STEPPE GOLD

Mongolia's Premier Precious Metals Company

Management Discussion and Analysis

Third Quarter 2023 Results

Ending September 30, 2023

Management Discussion and Analysis

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Steppe Gold Ltd. ("Steppe Gold" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended September 30, 2023, and the nine months ended September 30, 2022. This discussion should be read in conjunction with the condensed interim consolidated financial statements as at and for the nine months ended September 30, 2023 and September 30, 2022 together with the notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

Effective June 28, 2023, the Company acquired all of the issued and outstanding common shares of Anacortes Mining Corp.("Anacortes"), which owns a 100% interest in the Tres Cruces gold project (the "Tres Cruces Project") located in Peru through its wholly-owned subsidiary, Aurífera Tres Cruces S.A. ("ATC"). At the date of acquisition Anacortes was listed on the TSX Venture Exchange and was a reporting issuer in Ontario, Alberta and BC. Anacortes was also listed on the OTC Markets Group ("OTCQX").

This MD&A is dated as of November 14, 2023 unless otherwise indicated.

All monetary amounts, except per unit amounts, in this MD&A are expressed in thousands of United States dollars, unless otherwise noted. Unless otherwise noted or the context indicates otherwise "we", "us", "our", or the "Company" refers to Steppe Gold Ltd. and its direct and indirect subsidiaries.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. You should carefully read "Cautionary Statement Regarding Forward-Looking Information" in this MD&A and should not place undue reliance on any such forward-looking statements.

Further information about the Company and its operations is available on the Company's website at www.steppegold.com.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and statements which may not be based on fact, including without limitation, statements regarding the Company's expectations in respect of: future financial position; business strategy; future exploration and production; mineral resource potential; exploration drilling; permitting; access to capital; reagent supply chain operations; events or developments that the Company expects to take place in the future; the expected results of exploration activities; the estimation of mineral resources; the ability to identify new mineral resources and convert mineral resources into mineral reserves; ability to raise additional capital and complete future financings; capital expenditures and costs, including forecasted costs; use and repayment of loan proceeds; future loan agreements; Company pledge of certain licenses, movable properties and immovable properties; the ability of the Company to comply with environmental, safety and other regulatory requirements; future prices of precious metals; the Company's plans to list on the Hong Kong Stock Exchange; the production and construction schedule of, and the ability of the Company to obtain all necessary approvals and permits in connection with the development of the Altan Tsagaan Ovoo ("ATO") Project (the "ATO Project") or the ATO gold mine (the "ATO Gold Mine"); and the development of the Tres Cruces Project. All statements, other than statements of historical facts, are forward-looking information and statements.

The words "believe", "expected", "anticipated", "continue", "goal", "future", "focus", "forecasted", "estimate", "exploring", "opportunity", "potential", "may", "will", "could", "would" and similar expressions identify forward-looking information and statements.

Such forward-looking information and statements are based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such information and statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates and assumptions relate to, among other things: the continuance of the Company and its subsidiaries as a going concern; general economic and market conditions; gold prices; the ability of the Company to maintain normal operations following the COVID-19 pandemic; the ability of the Company to maintain normal operations during the Russia-Ukraine war and as a result of related sanctions; the Company's ability to continue to successfully satisfy all covenants under the Stream Agreement (as defined below) and its ability to meet significant near-term liquidity and operation requirements; the accuracy of mineral resources and mineral reserve statements and the other estimates and assumptions contained in the Technical Report (as defined below) as well as the Preliminary Economic Assessment ("PEA") of the Tres Cruces Project.

Readers are cautioned that forward-looking information and statements are not guarantees of future performance. There can be no assurance that such information and statements will prove to be accurate and actual results and future events could differ materially from those presented in such information and statements. Forward-looking information and statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information and statements. Such risks include, but are not limited to: the volatility of the price of gold; uncertainty of mineral resources; exploration potential; mineral grades and mineral recovery estimates; delays in exploration and development plans; insufficient capital to complete development and exploration plans; risks inherent with mineral acquisitions; delays in obtaining government approvals or permits; financing of additional capital requirements; commercial viability of mineral deposits; cost of exploration and development programs; risks associated with competition in the mining industry; risks associated with the ability to retain key executives and personnel; the impact of COVID-19; the impact of the Russia-Ukraine war and related sanctions; title disputes and other claims; the risk that insurance may not be available to the Company on reasonable terms or at all; changes in governmental and environmental regulation that results in increased costs; the Company's failure to adhere to representations, warranties, affirmative and negative covenants under the Stream Agreement, which could give rise to an event of default under the Stream Agreement; risk of increases in the anticipated total capital and operating costs relating to development and operation of the ATO Project and the Company's ability to meet such costs; cost of environmental expenditures and potential environmental liabilities; and accidents and labour disputes. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information and statements.

Non-IFRS Measures

Certain non-IFRS measures are included in this MD&A, including earnings before interest, taxation, depreciation and amortization ("EBITDA") and all-in sustaining cost ("AISC"), which are non-IFRS performance measurements. Cash costs and AISC are included because these statistics are widely accepted as the standard of reporting cash costs of production in North America. These performance measurements do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measurements should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Certain other key measures are included below:

1. Mineral Reserves estimate was based on Measured and Indicated Resource Estimate by R. Rankin, QP and effective August 27, 2022.
2. ATO and Mungu Mineral Reserves are effective as of August 27, 2022.
3. Mineral Reserves are included in Mineral Resources.
4. Mineral Reserves are reported in accordance with JORC and Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") guidelines.
5. Ore dilution is 3% and ore loss is 2%.
6. Contained metal estimates have not been adjusted for metallurgical recoveries.
7. The open pit mineral reserves are estimated using a cut-off grade of 0.40 g/t AuEq for oxide material and 0.43 g/t AuEq for transition and fresh material.
8. Mineral reserves are contained within an optimised pit shell based on a gold price of $1,700 per ounce.
9. A conversion factor of 31.103477 grams per troy ounce and a conversion factor of 453.59237 grams per pound are used in the resource and reserves estimates.
10. AuEq has been calculated using the following metal prices: $1,700/oz gold, $20/oz silver, $1,970/t lead, $2,500/t zinc.
11. Oxide AuEq calculation: $AUEQ_{(g/t)} = Au_{(g/t)} + \frac{Ag_{(g/t)} \times 21 \times 0.4}{1{,}610 \times 0.7}$
12. Transition and fresh AuEq calculation: $AuEq_{(g/t)} = Au_{(g/t)} + \frac{Ag_{(g/t)} \times 21 \times 0.858}{1{,}610 \times 0.8} + \frac{Pb_{(\%)} \times 1{,}970 \times 0.88}{1{,}610 \times 0.8} + \frac{Zn_{(g/t)} \times 2515 \times 0.88}{1{,}610 \times 0.8}$.
13. Totals may not match due to rounding.
14. The mineral reserves are stated as dry tonnes processed at the crusher.

Technical Information

Following the release of the "Altan Tsagaan Ovoo Project (ATO) 2022 Mineral Resources & Reserves Report (NI 43-101)" on March 13, 2023 (the "Technical Report"), the technical information contained herein relating to mineral reserve estimates of the ATO Project is based on, and fairly represents, information compiled by Grant Walker, Be (Mining) MAusIMM CP(Mining). Mr. Walker is independent within the meaning of NI 43-101, as a full-time employee of Xenith Consulting Pty Ltd. Mr. Walker has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity for which he is undertaking to qualify as a "Qualified Person" under NI 43-101.

The technical information contained herein relating to the ATO Project mineral resource estimates is based on, and fairly represents, information compiled by Robin Rankin, MSc DIC MAusIMM CP(Geo). Mr. Rankin is independent within the meaning of NI 43-101, as a full-time employee of Geores. Mr. Rankin has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" under NI 43-101. The technical and geoscientific content of this MD&A has been approved by Enkhtuvshin Khishigsuren, Vice President of Exploration of the Company and a "Qualified Person" as defined in NI 43-101. The effective date of the current mineral resource estimate is August 27, 2022. All mineral reserve and resources have been estimated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101.

The Qualified Persons were not aware of any other factors, including environmental, title, economic, market or political, which could generally influence the resources and reserves reported herein for the ATO Project. Factors that could alter the resources and reserves (but in all cases relatively insignificantly in the Qualified Persons' view) were changes in grade cut-off; bulk density; gold equivalent (through variations in world metals prices); geological model; JORC classification; and mining method with depth (possibly a factor at the deeper Mungu deposits where underground mining would be considered, and which would have a higher-grade cut-off).

