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SouthGobi
R E S O U R C E S

SOUTHGOBI RESOURCES LTD.

南戈壁資源有限公司*

(A company continued under the laws of British Columbia, Canada with limited liability)

(Hong Kong Stock Code: 1878)

(TSX Venture Exchange Stock Symbol: SGQ)

SOUTHGOBI ANNOUNCES UNAUDITED FIRST QUARTER 2025 FINANCIAL AND OPERATING RESULTS

SouthGobi Resources Ltd. (the “**Company**” or “**SouthGobi**”) today announces its unaudited financial and operating results for the three months ended March 31, 2025.

Please see the attached announcement for more details. The information per the attached announcement is available on the SEDAR+ website at www.sedarplus.ca and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

By order of the Board
SouthGobi Resources Ltd.
Yingbin Ian He
Lead Director

Vancouver, May 15, 2025
Hong Kong, May 15, 2025

As at the date of this announcement, the executive directors of the Company are Mr. Ruibin Xu, Ms. Chonglin Zhu and Mr. Chen Shen; the independent non-executive directors of the Company are Mr. Yingbin Ian He, Ms. Jin Lan Quan and Mr. Fan Keung Vic Choi; and the non-executive directors of the Company are Mr. Zhu Gao and Mr. Zaixiang Wen.

* *For identification purpose only*



May 15, 2025

SOUTHGOBI ANNOUNCES FIRST QUARTER 2025 FINANCIAL AND OPERATING RESULTS

HONG KONG – SouthGobi Resources Ltd. (Hong Kong Stock Exchange (“HKEX”): 1878, TSX Venture Exchange (“TSX-V”): SGQ) (the “Company” or “SouthGobi”) today announces its financial and operating results for the three months ended March 31, 2025. All figures are in U.S. dollars (“USD”) unless otherwise stated.

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company’s significant events and highlights for the three months ended March 31, 2025 and the subsequent period to May 15, 2025 are as follows:

- **Operating Results** – The Company increased the scale of its mining operations since 2024, as well as implementing various coal processing methods, including screening, wet washing and dry coal processing, which have resulted in improved coal quality and enhanced production volume and growth of coal export volume into China during the period.

In response to the market demand for different coal products, the Company focused on expanding the categories of coal products in its portfolio, including mixed coal, wet washed coal and dry processed coal. In addition, the Company has experienced success with processing its inventory of F-grade coal products through cost-effective screening procedures. As a result of the improvement in the quality of the processed F-grade coal, the Company was able to meet the import coal quality standards established by Chinese authorities and has been exporting this product to China for sale since the first quarter of 2024, further enhancing the Company’s coal export volume.

The Company recorded sales volume of 2.1 million tonnes for the first quarter of 2025 compared to 1.1 million tonnes for the first quarter of 2024, while the Company recorded an average realised selling price of \$59.5 per tonne for the first quarter of 2025 compared to \$79.5 per tonne for the first quarter of 2024. The decrease in the average realised selling price was mainly due to the Company facing headwinds in the China coal market since 2024, leading to the Company changing its product mix to sell a greater percentage of lower-priced coal products.

- **Financial Results** – The Company recorded a \$15.7 million loss from operations for the first quarter of 2025 compared to \$32.1 million profit from operation for the first quarter of 2024. The financial results for the first quarter of 2025 were impacted by the decreased average realised selling price and the change in product mix, as the Company sold more processed coal with higher production costs during the first quarter of 2025.
- **Notice from Mongolian Government Plenipotentiary and designation of Company’s mining deposits as mineral deposits of strategic importance** – On April 2, 2025, Southgobi Sands LLC (“SGS”), the Company’s wholly-owned Mongolian subsidiary, received a letter from a plenipotentiary representative of the Mongolian government (the “Letter”) which invited SGS to participate in negotiations in relation to determining the Mongolian state’s ownership interest in SGS, being the legal entity which holds the Company’s coal mining licenses in Mongolia.

The Letter states that, in furtherance of Mongolia’s National Wealth Fund Law which was passed in April 2024, the Mongolian government resolved on February 5, 2025 to appoint a plenipotentiary representative (the “Plenipotentiary Representative of the Mongolian Government”) to negotiate with legal persons holding a mining license for a deposit designated by the Mongolian government as a strategically important deposit (“Mineral Deposits of Strategic Importance”) in relation to determining the proportionate interest the Mongolian state has in such legal entity or whether to replace the Mongolian state’s interest with a royalty interest.

The Company has been advised by its Mongolian legal counsel that, the Government of Mongolia is empowered to participate on an equity ownership basis with the license holder in the exploitation and/or mining of each Mineral Deposit of Strategic Importance on terms to be negotiated between the Government of Mongolia and such license holder. Based solely on the knowledge of the Company’s Mongolian legal counsel, the Company is aware that various other license holders of Mineral Deposits of Strategic Importance have entered into similar negotiations with the Plenipotentiary Representative of the Mongolian Government.

As at the date of this press release, the deposits covered by four of the Company’s Mongolian mining licenses have been designated as Mineral Deposits of Strategic Importance by Mongolian government authorities. The relevant mining licenses relate to the Company’s Ovoot Tolgoi Mine and the Soumber Deposit.

On April 24, 2025, SGS initiated preliminary discussions with the Plenipotentiary Representative of the Mongolian Government. The Company anticipates that the discussion between SGS and the Plenipotentiary Representative of the Mongolian Government will continue and both parties will endeavour to engage in good faith for the purpose of arriving at a mutual and constructive understanding and agreement. The Company intends to fully cooperate with the Mongolian government and provide all necessary information to the extent permitted by applicable law.

- ***Additional Tax and Tax Penalty Imposed by the Mongolian Tax Authority (“MTA”)*** – On July 18, 2023, SGS received an official notice (the “Notice”) issued by the MTA stating that the MTA had completed a periodic tax audit (the “Audit”) on the financial information of SGS for the tax assessment years between 2017 and 2020, including transfer pricing, royalty, air-pollution fee and unpaid tax payables. As a result of the Audit, the MTA notified SGS that it is imposing a tax penalty against SGS in the amount of approximately \$75.0 million. The penalty mainly relates to the different view on the interpretation of tax law between the Company and the MTA. Under Mongolian law, the Company had a period of 30 days from the date of receipt of the Notice to file an appeal in relation to the Audit. Subsequently the Company engaged an independent tax consultant in Mongolia to provide tax advice and support to the Company and filed an appeal letter in relation to the Audit with the MTA in accordance with Mongolian laws on August 17, 2023.

On February 8, 2024, SGS received notice from the Tax Dispute Resolution Council (“TDRC”) which stated that, after the TDRC’s review, the TDRC issued a decision in relation to SGS’ appeal of the Audit, and ordered that the audit assessments set forth in the Notice of July 18, 2023 be sent back to the MTA for review and re-assessment.

On February 22, 2024, SGS received another notice from the MTA stating that the MTA anticipated commencing the re-assessment process on or about March 7, 2024 and the duration of such process will be approximately 45 working days.

On May 15, 2024, SGS received a notice (the “Revised Notice”) from the MTA regarding the re-assessment result on the Audit (the “Re-assessment Result”). The re-assessed amount of the tax penalty is approximately \$80.0 million. In accordance with applicable Mongolian laws, SGS is entitled to file an appeal to the TDRC regarding the Re-assessment Result within a 30-day period from the date of receiving the Revised Notice.

On June 12, 2024, following consultation with its independent tax consultant in Mongolia, SGS submitted an appeal letter to the TDRC regarding the Re-assessment Result, in accordance with applicable Mongolian laws.

On January 10, 2025, SGS received a resolution dated December 19, 2024 (the “Resolution”) from the TDRC in response to the appeal letter sent by SGS to the TDRC on June 12, 2024, relating to the Re-assessment Result. As set forth in the Resolution, the TDRC has determined to reduce the re-assessed amount of tax penalty against SGS from approximately \$80.0 million to approximately \$26.5 million (the “Revised Re-assessment Result”). In accordance with applicable Mongolian laws, SGS is entitled to file an appeal to the Administrative Court of First Instance in Ulaanbaatar, Mongolia (the “Administrative Court of First Instance”) regarding the Revised Re-assessment Result within a 30-day period from the date of receiving the Resolution. After careful consideration and consultation with the Company’s independent tax consultant in Mongolia, the Company has determined not to pursue a further appeal of the Revised Re-assessment Result with the Administrative Court of First Instance.

