parent company
"Steppe Gold" LLC [1]	Mongolia	Development company

[1] 100% owned by ultimate shareholder - Steppe Gold Ltd.

4. Capital risk management

The Company includes equity, comprising issued share capital and deficit, in the definition of capital, which as at December 31, 2016, totaled $153,696.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration commitments. To secure the additional capital necessary to continue with the exploration of mineral properties, the Company may attempt to raise additional funds through the issuance of debt or equity. The Company is not subject to any capital requirements imposed by a lending institution.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares and adjusting capital spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company's capital management objectives, policies and processes have remained unchanged during the period ended December 31, 2016.

There were no changes in the Company's process, policies and approach to capital management during the period ended December 31, 2016.

5. Financial instruments and risk factors

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).

5. Financial instruments and risk factors (continued)

(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 and amounts receivable. Cash is held with a Canadian chartered bank and a financial institution in Mongolia, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of December 31, 2016. Management believes that the credit risk with respect to these amounts receivable is minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2016, the Company had cash of $347,562 to settle current liabilities of $234,199. All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company obtained its financing through private placements. Negative trends in the general equity market and the fall in commodity prices can adversely impact the Company's ability to obtain financing at favourable terms. If the Company cannot obtain the necessary financing to fund its operating and exploration activities, the Company might not be able to continue as a going concern entity.

There can be no assurance that additional financing, if and when required, will be available or on terms acceptable to the Company.

(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

The Company has cash balances. The Company's current policy is to invest surplus cash in high yield savings accounts with a Canadian chartered bank with which it keeps its bank accounts. As at December 31, 2016, the Company did not have any surplus cash. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company also has significant balances in US and Mongolian dollars that are subject to foreign currency risk.

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and other liabilities that are denominated in US and Mongolian dollars. Sensitivity to a plus or minus 5% change in the foreign exchange rate of the US and Mongolian dollar compared to the Canadian dollar would affect net loss by approximately $17,000 with all other variables held constant.

(Expressed in Canadian Dollars)

6. Fair value measurements

In reference to note 2(e), assets and liabilities measured at fair value on a recurring basis and categories of financial instruments are as follows:

(a) Assets and liabilities measured at fair value on a recurring basis:

As at December 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate fair value
Cash	$ 347,562	$ -	$ -	$ 347,562

(b) Categories of financial instruments:

	2016 Carrying amount
Financial assets:	
Cash	**$ 347,562**
Amounts receivable	**40,333**
	$ 387,895
Financial liabilities:	
Amounts payable and other liabilities	**$ 234,199**

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's amounts receivable and amounts payable and other liabilities approximates fair value due to their short-term maturity.

7. Amounts receivable and other assets

	2016
Amounts receivable	**$ 13,333**
Prepaids	**27,000**
	$ 40,333

(Expressed in Canadian Dollars)

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.

		2016
Amounts payable	$	**4,126**
Accrued liabilities		**230,073**
Total amounts payable and other liabilities	$	**234,199**

The following is an aged analysis of the amounts payable and other liabilities:

		2016
Less than 90 days	$	**234,199**

9. Share capital

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares		Amount
Balance, October 5, 2016	**-**	**$**	**-**
Shares issued [(i)]	8,800,000		580,008
Balance, December 31, 2016	**8,800,000**	**$**	**580,008**

(i) During the period, Garrison Capital (UK) Limited and Garrison Capital (Dubai) (collectively “Garrison”), companies controlled by key management of the Company, entered into an agreement for $263,640 (USD 200,000) on behalf of the Company, to support in a potential transaction with Centerra Gold Mongolia LLC relating to the acquisition of certain mining and exploration licenses relating to the Altan Tsagaan Ovoo project located in Dornod aimag, Mongolia. In addition, Garrison advanced funds of $132,743 to Steppe Gold LLC and the Company incurred business development expenses to Garrison of $157,261. Garrison raised $553,651 in funds in contemplation of the Company being set up as such the Company issued 8,400,000 shares at US$0.05 to the individuals that advanced the funds. See notes 10 and 13.

10. Exploration and evaluation expenditures

From October 5, 2016 (date of incorporation) to December 31, 2016		
Exclusive agreement [(1)]	$	**263,640**
Business development [(1)]		**157,262**
Professional fees		**5,740**
Total exploration and evaluation expenditures	**$**	**426,642**

[(1)] See notes 9 and 13.

(Expressed in Canadian Dollars)

11. Income tax

The provision for income tax differs from the amount that would have resulted by applying the combined Canadian statutory tax rate of 26.5% due to the following:

From October 5, 2016 (date of incorporation) to December 31, 2016	
Loss before income tax	$ (663,145)
Statutory tax rate	26.5%
Tax benefit of statutory rate	(175,733)
Differences due to foreign tax rate	1,875
Permanent differences	113,060
Tax benefits not recognized	60,798
Total tax recovery	$ -

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements as they are not probable to be recovered.

Deductible (taxable) temporary differences	December 31, 2016
Tax loss carry-forwards	$ 236,501

As at December 31, 2016, the Company has the unclaimed non-capital losses of $236,501 that expire as follows:

Expires	2024	$ 11,364
	2036	225,137
		$ 236,501

As at December 31, 2016, the Company has NIL exploration and development expenditures available for deduction against taxable income.

12. Related party transactions

(a) On October 5, 2016, 3,100,000 of the founder shares were subscribed by directors or companies related to the directors of the Company. Specifically, Bataa Tumur-Ochir and Aneel Waraich, directors of the Company subscribed for 800,000 and 400,000 common shares of the Company, respectively. In addition, Whistling Kite Equity Limited subscribed for 200,000 founder shares which is controlled by Matthew Gaden Western Wood, a director of the Company and Gemstar Investment Limited subscribed for 1,700,000 founder shares which is controlled by Brian Keith McMaster, a director of the Company.

(b) Management fees paid, or otherwise accrued, to key management personnel (defined as the Chief Executive Officer ("CEO") and directors) totaled $148,650. As at December 31, 2016, key management personnel was owed $148,650 and these amounts were included in accounts payable and other liabilities. The Chief Financial Officer (“CFO”) is also part of key management. Fees paid to the CFO were paid to Marrelli Support Services Inc. (“Marrelli Support”) as disclosed below.

12. Related party transactions (continued)

(c) During the period ended December 31, 2016, the Company expensed professional fees and disbursements of $8,000 to Marrelli Support, an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the CFO of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters and these amounts are included in professional fees. As at December 31, 2016, Marrelli Support was owed $8,000 and these amounts were included in amounts payable and accrued liabilities.

(d) See notes 9 and 10 for transactions with a company controlled by the CEO.

13. Event after the reporting period

(a) On January 31, 2017, the Company and its Mongolian subsidiary, Steppe Gold LLC, entered into definitive agreements with Centerra Gold Mongolia LLC to acquire Centerra's Altan Tsagaan Ovoo Project, located in Eastern Mongolia for a purchase price of US$19,800,000. The Company paid US$800,000 in cash upon signing of the definitive agreements and will be required to satisfy the balance on closing of the acquisition by paying US$9,000,000 in cash and issuing two US$5 million non-interest bearing promissory notes. One of the notes will be due 12 months from closing and the second will be due 24 months from closing. The non-interest bearing promissory notes are secured by the shares of Steppe Gold LLC in the event of default. The closing of the transaction is conditional upon the completion by the Company of a going-public transaction and is to be completed on or prior to September 30, 2017.

(b) On May 4, 2017, the Company closed its private placement and issued 6,396,640 common shares at US$0.05 for proceeds of $319,832.

(c) On May 5, 2017, the Company closed its private placement and issued 8,212,421 common shares at US$0.25 for proceeds of $2,053,105, of which $233,839 was included in shares to be issued at December 31, 2016.

STEPPE GOLD LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2017

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

STEPPE GOLD LTD.

Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

		June 30, 2017		December 31, 2016
ASSETS				
Current assets				
Cash	**$**	**1,280,663**	$	347,562
Receivables and other assets (note 3)		**48,880**		40,333
Total current assets		**1,329,543**		387,895
Deposit for the Altan Tsagaan Ovoo Project (note 4)		**1,038,160**		-
Uudam Khundii property (note 5)		**661,267**		-
Property and equipment (note 6)		**10,579**		-
Total assets	**$**	**3,039,549**	$	387,895
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Amounts payable and other liabilities (notes 7 and 10)	**$**	**492,493**	$	234,199
Total liabilities		**492,493**		234,199
Shareholders' equity				
Share capital (note 9)		**3,722,253**		580,008
Shares to be issued (note 9(b)(iii))		**1,234,047**		233,839
Accumulated other comprehensive (loss) income		**(15,625)**		2,994
Deficit		**(2,393,619)**		(663,145)
Total shareholders' equity		**2,547,056**		153,696
Total liabilities and shareholders' equity	**$**	**3,039,549**	$	387,895

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

Nature of operations and going concern (note 1)
Events after the reporting period (note)

Approved on behalf of the Board:

(Signed) "Aneel Singh Waraich" , Director

(Signed) "Matthew Gaden Western Wood" , Director

STEPPE GOLD LTD.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended June 30, 2017	Six months ended June 30, 2017
Operating expenses		
Exploration and evaluation expenditures (note 8)	$ 453,128	$ 562,528
Management compensation (note 10)	290,966	444,633
Professional fees	290,286	321,495
Office and general	139,311	214,847
Travel	70,211	124,733
Investor relations	16,154	73,917
Depreciation	3,527	3,527
Foreign exchange gain	(23,195)	(15,206)
Net loss	(1,240,388)	(1,730,474)
Other comprehensive loss		
Amounts that may be reclassified subsequently to profit and loss		
Cumulative translation adjustment	41,384	18,619
Net loss and comprehensive loss for the period	$ (1,281,772)	$ (1,749,093)
Basic and diluted net loss per common share	$ (0.07)	$ (0.13)
Weighted average number of common shares outstanding - basic and diluted	17,860,484	13,355,271

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

STEPPE GOLD LTD.

Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

Six Months Ended June 30, 2017	
Operating activities	
Net loss for the period	**$ (1,730,474)**
Adjustments for:	
Depreciation	**3,527**
Shares for services	**423,118**
Changes in non-cash working capital items:	
Receivables and other assets	**(8,547)**
Amounts payable and other liabilities	**258,294**
Net cash used in operating activities	**(1,054,082)**
Investing activities	
Purchase of furniture	**(14,106)**
Deposit for the Altan Tsagaan Ovoo Project (note 4)	**(1,042,400)**
Acquisition costs for the Uudam Khundii property (note 5)	**(661,267)**
Net cash used in investing activities	**(1,717,773)**
Financing activities	
Issue of common shares (note 9)	**2,576,127**
Shares to be issued	**1,390,000**
Cost of issue	**(246,792)**
Net cash provided by financing activities	**3,719,335**
Effect of exchange rate changes on cash held in foreign currency	**(14,379)**
Net increase in cash	**933,101**
Cash, beginning of period	**347,562**
Cash, end of period	**$ 1,280,663**

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

STEPPE GOLD LTD.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of shares		Share capital		Shares to be issued		Accumulated other comprehensive income		Deficit		Total
Balance, December 31, 2016	**8,800,000**	**$**	**580,008**	**$**	**233,839**	**$**	**2,994**	**$**	**(663,145)**	**$**	**153,696**
Private placements (note 9(b)(ii)(iii))	14,609,061		3,142,245		(233,839)		-		-		2,908,406
Shares to be issued (note 11)	-		-		1,480,839		-		-		1,480,839
Shares to be issued - cost of issue	-		-		(246,792)		-		-		(246,792)
Comprehensive loss for the period	-		-		-		(18,619)		(1,730,474)		(1,749,093)
Balance, June 30, 2017	**23,409,061**	**$**	**3,722,253**	**$**	**1,234,047**	**$**	**(15,625)**	**$**	**(2,393,619)**	**$**	**2,547,056**

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

1. Nature of operations and going concern

Steppe Gold Ltd. (the "Company" or "Steppe") was incorporated under the laws of the Ontario Business Corporations Act by Articles of Incorporation dated October 5, 2016. The Company is domiciled in Canada and its registered office is located at Peterson McVicar LLP, 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2. The Company is focused on operating, developing, exploring and acquiring gold properties primarily in Mongolia. At the date of these unaudited interim condensed consolidated financial statements, the Company has not yet earned any income.

Steppe is at an early stage of operating, developing, exploring and acquiring gold properties and as is common with many small companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company has a working capital balance of $837,050 at June 30, 2017. For the six months ended June 30, 2017, the Company had a net loss of $1,730,474 and had cash outflows from operations of $1,054,082. These circumstances cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable production in the future. The Company is currently evaluating various options in order to address its financing needs. There can be no assurance that the Company's financing activities will continue to be successful or sufficient.

Longer term, the Company may pursue opportunities to raise additional capital through equity markets; however, there can be no assurance it will be able to raise funds in the future. The ultimate ability of the Company to remain a going concern and complete exploration and development of properties, if properties are proven successful, is dependent upon successfully raising additional capital.

These unaudited interim condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee. These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS issued and outstanding as of November 2, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements as at December 31, 2016 and for the period from October 5, 2016 (date of incorporation) to December 31, 2016, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these unaudited interim condensed consolidated financial statements. These adjustments could be material.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

New accounting policies

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Period	Method
Furniture	2 years	Straight line

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

Subsidiaries

The Company included the accounts of Steppe West LLC ("Steppe West"), a newly incorporated Mongolian entity. Steppe West was formed by Bataa Tumir-Ochir, an officer and director of the Company, for the benefit of the Company. The shares of Steppe West were transferred to the Company on October 11, 2017. In addition, the Company included Steppe Investments Limited ("Steppe BVI"), a company incorporated under the Business Corporations Act, 2004 of the British Virgin Islands on June 19, 2017.

Recent accounting pronouncements

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015. The Company is still in the process of assessing the impact of this pronouncement.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Recent accounting pronouncements (continued)

(ii) IFRS 16 Leases (New) - In January 2016, the IASB issued a new IFRS on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the ACSB in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the new standard on its results of operations, financial position and disclosures.

3. Amounts receivable and other assets

	June 30, 2017	December 31, 2016
Accounts receivable	**$ 21,258**	$ 13,333
Prepaids	**27,622**	27,000
	$ 48,880	$ 40,333

4. Altan Tsagaan Ovoo Project

On January 31, 2017, the Company and its Mongolian subsidiary, Steppe Gold LLC ("Steppe Mongolia"), entered into definitive agreements with Centerra Gold Mongolia LLC ("Centerra Mongolia") to acquire Centerra Mongolia's Altan Tsagaan Ovoo Project ("ATO Project"), located in Eastern Mongolia for a purchase price of US$19,800,000. The Company paid US$800,000 ($1,038,160) in cash upon signing of the definitive agreements and will be required to satisfy the balance on closing of the acquisition by paying US$9,000,000 in cash and issuing two US$5 million non-interest bearing promissory notes. One of the notes will be due 12 months from closing and the second will be due 24 months from closing. The non-interest bearing promissory notes are secured by the shares of Steppe Mongolia in the event of default. See note 11(b).

Centerra Mongolia and Steppe entered into a guarantee agreement dated January 31, 2017 pursuant to which Steppe guaranteed all of the obligations of Steppe under the Licence Purchase Agreement and Steppe agreed to assume the obligations of the Company for the 1.75% net smelter returns royalty payable to Cogegobi LLC in respect of products extracted from the ATO mining licence.

The Company has capitalized the initial deposit towards the acquisition of the ATO Project in accordance with its policy to capitalize the acquisition costs of mineral exploration properties.

5. Uudam Khundii property

On May 15, 2017, the Company and its Mongolian subsidiary, Steppe West, entered into a shares sales agreement with a unrelated third party (the "Seller") to acquire 80% of Corundum Geo LLC ("Corundum") for a purchase price of US$2,000,000 (US$500,000 or $661,267 paid) and 1 million common shares of Steppe, subject to certain conditions. Corundum is currently in the bidding process to acquire a licence for minerals exploration with local province owned Bayankhongor New Mining LLC of Bayankhongor province, Mongolia.