The Company holds a 100% interest in the Tres Cruces mineral concessions gold project located in La Libertad, Peru through its wholly owned subsidiary, ATC.

Indicated Mineral Resources are estimated to contain 46.5 million tonnes (Mt) grading 1.65 g/t Au for a total of 2.5 million ounces (Moz) of contained Au metal. Inferred Mineral Resources are estimated at 2.6 Mt grading 1.26 grams per tonne (g/t) Au for 0.1 Moz Au. These estimates are reported at a 0.3 g/t Au cut-off, for oxide and transition material, and at a 0.9 g/t cut-off for sulphide mineralization.

The Company released an updated PEA on the Tres Cruces Project on August 21, 2023.

Highlights of the PEA are:

PEA ASSUMPTIONS AND RESULTS		
Description	**Units**	
Net Present Value (NPV 5%) Pre-Tax	US$ (million)	$294.3
Net Present Value (NPV 5%) After-Tax	US$ (million)	$165.9
After-Tax Internal Rate of Return (IRR)	%	33.0
Payback Period	Years	2.1
LOM Cumulative Cash Flow	US$ (million)	$235.6
LOM All-In Sustaining Costs (AISC)	US$/oz	$786
Pre-Production CAPEX	US$ (million)	$130.5
Sustaining CAPEX (LOM)	US$ (million)	$5.4
Mine Life	Years	7
Average Processing Rate	Tonnes/day	6,000
LOM Strip Ratio	-	2.89:1
Average Gold Recovery	%	81.7
Average Annual Gold Production	Oz/year	68,000
Total LOM Gold Production	Ounces	481,000

The PEA was prepared in accordance with NI 43-101 and evaluates the economics of mining the Tres Cruces Oxide Gold Deposit through conventional open pit mining and heap leach processing for gold recovery to doré. The study was prepared by M3 Engineering and Technology of Tucson, Arizona and Lima, Peru, in cooperation with Nilsson Mine Services of Pitt Meadows, BC, Canada, Transmin Ltd., of Fleet, UK, Advantage Geoservices Ltd. of Chilliwack, BC, Canada and Jeffrey Rowe of Surrey, BC.

Additional Information

Additional information regarding the Company, including the Company's annual information form for the year ended December 31, 2022, can be found on SEDAR+ at www.sedarplus.ca and www.steppegold.com.

Company Overview

Steppe Gold was incorporated under the *Business Corporations Act* (Ontario) on October 5, 2016. The head office of the Company is located in Shangri-La office Suite 1201, Olympic Street 19A, Sukhbaatar District 1, Ulaanbaatar 14241, Mongolia. The Company is domiciled in Canada and the address of its registered office changed during March 2023, from 55 Metcalfe St., Suite 1300, Ottawa, ON K1P 6L5, Canada to 333 Bay Street, Suite 2400, Toronto, ON MS1 2T6, Canada.

Effective June 28, 2023, the Company acquired all of the issued and outstanding common shares of Anacortes, which owns a 100% interest in the Tres Cruces Project located in Peru through its wholly owned subsidiary, Aurífera Tres Cruces S.A. ("ATC"). At the date of acquisition Anacortes was listed on the TSX Venture Exchange and was a reporting issuer in Ontario, Alberta and British Columbia. Anacortes was also listed on the OTCQX.

Steppe Gold is a precious metals exploration, development, and production company focused on opportunities in Mongolia and Peru. The Company has three principal assets – an operating open pit mine, the ATO Gold Mine, located in the Dornod province of Eastern Mongolia, the Uudam Khundii exploration project in Uudam Khundii, Bayankhongor Province, Mongolia and the Tres Cruces gold project located in La Libertad, Peru.

Third quarter and nine months ended September 30, 2023 Highlights

(all figures in US$000's unless stated otherwise, except per unit figures which are in US$)

- Revenue for the three and nine months ended September 30, 2023, amounted to $15,765 and $39,562 on sales of 7,920 and 19,809 gold ounces, and 23,845 and 53,694 silver ounces, respectively.
- Average realized prices for the three and nine months ended September 30, 2023 were $1,933 and $1,922 per gold ounce and $22 and $22 per silver ounce, respectively.
- Operating income from mine operations, before depreciation and depletion for the three and nine months ended September 30, 2023 was $8,906 and $23,700 respectively.
- Adjusted EBITDA after stream payments for the three and nine months ended September 30, 2023, was $3,550 and $8,466, respectively.
- Site All in Sustaining Costs were $856 and $786 per ounce sold respectively for the three and nine months ended September 30, 2023. All in Sustaining Cost was $1,078 and $1,085 per ounce sold for the three and nine months ended September 30, 2023, respectively.
- During the three and nine months ended September 30, 2023, 261,696 and 481,559 tonnes of ore were mined and 247,046 and 705,400 tonnes of ore were stacked on the leach pad, respectively with an average gold grade of 0.72 g/t and 0.86 g/t, respectively, and an average silver grade of 6.03 g/t and 5.17 g/t, respectively.
- As at September 30, 2023, cash amounted to $2,814; total bank debt and other debts (excluding convertible debentures and stream arrangements) was $15,921 with net debt of $13,107.
- The Private Placement (as defined below) of 11,000,000 common shares resulted in $9,020 cash being raised.
- The acquisition of Anacortes was completed on June 28, 2023. As a result, a further 19,437,948 common shares were issued to Anacortes shareholders and a further 924,654 common shares were issued to the advisors to the transaction.

- On July 11, 2023, the Company announced it had signed a binding term sheet with Trade and Development Bank of Mongolia, and affiliated entities, (the "TDB") for $150,000 in financing to fully fund the construction and completion of the Phase 2 Expansion at the ATO Gold Mine (the "Phase 2 Expansion"). The terms of the financing comprise three tranches of $50,000 each for a total of $150,000, expected to be funded in line with the planned construction phase of the Phase 2 Expansion. On August 30, 2023 the Company signed a loan agreement for the first tranche of $50,000 and, on October 9, 2023, made its first draw down of $9,600.
- On August 22, 2023 the Company announced the filing of an updated preliminary economic assessment regarding its 100% owned Tres Cruces Project.
- The Company is actively working on the engineering, procurement and construction ("EPC") arrangements for the Phase 2 Expansion. Construction and installation of the new fixed crushing unit is expected to be completed by fourth quarter 2023. Camp design is complete and design phase for the major capex work is underway.
- On October 16, 2023 the Company also announced the following operating updates:

  - EPC arrangements are in the final stages, partnering with leading international engineering firms and construction teams in Mongolia.
  - EPC arrangements and selected parties will be announced shortly, with long lead items expected to be ordered in November 2023.
  - Engineering drawings and permits completed to connect to the state power grid for plus 10Mw. It is estimated to save ~$100 per oz in operating costs, lowering estimated AISC of $900 per oz to $800 per oz.
  - The Company is exploring the option of 100% renewable energy in the camp expansion already underway.

Health and Safety

In the nine months ended September 30, 2023, a total recordable injury frequency rate of zero per million hours worked was reported. The operations team is commended for managing to maintain a clean safety record through the nine-month period.

Preventative measures are in place to ensure the well-being of employees and contractors.

COVID 19

The COVID-19 pandemic caused major disruptions in the ability of the Company to conduct business in Mongolia, notably with supply chain logistics.

While the impact of the pandemic has mostly dissipated in Mongolia, transport of certain key reagents across the land border with China remains suspended. Since February 2023, the Company has obtained its key reagent via Russia and this supply route continues to operate effectively. The Company is optimistic that the China border will soon re-open fully.

Russian Invasion of Ukraine

Mongolia is land-locked between China and Russia and on 24 February 2022, Russia invaded Ukraine. The war between the two countries continues to evolve as military activity proceeds and sanctions on Russia remain in place. The war has affected economic and global financial markets and exacerbated ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

Specifically for Mongolia, it imports all of its fuel from Russia. Its financial system relies on access to certain Russian banks and financial institutions, and there has been disruption in the supply of US

Dollars, certain foodstuffs as well as mining equipment. As with many other countries, Mongolia has suffered from increased energy costs, higher inflation, increased interest rates and pressure on foreign currency exchange rates.

