

SouthGobi Resources Ltd.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held on Thursday, July 21, 2022

and

MANAGEMENT PROXY CIRCULAR

DATED: June 22, 2022

TAKE ACTION AND VOTE TODAY

These materials are important and require your immediate attention. They require shareholders of SouthGobi Resources Ltd. to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal, tax or other professional advisors.

Your vote is important regardless of the number of shares you own. Whether or not you are able to attend, we urge you to vote using the enclosed proxy or voting instruction form. Please carefully follow the instructions provided to vote your shares.

SOUTHGOBI RESOURCES LTD.

**Notice of the annual and special meeting of Shareholders
to be held on Thursday, July 21, 2022**

NOTICE IS HEREBY GIVEN that the annual and special meeting of the shareholders of **SOUTHGOBI RESOURCES LTD.** (the “**Company**”) will be held at the offices of Dentons Canada LLP, 20th floor – 250 Howe Street, Vancouver, British Columbia, on Thursday, July 21, 2022 at 8:00 a.m. (PDT) (the “**Meeting**”) for the following purposes:

1. to receive the Company’s audited financial statements for the financial year ended December 31, 2021 and the auditors’ report thereon;
2. to appoint auditors for the Company for the ensuing year and to authorize the Board of Directors (the “**Board**”) to fix the auditors’ remuneration;
3. to fix the number of directors to be elected at the Meeting at: (i) six (6), in the event, and conditional upon, the proposed sale transaction between Land Breeze II S.à.r.l and JD Zhixing Fund L.P. (the “**Land Breeze Sale Transaction**”) completing prior to the date of the Meeting; or (ii) eight (8), in the event that completion of the Land Breeze Sale Transaction does not occur prior to the date of the Meeting;
4. to elect two alternate slates of directors, namely (i) a slate consisting of eight (8) incumbent directors of the Company, in the event that completion of the Land Breeze Sale Transaction does not occur prior to the date of the Meeting; and (ii) a slate consisting of six (6) incumbent directors of the Company, in the event, and conditional upon, the Land Breeze Sale Transaction completing prior to the date of the Meeting; and
5. to consider, and if thought advisable, to pass an ordinary resolution approving amendments to the Company’s Employees’ and Directors’ Equity Incentive Plan (the “**Equity Incentive Plan**”), as more particularly described in the accompanying Management Proxy Circular;
6. to consider, and if thought advisable, to pass an ordinary resolution approving 27,425,442 Common Shares in the capital of the Company which may be allocated for issuance under the Amended Equity Incentive Plan, being 10% of the number of Common Shares issued and outstanding in the capital of the Company as of the date of the Meeting at which shareholder approval is being sought, all as more particularly described in the accompanying Management Proxy Circular; and
7. to consider, and if thought advisable, to pass a special resolution to remove the Company’s Current Articles in its entirety and adopt the New Articles (as such terms are defined in the accompanying Management Proxy Circular), all as more particularly described in the accompanying Management Proxy Circular.

The Company will transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board has fixed Tuesday, June 21, 2022 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Meeting and at any adjournment thereof.

Caution regarding COVID-19

As of the date of this Notice and the accompanying Management Proxy Circular, the Company intends to hold the Meeting at the location and time stated above in this Notice.

In order to comply with government and venue requirements and to mitigate potential risks to public health and safety, in-person access to the Meeting will only be granted to those shareholders and duly appointed proxyholders who are Fully Vaccinated (as defined below) and who provide satisfactory proof of vaccination. All attendees will be required to wear masks in all public spaces, including lobbies, elevators, reception area, meeting rooms and washrooms.

Shareholders and duly appointed proxyholders who are deemed fully vaccinated (“Fully Vaccinated”) with a vaccine that is approved for use in Canada, include those who have received:

- **two (2) doses of any of the following COVID-19 vaccines: Pfizer, Moderna or AstraZeneca, and who have waited 14 days after receiving their second dose; or**
- **one (1) dose of the Johnson & Johnson COVID-19 vaccine, and who have waited 14 days after receiving their first dose.**

In order to ensure that all shareholders are able to cast their votes, the Company strongly encourages shareholders to vote in advance of the Meeting using the form of proxy or voting instruction form accompanying the Management Proxy Circular or ensure that they have appointed a Fully Vaccinated proxyholder.

For additional information on COVID-19 protocols for the Meeting, please contact Allison Snetsinger, the Company’s corporate secretary, at info@southgobi.com.

Voting

The Management Proxy Circular contains details of the matters to be considered at the Meeting. Information respecting the appointment of auditors, the election of directors and the approvals relating to the Equity Incentive Plan and the adoption of the New Articles may be found in the accompany Management Proxy Circular under the headings “*Appointment of Auditors*”, “*Election of Directors*”, “*Approvals Relating to the Equity Incentive Plan*” and “*Adoption of New Articles*”, respectively.

A Form of Proxy is enclosed herewith. Registered shareholders who are unable, or do not wish, to attend the Meeting in person are requested to complete, date, sign and return the enclosed Form of Proxy to TSX Trust Company in accordance with the instructions set out on the Form of Proxy and in the Management Proxy Circular. If you are voting your shares by proxy, TSX Trust Company, must receive your completed Form of Proxy by 8:00 a.m. (PDT) on Tuesday, July 19, 2022 (which is 11:00 p.m. in Hong Kong, China), or 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) before any adjournment(s) or postponement(s) of the Meeting.

Non-registered shareholders receiving these materials through their broker or other intermediary should complete and return the voting instruction form provided to them by their broker or other intermediary in accordance with the instructions provided therein.

SHAREHOLDERS ARE REMINDED TO REVIEW THE MANAGEMENT PROXY CIRCULAR CAREFULLY BEFORE EXERCISING THEIR RIGHT TO VOTE.

DATED at Vancouver, British Columbia, Canada this 22nd of June, 2022

***BY ORDER OF THE BOARD OF DIRECTORS OF
SOUTHGOBI RESOURCES LTD.***

“Allison Snetsinger”

Allison Snetsinger
Corporate Secretary

PLEASE VOTE PRIOR TO 8:00 A.M. (PDT) ON TUESDAY, JULY 19, 2022



Telephone: 604-762-6783

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is furnished to the holders (“**shareholders**”) of common shares (“**Common Shares**”) of SouthGobi Resources Ltd. (the “**Company**”) (TSX:SGQ) (HKEX:1878) by the Company’s management in connection with the solicitation of proxies to be voted at the annual and special meeting of shareholders (the “**Meeting**”) to be held at 8:00 a.m. (PDT) on Thursday, July 21, 2022, at the offices of Dentons Canada LLP, 20th floor – 250 Howe Street, Vancouver, British Columbia, for the purposes set forth in the Notice of Meeting that accompanies this Management Proxy Circular. Unless otherwise stated, this Management Proxy Circular contains information current as of June 21, 2022, the last business day preceding the date of this Management Proxy Circular.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (“**HKEX**”) take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

In this Management Proxy Circular, all dollar amounts are quoted in United States dollars unless otherwise indicated.

Caution regarding COVID-19

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Shareholders and duly appointed proxyholders who are deemed fully vaccinated (“Fully Vaccinated”) with a vaccine that is approved for use in Canada, include those who have received:

- two (2) doses of any of the following COVID-19 vaccines: Pfizer, Moderna or AstraZeneca, and who have waited 14 days after receiving their second dose; or
- one (1) dose of the Johnson & Johnson COVID-19 vaccine, and who have waited 14 days after receiving their first dose.

In order to ensure that all shareholders are able to cast their votes, the Company strongly encourages shareholders to vote in advance of the Meeting using the form of proxy or voting instruction form accompanying the Management Proxy Circular or ensure that they have appointed a Fully Vaccinated proxyholder.

For additional information on COVID-19 protocols for the Meeting, please contact the Company’s corporate secretary at info@southgobi.com.

SOLICITATION OF PROXIES

The enclosed Form of Proxy is solicited by and on behalf of management of the Company.

This Management Proxy Circular, the accompanying notice of meeting dated June 22, 2022 (the “**Notice of Meeting**”) and the enclosed form of proxy solicited by management of the Company for the Meeting (the “**Form of Proxy**”) (collectively, the “**Meeting Materials**”) are to be mailed to shareholders on or about June 30, 2022.

All expenses incurred in connection with the preparation, printing and mailing of this Management Proxy Circular and the solicitation of proxies for use at the Meeting will be borne by the Company.

No person is authorized to give any information or to make any representations other than those contained in this Management Proxy Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

In accordance with applicable securities law requirements, the Company will have distributed copies of the Meeting Materials to the clearing agencies and Intermediaries (as defined in the NI 54-101) for distribution to Non-Registered Shareholders (as defined below).

VOTING OF PROXIES

A Form of Proxy pertaining to the Meeting accompanies this Management Proxy Circular has been sent to registered shareholders. Common Shares represented by a properly executed Form of Proxy in favour of the persons designated therein will be voted or withheld from voting in accordance with the instructions made on the Form of Proxy in any ballot that may be called for. Where a shareholder specifies a choice as to any matter to be acted upon, the Common Shares will be voted accordingly. **In the absence of such instructions, such Common Shares will be voted in favour of the matters specified in the Form of Proxy.**

The Form of Proxy confers discretionary authority upon the nominees therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified;

- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

As of the date of this Management Proxy Circular, management of the Company knows of no such amendments, variations or other matters that may come before the Meeting, but if any amendment, variation or other matter properly comes before the Meeting, each nominee named in the accompanying Form of Proxy intends to vote thereon in accordance with the nominee's best judgment.

Only registered shareholders of the Company or the persons they appoint as their proxies are permitted to vote at the Meeting. Most shareholders of the Company are "non-registered" shareholders ("**Non-Registered Shareholders**") because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they own their Common Shares.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Most Intermediaries delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in the United States and in Canada. Broadridge typically mails a scannable VIF instead of a Form of Proxy. Non-Registered Shareholders are asked to complete the VIF and return it to Broadridge by mail or facsimile. Alternatively, Non-Registered Shareholders may submit their votes by telephone or via the internet at www.proxyvote.com. The various voting methods will be set out by Broadridge on the VIF. In addition, the Company may utilize Broadridge's QuickVote™ service to assist Non-Registered Shareholders with voting their Common Shares.

The Form of Proxy or VIF from your Intermediary is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote in person at the Meeting, or any adjournment(s) or postponement(s) thereof (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should insert the Non-Registered Shareholder's or such other person's name in the blank space provided for this purpose. Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the Form of Proxy or VIF is to be delivered.

If you are a Non-Registered Shareholder who has already provided voting or proxy holder instructions and wants to revoke it, contact your Intermediary about how to revoke your voting or proxy holder instructions.

The Meeting Materials are being sent to both registered shareholders and Non-Registered Shareholders. There are two (2) kinds of Non-Registered Shareholders: those who object to their names being made known to the Company, referred to as objecting beneficial owners ("**OBOs**"), and those who do not object to the Company knowing who they are, referred to as non-objecting beneficial owners ("**NOBOs**").

The Company does not intend to pay for Intermediaries to forward to OBOs the proxy-related materials under NI 54-101 and Form 54-101F7 – Request for Voting Instructions Made by Intermediary and OBOs will not receive the Meeting Materials unless the OBO's Intermediary assumes the cost of delivery.

In order to vote via the Internet, have the Form of Proxy you received available and access the website at www.tsxtrust.com/vote-proxy. You will be prompted to enter the 13-digit Control Number which is located in a box on the backside of the Form of Proxy. The cut-off time for voting over the Internet is 8:00 a.m. (PDT) on Tuesday, July 19, 2022 (which is 11:00 p.m. in Hong Kong, China), or 48 hours (excluding Saturdays and Sundays) before any adjournment(s) or postponement(s) of the Meeting.

If your Common Shares are held in street name for your account, your broker or other nominee will advise you whether you may vote online through the Internet. A number of banks and brokerage firms participate in programs that permit shareholders to direct their votes online through the Internet.

APPOINTMENT AND REVOCATION OF PROXIES

The individuals named in the enclosed Form of Proxy are directors and/or officers of the Company. **A shareholder wishing to appoint some other person or company (who need not be a shareholder) to represent such shareholder at the Meeting has the right to do so, either by inserting such person's name in the blank space provided on the Form of Proxy or by completing another Form of Proxy.**

An appointment of a proxy holder or alternate proxy holders will not be valid unless a Form of Proxy making the appointment, signed by the shareholder or by an attorney of the shareholder authorized in writing, is deposited with TSX Trust Company (formerly *AST Trust Company (Canada)*) (the "**Transfer Agent**"):

- (a) via the internet www.tsxtrust.com/vote-proxy;
- (b) by facsimile to 1-416-368-2502 or 1-866-781-3111;
- (c) by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1 Attn: Proxy Department;
- (d) by hand to Suite 1200 - 1 Toronto Street, Toronto, Ontario, M5C 2V6; or
- (e) by email to: proxyvote@tmx.com (for proxy appointments in English) or votezprocuration@astfinancial.com (for proxy appointments in French),

and in each case must be received by the Transfer Agent by no later than 8:00 a.m. (PDT) on Tuesday, July 19, 2022 (which is 11:00 p.m. in Hong Kong, China), or 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) before the Meeting or any postponement(s) or adjournment(s) thereof at which the instrument of proxy is to be used.

In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing: (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting or any postponement(s) or adjournment(s) thereof at which the proxy is to be used; or (ii) with the Chair of the Meeting on the day of the Meeting or any postponement(s) or adjournment(s) thereof.

With respect to Non-Registered Shareholders, a Form of Proxy or VIF given to an Intermediary may be revoked by contacting the Intermediary through which the Non-Registered Shareholder's Common Shares are held and following the instructions of the intermediary respecting the

revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a Form of Proxy or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

A revocation of a proxy does not affect any matter on which a vote has been taken before the revocation. Please note that if you vote and subsequently change your voting preferences you may vote again not less than 24 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) before the Meeting or any postponement(s) or adjournment(s) thereof. When you vote again, your latest vote will be recognized as your only valid vote, and all previous votes which you have recorded will be disregarded and considered as revoked.

VOTING SHARES AND RECORD DATE

Voting Shares

The Company has an authorized share capital consisting of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value (“**Preferred Shares**”). As of the close of business on June 21, 2022 (the “**Record Date**”), 274,254,426 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding. Each outstanding Common Share is entitled to one (1) vote on each item of business to be considered at the Meeting.

Record Date

A holder of record of Common Shares on the securities register of the Company at the close of business on the Record Date who either attends the Meeting personally or deposits a properly completed Form of Proxy in the manner and subject to the provisions described above will be entitled to vote or to have such Common Shares voted at the Meeting.

VOTES NECESSARY TO PASS RESOLUTIONS

Pursuant to the current Articles of Continuation of the Company (the “**Current Articles**”), a quorum for the transaction of business at any meeting of shareholders is at least two (2) persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued Common Shares entitled to be voted at such meeting.

Under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) and its regulations, a simple majority of the votes cast at a meeting of holders of Common Shares is required to pass all ordinary resolutions. For a special resolution to be passed, a majority of not less than two-thirds (2/3) of the votes cast by holders of Common Shares must be obtained.

Shareholders are entitled, and will be asked, to elect directors, appoint the Company’s auditors for the ensuing year, approve certain matters relating to the Equity Incentive Plan and consider the adoption of the New Articles. With respect to the election of directors, if there are more nominees for election as directors or for appointment as the Company’s auditors than there are vacancies to fill such positions, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation, subject to the Company’s Majority Voting Policy (see the heading entitled “*Majority Voting Policy*” below).

PRINCIPAL HOLDERS OF VOTING SHARES

The following table sets forth information as of June 21, 2022, with respect to:

- (a) all persons known by the Company's directors (the "**Directors**") and executive officers to beneficially own, or control or direct, directly or indirectly, 10% or more of the Common Shares issued and outstanding on a non-diluted basis; and
- (b) share ownership by the current Directors and executive officers of the Company as a group.

Name or Group and Municipality of Residence	Type of Ownership	Number of Issued Shares Owned ⁽¹⁾	% of Shares Outstanding
China Investment Corporation ⁽²⁾ Beijing, China	Indirect	64,766,591	23.6%
China Cinda Asset Management Co., Limited ⁽³⁾ Beijing, China	Indirect	46,358,978	16.9%
Directors & executive officers as a group	Direct	261,474 ⁽⁴⁾	0.10%

Notes:

- ⁽¹⁾ The information as to Common Shares beneficially owned or controlled or directed that is not within the knowledge of the Company, its Directors or its officers has been furnished by the applicable shareholders or has been extracted from public filings.
- ⁽²⁾ China Investment Corporation (together with its wholly-owned subsidiaries, "**CIC**") holds its Common Shares through Land Breeze II S.à-r.l. ("**Land Breeze**"). Pursuant to the terms of a convertible debenture issued by the Company to CIC on October 26, 2009 and subsequently assigned by CIC to Land Breeze (the "Convertible Debenture"), and, subject to certain exceptions, while the Convertible Debenture is outstanding or while Land Breeze beneficially owns directly or indirectly 15% of the outstanding Common Shares, Land Breeze has a pre-emptive right to subscribe for any new Common Shares offered by the Company (on a pro rata basis) (the "Pre-Emptive Right").

On May 27, 2022, Land Breeze announced that, as disclosed in the press release issued by Land Breeze on May 26, 2022 (the "**Land Breeze Press Release**"), Land Breeze has entered into an agreement to sell (the "Land Breeze Sale Transaction") all of its interests in the Company, including its 64,766,591 Common Shares of the Company and the Convertible Debenture, to JD Zhixing Fund L.P. ("**JDF**"). Upon completion of the Land Breeze Sale Transaction, JDF will, amongst other things, be assigned the rights and benefits to the Pre-Emptive Right. As disclosed in the Land Breeze Press Release, completion of the Land Breeze Sale Transaction is subject to the satisfaction of certain conditions precedent.
- ⁽³⁾ China Cinda Asset Management Co., Limited holds its Common Shares through Novel Sunrise Investments Limited ("**Novel Sunrise**"). Subject to certain exceptions, for as long as Novel Sunrise and its affiliates own, directly or indirectly, 10% or more of the outstanding Common Shares, Novel Sunrise has a pre-emptive right to subscribe for any Common Shares, equity securities of the Company or securities convertible into Common Shares or equity securities of the Company, offered by the Company (on a pro rata basis).
- ⁽⁴⁾ This figure does not include the 3,681,000 Common Shares issuable upon the exercise of incentive stock options held, in aggregate, by the Directors and executive officers.

ELECTION OF DIRECTORS

Fixing the Number of Directors

The Articles provide that the number of Directors is the greater of three (3) and the number fixed by ordinary resolution. As of the date of this Management Proxy Circular, the Company's board of Directors (the "**Board**") consists of eight (8) members.

At the Meeting, the Board is requesting that shareholders pass an ordinary resolution fixing the number of Directors to be elected at the Meeting at: (i) six (6), in the event, and conditional upon, the Land Breeze Sale Transaction completing prior to the date of the Meeting; or (ii) eight (8), in the event that completion of the Land Breeze Sale Transaction does not occur prior to the date of the Meeting.

Management recommends that shareholders vote in FAVOUR of fixing the number of Directors to be elected at the Meeting at: (i) six (6), in the event, and conditional upon, the Land Breeze Sale Transaction completing prior to the date of the Meeting; or (ii) eight (8), in the event that completion of the Land Breeze Sale Transaction does not occur prior to the date of the Meeting. In the absence of contrary instructions, the person named in the accompanying Form of Proxy intends to vote the Common Shares represented thereby in FAVOUR of fixing the number of Directors to be elected at the Meeting at: (i) six (6), in the event, and conditional upon, the Land Breeze Sale Transaction completing prior to the date of the Meeting; or (ii) eight (8), in the event that completion of the Land Breeze Sale Transaction does not occur prior to the date of the Meeting.

Term of Office

The term of office of each of the incumbent Directors will end at the conclusion of the Meeting. Unless a Director's office is earlier vacated in accordance with the provisions of the BCBCA, each Director elected at the Meeting will hold office until the conclusion of the next annual meeting of the Company or, if no Director is then elected, until a successor is elected or appointed.

Majority Voting Policy

On November 6, 2013, the Board adopted a majority voting policy (which was amended on May 10, 2017) pursuant to which, in an uncontested election of Directors, if a nominee for election as a Director receives a greater number of votes "withheld" or "abstained" than votes "for" with respect to the election of Directors by shareholders, he or she will be deemed to have submitted his or her resignation to the Board upon the conclusion of the meeting of shareholders. Upon receiving such resignation, the Board will promptly refer such resignation to the Company's Nominating and Corporate Governance Committee (the "**Nominating and Governance Committee**") for consideration and the Nominating and Governance Committee will make a recommendation to the Board whether or not to accept such resignation. In the absence of exceptional circumstances, the Board expects that the Nominating and Governance Committee will recommend that the Board accept such resignation. The Board will determine whether to accept the resignation in question (and, absent exceptional circumstances, the Board will accept such resignation) and announce such decision in a press release to be issued within 90 days following the meeting of shareholders. The Director who tendered his or her resignation pursuant to this policy will not participate in any committee or Board deliberations and decisions pertaining to the resignation offer.

Contractual Director Nomination Rights

Land Breeze

In connection with the issuance of the Convertible Debenture, the Company, a former shareholder of the Company and Land Breeze entered into a securityholders' agreement (the "Securityholders' Agreement") pursuant to which Land Breeze is entitled, but not obligated, to nominate one (1) individual for appointment or election to the Board for as long as the Convertible Debenture remains outstanding or Land Breeze beneficially owns directly or indirectly 15% of the outstanding Common Shares.

Pursuant to the terms of the 2019 Deferral Agreement (as hereinafter defined), the Company agreed to grant Land Breeze the following board nomination rights (which are in addition to Land

Breeze's existing right to nominate one individual for appointment or election to the Board pursuant to the Securityholders' Agreement):

- as long as Land Breeze and its affiliates beneficially own, directly or indirectly, 20% or more of the outstanding Common Shares, Land Breeze will be entitled to nominate two individuals for appointment or election to the Board; and
- as long as Land Breeze and its affiliates beneficially own, directly or indirectly, 10% or more, but less than 20% of the outstanding Common Shares, Land Breeze will be entitled to nominate one individual for appointment or election to the Board.

Pursuant to the Securityholders' Agreement and the 2019 Deferral Agreement, Land Breeze has nominated Messrs. Jianmin Bao and Ben Niu as its nominees for election as Directors at this Meeting as part of the Incumbent Slate (as defined below). See "*Election of Directors – Director Nominees*" below.

On May 27, 2022, the Company announced that, as disclosed in the press release issued by Land Breeze on May 26, 2022, Land Breeze has entered into an agreement to sell all of its interests in the Company, including its 64,766,591 Common Shares and the Convertible Debenture, to JDF. Upon completion of the Land Breeze Sale Transaction, JDF will, amongst other things, be assigned the rights and benefits of the aforementioned contractual director nomination rights under the Securityholders' Agreement and the 2019 Deferral Agreement. Completion of the Land Breeze Sale Transaction is subject to the satisfaction of certain conditions precedent.

As disclosed in the Land Breeze Press Release, the Company understands that, upon the completion of the Land Breeze Sale Transaction, Messrs. Jianmin Bao and Ben Niu intend to resign as Directors of the Company and, if the Land Breeze Sale Transaction is completed prior to the date of the Meeting, Messrs. Jianmin Bao and Ben Niu will not stand for re-election at the Meeting. As disclosed in the press release issued by JDF on May 26, 2022, the Company understands that, upon or immediately following the completion of the Land Breeze Sale Transaction, JDF intends to use commercially reasonable efforts to request the Company to appoint two director nominees of JDF (the "JDF Director Nominees") to the Board.

Following the completion of the Land Breeze Sale Transaction, the Board intends to appoint the two JDF Director Nominees to the Board as permitted under the Company's Articles and the BCBCA.

Novel Sunrise

Pursuant to a subscription agreement between the Company and Novel Sunrise entered into in March 2015 (the "**Novel Sunrise Agreement**"), Novel Sunrise is entitled to nominate a person or persons for appointment or election to the Board from time to time in proportion to the percentage of the Company's issued and outstanding Common Shares it holds. Specifically, (i) as so long as Novel Sunrise and its affiliates own 20% or more of the outstanding Common Shares, it will be entitled to nominate three (3) individuals for appointment or election to the Board; (ii) as so long as Novel Sunrise and its affiliates own 10% or more, but less than 20% of the outstanding Common Shares, it will be entitled to nominate two (2) individuals for appointment or election to the Board; and (iii) as long as Novel Sunrise and its affiliates own 5% or more, but less than 10% of the outstanding Common Shares, it will be entitled to nominate one (1) individual for appointment or election to the Board. Pursuant to the Novel Sunrise Agreement, Novel Sunrise has nominated Mr. Zhiwei Chen and Ms. Ka Lee Ku as its nominees for election as Directors at this Meeting. See "*Election of Directors – Director Nominees*" below.

Director Nominees

As of the date of this Management Proxy Circular, the Board currently consists of the following eight (8) members:

Mao Sun
Dalanguerban
Jianmin Bao
Ben Niu
Zhiwei Chen
Ka Lee Ku
Yingbin Ian He
Jin Lan Quan

(collectively, the “**Incumbent Slate**”).

On May 27, 2022, the Company announced that, as disclosed in the press release issued by Land Breeze on May 26, 2022, Land Breeze has entered into an agreement to sell all of its interests in the Company, including its 64,766,591 Common Shares and the Convertible Debenture, to JDF. Upon completion of the Land Breeze Sale Transaction, JDF will, amongst other things, be assigned the rights and benefits of the contractual director nomination rights under the Securityholders’ Agreement and the 2019 Deferral Agreement. See “*Election of Directors – Contractual Director Nomination Rights – Land Breeze*” above. Completion of the Land Breeze Sale Transaction is subject to the satisfaction of certain conditions precedent. As disclosed in the Land Breeze Press Release, the Company understands that, upon the completion of the Land Breeze Sale Transaction, Messrs. Jianmin Bao and Ben Niu intend to resign as Directors of the Company and, if the Land Breeze Sale Transaction is completed prior to the date of the Meeting, Messrs. Jianmin Bao and Ben Niu will not stand for re-election at the Meeting.

In light of the uncertainty around if and when the Land Breeze Sale Transaction will complete, the Board is proposing the election of two alternate slates of directors at the Meeting, namely:

- (a) the Incumbent Slate, in the event that completion of the Land Breeze Sale Transaction does not occur prior to the date of the Meeting; and
- (b) a slate of six (6) incumbent Directors, comprising of:

Mao Sun
Dalanguerban
Zhiwei Chen
Ka Lee Ku
Yingbin Ian He
Jin Lan Quan

(collectively, the “**Alternative Slate**”), in the event, and conditional upon, the Land Breeze Sale Transaction completing prior to the date of the Meeting.

As disclosed in the press release issued by JDF on May 26, 2022, the Company understands that, upon or immediately following the completion of the Land Breeze Sale Transaction, JDF intends to use commercially reasonable efforts to request the Company to appoint two JDF Director Nominees to the Board. Following the completion of the Land Breeze Sale Transaction,

the Board intends to appoint the two JDF Director Nominees to the Board as permitted under the Company's Articles and the BCBCA.

The following tables set out the names of the nominees for election as Directors, their ages, all major offices and positions with the Company each nominee now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a Director, the number of Common Shares beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at June 21, 2022, and the number of options to purchase Common Shares held by each as at June 21, 2022.

Management recommends that shareholders vote in FAVOUR of the election of the persons named below and nominated for election as of the Incumbent Slate and the Alternative Slate. In the absence of contrary instructions, the person named in the accompanying Form of Proxy intends to vote the Common Shares represented thereby in FAVOUR of the election of the persons named below and nominated for election as of the Incumbent Slate and the Alternative Slate, conditional on the completion of the Land Breeze Sale Transaction prior to the date of the Meeting.

Dalanguerban

Beijing, China

Director Since: March 31, 2020



Mr. Dalanguerban, 64, was appointed as Chief Executive Officer and as the Company's Executive Director on March 31, 2020. Mr. Dalanguerban is also a Director of several of the Company's subsidiaries.

Mr. Dalanguerban is a seasoned mining professional, having accumulated over 35 years of international mining and operational experience including a number of mining projects in Mongolia. Mr. Dalanguerban spent the majority of his career working for China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC"), in a variety of roles in various countries. Throughout the 1980's, Mr. Dalanguerban worked in Jordan, Egypt, Yemen, and Iraq in a variety of mining. Between 1991 and 2017, Mr. Dalanguerban was the Chief Representative of NFC in Mongolia. During this time, Mr. Dalanguerban accomplished numerous achievements, and assisted various companies in succeeding in the Mongolian mining industry. These companies include an explosive plant, molybdenum oxide processing plant, and heap leaching copper hydrometallurgical production plant. Mr. Dalanguerban was involved in the development and commissioning of the Tumurtiin-Ovoo zinc mine, which is recognized as an "Exemplary Project of China-Mongolia Cooperation" and for which he was awarded the "Mining Contribution" prize by the Ministry of Mining and Heavy Industry of Mongolia. Mr. Dalanguerban served as a Director, Executive Deputy General Manager, and General Manager at Tsairt Minerals LLC (holding company of the Tumurtiin-Ovoo zinc mine) from its establishment in 1997 until 2005, when the Tumurtiin-Ovoo zinc mine was put into production.

Mr. Dalanguerban cofounded the Mongolian Chinese Chamber of Commerce in Mongolia in 2002, is a member of the President's Management Team and he now serves as its Executive Vice President. In 2016, Mr. Dalanguerban was awarded an honorary Doctorate Degree from the Mongolian University of Life Sciences and in 2016 he was recognized by the Mongolian government as a leading cultural contributor. Mr. Dalanguerban studied Arabic at the Shanghai International Studies University and graduated in 1980. He is a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Chief Executive Officer of the Company (March 31, 2020 to present); Retired (July 2017 – March 2020); Mongolia Chief Representative for China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. (1991 to July 2017).

Areas of Experience:

CEO/Senior Officer
International Business
Mining Industry
Governance/Board
Financial Acumen
Environmental/Safety/Corporate
Responsibility
Technical Mining Experience
Mongolia Specific Experience
Mining Industry

Director Status: Executive ⁽⁶⁾ Board/Committee Membership:	2021 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	7 of 8	88%	n/a	
Operations	8 of 8	100%		
Health, Environment, Safety & Social Responsibility (Chair)	1 of 3	33%		
TOTAL	16 of 19	74%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2022	77,999	\$12,054	\$12,054	\$2,293	\$14,347
2021	77,999	\$18,937	\$18,937	\$7,533	\$26,470

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
June 29, 2021	June 29, 2026	450,000	Nil/450,000	HK\$1.41	450,000	\$2,293

Jianmin Bao

Beijing, China

Director Since: March 18, 2020



Areas of Experience:

Managing/Leading Growth
International Business
Governance/Board
CEO/Senior Officer
Financial Acumen
Mining Industry

Mr. Bao, 54, joined the Board of Directors on March 18, 2020 as a Non-Executive Director.

Mr. Bao is currently a member of the Executive Committee of China Investment Corporation (“CIC”). He is responsible for overseeing investment projects in infrastructure, real estate, energy, oil and gas, minerals and related investment funds at CIC Capital Corporation, a wholly owned subsidiary of CIC. Mr. Bao joined CIC in 2011 when he managed its North American fund investments and private credit market investments in the Private Equity Department at CIC.

Prior to joining CIC, Mr. Bao held the position of Vice President at the Beijing branch of HSBC Bank (China) Company Limited (“HSBC China”) and various senior positions in the Global Investment Banking Division of HSBC China during 2006 to 2010. Before joining HSBC China, Mr. Bao was the Head of the Export Credit Department of Export-Import Bank of China.

Mr. Bao joined the Board of Commissioners of PT Bumi Resources Tbk, a company listed on the Jakarta Stock Exchange (the “IDX”), in September 2020. Previously, Mr. Bao was a non-executive Director of Noble Group Limited, a company listed on the Singapore Stock Exchange.

Mr. Bao received his Bachelor’s Degree in 1990 and a Master’s Degree of Industry and Foreign Trade in 1994 from the Shanghai Jiao Tong University. Mr. Bao is a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Managing Director of CIC Capital (July 2015 – present).

