

Steppe Gold

Boroo merger completion creates Mongolian gold champion

Steppe Gold (“Steppe”) has announced the completion of the all-share merger with Boroo Gold to create Mongolia’s leading focused gold miner through the issue of 143m shares at a price of C\$0.59/share, with Boroo shareholders having a 55.9% interest in the expanded company. Combined group production is expected to be 89koz of gold in 2024, split between 20koz at ATO from its heap Leach operation and 69koz produced from the Boroo open pit mine. We expect this to increase to 140koz AuEq during the 2027 to 2029 period once the Phase II expansion of the ATO mine is completed, with operations continuing to at least 2038 and exploration upside at both assets. Steppe has also sold its interest in the non-core Tres Cruces project in Peru for C\$12m, further strengthening the balance sheet. We marginally increase our valuation to C\$1.59/sh, taking into account the deal close and gold hedge at Boroo.

Boroo is low cost open pit, Ulaanbulag could extend operations to mid-2030s

At Boroo we assume 2024 production of 69koz, with AISC of US\$1,095/oz. The operation, which is made up of the Boroo and Ulaanbulag deposits, has a reserve of 697koz with a measured and indicated resource of 1.02Moz and produced 67koz at an AISC of US\$847/oz in 2023, produced 44.5koz in H1’24 and has been acquired on a ‘zero net debt’ basis. Boroo is an open pit mine with an average reserve grade across the two deposits of 0.7g/t. Processing is both through a CIP (‘Carbon in Pulp’) plant and a heap leach operation, with the latter accounting for 15% of planned production over the life of the mine. Average site All in Sustaining cost (“AISC”) is guided to be US\$900/oz over the balance of the mine life compared to a current industry average of US\$1,450/oz. The Ulaanbulag deposit appears to extend to the south east and east of the current deposit, which could extend the life of the operation into the mid-2030s. This life extension is outside of our current model. We value Boroo at US\$203m based on our current LT gold price of US\$1,900/oz. During 2024 we expect production of 69koz at Boroo at an AISC of US\$1,107/oz. The majority of Boroo’s production for 2024 has been hedged at US\$2,000/oz, 17% below the current spot price, production from Q2’25 onward is unhedged.

ATO projected production of 4koz in Q2, phase II progressing

We expect Steppe to report Q2 production of 4koz from the company’s ATO mine at an AISC of US\$2,354/oz from the mature heap leach operation. The Phase II expansion at ATO is underway with US\$150m of funding secured for the development. The completion of the merger and additional revenues from Boroo should allow for a positive renegotiation of the funding terms. This, in turn, has the potential to increase production to 91koz from the mine by 2028 with first production in 2026. Ultimately, the mine should produce 1Moz AuEq at an AISC of US\$1,135/oz with further exploration potential at depth beneath the planned pits with the option to either expand them or to develop an underground mine. Our NAV for ATO is C\$336m which does not take into account the significant exploration potential at depth that could extend the mine life.

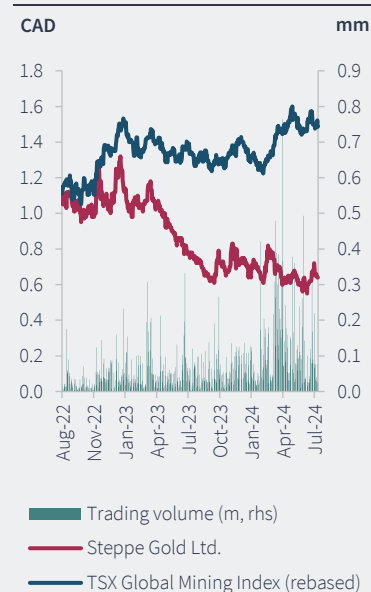
Valuation: C\$1.59/share valuation

We value Steppe based on a DCF(10%) for ATO of C\$336m and C\$275m for the Boroo mine, both of which are mature operations with risked C\$7m (0.5x NAV) for the UK project, which is also in Mongolia. This generates a valuation of C\$1.59/sh which implies 156% upside to the current share price. The closing of the transaction is offset by a US\$2,000/oz hedge on Boroo for 2024 and Q1’25, which was required to secure financing terms. Steppe is trading at 0.39x NAV compared to its peers at 0.63x NAV.