On March 19, 2025, SGS received correspondence from the Administrative Court of First Instance requesting supplemental information regarding a court proceeding initiated by certain officers of the MTA (“MTA Officials”) against the TDRC. Upon further enquiry, SGS obtained a copy of an order dated March 7, 2025 issued by the Administrative Court of First Instance regarding commencement of court proceedings brought by the MTA Officials. The MTA Officials are petitioning the court to overturn the TDRC’s ruling that reduced SGS’s tax penalty from approximately \$80.0 million to approximately \$26.5 million (“Proposed Case”).

Based on preliminary advice from the Company’s independent Mongolian legal counsel and tax consultants: (i) SGS has not been named as a third party defendant to these proceedings; (ii) the TDRC’s Revised Re-assessment Result remains legally enforceable unless formally overturned by the court; and (iii) SGS’s acceptance of the TDRC’s decision makes the ruling final under Mongolian tax law.

On April 25, 2025, SGS obtained a copy of an order dated April 15, 2025 (the “Latest Court Order”) issued by the Administrative Court of First Instance refusing to accept the Proposed Case. According to the Latest Court Order, the Proposed Case has been dismissed by the Administrative Court of First Instance. According to applicable Mongolian laws, the plaintiff is entitled to file an appeal to the appellate court, and the Company understands that the MTA Officials, as plaintiff in the Proposed Case, has filed an appeal.

As at March 31, 2025, the Company recorded an additional tax and tax penalty in the amount of \$45.5 million (December 31, 2024: \$45.5 million), which consists of a tax penalty payable of \$26.5 million (December 31, 2024: \$26.5 million) and a provision for additional late tax penalty of \$19.0 million (December 31, 2024: \$19.0 million). As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48.5 million in 2024. To date, the Company has paid the MTA an aggregate of \$3.3 million in relation to the aforementioned tax penalty. The Company anticipates paying down the outstanding amount of the tax and tax penalty from cash generated from operations in the normal course. According to Mongolian tax law, the Mongolian tax authority has a legal authority to demand payment of the outstanding amount of the Revised Re-assessment Result from the Company at its discretion.

- **2025 March Deferral Agreement** – On March 20, 2025, the Company and JD Zhixing Fund L.P. (“JDZF”) entered into an agreement (the “2025 March Deferral Agreement”) pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash and payment-in-kind interest (“PIK Interest”), management fees, and related deferral fees in the aggregate amount of approximately \$111.6 million which will be due and payable to JDZF on or before August 31, 2025 pursuant to the deferral agreement dated March 19, 2024 and the deferral agreement dated April 30, 2024; (ii) semi-annual cash interest payment of approximately \$7.9 million payable to JDZF on May 19, 2025 under the Convertible Debenture; (iii) semi-annual cash interest payments of approximately \$8.1 million payable to JDZF on November 19, 2025 and the \$4.0 million in PIK Interest payable to JDZF on November 19, 2025 under the JDZF convertible debenture (the “Convertible Debenture”); and (iv) management fees in the aggregate amount of approximately \$6.1 million payable to JDZF on May 16, 2025, August 15, 2025, November 15, 2025 and February 15, 2026, respectively, under the amended and restated mutual cooperation agreement (the “Amended and Restated Cooperation Agreement”) (collectively, the “2025 March Deferred Amounts”).

The effectiveness of the 2025 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2025 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2025 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company will be seeking approval of the 2025 March Deferral Agreement from disinterested shareholders at the Company’s upcoming annual general meeting (“AGM”) of shareholders, which will be held at a future date to be set by the Board.

The principal terms of the 2025 March Deferral Agreement are as follows:

- Payment of the 2025 March Deferred Amounts will be deferred until August 31, 2026 (the “2025 March Deferral Agreement Deferral Date”).
- As consideration for the deferral of the 2025 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2025 March Deferred Amounts, commencing on the date on which each such 2025 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2025 March Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2025 March Deferred Amounts commencing on the date on which each such 2025 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- The 2025 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2025 March Deferred Amounts or related deferral fees. Instead, the 2025 March Deferral Agreement requires the Company to use its best efforts to pay the 2025 March Deferred Amounts and related deferral fees due and payable under the 2025 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2025 March Deferral Agreement and ending as of the 2025 March Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2025 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2025 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.
- ***Changes in Management***

Mr. Munkhbat Chuluun: Mr. Chuluun was transitioned from Vice President of Public Relations to a non-managerial position within the Company on January 1, 2025.

- ***Going Concern*** – Several adverse conditions and material uncertainties relating to the Company cast significant doubt upon the going concern assumption which includes the deficiencies in assets and working capital.

See section "Liquidity and Capital Resources" of this press release for details.

OVERVIEW OF OPERATIONAL DATA AND FINANCIAL RESULTS

Summary of Operational Data

	Three months ended March 31,	
	2025	2024
Sales Volumes, Prices and Costs		
Premium semi-soft coking coal		
Coal sales (<i>millions of tonnes</i>)	0.04	0.36
Average realised selling price (<i>per tonne</i>)	\$ 90.75	\$ 111.01
Standard semi-soft coking coal/premium thermal coal		
Coal sales (<i>millions of tonnes</i>)	0.95	0.28
Average realised selling price (<i>per tonne</i>)	\$ 70.46	\$ 76.07
Standard thermal coal		
Coal sales (<i>millions of tonnes</i>)	0.14	0.12
Average realised selling price (<i>per tonne</i>)	\$ 35.37	\$ 47.91
Processed coal		
Coal sales (<i>millions of tonnes</i>)	0.93	0.29
Average realised selling price (<i>per tonne</i>)	\$ 50.57	\$ 56.65
Total		
Coal sales (<i>millions of tonnes</i>)	2.06	1.05
Average realised selling price (<i>per tonne</i>)	\$ 59.51	\$ 79.52
Raw coal production (<i>millions of tonnes</i>)	3.92	1.25
Cost of sales of product sold (<i>per tonne</i>)	\$ 64.90	\$ 43.36
Direct cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 53.97	\$ 30.70
Mine administration cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 1.70	\$ 1.08
Total cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 55.67	\$ 31.78

Other Operational Data

Production waste material moved (<i>millions of bank cubic meters</i>)	19.36	12.36
Strip ratio (<i>bank cubic meters of waste material per tonne of coal produced</i>)	4.93	9.87
Lost time injury frequency rate ⁽ⁱⁱ⁾	0.00	0.22

⁽ⁱ⁾ A Non-International Financial Reporting Standards ("non-IFRS") financial measure, refer to "Non-IFRS Financial Measures" section. Cash costs of product sold exclude idled mine asset cash costs.

⁽ⁱⁱ⁾ Per 200,000 man hours and calculated based on a rolling 12 month average.

Overview of Operational Data

The Company ended the first quarter of 2025 without a lost time injury. As at March 31, 2024, the Company had a lost time injury frequency rate of 0.22 per 200,000 man hours based on a rolling 12-month average.

The Company recorded an average realised selling price of \$59.5 per tonne in the first quarter of 2025 compared to \$79.5 per tonne in the first quarter of 2024. The decrease was mainly due to the Company facing headwinds in the China coal market since 2024, leading to the Company changing its product mix to sell a greater percentage of lower-priced coal products. The product mix for the first quarter of 2025 consisted of approximately 2% of premium semi-soft coking coal, 46% of standard semi-soft coking coal/premium thermal coal, 7% of standard thermal coal and 45% of processed coal compared to approximately 34% of premium semi-soft coking coal, 27% of standard semi-soft coking coal/premium thermal coal, 11% of standard thermal coal and 28% of processed coal for the first quarter of 2024.

The Company's unit cost of sales of product sold was \$64.9 per tonne in the first quarter of 2025 compared to \$43.4 per tonne in the first quarter of 2024. The increase was due to change in product mix with the Company expanding into certain categories of processed coal with higher production costs and more sales were made to a farther destination with higher transportation cost.