Director Status: Non-Independent ⁽⁶⁾ Board/Committee Membership:	2021 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	8 of 8	100%	PT Bumi Resources Tbk (Board of Commissioners) (IDX)	September 2020
TOTAL	8 of 8	100%		

Common Shares Beneficially Owned, Controlled or Directed: ^{(1) (2)}

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2022	Nil	Nil	Nil	Nil	Nil
2021	Nil	Nil	Nil	Nil	Nil

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Zhiwei Chen

Hong Kong, China

Director Since: April 2018



Areas of Experience:

Managing/Leading Growth
International Business
CEO/Senior Officer
Compensation
Governance/Board
Financial Acumen
Diversity
Environmental/Safety/Corporate
Responsibility

Mr. Chen, 38, joined the Board of Directors on April 13, 2018 as a Non-Executive Director.

Mr. Chen joined China Cinda (HK) Holdings Company Limited ("Cinda HK") in 2010. He is currently the Deputy General Manager responsible for managing Cinda HK's investment and financing businesses, leading a team that manages nearly US\$3.5 billion in investments.

Mr. Chen is the current Executive Director and Chairman of Zhongchang International Holdings Group Limited, a company listed on the Hong Kong Stock Exchange ("HKEX"). Mr. Chen is also a Non-Executive Director China Fortune Financial Group and Silver Grant International Holdings Group Limited, each of which is listed on the HKEX. Mr. Chen has over 15 years' of investment and research experience in the financial industry and, prior to joining Cinda HK, Mr. Chen was the Executive Assistant to the Chairman of TIG Group in Singapore from 2007 to 2010, was responsible for TIG Group's private equity investment business in China.

Mr. Chen obtained his Bachelor's Degree in Economics from Tsinghua University in China in 2004 and a Master's Degree in Estate Management from National University of Singapore in 2009. Mr. Chen is a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Assistant General Manager of Cinda HK and the Managing Director of its investment department (January 2010 – present).

Director Status: Non-Independent ⁽⁷⁾ Board/Committee Membership:	2021 Attendance:		Other Public Company Board Membership:		
			Company:	Since:	
Board of Directors	6 of 8	75%	China Fortune Financial Group (HKEX)	April 2018	
TOTAL	6 of 8	75%	Silver Grant International Industries Limited (HKEX)	January 2019	
			Zhongchang International Holdings Group Limited (HKEX)	May 2020	

Common Shares Beneficially Owned, Controlled or Directed: ^{(1) (2)}

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:		
			Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2022	Nil	Nil	Nil	Nil	Nil
2021	Nil	Nil	Nil	Nil	Nil

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Yingbin Ian He

North Vancouver, Canada

Director Since: May 2017



Areas of Experience:

Managing/Leading Growth
International Business
CEO/Senior Officer
Compensation
Mining Industry
Governance/Board
Financial Acumen
Environmental/Safety/Corporate
Responsibility
Technical Mining Experience
Coal Industry Specific Experience

Mr. He, 60, joined the Board of Directors on May 16, 2017 as an Independent Non-Executive Director.

Mr. He's career in the mining industry has spanned over 30 years', with extensive senior executive and board experience. Mr. He is the Lead Independent Director of China Gold International Resources Corp. Ltd., a company dually listed on the Toronto Stock Exchange ("TSX") and the HKEX; Director of Tri-River Ventures Inc., a company listed on the TSX Venture Exchange ("TSX-V"); Director of PT Bumi Resources Tbk listed on the Indonesia Stock Exchange, and Director and Chairman of Vatukoula Gold Mines. Throughout his career, Mr. He has served as director of several public companies and was the President and Director of Spur Ventures Inc. (TSX-V) (1995 to 2006), and the General Manager of its operating subsidiary Yichang Mapleleaf Chemicals Inc. (2003 to 2006 and 2011 to 2017). In his early career, Mr. He worked as senior metallurgical engineer with Process Research Associates (now Bureau Veritas) (1992 to 1995) and mineral process engineer (1990 and 1992) with Teck Resources.

Mr. He obtained his PhD (1994) and Master of Applied Science (1990) degrees in Mineral Process Engineering from the University of British Columbia in Canada and his Bachelor of Engineering Degree (1982) in Coal Preparation and Utilization from Heilongjiang Institute of Mining and Technology (now Heilongjiang University of Science and Technology) in China. Mr. He is a member of the Canadian Institute of Mining, Metallurgy and Petroleum and the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

President and Director of Tri-River Ventures Inc. (2007 - present).

Director Status: Independent ⁽³⁾ Board/Committee Membership:	2021 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	8 of 8	100%	China Gold International Resources Corp. (TSX and HKEX)	May 2003
Audit	8 of 8	100%	Tri-River Ventures Inc. (TSX-V)	September 2006
Compensation & Benefits	6 of 7	86%	PT Bumi Resources Tbk (IDX)	June 2019
Nominating & Corporate Governance (Chair)	4 of 4	100%	Vatukoula Gold Mines: formerly listed on the London Stock Exchange Alternative Investment Market	February 2013
Operations Committee (Chair)	8 of 8	100%		
Health, Environment, Safety & Social Responsibility	3 of 3	100%		
Total:	37 of 38	97%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:		
			Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2022	27,000	\$4,173	\$4,173	\$11,196	\$15,369
2021	27,000	\$6,555	\$6,555	\$25,576	\$32,131

Options Held: ⁽⁸⁾

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
June 30, 2017	June 30, 2022	150,000	150,000 / Nil	0.33	150,000	Nil
September 11, 2019	September 11, 2024	150,000	150,000 / Nil	0.11	150,000	\$10,431
June 29, 2021	June 29, 2026	150,000	Nil/150,000	HK\$1.41	150,000	\$764

Ka Lee Ku

Hong Kong, China

Director Since: December 9, 2020**Areas of Experience:**

Managing/Leading Growth
International Business
CEO/Senior Officer
Governance/Board
Financial Acumen

Ms. Ka Lee Ku, 51, joined the Board of Directors on December 9, 2020 as a Non-Executive Director.

Ms. Ku is currently the Managing Director of the Investment Department in China Cinda (HK) Holdings Company Limited (“Cinda HK”), responsible for sourcing and execution of private and secondary market transactions valuing in excess of HK\$10 billion. Ms. Ku has over 25 years’ experience in the management and finance sectors and is an executive Director and Chief Executive Officer of Zhongchang International Holdings Group Limited, a company listed on the HKEX. She joined China Cinda Asset Management Co., Ltd. (“China Cinda”) in 1996 and, throughout her career at China Cinda she has worked in a variety of roles and positions. Prior to her appointment in 2018 as the Managing Director of the Investment Department in Cinda HK, Ms. Ku was an Executive Director of the Investment Department in Cinda HK from March 2017 to March 2018, and a Senior Manager Assistant of the Investment Department in Cinda HK from March 2016 to March 2017. While at Cinda HK, Ms. Ku has provided corporations with financial support through loans, equity investments, mezzanine investments, bond investments, initial public offerings, and additional investment opportunities at every stage of corporate growth.

Ms. Ku studied international trade at the Hubei University in China. She obtained a diploma in Business Management from The Hong Kong Management Association and completed the Licensing Examination for Securities and Futures Intermediaries from the Hong Kong Securities and Investment Institute. Ms. Ku is a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Managing Director of Cinda HK (March 2018 - present)

Director Status: Non-Independent ⁽⁷⁾ Board/Committee Membership:	2021 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	8 of 8	100%	Zhongchang International Holdings Group Limited (HKEX)	January 2021
TOTAL	8 of 8	100%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾**Value of Equity at Risk:**

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2022	Nil	Nil	Nil	Nil	Nil
2021	Nil	Nil	Nil	Nil	Nil

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Ben Niu

Beijing, China

Director Since: May 2019



Areas of Experience:

- Managing/Leading Growth
- International Business
- Financial Acumen
- Environmental/Safety/Corporate Responsibility
- Technical Mining Experience
- Coal Industry Specific Experience

Mr. Niu, 36, joined the Board of Directors on May 30, 2019 as a Non-Executive Director.

Mr. Niu is currently a Vice President of CIC Capital and is responsible for evaluating investment opportunities in the metals and mining industry and management of CIC Capital's existing portfolio assets in the same sector. Prior to joining CIC Capital in 2019, he was a Senior Manager at China Minmetals Corporation, responsible for its overseas mining strategy, commodity analysis and M&A in the mining sector. Through his experience at China Minmetals Corporation and its subsidiaries, Mr. Niu has developed an extensive understanding of global mining development trends, commodity attractiveness and investment opportunity selection.

Mr. Niu received his Bachelor's and Master's Degrees from Tsinghua University in China in 2012, majoring in Electronic Engineering. Mr. Niu is a member of the Canadian Institute of Corporate Directors and is a Chartered Financial Analyst (CFA).

Principal Occupation, Business or Employment ⁽¹⁾

Vice President of CIC Capital (January 2019 – present).

Director Status: Non-Independent ⁽¹⁰⁾ Board/Committee Membership:	2021 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	8 of 8	100%	n/a	
Operations	8 of 8	100%		
TOTAL:	18 of 18	100%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2022	Nil	Nil	Nil	Nil	Nil
2021	Nil	Nil	Nil	Nil	Nil

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Jin Lan Quan

Sydney, Australia

Director Since: August 2015



Areas of Experience:

Managing/Leading Growth
Compensation
Financial Acumen
Governance/Board
International Business
Diversity

Ms. Jin Lan Quan, 59, joined the Board on August 6, 2015 as an Independent Non-Executive Director.

Ms. Quan is an independent financial planner and business consultant based in Sydney, Australia. Ms. Quan has accumulated extensive and diverse finance and audit experience during her time as an audit partner with one of the big four international accounting firms in Sydney, Australia. She has wide-ranging experience in financial consulting services with skills in external auditing, internal audit structuring, corporate financing, risk management and business acquisition. Ms. Quan was previously a director of Kresta Holdings Ltd., a company listed on the Australian Stock Exchange.

Ms. Quan is a Fellow of the Association of Chartered Certified Accountants United Kingdom (ACCA UK), a P.R.C. Certified Public Accountant (CICPA), a member of the Chartered Accountants Australia & New Zealand (CA ANZ), and a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Financial Planner and Business Consultant, J&Q Investments Pty Ltd. (2004 – present).

Director Status: Independent ⁽³⁾ Board/Committee Membership:	2021 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	8 of 8	100%	n/a	
Audit	8 of 8	100%		
Nominating & Corporate Governance	4 of 4	100%		
Compensation & Benefits (Chair)	7 of 7	100%		
Total:	27 of 27	100%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:		
			Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2022	Nil	Nil	Nil	\$19,309	\$19,309
2021	Nil	Nil	Nil	\$46,213	\$46,213

Options Held: ⁽¹⁾

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
June 30, 2017	June 30, 2022	150,000	150,000 / Nil	0.33	150,000	Nil
July 3, 2018	July 3, 2023	150,000	150,000 / Nil	0.13	150,000	\$8,113
September 11, 2019	September 11, 2024	150,000	150,000 / Nil	0.11	150,000	\$10,431
June 29, 2021	June 29, 2026	150,000	Nil/150,000	HK\$1.41	150,000	\$764

Mao Sun

Richmond, B.C., Canada

Director Since: November 2015



Areas of Experience:

International Business
Mining Industry
Compensation
CEO/Senior Office
Financial Acumen
Governance/Board
Managing/Leading Growth
Mongolia Specific Experience

Mr. Sun, 45, joined the Board of Directors on November 5, 2015 as an Independent Non-Executive Director, he was the Company's Interim Lead Director from August 16, 2016 to May 30, 2019 and was appointed as the Lead Director on May 30, 2019.

Mr. Sun is the founding partner of Mao & Ying LLP, a private accounting firm offering tax, assurance and management consulting services.

Mr. Sun has over 15 years' experience in the accounting sector and has extensive knowledge of Canadian accounting standards, International Financial Reporting Standards and Canadian taxation laws. Mr. Sun has extensive experience with Canadian listed companies. He was appointed as the Chief Financial Officer of HFX Holding Corp. (TSX-V) in June 2014 and the Chief Financial Officer of Euro Asia Pay Holdings Inc., listed on the Canadian Securities Exchange, in June 2020. Mr. Sun was a Director and Chairman of the audit committee for Yalian Steel Corporation (TSX-V) from 2012 to 2013, and a Director and member of the audit committee for Wildsky Resources Inc. (TSX-V) from 2017 to February 2020. Prior to founding Mao & Ying LLP, Mr. Sun was the audit manager in the Vancouver office of KPMG, an internationally recognized accounting firm.

Mr. Sun graduated from Columbia University in New York with a Master's Degree in International Affairs, International Finance and Business, and a Bachelor's Degree in Computer Science from Nanjing University, China. Mr. Sun is a member of the Institute of Chartered Accountants of British Columbia, the Canadian Tax Foundation and the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Founding partner, Mao & Ying LLP (October 2009 - present).

Director Status: Independent ⁽³⁾ Board/Committee Membership:	2021 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors (Lead Director)	8 of 8	100%	n/a	
Audit (Chair)	8 of 8	100%		
Nominating & Corporate Governance	4 of 4	100%		
Compensation & Benefits	7 of 7	100%		
Total:	27 of 27	100%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:		
			Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2022	Nil	Nil	Nil	\$25,746	\$25,746
2021	Nil	Nil	Nil	\$61,617	\$61,617

Options Held: ⁽¹¹⁾

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
June 30, 2017	June 30, 2022	200,000	200,000 / Nil	0.33	200,000	Nil
July 3, 2018	July 3, 2023	200,000	200,000 / Nil	0.13	200,000	\$27,516
September 11, 2019	September 11, 2024	200,000	200,000 / Nil	0.11	200,000	\$30,753
June 29, 2021	June 29, 2026	200,000	Nil/200,000	HK\$1.41	200,000	\$3,348

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned, controlled or directed by a nominee is not within the knowledge of the management of the Company and has been furnished by the nominee.
- (2) Does not include unissued Common Shares issuable upon the exercise of incentive stock options.
- (3) "Independent" refers to the standards of independence established under Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**").
- (4) "Total Market Value" is calculated by multiplying the Canadian dollar closing price of the Common Shares on the TSX on each of June 22, 2022 (being Cdn\$0.20 per Common Share) and June 22, 2021 (being Cdn\$0.30 per Common Share), respectively, by the number of Common Shares held by the nominee as of those dates and converted to U.S. dollars at the respective spot rates as published by the Bank of Canada.
- (5) The "Value of Unexercised Options" is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on June 22, 2022 being Cdn\$0.20 per Common Share and HK\$1.450 per Common Share) and the exercise price of the options multiplied by the number of unexercised options, vested and unvested and converted to US\$ at the respective spot rates as published by the Bank of Canada.
- (6) Mr. Bao is nominated for election as a Director of the Company by Land Breeze pursuant to a contractual nomination right granted to Land Breeze in connection with the Convertible Debenture (see the section entitled "*Contractual Director Nomination Rights*" in this Management Proxy Circular).
- (7) Mr. Chen and Ms. Ku are nominated for election as Directors of the Company by Novel Sunrise pursuant to a contractual nomination right granted to Novel Sunrise in connection with the Novel Sunrise Agreement (see the section entitled "*Contractual Director Nomination Rights*" in this Management Proxy Circular).
- (8) Mr. He exercised 150,000 incentive stock options, with a strike price of C\$0.13, on September 30, 2021.
- (9) Mr. He had 100,000 incentive stock options, with a strike price of C\$0.39, expire on June 5, 2022.
- (10) Mr. Niu is nominated for election as a Director of the Company by Land Breeze pursuant to a contractual nomination right granted to Land Breeze in connection with the 2019 Deferral Agreement (see the section entitled "*Contractual Director Nomination Rights*" in this Management Proxy Circular).
- (11) Ms. Quan had 150,000 options and Mr. Sun had 200,000 options, with a strike price of C\$0.33, expire on November 16, 2021.

Summary of Board and Committee Meetings Held

The following table summarizes the number of Board and committee meetings held during the year ended December 31, 2021:

Board	8
Audit Committee	8
Operations Committee	8
Compensation and Benefits Committee	7
Nominating and Corporate Governance Committee	4
Health, Environment, Safety and Social Responsibility Committee	3

All of the meetings listed in the foregoing table were held via teleconference.

In 2021, there were fifteen (15) written resolutions passed by the Directors, three (3) written resolutions pass by the Nominating and Governance Committee, two (2) written resolutions passed by the Compensation & Benefits Committee (the “**Compensation Committee**”) and one (1) written resolution passed by the each of the Audit and HESS Committees. In 2021, no written resolutions were passed by the Operations Committee. Resolutions in writing must be executed by all of the members of the Board or the committee, as applicable, entitled to vote on a matter in order to be effective.

Independent Non-Executive Directors

The current Independent Non-Executive Directors of the Company (the “**INEDs**”), being, Mr. Mao Sun, Mr. Yingbin Ian He and Ms. Jin Lan Quan, have all been nominated for re-election as INEDs under both the Incumbent Slate and the Alternative Slate, and, if elected at the Meeting, will hold office until the conclusion of the next annual meeting of the Company or, if no Director is then elected, until a successor is elected or appointed. Each of the nominee INEDs were considered and recommended by the Nominating and Governance Committee.

In considering and recommending for nomination each of the aforementioned individuals as INEDs, the Nominating and Governance Committee and the Board considered a number of different factors, including the past performance of each nominee, the independence confirmations provided by each nominee pursuant to Rule 3.13 of the Rules Governing the Listing of Securities of the HKEX and their respective expertise, knowledge and experience. The Nominating and Governance Committee and the Board also considered the terms of the Board Diversity Policy, which recognizes that a diverse Board will enhance the decision making of the Board by utilizing the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of services, and other distinguishing qualities of the members of the Board.

Brief biographies for each of Mr. Mao Sun, Mr. Yingbin Ian He and Ms. Jin Lan Quan are set out in the section entitled “*Election of Directors – Director Nominees*” of this Management Proxy Circular. The Board is of the view that each of the nominee INEDs offers a unique set of experiences in different fields and professions, including business, finance, accounting, audit and mining, which are relevant and valuable to the Company’s business. In addition, none of the nominee INEDs are considered to hold directorships on an excessive number of publicly listed

companies, which allows each of them to devote sufficient time and attention to the Company's affairs. Finally, the Board is of the view that it has greatly benefited from each nominee INED's contributions in the past.

In view of the above, the Board believes that Mr. Mao Sun, Mr. Yingbin Ian He and Ms. Jin Lan Quan are qualified to serve as INEDs and should be elected to the Board under both the Incumbent Slate and the Alternative Slate.

BOARD OF DIRECTORS

Directors and Officers Insurance

Given the current market conditions, directors' and officers' liability insurance cannot be obtained at an economically reasonable premium. The Company has therefore elected to place its current directors' and officers' liability insurance with aggregate coverage in the amount of US\$5 million into three (3) years run-off, at one time cost of US\$50,000. The coverage has a deductible of US\$250,000.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, to the knowledge of the Company, no proposed Director on the Incumbent Slate or the Alternative Slate:

- (a) is, as at the date of this Management Proxy Circular, or has been, within 10 years before the date of this Management Proxy Circular, a director or executive officer of any company (including the Company) that, while such person was acting in that capacity,
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than thirty consecutive days; or
 - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the 10 years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed Director; or
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a

settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed Director.

On March 17, 2022, the Company applied for a management cease trade order (“**MCTO**”) with the applicable Canadian securities regulators in connection with the anticipated delayed filing of: (i) its audited financial statements for the financial year ended December 31, 2021 (the “**2021 Financial Statements**”) and accompanying Management Discussion & Analysis (“**MD&A**”) and CEO and CFO certificates prior to the filing deadline of March 31, 2022; and (ii) its interim consolidated financial statements for the three month period ended March 31, 2022 and accompanying MD&A and CEO and CFO certificates prior to the filing deadline of May 15, 2022. A MCTO was issued by the British Columbia Securities Commission (“**BCSC**”), the Company’s principal securities regulator in Canada, on April 1, 2022 (the “**2022 MCTO**”). Messrs. Mao Sun, Jianmin Bao, Ben Niu, Yingbin Ian He, Dalanguerban, Zhiwei Chen and Mses. Jin Lan Quan and Ka Lee Ku, who are nominated for election as Directors on the Incumbent Slate and the Alternative Slate at the Meeting were Directors while the Company was the subject of the MCTO.

On June 6, 2022, the BCSC and the Ontario Securities Commission granted a full revocation of the 2022 MCTO.

On May 13, 2020, the Company applied for a MCTO with the applicable Canadian securities regulators in connection with the anticipated delayed filing of: (i) its audited financial statements for the financial year ended December 31, 2019 (the “**2019 Financial Statements**”) and accompanying MD&A and CEO and CFO certificates prior to the filing deadline of May 14, 2020; and (ii) its interim consolidated financial statements for the three month period ended March 31, 2020 and accompanying MD&A and CEO and CFO certificates prior to the filing deadline of May 15, 2020. A MCTO was issued by the BCSC on May 15, 2020. On June 19, 2020, the BCSC issued a general “failure to file” cease trade order (the “**Cease Trade Order**”) prohibiting trading in the securities of the Company by any person in Canada, due to the Company’s failure to file the aforementioned filings prior to the deadline of June 15, 2020 provided in the MCTO. Messrs. Mao Sun, Ben Niu, Yingbin Ian He, Dalanguerban, Zhiwei Chen and Mses. Jin Lan Quan and Ka Lee Ku, who are nominated for election as Directors on the Incumbent Slate and the Alternative Slate at the Meeting were Directors while the Company was the subject of the Cease Trade Order. The Cease Trade Order was revoked on February 8, 2021 and the Common Shares resumed trading on the TSX on February 8, 2021 and the HKEX on February 10, 2021.

Mr. Yingbin Ian He, a nominee for Director on the Incumbent Slate and the Alternative Slate at the Meeting, was previously a director of Huaxing Machinery Corp. (“**Huaxing**”) from January 2011 to January 2017. On February 26, 2015, the BCSC issued a cease trade order requiring all persons to cease trading in the securities of Huaxing until Huaxing files amended and restated audited financial information for the financial years ended December 31, 2013 and 2012.

On June 9, 2015, the Alberta Securities Commission issued a cease trader order which required that all trading or purchasing cease in respect of the securities of Huaxing as a result of the failure by Huaxing to file: (i) annual audited financial statements, annual management’s discussion and analysis, and certification of annual filings for the year ended December 31, 2014; and (ii) interim unaudited financial statements, interim management’s discussion and analysis, and certification of interim filings for the interim period ended March 31, 2015.

APPOINTMENT OF AUDITORS

Shareholders will be requested to appoint BDO Limited, Certified Public Accountants (Practicing), Hong Kong (“**BDO**”) as auditors of the Company to hold office until the next annual meeting of shareholders and to authorize the Directors to fix their remuneration and the terms of their engagement.

Management and the Board recommend that BDO be appointed as auditor of the Company until the next annual meeting of shareholders. In the absence of contrary instructions, the person named in the accompanying Form of Proxy intends to vote the Common Shares represented thereby FOR the appointment of PwC as auditor of the Company until the next annual meeting of shareholders and the authorization to permit the Directors to set their remuneration.

Pre-Approval Policies and Procedures

All services to be performed by the Company’s independent auditor must be approved in advance by the Audit Committee or a designated member of the Audit Committee (a “**Designated Member**”). The Designated Member is a member of the Audit Committee who has been given the authority to grant pre-approvals of permitted audit and non-audit services.

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors’ independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee or the Designated Member of all audit and non-audit services provided by the external auditor, other than any *de minimis* non-audit services allowed by applicable law or regulation. The decisions of the Designated Member to pre-approve a permitted service are reported to the Audit Committee at its regularly scheduled meetings.

Pre-approval from the Audit Committee or Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in scope or in final fees.

Pursuant to these procedures, 100% of each of the services provided by the Company’s external auditors relating to the fees reported as audit, audit-related, tax and all other fees during 2021 were pre-approved by the Audit Committee or the Designated Member.

APPROVALS RELATING TO THE EQUITY INCENTIVE PLAN

Approval of Amendments to Equity Incentive Plan

For the purpose of this section and unless otherwise stated, the following terms have the meaning ascribed to it respectively as stated below:

“**Affiliate**” has the meaning ascribed to it in Section 1(2) of the *Securities Act* (Ontario), as amended

“**Amended Equity Incentive Plan**” the amended Employees’ and Directors’ Equity Incentive Plan proposed to be adopted at the Meeting

“Amended Share Option Plan”	the amended share option plan of the Employees’ and Directors’ Equity Incentive Plan proposed to be adopted at the Meeting, a summary of the principal terms is set out in Appendix 1 to this circular
“core connected persons”	has the meaning ascribed to it in Rule 1.01 of the Listing Rules
“Eligible Directors”	means a director of the Company or an Affiliate or an individual performing a similar function or occupying a similar position for the Company or an Affiliate.
“Eligible Employees”	means an employee or Service Provider of the Company or an employee or Service Provider of an Affiliate
“Eligible Participants”	means Eligible Directors and the Eligible Employees
“Existing Share Option Plan”	the existing share option plan of the Employees’ and Directors’ Equity Incentive Plan amended, restated and approved by the Shareholders on 29 June 2021
“Group”	means the Company and its subsidiaries
“INED”	independent non-executive Directors
“Listing Committee”	The Listing Committee of the HKEX
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Option(s)”	means option(s) to subscribe for the Common Shares granted under the Amended Share Option Plan
“Service Provider”	means in relation to the Company, an individual (other than an employee, officer or a director of the Company) or a company wholly owned by the individual that: <ul style="list-style-type: none"> (i) is engaged to provide on an ongoing bona fide basis, consulting, technical or management or other services to the Company or any of its subsidiaries, other than services provided in relation to a distribution; (ii) provides the services under a written contract between the Company or any of its subsidiaries and the individual or the Company, as the case may be; and (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any of its subsidiaries.
“Substantial Shareholder”	has the meaning ascribed to it in Rule 1.01 of the Listing Rules

The Company first adopted the Company's Equity Incentive Plan in 2003, and was last amended, restated and approved by the Shareholders in June 2021. The Equity Incentive Plan has three components: (i) a share option plan (the "**Share Option Plan**"), which provides for the grant to eligible participants of incentive stock options ("**Options**") exercisable to purchase Shares; (ii) a share bonus plan (the "**Share Bonus Plan**"), which provides for awards of fully paid Shares to eligible participants as and when determined by the Board to be warranted on the basis of past performance; and (iii) a share purchase plan (the "**Share Purchase Plan**"), under which eligible participants have the opportunity to purchase Shares through payroll deductions which are supplemented by additional contributions by the Company.

In April 2022, the Company approved plans for a voluntary delisting from the TSX and listing of its shares on the TSX Venture Exchange ("**TSX-V**") and proceeded with the relevant preparatory work and necessary procedures to complete such process. Since TSX-V is not one of the "Recognised Stock Exchanges" (as defined under the Listing Rules) for purposes of the HKEX, such change in the Company's listing status from the TSX to TSX-V constitutes a voluntary delisting from its Recognised Stock Exchange of primary listing (i.e. TSX) ("**Delisting**") for the purpose of Rule 19C.13A of the Listing Rules.

Following the disclosure in its press release dated April 21, 2022, the Company has submitted a written notification to the HKEX (the "**Notification**") in relation to the proposed Delisting detailing, among other things, that the Delisting is anticipated to be effective on July 29, 2022 (the "**Effective Date**"), and the Company will be able to fully comply with the applicable Listing Rules.

Upon the Effective Date, it is expected that the Company will be able to comply with all the relevant Listing Rules applicable to a primary listed issuer, including the Listing Rules subject to the exceptions, waivers and exemptions granted or applicable to the Company as a secondary listed issuer on the HKEX. The Company intends that, save as otherwise being exempted or waived by the HKEX, it will take all reasonable and prudent steps to comply with all the relevant Listing Rules applicable to the Company following the Effective Date by making all necessary arrangements to effectuate the Delisting, as obliged by the applicable Listing Rules requirements.

In order to comply with the Chapter 17 of the Listing Rules, the rules and policies of TSX-V, requirements regarding the Delisting and customary market practices with effect upon completion of the Delisting, the Board intends to propose certain amendments to the Equity Incentive Plan (the "**EIP Amendments**") in order to amend the terms of the existing Share Option Plan to comply with applicable Listing Rules, to remove the Share Bonus Plan component of the Equity Incentive Plan and to amend the terms of the Equity Incentive Plan generally to comply with applicable rules and policies of the TSX-V, which shall be effective upon Delisting and are subject to the Delisting being effective and approval of the shareholders at the Meeting.

A summary of the principal terms of the amended the Amended Share Option Plan, is set out in Appendix 1 of this Management Proxy Circular. The summary is qualified in its entirety by the text of the Amended Equity Incentive Plan, which is attached as Schedule "A" to this Management Proxy Circular.

On the basis of the existing Share Option Plan, certain amendments are proposed to be made such that the Amended Share Option Plan is expected to be fully comply with the requirements of Chapter 17 of the Listing Rules and the the rules and policies of TSX-V. The main amendments include:

1. Conditions

It will be specified that in addition to the Amended Share Option Plan having been approved by the shareholders at the Meeting, the Amended Share Option Plan is also conditional upon the HKEX granting the listing of, and permission to deal in, such number of Common Shares representing the maximum number of Common Shares that may be allotted and issued by the Company pursuant to the exercise of Options in accordance with the Amended Share Option Plan.

2. Duration of the share option plan

It will be specified that the life of the Amended Share Option Plan must not be more than 10 years from the date of adoption of the Amended Share Option Plan.

3. Granting Options to any Director, chief executive or Substantial Shareholder

It will be specified in the Amended Share Option Plan that the making of an offer to any Director, chief executive or Substantial Shareholder of the Company, or any of their respective associates (as defined in Rule 14A.06(2) of the Listing Rules) must be approved by the INEDs (excluding any INED who or whose associate is the proposed grantee of an Option).

4. Offering restrictions

It will be specified in the Amended Share Option Plan that the Compensation Committee shall not (and the Directors shall procure the Compensation Committee not to) make any offer to grant Options after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information pursuant to the requirements under the Listing Rules. In particular, the Company may not make any offer during the period commencing one month immediately before the earlier of (i) the date of the board meeting (as such date is first notified to the HKEX under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period, and (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement.

All grants of Options and issuance of Shares under the Amended Share Option Plan must be made in accordance with all applicable laws, including but not limited to the Listing Rules and the rules of the TSX-V. In particular, any issue of new Shares or other new securities of the Company under this Plan to any connected person of the Company must be made subject to and in accordance with shareholders' approval and other requirements stipulated under the Listing Rules

5. Determination of exercise price

It will be specified in the Amended Share Option Plan that the subscription price in respect of any Option shall be at least the higher of (i) the closing price of the Common Shares as stated in the HKEX's daily quotation sheet on the date the offer of the Options is made to the grantee; (ii) the average closing price of the Common Shares as stated in the HKEX's daily quotation sheets for the five business days immediately preceding the date the offer of the Options is made to the grantee; and (iii) the closing price of the Common Shares as quoted on the TSX-V on the date immediately preceding the date the offer of the Options is made to the grantee.

6. Minimum period for which an Option must be held before it can be exercised and performance targets

It will be specified in the Amended Share Option Plan that subject to applicable vesting period stipulated in the Amended Share Option Plan and unless otherwise determined by the Directors and stated in the offer to a grantee, a grantee is not required to hold an Option for any minimum period before it can be exercised nor achieve any performance targets before the exercise of an Option granted to him or her.

7. Ranking and rights of the Common Shares allotted and issued upon exercise of an Option

It will be specified in the Amended Share Option Plan that Common Shares to be allotted and issued upon the exercise of an Option will rank *pari passu* in all respects with the then existing fully paid Common Shares in issue on the date on which the Option is duly exercised, hence accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the exercise of the Option.

8. Early termination of Option period

It will be specified in the Amended Share Option Plan circumstances where an Option shall, to the extent not already exercised, lapse, including but not limited to the expiry of the Option period. Please refer to paragraph (9) of Appendix 1 of this circular for further details.

