



October 21, 2019

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## MARKET STATISTICS

Exchange / Symbol	TSX: STGO
Price:	CAD \$1.03
Market Cap (\$mm):	\$42.82
Shares Outstanding (mm):	41.58
Float (%):	80%
Volume (3 month avg.):	38,874
52 week Range:	\$0.59-\$1.09
Industry:	Mining

## CONDENSED BALANCE SHEET

(USD \$mm, except per share data)

Balance Sheet Date:	6/30/2019
Cash:	\$5.39
Cash/Share:	\$0.13
Debt:	\$11.6
Equity (Book Value):	\$15.4
Equity/Share:	\$0.37

## CONDENSED INCOME STATEMENTS

(USD \$mm, except per share data)

FY - 12/31	Revenue	Net Income	EBITDA	EPS
FY17	\$0.0	\$(5.6)	\$(5.3)	\$(0.28)
FY18	\$0.0	\$(12.2)	\$(8.3)	\$(0.33)
FY19E	\$6.4	\$(1.92)	\$(0.3)	\$(0.05)
FY20E	\$39.9	\$10.6	\$17.5	\$0.26

## LARGEST SHAREHOLDERS

LIM Advisors Limited	4,965,200
Atmacorp Ltd. Asset Management	2,535,212
Triple Flag Mining Finance	2,080,000
Elliott Management Corporation	1,500,000
Bataa Tumor-Ochir	1,122,000
Matthew Wood	1,000,062
Aneel Waraich	583,663
Enkhtuvshin Khishigsuren	240,000
Orrell Capital Management	200,000

## STOCK CHART



## COMPANY DESCRIPTION

Steppe Gold Ltd. (TSX: STGO) is a precious metals exploration and production company with current operations in Mongolia. The Company is currently developing its 100% owned Altan Tsaagan Ovoo Gold Project (ATO) acquired from Centerra Gold in September 2017, with expected production to begin in the second half of 2019. The Company's portfolio also contains an 80% ownership in an exploration-stage mineral property called the Uudam Khundii (UK) with a 20% joint venture partner. Steppe Gold became public as the only main board mining IPO in 2018 raising \$25 million. The Company is headquartered out of Toronto, ON.

## SUMMARY

- Steppe Gold's flagship project Altan Tsaagan Ovoo (ATO) is fully constructed and awaiting final cyanide permitting with gold production anticipated to begin in the second half of 2019. As of 6/30/2019, the Company has completed internal commissioning of the ADR plant and awaiting final cyanide permitting before irrigation and gold production can commence.
- The Company has been trial mining at ATO since November 2018, which has accumulated 230,000 tons mined at a grade of 2.3g/t gold for approximately 17,000 oz of gold currently crushed and stacked on Cell 1 of the leach pad.
- The ATO property is projected to produce strong annual cash flows once production commences with initial years of production expected to produce ~40,000 oz of gold per annum from the heap leach operation with cash cost per ounce of ~US\$550.
- Upside potential for the flagship project remains as Steppe has three diamond core exploration drilling rigs focusing on resource extensions at ATO1 and ATO4 as well as Mungu, a high grade, near surface gold and silver potential site located northeast of the current resources at the ATO project. These expansion projects could lead to an increase in resources and expanded 150,000 oz per annum fresh rock crush and CIL operation.
- Steppe Gold's Uudam Khundii (UK) property currently encompasses 14,397 hectares located 800km south-west of Ulaanbaatar and holds one exploration license. Steppe Gold has commenced initial exploration activities on the property including geological mapping, geochemical sampling, geophysical surveys, and trenching.
- STGO's management is well established and has a long operating history in Mongolia. Matthew Wood, CEO, was formally the founder and executive chairman of Mongolian coal company, Hunnu Coal limited and has been awarded the Order of the Polar Star, the highest state honor that can be awarded a non-citizen of Mongolia. Mr. Wood has many key relationships in Mongolia and brings over 25 years of mining and commodities investing experience to the team.
- The Company announced a private placement of US\$8.4 million completed in August 2019. Due to additional interest, the offering increased from the original US\$5.4M of 10% 2-year unsecured convertible debentures exercisable at CAD\$0.90/sh. Anticipating near term approval of the final cyanide permit, this should be sufficient to fund the Company's operations to profitability.
- The Company has strong ownership from key shareholders and insiders. The top 4 shareholders consisting of LIM advisors (11.94%), Atmacorp Asset Management (6.05%), Triple Flag Mining Finance (5.00%), and Elliott Management Corp. (3.6%) own approximately 26.6% of the shares outstanding.
- Based on our DCF and Comparable Companies analysis of STGO, we arrive at a valuation range of ~CAD\$0.61 to \$1.85, with a midpoint of ~\$1.20; see page 7 for further details.

## BUSINESS OVERVIEW

Steppe Gold is a precious metals exploration and development company based out of Toronto, ON, that is focused on developing their existing assets in Mongolia. The Company currently has 3 assets consisting of their flagship Altan Tsaagan Ovoo (ATO) project, Mungu discovery, and Uudam Khundii (UK) project.