(Expressed in Canadian Dollars)

6. Property and equipment

Cost		**Furniture**
Balance, October 5, 2016 to December 31, 2016	**$**	**-**
Additions		**14,106**
Balance, June 30, 2017	**$**	**14,106**

Accumulated depreciation		**Furniture**
Balance, October 5, 2016 to December 31, 2016	**$**	**-**
Additions		**3,527**
Balance, June 30, 2017	**$**	**3,527**

Net book value		**Furniture**
Balance, June 30, 2017	**$**	**10,579**

7. Amounts payable and other liabilities

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

		June 30, 2017		**December 31, 2016**
Amounts payable	**$**	**366,336**	$	4,126
Accrued liabilities		**126,157**		230,073
Total amounts payable and other liabilities	**$**	**492,493**	$	234,199

The following is an aged analysis of the amounts payable and other liabilities:

		June 30, 2017		**December 31, 2016**
Less than 1 month	**$**	**492,493**	$	234,199

8. Exploration and evaluation expenditures

Detail		**Three months ended June 30, 2017**		**Six months ended June 30, 2017**
Drilling	$	322,804	$	412,040
Other exploration costs		130,324		150,488
Total exploration and evaluation expenditures	**$**	**453,128**	**$**	**562,528**

(Expressed in Canadian Dollars)

9. Share capital

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares		Amount
Balance, October 5, 2016	**-**	$	-
Founder shares (i)	8,800,000		580,008
Balance, December 31, 2016	8,800,000		580,008
Private placements (ii)(iii)	14,609,061		3,142,245
Balance, June 30, 2017	**23,409,061**	**$**	**3,722,253**

(i) During the period ended December 31, 2016, Garrison Capital (UK) Limited and Garrison Capital (Dubai) (collectively "Garrison"), companies controlled by key management of the Company, entered into an agreement for $263,640 (USD 200,000) on behalf of the Company, to support in a potential transaction with Centerra Mongolia relating to the acquisition of certain mining and exploration licenses relating to the ATO Project. In addition, Garrison advanced funds of $132,743 to Steppe Mongolia and the Company incurred business development expenses to Garrison of $157,261. Garrison raised $553,651 in funds in contemplation of the Company being set up as such the Company issued 8,400,000 shares at US$0.05 to the individuals that advanced the funds.

(ii) On May 4, 2017, the Company closed its private placement and issued 6,396,640 common shares at US$0.05 for proceeds of US$319,832.

(iii) On May 5, 2017, the Company closed its private placement and issued 6,866,235 common shares at US$0.25 for proceeds of US$1,716,559, of which $233,839 was included in shares to be issued at December 31, 2016. In conjunction with the private placement, 1,346,186 common shares issued were issued for services provided by directors or companies related to the directors of the Company. See note 10(f).

10. Related party transactions

(a) On October 5, 2016, 3,100,000 of the founder shares were subscribed by directors or companies related to the directors of the Company. Specifically, Bataa Tumur-Ochir and Aneel Waraich, directors of the Company subscribed for 800,000 and 400,000 common shares of the Company, respectively. In addition, Whistling Kite Equity Limited subscribed for 200,000 founder shares which is controlled by Matthew Gaden Western Wood, a director of the Company and Gemstar Investment Limited subscribed for 1,700,000 founder shares which is controlled by Brian Keith McMaster, a director of the Company.

(b) During the three and six months ended June 30, 2017, management fees paid, or otherwise accrued, to key management personnel (defined as the Chief Executive Officer ("CEO") and directors) totaled $290,966 and $444,633, respectively. As at June 30, 2017, key management personnel was owed $156,666 and these amounts were included in accounts payable and other liabilities. The Chief Financial Officer ("CFO") is also part of key management. Fees paid to the CFO were paid to Marrelli Support Services Inc. ("Marrelli Support") as disclosed below.

10. Related party transactions (continued)

(c) During the three and six months ended June 30, 2017, the Company expensed professional fees and disbursements of $11,372 and $17,392, respectively to Marrelli Support, an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the CFO of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters and these amounts are included in professional fees. As at June 30, 2017, Marrelli Support was owed $11,771 and these amounts were included in amounts payable and accrued liabilities.

(d) See note 9(b)(i) for transactions with a company controlled by the CEO.

(e) As at June 30, 2017, Garrison was owed $7,132 (December 31, 2016 - $nil) for out of pocket expenses and these amounts were included in amounts payable and other liabilities.

(f) On May 5, 2017, 1,266,062 Common Shares were issued for services provided by directors or companies related to the directors of the Company. Specifically, Aneel Waraich (issued to Atmacorp Ltd, a company controlled in part by Aneel Waraich), Matthew Wood, Bataa Tumur-Ochir and Jeremy South, directors of the Company, received 336,000, 550,062, 280,000 and 100,000 common shares, respectively. In addition, Aneel Waraich, a director of the Company, subscribed for 80,124 common shares.

11. Event after the reporting period

(a) The Company completed the first tranche a non-brokered private placement (“May 2017 Private Placement”) of units of the Company (“Units”) at a price of $2.00 per Unit for gross proceeds of $4,980,000 on July 27, 2017. Each Unit was comprised of one common share and one common share purchase warrant (a “Warrant”). Each Warrant is exercisable by the holder at the price set in the prospectus (the "Offering Price") for a period ending five years from the date of the completion of the offering. The Warrants are exercisable at a price of $2.50 per share prior the completion of the offering in the event that there is a change of control transaction involving the Company.

On October 6, 2017, the Company completed the second tranche of the May 2017 Private Placement pursuant to which it issued 237,500 Units for gross proceeds of $475,000, bringing the total gross proceeds raised under the non-brokered private placement to $5,455,000. The Company paid an aggregate of $387,585 in finder’s fees and issued 1,750 finder’s warrants in connection with the May 2017 Private Placement. Each finder Warrant is exercisable for one Unit at a price of $2.00 per Unit for a period of 24 months.

(b) On September 15, 2017, the Company, through Steppe Mongolia, completed the acquisition of the ATO Project from Centerra Mongolia, a subsidiary of Centerra Gold Inc., for aggregate consideration of US$19.8 million plus US$2 million in value added tax (the “ATO Acquisition”).

In connection with the ATO Acquisition, the Company, Steppe Mongolia and Steppe BVI entered into a metals purchase and sale agreement dated August 11, 2017 (the “Stream Agreement”) with Triple Flag Mining Finance Bermuda Inc. (“Triple Flag Bermuda”) pursuant to which Steppe BVI agreed to sell to Triple Flag Bermuda gold and silver produced from the ATO Project. Under the terms of the Stream Agreement, Steppe BVI is obligated to sell to Triple Flag Bermuda 25% of the gold and 50% of the silver produced from the ATO Project until such time as Steppe BVI has sold an aggregate of 46,000 ounces of gold and 375,000 ounces of silver, respectively (the “Delivery Milestones”). Thereafter the annual amounts that Steppe BVI is obligated to sell to Triple Flag Bermuda is capped at 5,500 ounces for gold and 45,000 ounces for silver. The obligation of Steppe BVI to sell gold and silver to Triple Flag Bermuda continues for the life of mine and includes any gold or silver produced by Steppe Mongolia within the stream area, which is the area within 20km from the boundary of the original mineral licences comprising the ATO Project.

11. Event after the reporting period (continued)

(b) (continued) As consideration for the grant of the stream by Steppe BVI, Triple Flag Bermuda agreed to make an upfront deposit (the "Upfront Deposit") against the purchase price for the gold and silver of US$23 million in two US$11.5 million tranches. The first tranche of US$11.5 million (the "Initial Upfront Deposit") was advanced on September 15, 2017 in connection with the completion of the ATO Acquisition. Of the US$11.5 million advanced pursuant to the Initial Upfront Deposit, US$9 million was used to satisfy the balance of the cash portion of the purchase price for the ATO Project and US$980,000 was used to pay the associated value added tax ("VAT").

As additional consideration for entering into the Stream Agreement, the Company granted 2,300,000 purchase warrants to Triple Flag Bermuda, with each whole warrant (a "Stream Warrant") entitling the holder to acquire one unit of the Company (a "Stream Unit") at a price of $2.00 per Stream Unit on or before September 15, 2022. Each Stream Unit is comprised of one Common Share and one common share purchase warrant, which entitles the holder to acquire one additional Common Share at the Offering Price per share for a period ending five years from the date of the completion of the offering or at a price of $2.50 per share prior the completion of the Offering in the event that there is a change of control transaction involving the Company.

The second tranche of US$11.5 million (the "Second Upfront Deposit") is to be advanced once Steppe Mongolia has expended at least US$15 million on the ATO Project and can be drawn down in tranches representing 3-month forecasted expenditures for development of the ATO Project. On completion of the development of the ATO Project, any amount of the Second Upfront Deposit that has not been draw-down by Steppe BVI will be paid to Steppe BVI as a lump sum. The proceeds of the Upfront Deposit are required to be loaned to Steppe Mongolia to advance the ATO Project.

So long as the Upfront Deposit remains outstanding, the purchase price for the gold and silver required to be sold to Triple Flag Bermuda under the Stream Agreement is based on the spot prices for gold and silver price during a 7-day quotational period following the date of delivery of the sale. The purchase price is to be satisfied as to 70% as against the uncredited balance of the Upfront Deposit and 30% is payable in cash by Triple Flag Bermuda. Once the uncredited balance of the Upfront Deposit has been reduced to nil the purchase price by Triple Flag Bermuda for the gold and silver shall be 30% of price determined during a 7-day quotational period following the date of delivery, payable in cash.

