STEPPE GOLD

Mongolia's Premier Precious Metals Company

Management Discussion and Analysis

Year Ended December 31, 2021

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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 year ended December 31, 2021 and year ended December 31, 2020. This discussion should be read in conjunction with the consolidated financial statements as at December 31, 2021 and December 31, 2020 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 ("IASB"). This MD&A is dated as of March 31, 2022 unless otherwise indicated.

All monetary 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" refer 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 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 Project (the "ATO Project").

All statements, other than statements of historical facts, are forward-looking information and statements. The words "believe", "expected", "anticipated", "continue", "goal", "future", "forecasted", "estimate", "opportunity", "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 during the COVID-19 pandemic; 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 Feasibility Study (as defined below).

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; title disputes and other claims; the risk that insurance may not be available to Steppe Gold 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 Streaming agreement (as defined below), which could give rise to an event of default under the Streaming agreement (as defined below); 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.

Restatement of Previously Issued Consolidated Financial Statements

In conjunction with preparation of the Company's financial statements for the year ended December 31, 2021 and as part of a continuous disclosure review by the staff of the Company's principal securities regulator in relation to the accounting for the Stream Agreement (as defined below), the Company reassessed the application of IFRS on the accounting for its Stream Agreement (as defined below) and identified that the arrangement should be accounted for in its entirety as a derivative measured at fair value through profit and losses ("FVTPL") instead of the previous accounting as a debt instrument (carried at amortized cost) with embedded derivatives linked to gold and silver commodity prices. As a result of the restatement: (i) the property, plant and equipment amount reduced by $336 to $37,492; (ii) the current portion of stream arrangement increased by $2,098 to $8,787; (iii) the long term portion of Stream Agreement (defined as below) increased by $10,708 to $24,790; and (iv) the deficit increased by $13,142 to $40,526 as at December 31, 2020, with an opening retained earnings impact at January 1, 2020 of $6,427. For more details, please refer to Note 30 of the consolidated financial statements of the Company for year ended December 31, 2021.

The change in accounting for the Stream Agreement (as defined below), is considered the correction of an error for accounting purposes and, as such, required a restatement of the financial statements for the year ended December 31, 2020. Due to the accounting error, the Company's managements has concluded there was a material weaknesses in its internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A further description and remediation efforts are included below under the heading "Corporate Governance".

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. C1 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 resource estimate was estimated by the Resources QP.
2. ATO (as defined below) and Mungu Mineral Reserves are effective as of June 30, 2021.
3. Mineral reserves are included in mineral resources.
4. Mineral reserves are reported in accordance with CIM and NI 43-101 (as defined below) 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 0.42 g/t AuEq for oxide material and 0.45 g/t AuEq for transition and fresh material.
8. Mineral reserves are contained within an optimised pit shell based on a gold price of $1,610 USD 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: $1,610/oz gold, $21/oz silver, $1,970/t lead, $2,515/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
15. The QP (as defined below) is not aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other relevant factors that could materially impact the mineral reserves estimate.

Technical Information

The technical and geoscientific content of this MD&A and the Feasibility Study has been compiled, reviewed and approved by Enkhtuvshin Khishigsuren, Vice President of Exploration of the Company and a "Qualified Person" as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"). Scientific and technical information relating to the mineral properties mentioned in this MD&A and the Feasibility Study that are considered to be material mineral properties of the Company are contained in Steppe Gold's annual information form for the year ended December 31, 2021, and the NI 43-101 technical report entitled "NI 43-101 Technical Report Feasibility Study for the Altan Tsagaan Ovoo (ATO) Phase 2 Expansion Project of Mongolia", dated November 30, 2021.

Tim Fletcher (P. Eng.), David Frost (FAusIMM), Daniel Gagnon (P. Eng.), and Ghislain Prevost, (P. Eng.) from DRA Global Ltd, Richard Jupp from Knight Piesold Pty Ltd, Ulziibayar Dagdandorj and Dan Michaelsen (FAusIMM (CP)) from Ulzii Environmental LLC, and Robin Rankin (MSc DIC MAusIMM (CP)) are all "Qualified Persons" as defined by NI 43-101, and have approved the scientific and technical information in the Feasibility Study. Mr. Robin Rankin was responsible for the mineral resource estimate of the Feasibility Study. Mr. Rankin confirmed that he has reviewed the information in this Feasibility Study as it relates to the mineral resource estimate. The effective date of the current mineral resource estimate is March 30, 2021.

Additional Information

Additional information regarding the Company can be found at www.sedar.com and www.steppegold.com.

Company Overview

Steppe Gold was incorporated under the *Business Corporation 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 registered office is at 55 Metcalfe St Suite 1300, Ottawa, ON K1P 6L5, Canada.

Steppe Gold is a precious metals exploration, development, and production company focused on opportunities in Mongolia. The Company has two principal assets – an operating open pit mine, Altan Tsagaan Ovoo (ATO), located in Dornod province of Eastern Mongolia, and the Uudam Khundii exploration project in Bayankhongor Province.

Fourth Quarter Highlights (all figures in US$000's unless stated otherwise)

- Revenue for the three months ended December 31, 2021, was $6,610 on sales of 3,476 gold ounces and 26,873 silver ounces with average realized prices per ounce of $1,779 and $22 respectively.
- Operating income from mine operations, before depreciation and depletion, was $3,436.
- Consolidated group adjusted EBITDA gain for the quarter was $1,006.
- During the three months ended December 31, 2021, 166,867 tonnes of ore were mined and 197,497 tonnes of ore were stacked on the leach pad with an average gold grade of 1.67 g/t and an average silver grade of 14.07 g/t.