Summary of Financial Results

\$ in thousands, except per share information	Three months ended	
	March 31, 2025	2024
Revenue ⁽ⁱ⁾	\$ 122,867	\$ 82,169
Cost of sales ⁽ⁱ⁾	(133,689)	(45,533)
Gross profit/(loss) excluding idled mine asset costs ⁽ⁱⁱ⁾	(10,571)	36,682
Gross profit/(loss)	(10,822)	36,636
Other operating expenses, net	(1,571)	(1,053)
Administration expenses	(3,249)	(3,413)
Evaluation and exploration expenses	(32)	(22)
Profit/(loss) from operations	(15,674)	32,148
Finance costs	(8,812)	(11,021)
Finance income	21	73
Share of earnings of joint ventures	613	833
Share of earnings/(loss) of associates	(187)	10
Current income tax expenses	(2,166)	(9,791)
Net profit/(loss) attributable to equity holders of the Company	(26,205)	12,252
Basic and diluted earnings/(loss) per share	\$ (0.088)	\$ 0.041

⁽ⁱ⁾ Revenue and cost of sales related to the Company's Ovoot Tolgoi Mine within the Coal Division operating segment. Refer to note 3 of the condensed consolidated interim financial statements for further analysis regarding the Company's reportable operating segments.

⁽ⁱⁱ⁾ A non-IFRS financial measure, idled mine asset costs represents the depreciation expense relates to the Company's idled plant and equipment.

Overview of Financial Results

The Company recorded a \$15.7 million loss from operations for the first quarter of 2025 compared to \$32.1 million profit from operations for the first quarter of 2024. The decrease was mainly due to the decreased average realised selling price and the change in product mix, as the Company sold more processed coal with higher production costs during the first quarter of 2025.

Revenue was \$122.9 million for the first quarter of 2025 compared to \$82.2 million for the first quarter of 2024. The financial results were impacted by increased sales volume, as a result of expansion of its sales network, diversification of its customer base and expansion of the categories of coal products in its portfolio.

Cost of sales was \$133.7 million for the first quarter of 2025 compared to \$45.5 million for the first quarter of 2024. The increase in cost of sales was mainly due to increased sales volume, the Company expanding into certain categories of processed coal with higher production costs and more sales were made to a farther destination with higher transportation cost.

Cost of sales consists of operating expenses, share-based compensation expense, equipment depreciation, depletion of mineral properties, royalties and idled mine asset costs. Operating expenses in cost of sales reflect the total cash costs of product sold (a Non-IFRS financial measure, refer to “Non-IFRS Financial Measures” section of this press release for further analysis) during the quarter.

<i>\$ in thousands</i>	Three months ended	
	March 31,	
	2025	2024
Operating expenses	\$ 114,682	\$ 33,371
Depreciation and depletion	8,775	2,210
Royalties	9,981	9,906
Cost of sales from mine operations	133,438	45,487
Cost of sales related to idled mine assets	251	46
Cost of sales	<u>\$ 133,689</u>	<u>\$ 45,533</u>

Operating expenses in cost of sales were \$114.7 million for the first quarter of 2025 compared to \$33.4 million for the first quarter of 2024. The overall increase in operating expenses was due to the Company expanding into certain categories of processed coal with higher production costs and more sales were made to a farther destination with higher transportation cost.

Cost of sales related to idled mine assets for the first quarter of 2025 included \$0.3 million related to depreciation expenses for idled equipment (first quarter of 2024: \$0.1 million).

Other operating expenses were \$1.6 million for the first quarter of 2025 (first quarter of 2024: \$1.1 million). The increase was due to increased management fee for the first quarter of 2025.

<i>\$ in thousands</i>	Three months ended	
	March 31,	
	2025	2024
Management fee	\$ 1,688	\$ 1,116
Reversal of provision for doubtful trade and other receivables	(56)	(19)
Foreign exchange loss/(gain), net	(31)	200
Reversal of impairment loss on materials and supplies inventories	(30)	(7)
Gain on contract offsetting arrangement	—	(237)
	<u> </u>	<u> </u>
Other operating expenses, net	<u>\$ 1,571</u>	<u>\$ 1,053</u>

Administration expenses were \$3.2 million for the first quarter of 2025 as compared to \$3.4 million for the first quarter of 2024.

<i>\$ in thousands</i>	Three months ended	
	March 31,	
	2025	2024
Corporate administration	\$ 1,042	\$ 704
Legal and professional fees	541	849
Salaries and benefits	1,567	1,726
Share-based compensation expense	—	1
Depreciation	99	133
	<u> </u>	<u> </u>
Administration expenses	<u>\$ 3,249</u>	<u>\$ 3,413</u>

The Company continued to minimise evaluation and exploration expenditures in the first quarter of 2025 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in the first quarter of 2025 were limited to ensuring that the Company met the Mongolian Minerals Law requirements in respect of its mining licenses.

Finance costs were \$8.8 million and \$11.0 million for the first quarter of 2025 and 2024 respectively, which primarily consisted of interest expense on the \$250.0 million Convertible Debenture.

Summary of Quarterly Operational Data

Quarter Ended	2025		2024				2023	
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Sales Volumes, Prices and Costs								
Premium semi-soft coking coal								
Coal sales (<i>millions of tonnes</i>)	0.04	0.16	0.10	0.29	0.36	0.54	0.64	0.57
Average realised selling price (<i>per tonne</i>)	\$ 90.75	\$ 89.56	\$ 116.48	\$ 102.61	\$ 111.01	\$ 107.59	\$ 100.33	\$ 103.33
Standard semi-soft coking coal/premium thermal coal								
Coal sales (<i>millions of tonnes</i>)	0.95	1.31	1.09	0.28	0.28	0.29	0.18	0.05
Average realised selling price (<i>per tonne</i>)	\$ 70.46	\$ 69.30	\$ 72.54	\$ 77.04	\$ 76.07	\$ 72.41	\$ 68.43	\$ 67.09
Standard thermal coal								
Coal sales (<i>millions of tonnes</i>)	0.14	0.38	0.24	0.12	0.12	–	–	–
Average realised selling price (<i>per tonne</i>)	\$ 35.37	\$ 36.99	\$ 37.20	\$ 36.10	\$ 47.91	\$ –	\$ –	\$ –
Processed coal								
Coal sales (<i>millions of tonnes</i>)	0.93	0.81	0.68	0.51	0.29	0.13	0.33	0.26
Average realised selling price (<i>per tonne</i>)	\$ 50.57	\$ 68.66	\$ 63.65	\$ 73.04	\$ 56.65	\$ 77.23	\$ 66.03	\$ 82.99
Total								
Coal sales (<i>millions of tonnes</i>)	2.06	2.66	2.11	1.20	1.05	0.96	1.15	0.88
Average realised selling price (<i>per tonne</i>)	\$ 59.51	\$ 65.72	\$ 67.77	\$ 77.55	\$ 79.52	\$ 92.93	\$ 85.57	\$ 95.34
Raw coal production (<i>millions of tonnes</i>)	3.92	4.19	2.75	2.01	1.25	1.34	1.18	0.97
Cost of sales of product sold (<i>per tonne</i>)	\$ 64.90	\$ 48.92	\$ 52.77	\$ 61.32	\$ 43.36	\$ 38.17	\$ 42.23	\$ 47.76
Direct cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 53.97	\$ 37.92	\$ 41.74	\$ 47.15	\$ 30.70	\$ 26.20	\$ 32.26	\$ 33.79
Mine administration cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 1.70	\$ 1.88	\$ 0.94	\$ 2.42	\$ 1.08	\$ 1.83	\$ 0.82	\$ 1.60
Total cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 55.67	\$ 39.80	\$ 42.68	\$ 49.57	\$ 31.78	\$ 28.03	\$ 33.08	\$ 35.39
Other Operational Data								
Production waste material moved (<i>millions of bank cubic meters</i>)								
	19.36	17.48	15.04	14.59	12.36	7.81	7.34	7.73
Strip ratio (<i>bank cubic meters of waste material per tonne of coal produced</i>)								
	4.93	4.17	5.48	7.27	9.87	5.85	6.24	7.93
Lost time injury frequency rate ⁽ⁱⁱ⁾								
	0.00	0.00	0.00	0.00	0.22	0.22	0.21	0.23

⁽ⁱ⁾ A non-IFRS financial measure, refer to section “Non-IFRS Financial Measures”. Cash costs of product sold exclude idled mine asset cash costs.