The Company purchased their flagship property, ATO, from Centerra Gold Inc. in 2017 with the goal of establishing a near-term, low cost producing mine as the company's initial project. Steppe Gold became the only mining IPO on the Toronto stock exchange in 2018 when they announced the closing of its initial public offering on May 22<sup>nd</sup>, 2018. The offering saw the Company issue 10.6M Units at a price of C\$2.00 per unit for gross proceeds of C\$21.1M. Each Unit is composed of one common share and one warrant exercisable at C\$2.34 for 24 months, or until May 2020. The Company used proceeds from their IPO to fund working capital and complete construction of their heap leach plant at ATO.

### *Exhibit 1: Step Gold's Mongolian Operations*



*Source: Company Reports*

In addition to the flagship project purchased from Centerra Gold, Steppe Gold has also been focused on developing two additional properties. The Mungu discovery, located northeast of the ATO project, is an epithermal gold-silver system with localized bonanza grades. The stage 2 drilling, which was finished in Summer 2018, delivered the first visible gold seen with super high grades being recovered. Stage 3 saw 8 drill holes completed with results expected 2H 2019.

Lastly, the Uudam Khundi (UK) project is comprised of one exploration license granted in August 2017, covering 14,397 hectares roughly 800km south west of Ulaanbaatar. The property is between two known gold deposits explored by Erdene Resource Development, the Bayan Khundii gold discovery and Altan Nar epithermal gold deposit.

Steppe Gold's goal is to become one of the leading gold producers in Mongolia with regional consolidation opportunities present. The mining sector currently accounts for 20% of GDP and 80% of exports in Mongolia and is a large economic driver of growth in the region. The current majority government, the Mongolian People's Party, is a supporter of foreign investment into the region and recently approved the "Gold-2" program to support gold

companies and double annual gold production in the country by 2020. There are several competitors currently operating in the region including Erdene Resources (TSX:ERD), Rio Tinto Group (LSE: RIO), and Xandu Mines (ASX: XAM).

The Company's CEO, Matt Wood, has extensive operating history in the country including the founding of a Mongolian Coal Company, Hunnu Coal Limited, which Mr. Wood sold to Banpu PCL in 2011 for US\$500M. The Company is hoping to leverage Mr. Wood's extensive experience and key relationships in Mongolia to continue growing Steppe's resources and low-cost production.

As of the most recent filing for the period ended on June 30, 2019, the Company has reported the completion of the heap leach plant at ATO and satisfactorily completed internal commissioning of the ADR plant. The Company has been trial mining and is currently awaiting final cyanide permitting before gold production can begin. The Company is expecting the permitting in Q4 2019.

### *Exhibit 2: ATO Project Site*



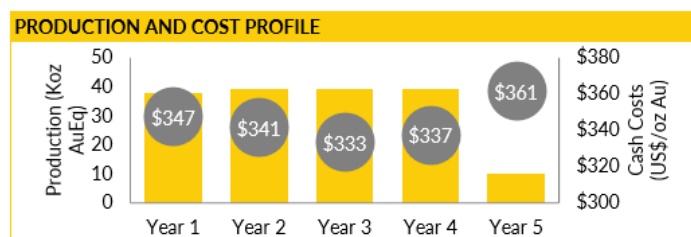
*Source: Company Reports*

## ALTAN TSAGAAN OVOO (ATO) PROJECT

The Company's Altan Tsagaan Ovoo (ATO) project was purchased from Centerra Gold in 2017. Located in the territory of Tsagaan Ovoo soum in Eastern Mongolian, the ATO project is comprised of one mining license for an area of 5,492.63 hectares. After acquiring the property in 2007, Centerra invested US \$25 million into the area drilling 597 holes and a total of 63,866m of exploration. Centerra also completed geologic mapping, soil and outcrop sampling, and a gravity survey. In a technical report in October 2017, a developmental plan for a heap leach operation was formed for an estimated cost of US\$19.6 million and total operating cost of \$48.8 million. The project was estimated to produce roughly 147K ounces of gold and 673K ounces of silver over the life of the mine.

In May 2018, Steppe Gold finalized a gold and silver streaming agreement with Triple Flag Mining Finance to receive US\$23M to establish the heap leach plant at ATO. The goal of the project is to leverage the US\$25million investment made by Centerra in order to quickly scale gold and silver production that will create high margin cash flow for the business. The estimates of current cash cost per ounce are less than US\$550, which would create a healthy cash flow margin based on current spot rates around US\$1,500/oz.

Exhibit 3: Production and Cost Profile



Source: Company Reports

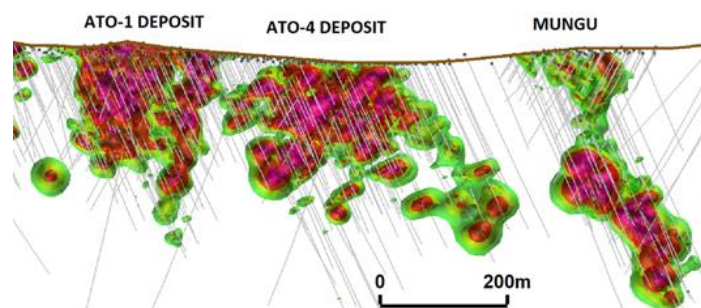
The majority of the ATO gold and silver is contained in three vertical pipes named ATO 1, ATO 2, and ATO 4. The Company has based these resources off of 32,791 samples from 238 drill holes, most of which were completed prior to STGO's acquisition of the project.

