STEPPE GOLD LTD.

CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

STEPPE GOLD LTD.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	**$ 1,058,875**	$ 2,963,315
Cash held in trust (note 15)	**3,865,344**	1,640,802
Receivables and other assets (note 3)	**261,840**	539,429
Total current assets	**5,186,059**	5,143,546
Altan Tsagaan Ovoo Project (note 4)	**26,022,160**	24,602,411
Uudam Khundii Project (note 5)	**2,912,937**	2,754,652
Property and equipment (note 6)	**1,312,844**	565,174
Deposit on equipment	**397,431**	-
Total assets	**$ 35,831,431**	$ 33,065,783
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and other liabilities (notes 7 and 13)	**$ 316,914**	$ 242,133
Purchase price payable (note 5)	**644,700**	627,250
Promissory notes (note 8)	**6,447,000**	6,262,500
Special warrants to be issued (note 15)	**3,861,630**	-
Total current liabilities	**11,270,244**	7,131,883
Long-term liabilities		
Promissory notes (note 8)	**4,787,879**	4,425,857
Streaming arrangement (note 9)	**10,594,790**	10,275,845
Warrant liability (note 14)	**6,708,288**	6,714,347
Total long-term liabilities	**22,090,957**	21,416,049
Total liabilities	**33,361,201**	28,547,932
Shareholders' equity		
Share capital (note 10)	**10,214,131**	10,214,131
Shares to be issued (note 5)	**846,500**	846,500
Special warrants to be issued (note 15)	**-**	1,640,802
Accumulated other comprehensive (loss) income	**1,096,909**	(281,496)
Deficit	**(9,687,310)**	(7,902,086)
Total shareholders' equity	**2,470,230**	4,517,851
Total liabilities and shareholders' equity	**$ 35,831,431**	$ 33,065,783

The accompanying notes to the unaudited condensed Interim consolidated financial statements are an integral part of these statements.

Nature of operations (note 1)
Events after the reporting period (note 16)

Approved on behalf of the Board:

(Signed) "Aneel Singh Waraich" , Director

(Signed) "Matthew Gaden Western Wood" , Director

STEPPE GOLD LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

Three months ended March 31,		2018		2017
Operating expenses				
Exploration and evaluation expenditures (note 11)	$	128,505	$	109,400
Management compensation (note 13)		244,769		153,667
Professional fees		329,721		31,209
Foreign exchange loss		244,352		7,990
Office and general		246,813		75,536
Investor relations		184,718		57,763
Accretion and financing costs		380,156		-
Travel		2,019		54,521
Reporting issuer costs		28,467		-
Depreciation		1,763		-
Change in the fair value of warrant liability (note 14)		(6,059)		-
Net loss		(1,785,224)		(490,086)
Other comprehensive loss				
Amounts that may be reclassified subsequently to profit and loss				
Cumulative translation adjustment		1,378,405		22,765
Net loss and comprehensive loss for the period	$	(406,819)	$	(467,321)
Basic and diluted net loss per common share	$	(0.06)	$	(0.06)
Weighted average number of common shares outstanding - basic and diluted		29,040,911		8,800,000

The accompanying notes to the unaudited condensed Interim consolidated financial statements are an integral part of these statements.

STEPPE GOLD LTD.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

Three months ended March 31,	2018	2017
Operating activities		
Net loss for the period	$ (1,785,224)	$ (490,086)
Adjustments for:		
Change in the fair value of warrant liability (note 14)	(6,059)	-
Accretion and financing costs	380,156	-
Depreciation	1,763	-
Interest income	(3,714)	-
Unrealized foreign exchange loss	239,432	-
Changes in non-cash working capital items:		
Receivables and other assets	277,589	(16,552)
Amounts payable and other liabilities	74,781	174,627
Net cash used in operating activities	(821,276)	(332,011)
Investing activities		
Purchase of property and equipment	(707,613)	-
Deposit on equipment	(371,400)	-
Deposit for the Altan Tsagaan Ovoo Project	-	(1,063,920)
Net cash used in investing activities	(1,079,013)	(1,063,920)
Financing activities		
Shares to be issued	-	1,821,489
Net cash provided by financing activities	-	1,821,489
Effect of exchange rate changes on cash held in foreign currency	(4,151)	22,765
Net increase in cash	(1,904,440)	448,323
Cash, beginning of period	2,963,315	347,562
Cash, end of period	$ 1,058,875	$ 795,885

The accompanying notes to the unaudited condensed Interim consolidated financial statements are an integral part of these statements.