Year Ended December 31, 2021 Highlights (all figures in US$000's unless stated otherwise)

- Revenue for the year ended December 31, 2021, was $24,050 on sales of 12,899 gold ounces and 28,622 silver ounces with average realized prices per ounce of $1,837 and $24 respectively.
- Operating income from mine operations, before depreciation and depletion was $12,435.
- Consolidated group adjusted EBITDA gain for the year was $4,909.
- As at December 31, 2021 cash and restricted cash amounted to $71,817; total bank and other debt was $77,920 for net debt $6,103.
- During the year ended December 31, 2021, 923,028 tonnes of ore were mined and 833,594 tonnes of ore were stacked on the leach pad with an average gold grade of 1.85 g/t and an average silver

grade of 12.29 g/t.

- Progress has been made on the construction and installation of the new fixed crushing unit and it is expected to be operational by September 2022. This is the first major equipment installation for the fresh rock phase, and it will also allow the Company to drive higher crushing rates in the remaining oxide phase with ample excess capacity in the plant. The boiler house for winter leaching and production is complete and operational.
- As outlined in previous filings and news releases the Company has experienced supply chain issues since the outbreak of COVID-19 in Mongolia in November 2020. Due to COVID-19, there are some restrictions at the Mongolia-China border for certain goods. This has caused supply disruptions for the ATO mine. Supply of key reagents resumed in March 2022.
- The Company announced on October 27, 2021 the results of the feasibility study of the 100% owned ATO Project in Mongolia (the "Feasibility Study"), comprising a further two years at the producing oxide phase and a 10.5 year expansion (the "Phase 2 Expansion"), for a 12.5 year aggregate mine life.

  The results reinforce the Company's current Phase 2 Expansion plans with construction already underway, and existing permitting and infrastructure in place. The Company filed the NI 43-101, report relating to the Feasibility Study on November 30, 2021
- The Company announced on November 10, 2021 that it had reached agreement for up to $65,000 to fast track the Phase 2 Expansion of the ATO Project. Of the total $65,000 in loans, Mongolian Tugriks ("MNT") 170 billion or approximately $59,433 (the "2021 Gold 2 Loan"), has been funded through the Gold 2 National Program, facilitated through the Central Bank of Mongolia.
- The Company reached agreement for an additional $5,000 for allocation to working capital funded directly from the Trade and Development Bank of Mongolia ("TDB") in the form of a prepaid gold sales loan (the "TDB Gold Loan"). The TDB Gold Loan will be repaid over a period of 9 months based on gold sales, with repayments in cash equivalent at Central Bank of Mongolia's gold prices.

Health and Safety

In the year ended December 31, 2021 Steppe Gold recorded 1 safety incident late in the year. As at March 31, 2022 Steppe Gold has been incident free for 105 days.

Preventative measures are in place to ensure the well-being of employees and contractors. Following the safety incident, a full risk assessment was performed by an external contractor and all recommendations are being implemented. Management continues to monitor the situation at the site and corporate offices to prevent or minimize any effects that the pandemic may have on operational or financial reporting activities.

The global COVID-19 pandemic continues to impact Steppe Gold's operations. The COVID-19 pandemic has caused major disruption to conduct business in Mongolia, notably with supply chain logistics, and this hampered operations in 2021. This has caused major disruptions across the mining industry in Mongolia as most mining companies are heavily reliant on Chinese suppliers. Notably, Chinese suppliers have been heavily restricted on transport of goods into Mongolia and this has been most pronounced in the transport of chemicals for mine production.

Specifically, the ongoing supply chain delays in China and related border issues have meant that supply of key reagents was severely disrupted throughput 2021 and this limited production.

On March 1, 2022, the Company announced the resumption of gold and silver production as it has received a new shipment of key reagents. While the China/Mongolia border remains closed to certain key reagents, the Company has established alternate supply arrangements which it believes will support continued production in 2022.

Financial Overview

As at December 31, 2021, total assets were $146,276 and total liabilities were $139,261 compared to the year ended December 31, 2020 with $85,678 in total assets and $57,492 in total liabilities.

The Company reported total cash balances as at December 31, 2021 of $71,817 compared to the year ended December 31, 2020 of $32,605. The total cash balance as of December 31, 2021, consists of restricted cash held as collateral for the loan from TDB of $69,177 and free cash of $2,640. The total cash balance as at December 31, 2020, consists of short term investments of $5,033, restricted cash balance of $12,483 and free cash of $15,089. The free cash balance decreased in 2021 due to the reduced cash inflow from gold sales, while planned mining and stacking activities have continued.

As at December 31, 2021, the inventory balance increased to $22,358 compared to $9,904 as at the year ended December 31, 2020. The increase resulted from continuing mining and stacking and lower gold production due to reagent shortages during the year ended December 31, 2021.

Property, plant and equipment was $35,990 as at December 31, 2021, compared to $37,492 as at the year ended December 31, 2020. The decrease was driven by the acquisition of new assets of net of depreciation and amortization.

The Company reported a net increase in total liabilities of $81,769 for the year ended December 31, 2021. The major driver is an additional loan from TDB of $59,433 offset by loan repayment of $3,496 to TDB and the new gold sales loan with fair value of $10,566 from TDB with the term to be repaid in 5,800 ounces of gold over 9 months period starting from March 2022.

The overall net cash outflow for the year ended December 31, 2021, is $12,449, primarily resulting from operating and investing activities and lower revenue. This compares to overall net cash inflow of $14,418 for the same period of 2020 which was driven by the gold sales in 2020 after the ATO gold mine achieved commercial production at the beginning of the second quarter of that year.

BALANCE SHEET

(US$ 000's)	Year ended Dec 31, 2021	Year ended Dec 31, 2020 (Restated)	Year ended Dec 31, 2019 (Restated)
Cash and Equivalents	2,640	15,089	671
Inventories	22,358	9,904	8,356
Other Current Assets	7,252	8,405	1,148
Non-Current Assets	114,026	52,280	43,268
Total Assets	**146,276**	**85,678**	**53,443**
Current Liabilities	72,945	26,628	22,619
Non-Current Liabilities	66,316	30,864	26,180
Total Liabilities	**139,261**	**57,492**	**48,799**
Total Shareholders Equity	**7,015**	**28,186**	**4,644**

Cash and Equivalents

As at December 31, 2021, the Company recorded a total cash and savings balance of $2,640 compared to $15,089 as at the year ended December 31, 2020. The decrease is primarily related to the outflow from operating and investing activities and lower production for the year ended December of 2021.