Exhibit 4: ATO Project Site



Source: Company Reports

Exhibit 5: 3D View of estimated Au block grades at ATO pipes



Source: Company Reports

The richest of these gold deposits is at ATO 1 with measured and indicated grams per ton (g/t) at 1.48. The current combined measured and indicated resource by deposit shows 208k oz of gold and 1.68 million oz of silver from all 3 deposits. We note that these deposits have potential to vary as the first 230,000 tons trial mined at ATO returned a gold grade of 2.3 g/t.

Exhibit 6: Oxide Resource by Deposit

Oxide Resource by Deposit				
M&I Resource by Deposit	g/t Au	Koz Au	g/t Ag	Koz Ag
ATO 1	1.48	144	9.37	912
ATO 2	0.62	25	4.81	190
ATO 4	1.25	40	18.06	579
Total / Average	1.23	208	9.96	1,680

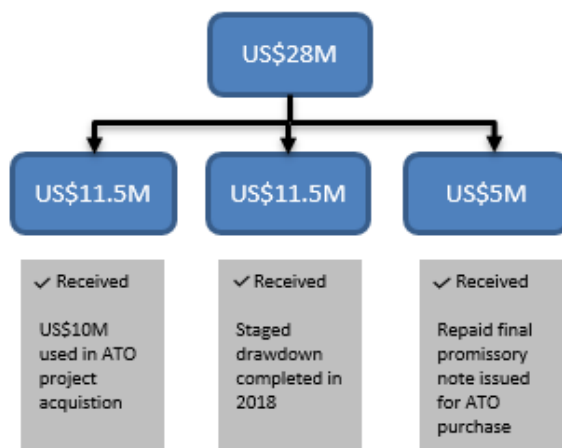
Source: Company Reports

The ATO plant is an open pit heap leaching project that will provide a cost effective way to extract the 208k oz of gold from the earth. The process of heap leaching involves using a chemical reaction to separate the desired minerals like gold and silver from the ore. Steppe Gold will specifically truck in crushed ore from the mine to place onto collection pads, which will then be treated with cyanide in order to pull the gold and silver from the ore at the recently completed absorption, desorption, and refining (ADR) plant. The current mine resources at ATO are expected to be processed over the course of 4.5 years, however, it is possible that resource expansion may occur.

In order to finance the mine, Triple Flag Mining Finance agreed to a streaming contract wherein Triple Flag would deliver US\$23 million to STGO in two separate \$11.5M tranches. As of September 2019, Steppe Gold and Triple Flag amended the agreement where Triple Flag would advance an additional US\$5 million to STGO bringing the total to \$28 million. In return for the upfront capital, Steppe Gold is obligated to sell Triple Flag 25% of the gold and 50% of the silver produced from the ATO project at 17% of the spot rate until Steppe has sold an aggregate of 46,000 ounces of gold and 375,000 ounces of silver, respectively. After Steppe Gold has reached these amounts, the obligation to sell is capped at 5,500 ounces of gold and 45,000 ounces of silver for the life of the mine within the stream area. Given the low start up cost and economics of the heap leaching plant, the Company is still anticipated to have a healthy cash flow margin when taking the agreement into account.

## Exhibit 7: Triple Flag Streaming Agreement

### TRIPLE FLAG STREAM AGREEMENT SUMMARY



#### Metals Delivery Obligations:

25% of gold & 50% of silver produced at ATO for 17% of prevailing spot prices

#### Equity Placement

C\$4M invested at C\$2.00/unit (~6.4% Pre-IPO interest)

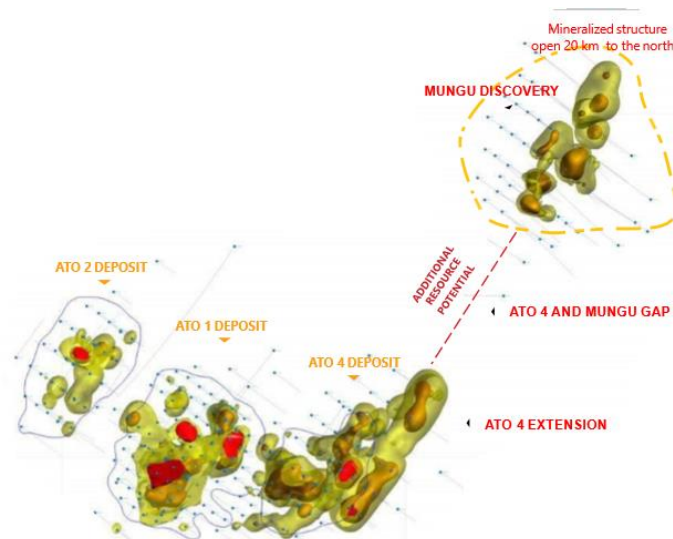
Source: Company Reports, Stonegate Capital