STEPPE GOLD LTD.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of shares	Share capital	Shares to be issued	Special warrants to be issued	Accumulated other comprehensive loss	Deficit	Total
Balance, December 31, 2016	**8,800,000**	**$ 580,008**	**$ 233,839**	**$ -**	**$ 2,994**	**$ (663,145)**	**$ 153,696**
Shares to be issued	-	-	1,821,489	-	-	-	1,821,489
Comprehensive loss for the period	-	-	-	-	22,765	(490,086)	(467,321)
Balance, March 31, 2017	**8,800,000**	**580,008**	**2,055,328**	**-**	**25,759**	**(1,153,231)**	**1,507,864**
Balance, December 31, 2017	**29,040,911**	**$ 10,214,131**	**$ 846,500**	**$ 1,640,802**	**$ (281,496)**	**$ (7,902,086)**	**$ 4,517,851**
Special warrants to be issued (note 15)	-	-	-	(1,640,802)	-	-	(1,640,802)
Comprehensive income (loss) for the period	-	-	-	-	1,378,405	(1,785,224)	(406,819)
Balance, March 31, 2018	**29,040,911**	**$ 10,214,131**	**$ 846,500**	**$ -**	**$ 1,096,909**	**$ (9,687,310)**	**$ 2,470,230**

The accompanying notes to the unaudited condensed Interim consolidated financial statements are an integral part of these statements.

1. Nature of operations

Steppe Gold Ltd. (the "Company" or "Steppe") was incorporated under the laws of the Ontario Business Corporations Act by Articles of Incorporation dated October 5, 2016. The Company is domiciled in Canada and its registered office is located at 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 earned any income. Refer to note 16 for the Company's recent financing.

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 Board of Directors approved these statements on May 28, 2018. 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, 2017 and for the year ended December 31, 2017, 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, 2018 could result in restatement of these unaudited interim condensed consolidated financial statements. These adjustments could be material.

New accounting policies

IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The new IFRS 9 guidance had no material impact on the Company's consolidated financial statements.

2. Significant accounting policies (continued)

New accounting policies (continued)

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to lAS 39).

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Amounts payable and other liabilities	Other financial liabilities (amortized cost)	Amortized cost
Purchase price payable	Other financial liabilities (amortized cost)	Amortized cost
Promissory notes	Other financial liabilities (amortized cost)	Amortized cost
Streaming arrangement	Other financial liabilities (amortized cost)	Amortized cost
Warrant liability	Other financial liabilities (amortized cost)	FVTPL

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at fair value through profit or loss ("FVTPL")

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's amounts receivable is classified as financial assets measured at amortized cost.

2. Significant accounting policies (continued)

New accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's amounts payable and other liabilities, purchase price payable, promissory notes and streaming arrangement do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded fair value through profit or loss ("FVTPL")

Financial liabilities are classified as fair value through profit or loss if they fall into one of the five exemptions detailed above and include warrant liability and special warrants.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through profit or loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

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

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

2. Significant accounting policies (continued)

New accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Expected Credit Loss Impairment Model (continued)

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The new standard is effective for the Company on January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The adoption of IFRS 15 had no impact on the Company's financial statements.

Recent accounting pronouncements

(i) On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect the Interpretation to have a material impact on the consolidated financial statements.

(ii) On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and 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. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the period beginning on January 1, 2019. The Company is evaluating the impact of adoption and expects to report more detailed information in its consolidated financial statements as the effective date approaches.