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

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

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

Financial Overview

The Company reported total cash balances as of September 30, 2023, of $2,814 compared to December 31, 2022, of $2,515. In the nine months ended September 30, 2023, gold production was 21% lower than the same period in 2022, while silver production was 76% higher than the same period in 2022. In the nine months ended September 30, 2023 the Company received $9,020 in cash proceeds from a Private placement.

As at September 30, 2023, the inventory balance increased to $29,560 compared to $24,165 as at December 31, 2022. The increase is mainly driven by the increase in gold in circuit and finished goods. Gold in circuit included 16,045 ounces valued at $13,424 at September 30, 2023 compared to 13,228 ounces valued at $7,986 at December 31, 2022. Finished goods at December 31, 2022 was 152 ounces of gold with carrying value of $106 with $698 per ounce of gold compared to 1,033 ounces of gold with a carrying value of $849 with $822 per ounce of gold for the third quarter of 2023, The cost per ounce of gold increased in 2023, with lower grades encountered leading to higher waste component, which in turn leads to higher overall inventory cost.

Property, plant and equipment was $39,248 as at September 30, 2023, compared to $39,328 as at the year ended December 31, 2022. Asset acquisitions during the nine month period ended September 30, 2023 were $2,074, of which $1,609 is related to equipment under construction and mainly consists of the Phase 2 crusher and its genset. These payments were offset by depreciation for the period of $1,841.

The Company reported a net decrease in total liabilities of $12,048 as at September 30, 2023 compared to December 31, 2022. This is mainly due to stream payments, repayments of the gold prepay loan and a reduction in accounts payable.

The overall net cash inflow for the nine months ended September 30, 2023 was $299, driven by $3,316 generated by operations offset by $2,074 used in investing activities and $948 used in financing activities mainly due to the stream payments and repayment of the gold prepay loan. This compares to an overall net cash inflow of $2,119 for the nine months ended September 30, 2022, driven by $11,328 generated by operations, net of $4,492 of investment activities in property plant and equipment and net payments of $5,085 to service the long term loans.

Effective June 28, 2023, the Company acquired all of the issued and outstanding common shares of Anacortes, which owns a 100% interest in the Tres Cruces Project.

The Tres Cruces Project hosts oxide plus sulphide indicated resources of 2,474,000 oz at 1.65 g/t gold, inclusive of 630,000 oz of high-grade leachable gold at 1.28 g/t gold and inferred resources of 104,000 oz at 1.26 g/t gold.

Statement of Financial Position

(US$ 000's)	Nine months ended Sept 30, 2023	Year ended Dec 31, 2022
Cash	2,814	2,515
Inventories	29,560	24,165
Other Current Assets	3,646	2,899
Other non-Current Assets	54,955	43,079
Total Assets	**90,975**	**72,658**
Current Liabilities	29,904	35,121
Non-Current Liabilities	13,483	20,314
Total Liabilities	**43,387**	**55,435**
Total Shareholders Equity	**47,588**	**17,223**

Cash and Equivalents

As at September 30, 2023, the Company recorded cash of $2,814 and net debt of $13,107, compared to free cash of $2,515 and net debt of $15,870 as at December 31, 2022. The increase in cash position in 2023 resulted from the proceeds of $9,020 raised pursuant to the Private Placement. The Company repaid the gold prepay loan in full as well as paying the outstanding payables for the period, thus the net debt decreased.

Further to the binding term sheet signed on July 11, 2023, on August 30, 2023, the Company signed a loan agreement for the first tranche of funds from the $150,000 project finance facility. The loan agreement with TDB provided a term loan for a total of $50,000 (the "TDB Phase 2 Loan").
The terms of the TDB Phase 2 Loan include:

- Interest rate of 13.40% per annum
- Term of 48 months
- Repayment term of five equal instalments, every six months starting from August 30, 2025 to August 30, 2027
- Draw downs are based on the invoices and contracts

Draw downs against the TDB Phase 2 Loan commenced on October 9, 2023 with a first draw down of $9,600 after meeting the requirements of the loan agreement.

The net debt position is as follows:

(US$ 000's)	Nine months ended Sept 30, 2023	Year ended Dec 31, 2022
Cash	2,814	2,515
Total cash	**2,814**	**2,515**
Payables & Other Liabilities*	8,139	11,016
Gold prepay loan – Triple Flag	-	4,531
Short term loans – TDB	7,782	-
Long term loan	-	2,838
Total debt	**15,921**	**18,385**
Net debt	**(13,107)**	**(15,870)**

**Convertible debenture is excluded from the Net Debt calculation.*

Inventories

(US$ 000's)	Nine months ended Sept 30, 2023	Year ended Dec 31, 2022
Ore Stockpiles	13,212	12,919
Gold-in-Circuit	13,424	7,986
Finished Goods	849	106
Warehouse Consumables & Supplies	2,075	3,154
Total Inventory	**29,560**	**24,165**

As at September 30, 2023, the Company reported total inventory of $29,560 compared to $24,165 as at December 31, 2022. The increase was mainly driven by the increase in gold in circuit reflecting nine months of stacking. Inventory includes warehouse consumables, ore stockpiles, gold in circuit, and finished gold included in finished goods.

Revenue generating inventory as at September 30, 2023, included 250,682 tonnes of ore balances in the run of mine pad and stacked ore with a carrying value of $13,212 and 25,671 ounces of gold is estimated to be generated.

As of September 30, 2023, Gold-in-Circuit included 16,045 ounces of gold with a carrying value of $13,424 with $837 per ounce of gold compared to 13,228 ounces of gold with a carrying value of $7,986 with $604 per ounce of gold as at December 31, 2022. As of September 30, 2023, the finished goods included 1,033 ounces of gold with a carrying value of $849 with $822 per ounce of gold compared to 152 ounces of gold with a carrying value of $106 with $698 per ounce of gold as of December 31, 2022.

The inventory balance increased by 22% in 2023 compared to 2022. This is due to increased operating costs and higher waste mining charges. Operating costs increased by an average of 10% in 2023. The average ore grade has been decreasing as the Phase 1 mine plan enters its final stages, now focused on the Phase 2 Expansion. With lower grades encountered, this is leading to a higher waste component which in turn leads to higher overall inventory cost as ounces relieved relative to cost of sales is lower per tonne mined. Finished goods inventory represents gold ounces located at the mine and bars still under assay at the MASM and gold inventory extracted from silver bars. The Company concluded that silver inventory is a by-product in addition to the primary product gold. Therefore, the finished goods inventory excludes the by-product.

As silver is considered a by-product, no value is ascribed to these bars in the inventory as at September 30, 2023, and December 31, 2022.

As at September 30, 2023, the carrying balance of consumables was $2,075 compared to $3,154 as at December 31, 2022. The decrease in consumables inventory is due to decreased holding of key reagents, which had been increased during 2022 to alleviate any potential shortages resulting from COVID 19 disruptions to the reagent supply chain.

Current Assets

As at September 30, 2023, other current assets amounted to $3,646 and relate primarily to prepaid expenses and other receivables.

As at December 31, 2022 other current assets included receivables and a short-term investment in a convertible debenture of Aranjin Resources Ltd. ("Aranjin"). The Aranjin convertible debenture had a maturity date of August 10, 2023.

The Company converted the debentures into Aranjin shares at the maturity date. It is management's current intention to hold these shares for the long term and they are therefore classified as a non-current asset The Company converted the full amount of C$1,814,000 of Aranjin convertible debenture plus interest receivable of C$543,574 into 42,872,253 common shares of Aranjin at C$0.055 per common share.

Non-Current Assets

As at September 30, 2023, non-current assets of $54,955 comprised of property plant and equipment of $39,248, primarily related to the ATO operations; goodwill on the acquisition of Anacortes of $6,744; Exploration and Evaluation ("E&E") and assets relating to the Company's 80% interest in the Uudam Khundii Project through Corundum Geo LLC ("Corundum"). The remaining balance relates to the shares in Aranjin and a deferred tax asset.

Property, plant and equipment was $39,248 as at September 30, 2023, compared to $39,328 as at December 31, 2022. The small decrease was driven by deposit payments on the new crusher, being offset by the depreciation charge for the period.

As at September 30, 2023, E&E projects accounted for $7,269 of the total non-current assets compared to $1,571 as at December 31, 2022. The increase relates primarily to the acquisition of E&E assets represented by the Tres Cruces Project in Peru, valued at $5,714.