The obligations of Steppe BVI under the Stream Agreement were guaranteed by the Company and Steppe Mongolia and secured by all of the assets of Steppe Mongolia, including a pledge of the ATO Project mining licence and the exploration licences owned by Steppe Mongolia, all of the assets of Steppe BVI and through the pledge by the Company of all of shares of both Steppe BVI and Steppe Mongolia.

In connection with the Stream Agreement, Triple Flag Bermuda subscribed for 2,000,000 of units of the Company on the same terms as the Units issued under the May 2017 Private Placement for an aggregate subscription price of $4,000,000 (the "Stream Subscription"). The Stream Subscription was completed on October 19, 2017. The Company issued an additional of 80,000 Units as compensation units in connection with the Stream Subscription.

The Company and Triple Flag Bermuda are also parties to an investor rights agreement dated September 15, 2017 (the "Investor Rights Agreement"), pursuant to which the Company granted Triple Flag Bermuda certain rights and agreed to certain restrictions. In particular, Triple Flag Bermuda was granted the pre-emptive right to subscribe for its pro rata portion of securities offered in future equity financings undertaken buy the Company and the right to nominate one candidate for election or appointment to the Board of the Company. In addition, in the event that the Company fails to place the ATO Project into commercial production by June 30, 2020, Triple Flag Bermuda has the right to cause certain changes to the management of the ATO Project. Triple Flag Bermuda also has the right to provide project financing at 15% interest in the event that the Company has insufficient funds to bring the ATO Project into commercial production. The Investor Rights Agreement remains in force until the Delivery Milestones are achieved, at which time the agreement terminates.

11. Event after the reporting period (continued)

(c) On September 28, 2017, 280,000 common shares valued at US$70,000 were issued for services provided by a former director of the Company. $90,839 was included in shares to be issued at June 30, 2017. In addition, 100,000 common shares are attributable to the founder share subscription completed in October 2016 and issued at a price of US$0.05 per share and 484,350 common shares were issued in connection with the Stream Agreement and Initial public offering.

CARVE-OUT FINANCIAL STATEMENTS OF THE ALTAN TSAGAAN OVOO (ATO) PROJECT FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014 AND UNAUDITED INTERIM CARVE-OUT FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

(EXPRESSED IN UNITED STATES DOLLARS)

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INDEPENDENT AUDITORS' REPORT

To the Directors of Steppe Gold Ltd.

We have audited the accompanying carve-out financial statements of the Altan Tsagaan Ovoo Project (the "Business"), which comprise the carve-out statements of financial position as at December 31, 2016, December 31, 2015 and January 1, 2015, the carve-out statements of net income (loss) and comprehensive income (loss), changes in owners net investment and cash flows for the three years ended December 31, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of the Business as at December 31, 2016, December 31, 2015, and January 1, 2015 and its carve-out financial performance and its carve-out cash flows for the three years ended December 31, 2016 in accordance with International Financial Reporting Standards.

Emphasis of matter - Basis of presentation

Without modifying our opinion, we draw attention to Note 2 to the carve-out financial statements which describes the basis of preparation used in these carve-out financial statements. The carve-out financial statements are prepared for inclusion in an initial public offering prospectus of common shares of Steppe Gold Ltd.

Emphasis of matter – Going concern

Without modifying our opinion, we draw attention to Note 1 to the carve-out financial statements which describes that the Business had operating losses and will require additional financing to fund its future operations. These conditions, along with other matters as set forth in Note 1 to the carve-out financial statements, indicate the existence of a material uncertainty that casts significant doubt about the Business' ability to continue as a going concern.

Chartered Professional Accountants, Licensed Public Accountants
November ●, 2017
Toronto, Canada

The Altan Tsagaan Ovoo (ATO) Project

Carve-Out Statements of Financial Position
(Expressed in United States Dollars)

	As at June 30, 2017	As at December 31, 2016	As at December 31, 2015	As at January 1, 2015
	(Unaudited)			
ASSETS				
Current Assets				
Prepaid expenses	$ -	$ 34,267	$ 74,622	$ 104,410
Total current assets	-	34,267	74,622	104,410
Non-Current Assets				
Exploration and evaluation assets (Note 4)	16,342,024	16,300,000	27,246,747	27,660,208
Total Assets	$ 16,342,024	$ 16,334,267	$ 27,321,369	$ 27,764,618
LIABILITIES				
Current Liabilities				
Amounts payable and other liabilities (Note 7)	$ 15,485	$ 15,387	$ 15,725	$ 106,982
Deferred revenue (Note 1)	200,000	200,000	-	-
Total Current Liabilities	215,485	215,387	15,725	106,982
Long-term Liabilities				
Deferred tax liabilities	-	13,492	1,785,434	1,596,382
Total Liabilities	215,485	228,879	1,801,159	1,703,364
Net Investment				
Owner's net investment	16,126,539	16,105,388	25,520,210	26,061,254
Total Net Investment	16,126,539	16,105,388	25,520,210	26,061,254
Total Liabilities and Net Investment	$ 16,342,024	$ 16,334,267	$ 27,321,369	$ 27,764,618

The accompanying notes are an integral part of these carve-out financial statements.

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Notes 1 and 4)

The Altan Tsagaan Ovoo (ATO) Project

Carve-Out Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Expressed in United States Dollars)

	Six Months Ended June 30,		Years Ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(Unaudited)	(Unaudited)			
Operating expenses					
Write-off of expired licenses	$ -	$ -	$ 1,966	$ 713,619	$ 505,521
Administrative	3,274	1,515	(1,036)	40,527	53,945
Impairment (Note 4)	-	-	11,115,278	-	-
Loss before income tax	(3,274)	(1,515)	(11,116,208)	(754,146)	(559,466)
Deferred income taxes (recovery)	(13,492)	(60,016)	(1,771,942)	189,052	249,440
Net income (loss) and comprehensive income (loss) for the period	$ 10,218	$ 58,501	$ (9,344,266)	$ (943,198)	$ (808,906)

The accompanying notes are an integral part of these carve-out financial statements.

The Altan Tsagaan Ovoo (ATO) Project

Carve-Out Statements of Cash Flows
(Expressed in United States Dollars)

	Six Months Ended June 30,		Years Ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(Unaudited)	(Unaudited)			
Operating activities					
Net income (loss) and comprehensive income (loss) for the period	$ 10,218	$ 58,501	$ (9,344,266)	$ (943,198)	$ (808,906)
Adjustments:					
Write-off of expired licenses	-	-	1,966	713,619	505,521
Impairment (Note 4)	-	-	11,115,278	-	-
Deferred income taxes	(13,492)	(60,016)	(1,771,942)	189,052	249,440
Changes in non-cash working capital items:					
Prepaid expenses	34,267	59,738	40,355	29,788	2,660
Amounts payable and other liabilities	98	(268)	(338)	(91,257)	104,723
Deferred revenue	-	-	200,000	-	-
Net cash provided by (used in) operating activities	31,091	57,955	241,053	(101,996)	53,438
Investing activities					
Acquisition of exploration and evaluation assets	(42,024)	(110,835)	(170,497)	(300,158)	(3,096,216)
Net cash used in investing activities	(42,024)	(110,835)	(170,497)	(300,158)	(3,096,216)
Financing activities					
Owner's contributions (Withdrawals)	10,933	52,880	(70,556)	402,154	3,042,778
Net cash provided by (used in) financing activities	10,933	52,880	(70,556)	402,154	3,042,778
Net change in cash	-	-	-	-	-
Cash, beginning of period	-	-	-	-	-
Cash, end of period	$ -	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of these carve-out financial statements.

The Altan Tsagaan Ovoo (ATO) Project
Carve-Out Statements of Changes in Owner's Net Investment
(Expressed in United States Dollars)

	Owner's Net Investment
Balance, December 31, 2013	**$ 23,827,382**
Contributions	3,042,778
Net loss and comprehensive loss for the year	(808,906)
Balance, December 31, 2014	**26,061,254**
Contributions	402,154
Net loss and comprehensive loss for the year	(943,198)
Balance, December 31, 2015	**25,520,210**
Withdrawals	(70,556)
Net loss and comprehensive loss for the year	(9,344,266)
Balance, December 31, 2016	**16,105,388**
Contributions	10,933
Net income and comprehensive income for the period	10,218
Balance, June 30, 2017	**$ 16,126,539**

The accompanying notes are an integral part of these carve-out financial statements.