(Expressed in Canadian Dollars)

3. Amounts receivable and other assets

	March 31, 2018	December 31, 2017
Accounts receivable	**$ 67,779**	$ 363,023
Prepaids	**194,061**	176,406
	$ 261,840	$ 539,429

4. Altan Tsagaan Ovoo Project

(a) Acquisition

On September 15, 2017, the Company and its Mongolian subsidiary, Steppe Mongolia, completed the acquisition of the ATO Project, located in Eastern Mongolia, from Centerra Gold Mongolia LLC, for aggregate consideration of US$19.8 million plus US$1.98 million in value added tax (the "ATO Acquisition"). The acquisition has been accounted for 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 1 [(1)]	**$ 6,091,000**
Issuance of promissory note 2 [(2)]	**4,096,402**
Issuance of promissory note 3 [(3)]	**1,218,200**
Initial deposit (US$800,000)	**974,560**
Funding from Triple Flag (US$9,980,000)	**12,157,636**
Transaction costs	**64,613**
Total consideration	**$ 24,602,411**

Allocation of purchase price	
Altan Tsagaan Ovoo Project	**$ 24,602,411**

[(1)] The first promissory note of US$5,000,000 or $6,091,000 is non-interest bearing and will be due September 30, 2018. As the due date is within 12 months of issuance, the note has not been discounted.

[(2)] The second promissory note of US$5,000,000 or $6,091,000 is non-interest bearing and will be due September 30, 2019. A discount rate of 20% was used to calculate the present value based on the underlying timing and risk of payments to be received.

[(3)] The third promissory note of US$1,000,000 or $1,218,200 is non-interest bearing and was due October 9, 2017. As the due date is within 12 months of issuance, the note has not been discounted. The third promissory note was paid in full on October 13, 2017.

(b) Continuity

	March 31, 2018	December 31, 2017
Balance, beginning of period	**$ 24,602,411**	$ -
Acquisition of the ATO Project	**-**	24,602,411
Foreign exchange	**1,419,749**	-
Balance, end of period	**$ 26,022,160**	$ 24,602,411

5. Uudam Khundii Project

The Company, through its subsidiary Steppe West, entered into a share sales agreement dated May 15, 2017, with an unrelated third party (the "Seller") to acquire 80% of Corundum as outlined below. 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. The acquisition has been accounted for as an asset acquisition.

The initial purchase price was:

- US$150,000 within 5 working days (paid);
- US$350,000 within 21 days (paid);
- US$1,500,000 upon successful bidding on tender and obtaining ownership of the exploration licence located in Bayankhongor province, Mongolia; and
- 1,000,000 shares of the Company based on certain exploration results

As noted above, there were certain contingent conditions to be met. As the expectation for these events to be met is probable, the contingent consideration has been accrued. Under IFRS, any contingent consideration needs to be classified as equity or liability based on the IAS 32 definitions. Contingent consideration classified as equity is not remeasured after its initial recognition at fair value and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as a liability is measured at fair value initially and subsequently at each reporting period, with any fair value changes recognized as gain or loss in profit or loss.

Accordingly, the cash portion of the payment was recorded a liability. The share portion has been recorded as equity, as shares to be issued, as the number of shares issuable are fixed.

The agreement was amended on August 18, 2017 and the revised terms for the unpaid amounts US$1.5 million is as follows:

- US$100,000 upon obtaining the rights over the Uudam Khundii project (paid);
- US$500,000 upon completion of the initial exploration programs; and
- 400,000 shares of Steppe Gold Limited

The amendment was made to modify the cash payment terms on the remaining unpaid balance of $1.5 million from the original agreement. In accordance with IFRS 9 the change in the portion of the consideration that was previously recorded as a financial liability was tested for a modification or extinguishment of debt. The previous amount of US$1,500,000 was modified to cash payments owing of US$600,000 (US$500,000 remaining) and 400,000 shares valued at US$434,254. The amendment is considered an extinguishment of debt under IFRS 9 and accordingly a gain on settlement of $607,836 has been recorded for the year ended December 31, 2017. As the additional 400,000 shares are also fixed in number, they have been presented as equity under shares to be issued. The US$500,000 cash liability has been presented as a financial liability.

The 1 million shares to be issued per the original agreement remain to be issued under the amended terms and have not been revalued.