GICS Sector	Materials
Ticker	TSX: STGO
Market cap 2-Aug-24 (C\$m)	157
Share price 2-Aug-24 (C\$)	0.62
Target valuation Dec-24 (C\$)	1.59

+156%

Upside from current share price to our C\$1.59/sh target valuation



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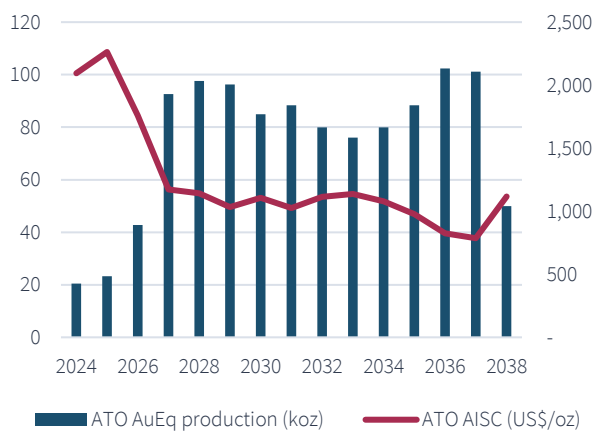
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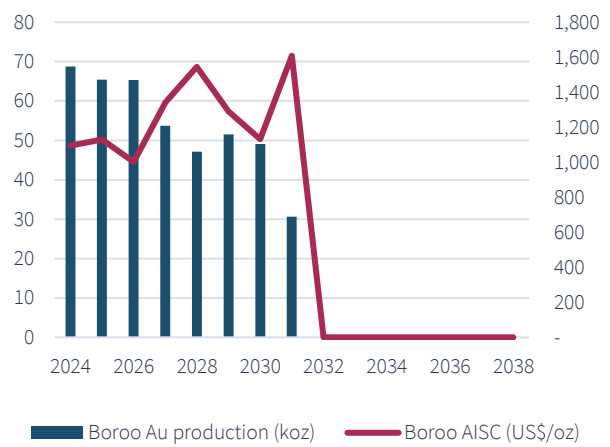
Key Charts

ATO gold equivalent production and AISC



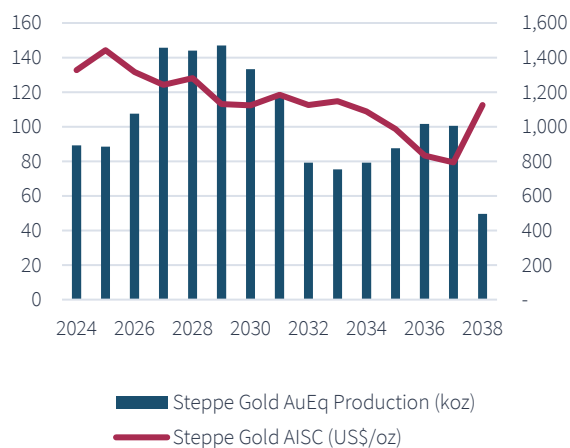
Source: H&P Estimates

Boroo gold production and AISC



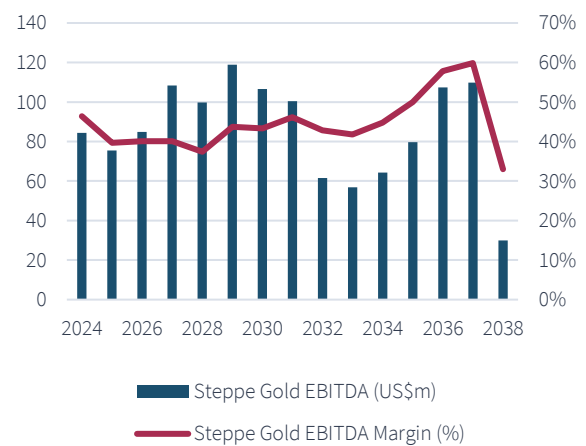
Source: H&P Estimates

Steppe gold production and AISC



Source: H&P estimates

Steppe EBITDA and EBITDA margin*



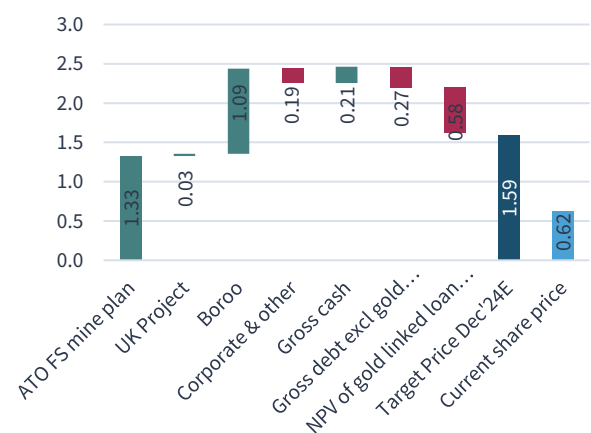
Source: H&P estimates, *2024 includes full year production at Boroo

Steppe Gold asset map



Source: Company Reports

Risk adjusted SOTP C\$1.59, 156% upside



Source: H&P estimates

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