⁽ⁱⁱ⁾ Per 200,000 man hours and calculated based on a rolling 12 month average.

Summary of Quarterly Financial Results

The Company's condensed consolidated interim financial statements are reported under IFRS Accounting Standards issued by the International Accounting Standards Board. The following table provides highlights, extracted from the Company's annual and interim consolidated financial statements, of quarterly results for the past eight quarters.

<i>\$ in thousands, except per share information</i>	2025		2024		2023			
Quarter Ended	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Financial Results								
Revenue ⁽ⁱ⁾	\$ 122,867	\$ 174,640	\$ 143,748	\$ 92,821	\$ 82,169	\$ 88,504	\$ 97,979	\$ 83,243
Cost of sales ⁽ⁱ⁾	(133,689)	(130,119)	(111,354)	(73,582)	(45,533)	(36,645)	(48,569)	(42,027)
Gross profit/(loss) excluding idled mine asset costs ⁽ⁱⁱ⁾	(10,571)	44,757	32,544	19,303	36,682	51,908	49,491	41,227
Gross profit/(loss) including idled mine asset costs	(10,822)	44,521	32,394	19,239	36,636	51,859	49,410	41,216
Other operating income/(expenses), net	(1,571)	(1,194)	(294)	(1,157)	(1,053)	4,308	(413)	(4,001)
Administration expenses	(3,249)	(3,627)	(3,400)	(3,014)	(3,413)	(3,879)	(1,846)	(2,656)
Evaluation and exploration expenses	(32)	(314)	(1,003)	(23)	(22)	(91)	(808)	(28)
Reversal of/(provision for) additional tax and tax penalty	–	39,666	–	–	–	(10,153)	–	(74,990)
Profit/(loss) from operations	(15,674)	79,052	27,697	15,045	32,148	42,044	46,343	(40,459)
Finance costs	(8,812)	(6,893)	(10,679)	(10,322)	(11,021)	(12,334)	(13,266)	(11,558)
Finance income	21	3,247	733	722	73	40	4,915	44
Share of earnings of joint ventures	613	1,206	133	1,055	833	1,101	809	428
Share of earnings/(loss) of associates	(187)	578	(1)	–	10	4	–	–
Current income tax expenses	(2,166)	(4,899)	(7,844)	(8,585)	(9,791)	(6,519)	(9,452)	(9,087)
Net profit/(loss)	(26,205)	72,291	10,039	(2,085)	12,252	24,336	29,349	(60,632)
Basic earnings/(loss) per share	\$ (0.088)	\$ 0.244	\$ 0.034	\$ (0.007)	\$ 0.041	\$ 0.082	\$ 0.099	\$ (0.205)
Diluted earnings/(loss) per share	\$ (0.088)	\$ 0.228	\$ 0.034	\$ (0.007)	\$ 0.041	\$ 0.082	\$ 0.099	\$ (0.205)

⁽ⁱ⁾ Revenue and cost of sales relate to the Company's Ovoot Tolgoi Mine within the Coal Division operating segment. Refer to note 3 of the condensed consolidated interim financial statements for further analysis regarding the Company's reportable operating segments.

⁽ⁱⁱ⁾ A non-IFRS financial measure, idled mine asset costs represents the depreciation expense relates to the Company's idled plant and equipment.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Management

The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and the Company's expansionary plans.

Costs reimbursable to Turquoise Hill Resources Limited ("Turquoise Hill")

Prior to the completion of a private placement with Novel Sunrise Investments Limited on April 23, 2015, Rio Tinto plc ("Rio Tinto") was the Company's ultimate parent company. In the past, Rio Tinto sought reimbursement from the Company for the salaries and benefits of certain Rio Tinto employees who were assigned by Rio Tinto to work for the Company, as well as certain legal and professional fees incurred by Rio Tinto in relation to the Company's prior internal investigation and Rio Tinto's participation in the tripartite committee. Subsequently Rio Tinto transferred and assigned to Turquoise Hill its right to seek reimbursement for these costs and fees from the Company.

On January 20, 2021, the Company and Turquoise Hill entered into a settlement agreement, whereby Turquoise Hill agreed to a repayment schedule in settlement of certain secondment costs in the amount of \$2.8 million (representing a portion of the TRQ Reimbursable Amount) pursuant to which the Company agreed to make monthly payments to Turquoise Hill in the amount of \$0.1 million per month from January 2021 to June 2022. The Company is contesting the validity of the remaining balance of the TRQ Reimbursable Amount claimed by Turquoise Hill.

As at March 31, 2025, the amount of reimbursable costs and fees claimed by Turquoise Hill (the "TRQ Reimbursable Amount") amounted to \$6.3 million (such amount is included in the trade and other payables).

Additional tax and tax penalty imposed by the MTA

On July 18, 2023, SGS received the Notice issued by the MTA stating that the MTA had completed the Audit on the financial information of SGS for the tax assessment years between 2017 and 2020, including transfer pricing, royalty, air-pollution fee and unpaid tax payables. As a result of the Audit, the MTA notified SGS that it is imposing a tax penalty against SGS in the amount of approximately \$75.0 million. The penalty mainly relates to the different view on the interpretation of tax law between the Company and the MTA. Under Mongolian law, the Company had a period of 30 days from the date of receipt of the Notice to file an appeal in relation to the Audit. Subsequently the Company engaged an independent tax consultant in Mongolia to provide tax advice and support to the Company and filed an appeal letter in relation to the Audit with the MTA in accordance with Mongolian laws on August 17, 2023.

On February 8, 2024, SGS received notice from the TDRC which stated that, after the TDRC's review, the TDRC issued a decision in relation to SGS' appeal of the Audit, and ordered that the audit assessments set forth in the Notice of July 18, 2023 be sent back to the MTA for review and re-assessment.

On February 22, 2024, SGS received another notice from the MTA stating that the MTA anticipated commencing the re-assessment process on or about March 7, 2024 and the duration of such process will be approximately 45 working days.

On May 15, 2024, SGS received the Revised Notice from the MTA regarding the Re-assessment Result. The re-assessed amount of the tax penalty is approximately \$80.0 million. In accordance with applicable Mongolian laws, SGS is entitled to file an appeal to the TDRC regarding the Re-assessment Result within a 30-day period from the date of receiving the Revised Notice.

On June 12, 2024, following consultation with its independent tax consultant in Mongolia, SGS submitted an appeal letter to the TDRC regarding the Re-assessment Result, in accordance with applicable Mongolian laws.

On January 10, 2025, SGS received the Resolution from the TDRC in response to the appeal letter sent by SGS to the TDRC on June 12, 2024, relating to the Re-assessment Result. As set forth in the Resolution, the TDRC has determined to reduce the re-assessed amount of tax penalty against SGS from approximately \$80.0 million to approximately \$26.5 million. In accordance with applicable Mongolian laws, SGS is entitled to file an appeal to the Administrative Court of First Instance regarding the Revised Re-assessment Result within a 30-day period from the date of receiving the Resolution. After careful consideration and consultation with the Company's independent tax consultant in Mongolia, the Company has determined not to pursue a further appeal of the Revised Re-assessment Result with the Administrative Court of First Instance.

On March 19, 2025, SGS received correspondence from the Administrative Court of First Instance requesting supplemental information regarding a court proceeding initiated by the MTA Officials against the TDRC. Upon further enquiry, SGS obtained a copy of an order dated March 7, 2025 issued by the Administrative Court of First Instance regarding the Proposed Case.

Based on preliminary advice from the Company's independent Mongolian legal counsel and tax consultants: (i) SGS has not been named as a third party defendant to these proceedings; (ii) the TDRC's Revised Re-assessment Result remains legally enforceable unless formally overturned by the court; and (iii) SGS's acceptance of the TDRC's decision makes the ruling final under Mongolian tax law.

On April 25, 2025, SGS obtained a copy of the Latest Court Order issued by the Administrative Court of First Instance refusing to accept the Proposed Case. According to the Latest Court Order, the Proposed Case has been dismissed by the Administrative Court of First Instance. According to applicable Mongolian laws, the plaintiff is entitled to file an appeal to the appellate court, and the Company understands that the MTA Officials, as plaintiff in the Proposed Case, has filed an appeal.