9. Maximum number of Common Shares available for subscription

It will be specified in the Amended Equity Incentive Plan, in accordance with the requirements of Chapter 17 of the Listing Rules:

- (a) The maximum number of Common Shares which may be allotted and issued upon exercise of all outstanding Options granted and yet to be exercised under the Amended Equity Incentive Plan and any other security-based compensation arrangement of the Company;
- (b) The total number of Common Shares which may be allotted and issued upon exercise of all Options to be granted under the Amended Equity Incentive Plan or any other security-based compensation arrangement of the Company;
- (c) Shareholders' approval would be required to refresh the total number of Common Shares which may be allotted and issued upon exercise of all Options to be granted under the Amended Equity Incentive Plan and any other security-based compensation arrangement of the Company;
- (d) Shareholders' approval would be required to grant Options beyond the limit to specific Eligible Participants;
- (e) the maximum entitlement of each grantee; and
- (f) the maximum number of Shares to be issued upon exercise of Options that may be granted to a Substantial Shareholder or an INED.

Please refer to paragraph (5) of Appendix 1 of this Management Proxy Circular for further details.

10. Cancellation of Options

It will be specified in the Amended Share Option Plan that any Option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of the Directors. It will also be specified in the Amended Share Option Plan that where the Company cancels any Option granted to a grantee but not exercised and issues new Option(s) to the same grantee, the issue of such new Option(s) may only be made with available unissued Options.

11. Termination of the share option plan

It will be specified in the Amended Share Option Plan that the Company may by resolution in general meeting terminate the operation of Amended Share Option Plan.

The Amended Share Option Plan will continue to enable the Company to grant rights to subscribe for Common Shares as incentives or rewards to Eligible Participants for their contributions to the Group. The purpose of the Amended Share Option Plan remains unchanged, namely to provide Eligible Participants an opportunity to have a personal stake in the Company with a view to achieve the following objectives:

- (a) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and
- (b) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The scope of participants eligible to be granted Option(s) remains the same under the Amended Share Option Plan, namely:

- (a) any employee of the Company or an Affiliate; and
- (b) any Service Provider of the Company or an Affiliate.

The Directors may in their discretion offer to grant Options to any person belonging to the above classes of participants.

The EIP Amendments will not have retroactive effect on existing Options that have already been granted (whether exercised or not).

The Board is of view that the grant of the Options to the Eligible Participants who are employees of a Service Provider or Affiliate would align the interest of the Group with these grantees and also provide incentive and reward for (i) the participation and involvement in promoting the business of the Group; (ii) providing better goods or services as well as timely market intelligence to the Group in their capacity; or (iii) maintaining a good and long-term relationship with the Group. The Board believes that apart from normal compensation for Service Providers, it is necessary to maintain strong long term and sustainable business relationship with them and to align their interest with the Group. The Board is of the view that the grant of the Options will offer incentives for such Service Providers to provide high quality services to the Group for the Group's benefits. Such grant of the Options shall consolidate the relationship between them and the Group and allows the Company to reward such external parties in a more flexible manner which may help the Company avoid expensive one-off short-term transaction costs.

For each category of Eligible Participants, the Compensation Committee will assess the eligibility of the relevant Eligible Participants based on, including but not limited to, the following factors:

- (a) the person's potential and actual contribution to the business affairs of and benefits to the Group (in terms of, including without limitation, promoting or fostering the growth of the Group, bringing innovation, insightful ideas and expertise to the Group), with regard to the quality or importance of services or goods provided or supplied by such Eligible Participants to the Group, and the actual or expected improvement in the Group's performance which is or may be attributable to the provision or supply of such services or goods;
- (b) the potential or actual degree of involvement with the Group with regards to the duration of such engagement, cooperation or business relationship with the Group; and
- (c) whether the person is regarded as a valuable piece of the Group based on the person's work experience, professional qualifications, knowledge in the industry or other relevant factors (including without limitation technical know-how, external business connections, strategic value, repute and credibility).

Based on the above, the Directors consider that the adoption of the EIP Amendments and the Amended Share Option Plan, and the inclusion of these persons other than the employees and Directors of the Group are in the interests of the Company and the Shareholders as a whole.

Under the Amended Share Option Plan, the Compensation Committee has the authority to set terms and conditions in the grant of the Options, including but not limited to setting conditions in relation to the minimum duration for which the Options have to be held, any applicable performance targets to be achieved before such Options can be exercised and the requirement for a minimum subscription price. The Compensation Committee may impose different conditions in each grant of the Options as they consider appropriate with a view to achieving the purpose of the Amended Share Option Plan as stated above. None of the Directors is a trustee of the Amended Share Option Plan nor has any direct or indirect interests in the trustees.

The provisions of the Amended Share Option Plan comply with the requirements of Chapter 17 of the Listing Rules.

As at the Latest Practicable Date, there were 274,254,426 Common Shares in issue. Assuming no further Share will be allotted, issued, repurchased or cancelled prior to the Meeting, the total number of Common Shares that may fall to be allotted and issued under the Amended Equity Incentive Plan after the resolution regarding the proposed adoption of the Amended Share Option Plan is passed at the Meeting would be 27,425,442 Common Shares, representing approximately 10% of the total number of Common Shares in issue as at the date of the Meeting.

The Directors consider that it is not appropriate to state the value of the Options which may be granted under the Amended Share Option Plan as if they had been granted as at the Latest Practicable Date. The pricing of the Options is set out in paragraph (7) of Appendix 1 of this circular. The Directors believe that any estimate regarding the value of the Options will not be meaningful to the Shareholders, since the Options to be granted shall not be assignable, and no holder of the Options shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option.

In addition to the foregoing proposed amendments of the Amended Share Option Plan, the EIP Amendments will also include certain other amendments of the Equity Incentive Plan in order to comply with the rules of policies of the TSX-V, including, amongst other things:

- removal of the Share Bonus Plan component of the Equity Incentive Plan;
- removal of the Company's ability to loan money to eligible employees to assist such employee to exercise an Option held by him or her;
- introducing the following share issuance limitations to the Equity Incentive Plan:
 - the maximum number of Common Shares issuable to eligible participants who are insiders of the Company, at any time, under the Amended Equity Incentive Plan and any other security-based compensation arrangement of the Company, shall not exceed ten percent (10%) of the number of shares issued and outstanding from time to time (unless requisite disinterested shareholder approval has been obtained pursuant to applicable stock exchange rules);
 - the maximum number of Common Shares issued to eligible participants who are insiders of the Company, within any one year period, under the Amended Equity Incentive Plan and any other security-based compensation arrangement of the Company, shall not exceed ten percent (10%) of the number of shares issued and outstanding, calculated as of the date of grant or issue (unless requisite disinterested shareholder approval has been obtained pursuant to applicable stock exchange rules);
 - the maximum number of Common Shares issuable to any one eligible participant, within any one year period, under awards granted under the Amended Equity Incentive Plan and any other security-based compensation arrangement of the Company shall not exceed 5% of the share capital of the Company, calculated as of the date of grant or issue (unless requisite disinterested shareholder approval has been obtained pursuant to applicable stock exchange rules);
 - the maximum number of Common Shares issuable to any one service provider of the Company, within any one year period, under awards granted under the Amended Equity Incentive Plan and any other security-based compensation arrangement of the Company shall not exceed 2% of the share capital of the Company, calculated as of the date of grant or issue; and
 - any person performing investor relations activities on behalf of the Company and any employee, officer or director of the Company whose role and duties primary consists of investor relations activities (each, an "**Investor Relations Service Provider**") may only be granted Options under the Amended Equity Incentive Plan and the maximum number of Common Shares issuable to all such persons under any Options awarded in a 12-month period shall not exceed 2% of the share capital of the Company, calculated as of the date of grant.
- introducing the following vesting requirements to the Equity Incentive Plan:
 - no awards under the Amended Equity Incentive Plan (other than Options issued pursuant to the Share Option Plan or securities issued pursuant to the Share Purchase Plan), may vest before the date that is one year following the date the award

is granted or issued, provided that this requirement may be accelerated for an eligible participant who dies or who ceases to be an eligible participant under the provisions hereof in connection with a change of control, take-over bid, reverse take-over or other similar transaction; and

- any Options granted to any Investor Relations Service Provider must vest in stages over a period of not less than 12 months, such that: (i) no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than three months after the Options were granted; (ii) no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than six months after the Options were granted; (iii) no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than nine months after the Options were granted; and (iv) no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than twelve months after the Options were granted;
- Increasing the hold period applicable to Shares acquired under the Share Purchase Plan component of the Equity Incentive Plan from 90 days to 4 months;
- Clarifying that participants which are Investor Relations Service Providers are only eligible to receive Options under the Equity Incentive Plan and are not eligible to effect a cashless exercise of their Options under the Equity Incentive Plan; and
- Clarifying that, notwithstanding anything to the contrary in the Plan, to the extent there is any conflict or inconsistency between any of the requirements and rules contained in the Plan, the Company shall follow and apply the stricter rule or requirement.

The summary of the EIP amendment above is qualified in its entirety by the text of the Amended Equity Incentive Plan, which is attached as Schedule "A" to this Management Proxy Circular.

The adoption of the Amended Share Option Plan and the EIP Amendments is conditional upon:

- (a) the passing of an ordinary resolution at the Meeting to approve and adopt the EIP Amendments, including Amended Share Option Plan, and to authorize the Board to grant the Options thereunder and allot, issue and deal with the Common Shares which fall to be issued by the Company pursuant to the exercise of the Options under the Amended Share Option Plan;
- (b) the Listing Committee of the HKEX granting approval for the listing of, and permission to deal in, the Common Shares to be issued by the Company pursuant to the exercise of the Options which may be granted under the Amended Share Option Plan; and
- (c) acceptance by the TSX-V.

Application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the Common Shares which may fall to be issued pursuant to the exercise of the Options granted under the Amended Share Option Plan.

Adoption of the proposed EIP Amendments and the Amended Share Option Plan is subject to TSX-V acceptance.

As at the Latest Practicable Date, no Shareholder had a material interest in the adoption of the EIP Amendments and the Amended Share Option Plan. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto.

A copy of the Amended Equity Incentive Plan (including the Amended Share Option Plan) is attached as Schedule “A” to this Management Proxy Circular and will be published at the Company’s website at www.southgobi.com for not less than 14 days before the date of the Meeting and will be available for inspection at the Meeting.

Maximum number of Common Shares allocated for issuance under the Equity Incentive Plan

The Amended Equity Incentive Plan, authorizes the Company to allot, and issue, upon exercise of all outstanding Options granted and yet to be exercised under the Amended Share Option Plan and all securities granted under the Share Purchase Plan component of the Equity Incentive Plan up to, in aggregate, a maximum of 10% of the Common Shares issued and outstanding as at the date of approval of the Amended Equity Incentive Plan at the Meeting, of which no more than 500,000 Common Shares may be allocated for issuance under the Share Purchase Plan component of the Equity Incentive Plan. For further details regarding the Equity Incentive Plan, see the section entitled “*Securities Authorized for Issuance under Equity Compensation Plans - Summary of the Company’s Equity Incentive Plan*” of this Management Proxy Circular.

The rules of the HKEX requires that the total number of securities which may be issued upon exercise of all options to be granted under a share option scheme, such as the Equity Incentive Plan, must not exceed 10% of the relevant class of securities of the listed issuer as at the date of shareholder approval of the scheme. However, a listed issuer may seek approval from its shareholders for “refreshing” this 10% limit, provided that the total number of securities which may be issued under the refreshed limit cannot exceed 10% of the relevant class of securities in issue as of the date of shareholder approval of the refreshed limit.

Approvals relating to the Equity Incentive Plan

At the Meeting, shareholders will be asked to consider, and if thought advisable, approve an ordinary resolution (the “**Equity Incentive Plan Resolution**”) approving the EIP Amendments and approving the maximum number of Common Shares which may be allocated for issuance under the Amended Equity Incentive Plan at such amount equal to 10% of the number of Common Shares issued and outstanding as of the date of the Meeting.

The full text of the Equity Incentive Plan Resolution to be considered by shareholders at the Meeting is as follows:

“BE IT RESOLVED that, as an ordinary resolution:

1. conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the Common Shares falling to be issued pursuant to the exercise of any Options granted under the Amended Share Option Plan referred to in the Management Information Circular dated June 22, 2022, the Amended Equity Incentive Plan (including the Amended Share Option Plan), in the form set out in Schedule “A” to the Management Information Circular, be approved and adopted and that the Directors be authorized to grant options thereunder and to allot and issue Common Shares pursuant to the Amended Equity Incentive Plan (including the Amended Share Option Plan) and take all such steps as may be necessary or desirable to implement the Amended Equity Incentive Plan (including the Amended Share Option Plan);

2. The maximum number of Common Shares in the capital of the Company which may be allocated for issuance under the Amended Equity Incentive Plan shall be set at 27,425,442 Common Shares, being 10% of the number of Common Shares issued and outstanding in the capital of the Company as of the date of the shareholder meeting at which shareholder approval is being sought.
3. The maximum number of common shares in the capital of the Company which may be allocated for issuance under the Share Purchase Plan component of the Amended Equity Incentive Plan shall be set at 500,000 common shares.
4. Any officer of the Company be and is hereby authorized, for and on behalf of the Company, to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such officer the Company may consider to be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity or desirability to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions.
5. Notwithstanding the approval of the shareholders of the Company as herein provided, adoption of the Amended Equity Incentive Plan (including the Amended Share Option Plan) by the Company is conditional upon the delisting of the Company's common shares from the Toronto Stock Exchange and listing of the Company's common shares from the TSX Venture Exchange becoming effective."

In order to be effective, the Equity Incentive Plan Resolution must be passed by the affirmative vote of a majority of the votes cast by shareholders who are entitled to vote and are present in person or by proxy at the Meeting. The implementation of the EIP Amendments will be subject to and conditional upon the Delisting becoming effective.

Management and the Board therefore recommend that shareholders vote FOR the Equity Incentive Plan Resolution. In the absence of contrary instructions, the person named in the accompanying Form of Proxy intends to vote the Common Shares represented thereby FOR the Equity Incentive Plan Resolution.

Adoption of New Articles

The Board wishes to replace the Company's current Articles (the "**Articles**") with new Articles (the "**New Articles**") in accordance with the provisions of the Company's governing statute, the BCBCA.

As further described under the section entitled "*Approvals relating to the Equity Incentive Plan – Approval of Amendments to Equity Incentive Plan*" of this Management Proxy Circular, the Company has submitted a Notification to the HKEX in relation to the proposed Delisting detailing, among other things, that on the Effective Date, the Delisting is anticipated to become effective and the Company will be able to fully comply with the applicable Listing Rules. The Company intends that, save as otherwise being exempted or waived by the HKEX, it will take all reasonable and prudent steps to comply with all the relevant Listing Rules applicable to the Company following the Effective Date by making all necessary arrangements to effectuate the Delisting, as obliged by the applicable Listing Rules requirements. Such arrangements include implementing certain proposed amendments (the "**Amendments**") to the Current Articles to satisfy various

requirements pursuant to Appendix 3 to the Listing Rules, which shall be adopted and become effective upon Delisting and subject to the approval of shareholders at the Meeting.

The New Articles are substantially similar to the Current Articles but reflect a number of amendments which are necessary in order for the Company's constating documents to comply with the various requirements of Appendix 3 to the Listing Rules. A summary of the key proposed Amendments is set out below. A copy of the proposed New Articles showing changes to the Articles is set out in Schedule "B" to this Management Proxy Circular and may be obtained upon request to: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: info@southgobi.com.

Summary of the Key Proposed Amendments

- Director's with a Disclosable Interest: The Company intends to amend Article 16.3 of the Current Articles to provide that a Director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may not be counted in the quorum at such meeting of directors.
- Removal of Directors: The Company intends to amend Article 14.10 of the Current Articles to provide that the Company may remove any Director before the expiration of his or her term of office by ordinary resolution (rather than special resolution).
- Date of Annual General Meeting: The Company intends to amend Article 10.1 of the Current Articles to further provide that, unless an annual general meeting is deferred or waived in accordance with the BCBCA, the Company must hold its annual general meeting within six months after the end of the most recently completed financial year of the Company.
- Shareholder Voting: The Company intends to amend the Current Articles to clarify that, in the event a shareholder is required, by the rules of the stock exchange on which the Company's securities are listed, to abstain from voting on any particular resolution, or restricted to voting only for or only against any particular resolution, the Company shall covenant that the votes casted by (or on behalf of) such shareholder in contravention of such requirement or restriction shall not be counted.
- Resolution to Approve Alteration of Share Structure: The Company intends to amend Article 9.1 of the Current Articles to provide that, subject to Article 9.2 and the BCBCA, an "exceptional resolution" is required to approve any of the alterations to the Company's share structure described in Article 9.1 of the Current Articles. The Company intends to amend Articles 9.1, 9.2, 9.3 and 9.4 of the Current Articles to provide that alterations of the Company's share structure is subject to compliance with applicable regulatory and stock exchange requirements (if any).

The Company intends to amend the Current Articles to provide that the majority of votes required for the Company to pass an "exceptional resolution" at a meeting of shareholders is at least three-quarters of the votes cast on the resolution.

- Resolution to Create, Vary or Delete Special Rights and Restrictions: The Company intends to amend Article 9.2 of the Current Articles to provide that, subject to the BCBCA:
 - the Company may by special separate resolution create, vary or delete any special rights or restrictions attached to the shares of any existing class or series of shares for which shares have been issued in that class or series; or
 - the Company may by exceptional resolution create, vary or delete any special rights or restrictions attached to the shares of any existing class or series of shares for which shares have not been issued in that class or series; or
 - the Company may by exceptional resolution create special rights or restrictions for, and attach those special rights or restrictions to, a new class or series of shares.

The Company intends to amend the Current Articles to provide that the majority of votes required for the Company to pass a “special separate resolution” at a meeting of shareholders of particular class or series of shares is at least three-quarters of the votes cast on the resolution, where the quorum for such meeting shall be holders of at least one third of the issued shares of that class or series of shares, as the case may be.

- Resolution to Alter the Articles Generally: The Company intends to amend Article 9.4 of the Current Articles to provide that if the BCBCA does not specify the type of resolution and the Company’s Articles do not specify another type of resolution, the Company may by an exceptional resolution alter the Articles.
- Quorum for Meeting to Consider Voluntary Dissolution: The Company intends to amend Article 11.3 of the Current Articles to provide that if the Company’s calls a meeting of shareholders to approve a voluntary dissolution of the Company under the BCBCA, that the quorum requirement for such meeting shall be holders of at least one-third of the issued shares of the Company entitled to be voted at the meeting.

In view of the number of Amendments proposed to be made to the Current Articles, the Board has proposed that the New Articles, consolidating all of the proposed Amendments, be adopted to replace the Current Articles in its entirety, subject to and conditional upon the Delisting becoming effective.

At the Meeting, shareholders will be asked to consider, and if thought advisable, approve a special resolution (the “**New Articles Resolution**”) approving the adoption of the New Articles, which must be passed by not less than 66 2/3 of the votes cast by shareholders who are entitled to vote and are present in person or by proxy at the Meeting.

The full text of the New Articles Resolution to be considered by shareholders at the Meeting is as follows:

“BE IT RESOLVED that, as a special resolution:

1. subject to and conditional upon the conversion of the Company’s current secondary listing on the Hong Kong Stock Exchange (“**HKEX**”) into a primary listing on the HKEX becoming effective, the current Articles of the Company be removed in its entirety and immediately replaced with the New Articles as set out in Schedule “B” to the management proxy circular of the Company dated June 22, 2022; and

2. Any one officer of the Company be and is hereby authorized, for and on behalf of the Company, to take all necessary steps and proceedings, including filing of such documents and take such further actions that may be necessary to effect the amendment to the current Articles and to execute, or cause to be executed, and to deliver or cause to be delivered all such other documents and instruments, and to do or to cause to be done all such other acts and things, as in the opinion of such officer the Company may consider to be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity or desirability to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions.
3. Notwithstanding the approval of the shareholders of the Company as herein provided, the board of directors of the Company may, in its sole discretion, revoke this resolution before it is acted upon, without further approval of the shareholders of the Company.”

Management and the Board recommends that shareholders vote FOR the New Articles Resolution. In the absence of contrary instructions, the person named in the accompanying Form of Proxy intends to vote the Common Shares represented thereby FOR the New Articles Resolution.

OTHER BUSINESS

Management of the Company is not aware of any matter to come before the Meeting other than the matters referred to in the accompanying Notice of Meeting.

STATEMENT OF EXECUTIVE COMPENSATION

In accordance with the requirements of applicable securities legislation in Canada, the following executive compensation disclosure is provided in respect of (a) each person who served as the Company’s Chief Executive Officer (the “**CEO**”) or Chief Financial Officer (the “**CFO**”) during the 2021 fiscal year, (b) each of the three most highly compensated executive officers of the Company and its subsidiaries whose annual aggregate compensation for the 2021 fiscal year exceeded Cdn\$150,000; and (c) each individual who would be included under subsection (b) above but for the fact such individual was not an executive officer of the Company or its subsidiaries at the end of the financial year (collectively (a), (b) and (c), the “**NEOs**”).

For the Company’s 2021 fiscal year, the Company’s NEOs were:

- Mr. Dalanguerban: CEO;
- Mr. Alan Ho: acting CFO;
- Mr. Tao Zhang: Vice President of Sales;
- Mr. Munkhbat Chuluun: Vice President of Public Relations;
- Mr. Kino Fu: former Deputy CFO; and
- Mr. Weiguo Zhang, former CFO.

COMPENSATION DISCUSSION AND ANALYSIS

Overview for 2021

The purpose of the Company’s compensation program for its senior executives is to provide incentives to attract, motivate and retain qualified and experienced executives, to ensure their

interests are aligned with the interests of shareholders of the Company and to provide for transparent and defensible compensation.

- The board of directors of the Company (the “**Board**”), through the Compensation Committee (comprised solely of INEDs), is committed to the transparent presentation of its compensation program.
- The three principal elements that make up the compensation program are: base salary, performance bonus and long-term incentives.
- In the normal course, total executive compensation for NEOs (salary, cash bonus and stock options) is targeted at between the median and the top quartile of market.
- In the normal course, annual incentive bonuses are based on achievement of short-term and medium-term goals and other strategic objectives, both personal and corporate.
- Stock options have traditionally been awarded on an annual basis to incentivize the long-term growth of the Company while aligning the interests of shareholders and management. Stock option grants are based on a number of factors, including individual and corporate performance, retention considerations, and performance motivation.

Compensation and Benefits Committee

The Compensation Committee’s objective is to discharge certain of the Board’s responsibilities relating to compensation and benefits of the executive officers and Directors of the Company, including, among other things:

- on an ongoing basis, reviewing and making recommendations to the Board relating to (i) the Company’s policy and structure for all director and senior management remuneration, and (ii) the establishment of a formal and transparent procedure for developing such remuneration policy;
- at least annually, reviewing and approving corporate goals and objectives relevant to the CEO’s and CFO’s compensation, evaluating their respective performance in light of those goals and objectives and setting their respective compensation level;
- at least annually, reviewing and making recommendations to the Board with respect to the adequacy and form of compensation and benefits of all other executive officers and Directors of the Company;
- administering and making recommendations to the Board with respect to the Company’s Equity Incentive Plan and any other incentive compensation plans and equity-based plans, including any share ownership guidelines, and review such plans annually;
- recommending to the Board the CEO’s and CFO’s performance evaluation which takes into consideration the CEO’s and CFO’s respective annual objectives and performance; and
- determining the recipients of, and the nature, vesting criteria (if applicable) and size of equity compensation awards and equity bonuses granted from time to time, in compliance with applicable securities laws, stock exchange rules and policies, and other regulatory requirements.

The charter of the Compensation Committee is available on the Company's website at www.southgobi.com.

All Compensation Committee members are INEDs, based on the standards established under NI 58-101. The Compensation Committee met seven (7) times during the fiscal 2021 year. As at the end of the 2021 fiscal year, the Compensation Committee was comprised of the following members, all of whom have experience in dealing with compensation matters:

Name	Experience
Jin Lan Quan (Chair)	Ms. Quan joined the Compensation Committee on June 30, 2016 and was appointed Chair of the Compensation Committee on June 28, 2018. As a former Managing Partner with an international accounting firm in Sydney Australia, Ms. Quan was involved in executive compensation proposals and decisions. She is a certified public accountant and is an independent financial planner and business consultant based in Sydney, Australia.
Yingbin Ian He	Mr. He joined the Compensation Committee on May 16, 2017. Mr. He is a mining professional with over 30 years' of board and senior executive experience. Over the course of his career, Mr. He has overseen the design and development of various forms of compensation policies, including salary, bonuses and stock options. Mr. He has also been involved in the recruitment of, and negotiation of compensation packages for, senior executives and expatriate senior executives. Mr. He was Chairman of the compensation committee for China Gold International Resources Corp. Ltd., a TSX and HKEX listed public company.
Mao Sun	Mr. Sun joined the Compensation Committee on December 14, 2015. Mr. Sun has extensive experience working with Canadian listed companies, as both a director and chief financial officer. He is a chartered accountant and graduated from Columbia University in New York with a Master Degree of International Affairs, International Finance and Business and a Bachelor Degree in Computer Science from Nanjing University, China.

Outside Consultants and Peer Comparator Group

In establishing policies covering base salaries, benefits, annual incentive bonuses and long-term incentives, the Compensation Committee takes into consideration the recommendations of management. The Compensation Committee may seek compensation advice where appropriate from external consultants. When the Compensation Committee considers it necessary or advisable, it may retain, at the Company's expense, outside consultants or advisors to assist or advise the Committee on any matter within its mandate. The Committee has the sole authority to retain and terminate any such consultants or advisors.

In 2019, the Compensation Committee retained Spencer Ogden (Hong Kong) Ltd. as an external compensation consultant to update the Company's compensation program and a revised

compensation policy for the Company's senior executives was approved by the Board in November 2019, which sets out guidelines for the parameters and controls for determining senior management's key performance indicators ("KPIs") and bonus compensation. The policy identifies six categories of KPIs (production, sales, liquidity, timely reporting, administrative costs and profitability) which are intended to correlate with the Company's performance. Based on the Company's annual operational and financial performance, an individual KPI coefficient is calculated for each member of senior management, which is then used as the determining factor of whether the size of the bonus payout which the Compensation Committee has benchmarked against other similar and comparable entities as the Company and will be in the range of 1 to 3 months base salary.

The following table sets out the aggregate amount of fees billed by the Company's external compensation consultants or advisors, or any of its affiliates, for services related to determining compensation for any of the Company's Directors and executive officer for each of the two most recently completed financial years:

	Fiscal 2021 (Cdn\$)	Fiscal 2020 (Cdn\$)
Executive Compensation-Related Fees	Nil	Nil
All Other Fees	Nil	Nil
Total Fees	Nil	Nil

Compensation and Benefits Philosophy and Goals

The Company's executive compensation program is administered by the Compensation Committee. The Compensation Committee has the following objectives:

- to provide a strong incentive for management to contribute to the achievement of the Company's short-term and long-term goals;
- to ensure that the interests of the Company's executive officers and shareholders are aligned;
- to enable the Company to attract, retain and motivate executive officers of the highest caliber in light of the strong competition in the Company's industry for qualified personnel; and
- to provide fair, transparent and defensible compensation.

Although compensation is generally tied to performance goals, the Compensation Committee and the Board maintain a degree of flexibility in making recommendations and compensation decisions.

NEOs and Directors are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or Director in accordance with the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy. The Company continually reviews its compensation policies to ensure the alignment of remuneration outcomes with the successful delivery of the Company's strategy.

How We Make Compensation Decisions

The Compensation Committee generally oversees and sets the general guidelines and principles for the Company's executive compensation policies. It assesses individual performance of the Company's executive officers and makes recommendations relating to compensation to the Board. Based on these recommendations, the Board makes decisions concerning the nature and scope of the compensation to be paid to the Company's executive officers. The Compensation Committee bases its recommendations to the Board on a combination of its compensation philosophy, market analysis for compensation paid by a peer comparator group, advice from third-party consultants and the Committee's assessment of individual performance based on an objective set of performance goals. In the normal course, the Company's total compensation package is made up of three elements: salary, bonus and equity incentives. In addition, certain executives receive other compensation such as housing allowance, income tax benefit and travel expenditures, as determined on a case by case basis.

The Compensation Committee generally meets quarterly to deal with any compensation issues or more frequently as needed to address specific issues in respect of executive compensation. The Compensation Committee meets with the CEO and CFO at least annually to discuss management's corporate goals for the forthcoming year, and to complete the annual review of the CEO's performance. The Compensation Committee works with the CEO and CFO to evaluate the performance and set the compensation for the other NEOs, including proposed salary adjustments, bonus awards and stock options grants.

The Board has the responsibility for overseeing the Company's compensation program. The Board has delegated certain oversight responsibilities to the Compensation Committee, but retains final authority over the compensation program and process, including approval of material amendments to or adoption of new equity-based compensation plans and the review and approval of Compensation Committee recommendations regarding executive compensation.

In designing the various elements and determining amounts of compensation, the Compensation Committee draws upon the advice from the CEO and CFO and may also obtain advice from compensation advisor(s) with regard to the recommendations of management as part of preparing its recommendations to the Board.

The CEO and CFO, in consultation with the Board and senior management, are responsible for developing the Company's overall strategic plan. On the basis of the strategic plan, the CEO and CFO develop an annual business plan and sets out corporate strategies, key performance indicators and objectives, which are reviewed and approved by the Board. These objectives include individual, general corporate and financial objectives and form the basis of assessing the performance of the executive management for the purpose of determining their annual incentive awards, which are weighted on an individual basis to reflect specific targets based on an executive's position.

The Board actively monitors the Company's adherence to its strategic plan and the annual business plan and budget and is directly involved in investigating any significant variance from those plans that would encounter any major new risks that have not already been identified and mitigated to the extent possible through its normal business practices.

Management of Risk

In designing and implementing the Company's compensation policy, the Compensation Committee and the Board regularly assess, as part of their respective deliberations, the risks

associated with the Company's policies and practices. The structure of incentive compensation for executives is generally designed not to focus on a single metric, which in the Compensation Committee's view could be distortive, but rather a number of objectives within the framework of its values and responsibilities. The objectives contain both short term and long-term objectives. Planned performance is measured against actual achievements on a continuous basis so that the Board is able to react to any significant unanticipated risks. The Compensation Committee and the Board also aim to manage cash resources to the extent practicable with salaries aimed at the median of market, and overall consideration (including stock options) targeted at between the median and the top quartile of market. Consideration of risk is also directly incorporated into the incentive compensation by including goals related to risk management as a factor within the objectives for bonus incentive compensation. Compensation decisions are not entirely based on fixed formulas and the Board and Compensation Committee retain a certain degree of discretion when assessing certain performance based criteria and granting certain incentive compensation.

For a detailed explanation of the material risks applicable to the Company, see the section entitled "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2021 (the "AIF") dated May 30, 2022 is available under the Company's profile on SEDAR at www.sedar.com.

COMPENSATION IN 2021

Compensation for NEOs

Dalanguerban

Mr. Dalanguerban has been the Company's CEO since March 31, 2020. In connection with his duties as CEO, Mr. Dalanguerban receives an annual base salary of US\$360,000. Mr. Dalanguerban is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as CEO.

Alan Ho

Mr. Ho was appointed acting CFO of the Company on February 10, 2021, and prior to this appointment; Mr. Ho was the Company's Controller. In connection with his duties as CFO, Mr. Ho receives an annual base salary of HK\$1,120,000. Mr. Ho is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as CFO.

Tao Zhang

Mr. Zhang was appointed Vice President of Sales on February 10, 2021, and prior to this appointment; Mr. Zhang was the Company's Vice President. In connection with his duties as Vice President of Sales, Mr. Zhang received an annual base salary of RMB750,000. Mr. Zhang is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Vice President of Sales.

Munkhbat Chuluun

Mr. Chuluun was appointed Vice President of Public Relations on February 10, 2021, and prior to this appointment; was the President and Executive Director of the Company's wholly-owned subsidiary, SouthGobi Sands LLC ("SGS"). In connection with his duties as Vice President of Public Relations, Mr. Chuluun receives an annual base salary of US\$126,000. Mr. Chuluun is

also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Vice President of Public Relations.

Compensation for former NEOs

Weiguo Zhang

Mr. Zhang was the Company's CFO from June 1, 2018 to February 10, 2021. In connection with his duties as CFO, Mr. Zhang received a base salary of US\$200,000 per year. Mr. Zhang was eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as CFO.