The Company has been trial mining at ATO since November 2018 and has mined 230,000 tons with a grade of 2.3g/t for approximately 17,000 ounces of gold. This material has been crushed and stacked on cell 1 of the leach pad with leaching ready to commence once the final cyanide permit has been received. The Company is anticipating to produce approximately 40,000 oz of gold annually in the initial years with a cash cost of less than US \$550/oz, including royalties. After production begins, the company plans to conduct a feasibility study on expanding to a larger fresh rock crush and grind CIL operation which could produce upwards of 150,000 ounces of gold annually.

## MUNGU DISCOVERY

The Mungu Gold and Silver discovery is located northeast of the resources at the ATO project. It is a structurally controlled epithermal gold-silver system with localized Bonanza grades. In Q4 2018, the Company finished a Stage 3 drilling program totaling 8,000m in the Mungu Deposit, Mungu Gap, and the Mungu Extended prospects. The initial drill results at Mungu were promising including the first visible gold being seen at ATO with super high grades being returned.

## Exhibit 8: Mungu Discovery

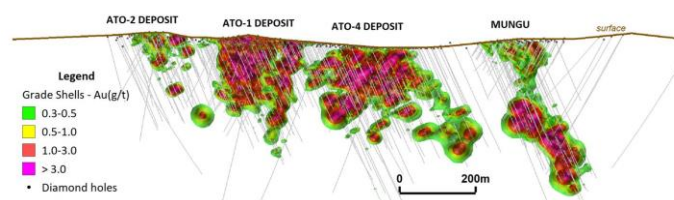


Source: Company Reports

The first drilling by Steppe at Mungu returned 15g/t Au and 82 g/t Ag over 46m. The Mungu discovery has the potential to drastically increase the size of the resource for Steppe Gold, with internal geologists suggesting the possibility of an established resource of 500k oz at Mungu.

In addition to the 20 km mineralized structure northeast of the ATO project, there is additional resource potential at the ATO 4 extension and Mungu Gap. To date, there has been very few effective drill holes established away from the Mungu Discovery.

### Exhibit 9: Initial Mungu Highlights



Source: Company Reports

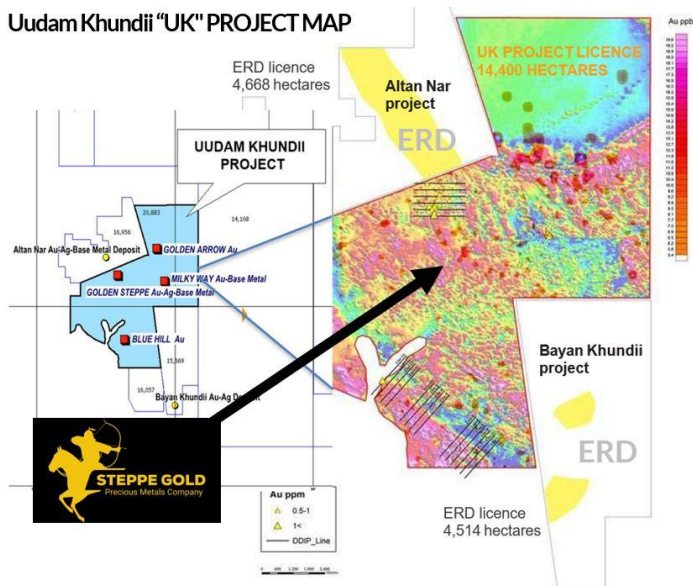
Unfortunately, due to Steppe's current cash position, the company has delayed further drilling at Mungu until the cyanide permit for ATO has been received and production begins. With the Cyanide permit anticipated over the next few weeks, the Company believes drilling could continue and results could be provided by year-end 2019.

## UDAM KHUNDII (UK) PROJECT

The Uudam Khundii Project is comprised of one exploration license granted in August 2017 covering 14,397 hectares of land located 800km southwest of Ulaanbaatar. The property is located in between the Bayan Khundii gold discovery and Altan Nar epithermal gold deposits which were explored by Erdene Resource Development Corporation. The UK project is owned 80% by STGO and 20% by the provincial government of Bayankhongor in a first of its kind agreement for the region.

### Exhibit 10: Uudam Khundii Project

#### Uudam Khundii "UK" PROJECT MAP



Source: Company Reports

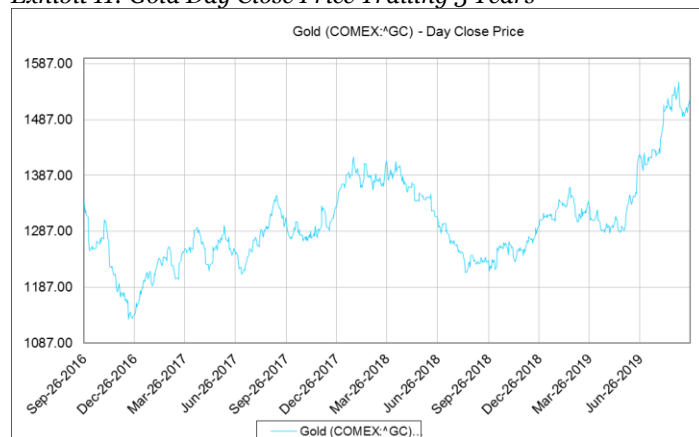
In the second half of 2018, the Company began initial exploration on the property including geological mapping, geological sampling, geophysical surveys, and trenching.