Liabilities

As at September 30, 2023, there were total liabilities of $43,387 compared to $55,435 as at December 31, 2022. The total liabilities decrease of $12,048 mainly resulted from the reduction in streaming obligations amounting to $8,499 as a result of payments made net of the fair value movement for the period of $1,064 as well as a reduction in outstanding payables of $2,877.

Short Term Loans

Triple Flag Gold Prepay Loan

On September 26, 2022, the Company entered into an agreement with Triple Flag for a $4,800 short-term gold prepayment loan. The loan was repaid over a period of six months commencing December 23, 2022. The balance outstanding was repaid in full on May 23, 2023.

Loans from TDB

In September 2020, the Company entered into a loan agreement with TDB for a 30 billion Mongolian Tugriks ($10,510) Loan (the "2020 Gold 2 Loan") at an annual interest rate of 11%.

In November 2021, the Company entered into a further loan agreement with TDB for 170 billion Mongolian Tugriks ($59,000) (the "2021 Gold 2 Loan").

The 2020 Gold 2 Loan was fully repaid on September 22, 2022. The 2021 Gold 2 Loan had been largely repaid by December 31, 2022 with the remaining balance of $2,809 expected to be repaid in July, 2024 and it has been reclassified as a short-term loan.

On January 4, 2023, the Company obtained a short-term loan of $5,000 ("TDB working capital loan") from TDB to fund the Company's working capital. This TDB working capital loan was repaid in full on October 31, 2023.

On April 20, 2023, the Company obtained a short-term loan from TDB in the amount of $500 ("TDB Genset advance loan") to purchase the new crusher genset. The TDB Genset advance loan was repaid in full on July 20, 2023.

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Balance at December 31, 2022	**-**
Gold 2 Loan	2,809
Loans advanced	5,500
Repayment	(500)
Foreign exchange adjustment	(27)
Balance at September 30, 2023	**7,782**

Long Term Loans

The Stream Agreement is recorded at fair value at each reporting date as the Company has determined the obligation is a derivative liability to be carried at FVTPL. The fair value is determined by an independent valuation consultant and amounted to $20,385 as at September 30, 2023 compared to $27,820 at December 31, 2022. The fair value only reflects only phase 1 of the ATO Project as phase 2 has not yet reached the production stage, which will be the trigger for a liability to be recognised.

There are currently material commitments and obligations for cash resources set out in the table below. Failure to meet these obligations could lead to termination of the Company's underlying interests.

The maturity analysis of financial liabilities as at September 30, 2023 is as follows:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Accounts payable and other liabilities	8,139	-	-	-	8,139
Lease liability	202	296	61	40	599
Streaming arrangement	9,921	10,464	-	-	20,385
Convertible debentures – derivative	2	-	-	-	2
Convertible debentures – loan liability	2,449	-	-	-	2,449
Short-term loan TDB	7,782	-	-	-	7,782
Total	**28,495**	**10,760**	**61**	**40**	**39,356**

Shareholders' Equity

There was an increase in shareholders' equity as at nine months ended September 30, 2023, of $30,365 compared to December 31, 2022. The increase is mainly driven by the increase in share capital as set out below as well as higher comprehensive loss from December 31, 2022, to September 30, 2023 of $971 and a lower accumulated deficit of $9,756.

Common Shares Issued	**Number of Shares Units**	**Share Capital US$ 000's**
Balance as at January 1, 2022	**69,548,657**	**55,292**
Exercise of restricted share units	541,625	468
Balance as at December 31, 2022	**70,090,282**	**55,760**
Share based compensation	2,445,352	2,022
Private Placement	11,000,000	9,020
Issuance of shares for Anacortes acquisition	19,437,948	12,332
Share based payments	924,654	586
Share issuance costs	-	(510)

Exercise of restricted share units	632,377	341
Balance as at September 30, 2023	**104,530,613**	**79,551**

Off Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements.

Income Statement

(US$ 000's)	Q3 Sept 30, 2023	Q3 Sept 30, 2022	YTD Sept 30, 2023	YTD Sept 30, 2022
Revenue	15,765	21,710	39,562	44,404
Cash Cost of Sales	(6,859)	(9,054)	(15,862)	(18,984)
Operating income from mine operations before depreciation and depletion	**8,906**	**12,656**	**23,700**	**25,420**
Depletion and Depreciation	(663)	(1,420)	(1,554)	(3,157)
Profit from Mine Operations	**8,243**	**11,236**	**22,146**	**22,263**
Corporate Administration	(2,669)	(2,314)	(9,631)	(6,468)
Exploration & Evaluation	(345)	(935)	(519)	(1,744)
Operating Profit	**5,229**	**7,987**	**11,996**	**14,051**
Finance (Costs)/Income	(1,011)	4,908	(811)	1,672
Foreign Exchange Gain (Loss)	(91)	201	74	(1,783)
Profit Before Tax	**4,127**	**13,096**	**11,259**	**13,940**
Income Tax	(816)	(2,055)	(1,574)	(2,719)
Profit After Tax	**3,311**	**11,041**	**9,685**	**11,221**
Basic Net earnings and Comprehensive Loss per Common Share	0.031	0.158	0.113	0.161
Diluted Net earnings and Comprehensive Loss per Common Share	0.030	0.077	0.108	0.132

Revenue

For the nine months ended September 30, 2023, the Company sold 19,809 ounces of gold and 53,694 ounces of silver at average prices of $1,922/oz and $22/oz, respectively, for total gross cash revenue of $39,562 compared to the revenue generated for the nine months ended September 30, 2022 of $44,404 where the Company sold 23,510 ounces of gold and 19,393 ounces of silver at average prices of $1,863/oz and $21/oz, respectively.

The first quarter of 2023 included the sale of 5,008 gold ounces and 651 silver ounces with average realized prices of $1,862/oz and $21/oz, respectively, for total revenue of $9,525.

The second quarter of 2023 included the sale of 6,880 of gold and 29,198 ounces of silver at average prices of $1,982/oz and $22/oz, respectively, for total revenue of $14,272. This compares to attributable revenue of $17,237 in the same period of 2022. The higher figure in the second quarter of 2022, was due to higher leaching rates in second quarter of 2022, after a long period of reagent delays.

The third quarter of 2023 included the sale of 7,920 gold ounces and 23,845 ounces of silver at average prices of $1,926/oz and $21/oz, respectively, for total revenue of $15,765. This compares to attributable revenue of $21,710 in the same period in 2022 on sales of 11,709 ounces of gold 18,428 ounces of silver at average prices of $1,806/oz and $22/oz, respectively. Leach rates have declined in 2023 compared to 2022 when the Company saw the benefit of new reagent supplies after the supply chain disruptions in 2021.

Depreciation and Amortization

Depreciation and depletion totalled $663 for the third quarter of 2023 compared to $1,420 for the third quarter of 2022. The decrease is primarily due to the increased life of mine as a result of the updated Technical Report completed in March 2023, and decrease in sold gold ounces in 2023 compared to 2022 as the depreciation and depletion is expensed based on sold gold ounces.

Corporate Administration Costs

Corporate administration costs were $2,669 for the third quarter ended September 30, 2023, compared to $2,314 for the third quarter ended September 30, 2022.

For the nine months ended September 30, 2023, corporate administration costs of $9,631 compared to $6,468 for the same period in 2022. The increase was mainly due to higher professional fees of $3,024. Professional fees relate to transaction costs of the acquisition of Anacortes, costs incurred in the potential dual listing on the Hong Kong Stock Exchange and the costs associated with the Private Placement in May 2023.

Finance Income/(Costs)

Net finance costs of $1,011 was reported for the third quarter of 2023 compared to a finance income of $4,908 for the third quarter of 2022. The finance income in 2022 was primarily related to the gain on fair value movements on the Stream Agreement, a change in the estimate of the asset retirement obligation and a gain on the modification of the convertible debenture.

Finance costs for the nine months ended September 30, 2023, amounted to $811 compared to finance income of $1,672 for the same period in 2022. The difference is primarily related to a change in the fair value of the convertible debenture derivative component.

Foreign Exchange Gain (Loss)

Foreign exchange loss was $91 for the third quarter ended September 30, 2023, compared to a gain of $201 for the third quarter ended September 30, 2022. The MNT and USD, USD and CAD exchange rates were relatively stable during the third quarter 2023.