1. Nature of Operations and Going Concern

Centerra Gold Mongolia LLC (the "Company") was established on March 14, 1997 according to Mongolian Law and is a subsidiary of Centerra Gold Inc. ("Centerra").

On January 31, 2017, Steppe Gold Ltd. and its Mongolian subsidiary, Steppe Gold LLC ("Steppe") (collectively "Steppe") and the Company entered into a Licence Data Sale and Purchase Agreement providing for the purchase by Steppe of one mining licence, which comprises the Altan Tsagaan Ovoo Project ("ATO Project"), and two exploration licences, together with all related records, data and information, in consideration for the payment of $9,800,000 paid by Steppe on September 15, 2017 in cash plus $980,000 in valued added taxes ("VAT"), of which $800,000 was paid on the signing of the purchase agreement. The Company and Steppe also entered into an asset purchase agreement on January 31, 2017 providing for the purchase by Steppe of all the core samples of the Company that were extracted from the area of the licences being acquired for consideration of $10,000,000 payable through the issuance by Steppe of two $5 million principal amount non-interest bearing secured promissory notes due September 30, 2018 and September 30, 2019 plus $1 million in VAT which was due October 9, 2017. The VAT was subsequently settled in full.

Prior to entering into the Acquisition, Steppe paid the Company a fee of $200,000 to obtain the right to a period of exclusivity for the negotiation of a potential sale of the ATO Project.

These carve-out financial statements of the ATO Project will be referred to as "ATO Project" or the "Business".

The ATO Project is at an early stage of development and as is common with many projects, it raises funds for its exploration activities through financings in discrete tranches or advances from its parent company. The ATO Project's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable operations in the future. Management is currently evaluating various options in order to address its financing needs. These circumstances cast significant doubt about the ATO Project's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. There can be no assurance that the ATO Project's financing activities will continue to be successful or sufficient.

Longer term, the ATO Project may pursue opportunities to raise additional capital through equity markets; however, there can be no assurance it will be able to raise funds in the future. The ultimate ability of the ATO Project to remain a going concern and complete exploration and development of properties, if properties are proven successful, is dependent upon successfully raising additional capital.

These carve-out financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the ATO Project be unable to continue as a going concern. These adjustments could be material.

These carve-out financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the ATO Project be unable to continue as a going concern. These adjustments could be material.

2. Basis of Presentation

The Business has not previously prepared separate financial statements, and therefore these carve-out financial statements for the year ended December 31, 2016 are the first annual financial statements that comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs").

The Business's date of transition to IFRS is January 1, 2014, and management applied IFRS 1, First time adoption ("IFRS 1") to the preparation of its carve-out financial statements, using the carrying amounts included in the consolidated financial statements of its parent company, Centerra, whose transition date was January 1, 2010, in accordance with the regulations in effect for the adoption of IFRS at that date. Beginning January 1, 2014, the Business adopted IFRS, and elected the exemption under IFRS 1D.16 (a) since it became a first-time adopter later than its parent, Centerra.

These carve-out financial statements include the operations of the ATO Project and present the historical financial position, financial performance, changes in Centerra's net investment and cash flows of the ATO Project on a carve-out basis. Assets, liabilities, income and expenses of the Company that are not related to the ATO Project have been excluded from these statements.

These carve-out financial statements present the net investment by Centerra in the Business. Centerra's net investment comprises the accumulated earnings (losses) of the Business and contributions by Centerra.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows from larger entities, these financial statements may not necessarily reflect the financial position, results of operations and cash flow that would have been realized had the Business been a stand-alone entity during the periods presented.

The unaudited interim condensed carve out financial statements as of June 30, 2017 and for the six months ended June 30, 2017 and 2016 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as issued by the IASB. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRSs as issued by the IASB have been condensed or omitted.

The accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Business' audited financial statements for the year ended December 31, 2016.

The Business' interim results are not necessarily indicative of its results for a full year. All amounts are expressed in US dollars, unless otherwise noted.

These carve out financial statements were authorized for issuance by the Board of Directors of Steppe on November 2, 2017.

3. Summary of Significant Accounting Policies

(a) Carve-out Financial Statements

The carve-out financial statements presented herein have been extracted from the books and records of Centerra. Certain financial statement items were maintained by the Company on a basis, rather than on a property-by-property basis and accordingly, it was necessary to make allocations of certain amounts of the Company in order to prepare these carve-out financial statements. As the determination of certain assets, liabilities, and expenses is dependent upon future events, the preparation of these carve-out financial statements requires the use of estimates and assumptions which have been made using careful judgment. In the opinion of management, these carve-out financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies.

3. Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments

The Company's financial instruments consist of the following:

Financial liabilities:	Classification:
Amounts payable and other liabilities	Other financial liabilities

(c) Exploration and Evaluation Expenditures

The Company is in the exploration stage with respect to the ATO Project and follows the practice of capitalizing all costs relating to the acquisition of and exploration for mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned exploration and evaluation assets are charged to profit or loss at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized. Amounts incurred prior to having the legal right to explore are expensed as incurred.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income, costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to profit or loss.

3. Summary of Significant Accounting Policies (Continued)

(d) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash outflow to present value.

(e) Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company had no material restoration, rehabilitation and environmental obligations as at each of June 30, 2017, December 31, 2016, December 31, 2015 and January 1, 2015 as the disturbance to date is minimal.

(f) Income Taxes

The ATO Project is not a separate legal entity and therefore not liable for income taxes. Accordingly, income taxes are not levied on the ATO Project, but rather are levied on the Company, which owns the ATO Project. Although the ATO Project is not liable for income taxes, it was necessary to allocate income tax expense (recovery) to the ATO Project in order to prepare these carve-out financial statements.

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous periods.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the carve-out financial statements and the corresponding tax bases used in the computation of taxable earnings. The Company has estimated the tax bases applicable to the ATO Project to be equal to the exploration expenses Centerra incurred on the ATO Project, converted into Mongolian Tugriks using the average foreign exchange rate for the period. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3. Summary of Significant Accounting Policies (Continued)

(f) Income Taxes (Continued)

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(g) Functional and presentation currency

The national currency of Mongolia is the Mongolian Tugriks ("MNT"). The presentation currency used in the preparation of these carve-out financial statements is the United States dollars ("USD"). Management has determined the functional currency to be USD as it considers that the USD reflects the economic substance of the underlying events and circumstances of the ATO Project. Financing and capital transactions are completed in USD. Future sales also will be completed based on the USD price of gold.

Foreign currency transactions are translated into the entity's functional currency using the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statements of Net Income (Loss) and Comprehensive Income (Loss). Non-monetary assets and liabilities, arising from transactions denominated in foreign currencies, are translated at the historical exchange rates prevailing at each transaction date.

(h) Significant Accounting Judgments and Estimates

The preparation of these carve-out financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the carve-out financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These carve-out financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the carve-out financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Going concern presentation of the carve-out financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

- In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

  During the six months ended June 30, 2017, the Business recognized an impairment expense of $nil ($nil for the six months ended June 30, 2016) (unaudited), $11,115,278 for the year ended December 31, 2016 and $nil the year ended December 31, 2015), in respect of the carrying amounts of the ATO Project. At June 30, 2017, the carrying amount of the Business's mining interests were $16,342,024 (unaudited) (December 31, 2016 - $16,300,000; December 31, 2015 - $27,246,747; and January 1, 2015 - $27,660,208).

3. Summary of Significant Accounting Policies (Continued)

(h) Significant Accounting Judgments and Estimates (Continued)

Critical accounting estimates (Continued)

- The assessment of the Company's functional currency involves judgment regarding the primary economic environment the Company operates in.

- Contingencies can be either possible assets or liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. Such contingencies include, but are not limited to, environmental obligations, litigation, regulatory proceedings, tax matters and losses results from other events and developments. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment regarding the outcome of future events.

- Amounts recorded for restoration, rehabilitation and environmental obligations and the related accretion expense requires the use of estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mine site, as well as the timing of the reclamation activities and estimated discount rate. The Company assesses and revises its asset retirement obligations when new material information becomes available. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The Company had no material restoration, rehabilitation and environmental obligations as at each of June 30, 2017, December 31, 2016, December 31, 2015 and January 1, 2015.

- In calculating the income taxes, the Business considers factors such as tax rates in Mongolia, non-deductible expenses, changes in tax law, and management's expectations of future results. The Business 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 Business 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 future periods to these estimates, and changes in the amount of the deferred tax assets recognized may be required, which could materially impact the financial position and the income for the period. The Company had a deferred tax liability of $nil as at June 30, 2017 (December 31, 2016 - $13,492; December 31, 2015 - $1,785,434; January 1, 2015 - $1,596,382).