On December 31, 2020, the Company opened two savings accounts of MNT 10 billion and $1,500 respectively at Capitron bank. The savings are disclosed as short term investments and included in other current assets.

The Company closed the savings accounts in the amount of $1,500 on September 30, 2021 and MNT 10 billion on November 5, 2021 at Capitron bank, releasing these funds to the current account.

As at December 31, 2021, inclusive of restricted cash, the Company had net debt of $3,316.

Inventories

As at December 31, 2021, the Company reported total inventory of $22,358 compared to $9,904 as at the year ended December 31, 2020. The increase is mainly driven by ongoing mining and stacking activities which have increased ore stockpile levels, despite low gold production. Inventory includes warehouse consumables, ore stockpiles, gold-in-circuit, and finished goods.

Revenue generating inventory as at December 31, 2021 included 552,762 tonnes of ore balances in the ROM pad and stacked ore with a carrying value of $12,726 and 33,681 ounces of gold is estimated to be generated. Gold in circuit included 13,148 ounces of gold with a carrying value of $7,857 and finished goods included 533 ounces of gold with a carrying value of $751. The Company estimated that it also held 1,375 ounces of silver in silver bars. As silver is considered a by-product, no value is ascribed to these bars in the fourth quarter inventory.

As at December 31, 2021, the carrying balance of consumables was $1,024 compared to $1,032 for the year ended December 31, 2020.

(US$ 000's)	**Year ended Dec 31, 2021**	**Year ended Dec 31, 2020**
Ore Stockpiles	12,726	4,340
Gold-in-Circuit	7,857	3,507
Finished Goods	751	1,025
Warehouse Consumables & Supplies	1,024	1,032
Total Inventory	**22,358**	**9,904**

Current assets

Other current assets include receivables and short-term investments. As at December 31, 2021, the Company reported total short term investments of $1,431 convertible debentures of Aranjin Resources Ltd. ("Aranjin"). The convertible debenture has a 12 month term and 15% interest per annum payable on the August 10, 2022 maturity date.

Non-Current Assets

As at December 31, 2021, non-current assets of $114,026 comprised of property plant and equipment, primarily related to the ATO operations, restricted cash, and Steppe Gold's 80% interest in the Uudam Khundii Project through Corundum Geo LLC.

Property, plant and equipment is $35,990 as at December 31, 2021, compared to $37,492 as at the year ended December 31, 2020. The decrease is driven by depreciation, netted off against the acquisition of minor assets.

As at December 31, 2021, the Uudam Khundii project accounted for $1,917 of the total non-current assets after accounting for foreign exchange adjustments, compared to $1,907 as at the year ended 2020.

The restricted cash held as collateral for the loans from TDB of $69,177 is included in non-current assets.

During the year, the Company entered into a loan agreement with TDB for MNT 170 billion (approximately $60,000). The increase in restricted cash is driven by the cash deposit held by TDB totaling $59,433 as at December 31, 2021.

Liabilities

As at December 31, 2021 there were total liabilities of $139,261 compared to $57,492 as at the year ended December 31, 2020. The major drivers were an increase in long term loans. In 2021 the Company entered into a loan agreement (the "2021 Gold 2 Loan"). The 2021 Gold 2 Loan is covenant light loan, 9% interest per annum for a term of 36 months facilitated under the Central Bank of Mongolia "Gold 2" program. The funds under this loan were advanced based on the conditional agreement between the Central Bank of Mongolia and TDB, which was completed on November 10, 2021 and then funds were advanced under tranche 1 in March 2022 after registration of pledges was completed. The loan is available in 3 tranches: tranche 1 – MNT 60 billion; tranche 2 – MNT 60 billion; tranche 3 – MNT 50 billion.

Tranche 1 has now been made available and further tranches will be released based on the TDB's credit approval. In addition to the loan agreement, a savings agreement has been entered into between the Company and the TDB and the loan amount is held in a deposit account registered on the Company. The TDB shall pay 7% deposit interest on the deposit account and the cash deposit is disclosed as restricted cash.

In order to secure the obligations under the 2021 Gold 2 Loan, the Company provided a first pledge of its licenses, movable properties and immovable properties. An intercreditor agreement governs the priority and ranking of charges between the TDB and Triple Flag.

On November 11, 2021, the Company reached agreement for an additional $5,000 for allocation to working capital funded directly from the TDB in the form of a prepaid TDB Gold Loan. The TDB Gold Loan will be repaid over a period of 9 months based on gold sales, with repayments in cash equivalent for a total of 5,800 ounces of gold at Central Bank of Mongolia's gold prices. The Company shall make monthly repayments commencing March 2022.

The Stream Agreement (as defined below) 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. During the year ended December 31, 2021, the change in fair value of the Stream Agreement (as defined below) was $18,359.

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.

(US$ 000's)	< 1 Year	1 - 3 Years	3 - 5 Years	> 5 Years	Total
Payables & Other Liabilities	6,570	-	-	-	6,570
Lease Liability	140	362	121	30	653
Stream Arrangement	23,305	23,624	-	-	46,929
Asset retirement obligation	-	-	-	3,185	3,185
Convertible Debenture – Derivative	1,074	-	-	-	1,074
Convertible Debenture – Loan	2,930	-	-	-	2,930
Short term loan – TDB	10,566				10,566
Long Term Loan	28,360	38,994	-	-	67,354
Total	**72,945**	**62,980**	**121**	**3,215**	**139,261**

Shareholders' Equity

There was a decrease in shareholders' equity as at the year ended December 31, 2021, $7,015 compared to $28,186 as at the year ended December 31, 2020. The decrease is mainly driven by the lower production for the period and reported loss.