As at March 31, 2025, the Company recorded an additional tax and tax penalty in the amount of \$45.5 million (December 31, 2024: \$45.5 million), which consists of a tax penalty payable of \$26.5 million (December 31, 2024: \$26.5 million) and a provision for additional late tax penalty of \$19.0 million (December 31, 2024: \$19.0 million). As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48.5 million in 2024. To date, the Company has paid the MTA an aggregate of \$3.3 million in relation to the aforementioned tax penalty. The Company anticipates paying down the outstanding amount of the tax and tax penalty from cash generated from operations in the normal course. According to Mongolian tax law, the Mongolian tax authority has a legal authority to demand payment of the outstanding amount of the Revised Re-assessment Result from the Company at its discretion.

Going concern considerations

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least March 31, 2026 and will be able to realise its assets and discharge its liabilities in the normal course of operations as they come due. However, in order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with sufficient liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's condensed consolidated interim financial statements. The Company had a deficiency in assets of \$80.3 million as at March 31, 2025 as compared to a deficiency in assets of \$49.8 million as at December 31, 2024 while the working capital deficiency (excess current liabilities over current assets) reached \$253.4 million as at March 31, 2025 compared to a working capital deficiency of \$228.1 million as at December 31, 2024.

Included in the working capital deficiency as at March 31, 2025 are significant obligations, represented by trade and other payables of \$190.6 million and the additional tax and tax penalty of \$42.2 million.

The Company may not be able to settle all trade and other payables on a timely basis, and as a result any continuing postponement in settling of certain trade and other payables owed to suppliers and creditors may result in potential lawsuits and/or bankruptcy proceedings being filed against the Company. Except as disclosed elsewhere in this press release, no such lawsuits or proceedings were pending as at May 15, 2025. However, there can be no assurance that no such lawsuits or proceedings will be filed by the Company's creditors in the future and the Company's suppliers and contractors will continue to supply and provide services to the Company uninterrupted.

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the condensed consolidated interim financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Company's assets to their realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the condensed consolidated interim financial statements. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

For the purpose of assessing the appropriateness of the use of the going concern basis to prepare the financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from March 31, 2025. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (a) entering into the 2025 March Deferral Agreement on March 20, 2025 for a deferral of the 2025 March Deferred Amounts; (b) communicating with vendors in agreeing repayment plans of the outstanding payable; and (c) obtaining an avenue of financial support from an affiliate of the Company's major shareholder for a maximum amount of \$127.0 million (equivalent to RMB 900 million) during the period covered in the cash flow projection. Regarding these plans and measures, there is no guarantee that the suppliers would agree the settlement plan as communicated by the Company. Nevertheless, after considering the above, the directors of the Company believe that there will be sufficient financial resources to continue its operations and to meet its financial obligations as and when they fall due in the next 12 months from March 31, 2025 and therefore are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

Significant uncertainties exist regarding the Company's management's ability to achieve its plans as described above. The continued operation of the Company as a going concern depends on a key factor: the utilisation of the financial support from an affiliate of the Company's major shareholder to settle payables, including the additional tax and tax penalty, in a timely manner.

The outcome of this factor will have a significant impact on the Company's ability to continue operating as a going concern. It is crucial to closely monitor and address these uncertainties to ensure the Company's stability and long-term viability.

Factors that impact the Company's liquidity are being closely monitored and include, but are not limited to, restrictions on the Company's ability to import its coal products for sale in China, Chinese economic growth, market prices of coal, production levels, operating cash costs, capital costs, exchange rates of currencies of countries where the Company operates and exploration and discretionary expenditures.

As at March 31, 2025 and December 31, 2024, the Company was not subject to any externally imposed capital requirements.

Convertible Debenture

In November 2009, the Company entered into a financing agreement with China Investment Corporation (together with its wholly-owned subsidiaries and affiliates, "CIC") for \$500 million in the form of a secured, convertible debenture bearing interest at 8.0% (6.4% payable semi-annually in cash and 1.6% payable annually in the Company's Common Shares) with a maximum term of 30 years. The Convertible Debenture is secured by a first ranking charge over the Company's assets, including shares of its material subsidiaries. The financing was used primarily to support the accelerated investment program in Mongolia and for working capital, repayment of debts, general and administrative expenses and other general corporate purposes.

On March 29, 2010, the Company exercised its right to call for the conversion of up to \$250.0 million of the Convertible Debenture into approximately 21.5 million shares at a conversion price of \$11.64 (CA\$11.88).

Deferral Agreements

On March 20, 2025, the Company and JDZF entered into the 2025 March Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash and PIK Interest, management fees, and related deferral fees in the aggregate amount of approximately \$111.6 million which will be due and payable to JDZF on or before August 31, 2025 pursuant to the deferral agreement dated March 19, 2024 and the deferral agreement dated April 30, 2024; (ii) semi-annual cash interest payment of approximately \$7.9 million payable to JDZF on May 19, 2025 under the Convertible Debenture; (iii) semi-annual cash interest payments of approximately \$8.1 million payable to JDZF on November 19, 2025 and the \$4.0 million in PIK Interest payable to JDZF on November 19, 2025 under the Convertible Debenture; and (iv) management fees in the aggregate amount of approximately \$6.1 million payable to JDZF on May 16, 2025, August 15, 2025, November 15, 2025 and February 15, 2026, respectively, under Amended and Restated Cooperation Agreement (collectively, the "2025 March Deferred Amounts").

The effectiveness of the 2025 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2025 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2025 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Listing Rules. The Company will be seeking approval of the 2025 March Deferral Agreement from disinterested shareholders at the Company's upcoming AGM of shareholders, which will be held at a future date to be set by the Board.

The principal terms of the 2025 March Deferral Agreement are as follows:

- Payment of the 2025 March Deferred Amounts will be deferred until the 2025 March Deferral Agreement Deferral Date.
- As consideration for the deferral of the 2025 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2025 March Deferred Amounts, commencing on the date on which each such 2025 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2025 March Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2025 March Deferred Amounts commencing on the date on which each such 2025 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2025 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2025 March Deferred Amounts or related deferral fees. Instead, the 2025 March Deferral Agreement requires the Company to use its best efforts to pay the 2025 March Deferred Amounts and related deferral fees due and payable under the 2025 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2025 March Deferral Agreement and ending as of the 2025 March Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2025 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2025 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

Ovoot Tolgoi Mine Impairment Analysis

The Company determined that an indicator of impairment existed for its Ovoot Tolgoi Mine cash generating unit as at March 31, 2025. The impairment indicator was the uncertainty of future coal price in China. Since the recoverable amount was higher than carrying value of the Ovoot Tolgoi Mine cash generating unit, there was no impairment of non-financial asset recognised during the three months ended March 31, 2025.

REGULATORY ISSUES AND CONTINGENCIES

Lawsuit

In January 2014, Siskinds LLP, a Canadian law firm, filed a class action (the “Class Action”) against the Company, certain of its former senior officers and directors, and its former auditors (the “Former Auditors”), in the Ontario Court in relation to the Company’s restatement of certain financial statements previously disclosed in the Company’s public filings (the “Restatement”).

To commence and proceed with the Class Action, the plaintiff was required to seek leave of the Court under the Ontario Securities Act (“Leave Motion”) and certify the action as a class proceeding under the Ontario Class Proceedings Act. The Ontario Court rendered its decision on the Leave Motion on November 5, 2015, dismissing the action against the former senior officers and directors and allowing the action to proceed against the Company in respect of alleged misrepresentation affecting trades in the secondary market for the Company’s securities arising from the Restatement. The action against the Former Auditors was settled by the plaintiff on the eve of the Leave Motion.

Both the plaintiff and the Company appealed the Leave Motion decision to the Ontario Court of Appeal. On September 18, 2017, the Ontario Court of Appeal dismissed the Company’s appeal of the Leave Motion to permit the plaintiff to commence and proceed with the Class Action. Concurrently, the Ontario Court of Appeal granted leave for the plaintiff to proceed with their action against the former senior officers and directors in relation to the Restatement.

The Company filed an application for leave to appeal to the Supreme Court of Canada in November 2017, but the leave to appeal to the Supreme Court of Canada was dismissed in June 2018.

In December 2018, the parties agreed to a consent Certification Order, whereby the action against the former senior officers and directors was withdrawn and the Class Action would only proceed against the Company.