(Expressed in Canadian Dollars)

6. Property and equipment

Cost		Furniture		Equipment		Building		Total
Balance, December 31, 2016 to March 31, 2017	$	-	$	-	$	-	$	-
Balance, December 31, 2017	$	14,106	$	35,816	$	522,305	$	572,227
Additions		-		323,856		383,757		707,613
Foreign exchange		-		11,884		29,936		41,820
Balance, March 31, 2018	$	14,106	$	371,556	$	935,998		1,321,660

Accumulated depreciation		Furniture		Equipment		Building		Total
Balance, December 31, 2016 to March 31, 2017	$	-	$	-	$	-	$	-
Balance, December 31, 2017	$	7,053	$	-	$	-	$	7,053
Additions		1,763		-		-		1,763
Balance, March 31, 2018	$	8,816	$	-	$	-	$	8,816

Net book value		Furniture		Equipment		Building		Total
Balance, December 31, 2017	$	7,053	$	35,816	$	522,305	$	565,174
Balance, March 31, 2018	$	5,290	$	371,556	$	935,998	$	1,312,844

The Company's equipment in Mongolia is included in equipment and is currently under construction. No depreciation expense has been recorded in relation to the equipment.

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.

		March 31, 2018		December 31, 2017
Amounts payable	$	96,309	$	51,019
Accrued liabilities		220,605		191,114
Total amounts payable and other liabilities	$	316,914	$	242,133

The following is an aged analysis of the amounts payable and other liabilities:

		March 31, 2018		December 31, 2017
Less than 1 month	$	316,914	$	242,133

(Expressed in Canadian Dollars)

8. Promissory notes

Promissory notes of the Company are comprised of the following:

Due	Principal	Initial Canadian Principal	Canadian fair value at March 31, 2018	Canadian fair value at December 31, 2017
September 30, 2018 (note 4)	USD$5,000,000	**$ 6,091,000**	**6,447,000**	6,262,500
September 30, 2019 (note 4) [(1)]	USD$5,000,000	**6,091,000**	**4,787,879**	4,425,857
Total		**$ 12,182,000**	**$ 11,234,879**	$ 10,688,357
Current			**$ 6,447,000**	$ 6,262,500
Long-term [(1)]			**4,787,879**	4,425,857
Total			**$ 11,234,879**	$ 10,688,357

[(1)] Accretion expense during the three months ended March 31, 2018 amounted to $239,332 (three months ended March 31, 2017 - $nil) and was expensed to the consolidated statement of loss and comprehensive loss.

9. Streaming arrangement

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.

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, $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.

9. Streaming obligation (continued)

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.

A value of $2,292,459 was estimated for the 2,300,000 warrants on the date of grant based on the Black-Scholes option pricing model with the following assumptions: share price of $1.36; expected dividend yield of 0%; expected volatility of 107% using the historical price history of comparable companies; risk-free interest rate of 1.81%; and an expected average life of five (5) years.

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.

The Company has determined that the stream obligation is in substance a debt instrument with embedded derivatives linked to gold and silver commodity prices. As the stream is in substance a debt instrument, the effective interest on the debt host is capitalized as a borrowing cost during the development phase of the ATO Project. The ATO Project is currently not in the development phase and therefore the effective interest is not capitalized as a borrowing cost.

The Stream Agreement is subject to various covenants of which Company has complied with as of December 31, 2017. These covenants include the maintenance of a net indebtedness to earnings before interest, taxes, depreciation and amortization (“EBITDA”) ratio that does not exceed 2.0 and its net indebtedness to Forecasted EBITDA ratio does not exceed 2.0 until the date of the later of the delivery of 46,000 ounces of gold or 375,000 ounces of silver, and on or after the later of the delivery of 46,000 ounces of gold or 375,000 ounces of silver, the Company must ensure that its net indebtedness to EBITDA ratio does not exceed 2.5 and its net indebtedness to Forecasted EBITDA ratio does not exceed 2.5. Also prior to the commercial production date the Company shall not declare or pay any dividend or any other distributions on any of its capital stock or other securities.

In addition, 424,350 common shares valued at $1.36 were issued in connection with the Stream Agreement.