Kino Fu

Mr. Fu was the Company's Deputy CFO from April 18, 2018 to May 21, 2021. In connection with his duties as the Deputy CFO, Mr. Fu received an annual base salary of HK\$1,560,000. Mr. Fu was also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Deputy CFO.

NEO Incentive Compensation for 2021

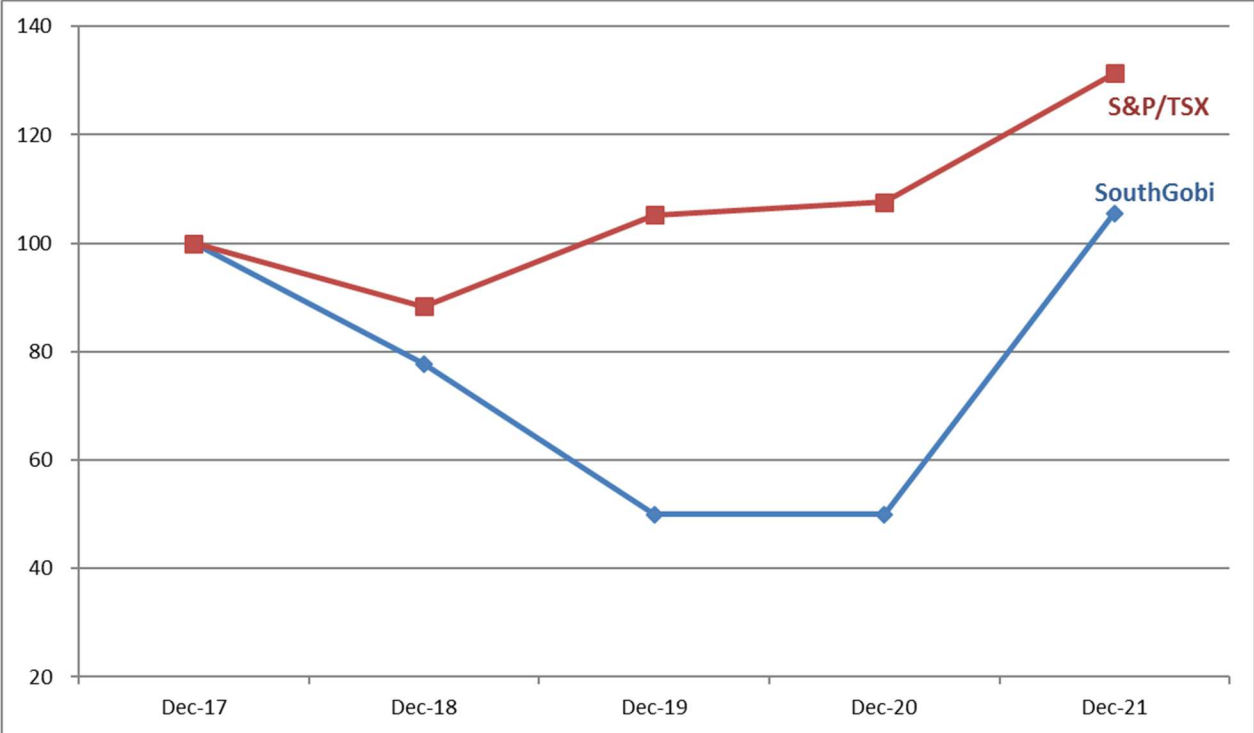
Compensation decisions for incentive awards to NEOs for performance during the 2021 fiscal year were based on an assessment by the Compensation Committee and the Board of each NEO's contribution during the 2021 fiscal year and the extent to which certain agreed upon individual and corporate performance measures were achieved. In assessing whether or not a particular performance measure was achieved, the Board and the Compensation Committee retain a considerable degree of discretion. Among other matters, considerable weight is given to the small size of the Company's executive team, the significant change in the senior management structure of the Company and the multiple roles handled by the very small management team members. In recognition of their contributions during the 2021 fiscal year, the Company awarded \$243,000 in cash bonuses to certain NEOs.

Other Compensation

The aggregate "other compensation" received by each NEO is disclosed in the Summary Compensation Table below. The Company does not provide its executive officers with a pension plan. Termination compensation in respect of NEOs whose employment ended during the 2021 fiscal year is disclosed under "Termination and Change of Control Benefits" below.

Performance Graph

The following graph and table compare the cumulative shareholder return on a Cdn\$100 investment in Common Shares to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from December 31, 2017 to December 31, 2021. Trading of the Company's Common Shares were halted on the TSX from December 17, 2018 to May 30, 2019 and from June 19, 2020 to February 8, 2021.



	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
SouthGobi Resources Ltd.	100	78	50	50	106
S&P/TSX Composite Index	100	88	105	108	131

The trend in overall compensation paid to the Company’s executive officers over the past five years has not tracked the performance of the market price of the Common Shares, or the S&P/TSX Composite Index. Given the various challenges facing the Company, the current share price is not a significant factor in cash compensation consideration. The value of long-term incentive compensation in the form of stock options will be influenced by the Company’s share price performance.

Summary Compensation Table

The following executive compensation disclosure for each NEO is provided as of December 31, 2021, December 31, 2020 and December 31, 2019.

Summary Compensation Table (\$)

Name and principal position	Year	Salary ⁽¹⁾	Share-based awards	Option-based awards ⁽²⁾	Non-equity incentive plan compensation (\$)		Pension value	All other compensation ⁽³⁾	Total compensation
					Annual incentive plans	Long-term incentive plans			
Dalanguerban CEO	2021	213,169	Nil	42,101	Nil	105,000	Nil	4,740	365,010
	2020	270,000	Nil	Nil	Nil	30,000	Nil	760	300,760
	2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alan Ho ⁽⁴⁾ Acting CFO	2021	149,337	Nil	32,746	Nil	61,600	Nil	Nil	243,683
	2020	193,440	Nil	Nil	19,344	Nil	Nil	760	213,545
	2019	191,386	Nil	2,931	38,277	Nil	Nil	Nil	232,594
Tao Zhang ⁽⁵⁾ Vice President of Sales	2021	125,593	Nil	25,729	Nil	Nil	76,400	Nil	227,722
	2020	200,004	Nil	Nil	Nil	Nil	Nil	760	200,764
	2019	200,004	Nil	7,327	Nil	16,667	Nil	Nil	223,998
Munkhbat Chuluun ⁽⁶⁾ Vice President of Public Relations	2021	169,669	Nil	23,390	Nil	54,000	Nil	24,391	271,450
	2020	228,070	Nil	Nil	18,705	Nil	Nil	Nil	246,776
	2019	217,939	Nil	4,396	49,934	Nil	Nil	Nil	272,269
Kino Fu ⁽⁷⁾ Former Deputy CFO	2021	78,157	Nil	Nil	Nil	Nil	Nil	39,843	118,000
	2020	201,178	Nil	Nil	19,344	Nil	Nil	760	221,282
	2019	199,041	Nil	2,931	38,277	Nil	Nil	Nil	240,249
Weiguo Zhang ⁽⁸⁾ Former CFO	2021	22,620	Nil	Nil	Nil	Nil	Nil	Nil	22,620
	2020	200,004	Nil	Nil	Nil	16,667	Nil	760	217,431
	2019	200,004	Nil	8,792	Nil	16,667	Nil	Nil	225,463

Notes:

- (1) The salaries for the NEOs are paid in U.S., Hong Kong dollars, Renminbi and Mongolian Tugrik. For the purpose of reporting, the salaries in the Summary Compensation Table above are reported in U.S. dollars (converted using the prevailing Bank of Canada exchange rate on the date an amount was paid).
- (2) The value of the stock options awarded is the estimated fair value on the date of grant calculated using the Black-Scholes option pricing model with the following assumptions: an estimated volatility equal to the historical volatility of the Common Shares over a period equal to the expected life of the option, an estimated divided yield of \$nil, a risk free rate of return equal to the rate currently available on federal government zero-coupon bonds with a term equal to the expected life of the option and an expected life approximating the term of the option. The value of stock options with a Canadian dollar exercise price was converted to US dollars using the Bank of Canada closing exchange rate on date of grant.
- (3) For the purpose of reporting, all other compensation in the Summary Compensation Table is reported in U.S. dollars. Foreign currency amounts are converted into U.S. dollars using the prevailing Bank of Canada exchange rate on the date an amount was paid.

- (4) Mr. Alan Ho was appointed as the acting CFO on February 10, 2021. He was the Company's Controller from July 1, 2015 to February 10, 2021.
- (5) Mr. Tao Zhang title was re-designated to Vice President of Sales on February 10, 2021 and he was the Company's Vice President from June 1, 2019 to February 9, 2021.
- (6) Mr. Chuluun was appointed as the Company's Vice President of Public Relations on February 10, 2021 and he was President and Executive Director of SGS from September 17, 2015 to August 10, 2021.
- (7) Mr. Kino Fu was the Company's Deputy CFO from April 18, 2018 to May 21, 2021.
- (8) Mr. Weiguo Zhang was the Company's CFO from June 1, 2018 to February 10, 2021.

Name and principal position	Year	Option Grant	Grant Date	Conversion Rate ⁽¹⁾	Grant Date Fair Value (\$)	Grant Date Fair Value (Cdn\$)
Dalangerban CEO	2021	450,000	29-Jun-21	1.2399	42,101	52,202
	2020	Nil	n/a	n/a	n/a	n/a
Alan Ho ⁽²⁾ Acting CFO	2021	350,000	29-Jun-21	1.2399	32,746	40,601
	2020	Nil	n/a	n/a	n/a	n/a
	2019	67,000	15-Nov-19	1.3250	2,931	3,883
	2018	34,000	16-Aug-18	1.3144	3,668	4,821
Tao Zhang ⁽³⁾⁽⁴⁾ Vice President of Sales	2021	275,000	29-Jun-21	1.2399	25,729	31,901
	2020	Nil	n/a	n/a	n/a	n/a
	2019	85,000	15-Nov-19	1.3250	7,327	9,708
Munkhbat Chuluun Vice President of Public Relations	2021	250,000	29-Jun-21	1.2399	23,390	29,001
	2020	Nil	n/a	n/a	n/a	n/a
	2019	150,000	15-Nov-19	1.3250	4,396	5,825
	2018	150,000	16-Aug-18	1.3144	5,501	7,231
Kino Fu Former Deputy CFO	2021	Nil	n/a	n/a	n/a	n/a
	2020	Nil	n/a	n/a	n/a	n/a
	2019	100,000	15-Nov-19	1.3250	2,931	3,883
	2018	100,000	16-Aug-18	1.3144	3,668	4,821
Weiguo Zhang Former CFO	2021	Nil	n/a	n/a	n/a	n/a
	2020	Nil	n/a	n/a	n/a	n/a
	2019	300,000	15-Nov-19	1.3250	8,792	11,650
	2018	200,000	16-Aug-18	1.3144	7,335	9,641

Notes:

- (1) The conversion rates used for the purpose of converting the grants to the NEOs in the Summary Compensation Chart above from Canadian dollars to U.S. dollars in 2021, 2020, 2019 and 2018, are 1.2399, n/a, 1.3250, and 1.3144 respectively.
- (2) Mr. Ho exercised 100,000 options with a strike price of C\$0.13, on May 18, 2021 (66,000 options from the August 16, 2018 grant and 34,000 options from the November 15, 2019 option grant).
- (3) Of the options granted on August 16, 2018 with a strike price of C\$0.13, Mr. Tao Zhang exercised 132,000 options on June 4, 2021 and 68,000 options on September 9, 2021.
- (4) Of the options granted on November 15, 2019 with a strike price of C\$0.13, Mr. Tao Zhang exercised 82,500 options on June 4, 2021 and 82,500 options on December 13, 2021.

Incentive Plan Awards
Outstanding share-based awards and option-based awards
as at December 31, 2021

Name and principal position	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)
Dalangerban CEO	Nil 450,000	n/a HK\$1.41	n/a 29-Jun-26	Nil	n/a	n/a
Alan Ho ⁽²⁾ Acting CFO	34,000 67,000 350,000	0.13 0.13 HK\$1.41	16-Aug-23 15-Nov-24 29-Jun-26	1,609 3,171 Nil	Nil	Nil
Tao Zhang ⁽³⁾⁽⁴⁾ Vice President of Sales	85,000 Nil 275,000	0.13 0.13 HK\$1.41	15-Nov-24 16-Aug-23 29-Jun-26	4,023 Nil Nil	Nil	Nil
Munkhbat Chuluun Vice President of Public Relations	150,000 150,000 250,000	0.13 0.13 HK\$1.41	15-Nov-24 16-Aug-23 29-Jun-26	7,099 7,099 Nil	Nil	Nil
Kino Fu ⁽⁵⁾ Former Deputy CFO	Nil	n/a	n/a	Nil	n/a	n/a
Weiguo Zhang ⁽⁶⁾ Former CFO	Nil	n/a	n/a	Nil	n/a	n/a

Notes:

- (1) The "Value of the unexercised in-the-money options", is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on December 31, 2021 (Cdn\$0.19 per Common Share) and the exercise price of the options.
- (2) Mr. Ho exercised 100,000 options, with a strike price of C\$0.13, on May 18, 2021 (66,000 options from the August 16, 2018 grant and 34,000 options from the November 15, 2019 option grant).
- (3) Of the options granted on August 16, 2018 with a strike price of C\$0.13, Mr. Tao Zhang exercised 132,000 options on June 4, 2021 and 68,000 options on September 9, 2021.
- (4) Of the options granted on November 15, 2019 with a strike price of C\$0.13, Mr. Tao Zhang exercised 82,500 options on June 4, 2021 and 82,500 options on December 13, 2021.
- (5) Mr. Ku exercised 99,000 options, with a strike price of C\$0.13, on April 21, 2021. 101,000 unvested options, with a strike price of C\$0.13 were cancelled on May 21, 2021.
- (6) 269,000 options, with a strike price of C\$0.13, granted to Mr. Weiguo Zhang were cancelled on February 11, 2021. 231,000 options, with a strike price of C\$0.13, granted to Mr. Weiguo Zhang were cancelled on April 12, 2021.

Incentive Plan Awards – value vested or earned during 2020
(\$)

Name and principal position	Option-based awards - Value vested during the year	Share-based awards - Value vested during the year	Non-equity incentive plan compensation - Value earned during the year
Dalanguerban CEO	Nil	n/a	Nil
Alan Ho Acting CFO	Nil	n/a	Nil
Tao Zhang Vice President of Sales	Nil	n/a	Nil
Munkhbat Chuluun Vice President of Public Relations	Nil	n/a	Nil
Kino Fu Former Deputy CFO	Nil	n/a	Nil
Weiguo Zhang Former CFO	Nil	n/a	Nil

PENSION PLAN BENEFITS

The Company does not have any pension, retirement or deferred compensation plans, including defined contribution plans.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Dalanguerban

Mr. Dalanguerban’s employment contract with SouthGobi Resources (Hong Kong) Limited (“**SouthGobi HK**”) and under a services agreement with the Company provide that in the case of a termination without cause, Mr. Dalanguerban will be entitled to either three (3) months notice or payment equal to three (3) month’s base salary. Neither Mr. Dalanguerban’s employment contract with SouthGobi HK nor his service agreement with the Company provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Dalanguerban as at December 31, 2021 in the event of a termination without cause would have been three month’s salary equal to \$48,750.

Alan Ho

Mr. Ho’s employment contract with SouthGobi HK and under a services agreement with the Company provide that in the case of a termination without cause, Mr. Ho will be entitled to either three (3) months notice or payment equal to three (3) month’s base salary. Neither Mr. Ho’s employment contract with SouthGobi HK nor his service agreement with the Company provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Ho as at December 31, 2021 in the event of a termination without cause would have been three month’s salary equal to HK\$280,000.

Tao Zhang

Mr. Zhang's employment contract with SouthGobi HK and under a services agreement with the Company provide that in the case of a termination without cause, Mr. Zhang will be entitled to either three (3) months notice or payment equal to three (3) month's base salary. Neither Mr. Zhang's employment contract with SouthGobi HK nor his service agreement with the Company provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Zhang as at December 31, 2021 in the event of a termination without cause would have been three month's salary equal to RMB187,500.

Munkhbat Chuluun

Mr. Chuluun's employment contract with SouthGobi HK and under a services agreement with the Company provide that in the case of a termination without cause, Mr. Chuluun will be entitled to either three (3) months notice or payment equal to three (3) month's base salary. Neither Mr. Chuluun's employment contract with SouthGobi HK nor his service agreement with the Company provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Chuluun as at December 31, 2021 in the event of a termination without cause would have been three month's salary equal to US\$31,500.

Kino Fu

Mr. Fu's employment contract with SouthGobi HK provided that in the case of termination without cause, Mr. Fu would be entitled to payment equal to two (2) months' base salary. Mr. Fu's employment contract did not provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated incremental payments to Mr. Fu as at December 31, 2020 in the event of a termination without cause would have been two (2) months' salary equal to HK\$260,000.

Weiguo Zhang

Mr. Zhang's employment contract with SouthGobi HK and under the secondment arrangement with the Company provided that in the case of a termination without cause, Mr. Zhang was entitled to either one (1) month notice or payment equal to one (1) month's base salary. Neither Mr. Zhang's employment contract with SouthGobi HK nor his secondment arrangement with the Company provided for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Zhang as at December 31, 2020 in the event of a termination without cause would have been one month's salary equal to \$16,667.

COMPENSATION OF DIRECTORS

The Compensation Committee periodically reviews and makes recommendations to the Board regarding the adequacy and form of the compensation for non-management directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective Director, without compromising a Director's independence. Directors who are executives of the Company receive no additional remuneration for their services as directors.

Based in part on the recommendations provided in the compensation report commissioned from Roger Gurr & Associates (the “**Gurr Directors Report**”), the annual retainer for each of the INEDs was approved as below:

	Cdn\$
Independent Directors:	45,000
Audit Committee Chair:	20,000
Nominating and Governance Committee Chair:	20,000
Compensation and Benefits Committee Chair:	10,000
HESS Committee Chair:	10,000

The HESS Committee is chaired by Mr. Dalanguerban, the executive director. Should the HESS Committee be chaired by a non-executive Director, he or she would be entitled to receive the Cdn\$10,000 annual retainer. There are no fees paid to the Chair or the members of the Operations Committee.

Based on the recommendations provided in the Gurr Directors Report, the remuneration for the Lead Director was approved and set at Cdn\$25,000 per annum.

The meeting fees for each of the INEDs is Cdn\$1,500 for each Board and each Committee meeting attended. Directors also receive a travel allowance of Cdn\$2,000 per round-trip in excess of four (4) hours’ travel time.

All Directors are entitled to be reimbursed for actual expenses reasonably incurred in the performance of their duties as Directors.

As recommended in the Gurr Directors Report, Mr. He and Ms. Quan each received 150,000 incentive stock options, which expire after five (5) years with a strike price of HK\$1.41 per share. In his capacity as Lead Director, Mr. Sun received 200,000 incentive stock options, which expire after five (5) years with a strike price of HK\$1.41 per share. None of the incentive stock options granted to the INEDs are linked to the Company’s performance.

Director Compensation Table for Fiscal 2021
(\$)

Name ⁽¹⁾	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	All Other Compensation	Total (\$)
Jianmin Bao	n/a	n/a	n/a	n/a	nil
Zhiwei Chen	n/a	n/a	n/a	n/a	nil
Yingbin Ian He	84,164	n/a	13,695	n/a	97,895
Ka Lee Ku	n/a	n/a	n/a	n/a	nil
Ben Niu	n/a	n/a	n/a	n/a	nil

Name ⁽¹⁾	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	All Other Compensation	Total (\$)
Jin Lan Quan	73,793	n/a	13,695	n/a	87,488
Mao Sun	101,715	n/a	18,260	n/a	119,975

Notes:

⁽¹⁾ Additional information with respect to the compensation for Mr. Dalanguerban has been included in the Summary Compensation Table for NEOs, and is not reported in the Director Compensation section of this Management Proxy Circular.

Outstanding Share-based awards, option-based awards and non-equity incentive plan compensation as at December 31, 2021

Name ⁽¹⁾⁽²⁾	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option exercise price (Cdn\$)/(HK\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽³⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)
Jianmin Bao	n/a	n/a	n/a	n/a	n/a	n/a
Zhiwei Chen	n/a	n/a	n/a	n/a	n/a	n/a
Yingbin Ian He ⁽⁴⁾	100,000	Cdn\$0.39	5-Jun-22	Nil	Nil	Nil
	150,000	Cdn\$0.33	30-Jun-22	Nil		
	150,000	Cdn\$0.11	11-Sept-24	\$9,466		
	150,000	HK\$1.41	29-Jun-26	Nil		
Ka Lee Ku	n/a	n/a	n/a	n/a	n/a	n/a
Ben Niu	n/a	n/a	n/a	n/a	n/a	n/a
Jin Lan Quan ⁽⁵⁾	150,000	Cdn\$0.33	30-Jun-22	Nil	Nil	Nil
	150,000	Cdn\$0.13	3-Jul-23	7,099		
	150,000	Cdn\$0.11	11-Sept-24	9,466		
	150,000	HK\$1.41	29-Jun-26	Nil		
Mao Sun ⁽⁵⁾	200,000	Cdn\$0.33	30-Jun-22	Nil	Nil	Nil
	200,000	Cdn\$0.13	3-Jul-23	9,466		
	200,000	Cdn\$0.11	11-Sept-24	12,621		
	200,000	HK\$1.41	29-Jun-26	Nil		

Notes:

⁽¹⁾ Additional information with respect to the compensation for Mr. Dalanguerban has been included in the Summary Compensation Table for NEOs, and is not reported in the Director Compensation section of this Management Proxy Circular.

⁽²⁾ The "Value of unexercised in-the-money options" is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on December 31, 2021 (being Cdn\$0.19 per Common Share) and the exercise price of the option multiplied by the number of unexercised options, vested and unvested and converted to US\$ at the respective spot rates as published by the Bank of Canada.

⁽³⁾ The value of the unexercised in-the-money options as of December 31, 2021, has been converted from Canadian dollars to U.S. dollars at the rate of US\$1.00/Cdn\$1.2678, which was the Bank of Canada noon rate on December 31, 2021.

⁽⁴⁾ Mr. He exercised 150,000 options with a strike price of C\$0.13 on September 30, 2021

⁽⁵⁾ Ms. Quan had 150,000 options and Mr. Sun had 200,000 options with a strike price of C\$0.33 expired on November 16, 2021.

Incentive Plan Awards – value vested or earned during 2021

Name ⁽¹⁾ ⁽²⁾	Option-based awards - Value vested during the year (\$) ⁽²⁾	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Jianmin Bao	n/a	n/a	n/a
Zhiwei Chen	n/a	n/a	n/a
Yingbin Ian He	Nil	n/a	n/a
Ka Lee Ku	n/a	n/a	n/a
Ben Niu	n/a	n/a	n/a
Jin Lan Quan	Nil	n/a	n/a
Mao Sun	Nil	n/a	n/a

Notes:

- (1) Additional information with respect to the compensation for Mr. Dalanguerban has been included in the Incentive Plan table for NEOs, and is not reported in the Director Compensation section of this Management Proxy Circular.
- (2) Value vested during the year represents the aggregate dollar value that would have been realized if a Director had exercised each of their options that vested in 2021 on the date of such vesting. The value vested during the year is converted from Canadian dollars to U.S. dollars based on the Bank of Canada noon rate at the date of vesting of each option. Where the option exercise price is above the share price on the date of vesting the value assigned to the option is nil.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Summary of the Company's Equity Incentive Plan

At the Meeting, shareholders will be asked to consider, and if thought advisable, approve the Equity Incentive Plan Resolution, which approve, among other things, certain amendments to the Equity Incentive Plan in order to amend the terms of the existing Share Option Plan to comply with Chapter 17 of the Listing Rules, to amend the terms of the Equity Incentive Plan generally to comply with the rules and policies of TSX-V, to comply with requirements regarding the Delisting and customary market practices with effect upon completion of the Delisting. For more information, see the section entitled “*Approvals relating to the Equity Incentive Plan – Approval of Amendments to Equity Incentive Plan*” of this Management Proxy Circular.

The following is a summary and description of the Amended Equity Incentive Plan. A summary of the principal terms of the Amended Share Option Plan, is set out in Appendix 1 of this Management Proxy Circular. This summary is qualified in its entirety by the text of the Amended Equity Incentive Plan, which is attached as Schedule “A” to this Management Proxy Circular.

As at December 31, 2019, December 31, 2020 and December 31, 2021, a maximum of 27,270,284, 27,270,284 and 27,411,554 Common Shares, respectively, were issuable under the Equity Incentive Plan, representing 10.00% of the Common Shares then issued and outstanding.

Of the 27,411,554 Common Shares that were issuable under the Equity Incentive Plan as at December 31, 2021: (i) 6,249,250 Common Shares have been reserved for future issuance pursuant to outstanding but unexercised options granted under the Share Option Plan of the Equity Incentive Plan, representing approximately 2.28% of the Common Shares issued and outstanding; (ii) the total number of unissued Common Shares available to be granted under the Share Option Plan, the total number of unissued Common Shares available for issue under the Share Bonus Plan and the total number of unissued Common Shares available for issue under

the Share Purchase Plan were 19,221,125 Common Shares, 1,800,000 Common Shares and 141,179 Common Shares, respectively, representing approximately 7.01%, 0.66% and 0.05% of the Common Shares issued and outstanding, respectively.

Pursuant to the Equity Incentive Plan, the maximum number of Common Shares that may be issued under the Share Bonus Plan and the Share Purchase Plan are 2,000,000 Common Shares and 500,000 Common Shares, respectively, of which 200,000 Common Shares and 358,821 Common Shares have already been issued and outstanding pursuant to the Share Bonus Plan and the Share Purchase Plan, respectively.

For the fiscal years ending December 31, 2019, 2020 and 2021 the Company granted stock options under the Share Option Plan of the Equity Incentive Plan amounting to 2,925,000 Common Shares, nil Common Shares and 3,542,500 Common Shares, respectively. Except for 45,209 Common Shares issued and outstanding under the Share Purchase Plan of the Equity Incentive Plan during the year ending December 31, 2021, representing approximately 0.02% of total Common Shares issued and outstanding as at December 31, 2021, there were no other grant of Common Shares under the Share Purchase Plan or Share Bonus Plan of the Equity Incentive Plan during the years ending December 31, 2019, 2020 and 2021.

The following table sets out the number of the stock options granted and exercised pursuant to the Share Option Plan of the Equity Incentive Plan for the years ending December 31, 2019, 2020 and 2021:

	<i>For the year ending December 31, 2019</i>	<i>For the year ending December 31, 2020</i>	<i>For the year ending December 31, 2021</i>
Options granted	2,925,000	-	3,542,500
Options exercised	-	-	(1,367,500)

In accordance with the policies of the TSX, the following table sets out the annual burn rate, calculated in accordance with Section 613(p) of the TSX Company Manual, of the Equity Incentive Plan for the Company's three most recently complete financial years:

Fiscal Year	2019	2020	2021
Options	1.07%	0.00%	1.29%
Bonus Shares	0.00%	0.00%	0.00%
Share Purchase Plan Shares	0.00%	0.00%	0.02%
Average Annual Burn Rate⁽¹⁾	1.07%	0.00%	1.31%
Three-year Average Burn Rate	0.79%		

Notes:

⁽¹⁾ Annual Burn Rate is expressed as a percentage which is calculated by dividing the number of securities granted under the Equity Incentive Plan during the applicable fiscal year by the weighted average number of securities outstanding for the applicable fiscal year.

Overview

The Amended Equity Incentive Plan has two (2) components: (i) the Amended Share Option Plan, which provides for the grant to eligible participants of incentive Options; and (ii) the Share Purchase Plan, under which eligible participants have the opportunity to purchase Common Shares through payroll deductions which are supplemented by additional contributions by the Company.

The eligible participants in the Amended Equity Incentive Plan include a Director of the Company or a director of any affiliate of the Company, and any full time and part time employees (including officers) of the Company or any affiliate of the Company that the Board determines to be eligible for participation in the Equity Incentive Plan. Furthermore, persons or companies engaged to provide on an ongoing bona fide basis, consulting, technical or management or other services to the Company or any of its subsidiaries are eligible for participation in the Amended Equity Incentive Plan as the Board determines.

The Amended Equity Incentive Plan is, by its terms, to be administered by the Board. However, the Board has delegated to its Compensation Committee, to the extent permitted by law, responsibility for administering the Amended Equity Incentive Plan.

Share Issuance Limits

The aggregate number of Common Shares that may be subject to issuance under the Amended Equity Incentive Plan, together with any other securities based compensation arrangements of the Company in effect from time to time, may not exceed 27,425,442 Common Shares, which would represent ten percent (10%) of the outstanding Common Shares as at the date of approval of the Amended Equity Incentive Plan at the Meeting.

In addition, the Amended Equity Incentive Plan provides additional limitations on the number of Common Shares that may be issued pursuant to the Amended Equity Incentive Plan, please refer to the section headed "APPROVALS RELATING TO THE EQUITY INCENTIVE PLAN – Approval of Amendments to Equity Incentive Plan" above and Appendix 1 of this Management Proxy Circular for further details.

General Vesting Requirements

While the Common Share are listed for trading on the TSXV:

- no awards under the Amended Equity Incentive Plan (other than Options issued pursuant to the Share Option Plan or securities issued pursuant to the Share Purchase Plan), may vest before the date that is one year following the date the award is granted or issued, provided that this requirement may be accelerated for an eligible participant who dies or who ceases to be an eligible participant under the provisions hereof in connection with a change of control, take-over bid, reverse take-over or other similar transaction; and
- any Options granted to any Investor Relations Service Provider must vest in stages over a period of not less than 12 months, such that: (i) no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than three months after the Options were granted; (ii) no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than six months after the Options were granted; (iii) no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than nine months after the Options were granted; and (iv) no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than twelve months after the Options were granted.

Amended Share Option Plan

A summary of the principal terms of the Amended Share Option Plan, is set out in Appendix 1 of this Management Proxy Circular.

Cashless Net Exercise

Participants in the Amended Share Option Plan may elect to effect a cashless exercise on a “net exercise basis” by terminating the Option, in whole or in part, and receiving, in lieu of the Shares underlying the terminated Option, and for no cash consideration, a number of Shares, disregarding fractions, which is equal to the quotient obtained by:

- (a) subtracting the Option exercise price per Share from the lesser of (i) the fair market value (as defined under the Amended Equity Incentive Plan) per Share; or (ii) the five (5) day volume weighted average price of a Share on the TSX-V (the “**Cashless Exercise Price**”), in each case determined as of the date immediately preceding the date that the Optionee elected to effect a cashless exercise and multiplying the remainder by the number of Shares underlying the terminated Option; and
- (b) dividing the product obtained in the aforementioned subparagraph (i) above by the Cashless Exercise Price per Share as of the date immediately preceding the date that the participant elected to effect a cashless exercise.

A cashless exercise may only be effected in connection with an Option to the extent that the Option is then vested and exercisable under the Amended Equity Incentive Plan. Notwithstanding the foregoing, participants which are Investor Relations Service Providers are not eligible to effect a cashless exercise of their Options under the Amended Equity Incentive Plan.

Share Purchase Plan

Participation Criteria

Participants in the Share Purchase Plan must be full-time employees of the Company or its affiliates who have completed at least one year (or less, at the discretion of the Board) of continuous service and who elect to participate.

Contribution Limits

Eligible employees, as determined by the Board, on the recommendation of the Compensation Committee, may elect to contribute to the Share Purchase Plan a percentage of their annual basic salary set by the Board, which not exceeding ten percent (10%) thereof. The Company makes a contribution of up to one hundred percent (100%) of the employee’s contribution on a quarterly basis.

Performance Target

There is generally no requirement on performance target that a Participant under the Share Purchase Plan is subject to as a condition to his or her entitlement of the Common Shares granted under the Share Purchase Plan.

Minimum Hold Period

A Participant who has been issued Common Shares pursuant to the Share Purchase Plan shall be subject to a hold period for a duration of four (4) months from the date of issuance of such Common Shares where no transfer, assignment or disposal of such Common Shares so issued to the Participant is allowed during such period.

Number of Shares

Each participant receives, at the end of each calendar quarter during which he or she participates in the Share Purchase Plan, a number of Common Shares equal to the quotient obtained by dividing the aggregate amount of all contributions to the Share Purchase Plan by the participant, and by the Company on the participant's behalf, during the preceding quarter by the weighted average trading price of the Common Shares on the HKEX during the quarter.