To date, counsel for the plaintiffs and defendant have completed (i) all document production and (ii) defence oral examinations for discovery. Counsel for the plaintiffs have served their expert reports on liability and damages.

Since May 2024, counsel for the plaintiffs and defendant have entered into two good faith procedural agreements (the “Procedural Agreement”). The parties have engaged the services of an experienced neutral former Chief Justice of Ontario (the “Mediator”) to act as a mediator to assist the parties in resolving all pre-trial matters as set out in the Procedural Agreements. The parties have agreed to a pre-trial mediation before the Mediator, which is scheduled for August 2025 with an intention to have the case ready for trial by November 2025. In the interim, the parties continue to work with the Mediator to resolve outstanding procedural disputes. The Court has not yet scheduled trial dates. The Company continues to urge a trial as early as possible.

The Company firmly believes that it has a strong defense on the merits and will continue to vigorously defend itself against the Class Action through independent Canadian litigation counsel retained by the Company for this purpose. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Class Action or determine the amount of potential losses, if any. However, the Company has determined that a provision for this matter as at March 31, 2025 was not required.

Toll Wash Plant Agreement with Ejin Jinda

In 2011, the Company entered into an agreement with Ejin Jinda, a subsidiary of China Mongolia Coal Co. Ltd., to toll-wash coal from the Ovoot Tolgoi Mine. The agreement had a duration of five years from the commencement of the contract and provided for an annual washing capacity of approximately 3.5 million tonnes of input coal.

Under the agreement with Ejin Jinda, which required the commercial operation of the wet washing facility to commence on October 1, 2011, the additional fees payable by the Company under the wet washing contract would have been \$18.5 million. At each reporting date, the Company assesses the agreement with Ejin Jinda and has determined it is not probable that this \$18.5 million will be required to be paid. Accordingly, the Company has determined that a provision for this matter as at March 31, 2025 was not required.

Special Needs Territory in Umnugobi

On February 13, 2015, the Soumber mining licenses (MV-016869, MV-020436 and MV-020451) (the "License Areas") were included into a special protected area (to be further referred as Special Needs Territory, the "SNT") newly set up by the Umnugobi Aimag's Civil Representatives Khural (the "CRKh") to establish a strict regime on the protection of natural environment and prohibit mining activities in the territory of the SNT.

On July 8, 2015, SGS and the chairman of the CRKh, in his capacity as the respondent's representative, reached an agreement (the "Amicable Resolution Agreement") to exclude the License Areas from the territory of the SNT in full, subject to confirmation of the Amicable Resolution Agreement by the session of the CRKh. The parties formally submitted the Amicable Resolution Agreement to the appointed judge of the 12th Court for Administrative Cases of First Instance (the "Administrative Court") for her approval and requested a dismissal of the case in accordance with the Law of Mongolia on Administrative Court Procedure. On July 10, 2015, the judge issued her order approving the Amicable Resolution Agreement and dismissing the case, while reaffirming the obligation of CRKh to take necessary actions at its next session to exclude the License Areas from the SNT and register the new map of the SNT with the relevant authorities. Mining activities at the Soumber property cannot proceed unless and until the Company obtains a court order restoring the Soumber mining licenses and until the License Areas are removed from the SNT.

On July 24, 2021, SGS was notified by the Implementing Agency of Mongolian Government that the license area covered by two mining licenses (MV-016869 and MV-020451) are no longer overlapping with the SNT. The Company will continue to work with the Mongolian authorities regarding the license area covered by the mining license (MV-020436).

On December 7, 2023, the Citizen representative Khural of Gurvantes soum held a meeting and passed a resolution (the “Gurvantes Soum Resolution”) claiming that the License Areas were part of local special needs protection area. A request letter was sent to Mineral Resources and Petroleum Authority of Mongolia (“MRPAM”) on January 4, 2024.

On January 11, 2024, MRPAM issued an official letter to the Citizen representative Khural of Gurvantes soum and concluded that request was not reasonable and the License Areas will not be registered on the Cadastre mapping system.

On June 18, 2024, the Court of First Instance in Umnugobi Province reviewed the above subject matter in which SGS is the plaintiff and Citizen’s Representative Meetings of Gurvantes soum is the defendant. The Court of First Instance determined that the claims made by Citizen’s Representative Meetings of Gurvantes soum relating to the License Areas as set forth in the Gurvantes Soum Resolution were invalid. Citizen’s Representative Meetings of Gurvantes soum has since applied to the Court of Appeals for an appeal of the Court of First Instance’s decision.

On September 12, 2024, the Court of Appeals reviewed the appeal made by Citizen’s Representative Meetings of Gurvantes soum and determined that the appeal was invalid. Citizen’s Representative Meetings of Gurvantes soum did not apply to the Supreme Court of Mongolia for an appeal of the Court of Appeals’ decision upon the expiry of the application deadline. As a result, the decision made by the Court of Appeals is final and conclusive.

Tax Legislation

Mongolian tax, currency and customs legislation is subject to varying interpretation, and changes which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. The MTA may take a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as VAT, withholding tax, corporate income tax, personal income tax, transfer pricing and other areas. From time to time, the Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Management believes that its interpretation of relevant legislation is appropriate and the Company’s positions related to tax and other legislation will be sustained. However, the Company may be impacted if such unfavourable event occurs. Management regularly performs re-assessment of tax risk and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present.

On March 19, 2025, SGS received correspondence from the Administrative Court of First Instance requesting supplemental information regarding a court proceeding initiated by the MTA Officials against the TDRC. Upon further enquiry, SGS obtained a copy of an order dated March 7, 2025 issued by the Administrative Court of First Instance regarding the Proposed Case.

Based on preliminary advice from the Company's independent Mongolian legal counsel and tax consultants: (i) SGS has not been named as a third party defendant to these proceedings; (ii) the TDRC's Revised Re-assessment Result remains legally enforceable unless formally overturned by the court; and (iii) SGS's acceptance of the TDRC's decision makes the ruling final under Mongolian tax law.

As of March 31, 2025, the Company has recorded an additional tax and tax penalty in the amount of \$45.5 million (December 31, 2024: \$45.5 million), which consists of a tax penalty payable of \$26.5 million (December 31, 2024: \$26.5 million) and a provision for additional late tax penalty of \$19.0 million (December 31, 2024: \$19.0 million). As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48.5 million in 2024. To date, the Company has paid the MTA an aggregate of \$3.3 million in relation to the aforementioned tax penalty, as more particularly detailed under section "Liquidity and Capital Resources" of this press release under the heading entitled "Additional Tax and Tax Penalty Imposed by the MTA".

On April 25, 2025, SGS obtained a copy of the Latest Court Order issued by the Administrative Court of First Instance refusing to accept the Proposed Case. According to the Latest Court Order, the Proposed Case has been dismissed by the Administrative Court of First Instance. According to applicable Mongolian laws, the plaintiff is entitled to file an appeal to the appellate court, and the Company understands that the MTA Officials, as plaintiff in the Proposed Case, has filed an appeal.

Management will continue to assess whether any subsequent event may impact the amount of the additional tax and tax penalty, in which case an adjustment would be recognised in profit or loss and the carrying amount of the tax liabilities shall be adjusted.

OUTLOOK

Global geopolitical landscape has been evolving continuously. The recent trade tensions between China and the United States are expected to reshape the international coal market. As a countermeasure against the new US tariffs on Chinese imports, Chinese government imposed additional custom duties on various products, including US coal, in return. The surging US import price and escalating uncertainty on trade between both countries may lead to a shift in import sources. Chinese coal users may seek to increase imports from other countries like Australia, Russia, Canada and Mongolia, which are more stable and reliable sources of coal, to meet its demand.

Strengthening collaboration between the Chinese and Mongolian governments continues to enhance their trade ties, particularly in energy and resources sectors. Initiatives aimed at improving infrastructure, such as roads and railways, will facilitate smoother logistics for coal exports from Mongolia to China. This provides favourable conditions for Mongolia to capture the growing demand from Chinese markets.

However, the recent challenges faced by China's property market and infrastructure investment, have resulted in an overall decline in its steel demand and production, which has led to a corresponding reduction in coking coal demand.

The Company remains cautiously optimistic regarding the Chinese coal market, as coal is still considered to be the primary energy source which China will continue to rely on in the foreseeable future. Coal supply and coal import in China are expected to be limited due to increasingly stringent requirements relating to environmental protection and safety production, which may result in volatile coal prices in China. The Company will continue to monitor and react proactively to the dynamic market.