As of June 30, 2019, the Company has completed a total of 99 drill holes for 16,157.5 meters, 2400.8-line kilometer ground magnetic survey and a 90.8-line kilometer IP survey. Exploration results for the project have been above their initial expectations and have further underscored the high-grade potential of the ATO project. In late 2018, the Company made the decision to suspend exploration in order to conserve cash until production at the ATO project begins. Once production at ATO commences, Steppe is committed to continuing exploration at the UK project in order to grow their resources.

## INDUSTRY OVERVIEW

Macro-economic trends have favored both gold and silver thus far in 2019 with gold and silver appreciating 14.3% and 10.3%, respectively year to date. Many individuals and institutions purchase gold and silver in order to hedge against inflation as well as declines and volatility in the U.S. stock market. While in the short term these commodities are not effective hedges, there are studies that confirm gold does provide an effective hedge to inflation over the long term. Moreover, gold and silver have also provided an effective hedge to European and U.S. stocks during extreme volatility and crises. According to Hillier et al gold, platinum, and silver all have some hedging potential, particularly during times of abnormal volatility. In addition to the financial implications of owning gold and silver, both are used in items such as coins and jewelry, which provides some store of value.

### Exhibit 11: Gold Day Close Price Trailing 3 Years



### Exhibit 12: Silver Day Close Price Trailing 3 Years



Source: Capital IQ

In 2018, the largest gold producing countries were China (399.7 tons), Australia (312.2 tons), Russia (281.5 tons), and the United States (253.2 tons). According to Statista, global gold production has risen each year since 2008, when global production totaled 2,280 metric tons to 2018 when production totaled 3,260 metric tons. In comparison, Mongolia only produced 22.6 tons in 2018. However, Mongolia currently has a government dedicated to increasing gold production over the next few years. The current majority, Mongolian People's Party, has enacted the "Gold-2" program to support gold companies and to double annual gold production in country by 2020. According to the Economic Research Institute, gold production in Mongolia is expected to reach 25 tons by 2020.

In addition to the "Gold-2" program's aim to increase the amount of gold being produced; the program is also intended to improve the efficiencies of mining in Mongolia by providing:

- Favorable royalty and tax regimes
- Accelerated permitting procedures to start mines
- Simplified provincial regulations
- Government support
- Central Bank's financial support

Steppe has a great opportunity to benefit off the increased government support for mining in Mongolia. The Company is the first gold miner to implement the government's "Gold-2" plan giving them an advantage in getting their mine to production.

## RISKS

As with any investment, there are certain risks associated with Steppe's operations as well as with the surrounding economic and regulatory environments common to the mining industry and operating in a foreign country.

- Even if Steppe Gold harvests a significant amount of resources from the ground, there is no guarantee that a profitable market will exist for those resources. Precious metals are subject to significant price movements in a short period of time.
- The Company has no history of net income, dividends, or cash flow and there can be no assurance that the Company will be profitable going forward. In the case that the Company cannot create enough revenue to sustain on-going business activities, Steppe's only source of financing will be through the sale of existing securities, high cost borrowing, or sale of its mineral properties.
- Mineral Reserves and grades are estimates only. There are many uncertainties in estimating mineral quantities of mineral reserves that may cause actual results and quantities to differ from those estimated. In the event that these resources are less bountiful than anticipated, the mine life and cash flow could be severely reduced.
- Steppe Gold has pledged a material amount of the gold and silver mined to Triple Flag in exchange for initial project financing. In addition, the Company has pledged a majority of its substantial assets at the ATO project for security to Triple Flag. This agreement could affect Steppe's ability to raise additional capital in the future. Lastly, if Triple Flag were to realize this security, the Company could lose interest in the ATO project.
- The Company intends to take the ATO project to the production stage, however, this will require additional permits and licenses from governmental authorities. The Company currently believes that they have or have applied for all the necessary licenses to carry out its exploration and production plans but may require additional licenses and permits going forward. There is no guarantee that Steppe Gold will be able to retain any additional licenses.
- Any exploration, development, or mining operations that the Company carries out will be subject to government legislation and policies. The mining operations of the Company could be adversely affected by changes or amendments to current laws and regulations. Additionally, changes in the current

Mongolian government could bring about these adverse changes.

- The Company operates in Mongolia and maintains its accounts in Canadian and U.S. dollars as well as Mongolian Tughrik. Some of the Company's commitments and expenditures are denominated in U.S. dollars making the Company subject to currency fluctuations. Such fluctuations may materially affect the financial position of the company. The Company engages in limited hedging activities, however, there is no guarantee these hedging activities will be sufficient to defend against prolonged currency fluctuations in the future.