The maximum number of Common Shares that may be issued to participants under the Share Purchase Plan is 500,000 Common Shares, representing 0.18% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular.

Termination of Employment or Death

If the participant's employment with the Company is terminated for any reason or upon the death of the participant, any portion of the participant's contribution then held in trust for a participant pending a quarterly purchase of Common Shares is returned to him or her or to his or her estate, as applicable.

In connection with the Delisting, an application will be made to the HKEX for the approval of the listing of, and permission to deal in, the Shares which may fall to be allotted and issued under the Share Purchase Plan.

Transferability

Benefits, rights and options under the Amended Equity Incentive Plan shall not be assignable or transferable by the participant, whether voluntarily or by operation of law, except by will or by the laws of succession of the domicile of the deceased participant. During the lifetime of a participant all benefits, rights and options may only be exercised by the participant.

Amendment Procedure

The Amended Equity Incentive Plan provides that the Board has the authority and discretion to amend, suspend or terminate the Amended Equity Incentive Plan and awards granted thereunder in respect of any matter without shareholder approval, including changes of a clerical or grammatical nature, amendments to clarify existing provisions of the Amended Equity Incentive Plan that do not have the effect of altering the scope, nature and intent of such provisions, changes to the authority and role of the Compensation Committee under the Amended Equity Incentive Plan, and any other matter relating to the Amended Equity Incentive Plan and the Options and awards granted thereunder, subject always to the following provisos:

- (a) any such amendment, change or termination is in compliance with applicable laws and the rules of any stock exchange on which the Common Shares are listed;

- (b) no amendment to the Amended Equity Incentive Plan or to an option granted thereunder will have the effect of impairing, derogating from, or otherwise adversely affecting, the terms of an option which is outstanding at the time of such amendment without the written consent of the holder of such option;
- (c) the expiry date of an option may not exceed ten years;
- (d) the Company must obtain shareholder approval of:
 - (i) any increase in the maximum percentage of the outstanding Common Shares available for issuance under the Amended Equity Incentive Plan;
 - (ii) any amendment that would reduce the exercise price of an option;
 - (iii) any amendment that would extend the expiry date of an option;
 - (iv) any amendment of the definitions of “Eligible Director”, “Eligible Employee”, “Optionee”, “Option Period” and “Termination Date” under the Amended Equity Incentive Plan;
 - (v) any alterations to the terms of the Amended Equity Incentive Plan which are of a material nature or any change to the terms of Options granted;
 - (vi) any change to the authority of the Directors or the Compensation Committee in relation to any alteration to the terms of the Amended Equity Incentive Plan;
 - (vii) the provisions of this Amended Equity Incentive Plan relating to the matters governed by Rule 17.03 of the Listing Rules; and
 - (viii) any amendment to the amending provisions of the Amended Equity Incentive Plan; and
- (e) the Company will obtain disinterested shareholder approval pursuant to applicable stock exchange rules of:
 - (i) any amendment which results in the reduction in the exercise price of an Option, or the extension of the term of an Option, if the eligible participant is an insider of the Company at the time of the proposed amendment; and
 - (ii) any amendment to the limitation on the number of Common Shares that may be reserved for issuance, or issued, to insiders of the Company under the Amended Equity Incentive Plan.

If the Amended Equity Incentive Plan is terminated, the provisions of the Amended Equity Incentive Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any option or other awards remain outstanding and, notwithstanding the termination of the Amended Equity Incentive Plan, the Board will remain able to make such amendments to the Amended Equity Incentive Plan or the options as they would have been entitled to make if the Amended Equity Incentive Plan were still in effect.

Securities Issued and Unissued under the Equity Incentive Plan

There are 274,254,426 Common Shares issued and outstanding as at June 22, 2022. The following table summarizes the total number of Common Shares reserved or that may be reserved for issuance under the Equity Incentive Plan:

	Number of Common Shares	% of Issued and Outstanding Common Shares ⁽²⁾
Common shares reserved for future issuance pursuant to outstanding but unexercised options under the Option Plan	6,119,250	2.23%
Unissued Common Shares available for future awards under the Bonus Plan	1,800,000	0.66%
Unissued Common Shares available for future issuance under the Purchase Plan	2,297	0.00%
Unissued Common Shares available for future option grants under the Option Plan	19,503,896	7.11%
Maximum number of Common Shares available for issuance under Equity Incentive Plan ⁽¹⁾	27,425,442	10.00%

Notes:

⁽¹⁾ Includes unissued Common Shares available for future awards under Bonus Plan and Purchase Plan.

⁽²⁾ The weighted average price of all options outstanding as of June 22, 2022 is Cdn\$0.163 and HK\$1.41.

Equity Compensation Plan Information

The following table shows the equity securities authorized for issuance from the Company's treasury under the Equity Incentive Plan as at December 31, 2021, as approved by shareholders. The Company has no equity compensation plans providing for issuance of Common Shares that have not been previously approved by shareholders.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	6,249,250	Cdn\$0.20	21,162,304
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	6,249,250	Cdn\$0.20	21,162,304

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than “routine indebtedness” as that term is defined in applicable securities legislation, no Director or executive officer of the Company, or associate or affiliate of any such Director or executive officer, is or has been indebted to the Company or any of its subsidiaries since the beginning of the last completed financial year of the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed below or elsewhere in this Management Proxy Circular, or in the Company’s AIF under the heading entitled “*Material Contracts*”, no “informed person”, being an insider of the Company and the Company itself if it holds its own Common Shares, nor any associate or affiliate of an informed person of the Company, has any material interest, direct or indirect, in any material transaction since the commencement of the Company’s last financial year or in any proposed transaction, which, in either case, has materially affected or would materially affect the Company. A copy of the AIF is available under the Company’s profile on SEDAR at www.sedar.com and shareholders may also contact the Company’s Corporate Secretary by mail addressed to SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, or by telephone at 604-762-6783 to request a copy of the AIF, without charge.

CORPORATE GOVERNANCE

NI 58-101 requires the Company to disclose its corporate governance practices with reference to a series of corporate governance practices outlined in National Policy 58-201 - *Corporate Governance Guidelines* that the Canadian Securities Administrators (“CSA”) believe reflect “best practices” standards to which they encourage Canadian public companies to adhere.

Director Independence

The Board has reviewed the independence of each Director on the basis of the definitions in section 1.4 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). A director is “independent” if he or she has no direct or indirect material relationship with the Company, including as a partner, shareholder or officer of an organization that has a relationship with the Company. A “material relationship” is one that would, or in the view of the Board, could be, reasonably expected to interfere with the exercise of a Director’s independent judgment. The Board has determined, after reviewing the roles and relationships of each of the nominees proposed by management for election to the Board, that 38% (3 of 8) of such nominees are independent from the Company under the Incumbent Slate and that 50% (3 of 6) of such nominees are independent from the Company under the Alternative Slate. The INED nominees are Ms. Jin Lan Quan and Messrs. Mao Sun and Yingbin Ian He. The non-independent director nominees are Messrs. Dalanguerban, Jianmin Bao, Ben Niu and Zhiwei Chen and Ms. Ka Lee Ku under the Incumbent Slate and Messrs. Dalanguerban and Zhiwei Chen and Ms. Ka Lee Ku under the Alternative Slate.

Mr. Dalanguerban is considered to be non-independent because he is an Executive Officer of the Company.

Messrs. Jianmin Bao and Ben Niu are considered to be non-independent because they are employees of CIC Capital, an affiliate of Land Breeze, the Company’s largest shareholder, which currently owns approximately 23.6% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular. Mr. Jianmin Bao and Mr. Ben Niu have been nominated

for election as Directors of the Company under the Incumbent Slate at the Meeting by Land Breeze pursuant to a contractual nomination right granted to Land Breeze in connection with the Convertible Debenture and the 2019 Deferral Agreement. See “*Election of Directors – Contractual Director Nomination Rights*” in this Management Proxy Circular.

Mr. Zhiwei Chen and Ms. Ka Lee Ku are considered to be non-independent because they are employees of China Cinda (HK) Asset Management Company, a wholly owned subsidiary of Novel Sunrise, which currently owns approximately 17% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular. Mr. Zhiwei Chen and Ms. Ka Lee Ku have been nominated for election as Directors of the Company under the Incumbent Slate and the Alternative Slate at the Meeting by Novel Sunrise pursuant to a contractual nomination right granted to Novel Sunrise under the Novel Sunrise Agreement. See “*Election of Directors – Contractual Director Nomination Rights*” in this Management Proxy Circular.

The following table sets out each Director nominee’s independence and Committee memberships:

Board Members ⁽¹⁾	Year Appointed	Committees					
		AC	C&B	N&CG	HESS	Operations	Special
Executive							
Dalanguerban	2020				Chair	✓	
Independent							
Yingbin Ian He	2017	✓	✓	Chair	✓	Chair	✓
Jin Lan Quan	2015	✓	Chair	✓			✓
Mao Sun	2015	Chair	✓	✓			✓
Non-Independent							
Jianmin Bao	2020						
Zhiwei Chen	2018						
Ben Niu	2019					✓	
Ka Lee Ku	2020						

As of the date hereof, 38% of the current Board members are independent, and, if each of the nominees put forward in this Management Proxy Circular under the Incumbent Slate are elected as Directors of the Company, Messrs. Sun and He, and Ms. Quan, being 38% of the Board, will be considered INEDs. If each of the nominees put forward in this Management Proxy Circular under the Alternative Slate are elected as Directors of the Company, Messrs. Sun and He, and Ms. Quan, being 50% of the Board, will be considered INEDs. Although the majority of the Director nominees are not independent, all of the Director nominees, with the exception of Mr. Dalanguerban, will be non-executive Directors and the Board has in place an independent Lead Director.

In addition, the Audit Committee, Compensation Committee, and Nominating and Governance Committee are currently fully comprised of INED. If all of the nominees proposed by management for election to the Board under the Incumbent Slate or the Alternative Slate are elected at the Meeting, it is expected that the Audit Committee, Compensation Committee and Nominating and Governance Committee will continue to be comprised exclusively of INEDs.

All Directors have or will receive a comprehensive briefing on the duties, responsibilities and liabilities of Directors. In particular, the briefings focused on the Directors' obligations to provide objective oversight of the Company on behalf of all shareholders notwithstanding other prior or current relationships. In the event the Board must consider a matter which involves a potential or actual conflict, such matter will be referred to the independent Directors for consideration to ensure that a proper process is followed and the matter is subject to independent scrutiny. To facilitate the exercise of their respective independent judgment, the INEDs may hold meetings without the presence of management and the non-independent Directors. Not all meetings of INEDs are regularly scheduled but communication among this group occurs on an ongoing basis as needs arise between regularly scheduled meetings of the Board. The CEO and CFO are periodically invited to attend such meetings in order to brief the INEDs on recent developments.

The following table discloses the attendance of the members of the Board at meetings of the Board and its committees in 2021:

Director	Board of Directors Meetings	Audit Committee Meetings	Nominating & Corporate Governance Committee Meetings	Compensation & Benefits Committee Meeting	Health, Environment, Safety & Social Responsibility Committee Meetings	Operations Meetings
Dalanguerban	7/8	n/a	n/a	n/a	1/3	8/8
Jianmin Bao	8/8	n/a	n/a	n/a	n/a	n/a
Zhiwei Chen	6/8	n/a	n/a	n/a	n/a	n/a
Yingbin Ian He	8/8	8/8	4/4	6/7	3/3	8/8
Ka Lee Ku	8/8	n/a	n/a	n/a	n/a	n/a
Ben Niu	8/8	n/a	n/a	n/a	n/a	8/8
Jin Lan Quan	8/8	8/8	4/4	7/7	n/a	n/a
Mao Sun	8/8	8/8	4/4	7/7	n/a	n/a
Overall Attendance Rate	95%	100%	100%	95%	66%	100%

All Committees composed of INEDs, with the exception of the Audit Committee, meet without management being present unless the Committee specifically requests the presence of one or more such persons.

During 2021, there were eight (8) Board meetings, eight (8) meetings of the Audit Committee, six four (4) meetings of the Nominating and Governance Committee, (8) eight meetings of the Operations Committee, seven (7) meetings of the Compensation Committee, three (3) meetings of the HESS Committee, and one (1) meeting between the Independent Lead Director, who is fulfilling the duties of the Chairman, and the non-executive directors was held.

The results of discussions of all Board committees, and any meetings of the INEDs, are communicated to the rest of the Board at its next scheduled meeting, or more promptly, if required, by the committee Chairs to the other directors and members of management.

Chair of the Board

The Company does not currently have a Chairman. Mr. Sun, the Company's Lead Director and an INED, is currently fulfilling the duties of the Chairman of the Company, and is responsible for, amongst other things, maintaining the independence of the Board, ensuring that the Board carries out its responsibilities and chairing meetings of the Board. Mr. Sun was the Company's interim Lead Director from August 2016 to May 2019 and was appointed as Lead Director on May 30, 2019. Mr. Sun does not serve in a similar capacity with any other company.

Directorship

Information respecting those entities that are reporting issuers (or the equivalent) in Canada or elsewhere in which any of the nominees for election as Directors also act as directors, is disclosed in the table containing information about each nominee in the section of this Management Proxy Circular entitled "*Election of Directors*". Other than as disclosed therein, none of the current or proposed Directors under the Incumbent Slate or the Alternative Slate act as directors of any entities that are reporting issuers (or the equivalent) in Canada or elsewhere.

Interlocking Directorships

Messrs. Yingbin Ian He is a Director and Jianmin Bao is a member of the Board of Commissioners of PT Bumi Resources Tbk, a company listed on the IDX. Ms. Ka Lee Ku and Mr. Zhiwei Chen are both directors on the board of Zhongchang International Holdings Group Limited, a company listed on the HKEX.

None of the other Directors serve on the same boards and committees of another reporting issuer.

Position Descriptions

The Board has developed written position descriptions for the Chairman, Lead Director, the Chair of each of the Audit, Compensation, Nominating and Governance, and HESS Committees, CEO, CFO, Vice President of Sales, Vice President of Public Relations, Corporate Secretary and Controller clearly defining their respective roles and responsibilities. Such position descriptions were reviewed by the Nominating and Governance Committee and approved by the Board and are subject to annual review by the Nominating and Governance Committee. Copies of the position descriptions for the Lead Director, CEO, and CFO can be found on the Company's website at www.southgobi.com.

Orientation and Continuing Education

The Company takes steps to ensure that prospective Directors fully understand the role of the Board and its Committees and the contribution individual Directors are expected to make, including, in particular, the commitment of time and energy that the Company expects. New Directors are provided with a director information package containing copies of all corporate policies and procedures, Board and committee mandates and policies, corporate disclosure protocols, corporate governance matters and other key documents. New Directors are also briefed by Directors and management on the Company's business and encouraged to visit the Company's operations and mine-site, when permitted.

In addition, all Directors are briefed on the duties, responsibilities and liabilities of Directors, including the statutory duties of Directors to act honestly and in good faith with a view to the best interests of the Company when exercising the powers and performing the functions of Directors.

In particular, the briefings focus on the Directors' obligations to provide objective oversight of the Company on behalf of all Shareholders notwithstanding other prior or current relationships. In the event the Board must consider a matter which involves a potential or actual conflict, such matter will be referred to the independent Directors for consideration to ensure that a proper process is followed and the matter is subject to independent scrutiny.

Management and outside advisors provide information and education sessions to the Board and its Committees as necessary to keep the Directors up-to-date with the Company, its business and the environment in which it operates as well as with developments and best practices relating to the responsibilities of Directors.

The Directors are encouraged to attend seminars and conferences relating to corporate governance, financial, environmental, mining, legal, regulatory and/or business affairs at the Company's expense. The Company makes available continuous professional development for all Directors in order to develop and refresh their knowledge and skills.

Throughout year, continuous professional development for the Directors was provided as follows:

- (a) Directors participated in two (2) professional development seminars provided by the Company's external legal advisers relating to (i) anti-bribery and compliance training and (ii) directors' duties and responsibilities, requirements under Hong Kong Listing Rules and the Securities and Futures Ordinance;
- (b) each Director is provided with a membership to the Canadian Institute of Corporate Directors (the "**ICD**") as a means of facilitating continuing education opportunities for the Directors. Directors have the opportunity to attend on-line courses, conducted by the ICD, relevant to the Company and its business, particularly with respect to corporate governance and the mining industry, at the Company's expense. Through the ICD, the Directors receive regular updates on numerous matters; and
- (c) Directors are provided with educational materials relating to matters relevant to their duties as directors, changes within the Company, and concerning regulatory and industry requirements and standards.

Ethical Business Conduct

The Company's current practices are reviewed and updated regularly to ensure that the latest developments in corporate governance are followed and observed.

The Company has adopted and implemented a revised Code of Business Conduct and Ethics (the "**Ethics Policy**") called "The Way We Work". The Ethics Policy is applicable to all employees, consultants, officers and Directors regardless of their position in the organization, at all times and everywhere the Company does business.

In addition to "The Way We Work", the Company has also adopted additional guidance notes and standards which form part of the Company's overall Code of Conduct Standards. Included in the Code of Conduct Standards are the following policies and standards: the Anti-Corruption Standard and the Conflicts of Interest Standard, "The Way We Work" and Guidelines for the investigation into allegations of serious wrongdoing, and the confidential whistle-blower program.

To support the ethical standards expected of the Company and its employees, SouthGobi and its subsidiaries have adopted a confidential whistle-blower program, where employees may confidentially report any concerns or perceived misconduct. Information regarding the whistle-blower program is available on the Company's website (www.southgobi.com).

The Company's whistle-blower program is administered by the Company's Corporate Secretary in conjunction with the Chair of the Audit Committee.

The Ethics Policy and the Code of Conduct Standards provide that the Company's employees, consultants, officers and Directors will uphold its commitment to a culture of honesty, integrity and accountability and that the Company requires the highest standards of professional and ethical conduct from its employees, consultants, officers and Directors.

A copy of the Ethics Policy entitled "The Way We Work" and the various policies forming the Code of Conduct Standards are available on the Company's website (www.southgobi.com) and may be obtained, without charge, by request to SouthGobi Resources Ltd. at its registered and records office in Canada, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or email: info@southgobi.com.

The Nominating and Governance Committee monitors compliance with the Code of Conduct Standards and is responsible for establishing systems to verify compliance with legal, regulatory, corporate governance and disclosure requirements.

Board Diversity Policy

The Company is of the view that Board appointments should be based on merit, and is committed to selecting the most suitable candidate to join the Board. At the same time, the Company recognizes that diversity is important to ensure that the profiles of Board members provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship.

The Company believes that a diverse board will enhance its decision-making by utilizing the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of services, and other distinguishing qualities of the members of the Board. In support of this belief, the Board adopted a Board Diversity Policy in March 2014, and approved the adoption of certain amendments to the Board Diversity Policy in November 2017 and in March 2022.

For the purposes of Board composition, diversity includes, but is not limited to, characteristics such as gender, age, disability, as well as the inclusion of members of visible minorities. In particular, the Company recognizes that gender diversity is a significant aspect of diversity and acknowledges the important role that women play in contributing to the diversity of perspective on the Board.

The Company is also committed to inclusiveness within all its positions.

The Nominating and Governance Committee is required to review the effectiveness of the Board Diversity Policy on an annual basis. The Nominating and Governance Committee also reviews the structure, size and diversity of the Board and make recommendations on any proposed changes to the Board to complement the Company's objectives and strategy.

The Nominating and Governance Committee is responsible for recommending qualified persons who possess the competencies, skills, business and financial experience, leadership and level of commitment required of a director to fulfill Board responsibilities. Diversity of directors is considered in assessing the skills matrix of the Board.

In the process of searching for qualified persons to serve on the Board, the Nominating and Governance Committee strives for the inclusion of diverse groups, knowledge, and viewpoints. To accomplish this, the Nominating and Governance Committee may retain an executive search firm to help meet the Board's diversity objectives.

A copy of the Board Diversity Policy is available on the Company's website (www.southgobi.com) and may be obtained, without charge, by request to SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: info@southgobi.com.

Representation of Women on the Board and in Executive Officer Positions

The Company believes that gender diversity is an important component of the Company's diversity strategy and has amended the Board Diversity Policy to ensure that women comprise at least 30% of the Board composition, giving due consideration to all other factors set forth in the Board Diversity Policy. The Company will seek to achieve a target of not less than 30% of women on the Board by December 31, 2024.

The Board currently consists of six (6) men and two (2) women, Mses. Ku and Quan, representing 25% of the total number of Directors.

Ms. Jin Lan Quan joined the Board on August 6, 2015, the Audit Committee on September 1, 2015, the Nominating and Corporate Governance Committee on December 14, 2015, and the Compensation Committee on June 30, 2016. Ms. Quan has extensive experience in financial consulting services with specialist skills in external auditing, internal audit structuring, corporate financing, risk management and business acquisition.

Ms. Ka Lee Ku joined the Board on December 9, 2020. Ms. Ku has extensive experience in the management and finance sectors. She is responsible for sourcing and execution of private and secondary market transactions in excess of \$10 billion in assets at the Hong Kong office of Cinda HK.

Ms. Allison Snetsinger is the Company's Corporate Secretary and has over 15 years of experience providing regulatory and corporate services to public and private companies, primarily in mining and resource development.

The senior management of the Company currently consists of four (4) men and one (1) woman. Ms. Snetsinger represents 20% of the total number of senior executives. Throughout the Company, females represent approximately 22% of the overall workforce.

Shareholder Communication Policy

The Company has a Shareholder Communication Policy, that sets out the general policy and measures adopted by the Company in respect of its communication with Shareholders, both individual and institutional, and, when appropriate, potential investors and analysts who report on and analyze the Company's performance (collectively, the "**investment community**"), with the

objective that all of them will be provided with complete, equal, and timely information about the Company (including its financial performance, strategic goals and plans, material business developments, corporate governance, risk profile and other material information) in order to enable shareholders to make an informed decision with respect to their shares and other securities of the Company and to allow the investment community to engage in constructive dialogue with the Company.

A copy of the Shareholder Communication Policy is available on the Company's website (www.southgobi.com) and may be obtained, without charge, by request to SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: info@southgobi.com.

Nomination of Directors

The Board maintains a Nominating and Governance Committee that currently consists of Messrs. He, Sun and Ms. Quan, all of whom are INEDs. Mr. He is Chair of the Nominating and Governance Committee. If nominees under the Incumbent Slate and the Alternative Slate set forth herein are elected or re-elected, as applicable at the Meeting, it is expected that the Nominating and Governance Committee will continue to be composed solely of INEDs.

One of the primary responsibilities of the Nominating and Governance Committee is the identification of new candidates for Board nomination. Typically, the Board determines, based on the Company's objectives and strategies and the perceived risks it faces, the competencies, skills, experience and personal qualities it considers necessary or desirable in potential Director candidates. The Nominating and Governance Committee then takes responsibility for identifying potential candidates who possess some or all of these attributes for presentation to, and assessment by, the Board. The Nominating and Governance Committee is also responsible for assessing, on a periodic basis, the performance of individual Directors and the Board as a whole.

The Nominating and Governance Committee's responsibilities are outlined in the Committee's Charter. Those responsibilities include, but are not limited to:

- examining the structure, size and diversity (including but not limited to the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board and recommending adjustments from time to time, and at least annually, to ensure that the Board is of a size and composition that facilitates effective decision making and complements the Company's strategy;
- identifying and assessing the necessary and desirable competencies and characteristics for Board membership and regularly assessing the extent to which those competencies and characteristics are represented on the Board;
- identifying individuals qualified to become Directors based on merit and against objective criteria, with due regard to the Board's diversity policy;
- recommending Director nominees to the Board for appointment, re-appointment or election;
- making recommendations to the Board with respect to membership on committees of the Board (other than the Nominating and Governance Committee);

- making recommendations with respect to potential successors to the CEO;
- ensuring that the Board has appropriate structures and procedures so that the Board can function with the proper degree of independence from management;
- assessing the independence of INEDs;
- establishing induction programs for new Directors;
- developing and maintaining continuing education programs for Directors; and
- reviewing the practices and procedures of the Board in light of ongoing developments in regulatory requirements and industry best practices in matters of corporate governance and recommending to the Board any changes considered necessary or desirable.

The Board determines, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities it should seek in new Board members in order to add value to the Company. The Nominating and Governance Committee believes that the Board should be comprised of directors with a broad range of experience and expertise and utilizes a skills matrix to identify those areas which are necessary for the Board to carry out its mandate effectively. The following table reflects the diverse skill set requirements of the Board and identifies the specific experience and expertise brought by each individual Director nominee under the Incumbent Slate and the Alternative Slate.

Director	Corporate Governance	Mining Industry	General Business Management	Compensation/ Human Resources	Finance	Audit	Mongolia	Public Company	China	Mining Expertise
Dalangerban	✓	✓	✓	✓	✓		✓		✓	✓
Jianmin Bao	✓		✓		✓				✓	
Zhiwei Chen	✓	✓	✓		✓				✓	
Yingbin lan He	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ka Lee Ku	✓		✓		✓				✓	
Ben Niu		✓	✓		✓				✓	✓
Jin Lan Quan	✓		✓	✓	✓	✓		✓	✓	
Mao Sun	✓	✓	✓	✓	✓	✓		✓	✓	

The Nominating and Governance Committee annually assesses the current competencies and characteristics represented on the Board and utilizes the matrix to determine the Board's strengths and identifies any gaps that need to be filled. This analysis assists the Nominating and Governance Committee in discharging its responsibility for approaching and proposing to the full Board new nominees to the Board, and for assessing Directors on an ongoing basis.

If required, the Nominating and Governance Committee has the authority to hire outside consultants to help to identify additional qualified Board candidates.

A copy of the Nominating and Governance Committee's Charter is available on the Company's website (www.southgobi.com) and may be obtained upon request to: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: info@southgobi.com.

Director Term Limits and Other Mechanisms of Board Renewal

Each Director holds office until the next annual meeting of the Shareholders or until his or her successor is elected or appointed. The Board does not believe it should establish term limits. While the Board acknowledges the benefit of fresh ideas and viewpoints, it encourages alternative means of ensuring Board renewal as opposed to the imposition of arbitrary thresholds given the value of the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

Assessments

The Nominating and Governance Committee has the responsibility for developing and recommending to the Board, and overseeing the execution of, a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual Directors on a regular basis. The Nominating and Governance Committee has developed an assessment process for the Board, each of its committees, and peer assessments of each of the Directors.

The Nominating and Governance Committee has, on an annual basis, reviewed and approved a performance evaluation questionnaire forwarded to all of the members of the Board. This questionnaire covers a wide range of issues providing for quantitative ratings and subjective comments and recommendations in each area. In 2021, all Directors assessed the performance of the Board as a whole and its Committees. These evaluations showed that the Board, its Committees, the Committee Chairs, the Lead Director and individual Directors were fulfilling their responsibilities.

Mandate of the Board

Under the BCBCA, Directors are required to manage the Company's business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Company. In addition, each Director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board is responsible for supervising the conduct of the Company's affairs and the management of its business. The Directors' mandate includes setting long-term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their implementation. Although the Board delegates the responsibility for managing the day-to-day affairs of the Company to senior management personnel, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

The Board's mandate requires that it be satisfied that the Company's senior management will manage the affairs of the Company in the best interest of the shareholders, in accordance with the Company's principles, and that the arrangements made for the management of the Company's business and affairs are consistent with their duties described above. The Board is

responsible for protecting shareholder interests and ensuring that the incentives of the shareholders and of management are aligned. The obligations of the Board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the Board may have to assume a more direct role in managing the affairs of the Company.

In discharging its responsibilities, the Board's mandate provides that it oversees and monitors significant corporate plans and strategic initiatives. The Board's strategic planning process includes annual and quarterly budget reviews and approvals, and discussions with management relating to strategic and budgetary issues. At least one (1) Board meeting per year is devoted to a comprehensive review of strategic corporate plans proposed by management.

As part of its ongoing review of business operations, the Board periodically reviews the principal risks inherent in the Company's business, including financial risks, through periodic reports from management of such risks, and assesses the systems established to manage those risks. Directly and through the Audit Committee, the Board also assesses the integrity of internal controls over financial reporting and management information systems.

In addition to those matters that must, by law, be approved by the Board, the Board is required under its mandate to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans and the appointment of senior executive officers. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Company's business.

The mandate provides that the Board also expects management to provide the Directors, on a timely basis, with information concerning the business and affairs of the Company, including financial and operating information and information concerning industry developments as they occur, all with a view to enabling the Board to discharge its stewardship obligations effectively. The Board expects management to implement its strategic plans for the Company efficiently, to keep the Board fully apprised of its progress in doing so and to be fully accountable to the Board in respect to all matters for which it has been assigned responsibility.

The Board has instructed management to maintain procedures to monitor and promptly address shareholder concerns and has directed and will continue to direct management to apprise the Board of any major concerns expressed by shareholders.

Each Committee of the Board is empowered to engage external advisors as it sees fit. Any individual Director is entitled to engage an outside advisor at the expense of the Company provided such Director has obtained the approval of the Nominating and Governance Committee to do so.

In order to ensure that the principal business risks borne by the Company are identified and appropriately managed, the Board receives periodic reports from management of the Company's assessment and management of such risks. With respect to the Board's review of operations, the Board considers risk issues when appropriate and approves corporate policies addressing the management of risk with respect to the Company's business.

A copy of the Board Mandate is available on the Company's website (www.southgobi.com) and may be obtained upon request to: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: info@southgobi.com.

Meetings of the Board

The Board holds regular and quarterly meetings. Between the quarterly meetings, the Board meets as required, generally by means of telephone conferencing facilities. As part of the annual and quarterly meetings, the INEDs also have the opportunity to meet separate from management. If required, between regularly scheduled Board meetings, meetings of the INEDs, chaired by the Lead Director, are held by teleconference to update the Directors on corporate developments since the last Board meeting. Management also communicates informally with members of the Board on a regular basis and solicits the advice of Board members on matters falling within their special knowledge or experience.

Not all meetings of INEDs are regularly scheduled but communication among this group occurs on an ongoing basis as needs arise between regularly scheduled meetings of the Board. The Board believes that adequate structures and processes are in place to facilitate the functioning of the Board with a level of independence from the Company's management.

AUDIT COMMITTEE

The Board maintains an Audit Committee consisting of three (3) INEDs, being Messrs. Yingbin Ian He, Mao Sun and Ms. Jin Lan Quan. Mr. Mao Sun is the Chair of the Audit Committee. All of the members of the Audit Committee are independent, in accordance with the independence requirements of NI 52-110. If nominees under the Incumbent Slate and the Alternative Slate set forth herein are elected or re-elected, as applicable at the Meeting, it is expected that the Audit Committee will continue to be composed solely of independent Directors.

Each member of the Audit Committee is "financially literate" within the meaning of NI 52-110.

For more information on the Audit Committee, please refer to the Company's AIF, in the section titled "*Audit Committee Information*". A copy of the AIF is available under the Company's profile on SEDAR at www.sedar.com.

NOMINATING AND GOVERNANCE COMMITTEE

For information on the Nominating and Governance Committee, please refer to the section titled "*Nomination of Directors*" in this Management Proxy Circular.

COMPENSATION AND BENEFITS COMMITTEE

The Board has established the Compensation Committee and it is composed exclusively of INEDs, being Ms. Jin Lan Quan, and Messrs. Yingbin Ian He and Mao Sun. Ms. Jin Lan Quan is the Chair of the Compensation Committee.

To encourage an objective nomination process, the Board has appointed all of the independent Board members to the Compensation Committee. If nominees under the Incumbent Slate and the Alternative Slate set forth herein are elected or re-elected, as applicable at the Meeting, it is expected that the Compensation Committee will be composed solely of independent Directors.

The members of the Compensation Committee have diverse professional backgrounds, with prior experience in executive compensation. Mr. He is a mining professional with over 30 years' of Board and senior executive experience in the mining industry. Mr. Sun is a founding partner of a private accounting firm and Ms. Quan is a former partner of an international accounting firm in

Sydney, Australia. Given that the Compensation Committee is composed entirely of independent Directors; this encourages an objective process for determining compensation.

The Compensation Committee has responsibility for recommending compensation for the Company's Directors and senior executive officers to the Board. See "*Statement of Executive Compensation*" in this Management Proxy Circular.