With the continuous assistance and support from JDZF, the Company will focus on expanding its market reach and customer base in China to improve the profit margin earned on its coal products.

The Company has been increasing the scale of its mining operations since 2023, as well as implementing various coal processing methods, including screening, wet washing and dry coal processing, which have resulted in enhanced production volumes and growth of coal export volumes into China in 2024.

In 2025, the Company will continue to ramp up its mining operations and coal processing capacity to seize the opportunity in expanding its market share.

In the medium term, the Company will continue to adopt various strategies to enhance its product mix in order to maximise revenue, expand its customer base and sales network, improve logistics, optimise its operational cost structure and, most importantly, operate in a safe and socially responsible manner.

The Company's objectives for the medium term are as follows:

- **Enhance product mix** – The Company will focus on improving the product mix by: (i) improving mining operations; (ii) utilising the Company's dry and wet coal processing plants; and (iii) trading and blending different types of coal to produce blended coal products that are economical to the Company.
- **Expand market reach and customer base** – The Company will endeavor to increase sales volume and sales price by: (i) expanding its sales network and diversifying its customer base; (ii) increasing its coal logistics capacity to resolve the bottleneck in the distribution channel; and (iii) setting and adjusting the sales price based on a more market-oriented approach in order to maximise profit while maintaining sustainable long-term business relationships with customers.
- **Increase production and optimise cost structure** – The Company will aim to increase coal production volume to take advantage of economies of scale. The Company will also focus on reducing its production costs and optimising its cost structure through engaging sizable third-party contract mining companies to enhance its operation efficiency, strengthening procurement management, ongoing training and productivity enhancement.

- **Operate in a safe and socially responsible manner** – The Company will continue to maintain the highest standards in health, safety and environmental performance and operate in a corporate socially responsible manner.

In the long term, the Company will continue to focus on creating and maximising shareholders value by leveraging its key competitive strengths, including:

- **Strategic location** – The Ovoot Tolgoi Mine is located approximately 40km from China, which represents the Company's main coal market. The Company has an infrastructure advantage, being approximately 50km from a major Chinese coal distribution terminal with rail connections to key coal markets in China.
- **A large reserves base** – The Ovoot Tolgoi Deposit has mineral reserves of at least 82.3 million tonnes.
- **Several growth options** – The Company has several growth options including the Soumber Deposit and Zag Suuj Deposit, located approximately 20km east and approximately 150km east of the Ovoot Tolgoi Mine, respectively.
- **Bridge between China and Mongolia** – The Company is well-positioned to capture the resulting business opportunities between China and Mongolia, and have a strong operational record for the past decade in Mongolia. The Company will seek assistance and support from its two largest shareholders, which are both experienced coal mining enterprises in China.

NON-IFRS FINANCIAL MEASURES

Cash Costs

The Company uses cash costs to describe its cash production and associated cash costs incurred in bringing the inventories to their present locations and conditions. Cash costs incorporate all production costs, which include direct and indirect costs of production, with the exception of idled mine asset costs and non-cash expenses which are excluded. Non-cash expenses include share-based compensation expense, impairment of coal stockpile inventories, depreciation and depletion of property, plant and equipment and mineral properties. The Company uses this performance measure to monitor its operating cash costs internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS Accounting Standards do not fully illustrate the ability of its mining operations to generate cash flows. The Company reports cash costs on a sales basis. This performance measure is commonly utilised in the mining industry.

SUMMARISED COMPREHENSIVE INCOME INFORMATION*(Expressed in thousands of USD, except for per share amounts)*

	Three months ended	
	March 31,	
	2025	2024
Revenue	\$ 122,867	\$ 82,169
Cost of sales	<u>(133,689)</u>	<u>(45,533)</u>
Gross profit/(loss)	(10,822)	36,636
Other operating expenses, net	(1,571)	(1,053)
Administration expenses	(3,249)	(3,413)
Evaluation and exploration expenses	<u>(32)</u>	<u>(22)</u>
Profit/(loss) from operations	(15,674)	32,148
Finance costs	(8,812)	(11,021)
Finance income	21	73
Share of earnings of joint ventures	613	833
Share of earnings/(loss) of associates	<u>(187)</u>	<u>10</u>
Profit/(loss) before tax	(24,039)	22,043
Current income tax expenses	<u>(2,166)</u>	<u>(9,791)</u>
Net profit/(loss) attributable to equity holders of the Company	<u>(26,205)</u>	<u>12,252</u>
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Exchange difference on translation of foreign operation	<u>(4,228)</u>	<u>2,202</u>
Net comprehensive income/(loss) attributable to equity holders of the Company	<u><u>\$ (30,433)</u></u>	<u><u>\$ 14,454</u></u>
Basic and diluted earnings/(loss) per share	\$ (0.088)	\$ 0.041

SUMMARISED FINANCIAL POSITION INFORMATION

(Expressed in thousands of USD)

	As at	
	March 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 5,385	\$ 8,590
Restricted cash	836	274
Trade and other receivables	20,963	31,486
Inventories	121,640	107,246
Prepaid expenses	4,985	6,083
Total current assets	153,809	153,679
Non-current assets		
Property, plant and equipment	246,613	243,564
Investments in joint ventures	12,581	12,400
Investments in associates	19,650	20,210
Total non-current assets	278,844	276,174
Total assets	\$ 432,653	\$ 429,853
Equity and liabilities		
Current liabilities		
Trade and other payables	\$ 190,610	\$ 169,281
Additional tax and tax penalty	42,239	43,790
Deferred revenue	35,584	34,350
Lease liabilities	1,078	850
Income tax payable	13,697	12,891
Convertible debenture	124,003	120,651
Total current liabilities	407,211	381,813

SUMMARISED FINANCIAL POSITION INFORMATION (CONTINUED)*(Expressed in thousands of USD)*

	As at	
	March 31, 2025	December 31, 2024
Non-current liabilities		
Lease liabilities	1,121	1,342
Convertible debenture	89,521	84,267
Decommissioning liability	15,043	12,245
Long service payment liabilities	33	29
	<hr/>	<hr/>
Total non-current liabilities	105,718	97,883
	<hr/>	<hr/>
Total liabilities	512,929	479,696
	<hr/>	<hr/>
Equity		
Common shares	1,102,053	1,102,053
Share option reserve	52,997	52,998
Capital reserve	534	533
Exchange fluctuation reserve	(60,433)	(56,205)
Accumulated deficit	(1,175,427)	(1,149,222)
	<hr/>	<hr/>
Total deficiency in assets	(80,276)	(49,843)
	<hr/>	<hr/>
Total equity and liabilities	\$ 432,653	\$ 429,853
	<hr/> <hr/>	<hr/> <hr/>
Net current liabilities	\$ (253,402)	\$ (228,134)
Total assets less current liabilities	\$ 25,442	\$ 48,040

SUMMARISED CASH FLOWS INFORMATION

(Expressed in thousands of USD)

	Three months ended	
	March 31,	
	2025	2024
Operating activities		
Profit/(loss) before tax	\$ (24,039)	\$ 22,043
Adjustments for:		
Depreciation and depletion	9,124	2,388
Share-based compensation	–	1
Interest expense on convertible debenture	8,621	9,243
Interest expense for leased assets	56	85
Accretion of decommissioning liability	135	86
Fair value loss/(gain) on embedded derivatives in convertible debenture	(15)	1,149
Interest income	(6)	(73)
Share of earnings of joint ventures	(613)	(833)
Share of earnings/(loss) of associates	187	(10)
Reversal of provision for doubtful trade and other receivables	(56)	(19)
Reversal of impairment loss on materials and supplies inventories	(30)	(7)
Gain on contract offsetting arrangement	–	(237)
Provision for long service payment	4	2
Operating cash flows before changes in working capital items	(6,632)	33,818
Net change in working capital items	26,031	(14,785)
Cash generated from operating activities	19,399	19,033
Income tax and additional tax penalty paid	(2,224)	(18,790)
Net cash flows from operating activities	17,175	243

SUMMARISED CASH FLOWS INFORMATION (CONTINUED)*(Expressed in thousands of USD)*

	Three months ended	
	March 31,	
	2025	2024
Investing activities		
Expenditures on property, plant and equipment	(19,581)	(28,891)
Interest received	6	73
Investment in an associate	-	(1,800)
Dividend from a joint venture	194	688
	<u>(19,381)</u>	<u>(29,930)</u>
Financing activities		
Interest payment of convertible debenture	-	(3,000)
Proceeds from exercise of share options	-	42
Capital elements of lease rentals paid	(151)	(152)
Interest elements of lease rentals paid	(56)	(85)
	<u>(207)</u>	<u>(3,195)</u>
Effect of foreign exchange rate changes, net	(792)	257
Decrease in cash and cash equivalents	(3,205)	(32,625)
Cash and cash equivalents, beginning of period	8,590	47,993
Cash and cash equivalents, end of period	\$ <u>5,385</u>	\$ <u>15,368</u>

REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements for the Company for the three months ended March 31, 2025, which are unaudited but have been reviewed by the audit committee of the Company.