3. Summary of Significant Accounting Policies (Continued)

(i) Recent Accounting Pronouncements

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the December 31, 2014 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015. The Company is still in the process of assessing the impact of this pronouncement.

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on statement of financial position finance leases and off statement of financial position operating leases. Instead, there is a single, on statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

4. Exploration and Evaluation Expenditures on Mineral Properties

The ATO Project is located in Dornod aimag, the easternmost province in Mongolia approximately 440 kilometres East North East of Ulaanbaatar, the capital of Mongolia. The ATO project includes one mining license, two exploration licenses, core samples from the license areas, and reports, maps, data and other records associated with the licenses.

(Expressed in United States Dollars)

4. Exploration and Evaluation Expenditures on Mineral Properties (Continued)

The following is a detailed list of expenditures incurred to as at June 30, 2107, December 31, 2016 and December 31, 2015:

	As at June 30, 2017	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
	(Unaudited)			
ATO Project				
Beginning balance	$ 16,300,000	$ 27,246,747	$ 27,660,208	$ 25,069,513
Additions	42,024	170,497	300,158	3,096,216
Write-off of expired licenses	-	(1,966)	(713,619)	(505,521)
Impairment	-	(11,115,278)	-	-
Total	**$ 16,342,024**	**$ 16,300,000**	**$ 27,246,747**	**$ 27,660,208**

In connection with the Acquisition, the ATO Project was written down to its estimated recoverable amount of $16,300,000, being the expected purchase price Steppe has agreed to pay to acquire the ATO project, less applicable taxes and fees. A discount rate of 2.8% was used to calculate the recoverable amount based on the underlying timing and risk of payments to be received.

The Company and Steppe also entered into a guarantee agreement dated January 31, 2017 pursuant to which Steppe guaranteed all of the obligations of Steppe under the Licence Purchase Agreement and Steppe agreed to assume the obligations of the Company for the 1.75% net smelter returns royalty payable to Cogegobi LLC in respect of products extracted from the ATO mining licence.

5. Capital Risk Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Company considers its capital to be Owner's Net Investment which at June 30, 2017, totaled $16,126,539 (December 31, 2016 - $16,105,388; December 31, 2015 - $25,520,210; January 1, 2015 - $26,061,254).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties.

The Company is not subject to any capital requirements imposed by a lending institution.

6. Financial Risk Management

Financial risk

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

6. Financial Risk Management (Continued)

(i) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's liquidity is dependent upon cash investments by the owner. As at June 30, 2017, the Company had cash of $nil (December 31, 2016 - $nil; December 31, 2015 - $nil; January 1, 2015 - $nil), to settle current liabilities of $15,485 (December 31, 2016 - $15,387; December 31, 2015 - $15,725; January 1, 2015 - $106,982). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(ii) 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

The Company has cash balances. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company's functional and reporting currency is the United States dollar and major purchases are transacted in United States Dollars. As a result, the Company's exposure to foreign currency risk is minimal.

7. Amounts Payable and Other Liabilities

	As at June 30, 2017	As at December 31, 2016	As at December 31, 2015	As at January 1, 2015
Amounts payables and accrued liabilities	$ 15,485	$ 15,387	$ 15,725	$ 106,982

The following is an aged analysis of the amounts payable and other liabilities:

	As at June 30, 2017	As at December 31, 2016	As at December 31, 2015	As at January 1, 2015
Less than 12 months	$ 15,485	$ 15,387	$ 15,725	$ 106,982

(Expressed in United States Dollars)

8. Related Party Balances and Transactions

For the six months ended June 30, 2017, the ATO Project was charged $nil (six months ended June 30, 2016 - $nil; (December 31, 2016 - $nil; December 31, 2015 - $25,018; and December 31, 2014 - $204,852). from Centerra for costs related to the ATO Project and operating expenses.

9. Contingencies

Due to the size, complexity and nature of the Business's operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. While the outcomes of these matters are uncertain, based upon the information currently available, the Business does not believe that these matters in aggregate will have a material adverse effect on its financial position, cash flows or results of operations. In the event that management's estimate of the future resolution of these matters changes, the Business will recognize the effects of these changes in its financial statements in the appropriate period relative to when such changes occur.

10. Income tax

The Government of Mongolia continues to reform the business and commercial infrastructure in its transition to a market economy. As a result the laws and regulations affecting businesses continue to change rapidly.

The Company’s functional and reporting currency is US dollars; however, the calculation of income tax expense is based on income expressed in Mongolian Tugriks. As such, the Company’s tax estimates are subject to foreign exchange fluctuations, as the Mongolian Tugrik moves relative to the US dollar.

The statutory income tax rate of Mongolia applicable to the Company for the reporting period was 25%.

A reconciliation of the amount computed by multiplying loss before income taxes by the statutory tax rate and the recorded income tax expense (recovery) is as follows:

	Six Months Ended June 30,		Years Ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(Unaudited)	(Unaudited)			
Loss before taxation	$ (3,274)	$ (1,515)	$ (11,116,208)	$ (754,146)	$ (559,466)
Statutory rate	25%	25%	25%	25%	25%
Expected income tax expense (recovery)	(819)	(379)	(2,779,052)	(188,537)	(139,867)
Impact of foreign exchange	(12,673)	(59,637)	1,007,110	377,589	389,307
Tax expense (recovery)	$ (13,492)	$ (60,016)	$ (1,771,942)	$ 189,052	$ 249,440

(Expressed in United States Dollars)

10. Income tax (Continued)

The income tax provision consists of the following:

	Six Months Ended June 30,		Years Ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(Unaudited)	(Unaudited)			
Deferred tax expense (recovery)					
Origination and reversal of temporary differences	$ (13,492)	$ (60,016)	$ (1,771,942)	$ 189,052	$ 249,440

The types of temporary differences that give rise to the deferred tax liabilities are as follows:

	As at June 30,		As at December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(Unaudited)	(Unaudited)			
Deferred income tax liability table					
Exploration and evaluation assets	$ -	$ (1,725,418)	$ (13,492)	$ (1,785,434)	$ (1,596,382)
Deferred income tax liabilities	$ -	$ (1,725,418)	$ (13,492)	$ (1,785,434)	$ (1,596,382)

Deferred tax assets have not been recognized in respect of the following deductible temporary difference:

	As at June 30,		As at December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(Unaudited)	(Unaudited)			
Unrecognized deductible temporary differences					
Exploration and evaluation assets	$ 230,003	$ -	$ -	$ -	$ -

Steppe Gold Ltd.

Pro Forma Consolidated Financial Statements

As at June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

Steppe Gold Ltd.
Pro Forma Statement of Financial Position
June 30, 2017
(Unaudited)
(Expressed in Canadian Dollars)

	Steppe Gold Ltd. Balance as at June 30, 2017	Altan Tsagaan Ovoo Project Interim Carve-out (a)	Notes	Pro Forma Adjustments	Pro Forma as at June 30, 2017
Assets					
Current assets					
Cash	$ 1,280,663	$ -	*4(b)*	$ 3,974,161	
	-	-	*4(b)*	(387,585)	
			4(d)	(11,679,300)	
			4(c)	4,000,000	
			4(c)	14,923,550	**$ 12,111,489**
Receivables and other assets	48,880	-		-	**48,880**
	1,329,543	-		10,830,826	**12,160,369**
Non-current assets					
Deposit for the Altan Tsagaan Ovoo Project	1,038,160	-	*4(d)*	(1,038,160)	**-**
Uudam Khundii property	661,267				**661,267**
Altan Tsagaan Ovoo Project	-	21,207,045	*4(d)*	8,525,370	**29,732,415**
Property and Equipment	10,579	-			**10,579**
Total Assets	$ 3,039,549	$ 21,207,045		$ 18,318,036	**$ 42,564,630**
Liabilities					
Current liabilities					
Accounts payable and other liabilities	$ 492,493	$ 20,095		$ (90,839)	**$ 421,749**
Deferred revenue	-	259,540	*4(g)*	(259,540)	**-**
Current portion of promissory note No. 1	-		*4(d)*	7,786,200	**7,786,200**
	492,493	279,635		7,435,821	**8,207,949**
Non-current assets					
Promissory note No. 2	-	-	*4(d)*	4,363,734	**4,363,734**
Deferred royality			*4(c)*	14,923,550	
			4(c)	(848,700)	
	-	-	*4(c)*	(3,292,220)	**10,782,630**
	492,493	279,635		22,582,185	**23,354,313**
Shareholders' Equity					
Share capital	3,722,253	-	*4(b)*	5,455,000	
			4(b)	(246,792)	
			4(b)	(387,585)	
			4(b)	(2,515)	
			4(c)	848,700	
			4(f)	90,839	
			4(f)	6,489	
			4(b)	(2,077,394)	
			4(b)	120,000	
			4(b)	(120,000)	
			4(c)	4,000,000	
			4(c)	160,000	
			4(c)	(160,000)	
			4(c)	(2,986,879)	
			4(b)	(198,145)	**8,223,971**
Warrant reserve			*4(b)*	2,275,539	
			4(b)	2,515	
			4(c)	2,986,879	
			4(c)	3,292,220	**8,557,153**
Shares to be issued	1,234,047	-	*4(b)*	(1,234,047)	**-**
Comphrehensive loss	(15,625)	-			**(15,625)**
Deficit	(2,393,619)	20,927,410	*4(d)*	(16,342,024)	
			4(g)	259,540	
	-	-	*4(f)*	(6,489)	**2,444,818**
	2,547,056	20,927,410		(4,264,149)	**19,210,317**
Total Liabilities and Shareholders' Equity	$ 3,039,549	$ 21,207,045		$ 18,318,036	**$ 42,564,630**