For further information respecting the Compensation Committees' policies and decisions, please see the section titled "*Compensation Discussion and Analysis*" in this Management Proxy Circular.

A copy of the Compensation Committee's Charter is available on the Company's website (www.southgobi.com) and may be obtained upon request to: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: info@southgobi.com.

OTHER BOARD COMMITTEES

Health, Environment, Safety and Social Responsibility Committee

As of the date of this Management Proxy Circular, the Company's HESS Committee is composed of three (3) members, including two (2) Directors and one (1) member of senior management, namely Messrs. Dalanguerban, Yingbin Ian He and Munkhbat Chuluun, the Company's Vice President of Public Relations. Mr. Dalanguerban is Chair of the HESS Committee.

The primary objective of the HESS Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by monitoring and reviewing performance, and recommending for approval policies and management systems, with respect to health, environmental, safety and social responsibility related matters affecting the Company.

A copy of the HESS Committee's Charter is available on the Company's website (www.southgobi.com) and may be obtained upon request to: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: info@southgobi.com.

OPERATIONS COMMITTEE

As of the date of this Management Proxy Circular, the Company's Operations Committee is composed of three (3) Directors namely, Messrs. Dalanguerban, Yingbin Ian He and Ben Niu. Mr. Yingbin Ian He is the Chair of the Operations Committee.

The primary objective of the Operations Committee is to assist the Board in fulfilling its oversight responsibilities with respect to mine operations and product marketing.

A copy of the Operations Committee's Charter is available on the Company's website (www.southgobi.com) and may be obtained upon request to: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: info@southgobi.com.

Ad Hoc/Special Committees

In appropriate circumstances, the Board may establish a special committee to review a matter in which certain Directors or management may have a conflict of interest.

ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com. Shareholders may contact the Company's Corporate Secretary by phone at: 604-762-6783, by email: info@southgobi.com, or by mail at: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, to request copies of the Company's AIF, Annual Report, Financial Statements and MD&A, without charge.

Financial information for the Company's most recently completed financial year is provided in its comparative financial statements and MD&A, which are filed under the Company's profile on SEDAR at www.sedar.com and available on the Company's website at www.southgobi.com.

DIRECTORS' APPROVAL

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the Board.

DATED at Vancouver, British Columbia, this 22nd day of June 2022.

BY ORDER OF THE BOARD OF DIRECTORS

"Allison Snetsinger"

Allison Snetsinger
Corporate Secretary

Appendix 1

SUMMARY OF THE PRINCIPAL TERMS OF THE AMENDED SHARE OPTION PLAN UNDER THE AMENDED EQUITY INCENTIVE PLAN

The following is a summary of the principal terms of the Amended Share Option Plan proposed to be adopted at the Meeting which serves to summarize the terms of the Amended Share Option Plan. This summary is qualified in its entirety by the text of the Amended Equity Incentive Plan, which is attached as Schedule "A" to this Management Proxy Circular.

In this Appendix, unless the context otherwise requires:

"Associate"	has the meaning assigned to it in the Securities Act (Ontario), as amended;
"associate"	has the meaning ascribed to it in Rule 1.01 of the Listing Rules;
"close associate"	has the meaning ascribed to it in Rule 1.01 of the Listing Rules;
"connected person"	has the meaning as defined in Rule 14A.06(7) of the Listing Rules;
"core connected person"	has the meaning ascribed to it in Rule 1.01 of the Listing Rules;
"Committee"	The Compensation and Benefits Committee appointed by the Board;
"Directors"	means the Company's directors for the time being or a duly authorized committee thereof;
"Eligible Directors"	means a director of the Company or an Affiliate or an individual performing a similar function or occupying a similar position for the Company or an Affiliate;
"Eligible Employee"	means an officer, employee or Service Provider of the Company or an employee or Service Provider of an Affiliate;
"Eligible Participants"	means Eligible Directors and the Eligible Employees;
"Insider"	Means: <ul style="list-style-type: none">(i) a director or senior officer of the Company;(ii) a director or officer of a person or company that is itself an Insider or subsidiary of the Company;(iii) a person that beneficially owns or controls, directly or indirectly, voting securities of the Company carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company; and(iv) the Company itself if it holds any of its own securities;
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Offer"	means an offer for the grant of an Option pursuant to the Plan;

“Offer Date”	means the date, which must be a business day, on which an Offer is made to an Eligible Participant;
“Option(s)”	means option(s) to subscribe for the Shares granted under the Plan;
“Option Period”	means, in relation to an Option, a period (which may not be later than 10 years from the Offer Date of that Option) to be determined and notified by the Directors to the grantee thereof and, in the absence of such determination, from the Offer Date to the earlier of (i) the date on which such Option lapses under the rules of the Plan; and (ii) 10 years from the Offer Date of that Option;
“Other Schemes”	has the meaning ascribed to it in paragraph 5(a) of this Appendix;
“Plan”	means the Amended Share Option Plan proposed to be adopted by the Company at the Meeting;
“Service Provider”	means in relation to the Company, an individual (other than an employee, officer or a director of the Company) or a company wholly owned by the individual that: <ul style="list-style-type: none"> (i) is engaged to provide on an ongoing bona fide basis, consulting, technical or management or other services to the Company or any of its subsidiaries, other than services provided in relation to a distribution; (ii) provides the services under a written contract between the Company or any of its subsidiaries and the individual or the Company, as the case may be; and (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any of its subsidiaries;
“Shares”	means the Common Shares of in the share capital of the Company, or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction;
“Share Award Limit”	means the total number of Shares that could be issued under the share purchase plan under the Equity Incentive Scheme and all Other Schemes (excluding any Other Schemes that involve granting of stock options) in any financial year would not, in aggregate, exceed 3% of the total issued Shares in issue as at the date of passing of resolution by the shareholders in general meeting approving and adopting this Plan;
“Subscription Price”	means the price per Share at which a grantee may subscribe for the Shares on the exercise of an Option;
“substantial Shareholder”	has the meaning as defined in Rule 1.01 of the Listing Rules;
“TSXV”	means the TSX Venture Exchange.

1. PURPOSE OF THE PLAN

The purpose of the Plan is to enable the Group to grant Options to the Eligible Participants as incentives or rewards for their contributions to the Group.

2. ELIGIBLE PARTICIPANTS OF THE PLAN

The Committee may in their discretion make an Offer to any person belonging to the following classes of participants to subscribe for Shares (the "**Eligible Participants**"):

- (a) any Eligible Employee; and
- (b) any Eligible Directors.

The eligibility of any of the Eligible Participants to an Offer shall be determined by the Committee from time to time on the basis of the Committee' opinion as to his contribution to the development and growth of the Group.

All grants of Options and issuance of Shares under the Plan must be made in accordance with all applicable laws, including but not limited to the Listing Rules and the rules of the TSXV. In particular, any issue of new Shares or other new securities of the Company under the Plan to any connected person of the Company must be made subject to and in accordance with shareholders' approval and other requirements stipulated under the Listing Rules.

3. DURATION OF THE PLAN

The Plan shall be valid and effective until the close of business of the Company on the date which falls ten (10) years after the date on which the Plan is adopted, after which period no further Options may be issued but the provisions of the Plan shall remain in force to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Plan.

4. PERFORMANCE TARGETS

The Committee may, in their sole discretion where appropriate, state in the Offer to an Eligible Participant who accepts an Offer any specific performance targets that the Eligible Participant concerned is required to achieve before the exercise of an Option granted to him.

5. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding Options granted and yet to be exercised under the Amended Equity Incentive Plan and other securities granted or issued under the Amended Equity Incentive Plan and all other security-based compensation arrangement adopted by the Group (if any) other than the Amended Equity Incentive Plan (the "**Other Schemes**") shall not, in aggregate, exceed 27,425,442 Shares, representing 10% of the share capital of the Company in issue as at the date of approval of the Amended Equity Incentive Plan at a general meeting. No options may be granted under the Amended Equity Incentive Plan or the Other Schemes if the grant of such option will result in the aforementioned limit being exceeded.
- (b) The total number of Shares which may be allotted and issued upon exercise of all Options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Amended Equity Incentive Plan and the Other Schemes) to be granted under the Amended Equity Incentive Plan and the Other Schemes must not in aggregate exceed 10% of the Shares in issue

as at the date of passing of resolution by the Shareholders in general meeting approving and adopting the Amended Equity Incentive Plan (the “**General Scheme Limit**”) provided that:

- (i) the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Amended Equity Incentive Plan and the Other Schemes must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Amended Equity Incentive Plan and the Other Schemes) previously granted under the Amended Equity Incentive Plan and the Other Schemes will not be counted; and
 - (ii) the Company may seek separate Shareholders’ approval in general meeting to grant Options under the Amended Equity Incentive Plan beyond the General Scheme Limit to Eligible Participants specifically identified by the Company before such approval is sought. Such circular shall contain a generic description of the specified participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified participants with an explanation as to how the terms of the Options serve such purpose.
- (c) subject to the limits described in sub-paragraph 5(a) above and sub-paragraph 5(d) below, the total number of Shares issued and which may fall to be issued upon exercise of the Options and the options granted under Other Schemes (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (“**Individual Options Limit**”). Where any further grant of Options to a grantee under the Amended Equity Incentive Plan would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Amended Equity Incentive Plan and the Other Schemes in the 12-month period up to and including the date of such further grant representing in aggregate over the Individual Options Limit, such further grant must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. To order to obtain Shareholders’ approval for the foregoing, the Company shall send a circular to the Shareholders and the circular must disclose the identity of the participant, the number and terms of the Options to be granted and Options previously granted to such participant. Notwithstanding the foregoing and subject to the Shares being listed for trading on the TSXV, the maximum number of Shares issuable to any one Eligible Participant granted under this Plan and any Share Compensation Arrangement in a 12-month period shall not exceed 5% of the issued and outstanding share capital of the Company (calculated on a non-diluted basis), calculated as of the date of grant or issue (unless requisite disinterested shareholder approval has been obtained pursuant to Policy 4.4. of the TSXV). In any event, the Company shall ensure full compliance with the Individual Options Limit and the Share Award Limit at all times.
- (d) subject to the limits described in sub-paragraph 5(a) and sub-paragraph 5(c) above, where any grant of Options to a Substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares as quoted in the HKEX’s daily quotation sheet at the Offer Date of each Offer, in excess of HK\$5 million;

such further grant of Options must be approved by the Shareholders in general meeting. The Company must send a circular to the shareholders where the circular must contain all information required under applicable laws, including but not limited to Rule 17.04(3) of the Listing Rules and the rules of the TSXV. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. Rules 13.40, 13.41 and 13.42 of the Listing Rules must be observed.

- (e) In addition to sub-paragraphs (a) to (d) above:
- (i) the maximum number of Shares issuable to Eligible Participants who are Insiders of the Company, at any time, under the Amended Equity Incentive Plan and all Other Schemes, shall not exceed ten percent (10%) of the number of Shares issued and outstanding from time to time (unless requisite disinterested shareholder approval has been obtained pursuant to Policy 4.4 of the TSXV);
 - (ii) the maximum number of Shares issued to Eligible Participants who are Insiders of the Company, within any one-year period, under the Amended Equity Incentive Plan and all Other Schemes, shall not exceed ten percent (10%) of the number of Shares issued and outstanding, calculated as of the date of grant or issue (unless requisite disinterested shareholder approval has been obtained pursuant to Policy 4.4 of the TSXV);
 - (iii) subject to the Individual Options Limit, the maximum number of Shares issuable to any Service Provider of the Company under the Amended Equity Incentive Plan and all Other Schemes in a 12-month period shall not exceed 2% of the share capital of the Company, calculated as of the date of grant or issue; and
 - (iv) any person performing investor relations activities on behalf of the Company and any employee, officer or director of the Company whose role and duties primary consists of investor relations activities (each, an “**Investor Relations Service Provider**”) may only be granted Options under the Amended Equity Incentive Plan and the maximum number of Shares issuable to all such persons under any Options awarded in a 12-month period shall not exceed 1% of the share capital of the Company, calculated as of the date of grant to the relevant Investor Relations Service Provider.
- (f) The making of an Offer to any Director, chief executive or substantial Shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of an Option).
- (g) Any change in the terms of Options granted to any grantee who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates must be approved by the Shareholders in general meeting.
- (h) For the purpose of seeking the approval of the Shareholders under rules of the Amended Equity Incentive Plan summarized above, the Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders’ meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

6. TIME OF ACCEPTANCE AND EXERCISE OF OPTION

- (a) Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares which are offered provided that such number is clearly stated in the duplicate letter comprising acceptance of the Offer duly signed by such Eligible Participant and received by the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the

grant thereof within such time as may be specified in the Offer (which shall not be later than 28 days from the Offer Date). Such remittance shall in no circumstances be refundable.

- (b) The Option Period of an Option must not end later than ten (10) years from the Offer Date of that Option.
- (c) For so long as the Shares are listed on the HKEX:
 - (i) the Committee shall not (and the Directors shall procure the Committee not to) make any Offer after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information pursuant to the requirements under the Listing Rules. In particular, the Company may not make any Offer during the period commencing one (1) month immediately before the earlier of:
 - (1) the date of the board meeting (as such date is first notified to the HKEX under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (2) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement; and
 - (ii) the Committee may not (and the Directors shall procure the Committee not to) make any Offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

7. NON-TRANSFERRABLE

Any benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Amended Equity Incentive Plan shall not be assignable or transferable by the Participant, whether voluntarily or by operation of law, except by will or by the laws of succession of the domicile of the deceased Participant. During the lifetime of a Participant all benefits, rights and options may only be exercised by the Participant.

8. MINIMUM HOLDING PERIOD AND PERFORMANCE TARGET

Unless otherwise determined by the Committee and stated in the Offer to a grantee, a grantee is not required to hold an Option for any minimum period nor achieve any performance targets before the exercise of an Option granted to him.

9. RANKING AND RIGHTS OF SHARES ISSUED UNDER THE OPTIONS

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. Any Share allotted and issued upon the exercise of an Option shall not carry voting rights, or rights to participate in any dividends or distributions of the Company, or any rights arising on a liquidation of the Company, or any rights as to transfer, in respect of the Shares to be issued upon the

exercise of the Option, until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

10. SUBSCRIPTION PRICE

The Subscription Price in respect of any Option shall be at the discretion of the Committee pursuant to Rule 17.03(9) of the Listing Rules, provided that it must be at least the higher of:

- (a) the closing price of the Shares as stated in the HKEX's daily quotation sheet on the Offer Date;
- (b) the average closing price of the Shares as stated in the HKEX's daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (c) the closing price of the Shares as quoted on the TSX-V on the date immediately preceding the Offer Date.

11. ADJUSTMENT TO THE SUBSCRIPTION PRICE

In the event of a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of the Company, adjustments will be made by the Board in its discretion:

- (a) to the aggregate number, class and/or issuer of the securities reserved for issuance under the Share Option Plan;
- (b) to the number, class and/or issuer of securities subject to outstanding Options; and
- (c) to the exercise price of outstanding Options;

in each case in a manner that reflects equitably the effects of such event or transaction.

Notwithstanding anything in the Amended Equity Incentive Plan to the contrary, while the Shares are listed for trading on the TSX-V, any adjustment to any award made under the Plan related to capitalisation issue, rights issue and reduction of the share capital is subject to the prior acceptance of TSXV. For the avoidance of doubt, an adjustment in connection with a subdivision of the Shares into a greater number of Shares or a consolidation of the Shares into a lesser number of Shares is not subject to the prior acceptance of TSXV.

12. LAPSE OF OPTION

The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall lapse on the earliest of:

- (a) the expiry of the Option Period; and
- (b) the expiry of any of the periods specified in the rules of the Plan following the death of a grantee;
- (c) the expiry of any of the periods specified in the rules of the Plan in respect of a grantee ceases to be an Eligible Employee or Eligible Director for any reason other than cause; or
- (d) the date on which the Committee shall exercise the Company's right to cancel the Option by reason of a breach of transfer restrictions stipulated under the Plan by the grantee in respect of that or any other Option.

13. CANCELLATION OF OPTIONS

- (a) Subject to the rules of the Plan and Chapter 17 of the Listing Rules, any Option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of the Committee.
- (b) Where the Company cancels any Option granted to a grantee but not exercised and issues new Option(s) to the same grantee, the issue of such new Option(s) may only be made with available unissued Options (excluding, for this purpose, the Options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to the Plan.

14. ALTERATION OF THE PLAN

The board of Directors will have the power to, at any time and from time to time, amend, suspend or terminate the Amended Equity Incentive Plan or any Option or other award granted under the Amended Equity Incentive Plan without Shareholders' approval, provided that, amongst others:

- (a) no amendment will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an Option which is outstanding at the time of such amendment without the written consent of the grantee;
- (b) any amendment that would reduce the exercise price of an outstanding Option would require shareholders' approval;
- (c) any amendment that would extend the expiry date of the Option Period in respect of any Option granted under this Plan would require shareholders' approval;
- (d) any amendments to the provisions of the Amended Equity Incentive Plan as to the definitions of "Eligible Director", "Eligible Employee", "Optionee", "Option Period" and "Termination Date" would require shareholders' approval;
- (e) any alterations to the rules of the Amended Equity Incentive Plan which are of a material nature or any change to the terms of Options granted would require shareholders' approval;
- (f) any change to the authority of the Directors or the Committee in relation to any alteration to the terms of the Amended Equity Incentive Plan would require shareholders' approval;
- (g) any amendment to the provisions of the Amended Equity Incentive Plan relating to the matters governed by Rule 17.03 of the Listing Rules would require shareholders' approval; and
- (h) any amendment to the amending provision of the Amended Equity Incentive Plan would require shareholders' approval.

Furthermore, the Company will obtain disinterested shareholder approval pursuant to applicable stock exchange rules of: (i) any amendment which results in the reduction in the exercise price of an Option, or the extension of the term of an Option, if the Eligible Participant is an Insider of the Company at the time of the proposed amendment; and (ii) any amendment to the limitations on Shares that may be reserved for issuance, or issued, to Insiders would require shareholders' approval.

15. TERMINATION

The shareholders of the Company by ordinary resolution at a general meeting may at any time terminate the operation of the Plan and in such event no further Options will be offered but in all other respects the provisions of the Plan shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in

accordance with the provisions of the Plan and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Plan.

16. GENERAL

Notwithstanding anything to the contrary in the Plan, to the extent there is any conflict or inconsistency between any of the requirements and rules contained in the Plan, the Company shall follow and apply the stricter rule or requirement.

Schedule "A"

Amended Equity Incentive Plan

SOUTHGOBI RESOURCES LTD
AMENDED EMPLOYEES' AND DIRECTORS' EQUITY INCENTIVE PLAN

PART 1 INTRODUCTION

1.1 Purpose

The purpose of the Plan is to secure for the Company and its shareholders the benefits of incentive inherent in equity ownership by Eligible Participants who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that equity incentive plans of the nature provided for herein aid in retaining and encouraging employees and directors of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

1.2 Definitions

- (a) **"Adoption Date"** means the date on which the Share Option Plan is adopted, being the date of fulfillment of Share Option Plan Condition Precedents.
- (b) **"Affiliate"** has the meaning set forth in Section 1(2) of the *Securities Act* (Ontario), as amended.
- (c) **"Associate"** has the meaning assigned to it in the *Securities Act* (Ontario), as amended.
- (d) **"Board"** means the board of directors of the Company, provided that to the extent that the Board delegates some or all of its administrative functions under the Plan to the Committee pursuant to Rule 5.1 of this Plan, references in the Plan to the "Board" will be deemed to also refer to the Committee in the context of the administrative functions it performs.
- (e) **"Change of Control"** means the occurrence of any of the following, in one transaction or a series of related transactions: (i) any person acquires beneficial ownership within the meaning of the *Securities Act* (Ontario), as amended, directly or indirectly, of securities of the Company representing more than 50% of the voting power of the Company's then outstanding Shares for the election of directors; (ii) a consolidation, securities exchange, reorganization, arrangement or amalgamation of the Company resulting in the shareholders of the Company immediately prior to such event not owning at least a majority of the voting power of the resulting entity's securities outstanding immediately following such event; (iii) the sale or other disposition of all or substantially all the assets of the Company (other than a transfer of financial assets made in the ordinary course of business for the purpose of securitization or other ordinary course activities); (iv) a liquidation or dissolution of the Company; or (v) any similar event deemed by the Board to constitute a Change of Control for purposes of the Plan. Notwithstanding the foregoing provisions, a transaction or a series of related transactions will not constitute a Change of Control if such transaction(s) result(s) in the Company, or any successor to the Company's business, being controlled, directly or indirectly, by the same person or persons who controlled the Company, directly or indirectly, immediately before such transaction(s).
- (f) **"Company"** means SouthGobi Resources Ltd., a company continued under the laws of British Columbia.

- (g) "**Committee**" has the meaning assigned to it in Rule 5.1 of this Plan.
- (h) "**connected person(s)**" has the meaning ascribed to it in the Listing Rules.
- (i) "**Eligible Director**" means a director of the Company or an Affiliate or an individual performing a similar function or occupying a similar position for the Company or an Affiliate.
- (j) "**Eligible Employee**" means an officer, employee or Service Provider of the Company or an employee or Service Provider of an Affiliate.
- (k) "**Eligible Participant(s)**" means the Eligible Directors and Eligible Employees.
- (l) "**employee**" means:
 - (i) an individual who is considered an employee of the Company or its subsidiary under the *Income Tax Act* (Canada) and for whom income tax, employment insurance and Canada Pension Plan deductions must be made at source;
 - (ii) an individual who works full-time for the Company or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company or its subsidiary over the details and methods of work as an employee of the Company or of the subsidiary, as the case may be, but for whom income tax deductions are not made at source; or
 - (iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Company or its subsidiary over the details and methods of work as an employee of the Company or of the subsidiary, as the case may be, but for whom income tax deductions are not made at source.
- (m) "**Exchange**" means TSXV or, as the context requires, any other stock exchange or securities market on which the Shares are then listed or admitted to trading.
- (n) "**Fair Market Value**" means, with respect to a Share, the volume weighted average price of a Share on HKEX for the five days on which Shares were traded immediately preceding the date in respect of which Fair Market Value is to be determined or, if the Shares are not, as at that date, listed on HKEX, on such other Exchange on which the Shares are listed on that date. If the Shares are not listed and posted for trading on an Exchange on such day, the Fair Market Value will be such price per Share as the Board, acting in good faith, may determine.
- (o) "**General Scheme Limit**" has the meaning ascribed to it in Rule of this Plan.
- (p) "**Group**" means the Company and its subsidiaries.
- (q) "**HKEX**" means The Stock Exchange of Hong Kong Limited.
- (r) "**Insider**" means:

- (i) a director or senior officer of the Company;
 - (ii) a director or officer of a person or company that is itself an Insider or subsidiary of the Company;
 - (iii) a person that beneficially owns or controls, directly or indirectly, voting securities of the Company carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company; and
 - (iv) the Company itself if it holds any of its own securities
- (s) **“Investor Relations Activities”** means any activities, by or on behalf of the Company or shareholder of the Company, that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
- (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company (A) to promote the sale of products or services of the Issuer, or (B) to raise public awareness of the Company, that cannot reasonably be considered to promote the purchase or sale of securities of the Company;
 - (ii) activities or communications necessary to comply with the requirements of: (A) applicable securities laws; (B) Exchange requirements or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Company;
 - (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if: (A) the communication is only through the newspaper, magazine or publication, and (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
 - (iv) activities or communications that may be otherwise specified by the Exchange.
- (t) **“Investor Relations Service Providers”** includes any Service Provider that performs Investor Relations Activities and any director, officer, employee whose role and duties primarily consist of Investor Relations Activities.
- (u) **“Listing Rules”** means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
- (v) **“officer”** means an officer (as defined under Securities Laws) of the Company or of any of its subsidiaries
- (w) **“Offer”** has the meaning ascribed to it in Rule 2.3 of this Plan.
- (x) **“Offer Date”** means the date on which an Offer is made to an Eligible Participant.
- (y) **“Option”** means an incentive stock option granted under the terms of the Share Option Plan.

- (z) "**Option Period**" means, in respect of an Option, the period commencing on the Offer Date and ending on the date that the earlier of (i) the Option is fully exercised, expires or is otherwise terminated, and (ii) ten years from the Offer Date of that Option.
- (aa) "**Optionee**" means an Eligible Employee or Eligible Director to whom an outstanding Option has been granted under the terms of the Share Option Plan.
- (bb) "**Participant**" means, in respect of any Plan, an Eligible Employee or Eligible Director who is designated by the Board to participate, and participates, in such Plan.
- (cc) "**Personal Representative**" means the person who, in accordance with the laws of succession applicable upon the death of a Optionee (being an individual), is entitled to exercise the Option(s) granted to such deceased Optionee to the extent not already exercised.
- (dd) "**Plan**" means, collectively the Share Option Plan and the Share Purchase Plan and "Plan" means any such plan as the context requires.
- (ee) "**Securities Laws**" means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to the Company.
- (ff) "**Service Provider**" means in relation to the Company, an individual (other than an employee, officer or a director of the Company) or a company wholly owned by the individual that:
- (i) is engaged to provide on an ongoing bona fide basis, consulting, technical or management or other services to the Company or any of its subsidiaries, other than services provided in relation to a distribution;
 - (ii) provides the services under a written contract between the Company or any of its subsidiaries and the individual or the Company, as the case may be; and
 - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any of its subsidiaries.
- (gg) "**Share Award Limit**" has the meaning ascribed to it in Rule 4.1.9.
- (hh) "**Share Option Plan**" means the plan established and operated pursuant to PART 2 and PART 4 hereof.
- (ii) "**Share Option Plan Condition Precedents**" has the meaning ascribed to it in Rule 4.6 of this Plan.
- (jj) "**Share Purchase Plan**" means the plan established and operated pursuant to PART 3 and PART 4 hereof.
- (kk) "**Share**" means a common share without par value in the capital of the Company.
- (ll) "**Share Compensation Arrangement**" means a stock option, stock option plan, employee stock purchase plan, long-term incentive plan or any other compensation or incentive

mechanism involving the primary issuance or potential primary issuance of Shares to one or more full-time employees, directors, officers, Insiders, or Service Providers of the Company or a subsidiary;

- (mm) **“Termination Date”** means close of business of the Company on the date which falls ten (10) years after the Adoption Date.
- (nn) **“TSXV”** means the TSX Venture Exchange.
- (oo) **“TSXV Share Limits”** means: (i) subject to the Individual Options Limit, the maximum number of Shares issuable to any one Service Provider in a 12-month period shall not exceed 2% of the issued and outstanding share capital of the Company (calculated on a non-diluted basis), calculated as of the date of grant or issue; and (ii) Investor Relations Service Providers may only be granted Options under the Plan and the maximum number of Shares issuable to all Investor Relations Service Providers under any Options awarded in a 12-month period shall not exceed 1% of the issued and outstanding share capital of the Company (calculated on a non-diluted basis) of the Company, calculated as of the date of grant or issue.

PART 2 SHARE OPTION PLAN

2.1 Participation

Options will be granted only to Eligible Participants.

2.2 Exercise Price

The exercise price in respect of any Option shall, subject to any adjustments made pursuant to Rule 2.15 of this Plan, be at the discretion of the Committee pursuant to Rule 17.03(9) of the Listing Rules, provided that it must be at least the higher of:

- (a) the closing price of the Shares as stated in the HKEX's daily quotation sheet on the Offer Date;
- (b) the average closing price of the Shares as stated in the HKEX's daily quotation sheets for the five Business Days immediately preceding the Offer Date; and
- (c) the closing price of the Shares as quoted on the TSXV on the date preceding the Offer Date.

2.3 Grant of Options

The Board may, at any time within a period of ten years commencing from the Adoption Date, authorize the granting of Options to such Eligible Participants as it may select for the number of Shares that it will designate, subject to the provisions of the Share Option Plan. When the grant is authorized, the Board will specify the Offer Date.

Each Option granted to an Eligible Employee or Eligible Director will be evidenced in writing (and unless so made shall be invalid) incorporating by reference the terms and conditions of the Share Option Plan and as approved by the Committee (**“Offer”**) (which terms and conditions need not

be the same in each case and may be changed from time to time, subject to Rule 4.8 of the Plan, and the approval of any material changes by the Exchange).

Such Offer shall remain open for acceptance by the Eligible Employee or Eligible Director concerned for a period of up to 28 days from the Offer Date.

An Offer shall state, in addition to the matters specified in above, the following:

- (a) the name, address and position of the Eligible Employee or Eligible Director;
- (b) the number of Shares in respect of which the offer for the grant of an Option is made and the exercise price for such Shares;
- (c) the Option Period in respect of which the Offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares comprised in the Offer;
- (d) the last date by which the Offer must be accepted (which may not be later than 28 days from the Offer Date);
- (e) the procedure for acceptance;
- (f) the performance target(s) (if any, in the sole discretion of the Committee and where appropriate) that must be attained by the Eligible Employee or Eligible Director before any Option can be exercised;
- (g) such other terms and conditions of the Offer as may be imposed by the Committee as are not inconsistent with this Plan; and
- (h) a statement requiring the Eligible Employee or Eligible Director to undertake to hold the Option on the terms on which it is to be granted and to be bound by this document.

An Offer shall have been accepted by a Eligible Participant in respect of up to all the Shares to be granted under an Option offered to such Eligible Employee or Eligible Director when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Employee or Eligible Director together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the Offer (which shall not be later than 28 days from the Offer Date). Such remittance shall in no circumstances be refundable.

Upon an Offer being accepted by a Eligible Participant, an Option in respect of the number of Shares in respect of which the Offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the Offer Date. To the extent that the Offer is not accepted within the time specified in the Offer in the manner, it will be deemed to have been irrevocably declined.

No individual who is resident in a place where the grant, acceptance or exercise of the Options pursuant to this Plan is not permitted under the laws and regulations of such place or where, in the view of the Committee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Plan.

The eligibility of any of the Eligible Participants to an offer for the grant of an Option shall be determined by the Committee from time to time on the basis of the Committee' opinion as to his

or her contribution to the development and growth of the Group. For each category of Eligible Employee or Eligible Director, the Committee will assess the eligibility of the relevant Eligible Employee or Eligible Director, based on the following factors:

- (a) his/her potential and/or actual contribution to the business affairs of and benefits to the Group (in terms of, including without limitation, proactively promoting/catalysing the continuing development and growth of the Group, and bringing innovation, new talents and expertise to the Group), with regard to the quality or importance of services/goods provided/supplied or expected to be provided/supplied by such Eligible Employee or Eligible Director, to the Group, and the actual or expected change in the Group's performance which is or may be attributable to the provision or supply of such services/goods;
- (b) the potential/actual degree of involvement in and/or cooperation with the Group with regard to the period of engagement/cooperation/business relationship with the Group; and/or
- (c) whether he/she is regarded as a valuable human resource of the Group based on his/her work experience, professional qualifications, knowledge in the industry or other relevant factors (including without limitation technical know-how, market competitiveness, synergy between him/her and the Group, external business connections, strategic value, and repute and credibility).

Options will not be listed or dealt in on the HKEX.

2.4 Option Period

The Option Period may not end later than ten years from the Offer Date.

2.5 Vesting

Subject to Rule 4.2(b), unless otherwise determined from time to time by the Board, Options will vest and may be exercised (in each case to the nearest full Share) during the Option Period as follows:

- (a) at any time after the first year of the Option Period, the Optionee may exercise the Option to purchase up to 33% of the number of Shares underlying the Option as of the Offer Date;
- (b) at any time after the second year of the Option Period, the Optionee may exercise the Option to purchase up to 66% of the number of Shares underlying the Option as of the Offer Date; and
- (c) at any time after the third year of the Option Period, the Optionee may exercise the Option to purchase up to 100% of the number of Shares underlying the Option as of the Offer Date.

The Board may, at any time, accelerate the vesting of any unvested Options (other than an Option holder who is an Investor Relations Service Provider, in which case any such acceleration would require the prior written approval of the Exchange).

2.6 Exercise of Options

Except as set forth in Rule 2.12 of this Plan, no Option may be exercised unless the Optionee is at the time of such exercise:

- (a) in the case of an Eligible Employee, in the employ of the Company or an Affiliate and will have been continuously so employed since the Offer Date (unless the Option was granted in expectation of employment and such employment commenced thereafter), but absence on leave, having the approval of the Company or such Affiliate, will not be considered an interruption of employment for any purpose of the Share Option Plan; or
- (b) in the case of an Eligible Director, a director of the Company or an Affiliate and will have been such a director continuously since the Offer Date (unless the Option was granted in expectation of election or appointment as a director and such election or appointment occurred thereafter).