The Company's results for the quarter ended March 31, 2025, are contained in the unaudited condensed consolidated interim financial statements and Management Discussion and Analysis of Financial Condition and Results of Operations, available on the SEDAR+ website at www.sedarplus.ca and the Company's website at www.southgobi.com.

ABOUT SOUTHGObI

SouthGobi, listed on the HKEX and TSX-V, owns and operates its flagship Ovoot Tolgoi coal mine in Mongolia. It also holds the mining licenses of its other metallurgical and thermal coal deposits in South Gobi Region of Mongolia. SouthGobi produces and sells coal to customers in China.

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Except for statements of fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterised by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "could", "should", "seek", "likely", "estimate" and other similar words or statements that certain events or conditions "may" or "will" occur. Forward-looking statements relate to management's future outlook and anticipated events or results and are based on the opinions and estimates of management at the time the statements are made. Forward-looking statements in this press release include, but are not limited to, statements regarding:

- the Company continuing as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of operations as they become due;
- adjustments to the amounts and classifications of assets and liabilities in the Company's condensed consolidated interim financial statements and the impact thereof;

- the Company's expectations of sufficient liquidity and capital resources to meet its ongoing obligations and future contractual commitments, including the Company's ability to settle its trade payables, to secure additional funding and to meet its obligations under each of the Convertible Debenture, and the 2025 March Deferral Agreement as the same become due, the Company's ability to settle the tax penalty payable of \$26.5 million imposed by the MTA and a provision for additional late tax penalty of \$19.0 million;
- the Company's discussions with the Plenipotentiary Representative of the Mongolian Government in relation to determining the Mongolian state's ownership interest in SGS;
- the Company's anticipated financing needs, operational and development plans and future production levels, including ramp up of the Company's mining operations and capacity in 2025;
- the results and impact of the Ontario class action (as described under section "Regulatory Issues and Contingencies" of this press release under the heading entitled "*Lawsuit*");
- the estimates and assumptions included in the Company's impairment analysis and the possible impact of changes thereof;
- the construction and operation of the Dry Coal Separation System at the Company's Ovoot Tolgoi Mine;
- the agreement with Ejin Jinda and the payments thereunder (as described under section "Regulatory Issues and Contingencies" of this press release under the heading entitled "Toll Wash Plant Agreement with Ejin Jinda");
- the ability of the Company to enhance the operational efficiency and output throughput of the washing facilities at Ovoot Tolgoi;
- the ability of the Company to enhance the product value by conducting coal processing and coal washing;
- the impact of the Company's activities on the environment and actions taken for the purpose of mitigation of potential environmental impacts and planned focus on health, safety and environmental performance;
- the future demand for coal in China;
- future trends in the Chinese coal industry;
- the Company's outlook and objectives for 2025 and beyond (as more particularly described under "Outlook" of this press release); and
- other statements that are not historical facts.

Forward-looking information is based on certain factors and assumptions described below and elsewhere in this press release, including, among other things: the current mine plan for the Ovoot Tolgoi mine; mining, production, construction and exploration activities at the Company's mineral properties; the costs relating to anticipated capital expenditures; the capacity and future toll rate of the paved highway; plans for the progress of mining license application processes; mining methods; the Company's anticipated business activities, planned expenditures and corporate strategies; management's business outlook, including the outlook for 2025 and beyond; currency exchange rates; operating, labour and fuel costs; the ability of the Company to raise additional financing; negotiating a constructive understanding and agreement with the Plenipotentiary Representative of the Mongolian Government; the anticipated royalties payable under Mongolia's royalty regime; the ability of the Company to settle the tax penalty payable of \$26.5 million imposed by the MTA and a provision for additional late tax penalty of \$19.0 million; the future coal market conditions in China and the related impact on the Company's margins and liquidity; the anticipated demand for the Company's coal products; future coal prices, and the level of worldwide coal production. While the Company considers these assumptions to be reasonable based on the information currently available to it, they may prove to be incorrect. Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include, among other things: the uncertain nature of mining activities, actual capital and operating costs exceeding management's estimates; variations in mineral resource and mineral reserve estimates; failure of plant, equipment or processes to operate as anticipated; the possible impacts of changes in mine life, useful life or depreciation rates on depreciation expenses; risks associated with, or changes to regulatory requirements (including environmental regulations) and the ability to obtain all necessary regulatory approvals; the potential expansion of the list of licenses published by the Government of Mongolia covering areas in which exploration and mining are purportedly prohibited on certain of the Company's mining licenses; the Government of Mongolia designating any one or more of the Company's mineral projects in Mongolia as a Mineral Deposit of Strategic Importance (as described under the heading entitled "Significant Events and Highlights – Notice from Mongolian Government Plenipotentiary and designation of Company's mining deposits as mineral deposits of strategic importance" in this press release); the Company's ability to successfully negotiate a constructive understanding and agreement with the Plenipotentiary Representative of the Mongolian Government; the risk that the Company is unable to successfully settle the tax penalty payable of \$26.5 million imposed by the MTA and a provision for additional late tax penalty of \$19.0 million (as described under section "Significant Events and Highlights" of this press release under the heading entitled "Additional Tax and Tax Penalty Imposed by the MTA"); the risk that the import coal quality standards established by Chinese authorities will negatively impact the Company's operations; the risk that Mongolia's southern borders with China will be subject to further closure; the risk that the Company's existing coal inventories are unable to sufficiently satisfy expected sales demand; the possible impact of changes to the inputs to the valuation model used to value the embedded derivatives in the Convertible Debenture; the risk of the Company or its subsidiaries default under its existing debt obligations, including the Convertible Debenture and the 2025 March Deferral Agreement; the impact of amendments to, or the application of, the laws of Mongolia, China and other countries in which the Company carries on business; modifications to existing practices so as to comply with any future permit conditions that may be imposed by regulators; delays in obtaining approvals and lease renewals; the risk of fluctuations in coal prices and changes in China and world economic conditions; the outcome of the Class Action (as described under section "Regulatory Issues and Contingencies" of this press

release under the heading entitled “Lawsuit”) and any damages payable by the Company as a result; the risk that the calculated sales price determined by the Company for the purposes of determining the amount of royalties payable to the Mongolian government is deemed as being “non-market” under Mongolian tax law; customer credit risk; cash flow and liquidity risks; risks relating to the Company’s decision to suspend activities relating to the development of the Ceke Logistics Park project, including the risk that its investment partner may initiate legal action against the Company for failing to comply with the underlying agreements governing project development; risks relating to the ability of the Company to enhance the operational efficiency and the output throughput of the washing facilities at Ovoot Tolgoi and risks relating to the Company’s ability to raise additional financing and to continue as a going concern. This list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements.

Due to assumptions, risks and uncertainties, including the assumptions, risks and uncertainties identified above and elsewhere in this press release, actual events may differ materially from current expectations. The Company uses forward-looking statements because it believes such statements provide useful information with respect to the currently expected future operations and financial performance of the Company, and cautions readers that the information may not be appropriate for other purposes. Except as required by law, the Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change. The reader is cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this press release; they should not rely upon this information as of any other date.

The English text of this press release shall prevail over the Chinese text in case of inconsistencies.

Neither the TSX-V nor its Regulation Services Provider (as that term is defined in the policies of the TSX-V) accepts responsibility for the adequacy or accuracy of this release.