Common Shares Issued	Number of Shares Units	Share Capital US$ 000's
Balance as at December 31, 2019	**45,198,411**	**22,539**
Equity Financing	7,371,944	8,231
Exercise of Restricted Share Units	198,419	340
Convertible Debentures Converted into Shares	15,653,833	22,971
Balance as at December 31, 2020	**68,422,607**	**54,081**
Exercise of Restricted Share Units	549,127	612
Convertible Debentures Converted into Shares	576,923	599
Balance as at December 31, 2021	**69,548,657**	**55,292**

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)	Year ended Dec 31, 2021	Year ended Dec 31, 2020 (Restated)	Year ended Dec 31, 2019 (Restated)
Revenue	24,050	58,106	-
Cash Cost of Sales	(11,615)	(19,546)	-
Depletion and Depreciation	(2,782)	(4,100)	-
Profit from Mine Operations	**9,653**	**34,460**	**-**
Corporate Administration	(9,149)	(9,167)	(4,475)
Exploration & Evaluation	(1,328)	(2,786)	(125)
Operating (Loss)/Gain	**(824)**	**22,507**	**(4,600)**
Finance Costs	(22,098)	(33,830)	(1,846)
Foreign Exchange (Loss)/Gain	(26)	156	1,213
Loss Before Tax	**(22,948)**	**(11,167)**	**(5,233)**
Income Tax	273	400	-
Loss After Tax	**(22,675)**	**(10,767)**	**(5,233)**
Basic and Diluted Net Loss and Comprehensive Loss per Common Share	(0.330)	(0.191)	(0.125)

Revenue

The fourth quarter of 2021 included the sale of 3,476 gold ounces and 26,873 silver ounces at average prices of $1,779/oz and $22/oz respectively, for total revenue of $6,610. This compares to attributable revenue of $14,966 in the fourth quarter of 2020. The decrease in 2021 is due to the lower production for the period.

For the year ended December 31, 2021, the Company sold 12,899 ounces of gold and 28,622 ounces of silver at average prices of $1,837/oz and $24/oz respectively, for total revenue of $24,050 compared to the revenue generated for the year ended December 31, 2020, of $58,106 where the Company sold 31,733 ounces of gold and 13,710 ounces of silver.

Depreciation and Amortization

Depreciation and depletion totalled $779 for the fourth quarter of 2021 and $2,782 for the year ended December 31, 2021 compared to $1,115 and $4,100 for the respective periods in 2020. The decrease was due to the lower production in 2021 as depletable mineral properties and most of the production assets included in plant and equipment are depleted on a units of production basis over the life of the mine

Corporate Administration Costs

Corporate administration costs were $2,657 for the fourth quarter ended December 31, 2021, compared to $3,104 for the same period in 2020. The higher expenditure in 2020 was due to granting stock-based compensation to the employees and management and a production bonus provided to management.

For the year ended December 31, 2021, corporate administration costs were $9,149 compared to $9,167 for the same period in 2020.

Finance Costs

Finance expenses of $24,862 were reported for the fourth quarter of 2021 compared to finance expenses of $1,622 for the same period in 2020. The increase in 2021 was primarily related to fair value movements on the Stream Agreement (as defined below), TDB Gold Loan and convertible debenture derivatives component.

Finance expenses for the year ended December 31, 2021, amounted to $22,098 compared to $33,830 for the same period in 2020. The difference is mainly related to change in fair value adjustments noted above.

Foreign Exchange Gain/(Loss)

Foreign exchange loss of $1,470 for the fourth quarter ended December 31, 2021, compared to a gain of $631 for the same period in 2020. The unrealized loss on revaluation of convertible debentures and other USD denominated payables.

For the year ended December 31, 2021, the Company reported a foreign exchange loss of $26 compared to a gain of $156 for the year ended December 31, 2020. The USD to CAD exchange rate strengthened throughout the twelve months of 2021, whereas the USD and MNT exchange rate was relatively stable in 2021. In 2020, CAD to USD exchange rate weakened compared to 2021.

Taxation

The Company's main operating subsidiary in Mongolia generated taxable income of $169 for the period and $323 tax is paid in advance during the period and reported as prepaid tax. There was $941 deferred tax asset recorded as at December 31, 2021.

CASH FLOW STATEMENT

(US$ 000's)	**Year ended Dec 31, 2021**	**Year ended Dec 31, 2020** (Restated)	**Year ended Dec 31, 2019** (Restated)
Cash Flows from Operating Activities	(7,039)	23,686	(5,627)
Cash Flows from Investing Activities	(3,882)	(7,207)	(8,144)
Cash Flows from Financing Activities	(1,473)	(1,998)	7,624
Effect of Exchange Rate Changes on Cash Held in Foreign Currency	(55)	(63)	(197)
Net (Decrease) / Increase in Cash	**(12,449)**	**14,418**	**(6,344)**

Cash used in operating activities for the year ended December 31, 2021, amounted to $7,039 compared to cash generated by the operating activities in the same period in 2020 of $23,686. The increase in cash outflow from operating activities during the year ended December 31, 2021, was due to the mining expenses and lower production with lower revenue.

Cash used in investing activities during the year ended December 31, 2021, was $3,882 compared to $7,207 for the year ended December 31, 2020. The major driver was upfront payment of new crusher netted off against cash inflow from the closure of 2 savings accounts that were reported as short-term investments in 2021.

Cash consumed for financing activities was $1,473 for the year ended December 31, 2021, compared to $1,998 for the same period in 2020. In the first quarter of 2020, the Company received $3,000 from the issuance of convertible debentures and $11,103 from equity financing and $12,273 was repaid for stream financing. In the second quarter of 2021, the Company invested $1,431 in a convertible debenture issued by Aranjin to support a new license acquisition, the Company received $5,000 from the TDB Gold Loan agreement and $5,007 was paid in stream costs in the fourth quarter of 2021.