For the nine months ended September 30, 2023, the Company reported a foreign exchange gain of $74 compared to a $1,783 exchange loss of for the nine months ended September 30, 2022. The USD depreciated slightly relative to the CAD and MNT during the nine months of 2023. The exchange loss in 2022 was mainly due to foreign exchange valuation loss on the TDB gold sales loan.

Taxation

The Company's main operating subsidiary in Mongolia generated taxable income and $1,574 income tax is reported in the Condensed Interim Consolidated Statements of Income and Comprehensive Income for the nine months ended September 30, 2023. There was a deferred tax asset of $2,180 recorded as at December 31, 2022 compared to a deferred tax asset of $1,215 as at September 30, 2023.

Cash Flow Statement

(US$ 000's)	Q3 Sept 30, 2023	Q3 Sept 30, 2022	YTD Sept 30, 2023	YTD Sept 30, 2022
Cash Flows from Operating Activities	2,925	4,370	3,316	11,328
Cash Flows from Investing Activities	(1,469)	(1,329)	(2,074)	(4,492)
Cash Flows from Financing Activities	(4,360)	943	(948)	(5,085)
Effect of Exchange Rate Changes on Cash Held in Foreign Currency	13	242	5	368
Net Increase/(Decrease) in Cash	**(2,891)**	**4,226**	**299**	**2,119**

Cash generated by the operating activities for the three months ended September 30, 2023, amounted to $2,925 compared to $4,370 for the same period in 2022. The decrease in cash inflow from operating activities during the three months ended September 30, 2023, was mainly due to a reduction in payables.

Cash generated by the operating activities for the nine months ended September 30, 2023, amounted to $3,316 compared to cash generated by operating activities in the same period in 2022 of $11,328. The lower cash inflow from operating activities during the nine months ended September 30, 2023, was due to higher values for inventory and receivables, higher payments to creditors, whereas in the period ending September 30, 2022, creditor balances had increased.

Cash used in investing activities during the three months ended September 30, 2023, was $1,469 compared to $1,329 for the three months ended September 30, 2022.

Cash used in investing activities during the nine months ended September 30, 2023, was $2,074 compared to cash used of $4,492 for the nine months ended September 30, 2022. The majority of 2023 cash outflow is related to upfront payments for the Phase 2 crusher genset. The higher investing activities cash outflow is due to the upfront payment paid for a new crusher during the nine months ended September 30, 2022.

Cash used in financing activities was $4,360 for the three months ended September 30, 2023, compared to $943 cash generated from financing activities in the same period in 2022. The decrease in the third quarter of 2023 was mainly due to repayments under the Stream Agreement.

Cash used in financing activities was $948 for the nine months ended September 30, 2023, compared to cash used of $5,085 for the same period in 2022. The generation of funds in the nine months ended September 30, 2023 came from proceeds of the Private Placement of $9,020 and proceeds from TDB loans of $5,500, offset by loan repayments of $4,856 to Triple Flag International and stream payments of $8,499.

Financing Activities

On July 11, 2023, the Company announced it had signed a binding term sheet to provide up to $150,000 in project financing to fully fund the construction and completion of the Phase 2 Expansion.

Financing Details

1. On August 30, 2023, the Company signed a loan agreement for the first tranche of $150,000 project finance facility. The loan agreement for the TDB Phase 2 Loan provides for a total of $50,000.

The terms of TDB Phase 2 Loan:

- Interest rate of 13.40% per annum
- Term of 48 months
- Repayment term of five equal instalments, every six months starting from August 30, 2025 to August 30, 2027
- Draw downs are based on the invoices and contracts. Draw downs commenced on October 9, 2023 with a first draw down of $9,600 after meeting the requirements of the loan agreement.

2. Senior Secured Credit Facility for $50,000 comprised of a senior secured non-revolving amortizing loan.
   - Term of 60 months
   - Repayments commencing 35 months from the Closing Date
   - Funded in tranches commencing in January 2024
   - Interest rate of 12% per annum
3. Senior Secured Gold Linked loan for $50,000 (the "**Gold Linked Loan**")
   - Subject to market conditions and equity markets, the Company has negotiated a Gold Linked Loan with fixed repayment terms.
   - Repayments commencing from approximately January 1, 2026, which assumes first concentrate production in mid-2025.
   - Gold-linked loan repayment over five years based on concentrate production with a final payment of $40,000.
     Warrants with a C$1.50 strike price to be issued on drawdown under the Gold Linked Credit Agreement, subject to approval of the TSX.

Private Placement

On May 11, 2023, the Company announced that it had successfully completed a non-brokered private placement (the "Private Placement"), raising a total of $9,020. The Private Placement included participation from the Company's management and 2176423 Ontario Ltd., a company beneficially owned by Eric Sprott.

Under the Private Placement, the Company issued an aggregate of 11,000,000 common shares of the Company at a price of C$1.10 per common share for aggregate gross proceeds of C$12,100,000.

The proceeds of the Private Placement will be used to accelerate the Phase 2 Expansion currently underway, to fund ongoing exploration as well as to support the announced plans to pursue a dual listing on the Hong Kong Stock Exchange.

Share Issue

On June 28, 2023, the Company acquired all of the issued and outstanding common shares of Anacortes, obtaining control of Anacortes. Under the terms of the Arrangement, Anacortes Shareholders received 0.4532 of a common share of the Company for each Anacortes Common Share held. Accordingly, the number of common shares issued by the Company to the Anacortes shareholders was 19,437,948 and a further 924,654 common shares were issued to the advisors of the transaction.

Stream Agreement

In connection with the ATO acquisition and in order to fund the exploration and development of the ATO Project, the Company's subsidiaries, Steppe Gold LLC ("Steppe Mongolia") and Steppe Investments LLC ("Steppe BVI") entered into a metals purchase and sale agreement dated August 11, 2017, which was subsequently amended on September 30, 2019, with Triple Flag to sell gold and silver produced from the ATO Project(the "Stream Agreement"). Under the terms of the Stream Agreement, Triple Flag advanced $28,000 to Steppe Gold and Steppe BVI is obligated to sell annually to Triple Flag 25% of the gold and 50% of the silver produced, subject to an annual cap of 7,125 ounces of gold and 59,315 of silver from the ATO Project until such time as Steppe BVI has sold an aggregate of 46,000 ounces of gold and 375,000 ounces of silver, respectively.

The obligation of Steppe BVI to sell gold and silver to Triple Flag continues for the life of mine and includes any gold or silver produced by Steppe Mongolia within the stream area, which is the area within 20km from the boundary of the original mineral licenses comprising the ATO Project.

Under the terms of the Stream Agreement the parties agreed the variable gold and silver price payable by Triple Flag on delivery of gold and silver should be 17% of the relevant market price. As additional consideration, Steppe West LLC granted a 3% net smelter returns royalty to a subsidiary of Triple Flag on minerals derived from the Uudam Khundii property owned by Corundum.

As long as the upfront deposit of $28,000 (the "Upfront Deposit") remains outstanding, the purchase price for the gold and silver required to be sold to Triple Flag under the Stream Agreement is based on the product of 0.99 and spot prices as of the delivery date. The purchase price is to be satisfied as to 83% against the uncredited balance of the Upfront Deposit and 17% is payable in cash by Triple Flag.

Once the uncredited balance of the Upfront Deposit has been reduced to nil the purchase price by Triple Flag for the gold and silver shall be 17% of the price determined with reference to the product of 0.99 and spot prices of the delivery date, payable in cash.

Pursuant to the Stream Agreement, Steppe BVI has an option to buy gold and silver from the open market and resell such gold and silver to Triple Flag.

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

The Stream Agreement is subject to various financial covenants in the form of ratios. These covenants include the indebtedness of the Company, excluding all amounts owing from time to time under the Company's promissory note on completion of the ATO acquisition ("Centerra Deferred Purchase Price Amount") less any cash and liquid securities that is greater than the Centerra Deferred Purchase Price Amount and EBITDA. The Company is compliant with the covenants as noted in the Stream Agreement.

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

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

Debenture Agreements

On January 27, 2022, the Mongolian National Investment Fund PIF SPV ("MNIF") and the CEO of the Company Mr. Bataa Tumur-Ochir entered into a form of transfer (the "Transfer Agreement"). Pursuant to the Transfer Agreement, MNIF agreed to transfer to Mr. Tumur-Ochir the 12% two-year secured convertible debentures of the Company held by MNIF. Subsequently, the maturity date of the debentures was extended to January 27, 2024, and the interest payment term has been changed to a quarterly basis. All security was released, and the debentures are now unsecured obligations of the Company.