Financing expense during the three months ended March 31, 2018 amounted to $140,824 (three months ended March 31, 2017 - $nil) and was expensed to the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

10. 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, December 31, 2016 and March 31, 2017	**8,800,000**	**$ 580,008**
Balance, December 31, 2017 and March 31, 2018	**29,040,911**	**$ 10,214,131**

11. Exploration and evaluation expenditures

Three months ended March 31, 2018

	ATO Project	Uudam Khundii Project	South Tsagaan Temeet Prospect	Bayan Munkh West and East Prospect	Total
General exploration	$ 2,594	$ 45,650	$ 1,044	$ 8,080	$ 57,368
Consulting	30,122	-	-	-	30,122
Rent	16,030	-	-	-	16,030
Assays	5,250	-	635	4,200	10,085
Insurance	8,530	-	-	-	8,530
Security	6,370	-	-	-	6,370
Total exploration and evaluation expenditures	**$ 68,896**	**$ 45,650**	**$ 1,679**	**$ 12,280**	**$ 128,505**

Three months ended March 31, 2017

	ATO Project	Uudam Khundii Project	South Tsagaan Temeet Prospect	Bayan Munkh West and East Prospect	Total
Drilling	89,236	-	-	-	89,236
Other exploration costs	20,164	-	-	-	20,164
Total exploration and evaluation expenditures	**$ 109,400**	**$ -**	**$ -**	**$ -**	**$ 109,400**

(Expressed in Canadian Dollars)

12. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2018 was based on the loss attributable to common shareholders of $1,785,224 (three months ended March 31, 2017 - loss of $490,086) and the weighted average number of common shares outstanding of 29,040,911 (three months ended March 31, 2017 - 8,800,000). Diluted loss per share for the three months ended March 31, 2018 presented did not include the effect of 7,109,250 warrants (three months ended March 31, 2017- nil warrants) as they are anti-dilutive.

13. Related party transactions

(a) During the three months ended March 31, 2018, management fees paid, or otherwise accrued, to key management personnel (defined as the Chief Executive Officer ("CEO") and directors) totaled $244,769 (three months ended March 31, 2017 - $153,667). As at March 31, 2018, key management personnel was owed $nil (December 31, 2017 - $30,590) 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.

(b) During the three months ended March 31, 2018, the Company expensed professional fees and disbursements of $11,043 (three months ended March 31, 2017 - $6,019) to Marrelli Support, an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the current 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 March 31, 2018, Marrelli Support was owed $52,419 (December 31, 2017 - $50,000) and these amounts were included in amounts payable and accrued liabilities.

14. Warrants

	Number of warrants	Grant date fair value ($)
Balance, December 31, 2016 and March 31, 2017	-	-
Balance, December 31, 2017	**7,109,250**	**6,714,347**
Change in the fair value of warrant liability [4]	-	(6,059)
Balance, March 31, 2018	**7,109,250**	**6,708,288**

The following table reflects the actual warrants issued and outstanding as of March 31, 2018:

Expiry date	Exercise price ($)	Warrants outstanding	Fair Value ($)
[1]	Offering Price	2,729,250	2,575,320
[2]	2.50 or Offering Price	2,300,000	2,170,280
[3]	2.50 or Offering Price	2,080,000	1,962,688
		7,109,250	**6,708,288**

[1] 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. As the warrants do not meet the fixed for fixed criteria, the warrants have been recorded as a liability.

[2] Each Stream Warrant 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. As the warrants do not meet the fixed for fixed criteria, the warrants have been recorded as a liability.

14. Warrants (continued)

(3) These warrants are exercisable for common shares and have a term of five years from the date of the completion of the Offering at the Offering Price per share or at a price of $2.50 per share prior to the completion of the Offering in the event that there is a change of control transaction involving the Company.

(4) A summary of the assumptions used in the valuation model for re-measuring the fair value of the warrant liability at the March 31, 2018 reporting period is as follows: strike price - $1.36; exercise price - $2.50; estimated life in years - 5 years; estimated volatility using similar companies - 105%; and risk free interest rate - 1.96%.

15. Special warrants

On February 2, 2018, the Company announced the closing of a non-brokered private placement (the "Warrant Offering") of special warrants of the Company (the "Special Warrants") on February 1, 2018. Under the Warrant Offering, the Company issued 1,257,210 Special Warrants at an offering price of $3.00 per Special Warrants (the "Purchase Price") for aggregate gross proceeds of $3,771,630.