FINANCING ACTIVITIES

Stream Agreement

In connection with the ATO acquisition, the Company's subsidiaries, Steppe Gold LLC ("Steppe Mongolia") and Steppe Investments LLC ("Steppe BVI") entered into a metals purchase and sale agreement (the "Stream Agreement") dated August 11, 2017 with Triple Flag International to sell gold and silver produced from the ATO Project. Under the terms of the Stream Agreement, Triple Flag International advanced an upfront deposit of $23,000 to Steppe Gold and Steppe BVI is obligated to sell to Triple Flag International 25% of the gold and 50% of the silver produced from the ATO Project until such time as Steppe BVI has sold an aggregate of 46,000 ounces of gold and 375,000 ounces of silver, respectively.

Thereafter the annual amounts that Steppe BVI is obligated to sell to Triple Flag International is capped at 5,500 ounces for gold (plus 250 ounces of gold for each three-month period in which the commercial production date follows September 30, 2018) and 45,000 ounces for silver (plus 2,045 ounces of silver for each three month period in which the commercial production date follows September 30, 2018). The variable gold and silver price payable by Triple Flag International on delivery of gold and silver is 30% of the relevant market price. The obligation of Steppe BVI to sell gold and silver to Triple Flag International continues for the life of the mine and includes any gold or silver produced by Steppe Mongolia within the stream area, which is the area within 20km from the boundary of the original mineral licenses comprising the ATO Project.

On September 30, 2019, the Company entered into an agreement to amend the terms of its existing gold stream with Triple Flag International. Under the terms of the amendment, Triple Flag International advanced an additional deposit of $5,000 to Steppe Gold, bringing the total amount advanced to Steppe Gold by Triple Flag International under the gold stream to $28,000. The proceeds received from Triple Flag International were used to repay the final $5,000 promissory note issued as part of the purchase price for the acquisition by the Company of the ATO Project.

As consideration for the additional advance of $5,000 the parties agreed to reduce the variable gold and silver price payable by Triple Flag International on delivery of gold and silver from 30% to 17% of the relevant market price. As additional consideration, Steppe West granted a 3% net smelter returns royalty to a subsidiary of Triple Flag International 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 International under the Stream Agreement is based on the product of 0.99 and spot prices as of delivery date. The purchase price is to be satisfied as to 83% against the uncredited balance of the Upfront Deposit and 17% is payable in cash by Triple Flag International. Once the uncredited balance of the Upfront Deposit has been reduced to nil the purchase price by Triple Flag International 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.

Triple Flag Bermuda has determined the annual cap amounts upon the achievement of the commercial production date as the gold cap amount to be 7,125 ounces of produced gold annually and the silver cap amount to be 59,315 ounces of produced silver annually. Pursuant to the Stream Agreement, Steppe BVI has an option to buy gold and silver from open market and resell such gold and silver to Triple Flag International.

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, all of the assets of Steppe BVI and through the pledge by the Company of all of shares of both Steppe BVI and Steppe Mongolia.

In addition, the Company granted 2,300,000 purchase warrants to Triple Flag International, with each warrant (a "Stream Warrant") entitling the holder to acquire one unit of the Company (a "Stream Unit") at a price of C$2.00 per Stream Unit on or before September 15, 2022. Each Stream Unit is comprised of one common share and one common share purchase warrant, which entitles the holder to acquire one additional common share at C$2.00 per common share on or before September 15, 2022.

The Stream Agreement is subject to various financial covenants in the form of ratios. These covenants include the indebtedness of the Company, excluding all amounts owing from time to time under the Company's promissory note on completion of the ATO acquisition ("Centerra Deferred Purchase Price Amount") less any cash and liquid securities that is greater than the Centerra Deferred Purchase Price Amount ("Net Indebtedness") and EBITDA. The covenant is defined in the agreement as a leverage ratio, calculated as Net Indebtedness of the Company to EBITDA ("EBITDA Ratio") and a forward leverage ratio, calculated as Net Indebtedness to forecasted EBITDA ("Forecasted EBITDA Ratio"). Per the agreement, the EBITDA Ratio cannot exceed 2.0 and its Forecasted EBITDA Ratio cannot exceed 2.0 until the date of the later of the delivery of 46,000 ounces of gold or 375,000 ounces of silver. On or after the later of the delivery of 46,000 ounces of gold or 375,000 ounces of silver, the Company must ensure that its EBITDA Ratio does not exceed 2.5 and Forecasted EBITDA Ratio does not exceed 2.5. Prior to the commercial production date, the Company shall not declare or pay any dividend or any other distributions on any of its capital stock or other securities. The Company is 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 fair value of the stream obligation was valued using an income approach. The significant assumptions developed by management used in the income approach included: the production plan of the mine, the gold and silver forward price curve based on COMEX futures, forecast of the cash flows related to the liability, and market-yields for comparable mining pre-production and post-production operations.

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

Debenture Agreements

On July 2, 2019, the Company closed a previously announced private placement, issuing $5,400 principal amount of two-year unsecured convertible debentures.

On August 27, 2019, the Company closed the second and final tranche of the previously announced private placement, issuing $3,040 principal amount of two-year unsecured convertible debentures bringing the aggregate principal value of debentures issued under the offering to $8,440. $600 of the proceeds from the debentures was allocated from unsettled accounts payable.

Both tranches bear interest from the date of closing at 10% per annum, calculated and payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2019, and maturing on July 2, 2021 and on August 27, 2021 respectively.

During the year ended December 31, 2020, convertible debentures of $8,140 were converted to common shares at $0.52 per share. As at December 31, 2021, the remaining $300 convertible debentures are issued.

The fair value of the derivative component was transferred to share capital and valued based on the Black Scholes pricing model using the applicable interest rate at the time based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, a volatility rate based on the Company's historical share price and the remaining expected life applicable to the converted debentures.