The debentures are convertible at the option of the holder into common shares of the Company at any time four months after the closing date and prior to the close of business on the maturity date at a conversion price of US$0.68 per common share.

The conversion feature of the debentures meets the definition of a derivative liability instrument as the conversion feature is denominated in a currency other than the Company's functional currency, and as such does not meet the definition for fixed criteria.

Outstanding Common Shares

As at September 30, 2023, there were 104,530,613 common shares of the Company issued and outstanding.

Related Party Transactions

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

For the three and nine months ended September 30, 2023, and 2022, management fees paid to key management personnel (defined as officers and directors of the Company) are shown below:

(US$ 000's)	Q3 Sept 30, 2023	Q3 Sept 30, 2022	YTD Sept30, 2023	YTD Sept 30, 2022
Management fees paid to key personnel	490	477	1,418	1412
Non-executive directors' fees	24	24	72	72
Stock based compensation	15	67	103	288
Total	**529**	**568**	**1,593**	**1,772**

As at September 30, 2023, key management personnel were owed $953 of accrued bonuses for previous periods (September 30, 2022: $139).

As at September 30, 2023, non-executive directors were owed $24 (September 30, 2022: $24).

During the nine months ended September 30, 2023, Erdenyn Erel, a company for which the Vice President of Exploration is the CEO, provided services to the Company totaling $320 (September 30, 2022 - $1,250). As at September 30, 2023, $41 was owed to Erdenyn Erel (September, 2022 - $1,078).

Effective August 10, 2021, the Company subscribed for C$1,814,000 in convertible debentures of Aranjin with an eventual maturity date of August 10, 2023. On the maturity date, the Company converted the full amount of C$1,814,000 of Aranjin convertible debenture plus interest receivable of C$543,574 into 42,872,253 common shares of Aranjin at C$0.055 per common share. The investment in Aranjin has been reclassified to non-current assets at its fair value of $479 as of September 30, 2023. Three of the Company's management also serve as directors of Aranjin.

The Company paid $46 for certain shared services of Aranjin, which was reported as receivable from Aranjin as at September 30, 2023.

The Company sublets office space to third party and related companies. Related party tenants include Lithium ION Energy Ltd.("ION") and Antler Hill Mining Ltd. ("Antler Hill"). Three of the Company's directors also serve as directors of ION and Antler Hill. There was a rental income receivable balance of $30 from ION and Antler Hill as of September 30, 2023.

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

On May 11, 2023, the Company announced that it had successfully completed the Private Placement raising a total of C$12,100,000. The private placement included participation from the Company's management (Mr. Bataa Tumur-Ochir). and 2176423 Ontario Ltd., a company beneficially owned by Eric Sprott.

Mr. Bataa Tumur-Ochir acquired an aggregate of 1,818,182 common shares for a total of C$2,000 pursuant to the Private Placement (the "Bataa Tumur-Ochir Participation "). The Bataa Tumur-Ochir Participation is equal to approximately 2.18% of the issued and outstanding common shares of the Company following the completion of the Private Placement. Mr. Bataa Tumur-Ochir is an insider of the Company and, as a result, his participation in the Private Placement constitutes a "related party transaction" as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Bataa Tumur-Ochir Participation is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 in reliance upon the exemptions contained in Section 5.5(a) and 5.7(1)(a), respectively, of MI 61-101.

Eric Sprott through 2176423 Ontario Ltd., a corporation beneficially owned and controlled by him acquired an aggregate of 909,091 common shares for a total of C$1,000,000 pursuant to the Private Placement (the "Sprott Participation"). Mr. Sprott is an insider of the Company and, as a result, his participation in the Private Placement constitutes a "related party transaction" as defined in MI 61-101. The Sprott Participation is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 in reliance upon the exemptions contained in Section 5.5(a) and 5.7(1)(a), respectively, of MI 61-101.

Operational Overview

Gold sales for the nine months ended September 30, 2023, and 2022, were 19,809 ounces and 23,510 ounces, respectively.

The Company produced 20,689 ounces of gold and 57,995 ounces of silver during the nine months ended September 30, 2023, compared to 26,187 ounces of gold and 32,908 ounces of silver for the same period in 2022. For the three months ended September 30, 2023, the Company mined 261,696 tonnes of ore and stacked 247,046 tonnes of ore compared to the same period in 2022, when the Company mined 266,295 tonnes of ore and stacked 230,400 tonnes of ore.

The Company mined 481,559 tonnes of ore and stacked 705,400 tonnes of ore for the nine months ended September 30, 2023, compared to mined 838,480 tonnes of ore and stacked 660,683 tonnes of ore for the same period of 2022.

In the third quarter of 2023, capital expenditures (growth and sustaining) were $376 compared to $337 for the same period in 2022.

For the nine months ended September 30, 2023, capital expenditures were $984 compared to $10,493 for the same period of 2022. The higher amount in 2022 is due to the reclassification of upfront payment of $9,025 that has been moved from deposit to property plant and equipment.

(US$ 000's)	Q3 Sept 30, 2023	Q3 Sept 30, 2022	YTD Sept 30, 2023	YTD Sept 30, 2022
General Sustaining	194	323	508	1,124
Growth and Expansion	181	9,078	471	9,449
Foreign Exchange	1	(39)	5	(80)
Total	**376**	**9,362**	**984**	**10,493**

ATO Gold Mine Operational Summary

The ATO Gold Mine is the sole operating mining asset of the Company.

(US$ 000's)	unit	Q3 Sept 30, 2023	Q3 Sept 30, 2022	YTD Sept 30, 2023	YTD Sept 30, 2022
Waste Mined	bcm	124,829	74,574	173,995	202,078
Ore Mined	tonne	261,696	266,295	481,559	838,480
Stacked	tonne	247,046	230,400	705,400	660,683
Grade (1)	g/t	0.72	1.57	0.86	1.82
Gold Recovery(2)	%	70%	70%	70%	70%
Gold Produced	oz	7,403	13,473	20,689	26,187
Gold Sold	oz	7,920	11,709	19,809	23,510
Silver Produced	oz	20,793	22,878	57,995	32,908
Silver Sold	oz	23,845	18,428	53,694	19,393
Revenue	000's	15,765	21,710	39,562	44,404
Cash Cost	000's	(7,019)	(8,788)	(16,223)	(17,863)
Gross Profit	000's	8,243	11,236	22,146	22,263
Sustaining Capital expenditure	000's	194	300	251	1,060
Mining Unit Cost	US$/t	6.42	6.26	6.89	4.81
Processing Unit Cost	US$/t	19.41	17.93	18.16	17.56
Site G&A Unit Cost	US$/t	4.24	4.08	6.87	3.69
Cash Cost	US/oz	821	701	760	736
Site All-in-Sustaining Cost	US/oz	856	738	786	793
Total All-in-Sustaining Cost	US/oz	1,078	900	1,085	1,017

(1) Grade is in respect of the gold grade of ore fed through the heap leach pad.

(2) Gold recovery of 70% is based on the technical reports and is used to calculate inventories and cost of sales. Actual recoveries may vary

ATO Gold Mine Technical Report Update

On March 13, 2023, the Company filed an updated Technical Report for its ATO Project. The Technical Report highlights a positive economic project for the Phase 2 Expansion at the ATO Gold Mine.

The results reinforce the Company's current Phase 2 Expansion plans with construction already underway, and existing permitting and infrastructure in place. The Phase 2 Expansion is scheduled to start with first concentrates in Q1 2025. The life of mine plan includes the ongoing oxide operations which have a further three years to run, for a total of 14 years of mine life, from January 1, 2023.