Subject to the applicable vesting period stipulated in this Share Option Plan and unless otherwise determined by the Committee and stated in the Offer to an Optionee, an Optionee is not required to hold an Option for any minimum period before it can be exercised nor achieve any performance targets before the exercise of an Option granted to him or her.

Upon the fulfilment of all terms and conditions set out in the Offer, including the attainment of any performance targets stated therein (if any), an Option shall be exercisable in whole or in part in the circumstances and in the manner as set out in Rule 2.3 of this Plan by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the Option remains unexercised is less than one board lot or where the Option is exercised in full, must be for a board lot for dealings in Shares on HKEX or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for Shares in respect of which the notice is given. Within 28 days (seven days in the case of an exercise) after receipt of the notice, the Company shall accordingly allot and issue the relevant number of Shares to the Optionee (or, in the event of an exercise of Option by a Personal Representative, to the estate of the Optionee) fully paid and issue to the Optionee (or his estate in the event of an exercise by his Personal representative as aforesaid) a share certificate for the Shares so allotted and issued.

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the constating documents of the Company and the *Business Corporations Act* (British Columbia) of British Columbia, Canada for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the Option is duly exercised "or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the Optionee has been duly entered on the register of members of the Company as the holder thereof.

2.7 Conditions of Exercise

Subject to Rule 2.8 of this Plan, the exercise of any Option will be contingent upon receipt by the Company of a cash payment in an amount equal to the full purchase price of the Shares being purchased. No Optionee or his legal representatives or legatees will be, or will be deemed to be, the holder of any Shares subject to an Option, unless and until the Optionee or his legal representatives or legatees (or an intermediary acting as the registered holder of the Shares on their behalf) is entered on the Company's Share register as the registered holder of the Shares.

2.8 Cashless Exercise

Instead of exercising an Option, the Optionee may elect to effect a cashless exercise by terminating the Option, in whole or in part, and receiving, in lieu of the Shares underlying the terminated Option, and for no cash consideration, a number of Shares, disregarding fractions, which is equal to the quotient obtained by:

- (a) subtracting the Option exercise price per Share from the lesser of (i) the Fair Market Value per Share; or (ii) the five (5) day volume weighted average price of a Share on the TSXV (the "**Cashless Exercise Price**"), in each case determined as of the date immediately preceding the date that the Optionee elected to effect a cashless exercise and multiplying the remainder by the number of Shares underlying the terminated Option; and
- (b) dividing the product obtained under subsection 2.8(a) above by the Cashless Exercise Price per Share as of the date immediately preceding the date that the Optionee elected to effect a cashless exercise.

A cashless exercise may only be effected in connection with an Option to the extent that the Option is then vested and exercisable under the Plan.

In the event of a cashless exercise pursuant to this Rule 2.8, the number of Options exercised, surrendered or converted, and not the number of Shares issued by the Company, shall be included in calculating the share issuance limits set forth in this Plan.

Notwithstanding the foregoing, Eligible Participants which are Investor Relations Service Providers are not eligible to effect a cashless exercise of their Options pursuant to this Rule 2.8.

2.9 Lapsed Options

Unissued Shares underlying Options that are surrendered, terminated or expire without being exercised in whole or in part, will be available to be allocated to future Option grants, subject in the case of the surrender or termination of an Option in connection with the grant of a new Option to the same person on different terms, to the consent of the Exchange.

2.10 Early Termination of Option Period

2.10.1 The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall lapse on the earliest of:

- (a) the expiry of the Option Period or any of the period referred to in Rule 2.12 of this Plan; and

- (b) the date on which the Committee shall exercise the Company's right to cancel the Option by reason of a breach of Rule 2.16 of this Plan by the Optionee in respect of that or any other Option.

2.10.2 A resolution of the Committee to the effect that the circumstance in Rule 2.10.1(b) of this Plan has occurred shall be conclusive and binding on all persons who may be affected thereby.

2.11 Cancellation of Options

Subject to Rule 2.16 of this Plan and Chapter 17 of the Listing Rules, any Option granted but not exercised may not be cancelled except with the prior written consent of the relevant Optionee and the approval of the Committee.

Where the Company cancels any Option granted to a Optionee but not exercised and issues new Option(s) to the same Optionee, the issue of such new Option(s) may only be made with available unissued Options (excluding, for this purpose, the Options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to Rule 4.1.2(a) or 4.1.2(b) of this Plan.

2.12 Effect of Termination of Employment or Death

If an Optionee:

- (a) dies, any Options held by him at the date of death will remain exercisable in whole or in part, but only by the person or persons to whom the Optionee's rights under the Option will pass by the Optionee's will or applicable laws of descent and distribution. All such Options will be exercisable only to the extent vested at the date of the Optionee's death and only for 12 months after the date of death or until the expiration of the Option Period, whichever is sooner; or
- (b) ceases to be an Eligible Employee or Eligible Director for cause, no Option held by such Optionee will be exercisable following the date on which such Optionee ceases to be an Eligible Employee or Eligible Director, as applicable; or
- (c) ceases to be an Eligible Employee or Eligible Director for any reason other than cause then any vested Options then held by such Optionee will remain exercisable for a period of up to 12 months thereafter or until the expiration of the Option Period, whichever is sooner.

2.13 Exchange upon Change of Control

Notwithstanding anything to the contrary set forth in the Plan, upon or in anticipation of any Change of Control of the Company, the Board may, in its sole and absolute discretion and without the need for the consent of any Optionee, cancel any Option in exchange for a substitute award (a "**Substitute Award**") with respect to the successor entity or its Affiliate contingent upon the occurrence of that Change of Control, provided, however, that shareholder approval will be required for the foregoing unless:

- (i) the number of securities issuable pursuant to such Substitute Award (and their applicable exercise or subscription price) is adjusted in accordance with the share

exchange ratio applicable to the transaction, regardless of whether the adjusted exercise price is below the then current market price of the Shares of the Company;

(ii) the terms of the Substitute Award must satisfy the criteria of this Plan; and

(iii) the number of securities issuable pursuant to such Substitute Award falls within the limits of this Plan.

Furthermore, Substitute Awards will have no less economic value, no more stringent performance conditions, and similar vesting schedules as the Options they replace.

Notwithstanding the foregoing, any vested Options will continue to be exercisable until the occurrence of the Change of Control.

2.14 Effect of Takeover Bid

With respect to any Change of Control transaction that constitutes a takeover bid, as defined in the *Securities Act* (Ontario), as amended, the Board will cause all unvested Options to become vested (other than for an Option holder who is an Investor Relations Service Provider, in which case any such acceleration would require the prior written approval of the Exchange) and exercisable solely for the conditional purpose of enabling an Optionee to exercise the Options and tender the underlying Shares to the Change of Control transaction, provided that, if the Optionee fails to exercise any Options for which vesting is accelerated pursuant to this Rule 2.14 prior to the occurrence of the Change of Control, such Options will, subject to Rule 2.13 of this Plan, revert to their previously unvested status upon the occurrence of the Change of Control.

2.15 Adjustments

In the event of a capitalisation issue, rights issue, consolidation or sub-division of the Shares or reduction of the share capital of the Company, adjustments will be made by the Board in its discretion:

- (a) to the aggregate number, class and/or issuer of the securities reserved for issuance under the Share Option Plan;
- (b) to the number, class and/or issuer of securities subject to outstanding Options; and
- (c) to the exercise price of outstanding Options;

in each case in a manner that reflects equitably the effects of such event or transaction.

Notwithstanding anything in this Plan to the contrary, while the Shares are listed for trading on the Exchange, any adjustment to any award made under the Plan related to capitalisation issue, rights issue and reduction of the share capital is subject to the prior acceptance of the Exchange. For the avoidance of doubt, an adjustment in connection with a subdivision of the Shares into a greater number of Shares or a consolidation of the Shares into a lesser number of Shares is not subject to the prior acceptance of the Exchange.

2.16 Non-transferrable

An Option shall be personal to the Optionee and shall not be transferable or assignable and no Optionee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or

create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by an Optionee shall entitle the Company to cancel any Option granted to such Optionee to the extent not already exercised.

2.17 Duration of the Share Option Plan

This Share Option Plan shall be valid and effective until the Termination Date, after which period no further Options may be issued but the provisions of this Share Option Plan shall remain in force to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of this Share Option Plan.

2.18 Termination of the Share Option Plan

The shareholders of the Company by ordinary resolution at a general meeting may at any time terminate the operation of this Share Option Plan and in such event no further Options will be offered but in all other respects the provisions of this Share Option Plan shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of this Share Option Plan and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with this Share Option Plan.

PART 3 SHARE PURCHASE PLAN

3.1 Participants

Participants in the Share Purchase Plan will be Eligible Employees who have been continuously employed by the Company or any of its Affiliates on a full-time basis for at least 12 consecutive months and who have been designated by the Board as Participants in the Share Purchase Plan. The Board will have the right, in its absolute discretion, to waive such 12-month period or to refuse any Eligible Employee or group of Eligible Employees the right of participation or continued participation in the Share Purchase Plan.

3.2 Election to Participate in the Share Purchase Plan and Participant's Contribution

Any Participant may elect to contribute money (the "**Participant's Contribution**") to the Share Purchase Plan in any calendar year if the Participant delivers to the Company a written direction in form and substance satisfactory to the Company authorizing the Company to deduct from the Participant's salary, in equal instalments, and hold in trust the Participant's Contribution pending the issuance of Shares to the Participant pursuant to Rule 3.5 of this Plan. Such direction will remain effective until revoked in writing by the Participant or until the Board terminates or suspends the Share Purchase Plan, whichever occurs earlier.

3.3 Maximum Participant's Contribution

The Participant's Contribution will not exceed ten per cent (10%) of the Participant's basic annual salary from the Company and its Affiliates at the time of delivery of the direction, before deductions, exclusive of any overtime pay, bonuses or allowances of any kind whatsoever (the "**Basic Annual Salary**"). In the case of a Participant for whom the Board has waived the 12-month employment requirement, the Participant's Contribution will not exceed ten per cent (10%) of the Participant's Basic Annual Salary from the Company and its Affiliates at the time of delivery

of the direction, prorated over the remainder of the calendar year, before deductions and exclusive of any overtime pay, bonuses or allowances of any kind whatsoever.

3.4 Company's Contribution

Immediately prior to the date any Shares are issued to a Participant in accordance with Rule 3.5 of this Plan, the Company will credit the Participant with, and thereafter hold in trust for the Participant, an amount determined by the Board (the "**Company's Contribution**") not to exceed the Participant's Contribution then held in trust by the Company.

3.5 Issue of Shares

On March 31, June 30, September 30 and December 31 in each calendar year the Company will issue to each Participant a number of fully paid and non-assessable Shares, disregarding fractions, which is equal to the aggregate amount of the Participant's Contribution and the Company's Contribution divided by the Issue Price. For the purposes of this Rule 3.5, "Issue Price" means the weighted average price of the Shares on HKEX for the 90-day period immediately preceding the date of issuance or, if the Shares are not, as at that date, listed on HKEX, on such other Exchange on which the Shares are listed on that date. If the Shares are not traded on an Exchange on the date of issuance, the Issue Price will be such price per Share as the Board, acting in good faith, may determine. The Company will hold any unused balance of the Participant's Contribution for a Share Purchase Plan Participant until the unused balance is fully applied to purchase Shares in accordance with the Share Purchase Plan.

3.6 Number of Shares

The aggregate maximum number of Shares that may be issued pursuant to the Share Purchase Plan will be limited to 500,000 Shares.

3.7 Hold Period

Shares issued to a Participant pursuant to Rule 3.5 of this Plan shall be subject to a hold period for a duration of four (4) months from the date of issuance of such shares (the "**Hold Period**"). During the Hold Period, each Participant's right to transfer, sell, exchange, pledge, assign or otherwise dispose of such Shares shall be restricted. The share certificate delivered in respect of the Shares issued to a Participant pursuant to Rule 3.5 of this Plan shall bear a restrictive legend stating that such Shares will not be transferable during the Hold Period, or if such Shares are held in book-entry form, the Company will provide instructions to its transfer agent that such Shares will not be transferable during the Hold Period.

3.8 Delivery of Shares

As soon as reasonably practicable following each issuance of Shares to a Participant pursuant to Rule 3.5 of this Plan, the Company will cause to be delivered to the Participant a certificate or, if the Shares are uncertificated, other evidence of ownership in respect of such Shares provided that, if required by applicable law or the rules and policies of an Exchange, a restrictive legend will be inscribed on the certificate, or if the Shares are uncertificated, the Company will give the Participant a written notice, stating that the Shares will not be transferable for such period as may be prescribed by law or by any regulatory authority or stock exchange on which the Shares are listed.

3.9 Effect of Termination of Employment or Death

If a Participant dies or otherwise ceases to be employed by the Company or any of its Affiliates for any reason or receives notice from the Company or any of its Affiliates of the termination of his or her employment, the Participant's participation in the Share Purchase Plan will be deemed to be terminated and any portion of the Participant's Contribution then held in trust will be paid to the Participant or his estate or successor as the case may be.

3.10 Effect of Takeover Bid

If a Change of Control transaction that constitutes a takeover bid, as defined in the *Securities Act* (Ontario), as amended, to which a Participant wishes to tender unissued Shares that are scheduled to be issued under Rule 3.5 of this Plan after the takeover bid expires, the Board will, upon the written request of the Participant given at least fifteen (15) days before the takeover bid expires and subject to obtaining prior acceptance from the Exchange, accelerate the issuance of all unissued Shares that the Participant would, as of the date of the written request, be entitled to receive under Rule 3.5 of this Plan in order to permit the Participant to tender the Shares to the takeover bid.

3.11 Effect of Change of Control

With respect to any Change of Control transaction in which all or substantially all of the Shares are exchanged for money, property or securities other than Shares and subject to obtaining prior acceptance from the Exchange, each Participant to whom Shares are to be issued will receive, on the date on which any Shares would otherwise have been delivered to the Participant in accordance with Rule 3.5 of this Plan, the money, property or securities to which the Participant would have been entitled in respect of such Change of Control transaction had the Shares been issued immediately prior to the effective date of such Change of Control transaction.

PART 4 GENERAL

4.1 Maximum Number of Shares Available for Subscription

For the purposes of this Rule 4.1, "outstanding issue" means the total number of Shares, on a non-diluted basis, that are issued and outstanding immediately prior to the date that any Shares are issued or reserved for issuance pursuant to an award under the Plan.

- 4.1.1 The maximum number of Shares which may be allotted and issued upon (i) exercise of all outstanding Options granted and yet to be exercised under this Plan, (ii) all securities granted under Part 3 of this Plan, and (iii) all other Share Compensation Arrangements ("**Other Schemes**") shall not, in aggregate, exceed 27,425,442 Shares, representing 10% of the issued and outstanding share capital of the Company (calculated on a non-diluted basis) of the Company as at the date of approval of this Plan at a general meeting. No options may be granted under this Plan or the other security-based compensation arrangements if the grant of such option will result in the limit referred to in this Rule 4.1.1 being exceeded.
- 4.1.2 The total number of Shares which may be allotted and issued upon exercise of all Options (excluding, for this purpose, options which have lapsed in accordance with the terms of this Plan and the Other Schemes) to be granted under this Plan and the Other Schemes must not in aggregate exceed 10% of the Shares in issue as at the date of passing of

resolution by the Shareholders in general meeting approving and adopting this Plan (“**General Scheme Limit**”) provided that:

- (a) subject to Rule 4.1.1 of this Plan and without prejudice to Rule 4.1.2(b) of this Plan, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all Options to be granted under this Plan and the Other Schemes must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with this Plan and the Other Schemes) previously granted under this Plan and the Other Scheme will not be counted; and
 - (b) subject to Rule 4.1.1 of this Plan and without prejudice to Rule 4.1.2(a) of this Plan, the Company may seek separate Shareholders' approval in general meeting to grant Options beyond the General Scheme Limit to Eligible Participants specifically identified by the Company before such approval is sought. Such circular shall contain a generic description of the specified participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified participants with an explanation as to how the terms of the Options serve such purpose.
- 4.1.3 Subject to Rules 4.1.1 and 4.1.4 of this Plan, the total number of Shares issued and which may fall to be issued upon exercise of the Options and the options granted under the Plan and Other Schemes (including both exercised or outstanding options) to each Optionee in any 12-month period shall not exceed 1% of the issued and outstanding share capital of the Company (calculated on a non-diluted basis) for the time being (“**Individual Options Limit**”). Where any further grant of Options to a Optionee under the Plan would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Plan and the Other Schemes in the 12-month period up to and including the date of such further grant representing in aggregate over the Individual Options Limit, such further grant must be separately approved by Shareholders in general meeting with such Optionee and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the Optionee is a connected person) abstaining from voting. To order to obtain Shareholders' approval for the foregoing, the Company shall send a circular to the Shareholders and the circular must disclose the identity of the participant, the number and terms of the Options to be granted and Options previously granted to such participant. Notwithstanding the foregoing and subject to the Shares being listed for trading on the TSXV, the maximum number of Shares issuable to any one Eligible Participant granted under this Plan and any Share Compensation Arrangement in a 12-month period shall not exceed 5% of the issued and outstanding share capital of the Company (calculated on a non-diluted basis), calculated as of the date of grant or issue (unless requisite disinterested shareholder approval has been obtained pursuant to Policy 4.4. of the TSXV). In any event, the Company shall ensure full compliance with the Individual Options Limit and the Share Award Limit at all times.
- 4.1.4 Subject to Rules 4.1.1 and 4.1.3, where any grant of Options to a substantial Shareholder of the Company or an INED or any of their respective associates (as defined in the Listing Rules), would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and

outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as quoted in the HKEX's daily quotation sheet at the Offer Date of each Offer, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders in general meeting. The Company must send a circular to the shareholders and the circular must contain all information required under applicable laws, including but not limited to Rule 17.04(3) of the Listing Rules and the rules of the Exchange. The Optionee, his associates (as defined in the Listing Rules) and all core connected persons (as defined in the Listing Rules) of the Company must abstain from voting in favour at such general meeting. Rules 13.40, 13.41 and 13.42 of the Listing Rules must be observed. Further, any grant of Options to an INED shall not contain any performance-related element and shall not be subject to any performance target.

4.1.5 Notwithstanding anything to the contrary in the Plan:

- (a) the maximum number of Shares issuable to Eligible Participants who are Insiders, at any time, under this Plan and any other Share Compensation Arrangement, shall not exceed ten percent (10%) of the Company's outstanding issue from time to time (unless requisite disinterested shareholder approval has been obtained pursuant to Policy 4.4. of the TSXV);
- (b) the maximum number of Shares issued to Eligible Participants who are Insiders, within any one-year period, under this Plan, and any other Share Compensation Arrangement, shall not exceed ten percent (10%) of the Company's outstanding issue, calculated as of the date of grant or issue (unless requisite disinterested shareholder approval has been obtained pursuant to Policy 4.4. of the TSXV); and
- (c) the TSXV Share Limits shall apply to the Shares issued or issuable under any award granted under the Plan and any other Share Compensation Arrangement, subject to the Shares being listed for trading on the TSXV.

4.1.6 The making of an Offer to any Director, chief executive or substantial Shareholder of the Company, or any of their respective associates (as defined in the Listing Rules) must be approved by the INED of the Company (excluding any INED who is the Optionee of an Option).

4.1.7 Any change in the terms of Options granted to any Optionee who is a substantial Shareholder or an INED, or any of their respective associates (as defined in the Listing Rules) must be approved by the Shareholders in general meeting.

4.1.8 For the purpose of seeking the approval of the Shareholders under Rules 4.1.2, 4.1.3, 4.1.4, 4.1.5, 4.1.6 and 4.1.7 of this Plan, the Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain

the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

- 4.1.9 The total number of Shares that could be issued under the Share Purchase Plan and all Other Schemes (excluding any Other Schemes that involve granting of stock options) in any financial year would not, in aggregate, exceed 3% of the total issued Shares in issue as at the date of passing of resolution by the Shareholders in general meeting approving and adopting this Plan (“**Share Award Limit**”). The total amount of Shares issued and to be issued to a Participant under the Share Purchase Plan in any 12-month period would not, in aggregate, exceed 1% of the total number of Shares in issue as at the date of passing of resolution by the Shareholders in general meeting approving and adopting this Plan.

4.2 General Vesting Requirements

While the Shares are listed for trading on the TSXV:

- (a) no awards under the Plan (other than Options issued pursuant to the Share Option Plan or securities issued pursuant to the Share Purchase Plan), may vest before the date that is one year following the date the award is granted or issued, provided that this requirement may be accelerated for an Eligible Participant who dies or who ceases to be an Eligible Participant under the provisions hereof in connection with a Change of Control, take-over bid, reverse take-over or other similar transaction; and
- (b) any Options granted to any Investor Relations Service Provider must vest in stages over a period of not less than 12 months, such that:
 - i. no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than three months after the Options were granted;
 - ii. no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than six months after the Options were granted;
 - iii. no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than nine months after the Options were granted; and
 - iv. no more than one-quarter ($\frac{1}{4}$) of the Options vest no sooner than twelve months after the Options were granted.

4.3 Transferability

Any benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be assignable or transferable by the Participant, whether voluntarily or by operation of law, except by will or by the laws of succession of the domicile of the deceased Participant. During the lifetime of a Participant all benefits, rights and options may only be exercised by the Participant.

4.4 Employment

Nothing contained in any Plan will confer upon any Participant any right with respect to employment or continuance of employment with the Company or any, Affiliate, or interfere in any

way with the right of the Company or any Affiliate to terminate the Participant's employment at any time. Participation in any Plan by a Participant is voluntary.

4.5 Record Keeping

The Company will maintain a register in which will be recorded:

- (a) the name and address of each Participant;
- (b) the Plan or Plans in which the Participant participates;
- (c) any Participant's Contributions;
- (d) the number of unissued Shares reserved for issuance pursuant to an Option in favour of a Participant; and
- (e) such other information as the Board may determine.

4.6 Necessary Approvals

The Plan will be effective only upon formal adoption by the Board following the approval of the shareholders of the Company and the Exchange, each in accordance with the rules and policies of the Exchange.

The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of any governmental authority having jurisdiction in respect of the Shares or any Exchange on which the Shares are then listed which may be required in connection with the authorization, issuance or sale of such Shares by the Company. If any Shares cannot be issued to any Participant for any reason including, without limitation, the failure to obtain such approval, the obligation of the Company to issue such Shares will terminate and any Participant's Contribution or option price paid to the Company will be returned to the Participant.

The Share Option Plan is conditional upon:

- (a) the Listing Committee of the HKEX granting the listing of, and permission to deal in, such number of Shares representing the General Scheme Limit to be allotted and issued by the Company pursuant to the exercise of Options in accordance with this document; and
- (b) the passing of the necessary resolution to approve and adopt the Share Option Plan by the Shareholders in general meeting ("**Share Option Plan Condition Precedents**").

If the Optionee is a PRC resident, he or she shall not be entitled to exercise any Option until: (i) to the extent applicable, the Optionee has obtained approval, exemption or waiver from the relevant PRC authorities in relation to the subscription of or dealing in the Shares; and (ii) the Optionee has given a confirmation to the Company to the effect that he or she has satisfied all the relevant laws and regulations in exercising the Options.

4.7 Income Taxes

With respect to any Option or other award under the Plan, the Participant will pay to the Company, or make arrangements satisfactory to the Board regarding the payment of, taxes of any kind required by law to be withheld with respect to any amount required to be included in the gross income of the Participant under applicable law. The obligations of the Company under the Plan

will be conditioned on such payment or arrangements and the Company will have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. Specifically, and subject to compliance with the applicable rules and policies of the Exchange:

- (a) in taking any action under the Plan, or in relation to any rights or benefits hereunder, the Company and each Participant will comply with all provisions and requirements of any income tax legislation or regulations of any jurisdiction which may be applicable to the Company or Participant, as the case may be;
- (b) the Company may withhold, or cause to be withheld, and deduct, or cause to be deducted, any amount the Company is required by applicable law to withhold or deduct on account of income taxes or other deductions required by any Canadian or foreign, federal, provincial, territorial, state or local taxing authorities or other amounts required by law to be withheld in relation to the grant or exercise or surrender of any Option or any payment or benefit under the Plan;
- (c) the Company will have the right to require, in connection with exercise or surrender of any Option, payment by the Participant of any amount the Company is required to withhold or deduct as contemplated in Rule 4.7(b) of this Plan in order to satisfy all tax obligations, including withholding obligations, in connection with such exercise and any payment or benefit under the Plan in respect thereof;
- (d) the Company will have the right to sell, or arrange for the sale, in the market or as the Company may determine, on behalf of any Participant, such portion of any Shares issuable to the Participant under the Plan as the Company may determine, in order to realize net cash proceeds sufficient to permit the Company to pay any amount the Company is required to withhold or deduct as contemplated in Rule 4.7(b) of this Plan (the "**Tax Withholding Amount**") and will have the right to withhold, or cause to be withheld, or deduct, or cause to be deducted from such proceeds any or all of such Tax Withholding Amount. Unless the Board otherwise determines, the Participant will be responsible for paying all transaction costs, including brokerage commissions or similar fees (collectively, the "**Transaction Costs**"), in connection with such sales and the Company may authorize any investment bank or other person selling Shares on behalf of the Participant to sell Shares on behalf of the Participant in order to realize sufficient proceeds to pay such Transaction Costs and such investment bank or other person will be entitled to sell such Shares on behalf of the Participant and deduct from the proceeds of such sale such Transaction Costs. If any investment bank or other person sells any Shares on behalf of a Participant as contemplated in this Rule 4.7(d), any net amount after deduction of the Tax Withholding Amount and Transaction Costs will be paid to the Participant;
- (e) the Company may take such other action as the Board may consider advisable to enable the Company and any Participant to satisfy obligations for the payment of withholding or other tax obligations in connection with the grant or exercise or surrender of any Option, any payment required under the Plan or which may otherwise be required by any applicable laws in respect of the Plan or any benefit or amount under the Plan;
- (f) each Participant (or the Participant's legal representatives) will bear and be responsible for any and all income or other tax imposed in respect of the grant and exercise or surrender of any Option under the Plan and in respect of any amount payable to or benefit received or deemed to be received by such Participant (or legal representative) under the Plan. Each Participant will be responsible for reporting and paying all income and other taxes applicable to or payable in respect of any Option granted to the Participant, any

exercise or surrender of such Option, any payment required under the Plan and any transactions involving Shares which may be issued on exercise of any Option or pursuant to another award under the Plan, and any dividends or distributions in respect thereof, or proceeds from any sale or disposition thereof, including, without limitation, any taxes payable in respect of any sale or disposition of Shares made by or on behalf of the Participant (including as contemplated in Rule 4.7(d) of this Plan); and

- (g) if the Company does not withhold any amount or require payment of an amount by a Participant (or legal representative), sufficient to satisfy all income tax obligations referred to in Rule 4.7(b) of this Plan, the Participant (or legal representative) will forthwith make reimbursement, on demand, in cash, of any amount paid by the Company in satisfaction of any such obligation.

4.8 Amendments to Plan

The Board will have the power to, at any time and from time to time, either prospectively or retrospectively, amend, suspend or terminate the Plan or any Option or other award granted under the Plan without shareholder approval, including, without limiting the generality of the foregoing, changes of a clerical or grammatical nature, amendments to clarify existing provisions of the Plan that do not have the effect of altering the scope, nature and intent of such provisions, changes to the authority and role of the Committee under the Plan, and any other matter relating to the Plan and the Options and awards granted thereunder, provided that:

- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of each Exchange;
- (b) no amendment to the Plan or to an Option granted hereunder will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an Option which is outstanding at the time of such amendment without the written consent of the Optionee;
- (c) the expiry date of an Option Period in respect of an Option will not be more than ten years from the date of grant of an Option except as expressly provided in Rule 2.4 of this Plan;
- (d) the Board will obtain shareholder approval of:
 - (i) any amendment to the aggregate percentage of Shares specified in Rule 4.1 of this Plan;
 - (ii) subject to Rules 2.2 and 4.8(e) of this Plan, any amendment that would reduce the exercise price of an outstanding Option, other than pursuant to Rule 2.13 of this Plan;
 - (iii) any amendment that would extend the expiry date of the Option Period in respect of any Option granted under this Plan, except as expressly contemplated in Rule 2.4 of this Plan;
 - (iv) the provisions of this Plan as to the definitions of "Eligible Director", "Eligible Employee", "Optionee", "Option Period" and "Termination Date";
 - (v) any alterations to these Rules which are of a material nature or any change to the terms of Options granted;

- (vi) any change to the authority of the Directors or the Committee in relation to any alteration to the terms of this Plan;
 - (vii) the provisions of this Plan relating to the matters governed by Rule 17.03 of the Listing Rules; and
 - (viii) any amendment to the amending provision set out in this Rule 4.8 (Amendments to Plan); and
- (e) the Board will obtain disinterested shareholder approval pursuant to Policy 4.4 of the TSXV of:
- (i) any amendment which results in the reduction in the exercise price of an Option, or the extension of the term of an Option, if the Eligible Participant is an Insider of the Company at the time of the proposed amendment; and
 - (ii) any amendment to the limitations on Shares that may be reserved for issuance, or issued, to Insiders under Rule 4.1 of this Plan.

If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board will remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect..

4.9 No Representation or Warranty

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

4.10 Public Disclosure

The Company shall issue a press release at the time of granting or issuing any award under the Plan which are granted or issued to Insiders of the Company and Investor Relations Service Providers, or at the time of entering into any amendment to any aforementioned award.

4.11 Restrictive Legend

The granting or issuance of an award under the Plan (i) to Insiders, or (ii) where the exercise price is at a discount to the closing price of the Shares as quoted on the TSXV on the date preceding the Offer Date, shall be subject to a Hold Period in compliance with the applicable policies of the Exchange. The certificate or document evidencing such award, and any Shares issued on the exercise of such award, shall bear a restrictive legend stating that such security or Shares, as applicable, will not be transferable during the Hold Period, or if such security or Shares are held in book-entry form, the Company will provide instructions to its transfer agent that such security or Shares will not be transferable during the Hold Period.

4.12 Compliance with Applicable Law

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority

over the Company or the Plan then such provision will be deemed to be amended to the extent required to bring such provision into compliance therewith.

4.13 Share Capital

The exercise of any Option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorized share capital of the Company. Subject thereto, the Directors shall make available sufficient authorized but unissued share capital of the Company to allot and issue the Shares on the exercise of any Option.

4.14 Disputes

Any dispute arising in connection with this Plan (whether as to the number of Shares the subject of an Option, the subscription price or otherwise) shall be referred to the Committee whose decision shall be final, conclusive and binding on all persons who may be affected thereby.

4.15 Notices

Any notice or other communication between the Company and a Optionee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong and, in the case of the Optionee, his address in Hong Kong as notified to the Company from time to time or, if none or incorrect or out of date, his last place of employment with the Company or the Company's principal place of business in Hong Kong from time to time.

Any notice or other communication if sent by the Optionee shall be irrevocable and shall not be effective until actually received by the Company.

Any notice or other communication if sent to the Optionee shall be deemed to be given or made:

- (a) one day after the date of posting, if sent by mail; and
- (b) when delivered, if delivered by hand

4.16 Miscellaneous

This Plan shall not form part of any contract of employment between the Company, any Subsidiary and any Eligible Employee and the rights and obligations of any Eligible Employee under the terms of his office or employment shall not be affected by his participation in this Plan or any right which he may have to participate in it and this Plan shall afford such an Eligible Employee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

In connection with an award to be granted under this Plan to any Eligible Participant, it shall be the responsibility of such person and the Company to confirm that such person is a bona fide Eligible Participant for the purposes of participation under the Plan.

This Plan shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

The Company shall bear the costs of establishing and administering this Plan, including any costs incurred by its professional advisors in connection with the implementation of this Plan.

An Optionee shall be entitled to receive copies of all notices and other documents sent by the Company to holders of the Shares at the same time or within a reasonable time of any such notices or documents being sent to holders of Shares.