On January 30, 2020, the Company received funding from the Mongolian National Investment Fund PIF SPV ("MNIF"). MNIF has subscribed for a 12% two-year secured convertible debenture of the Company in the principal amount of $3,000.

The MNIF debentures bear interest from the date of closing at 12% per annum, calculated and payable semi-annually in arrears on July 30 and January 30 in each year, commencing on July 30, 2020, and maturing on January 30, 2022.

The MNIF debentures are secured obligations of the Company and rank *pari passu* in right of payment of principal and interest.

The MNIF debentures will be convertible at the option of the holder into common shares of the Company at any time 4 months after the closing date and prior to the close of business on the maturity date at a conversion price of $0.68 per common share.

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

The fair value of the conversion feature of the MNIF debentures was estimated based on the Black Scholes pricing model using a risk free interest rate of 1.47% based on 2-year Canadian Government bond yields, an expected dividend yield of 0%, volatility rates of 77% based on comparable companies, and an expected life of 2 years.

The convertible debentures loan liability component has been subsequently measured at amortized cost using the effective interest method. The effective interest rate of the loan liability (42%) is based on the present value (principal, less conversion feature and issuance costs), future value and term.

During the year ended December 31, 2020, the Company incurred transaction costs (finders fees of 6 percent) of $180 of which $64 was expensed in the consolidated statement of loss and comprehensive loss for the period and $116 was capitalized to the convertible debentures – loan liability component in relation to MNIF debenture. There was no transaction cost incurred during the year ended December 31, 2021.

On February 16, 2022, the Company announced that the MNIF debenture holder, Development Bank of Mongolia ("DBM") and Bataa Tumur-Ochir entered into a form of transfer (the "Transfer Agreement") on January 27, 2022. Pursuant to the Transfer Agreement, DBM agreed to transfer to Mr. Tumur-Ochir the MNIF debenture of the Company held by DBM with a principal amount of $3,000 convertible into common shares of the Company ("Shares") at a price of US$0.68 per share, with a maturity date of January 27, 2022. Subsequently the maturity date of the MNIF debenture has been extended to January 27, 2024 and the interest payment terms have been changed to quarterly basis from semi-annual basis.

Prior to entering into the Transfer Agreement, Mr. Tumur-Ochir held 6,003,859 Shares, representing approximately 8.70% of the issued and outstanding Shares on a undiluted basis. Assuming full conversion of the convertible debenture, Mr. Tumur-Ochir would hold an aggregate of 10,415,624 additional Shares, representing approximately 14.08% of the issued and outstanding Shares on a diluted basis.

Long Term Loans

In the first quarter of 2021 Steppe Mongolia entered into a loan agreement with Capitron for $2,850, dated February 9, 2021. The loan was repaid on September 27, 2021.

In the third quarter of 2021, the Company signed the 2021 Gold 2 Loan agreement with Central Bank of Mongolia and TDB for $59,433. The primary purpose of this loan is to finance the Phase 2 Expansion at the ATO gold mine.

In the fourth quarter of 2021, the Company reached an agreement for an additional $5,000 for the allocation to working capital, funded directly from TDB in the form of the prepaid TDB Gold Loan. The TDB Gold Loan will be repaid in 5,800 ounces of gold over a period of 9 months, with repayments in cash equivalent at Central Bank of Mongolia's gold prices. The TDB Gold Loan has been valued at its fair value of $10,566 as at December 31, 2021 in the consolidated statement of financial position.

(US$ 000's)	**Year ended Dec 31, 2021**	**Year ended Dec 31, 2020**
Balance beginning of the period	**10,610**	**-**
Loan advanced – Gold 2	-	10,510
Additional loan advance – Gold 2	59,433	-
Crusher loan advance	2,850	-
Interest income	(3,481)	324
Interest expense	3,412	-
Interest payable	80	-
Repayment	(6,346)	(292)
Foreign exchange	796	68
Balance end of the period	**67,354**	**10,610**
Current portion	**28,360**	**3,558**
Long term portion	**38,994**	**7,052**

Outstanding Common Shares

As of the date of this report, there were 69,548,657 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 years ended December 31, 2021, and 2020, management fees paid to key management personnel (defined as officers and directors of the Company) are shown below:

(US$ 000's)	Year ended Dec 31, 2021	Year ended Dec 31, 2020
Management fees paid to key personnel	1,402	2,168
Stock based compensation	766	551
	2,168	**2,719**

As at December 31, 2021, key management personnel were owed $nil (December 31, 2020: $9).

During the year ended December 31, 2021, Erdenyn Erel, a company for which the Vice President of Exploration is the CEO, provided exploration and evaluation services to the Company totaling $964 (2020 - $2,478). As at December 31, 2021, $579 was owed to Erdenyn Erel (December 31, 2020 - $906).

During the year ended December 31, 2020, the Company entered into a non-binding term sheet with Aranjin to acquire a 50% interest in all gold contained in a prospective exploration license. As part of the agreement, the Company advanced a non-refundable initial deposit of $50 to Aranjin that was held in receivables and other assets as at September 30, 2021. Due to the time passed and the continued uncertainty with respect to this license, the receivable has been written off as at December 31, 2021.

In addition, effective August 10, 2021, the Company subscribed for C$1,814 in convertible debentures of Aranjin. The investment has a 12 months term and 15% interest per annum, payable on maturity date, August 10, 2022. The Company can convert the debentures into shares of Aranjin for C$0.055 per share. The Company has accrued C$106 in interest income as at December 31, 2021. Bataa Tumur-Ochir, Matthew Wood and Jeremy South are directors of Aranjin.

Operational Overview

The ATO gold mine achieved commercial production effective April 2020 after meeting all required metrics. The ATO gold mine is an open pit mining operation with a heap leach processing circuit.

Gold sales for the three months ended December 31, 2021 and 2020, were 3,476 ounces and 7,923 ounces, respectively.

There were gold sales of 12,899 ounces during the year ended December 31, 2021, compared to the 31,733 ounces of gold sales for the year ended December 31, 2020.