Technical Report Highlights

- Increase in proven and probable gold mineral reserves from the 2021 mineral reserve and resources summary by 2.7 million tonnes, from 26.4 million to 29.1 million tonnes.
- The ATO Project deposit contains mineral reserves totaling 29.1 million tonnes at 1.13 g/t gold and 12.43 g/t silver, containing 1.1 million ounces of gold and 11.7 million ounces of silver.
- This derives a total of 1,320,000 oz Au Eq recovered, over oxide and fresh rock phases and a 14-year mine life.
- Fresh rock mine life is extended by 1.5 years to 12 years, extending open pit mining and milling operations to December 2036.
- The new pit model shows the fresh rock phase generating 1,237,000 oz Au Eq recovered over 12 years, at average Au Eq oz of 103,000 oz per annum, before payability adjustments.
- The update of reserves and resources have also reinterpreted the transition zone with the transitional layer now thinner than previously modelled.
- Total gross revenue over the next 14 years, including the balance of the oxide phase, of $2,200,000 and operating cash flows after stream obligations, of $781,000, with first concentrate production from Phase 2 anticipated in Q1 2025.
- It assumes gross revenue in the remaining oxide phase of $158,000 ($1,900/oz gold price) from approximately 83,000 of recovered Au oz, expected to conclude in 2025.
- Average site AISC of $915/gold equivalent ounce, with solid plans to optimize, notably with grid power and potential renewable power options.
- Initial capital expenditure and operating cost assumptions are largely unchanged. Initial capex for the Phase 2 Expansion, prior to optimizations, is expected to be $128,500 with a $12,000 contingency. Recent price inflation has largely been offset by positive currency effects.
- ATO Gold Project's after-tax net present value is estimated at $242,000 at a 5% discount rate using a long-term gold price of $1,700 per ounce gold ($1,900 per ounce in the oxide phase), $20 per ounce of silver, zinc price of $2,500/t and lead price of $1,970/t.

ATO Gold Mine Mineral Resources and Reserves Update

The Technical Report and related mineral resources and reserves report has been filed on Steppe Gold's profile on SEDAR+ at www.sedarplus.ca.

Summary of Quarterly Results

(US$ 000's)	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Revenue (Metal Sales)	15,765	14,272	9,525	17,962	21,710	17,237	5,457	6,610

Net Earnings/(Loss) Attributable to Common Shareholders	3,330	6,805	(380)	4,591	11,133	6,306	(6,074)	(25,322)
Basic net earnings/(loss) and Comprehensive earnings/(loss) per common share	0.031	0.085	(0.005)	0.065	0.159	0.091	(0.087)	(0.364)
Diluted net earnings/(loss) and Comprehensive earnings/(loss) per common share	0.030	0.080	(0.004)	0.053	0.130	0.074	(0.071)	(0.270)
Net Cash (Used in) (Used in) Generated from Operating Activities	2,925	1,188	(797)	7,387	4,370	5,424	1,534	(2,117)

In the first quarter of 2023, revenue increased to $9,525 on sales of 5,008 gold ounces and 651 silver ounces compared to the same period of 2022, having revenues of $5,457 on sales of 2,893 gold ounces and 248 silver ounces.

In the second quarter of 2023, revenue amounted to $14,272 on sales of 6,880 gold ounces and 29,198 silver ounces compared to same period in 2022, $17,237 of revenue on sales of 8,907 gold ounces and 717 silver ounces. Reagent supplies resumed in the first quarter of 2022 and this led to higher leaching rates in the quarter after a period of minimal reagent stocks. The increase in revenue in the second quarter of 2023 was in part due to the fact that the average gold price was higher at $1,971 for the period, compared to $1,933 same period in 2022.

In the third quarter of 2023, revenue decreased to $15,765 with sales of 7,920 gold ounces and 23,845 silver ounces compared to the same period in 2022, $21,710 of revenue on sales of 11,709 gold ounces and 18,428 ounces of silver.

During the first quarter of 2023, net cash used in operating activities amounted to $797 compared to $1,534 generated from operating for the same period in 2022. For the quarter ended March 31, 2023 operating cash flows generated before changes in non-cash working capital items amounted to $3,448 compared to $164 for the same period in 2022. Non-cash working capital movements reduced the cash generated by $4,245 compared to a positive movement in quarter ended March 31, 2022, of $1,370. This positive movement is due to an increase in inventory purchase of $1,611 and reduction in account payables of $2,587 for the period of first quarter 2022.

In the second quarter of 2023, net cash generated by operating activities increased to $1,074 compared to $5,424 for the same period in 2022. The decrease in 2023 is primarily related to the payment of outstanding payables.

In the third quarter of 2023, net cash generated by operating activities decreased to $2,925 compared to $4,370 for the same period in 2022. The decrease in cash inflow from operating activities during the three months ended September 30, 2023, was mainly due to reduction in payables.

Exploration and Development

ATO Gold Mine

The ATO Gold Mine is comprised of one mining license (MV-017111) over an area of 5,492.63 hectares. The ATO Project is located in the territory of Tsagaan Ovoo soum, Dornod province of Eastern Mongolia. It is 660 km east of Ulaanbaatar, the capital of Mongolia, 120 km northwest of Choibalsan, the provincial capital of Dornod Province and 38 km west of Tsagaan Ovoo soum.

Exploration and drilling programmes commenced in late June of 2023 and the drilling programmes are ongoing at ATO with a focus on additional oxide zones. The RC (Reverse Circulation) drilling program being carried out at the ATO Project include a metallurgical drilling program for ATO & Mungu deposits, Zn extension drilling at ATO-4 & ATO-2 deposits and geotechnical drilling at all ATO deposits. The purpose of the drilling program is to identify epithermal gold and base metal mineralization particularly oxide ore inside the existing mining license. In the third quarter of 2023, a total of 498 RC drill holes with depth of 9,661 meters were completed.

Uudam Khundii Property

The Uudam Khundii gold project is comprised of one exploration license covering 14,400 hectares in Bayankhongor province, Mongolia. The land package represents one of the largest exploration licenses in the Bayankhongor Gold Belt. The license is in a highly prospective location between and adjoining the Bayan Khundii gold deposit and Altan Nar gold deposit owned by Erdene Resource Development Corporation (ERD – TSX). Exploration at the Uudam Khundii property has been on hold during the current year due to management priorities around the Anacortes acquisition and the financing of ATO Phase 2.

Tres Cruces Property, Peru

The Tres Cruces Project area adds a large and underexplored land package that currently hosts indicated resources of approximately 2.5 million ounces at 1.65 g/t and inferred resources of 104k ounces at 1.26 g/t, inclusive of 630k ounces of high grade 1.28 g/t leachable gold.

On August 21, 2023, the Company announced the filing of an updated preliminary economic assessment ("Technical Report") regarding the Tres Cruces Oxide Gold Project.

TECHNICAL REPORT HIGHLIGHTS

- Infill drilling completed in 2022 confirmed continuity of mineralization.
- Metallurgical test work returned average recoveries of 82% Au, confirming design assumptions.
- Construction costs escalated 4.5% based on market data to reflect inflationary pressures.
- The initial capital expenditure estimate increased by $6,000 to $131,000 driven by equipment and labor costs.
- Operating costs rose 3.6% due to consumables, reagents, contract mining services.
- Life of mine operational expenditure estimate is now $297,000, up 3.6% from the Preliminary Economic Assessment dated effective March 14, 2022.
- Operational expenditure per tonne processed is now estimated at $19.93/t.
- At $1700/oz gold, the after-tax net present value is $158,000 with 30.9% IRR.
- Despite the cost increases, the project economics remain robust with significant upside potential.
- Mine schedule unchanged with Phase 1 focused on maximizing value from the oxide gold cap.
- Experienced team continues to systematically advance the oxide project.
- Significant exploration potential remains with mineralization open at depth.

Outlook

With the landmark financing package secured and drawdowns now commenced, the Company's main focus is to accelerate development of Phase 2 Expansion and soon order the long lead items. EPC arrangements are in the final stages, partnering with leading international engineering firms and construction teams in Mongolia. The Company is exploring the option of 100% renewable energy in the camp expansion already underway.

The Company continues to look at ways of developing its two earlier stage projects and is actively exploring partnership opportunities to progress these assets while assessing exploration efforts.

Critical Accounting Policies, Estimates and Accounting Changes

Critical Accounting Policies and Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.
The critical estimates, assumptions and judgments applied in the preparation of the Company's financial statements are consistent with those applied and disclosed in note 2 of the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

Accounting Policies

The accounting policies applied in the preparation of the condensed interim consolidated financial statements as at September 30, 2023 are consistent with those used in the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

Financial Instruments and Other Instruments

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 commodity 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 mainly consist of prepayments made to mining procurement and other professional services as of September 30, 2023. Management believes that the credit risk with respect to the amounts receivable is minimal.

Liquidity Risk

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

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

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

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

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and presentation currency is the US dollar and major purchases and payables are transacted in US dollars.

The Company has significant balances in US dollars and Mongolian Tughrik that are subject to foreign currency risk. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, accounts payable and other liabilities in Mongolian Tughrik and Peruvian Soles and the Stream Agreement that are denominated in US dollars and Mongolian Tughrik.