## VALUATION

To help frame our valuation, we have created a DCF analysis of the open pit opportunity at ATO. Our valuation involves forecasting the net free cash flow generation from the mine over the 5 year estimated life of the project. Our cash flow projections are based on conservative assumptions supported by the Company's most recent technical report. The drivers for our model include tons milled, mineral grades of silver and gold, and recovery percentages over the life of the mine.

At a full production we have assumed the following:

- 1.2 million tons processed annually
- Gold g/t of 1.23
- Silver g/t of 9.96
- USD per ounce of gold: \$1450
- USD per ounce of silver: \$17.50

Given that the company is close to production, we have applied a median discount rate of 9% to our resulting net after tax net cash flow we arrive at a range of CAD \$0.61 to \$1.85 with a mid-point at \$1.20. The chart below demonstrates sensitivity to a change in gold price from the \$1450 selected in our model.

*Exhibit 13: Sensitivity Analysis*

		Long Term Gold Price				
		1250	1350	1450	1550	1650
	7.0%	0.76	1.03	1.31	1.58	1.85
	8.0%	0.72	0.99	1.25	1.52	1.78
	9.0%	0.68	0.94	1.20	1.46	1.71
	10.0%	0.65	0.90	1.15	1.40	1.65
	11.0%	0.61	0.85	1.10	1.34	1.59

Source: Stonegate Capital Partners

In addition to our DCF analysis we have also chosen a comparative company analysis below. For our valuations, we have applied our forecasted EBITDA for the fiscal year of 2019 of USD\$(0.3)M. We note that we expect a much higher EBITDA once Steppe Gold has a full year of mining expected in 2020.

*Exhibit 14: Comparative Company Analysis*

Name	Ticker	Price (1)	S/O	Mrkt Cap	EV	EV/S (2)		EV/EBITDA (2)		P/E (2)		P/CFPS	
						2018	2019 E	2018	2019 E	2018	2019 E	2018	2019 E
Teranga Gold Corporation	TSX:TGZ	\$ 3.94	107.6	\$ 423.6	\$ 540.0	1.7x	nm	4.8x	4.2x	19.8x	71.6x	n/a	5.4x
Roxgold Inc.	TSX:ROXG	\$ 0.75	370.7	\$ 279.4	\$ 302.7	1.8x	1.6x	3.4x	3.3x	12.6x	10.2x	31.9x	3.1x
Alio Gold Inc.	TSX:ALO	\$ 0.62	84.7	\$ 52.9	\$ 43.1	0.4x	0.4x	5.9x	4.5x	nm	15.6x	n/a	6.2x
Argonaut Gold Inc.	TSX:AR	\$ 1.66	178.3	\$ 296.0	\$ 277.4	1.4x	1.0x	7.9x	3.1x	nm	9.3x	n/a	3.7x
Asanko Gold Inc.	TSX:AKG	\$ 0.91	225.8	\$ 206.3	\$ 197.0	1.2x	0.6x	3.9x	9.4x	34.8x	45.7x	n/a	14.1x
Ascendant Resources Inc.	TSX:ASND	\$ 0.23	77.3	\$ 17.7	\$ 26.8	0.3x	0.3x	2.7x	5.2x	6.7x	nm	n/a	1.7x
Average						1.1x	0.8x	4.8x	4.9x	18.5x	30.5x	31.9x	5.7x
Median						1.3x	0.6x	4.4x	4.3x	16.2x	15.6x	31.9x	4.6x
Steppe Gold Ltd.	TSX:STGO	\$ 0.77	41.6	\$ 42.4	\$ 58.9	n/a	9.3x	n/a	n/a	nm	nm	n/a	n/a

(1) Previous day's closing price

(2) Estimates are from Capital IQ except for STGO revenues, EBITDA and EPS, which are Stonegate estimates