The Company produced 2,384 ounces of gold and 28,135 ounces of silver during the fourth quarter of 2021, 7,423 ounces of gold and 24,069 ounces of silver during the same period of 2020. There was no gold production in the first quarter of 2020 as the Company achieved commercial production starting from the second quarter of 2020.

For the three months ended December 31, 2021, the Company mined 166,867 tonnes of ore and stacked 197,497 tonnes of ore compared to the same period in 2020, the Company mined 291,455 tonnes of ore and stacked 206,703 tonnes of ore.

In the year ended December 31, 2021, there were total of 923,028 tonnes of ore mined from the pit and stacked 833,594 tonnes of ore on the heap leach pad – Cells 2, 3 and 4 compared to the same period in 2020, 1,138,209 tonnes of ore mined and 699,204 tonnes of ore stacked. The Company completed the stacking on Cell 3 and commenced stacking on Cell 4. As at December 31st the leach pad contains 795K tonnes of un-leached ore at an average grade of 1.90g/t and the ROM pad contained 451K tonnes.

In the fourth quarter of 2021, the capital expenditure was $727 compared to $294 for the same period of 2020. The general sustaining capital in the fourth quarter of 2021 includes the boiler house, office fixtures, construction work of new crusher equipment and the same quarter of 2020 includes Cell-3,4,5.

For the year ended December 31, 2021, the capital expenditure was $3,038 and for the same period in 2020 was $2,264. Capital expenditure incurred during the twelve months of 2021 comprises of right of use assets, new genset for ADR plant, construction work of new crusher equipment, ADR heating system, boiler house, vehicle and additional materials for heap leach pad 3,4,5.

(US$ 000's)	**Year ended Dec 31, 2021**	**Year ended Dec 31, 2020** (Restated)	**Year ended Dec 31, 2019** (Restated)
General Sustaining	1,988	1,034	5,965
Growth and Expansion	1,046	1,240	3,681
Foreign Exchange	4	(10)	(184)
Total	**3,038**	**2,264**	**9,463**

ATO Gold Mine Operational Summary

The ATO gold mine is the sole operating mining asset of the Company. Prior periods comparable have been included where appropriate in relation to commercial production beginning in 2020.

(US$ 000's)	**Year ended Dec 31, 2021**	**Year ended Dec 31, 2020**	**Year ended Dec 31, 2019**
Waste Mined	414,698	318,591	8,999
Ore Mined	923,028	1,138,209	318,464
Stacked	833,594	699,204	322,651
Grade (1)	1.85	2.03	2.00
Gold Recovery(2)	70%	70%	70%
Gold Produced	12,012	33,154	-
Gold Sold	12,899	31,733	-
Silver Produced	29,705	35,563	-
Silver Sold	28,622	13,710	-

(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 Feasibility Study Update

On October 27, 2021 the Company announced an updated Feasibility Study for its ATO Project. The Feasibility Study highlights a positive economic project for the Phase 2 Expansion at the ATO gold mine. This has confirmed an expanded life of the mine to 12.5 years producing gross revenues of $1.72 billion, EBITDA of $584 million with an initial capex of $128 million and site AISC of $853/oz of AuEq.

With a conservative metal prices modelled, including $1,610 per gold ounce, the ATO Project is shown to deliver a solid set of results, featuring strong cash flows and a rapid payback of capital.

Importantly, Steppe Gold has already started construction work which will benefit the Phase 2 Expansion, with a new 2.5Mt per annum fixed crusher now being installed and expanded infrastructure underway. The Phase 2 Expansion project has all major permits in hand and Steppe Gold anticipates first concentrates in Q4 2023.

Feasibility Study Highlights

- Pre-tax net present value ("NPV") (5%) of $320 million with an internal rate of return ("IRR") of 109% and a post-tax NPV (5%) of $232 million with an IRR of 67%, driven by rapid payback of three years from initial capital outlay.
- Total gross revenue of $1.72 billion and EBITDA of $584 million over 12.5 years, with first concentrate production anticipated in Q4 2023.
- 106k oz of annual gold equivalent ounce production in years 1-5 of the Phase 2 Expansion, following depletion of the oxide zone.
- Average site AISC of $853/gold equivalent ounces, with solid plans to optimize, notably with grid power.
- Initial capital expenditure, prior to optimizations, is expected to be $128 million (including a $12 million contingency).
- Phase 2 Expansion assumes processing $2.2 million tonnes per annum incorporating crushing, grinding and flotation of concentrates.
- Gold recovery is forecasted to be 79% with further recoveries of up to estimated 10% through CIP/CIL plant in later years.

ATO Gold Mine Mineral Resources and Reserves Update

In October 2021 Steppe Gold completed a Feasibility Study on the ATO Gold Project. The Feasibility Study and related Mineral Resources and Reserves Report has been filed separately on www.sedar.com.

Summary of Quarterly Results

(US$ 000's)	2021 Q4	2021 Q3 (Restated)	2021 Q2	2021 Q1	2020 Q4	2020 Q3 (Restated)	2020 Q2	2020 Q1
Revenue (Metal sales)	6,610	3,450	12,136	1,854	14,965	21,589	21,552	-
Net earnings/(loss) attributable to common shareholders	(25,322)	(923)	2,645	980	3,547	(530)	(5,656)	(8,042)
Basic and diluted net earnings/(loss) and Comprehensive earnings/(loss) per common share	(0.368)	(0.014)	0.038	(0.014)	0.051	(0.009)	(0.114)	(0.18)
Net cash generated/(used in) from operating activities	(2,117)	(3,388)	3,003	(4,537)	3,072	11,353	10,820	(1,559)

In the fourth quarter of 2021, revenue decreased to $6,610 on sales of 3,476 gold ounces and 26,873 silver ounces compared to same period of 2020, revenue $14,965 on sales of 7,923 gold ounces and 3,429 silver ounces.