Steppe Gold Ltd.
Pro Forma Statement of Loss and Comprehensive Loss
For the year ended June 30, 2017
(Unaudited)
(Expressed in Canadian Dollars)

	Steppe Gold Ltd. From October 5, 2016 to June 30, 2017	Altan Tsagaan Ovoo Project Year Ended Decemebr 31, 2016 (a)	Notes	Pro Forma Adjustments	Pro Forma for the Year Ended June 30, 2017
Expenses					
Exploration and evaluation expenditures	$ 989,170	$ -		$ -	**$ 989,170**
Write-off of expired licenses	-	2,605		-	**2,605**
Impairment	-	14,725,520		-	**14,725,520**
Management compensation	633,550	-		-	**633,550**
Professional fees	345,570	-		-	**345,570**
Office and general	223,141	(1,372)		-	**221,769**
Travel	139,801	-		-	**139,801**
Investor relations	73,917	-		-	**73,917**
Depreciation	3,527	-		-	**3,527**
Accretion	-	-	*4(d)*	957,364	**957,364**
Foreign exchange gain	(15,057)	-		-	**(15,057)**
Net loss before income tax recovery	2,393,619	14,726,752		957,364	**18,077,735**
Income tax receovery	-	(2,347,469)		-	**(2,347,469)**
Net loss	2,393,619	12,379,284		957,364	**15,730,267**
Cumulative transalation adjustment	2,994	-		-	**2,994**
Net loss and comprehensive loss	2,396,613	12,379,284		957,364	**15,733,261**
Net loss per share - basic and diluted	$ 0.18				**$ 1.18**
Weighted average number of common shares outstanding	13,355,271				**13,355,271**

The accompanying notes are in integral part of these pro forma financial statements.

Steppe Gold Ltd.
Pro Forma Statement of Loss and Comprehensive Loss
For the six months ended June 30, 2017
(Unaudited)
(Expressed in Canadian Dollars)

	Steppe Gold Ltd. Six Months Ended June 30, 2017	Altan Tsagaan Ovoo Project Six Months Ended June 30, 2017 (a)	Notes	Pro Forma Adjustments	Pro Forma for the Six Months Ended June 30, 2017
Expenses					
Exploration and evaluation expenditures	$ 562,528	$ -		$ -	**$ 562,528**
Management compensation	444,633	-		-	**444,633**
Professional fees	321,495	-		-	**321,495**
Office and general	214,847	4,369		-	**219,216**
Travel	124,733	-		-	**124,733**
Investor relations	73,917	-		-	**73,917**
Depreciation	3,527	-		-	**3,527**
Accretion	-	-	*4(d)*	502,400	**502,400**
Foreign exchange gain	(15,206)	-		-	**(15,206)**
Net loss before income tax recovery	1,730,474	4,369		502,400	**2,237,243**
Income tax receovery	-	(18,004)		-	**(18,004)**
Net loss	1,730,474	(13,635)		502,400	**2,219,239**
Cumulative transalation adjustment	18,619	-		-	**18,619**
Net loss and comprehensive loss	$ 1,749,093	$ (13,635)		$ 502,400	**$ 2,237,858**
Net loss per share - basic and diluted	$ 0.13				**$ 0.17**
Weighted average number of common shares outstanding	13,355,271				**13,355,271**

The accompanying notes are in integral part of these pro forma financial statements.

1. Description of Transaction

The accompanying unaudited pro forma consolidated financial statements of Steppe Gold Ltd. ('Steppe" or the "Company") have been prepared to incorporate the acquisition of the Altan Tsagaan Ovoo Project ("ATO Project"), located in Eastern Mongolia. Specifically, on January 31, 2017, the Company and its Mongolian subsidiary, Steppe Gold LLC ("Steppe Mongolia"), entered into definitive agreements with Centerra Gold Mongolia LLC ("Centerra") to acquire Centerra's ATO Project, for a purchase price of US$19,800,000 (the "Arrangement"). The Company paid US$800,000 ($1,038,160) in cash upon signing of the definitive agreements and will be required to satisfy the balance on closing of the acquisition by paying US$9,000,000 in cash and issuing two US$5 million non-interest bearing promissory notes. The Company will also be required to satisfy US$1.98 million in value added tax.

2. Basis of Preparation

The unaudited pro forma consolidated statement of financial position as of June 30, 2017 combines the historical consolidated financial position of Steppe and the unaudited carve out financial statements of financial position of the ATO Project, as at that date, to give effect to the Arrangement as if it occurred on July 1, 2016. The unaudited pro forma consolidated income statement for the year ended June 30, 2017 combines the audited historical consolidated statement of loss and comprehensive loss of Steppe for the period from incorporation (October 5, 2016) to December 31, 2016, the unaudited historical consolidated statement of loss and comprehensive loss of Steppe for the six months ended June 30, 2017, and the audited carve out statement of net (income) loss and comprehensive (income) loss of the ATO Project for the year ended December 31, 2016, to give effect to the Arrangement as if it had occurred on July 1, 2016. The unaudited pro forma consolidated income statement for the six months ended June 30, 2017 combines the historical consolidated statement of loss and comprehensive loss of Steppe for the six months ended June 30, 2017 and the unaudited carve out statement of net (income) loss and comprehensive (income) loss of the ATO Project for the six months ended June 30, 2017, to give effect to the Arrangement as if it had occurred on July 1, 2016.

The unaudited pro forma consolidated financial statements have been derived from and should be read in conjunction with the audited carve-out financial statements of the ATO Project as at and for the year ended December 31, 2016, interim carve-out financial statements of the ATO Project as at and for the six months ended June 30, 2017, audited financial statements of Steppe for the period from incorporation (October 5, 2016) to December 31, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (''IASB'') effective December 31, 2016, and the adjustments and assumptions contained in note 4.

These unaudited pro forma consolidated financial statements are for illustrative purposes only. They are not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the transaction contemplated by the Arrangement will differ from those recorded in the unaudited pro forma consolidated financial statement information.

Management of the Company believes that the assumptions used provide a reasonable basis for presenting all of the significant effects of the Arrangement and that the pro forma adjustments give appropriate effect to those assumptions and are appropriately applied in the unaudited pro forma consolidated statement of financial position and statement of loss and comprehensive loss.

The entity would be subject to an effective income tax rate of 26.5% in Canada and 25% in Mongolia.

3. Summary of Significant Accounting Policies

These unaudited pro forma consolidated financial statements have been compiled using the significant accounting policies as set out in the audited consolidated financial statements of Steppe as of December 31, 2016 and for the period from October 5, 2016 (date of incorporation) to December 31, 2016 and the unaudited consolidated financial statements of Steppe as of and for the six months ended June 30, 2017. Management has determined, based on their initial assessment, that no material adjustments are necessary to conform the relevant items of the ATO Project's carve out financial statements to the accounting policies used by Steppe in the preparation of its financial statements.