On February 22, 2018, the Company issued an additional 30,000 Special Warrants for proceeds of $90,000.

Each Special Warrant not previously exercised will be automatically exercised, without payment of additional consideration, on the second business day (the "Deemed Exercise Date") after the later of (i) the date on which a receipt for a final prospectus (the "Final Prospectus") is issued by the Ontario Securities Commission on behalf of the securities regulatory authorities in the provinces of Canada (except Quebec) qualifying the distribution of the Warrant Shares (as defined below); and (ii) the date the common shares of the Company are conditionally approved for listing on a recognized stock exchange. The holders of Special Warrants will receive (subject to adjustment), upon such automatic exercise, for no additional consideration, one unit of the Company (a "Warrant Unit") for each Special Warrant held.

If the Company completes a public offering of common shares pursuant to the Final Prospectus at a price per common share (the "IPO Price") of any amount other than the Purchase Price, the number of Warrant Units issuable upon conversion of each Special Warrant at the Deemed Exercise Date shall be adjusted such that each Special Warrant shall convert into such number of Common Shares equal to the Purchase Price divided by the IPO Price.

The Special Warrants were created and issued pursuant to a Special Warrant Indenture dated February 1, 2018 between the Company and TSX Trust Company (the "Special Warrant Agent").

On completion of the Warrant Offering, the gross proceeds from the Warrant Offering ("Escrow Proceeds") were deposited with the Special Warrant Agent to be held by the Special Warrant Agent as agent and bailee for and on behalf of the holders of Special Warrants and retained by the Special Warrant Agent in escrow in accordance with the provisions of the Special Warrant indenture. If the Company obtains the receipt for the Final Prospectus on or prior to February 28, 2018 (the "Deadline Date"), the Escrowed Proceeds together with any interest accrued or income generated thereon shall be released to the Company. In the event that the receipt for the Final Prospectus is not obtained on or prior to the Deadline Date (unless otherwise agreed to by the holders of the Special Warrants), all outstanding Special Warrants shall be cancelled and within three business days following the Deadline Date the Special Warrant Agent shall deliver by cheque, the amount of the Purchase Price per Special Warrant plus the pro rata portion of any interest earned or income generated on the Escrowed Proceeds, less any withholding tax required to be withheld in respect thereof, to holders of Special Warrants.

On March 29, 2018, Steppe announced that further to the Warrant Offering of Special Warrants of the Company completed on February 1, 2018, the Special Warrant holders approved by extraordinary resolution the extension of the Deadline Date from March 29, 2018 to April 27, 2018 in accordance with the terms of the Special Warrant Indenture dated February 1, 2018 between the Company and Special Warrant Agent.

16. Events after the reporting period

On May 22, 2018, Steppe announced the closing of its initial public offering (the "Offering") of units of the Company (the "Units"). Under the Offering, the Company issued 10,569,185 Units at a price of $2.00 per Unit (the “Issue Price”) for gross proceeds of $21,138,370. Each Unit is comprised of one common share of the Company and one common share purchase warrant (a “Warrant”). Each Warrant is exercisable for one common share at an exercise price equal to $2.34 for a period of 24 months after the closing date of the Offering. The distribution of the Units was qualified by way of prospectus dated May 2, 2018 filed with the securities regulatory authorities in each of the provinces and territories of Canada, other than Quebec. Haywood Securities Inc. and PI Financial Corp. (the “Agents”) acted as co-lead agents on the Offering.

The Company has granted the Agents an over-allotment option, exercisable in whole or in part at any time until 30 days following the closing of the Offering, to purchase from the Company up to an additional 1,585,377 Units (being equal to 15% of the Units to be sold in the Offering) at the Issue Price for additional gross proceeds of $3,170,755 (if the over-allotment option is exercised in full) solely to cover over-allotments, if any, and for market stabilization purposes.

The final prospectus also qualified the distribution of 1,930,815 Units on the deemed exercise of 1,287,210 previously issued Special Warrants of the Company. The Special Warrants were issued on a private placement basis on February 1, 2018 and February 22, 2018 pursuant to the terms of a Special Warrant Indenture dated February 1, 2018, as amended, between the Company and TSX Trust Company, as Special Warrant Agent for gross proceeds of $3,861,630.