Source: Company reports, CapitalIQ, Stonegate Capital Partners

## BALANCE SHEET

<b>Steppe Gold, Inc. (TSX: STGO)</b>			
<b>Consolidated Balance Sheets (USD\$ 000s)</b>			
<b>Fiscal Year: December</b>			
<b>ASSETS</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Q2 2019</b>
<b>Assets</b>			
Cash	\$ 2.36	\$ 7.02	\$ 5.39
Cash Held in Trust	1.31	-	-
Receivables and Other Assets	0.43	1.02	1.18
Inventory	-	1.39	4.97
Total Current Assets	4.10	9.43	11.55
Altan Tsagaan Ovoo	19.61	-	-
Uudam Khundii Project	2.20	2.04	2.25
Property, plant and equipment	0.45	32.08	38.14
<b>Total Assets</b>	<b>\$ 26.36</b>	<b>\$ 43.55</b>	<b>\$ 51.94</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Amounts Payable and Other Liabilities	\$ 0.19	\$ 1.70	\$3.56
Lease Liability			\$0.49
Purchase Price Payable	0.50	0.50	0.50
Promissory Notes	5.00	4.31	4.76
<b>Total Current Liabilities</b>	<b>\$ 5.69</b>	<b>\$ 6.51</b>	<b>\$9.31</b>
<b>Long Term Liabilities</b>			
Promissory Notes	3.53	-	-
Streaming Agreement	8.19	20.11	20.63
Lease Liability			0.40
Warrant Liability	5.35	-	-
Asset Retirement Obligation	-	0.32	0.37
Advances	-		5.88
<b>Total Long Term Liabilities</b>	<b>17.07</b>	<b>20.43</b>	<b>27.28</b>
<b>Total Liabilities</b>	<b>\$ 22.76</b>	<b>\$ 26.94</b>	<b>\$ 36.59</b>
<b>Shareholders' Equity</b>			
Share Capital	7.86	20.42	20.44
Shares to be issued	0.65	0.65	0.65
Warrants	-	13.66	13.66
Special Warrants to be issued	1.31	-	-
Contributed Surplus	-	3.30	3.61
Non-controlling interest	-	(0.09)	(0.10)
Accumulated other Comprehensive income (loss)	(0.15)	(3.11)	(2.58)
Deficit	(6.08)	(18.21)	(20.32)
<b>Total Shareholders' Equity (deficit)</b>	<b>\$ 3.59</b>	<b>\$ 16.61</b>	<b>\$ 15.35</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 26.36</b>	<b>\$ 43.55</b>	<b>\$ 51.94</b>
<b>Ratios</b>			
<b>Liquidity</b>			
Current Ratio	0.7x	1.4x	1.2x
Quick Ratio	0.6x	1.1x	0.6x
Total Liabilities to Total Assets	86.4%	61.9%	70.4%

Source: Company Reports, Stonegate Capital Partners

## INCOME STATEMENTS

Steppe Gold, Inc. (TSX: STGO)

Consolidated Statements of Income (in millions \$, except per share amounts)

Fiscal Year: December

	FY 2017	FY 2018	FY 2019E	FY 2020E
<b>Revenues</b>				
<b>Total revenues</b>	\$ -	\$ -	\$ 6.36	\$ 39.97
Cost of Goods Sold			1.72	15.99
Gross Profit			4.64	23.98
<b>Operating expenses</b>				
Exploration and Evaluation Expenditures	1.99	1.03	0.50	1.30
Management Compensation	0.97	1.01	1.00	1.20
Stock Based Compensation	-	3.28	0.62	1.62
Professional Fees	0.45	1.50	1.50	1.50
Foreign Exchange (Gain) Loss	0.44	(0.18)	-	-
Office and General	0.41	0.95	0.90	1.20
Investor Relations	0.32	0.40	0.47	0.55
Accretion and Financing Costs	0.30	0.59	0.17	0.17
Travel	0.11	0.48	0.19	0.19
Reporting Issuer Costs	0.03	0.20	0.08	0.08
Depreciation	0.01	0.02	0.16	1.50
Corporate Social Responsibility Expense	-	-	0.28	0.50
Change in Fair Value of Warrant Liability	1.01	2.94	-	-
Gain on Settlement of debt	(0.47)	-	-	-
<b>Total operating expenses</b>	<b>5.57</b>	<b>12.22</b>	<b>5.86</b>	<b>9.80</b>
<b>Operating Income</b>	<b>\$ (5.6)</b>	<b>\$ (12.2)</b>	<b>\$ (1.2)</b>	<b>\$ 14.2</b>
Income Tax	-	-	(0.3)	3.5
<b>Net income (loss)</b>	<b>\$ (5.57)</b>	<b>\$ (12.22)</b>	<b>\$ (1.92)</b>	<b>\$ 10.64</b>
Cumulative Translation Adjustment	(0.1)	(3.0)	-	-
<b>Comprehensive income (loss)</b>	<b>(5.7)</b>	<b>(15.2)</b>	<b>(1.9)</b>	<b>10.6</b>
<b>Basic EPS (loss)</b>	<b>\$ (0.28)</b>	<b>\$ (0.33)</b>	<b>\$ (0.05)</b>	<b>\$ 0.26</b>
<b>Diluted EPS (loss)</b>	<b>\$ (0.28)</b>	<b>\$ (0.33)</b>	<b>\$ (0.05)</b>	<b>\$ 0.26</b>
Basic shares outstanding	20.2	36.7	41.6	41.6
Diluted shares outstanding	20.2	36.7	41.6	41.6
<b>EBITDA</b>	<b>\$ (5.3)</b>	<b>\$ (8.3)</b>	<b>\$ (0.3)</b>	<b>\$ 17.5</b>
<b>Growth Rate Analysis Y/Y</b>				
Total revenues	N/A	N/A	N/A	528.6%
Exploration and Evaluation Expenditures	N/A	-48.2%	-51.6%	160.0%
Management Compensation	N/A	3.8%	-0.5%	20.0%
Stock Based Compensation	N/A	N/A	-81.3%	162.6%
Total operating expenses	N/A	119.1%	-52.0%	67.2%
Net income	N/A	-119.1%	84.3%	655.2%
EPS - fully diluted	N/A	-20.5%	86.2%	655.2%
Share count - fully diluted	N/A	81.8%	13.3%	0.0%

Source: Company Reports, Stonegate Capital Partners estimates

## IN THE NEWS

**August 2019** – Company reports offering private placement of 10% unsecured convertible debentures for total proceeds of USD \$8.44 million. The debentures are convertible at any time prior to maturity at a conversion price of CAD \$0.90/sh

**August 2019** – Company announces the election of Ms. Sereenen Jargalan as a director of the company at the Special Meeting and the subsequent appointment of Mr. Steve Haggarty to the Board, the nominee of the company's financing partner, Triple Flag Mining Finance.