An Optionee shall, before accepting an Offer or exercising his Option, obtain all necessary consents that may be required to enable him to accept the Offer or to exercise the Option and the Company to allot and issue to him in accordance with the provisions of this Plan the Shares falling to be allotted and issued upon the exercise of his Option. By accepting an Offer or exercising his Option, the Optionee thereof is deemed to have represented to the Company that he has obtained all such consents. Compliance with this Rule 4.15 shall be a condition precedent to an acceptance of an Offer by an Optionee and an exercise by an Optionee of his Options. An Optionee shall indemnify the Company fully against all claims, demands, liabilities, actions, proceedings fees, costs and expenses which the Company may suffer or incur (whether alone or jointly with other party or parties) for or in respect of any failure on the part of the Optionee to obtain any necessary consent or to pay tax or other liabilities referred therein.

By accepting an Offer, an Eligible Employee or Eligible Director shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever, to any sum or other benefit to compensate him for loss of any rights under this Plan.

Notwithstanding anything to the contrary in the Plan, to the extent there is any conflict or inconsistency between any of the requirements and rules contained in the Plan, the Company shall follow and apply the stricter rule or requirement

This Plan and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong and applicable rules and policies of the Exchange.

4.17 Offer restriction

For so long as the Shares are listed on the HKEX:

- (a) the Committee shall not (and the Directors shall procure the Committee not to) make any Offer or grant of Shares after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information pursuant to the requirements under the Listing Rules. In particular, the Company may not make any Offer or grant of Shares during the period commencing one month immediately before the earlier of:
 - (i) the date of the board meeting (as such date is first notified to the HKEX under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement;

- (b) the Committee may not make any Offer or grant of Shares to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company; and
- (c) all grants of Options and issuance of Shares under this Plan must be made in accordance with all applicable laws, including but not limited to the Listing Rules and the rules of the Exchange. In particular, any issue of new Shares or other new securities of the Company under this Plan to any connected person of the Company must be made subject to and in accordance with shareholders' approval and other requirements stipulated under the Listing Rules.

PART 5 ADMINISTRATION OF THE PLAN

5.1 Administration by the Committee

- (a) Unless otherwise determined by the Board, each of the Share Option Plan and the Share Purchase Plan will be administered by the Compensation and Benefits Committee (the "**Committee**") appointed by the Board and constituted in accordance with the Committee's charter. The members of the Committee serve at the pleasure of the Board and vacancies occurring in the Committee will be filled by the Board.
- (b) The Committee will have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan, to:
 - (i) adopt and amend rules and regulations relating to the administration of the Plan and make all other determinations necessary or desirable for the administration of the Plan. The interpretation and construction of the provisions of the Plan and related agreements by the Committee will be final and conclusive. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement in the manner and to the extent it will deem expedient to carry the Plan into effect and it will be the sole and final judge of such expediency; and
 - (ii) otherwise exercise the powers delegated to the Committee by the Board and under the Plan as set forth herein.

5.2 Board Role

- (a) The Board, on the recommendation of the Committee, will determine and designate from time to time the individuals to whom awards will be made, the amounts of the awards and the other terms and conditions of the awards.
- (b) The Board may delegate any of its responsibilities or powers under the Plan to the Committee, provided that the grant of all Shares, Options or other awards under the Plan will be subject to the approval of the Board. No Option will be exercisable in whole or in part unless and until such approval is obtained.
- (c) In the event the Committee is unable or unwilling to act in respect of a matter involving the Plan, the Board will fulfill the role of the Committee provided for herein.

Schedule "B"

New Articles

SOUTHGOBI RESOURCES LTD.
ARTICLES OF CONTINUATION

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PART 1 – INTERPRETATION

1.1 Definitions

Without limiting Article 1.2 in these Articles, unless the context otherwise requires:

“**board of directors**”, “**directors**” and “**board**” mean the directors or sole director of the Company for the time being;

“**Business Corporations Act**” means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

“**Designated Stock Exchange**” means a stock exchange in respect of which the shares of the Company are listed or quoted and where such stock exchange deems such listing or quotation to be the listing or quotation of the shares of the Company;

“**Interpretation Act**” means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

“**legal personal representative**” means the personal or other legal representative of a shareholder;

“**registered address**” of a shareholder means the shareholder’s address as recorded in the central securities register; and

“**seal**” means the seal of the Company, if any.

1.2 Business Corporations Act and Interpretation Act Definitions Applicable

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict or inconsistency between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

PART 2 – SHARES AND SHARE CERTIFICATES

2.1 Authorized Share Structure

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

2.3 Shareholder Entitled to Certificate or Acknowledgment

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

2.4 Delivery by Mail

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit

- (a) order the share certificate or acknowledgment, as the case may be, to be cancelled; and
- (b) issue a replacement share certificate or acknowledgment, as the case may be.

2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

- (a) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and
- (b) any indemnity the directors consider adequate.

2.7 Splitting Share Certificates

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

2.8 Certificate Fee

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

2.9 Recognition of Trusts

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as required by law or statute or these Articles or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

2.10 Lien on Shares

The Company has a lien on any share or shares registered in the name of a shareholder or his legal representative for any debt of that shareholder to the Company.

2.11 Enforcement of Lien

The lien referred to in Article 2.10 may be enforced by any means permitted by law and:

- (a) where the share or shares are redeemable pursuant to the articles of the Company by redeeming such share or shares and applying the redemption price to the debt;
- (b) subject to the *Business Corporations Act*, by purchasing the share or shares for cancellation for a price equal to the book value of such share or shares and applying the proceeds to the debt;
- (c) by selling the share or shares to any third party whether or not such party is at arm's length to the Company, and including, without limitation, any officer or director of the Company, for the best price which the directors consider to be obtainable for such share or shares; or
- (d) by refusing to register a transfer of such share or shares until the debt is paid.

PART 3 – ISSUE OF SHARES

3.1 Directors Authorized

Subject to the *Business Corporations Act* and the rights, if any, of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

3.2 Commissions and Discounts

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

3.3 Brokerage

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

3.4 Conditions of Issue

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

- (1) consideration is provided to the Company for the issue of the share by one or more of the following:
 - (a) past services performed for the Company;
 - (b) property;
 - (c) money; and
- (2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

3.5 Share Purchase Warrants and Rights

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

3.6 Fractional Shares

The Company may issue fractional shares, and the holders of fractional shares of the Company shall be entitled to exercise the rights of a shareholder for such fractional share in proportion to the fraction of the share held.

PART 4 – SHARE REGISTERS

4.1 Central Securities Register

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

PART 5 – SHARE TRANSFERS

5.1 Registering Transfers

A transfer of a share of the Company must not be registered unless the Company or the transfer agent or registrar for the class or series of share to be transferred has received:

- (1) a duly signed instrument of transfer in respect of the share;
- (2) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate;
- (3) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment; and
- (4) such other evidence, if any, as the Company or the transfer agent or registrar for the class or series of share to be transferred may require to prove the title of the transferor or the transferor's right to transfer the share, the due signing of the instrument of transfer and the right of the transferee to have the transfer registered.

5.2 Form of Instrument of Transfer

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

5.3 Transferor Remains Shareholder

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

5.4 Signing of Instrument of Transfer

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

- (1) in the name of the person named as transferee in that instrument of transfer, or
- (2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

5.5 Enquiry as to Title Not Required

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

5.6 Transfer Fee

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

PART 6 – TRANSMISSION OF SHARES

6.1 Legal Personal Representative Recognized on Death

In case of the death of a shareholder, the legal personal representative of the shareholder, or in the case of shares registered in the shareholder's name and the name of another person in joint tenancy, the surviving joint holder will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative of a shareholder, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

6.2 Rights of Legal Personal Representative

The legal personal representative of a shareholder has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company. This Article 6.2 does not apply in the case of the death of a shareholder with respect to shares registered in the shareholder's name and the name of another person in joint tenancy.

PART 7 – PURCHASE OF SHARES

7.1 Company Authorized to Purchase Shares

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms determined by the directors.

7.2 Purchase When Insolvent

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

- (1) the Company is insolvent; or
- (2) making the payment or providing the consideration would render the Company insolvent.

7.3 Sale and Voting of Purchased Shares

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it

- (1) is not entitled to vote the share at a meeting of its shareholders;
- (2) must not pay a dividend in respect of the share; and
- (3) must not make any other distribution in respect of the share.

PART 8 – BORROWING POWERS

The Company, if authorized by the directors, may:

- (1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
- (2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;

- (3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
- (4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

PART 9 – ALTERATIONS

9.1 Alteration of Authorized Share Structure

Subject to Article 9.2 and the *Business Corporations Act* and any other regulatory or Designated Stock Exchange requirements applicable to the Company, the Company may by ~~special~~exceptional resolution:

- (1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- (3) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
- (4) if the Company is authorized to issue shares of a class of shares with par value:
 - (a) decrease the par value of those shares; or
 - (b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (6) alter the identifying name of any of its shares; or
- (7) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*;

and, if applicable, alter its Notice of Articles and, if applicable, its Articles, accordingly.

9.2 Special Rights and Restrictions

Subject to the *Business Corporations Act*, and any other regulatory or Designated Stock Exchange requirements applicable to the Company ~~may by special resolution~~:

- (1) the Company may by special separate resolution create, vary or delete any special rights or restrictions attached to the shares of any existing class or series of shares for which shares have been issued in that class or series; or
- (2) the Company may by exceptional resolution create, vary or delete any special rights or restrictions attached to the shares of any existing class or series of shares for which shares have not been issued in that class or series; or
- (3) ~~(4) the Company may by exceptional resolution~~ create special rights or restrictions for, and attach those special rights or restrictions to, ~~the shares of any~~ a new class or series of shares, ~~whether or not any or all of those shares have been issued; or~~
- ~~(2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued;~~

and alter its Articles and Notice of Articles accordingly.

9.3 Change of Name

~~The~~ Subject to any other regulatory or Designated Stock Exchange requirements applicable to the Company, the Company may by special resolution authorize an alteration of its Notice of Articles in order to change its name and may, by ordinary resolution or directors' resolution, adopt or change any translation of that name.

9.4 Other Alterations

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution and subject to any other regulatory or Designated Stock Exchange requirements applicable to the Company, the Company may by ~~special~~ an exceptional resolution alter these Articles.

PART 10 – MEETINGS OF SHAREHOLDERS

10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date, and the date of such annual general meeting must be within six months after the end of the most recently completed financial year of the Company, at such time and place as may be determined by the directors.

10.2 Resolution Instead of Annual General Meeting

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2,

select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

10.3 Place of Meetings

Meetings of the shareholders shall be held at the place where the registered office of the Company is situated or, if the directors shall so determine, at some other place within or outside British Columbia.

10.4 Calling of Meetings of Shareholders

The directors may, whenever and wherever they think fit, call a meeting of shareholders. The Company can hold its general meetings at a specified location outside of British Columbia if so authorized by a resolution of its directors.

10.5 Notice for Meetings of Shareholders

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

10.6 Record Date for Notice

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.7 Record Date for Voting

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.8 Failure to Give Notice and Waiver of Notice

The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive that entitlement or may agree to reduce the period of that notice. Attendance of a person at a meeting of shareholders is a waiver of entitlement to notice of the meeting unless that person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10.9 Notice of Special Business at Meetings of Shareholders

If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

- (1) state the general nature of the special business; and
- (2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders
 - (a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and
 - (b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

PART 11 – PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

11.1 Special Business

At a meeting of shareholders, the following business is special business:

- (1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;
- (2) at an annual general meeting, all business is special business except for the following:
 - (a) business relating to the conduct of or voting at the meeting;
 - (b) consideration of any financial statements of the Company presented to the meeting;
 - (c) consideration of any reports of the directors or auditor;

- (d) the setting or changing of the number of directors;
- (e) the election or appointment of directors;
- (f) the appointment of an auditor;
- (g) the setting of the remuneration of an auditor;
- (h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
- (i) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

11.2 Special Majority

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

[The majority of votes required for the Company to pass an exceptional resolution at a meeting of shareholders is at least three-quarters of the votes cast on the resolution.](#)

[The majority of votes required for the Company to pass a special separate resolution at a meeting of shareholders of particular class or series of shares is at least three-quarters of the votes cast on the resolution, where the quorum for such meeting shall be holders of at least one-third of the issued shares of that class or series of shares, as the case may be.](#)

11.3 Quorum

Subject to the special rights and restrictions attached to the shares of any class or series of shares [and except that the additional quorum requirement for a meeting to approve a voluntary dissolution of the Company under the *Business Corporations Act* shall be holders of at least one third of the issued shares entitled to be voted at the meeting](#), the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

11.4 One Shareholder May Constitute Quorum

If there is only one shareholder entitled to vote at a meeting of shareholders:

- (1) the quorum is one person who is, or who represents by proxy, that shareholder; and
- (2) that shareholder, present in person or by proxy, may constitute the meeting.

11.5 Other Persons May Attend

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company, and such other persons entitled to attend

under the *Business Corporations Act* and any other persons invited by the directors or with the consent of the meeting are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

11.6 Requirement of Quorum

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

11.7 Lack of Quorum

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

- (1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and
- (2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

11.8 Lack of Quorum at Succeeding Meeting

If, at the meeting to which the meeting referred to in Article 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

11.9 Chair

The following individual is entitled to preside as chair at a meeting of shareholders:

- (1) the chair of the board, if any; or
- (2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

11.10 Selection of Alternate Chair

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is

present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

11.11 Adjournments

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from (timed) time and from place to place, but no business may be transacted at any meeting reconvened after an adjournment other than the business left unfinished at the meeting from which the adjournment took place.

11.12 Notice of Adjourned Meeting

It is not necessary to give any notice of an adjourned meeting of shareholders or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

11.13 Decisions by Show of Hands or Poll

Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

11.14 Declaration of Result

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

11.15 Motion Need Not be Seconded

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

11.16 Casting Vote

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

11.17 Manner of Taking Poll

Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:

- (1) the poll must be taken:
 - (a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and
 - (b) in the manner, at the time and at the place that the chair of the meeting directs.
- (2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded and
- (3) the demand for the poll may be withdrawn by the person who demanded it.

11.18 Demand for Poll on Adjournment

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

11.19 Chair Must Resolve Dispute

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

11.20 Casting of Votes

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

11.21 Demand for Poll Not to Prevent Continuance of Meeting

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

11.22 Retention of Ballots and Proxies

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

PART 12 – VOTES OF SHAREHOLDERS

12.1 Number of Votes by Shareholder or by Shares

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

- (1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and
- (2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

provided that where such shareholder is required, by the rules of the Designated Stock Exchange, to abstain from voting on any particular resolution, or restricted to voting only for or only against any particular resolution, the Company covenants that the votes casted by (or on behalf of) such shareholder in contravention of such requirement or restriction shall not be counted.

12.2 Votes of Persons in Representative Capacity

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

12.3 Votes by Joint Holders

If there are joint shareholders registered in respect of any share:

- (1) any one of the joint shareholders may vote at any meeting of shareholders, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or
- (2) if more than one of the joint shareholders is present at any meeting of shareholders, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

12.4 Legal Personal Representatives as Joint Shareholders

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

12.5 Representative of a Corporate Shareholder

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

- (1) for that purpose, the instrument appointing a representative must:
 - (a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

- (b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;
- (2) if a representative is appointed under this Article 12.5:
- (a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and
 - (b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.6 Proxy Provisions Do Not Apply to All Companies

(1) Articles 12.7 to 12.15 do not apply to the Company if and for so long as it is a public company which has its securities traded on or through the facilities of a Designated Stock Exchange in North America or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

(2) Notwithstanding anything to the contrary contained herein in this Article 12, if and for so long as the Company is a public company which has its securities traded on or through the facilities of a Designated Stock Exchange in Hong Kong, (i) every shareholder shall be entitled to appoint a proxy who needs not necessarily be a member of the Company and that every shareholder being a corporation shall be entitled to appoint a representative to attend and vote at any meeting of shareholders of the Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person; and (ii) a corporation may execute a form of proxy under the hand of a duly authorised officer.

12.7 Appointment of Proxy Holders

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled - to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more ~~(but not more than five)~~ proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy. Notwithstanding anything contained in these Articles, if Hong Kong Securities Clearing Company Limited ("HKSCC") is a registered shareholder of the Company, then HKSCC, or its nominee(s), may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of shareholders or any meeting of any class of shareholders or any meeting of the Company's creditors and provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of shares in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence for substantiating the facts that it is duly authorised and will be entitled to

exercise the same power on behalf of HKSCC as HKSCC or its nominee(s) could exercise if it were an individual shareholder of the Company, including the right to attend, speak and vote at such meetings of the Company.

12.8 Alternate Proxy Holders

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

12.9 When Proxy Holder Need Not Be Shareholder

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

- (1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;
- (2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or
- (3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

12.10 Deposit of Proxy

A proxy for a meeting of shareholders must:

- (1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting or
- (2) unless the notice provides otherwise, be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting or adjourned meeting

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.11 Validity of Proxy Vote

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

- (1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or
- (2) by the chair of the meeting or adjourned meeting, before the vote is taken.

12.12 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

[name of company] (the “Company”)

The undersigned, being a shareholder of the Company, hereby appoints *[name]* or, failing that person, *[name]*, as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on *[month, day, year]* and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the undersigned): _____

Signed *[month, day, year]*

[Signature of shareholder]

[Name of shareholder—printed]

12.13 Revocation of Proxy

Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is

- (1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used or
- (2) provided, at the meeting or any adjourned meeting, to the chair of the meeting, before any vote in respect of which the proxy has been given has been taken.

12.14 Revocation of Proxy Must Be Signed

An instrument referred to in Article 12.13 must be signed as follows:

- (1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

- (2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

12.15 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

PART 13 – DIRECTORS

13.1 First Directors; Number of Directors

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

- (1) subject to paragraphs (2) and (3), the number of directors that is equal to the number of the Company's first directors;
- (2) if the Company is a public company, the greater of three and the most recently set of:
 - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
 - (b) the number of directors set under Article 14.4;
- (3) if the Company is not a public company, the most recently set of:
 - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
 - (b) the number of directors set under Article 14.4.

13.2 Change in Number of Directors

If the number of directors is set under Articles 13.1(2)(a) or 13.1(3)(a):

- (1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;
- (2) subject to Article 14.8, if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

13.3 Directors' Acts Valid Despite Vacancy

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

13.4 Qualifications of Directors

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

13.5 Remuneration of Directors

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

13.6 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

13.7 Special Remuneration for Directors

If any director who is not an employee or officer performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director who is not an employee or officer, or if any director who is not an employee or officer is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director who is not an employee or officer, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

13.8 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

PART 14 – ELECTION AND REMOVAL OF DIRECTORS

14.1 Election at Annual General Meeting

At every annual general meeting and in every unanimous resolution in lieu of an annual general meeting as contemplated by Article 10.2:

- (1) the shareholders entitled to vote at the annual general meeting for the election of directors are entitled to elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and
- (2) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

14.2 Consent to be a Director

No election, appointment or designation of an individual as a director is valid unless

- (1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;
- (2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or
- (3) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

14.3 Failure to Elect or Appoint Directors

If:

- (1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or
- (2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

- (3) the date on which his or her successor is elected or appointed; and
- (4) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

14.4 Places of Retiring Directors Not Filled

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the

number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

14.5 Directors May Fill Casual Vacancies

Any casual vacancy occurring in the board of directors may be filled by the directors.

14.6 Remaining Directors Power to Act

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of calling a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

14.7 Shareholders May Fill Vacancies

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

14.8 Additional Directors

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at anytime exceed:

- (1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
- (2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director~~so~~ appointed [pursuant to Article 14.5 or Article 14.8](#) ceases to hold office immediately before the, next election or appointment of directors under Article 14.1(1), but is eligible for re-election or re-appointment.

14.9 Ceasing to be a Director

A director ceases to be a director when:

- (1) the term of office of the director expires;
- (2) the director dies;
- (3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company, or

(4) the director is removed from office pursuant to Articles 14.10 or 14.11.

14.10 Removal of Director by Shareholders

The Company may remove any director before the expiration of his or her term of office by ~~special~~ordinary resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

14.11 Removal of Director by Directors

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

PART 15 – POWERS AND DUTIES OF DIRECTORS

15.1 Powers of Management

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

15.2 Appointment of Attorney of Company

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

PART 16 – DISCLOSURE OF INTEREST OF DIRECTORS

16.1 Obligation to Account for Profits

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior

officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

16.2 Restrictions on Voting by Reason of Interest

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

16.3 Interested Director Counted in Quorum

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may not be counted in the quorum ~~at the meeting whether or not the director votes on any or all of the resolutions considered~~ at the meeting.

16.4 Disclosure of Conflict of Interest or Property

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

16.5 Director Holding Other Office in the Company

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

16.6 No Disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

16.7 Professional Services by Director or Officer

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

16.8 Director or Officer in Other Corporations

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

PART 17 – PROCEEDINGS OF DIRECTORS

17.1 Meetings of Directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

17.2 Voting at Meetings

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

17.3 Chair of Meetings

The following individual is entitled to preside as chair at a meeting of directors:

- (1) the chair of the board, if any;
- (2) in the absence of the chair of the board, the president, if any, if the president is a director;
or
- (3) any other director chosen by the directors if:
 - (a) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;
 - (b) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or
 - (c) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

17.4 Meetings by Telephone or Other Communications Medium

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such

participation. A director who participates in a meeting in a manner contemplated by this Article 17.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

17.5 Calling of Meetings

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

17.6 Notice of Meetings

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 17, 1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors by any method set out in Article 23.1 or orally or by telephone.

17.7 When Notice Not Required

It is not necessary to give notice of a meeting of the directors to a director if:

- (1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or
- (2) the director has waived notice of the meeting.

17.8 Meeting Valid Despite Failure to Give Notice

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director, does not invalidate any proceedings at that meeting.

17.9 Waiver of Notice of Meetings

Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director. Attendance of a director at a meeting of the directors is a waiver of notice of the meeting unless that director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

17.10 Quorum

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be a majority of the number directors, provided that

where the number of directors of the Company is two directors, both directors must be present to constitute a meeting.

17.11 Validity of Acts Where Appointment Defective

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

17.12 Consent Resolutions in Writing

A resolution of the directors or of any committee of the directors consented to in writing by all of the directors entitled to vote on it, whether by signed document, fax, email or any other method of transmitting legibly recorded messages, is as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors duly called and held. Such resolution may be in two or more counterparts which together are deemed to constitute one resolution in writing. A resolution passed in that manner is effective on the date stated in the resolution or on the latest date stated on any counterpart. A resolution of the directors or of any committee of the directors passed in accordance with this Article 17.12 is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

PART 18 – EXECUTIVE AND OTHER COMMITTEES

18.1 Appointment and Powers of Executive Committee

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

- (1) the power to fill vacancies in the board of directors;
- (2) the power to remove a director;
- (3) the power to change the membership of, or fill vacancies in, any committee of the directors; and
- (4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

18.2 Appointment and Powers of Other Committees

The directors may, by resolution:

- (1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;

- (2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except
 - (a) the power to fill vacancies in the board of directors;
 - (b) the power to remove a director;
 - (c) the power to change the membership of, or fill vacancies in, any committee of the directors; and
 - (d) the power to appoint or remove officers appointed by the directors; and
- (3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

18.3 Obligations of Committees

Any committee appointed under Articles 18.1 or 18.2, in the exercise of the powers delegated to it, must

- (1) conform to any rules that may from time to time be imposed on it by the directors and
- (2) report every act or thing done in exercise of those powers at such times as the directors may require.

18.4 Powers of Board

The directors may, at any time; with respect to a committee appointed under Articles 18.1 or 18.2:

- (1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;
- (2) terminate the appointment of, or change the membership of the committee; and
- (3) fill vacancies in the committee.

18.5 Committee Meetings

Subject to Article 18.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 18.1 or 18.2:

- (1) the committee may meet and adjourn as it thinks proper;
- (2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

- (3) a majority of the members of the committee constitutes a quorum of the committee; and
- (4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

PART 19 – OFFICERS

19.1 Directors May Appoint Officers

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

19.2 Functions, Duties and Powers of Officers

The directors may, for each officer:

- (1) determine the functions and duties of the officer;
- (2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and
- (3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

19.3 Qualifications

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

19.4 Remuneration and Terms of Appointment

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

PART 20 – INDEMNIFICATION

20.1 Definitions In this Article 20:

- (1) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of an eligible proceeding;
- (2) “eligible proceeding” means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director or a former director of the Company (an “eligible party”) or any of the heirs and legal personal representatives of the

eligible party, by reason of the eligible party being or having been a director of the Company:

- (a) is or may be joined as a party; or
 - (b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;
- (3) “expenses” has the meaning set out in the *Business Corporations Act*.

20.2 Mandatory Indemnification of Eligible Parties

Subject to the *Business Corporations Act*, the Company must indemnify a director or former director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 20.2.

20.3 Indemnification of Other Persons

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

20.4 Non-Compliance with Business Corporations Act

The failure of a director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

20.5 Company May Purchase Insurance

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (1) is or was a director, officer, employee or agent of the Company;
- (2) is or was a director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- (3) at the request of the Company, is or was a director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- (4) at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, officer, employee or agent or person who holds or held such equivalent position.

PART 21 – DIVIDENDS

21.1 Payment of Dividends Subject to Special Rights

The provisions of this Article 21 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

21.2 Declaration of Dividends

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

21.3 No Notice Required

The directors need not give notice to any shareholder of any declaration under Article 21.2.

21.4 Record Date

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

21.5 Manner of Paying Dividend

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of cash or cash equivalents, specific assets or of fully paid shares or of bonds, debentures or other securities of the Company or any other corporation, or in any one or more of those ways.

21.6 Settlement of Difficulties

If any difficulty arises in regard to a distribution under Article 21.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

- (1) set the value for distribution of specific assets;
- (2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (3) vest any such specific assets in trustees for the persons entitled to the dividend.

21.7 When Dividend Payable

Any dividend may be made payable on such date as is fixed by the directors.

21.8 Dividends to be Paid in Accordance with Number of Shares

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

21.9 Receipt by Joint Shareholders

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

21.10 Dividend Bears No Interest

No dividend bears interest against the Company.

21.11 Fractional Dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

21.12 Payment of Dividends

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

21.13 Capitalization of Retained Earnings or Surplus

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any retained earnings or surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the retained earnings or surplus so capitalized or any part thereof.

PART 22 – DOCUMENTS, RECORDS AND REPORTS

22.1 Recording of Financial Affairs

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

22.2 Inspection of Accounting Records

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

PART 23 – NOTICES

23.1 Method of Giving Notice

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (1) mail addressed to the person at the applicable address for that person as follows:
 - (a) for a record mailed to a shareholder, the shareholder's registered address;
 - (b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
 - (c) in any other case, the mailing address of the intended recipient;
- (2) delivery at the applicable address for that person as follows, addressed to the person:
 - (a) for a record delivered to a shareholder, the shareholder's registered address;
 - (b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;
 - (c) in any other case, the delivery address of the intended recipient;
- (3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;
- (4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;
- (5) physical delivery to the intended recipient.

23.2 Deemed Receipt

A notice, statement, report or other record that is:

- (1) mailed to a person by ordinary mail to the applicable address for that person referred to in Article 23.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing;
- (2) faxed to a person to the fax number provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was faxed on the day it was faxed; and
- (3) e-mailed to a person to the e-mail address provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was e-mailed on the day it was e-mailed.

23.3 Certificate of Sending

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that capacity on behalf of the Company stating that a notice, statement, report or other record was sent in accordance with Article 23.1 is conclusive evidence of that fact.

23.4 Notice to Joint Shareholders

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing such record to the joint shareholder first named in the central securities register in respect of the share.

23.5 Notice to Legal Representatives and Trustees

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by

- (1) mailing the record, addressed to them
 - (a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and
 - (b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or
- (2) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

23.6 Undelivered Notices

If any record sent to a shareholder pursuant to Article 23.1 is returned on two consecutive occasions because the shareholder cannot be located, the Company shall not be required to send any further records to the shareholder until the shareholder informs the Company in writing of his or her new address.

PART 24 – SEAL

24.1 Who May Attest Seal

The Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of any one or more duly authorized directors or officers or other persons as may be determined by the directors from time to time.

24.2 Sealing Copies

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 24.1, the impression of the seal may be attested by the signature of any director or officer or the signature of any other person as may be determined by the directors.

24.3 Mechanical Reproduction of Seal

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

PART 25 – PROHIBITIONS

25.1 Definitions

In this Article 25:

- (1) “designated security” means:
 - (a) a voting security of the Company;
 - (b) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or
 - (c) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);

- (2) “security” has the meaning assigned in the *Securities Act* (British Columbia);
- (3) “voting security” means a security of the Company that:
 - (a) is not a debt security, and
 - (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

25.2 Application

Article 25.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

25.3 Consent Required for Transfer of Shares or Designated Securities

No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

PART 26 – SPECIAL RIGHTS AND RESTRICTIONS COMMON SHARES

26.1 Voting

The holders of the Common Shares shall be entitled to one vote at any meeting of the members of the Company in respect of each Common Share held and shall be entitled to receive notice of and attend all general meetings of the shareholders of the Company. Such shareholders must have the right to (1) speak at the general meeting; and (2) vote at a general meeting except where they are required, by the rules of the Designated Stock Exchange, to abstain from voting to approve the matter under consideration, the Company covenants that such votes casted shall not be counted pursuant to Article 12.1.

26.2 Dividends

Subject to the prior rights of the holders of Preferred Shares and any other shares ranking senior to the Common Shares with respect to priority in the payment of dividends, the holders of Common Shares shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the board of directors of the Company out of moneys properly applicable to the payment of dividends, in such amount and in such form as the board of directors of the Company may from time to time determine and all dividends which the board of directors of the Company may declare on the Common Shares shall be declared and paid in equal amounts per share on all Common Shares at the time outstanding.

26.3 Dissolution, Liquidation or Winding Up

In the event of the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the

purpose of winding up its affairs, subject to the prior rights of the holders of the Preferred Shares and any other Shares ranking senior to the Common Shares with respect to priority in the distribution of assets upon dissolution, liquidation, winding up, the holders of the Common Shares shall be entitled to receive the remaining property and assets of the Company.

PART 27 – SPECIAL RIGHTS AND RESTRICTIONS PREFERRED SHARES

27.1 Voting

The holders of the Preferred Shares shall not, as such, have any right to receive notice of, or to attend or to vote at, any general meeting of the Company.

27.2 Priority

No rights, privileges, restrictions or conditions attached to a series of Preferred Shares shall confer upon that series a priority in respect of dividends or return of capital over any other series of Preferred Shares then outstanding.

The Preferred Shares shall be entitled to priority over the Common Shares of the Company and over any other Shares of the Company ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs.

27.3 Dividends

After payment to the holders of Preferred Shares of the amounts of dividends and capital payable in accordance with these provisions and the rights, privileges and restrictions attached to each series of Preferred Shares, the holders of Preferred Shares shall not be entitled to share in any further distribution of the property and assets of the Company. The Preferred Shares of any series may also be given such other preferences, not inconsistent with the articles, over the Common Shares and over any other shares ranking junior to the Preferred Shares as may be determined in the case of such series of Preferred Shares.

27.4 Liquidation, Dissolution or Winding Up

If, upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, there are insufficient assets to satisfy in full all claims with respect to unpaid dividends and return of capital in respect of all Preferred Shares outstanding, all such Preferred Shares shall participate rateably in the assets available to satisfy such claims based on the total amount of all such claims relative to the total amount of the assets available.

27.5 Issuable in Series

The board of directors of the Company may issue the Preferred Shares at any time and from time to time in one or more series and, before the first shares of any particular series are issued, shall fix the number of Preferred Shares in such series and, determine, subject to the limitations in the

articles, the designation, rights, privileges, restrictions and conditions attached to the shares of such series including without limitation, the rate or rates, amount or method or methods of calculation of dividends thereon, the time and place of payment of dividends, whether cumulative or non-cumulative or partially cumulative and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment of dividends, the priorities thereof in relation to other shares or the priorities of other shares in relation thereto, if any, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption rights, if any, the conversion or exchange rights attached thereto, if any, the voting rights attached thereto, if any, and the terms and conditions of any share purchase plan or sinking fund with respect thereto.

PART 28 - OTHER

28.1 Translation of Company Name

The Company has adopted a Chinese translation of its name that it intends to use outside of Canada which, set out in letters from the English alphabet, is “SouthGobi Resources Limited”.