Production cost of sales in the fourth quarter of 2021 decreased by 34% compared to the fourth quarter of 2020, and depreciation and depletion decreased to $779 for the three months ended December 2021 compared to $1,115 for the same period 2020. These decreases are due to lower production for the period.

During the fourth quarter of 2021, net cash used for operating activities increased to $2,117 compared to $3,072 cash generated by the operating for the same period in 2020, primarily due to lower production in 2021.

Management's Report On Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective "internal control over financial reporting" as such term is defined in the rules of the Canadian Securities Administrators and the Securities and Exchange Commission. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes:

- maintaining records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of the assets of the Company;
- providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements in accordance with generally accepted accounting principles;
- providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and
- providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company's consolidated financial statements would be prevented or detected on a timely basis.

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.

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 ha. 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.

Three diamond drilling programs have been carried out at the ATO Project in 2021 including regional drilling, extension drilling at ATO-1 & ATO-2 deposits & condemnation drilling at storage facility located outside of the mining fence. Drilling programs were started in early June 2021 with two diamond core drilling rigs. The purpose of the drilling programs was to discover additional resources and to extend existing ore bodies. During the fourth quarter, a total of 46 diamond drill holes for a total of 7,951.5 meters were completed.

Condemnation drilling program, 23 holes were drilled for a total 1,177 meters at storage facility. Nine extensional drillholes with a total of 3,405 meters were drilled at ATO-2 & ATO-1 deposits. Fourteen drillholes with a total of 3,369.5 meters were drilled at regional targets including South East and Apricot. A total of 5,394 samples were taken from the drillholes.

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).

Outlook

2021 was an active year for mining and stacking on the heap leach phase at the ATO gold mine. This has continued largely uninterrupted, in spite of strong headwinds from COVID-19 since November 2020. With over 1,902,056 tonnes stacked on the leach pad and a further 552,762 tonnes on the ROM pad at year end, we are pleased to report strong gold and silver inventory build-up through the year.

With the resumption of supply of key reagents, the focus for 2022 will be to maximize oxide production from the substantial inventories on hand. With the new 2021 Gold 2 Loan package now in place, the Company also plans to aggressively move forward with the Phase 2 Expansion.

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, 2021.

Accounting Changes

The accounting policies applied in the preparation of the Company's financial statements are consistent with those used in the Company's annual audited consolidated financial statements for the year ended December 31, 2020 except the Stream Agreement valuation has been changed due to the assessment made by the management based on a result of continuous disclosure review by the staff of the Company's principal securities regulator.

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.

Receivables amount mainly consists of interest receivable from the bank for the saving deposit account at the maturity date and it is in good standing as of December 31, 2021. Management believes that the credit risk with respect to these amounts receivable is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not 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 convertible 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 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 $2,844 (gain) and $3,144 (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 increases and cash flows will improve; conversely, declines in the price of gold will reduce the fair value of mineral assets and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel), the Company's profitability and cash flows may be impacted.

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

Embedded Derivatives

The Company has convertible debentures which contain an embedded derivative component, issued at the beginning of 2020. 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%	407	(407)
Exercise price	10%	(300)	300
Volatility rate	10%	-	-
Discount rate	0.5%	0.1	(0.1)

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%	4,693	(4,693)
Discount rate	10%	(3,721)	4,549

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, 2021 (available on SEDAR at www.sedar.com).

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 fourth quarter of 2021 and twelve months ended December 31, 2021, the Company reported an adjusted EBITDA gain of $1,006 and $4,909 compared to $7,300 and $30,408 in the same period of 2020.

The decrease is primarily due to lower sales in fourth quarter of 2021. Adjusted EBITDA removes non-cash items, finance costs and exploration costs.

Adjusted EBITDA

(US$ 000's)	Year ended Dec 31, 2021	Year ended Dec 31, 2020 (Restated)
Net loss before tax	(22,947)	(11,167)
Depreciation and depletion	2,782	4,100
Share based compensation	1,623	1,015
Foreign exchange	26	(156)
Finance costs	22,097	33,830
Exploration	1,328	2,786
Adjusted EBITDA	**4,909**	**30,408**

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.

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. 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 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.

Identified Material Weaknesses

In conjunction with preparation of the Company's financial statements for the year ended December 31, 2021 and as part of a continuous disclosure review by the staff of the Company's principal securities regulator in relation to the accounting for the Stream Agreement, the Company reassessed the application of IFRS on the accounting of the arrangement and identified that the Stream Agreement should be accounted for in its entirety as a derivative measured at FVTPL instead of the previous accounting as a debt instrument (carried at amortized cost) with embedded derivatives linked to gold and silver commodity prices. The change in measurement of the financial liability associated with the Stream Agreement and related impacts are considered corrections of errors for accounting purposes and, as such, required a restatement of the financial statements for the years ended December 31, 2020. Due to the restatement, the Company's management has concluded that a material weakness in its internal controls over financial reporting existed at December 31, 2020 and through the current date.

In particular, management believes that the internal control weakness relates to accounting for complex transactions and the related review controls over those transactions failed to operate effectively. Given the weakness led to a restatement of previously issued financial statements, management considers these constitute a material weakness which requires remediation.

Due to an error in the interpretation of the nature of the Stream Agreement, revenue was understated by $6,009 and the long and short term portions of the stream liability was understated by $24,790 and $8,787 respectively for the year ended December 31, 2020.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

Management is committed to the planning and implementation of remediation efforts to address the material weaknesses, as well as to continuously enhance the Company's internal controls. These remediation efforts to-date have included engaging and consulting with the external accounting and valuation advisors, considering authoritative and non-authoritative guidance available in the accounting literature, and conducting a detailed analysis of the Stream Agreement.

The management team, including the Chairman, Chief Executive Officer and Chief Financial Officer, have reaffirmed and re-emphasized the importance of internal control, control consciousness and a strong control environment.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believe 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

Other than as described above, there were no changes in ICFR during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, ICFR.