4. Pro Forma Assumptions and Adjustments

The unaudited pro forma consolidated financial statements give effect to the following assumptions and transactions:

a) All US dollar amounts were converted at 1.2977 as of June 30, 2017 on the pro forma consolidated statement of financial position. The average rate for the six months ended June 30, 2017 was $1.3344 and the average rate for the 12 months ended December 31, 2016 was 1.3248.

b) Completion of the first tranche a non-brokered private placement ("Non-Brokered Private Placement") of units of the Company ("Units") at a price of $2.00 per Unit for gross proceeds of $4,980,000. Each Unit was comprised of one common share and one common share purchase warrant (a "Warrant"). Each warrant is exercisable by the holder at the price set in the prospectus ("Offering Price") for a period ending five years from the date of the completion of the offering. The Warrants are exercisable at a price of $2.50 per share prior the completion of the offering in the event that there is a change of control transaction involving the Company. The $1,390,000 less $246,792 of costs of issuance were included in shares to be issued at June 30, 2017. The value of the 2,490,000 Warrants of $2,077,394 was calculated based on the Black-Scholes option pricing model.

   Completion of the second tranche of the Non-Brokered Private Placement pursuant to which it issued 237,500 Units for gross proceeds of $475,000, bringing the total gross proceeds raised under the non- brokered private placement to $5,455,000. The value of the 237,500 Warrants of $198,145 was calculated based on the Black-Scholes option pricing model.

   The Company paid an aggregate of $387,585 in finder's fees and issued 1,750 finder's warrants in connection with the Non-Brokered Private Placement. The value of the 1,750 finder's warrants of $2,515 was calculated based on the Black-Scholes option pricing model.

   60,000 shares were issued related to services provided valued at $120,000.

4. Pro forma assumptions (continued)

c) The Company, through Steppe Mongolia, will complete the acquisition of the ATO Project from Centerra, for aggregate consideration of US$19.8 million plus US$1.98 million in value added tax (the “ATO Acquisition”).

In connection with the ATO Acquisition, the Company, Steppe Mongolia and Steppe BVI entered into a metals purchase and sale agreement dated August 11, 2017 (the “Stream Agreement”) with Triple Flag Mining Finance Bermuda Inc. (“Triple Flag”) pursuant to which Steppe BVI agreed to sell to Triple Flag gold and silver produced from the ATO Project. Under the terms of the Stream Agreement, Steppe BVI is obligated to sell to Triple flag 25% of the gold and 50% of the silver produced from the ATO Project until such time as Steppe BVI has sold an aggregate of 46,000 ounces of gold and 375,000 ounces of silver, respectively (the “Delivery Milestones”). Thereafter the annual amounts that Steppe BVI is obligated to sell to Triple Flag is capped at 5,500 ounces for gold and 45,000 ounces for silver. 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 licences comprising the ATO Project.

As consideration for the grant of the stream by Steppe BVI, Triple Flag agreed to make an upfront deposit against the purchase price for the gold and silver of US$23 million in two US$11.5 million tranches. The first tranche of US$11.5 million ($14,923,550) will be advanced in connection with the completion of the ATO Acquisition. Of the US$11.5 million advanced, US$9 million was used to satisfy the balance of the cash portion of the purchase price for the ATO Project and $980,000 was used to pay the associated value added tax.

2,300,000 Warrants were issued to Triple Flag and were valued $3,292,220 based on the Black-Scholes option pricing model. In addition, 424,350 shares were issued in conjunction with this transaction valued at $848,700.

The second tranche of US$11.5 million is to be advanced once Steppe Mongolia has expended at least US$15 million on the ATO Project and can be drawn down in tranches representing 3-month forecasted expenditures for development of the ATO Project. On completion of the development of the ATO Project, any amount of the second tranche that has not been draw-down by Steppe BVI will be paid to Steppe BVI as a lump sum. The proceeds of the upfront deposit are required to be loaned to Steppe Mongolia to advance the ATO Project.

The purchase price for the gold and silver required to be sold to Triple Flag under the Stream Agreement is based on the spot prices for gold and silver price at the time of the sale. The purchase price is to be satisfied as to 70% as against the uncredited balance of the upfront deposit and 30% is payable in cash by Triple Flag. Once the uncredited balance of the upfront deposit has been reduced to nil the purchase price payable by Triple Flag for the gold and silver shall be 30% of market price, payable in cash.

(Expressed in Canadian dollars)

4. Pro forma assumptions (continued)

c) (continued)

The obligations of Steppe BVI under the Stream agreement were guaranteed by the Company and Steppe Mongolia and secured by all of the assets of Steppe Mongolia, including a pledge of the ATO Project mining licence and the exploration licences owned by Steppe Mongolia, all of the assets of Steppe BVI and through the pledge by the Company of all of shares of both Steppe BVI and Steppe Mongolia.

In connection with the Stream Agreement, Triple Flag will subscribe for 2,000,000 of units of the Company on the same terms as the Units issued under the Non-Brokered Private Placement for an aggregate subscription price of $4,000,000 (the "Stream Subscription"). The Company will issue an additional of 80,000 Units as compensation units in connection with the Stream Subscription. The value of the 2,080,000 Warrants of $2,986,879 was calculated based on the Black-Scholes option pricing model.

d) The Company has treated the ATO Project transaction as an asset acquisition. At the date of the ATO Project acquisition, the ATO Project had the following assigned values:

Purchase price consideration		
Issuance of promissory note No. 1 (Note 1)	$	6,488,500
Issuance of promissory note No. 2 (note 2)		4,363,734
Issuance of promissory note No. 3 (note 3)		1,297,700
Cash		12,717,460
Total consideration	$	24,867,394
Allocation of purchase price:		
Altan Tsagaan Ovoo Project	$	24,867,394

[1] US$9,980,000 * 1.2977 = $11,679,300

Note 1
The first promissory note of US$5,000,000 or $6,488,500 is non-interest bearing and is due September 30, 2018.

Note 2
The second promissory note of US$5,000,000 in non-interest bearing and is due September 30, 2019. At July 1, 2016, the promissory note has been discounted at a rate of 20% to US$3,362,668 or $4,363,734 based on nature of the mining industry.

Note 3
The third promissory note of US$1,000,000 or $1,297,700 is non-interest bearing and within a month from closing.

(Expressed in Canadian dollars)

4. Pro forma assumptions (continued)

e) Initial public offering

The Company intends to complete its initial public offering and raise proceeds from the sale of shares.

f) Share issuance

(i) 280,000 common shares valued at US$70,000 were issued for services provided by a former director of the Company. $90,839 was included in shares to be issued at June 30, 2017.

(ii) 100,000 common shares were issued as part of the founder share subscription completed in October 2016 and issued at a price of US$0.05 per share (Cdn$6,489).

g) Deferred revenue

The Company has expensed US$200,000 as it did not own the ATO Project at the time of signing the exclusivity agreement.

5. Share capital continuity

The continuity of pro forma consolidated share capital is as follows:

	Common Shares #	Share Capital $
Steppe common shares outstanding at June 30, 2017	23,409,061	3,722,253
Non-Brokered Private Placement	2,727,500	5,455,000
Shares for services	60,000	120,000
Shares for services	280,000	90,839
Founder shares	100,000	6,489
Compensation units for stream	424,350	848,700
Stream subscription	2,000,000	4,000,000
Stream subscription costs	80,000	160,000
Issuance of warrants pursuant to Non-Brokered Private Placement	-	(2,275,539)
Issuance of warrants pursuant to Stream subscription	-	(2,986,879)
Finder warrants issued	-	(2,515)
Share issue costs	-	(914,377)
Pro forma consolidated share capital	2,9080,911	8,223,971

(Expressed in Canadian dollars)

6. Warrants reserve continuity

Pro forma warrants continuity

	Number of Warrants #	Value $
Steppe warrants outstanding at June 30, 2017	-	-
Issuance of warrants to Triple Flag	2,300,000	3,292,220
Finder warrants issued	1,750	2,515
Stream subscription warrants issued	2,080,000	2,986,879
Issuance of warrants pursuant to the Non-Brokered Private Placement	2,727,500	2,275,539
Pro forma consolidated warrants	7,109,250	8,557,153

CERTIFICATE OF THE COMPANY

Dated: November 2, 2017

This prospectus, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than Québec.

By: *"Matthew Wood"* Chief Executive Officer	By: *"Carmello Marrelli"* Chief Financial Officer

On behalf of the Board of Directors

By: *"Aneel Waraich"* Director	By: *"Jeremy South"* Director

CERTIFICATE OF PROMOTER

Dated: November 2, 2017

This prospectus, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than Québec.

By: *"Matthew Wood"*

CERTIFICATE OF THE UNDERWRITERS

Dated: November 2, 2017

To the best of our knowledge, information and belief, this prospectus, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than Québec.

EIGHT CAPITAL

By: *"Joseph Gallucci"*
Managing Director, Investment Banking

PI FINANCIAL CORP.

By: *"Dan Barnholden"*
Managing Director, Co-Head Investment Banking

ECHELON WEALTH PARTNERS INC.

By: *"Tom Panoulias"*
Managing Director