**July 2019** -- Steppe Gold Ltd. announced that it has completed the heap leach development at its 100%-owned Altan Tsaagan Ovoo Gold Project. Internal commissioning of the ADR plant has been satisfactorily completed and the Company is now awaiting final cyanide permits before commencement of irrigation and gold production.

**July 2019** – Company announces the appointment of Mr. Batkhuy Budnyam to the Company's Board as a Director. Mr. Budnyam is a successful entrepreneur and financial expert who has extensive experience in the banking and finance sectors in Mongolia.

**April 2019** – Company announces it has been mining since November 2018 and has completed Phase I mining with 230,000 tons mined stacked and awaiting leaching.

**July 2018** – Company announces the appointments of Mr. Jeremy South as Senior Vice President and Chief Financial Officer and Mr. Sheldon Vanderkooy as Director to the Board effective immediately. Mr. South has been a Director of Steppe Gold since March 2017 and is resigning from the Board of Directors to take on the CFO role.

**May 2018** – Steppe Gold completes an IPO in the amount of CAD \$21.14 million. Each unit consists of one common share of the company and one common share purchase warrant. Each whole common share purchase warrant will entitle holder to acquire one common share at a price of CAD 2.34 on the date that is 24 months from the closing date.

## CORPORATE GOVERNANCE

**Matthew Wood – President and Chief Executive Officer** - Mr. Wood serves as Chairman and Director of Steppe Gold Ltd. since October 5, 2016 and also serves as its President and Chief Executive Officer. Mr. Wood served as the Chief Executive Officer of Peninsula Energy Limited until October 31, 2004. Mr. Wood served as Managing Director of Iberian Resources Limited until August 23, 2007. Mr. Wood is an outstanding mineral resource explorer and developer with over many years global industry experience in mining and commodities investment. He has extensive experience in the technical and economic evaluation of gold and base metal projects throughout the world. He has managed successful deals in diamonds, coal, energy, ferrous metals, base and precious metals and other commodities.

**Jeremy South – Senior Vice President and Chief Financial Officer** - Mr. Jeremy Thomas South has been Senior Vice President and Chief Financial Officer of Steppe Gold Ltd. since July 11, 2018. Mr. South serves as Non-Executive Chairman and Director of Ascent Industries Corp. since June 25, 2019. Mr. South has been the Chief Financial Officer at Five Star Diamonds Ltd since March 1, 2018. He is a Managing Partner of a Canadian-based private equity group. Mr. South has been Chairman of Aldridge Minerals Inc. since January 19, 2018 and has been its Independent Director since December 12, 2017. He has many years of experience in M&A, capital markets and private equity in Europe, North America and Australia, including senior positions in investment banking at Deutsche Bank, NatWest Markets and Deloitte.

**Bataa Tumur-Ochir –Executive VP of Mongolia & Director** - Mr. Tumur-Ochir serves as Executive Vice President of Mongolia at Steppe Gold Ltd. and served as its Vice-President of Mongolia. Mr. Tumur-Ochir has been the Chief Executive Officer at Wolf Petroleum Limited since January 1, 2013 and serves as its Managing Director. Mr. Tumur-Ochir is responsible for daily operations in Mongolia. He is responsible for new business acquisitions, development and government and community relations. He served as Chief Operating Officer of Wolf Petroleum Limited from 2010 to October 8, 2016 and its Managing Director until October 8, 2016. Under his guidance Wolf Petroleum was awarded with the Operator of the Year Award from the Petroleum Authority of Mongolia.

**Aneel Waraich – Executive VP & Director** - Mr. Aneel Waraich is the Co-founder of Steppe Gold Ltd. Mr. Waraich serves as Director and Executive Vice President of Steppe Gold Ltd. and has been its Executive Director since October 05, 2016. Mr. Waraich is the Founder and Managing Partner of ATMA Capital Markets focusing on advising public and private companies in the Natural Resources sector. Mr. Waraich has 15 years of progressive experience in capital markets having worked on over \$1B in deals. Mr. Waraich has an MBA from the Goodman Institute of Investment Management at the John Molson School of Business.

### Board of Directors:

**Matthew Wood – Chairman**

**Bataa Tumur-Ochir – Director**

**Aneel Waraich – Director**

**Patrick Michaels – Director**

**Zamba Batjargal –Director**

**Batkhuy Budnyam – Director**

**Sereenen Jargalan - Director**

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