Sensitivity to a plus or minus 5% change in the foreign exchange rate of the US dollars and Mongolian Tughrik compared to the Canadian dollar would affect net loss by $1,430 (gain) and $1,581 (loss) with all other variables held constant.

Commodity Price Risk

The profitability of the Company's operations and mineral resource properties relates primarily to the market price and outlook of gold and silver. Adverse changes in the price of certain raw materials can also significantly affect the Company's cash flows. Gold and silver prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial, residential and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative or hedging activities, macro-economic variables, geopolitical events and certain other factors related specifically to gold (including central bank reserves management).

To the extent that the price of gold and silver increase over time, the fair value of the Company's mineral assets increase and cash flows will improve; conversely, declines in the price of gold will reduce the fair value of mineral assets and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. To the extent, there are adverse changes to the price of certain raw materials (e.g. diesel fuel), the Company's profitability and cash flows may be impacted.

As the Company commenced its production, it is monitoring gold and silver prices to identify measures that may be required to mitigate commodity price risk. Diesel fuel purchases are currently at spot price and are not considered material enough to require hedging to mitigate the price risk.

Embedded Derivatives

The Company has debentures, which contain an embedded derivative component, issued at the beginning of 2022.

The following table is a sensitivity analysis of the impact on the consolidated statement of loss and comprehensive loss of an increase or a decrease in the assumptions that are used to value the derivative liability:

Input	Sensitivity Rate	Impact of Increase US$ 000's	Impact of Decrease US$ 000's
Stock Price	10%	27	1
Exercise Price	10%	1	27
Volatility Rate	10%	15	4
Discount Rate	0.5%	9	8

Stream Agreement

In connection with the ATO acquisition, the Company's subsidiaries have entered into the Stream Agreement. The Stream Agreement is recorded at fair value at each statement of financial position date as the Company has determined the obligation is a derivative liability to be carried at FVTPL. The fair value of the Stream Agreement was valued using the income approach with consideration for the contractual terms of the Stream Agreement and use of various input assumptions.

Input	Sensitivity Rate	Impact of Increase $	Impact of Decrease $
Forward Price	10%	2,038	(2,039)
Discount Rate	10%	(1,726)	2,133

Capital Risk Management

The Company's objectives in the managing of the liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of debt instruments and equity attributable to common shareholders, comprising of issued share capital, shares to be issued, warrants, contributed surplus, accumulated other comprehensive loss and deficit. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets to facilitate the management of its capital requirements.

The Company does not have sufficient funds to meet its current operating obligations. The Company defines capital as total debt less cash and equivalents and it is managed by management subject to approved policies and limits by the board of directors. The Company is not subject to any externally imposed capital requirements.

Other Risks and Uncertainties

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment.

Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's annual information form for the year ended December 31, 2022 (available on SEDAR+ at www.sedarplus.ca).

Non-IFRS Performance Measures

Reconciliation of Non-GAAP Financial Measures

The Company has included certain non-GAAP financial measures in this document. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issuers.

EBITDA

EBITDA is earnings before interest, taxes, depreciation and amortization.

In the third quarter of 2023, the Company reported an adjusted EBITDA of $6,986 compared to $10,478 in the same period of 2022.

Adjusted EBITDA removes non-cash items, finance costs and exploration costs. Adjusted EDITDA after stream payment is $3,550 for the third quarter of 2023, compared to $6,180 in same period of 2022.

Adjusted EBITDA

(US$ 000's)	Q3 Sept 30, 2023	Q3 Sept 30, 2022	YTD Sept 30, 2023	YTD Sept 30, 2022
Net Profit Before Tax	**4,127**	13,096	**11,259**	13,940
Depreciation And Depletion	663	1,420	1,554	3,157
Share Based Compensation	24	136	201	600
Foreign Exchange	91	(201)	(74)	1,783
Non-recurring - Professional fees*	725	-	2,695	-
Finance Costs/(Income)	1,011	(4,908)	811	(1,672)
Exploration And Evaluation Expenditures	345	935	519	1,744
Adjusted EBITDA	**6,986**	**10,478**	**16,965**	**19,552**
Stream payment	(3,436)	(4,297)	(8,499)	(9,014)
Adjusted EBITDA after Stream payments	**3,550**	**6,180**	**8,466**	**10,537**

**Non-recurring costs related to professional fees for dual listing on the HKEX and acquisition of Anacortes.*

Key Performance Indicators

Key performance indicators for the business are non-IFRS metrics but provide the ability to evaluate the underlying performance of the Company. These include site unit cost per tonne, cash cost per ounce of gold sold, and AISC per ounce of gold sold.

Unit costs is a performance metric used at site to provide an efficiency view and trend of operating performance using total direct cost per tonne of relevant material mined ore.

AISC is calculated using cash costs in addition to general and administration, asset retirement costs, and sustaining capital, less certain non-recurring costs (notably exploration costs at the Mungu deposit) to provide an overall company outlook on the total cost required to sell an ounce of gold.

(US$ 000's)	Q3 Sept 30, 2023	Q3 Sept 30, 2022	YTD Sept 30, 2023	YTD Sep 30, 2022

Cash Cost of Sales:					
Mining Cost	000's	1,680	1,667	3,317	4,033
Processing Cost	000's	4,795	4,131	12,809	11,598
Site G&A Cost	000's	1,110	1,086	3,309	3,095
Change in Inventory – Cash	000's	(1,806)	228	(6,410)	(4,401)
Royalty	000's	1,076	1,395	2,703	2,940
Corporate Social Responsibility	000's	163	281	496	598
By-Product Credits	000's	(513)	(575)	(1,176)	(564)
Net Cash Costs	000's	**6,505**	8,213	**15,047**	17,299
Sustaining Capital Expenditure	000's	194	300	251	1,060
Corporate Administration	000's	2,482	1,897	8,615	5,269
Non-recurring – professional fees	000's	(725)	-	(2,695)	-
Other	000's	81	128	271	279
All-in-Sustaining Costs	000's	8,537	10,538	21,489	23,907
Gold Sales	oz	7,920	11,709	19,809	23,510
Cash Cost	**US$/oz**	**821**	**701**	**760**	**736**
Site All-in-Sustaining Cost	**US$/oz**	**856**	**738**	**786**	**793**
Total All-in-Sustaining Cost	**US$/oz**	**1,078**	**900**	**1,085**	**1,017**

(1) AISC excludes non-recurring exploration expenditures, share based compensation and certain non-recurring items
(2) Non-recurring costs professional fees for dual listing in HKEX and acquisition of Anacortes have been excluded from this calculation.

Cash cost per ounce is a measurement of the site cash cost required to sell an ounce of gold. This is an indication and trend of the cash operating margin of producing an ounce of gold.

Cash costs for the third quarter of 2023 were $821 per ounce compared to $701 per ounce for the same period of 2022. In the nine months ended September 30, 2023, cash costs were $760 per ounce and $736 per ounce in the same period in 2022. Cash costs in 2023 were impacted by higher labour costs and contract pricing resulting from wage and cost inflation. Processing costs have increased from prior periods due to challenges faced with the supply of reagents and increase in transport costs. Cash costs per ounce sold has generally trended upward as mining and processing costs have risen with higher labour costs and cost inflation.

Site AISC for the three months ended September 30, 2023, was $856 per ounce on gold sales of 7,920 ounces and $786 per ounce on gold sales of 19,809 ounces in the nine months ended September 30, 2023. Site AISC in 2022 were $738 and $793, respectively. Site AISC reflects higher costs despite lower ounces in 2023.

Total AISC for the three months ended September 30, 2023, was $1,078 per ounce on gold sales of 6,880 ounces compared to $900 per ounce on gold sales of 11,709 for the same period of 2022.

The AISC for the nine months ended September 30, 2023, was $1,085 per ounce compared to $1,017 per ounce in the same period of 2022. The increase in AISC versus 2022 was mainly driven by higher corporate costs.

Corporate Governance

Disclosure Controls and Procedures

Disclosure controls and procedures are defined to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") as such term is defined in the rules of the Canadian Securities Administrators and the Securities and Exchange Commission. Under the supervision of the President and Chief Executive Officer and Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of our consolidated financial statements in accordance with IFRS and that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in ICFR during the last fiscal nine months that materially affected, or are reasonably likely to materially affect, ICFR.