

SouthGobi Resources Ltd.

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

to be held on Thursday, June 26, 2025 (Vancouver, Canada)

and

MANAGEMENT PROXY CIRCULAR

DATED: May 13, 2025

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 general meeting of Shareholders
to be held on Thursday, June 26, 2025 (Vancouver, Canada)**

NOTICE IS HEREBY GIVEN that the annual and special general 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, Canada, on Thursday, June 26, 2025 at 6:00 p.m. (PDT) (which is 9:00 a.m. on Friday, June 27, 2025 in Hong Kong, China) (the “**Meeting**”) for the following purposes:

1. to receive the report of the Board of Directors (the “**Board**”);
2. to receive the Company’s audited financial statements for the financial year ended December 31, 2024 and the auditors’ report thereon;
3. to appoint auditors for the Company for the ensuing year and to authorize the Board to fix the auditors’ remuneration;
4. to consider, and if thought advisable, to pass an ordinary resolution fixing the number of directors to be elected at the Meeting at eight (8);
5. to elect Ms. Jin Lan Quan, who has been serving as an independent non-executive Director for more than nine years, as director for the ensuing year;
6. to elect directors (including Ms. Jin Lan Quan) for the ensuing year;
7. to consider, and if thought advisable, to pass the following ordinary resolution of disinterested shareholders of the Company:

“BE IT RESOLVED THAT:

1. the deferral agreement (the “**March 2025 Deferral Agreement**”) dated March 20, 2025 between JD Zhixing Fund L.P. and SouthGobi Resources Ltd. (the “**Company**”), Southgobi Sands LLC and SGQ Coal Investment Pte. Ltd., the actions of the directors of the Company in approving the March 2025 Deferral (as more particularly described in the management proxy circular of the Company dated May 13, 2025) and the actions of the officers of the Company in executing and delivering the March 2025 Deferral Agreement, are hereby authorized, approved and ratified; and
2. any director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and, if appropriate, deliver all documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of such action.”
8. The Company will transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board has fixed Friday, May 9, 2025 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.

Notice-and-Access

The Company is utilizing the Canadian Securities Administrators' notice-and-access delivery mechanism (the "**Notice-and-Access Provisions**") under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 – *Continuous Disclosure Obligations*, for distribution of Meeting materials to registered and beneficial shareholders.

Website Where Meeting Materials are Posted

The Notice-and-Access Provisions are a set of rules that allows reporting issuers to post electronic versions of proxy-related materials and annual financial statements (including the management proxy circular of the Company dated May 13, 2025 (the "**Management Proxy Circular**") on-line, via SEDAR+ at www.sedarplus.ca and one (1) other website, rather than mailing paper copies of such materials to shareholders.

Electronic copies of the Management Proxy Circular, the annual audited consolidated financial statements of the Company for the year ended December 31, 2024 (the "**Financial Statements**") and management's discussion and analysis of the Company's results of operations and financial condition for the year ended December 31, 2024 (the "**MD&A**") may be found on the Company's SEDAR+ profile at www.sedarplus.ca, on the HKEX news website at www.hkexnews.hk, and the Company's website at www.southgobi.com.

In relation to the Meeting, the notice package for all shareholders will include the Form of Proxy, this notice of the annual general meeting of shareholders and a supplemental return card (collectively, the "**Meeting Materials**"). The Meeting Materials for those shareholders with existing instructions on their account to receive printed materials and those shareholders with addresses outside of Canada and the United States will also include a printed copy of the Management Proxy Circular. All other shareholders will receive only the required notification documentation under the Notice-and-Access Provisions, which will not include a paper copy of the Management Proxy Circular.

Obtaining Paper Copies of Materials

The Company anticipates that using the Notice-and-Access Provisions for delivery will directly benefit the Company through a substantial reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials.

Shareholders with questions about the Notice-and-Access Provisions may call our transfer agent, TSX Trust Company (the "**Transfer Agent**"), toll-free at 1-888-433-6443 or outside Canada and the U.S. at 416-682-3801 (which is not a toll-free number). The Meeting Materials are available on the Company's website: https://www.southgobi.com/html/ir_meeting.php#.

Please note that if you request a paper copy of the Meeting Materials, you will not receive a new Form of Proxy or voting instruction form, so you should retain these forms sent to you in order to vote. Shareholders may also obtain paper copies of the Management Proxy Circular, Financial Statements and MD&A free of charge by contacting the Company's Corporate Secretary at 604-762-6783 (which is not a toll-free number).

A request for paper copies which are required in advance of the Meeting should be sent so that the request is received by the Company or the Transfer Agent, as applicable, by 4:00 p.m. (PST) on Monday, June 9, 2025 in order to allow sufficient time for shareholders to receive the paper copies and to return their proxies or voting instruction forms to intermediaries not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada and public holidays in Hong Kong) prior to the time set out for the Meeting or any adjournments or postponements thereof.

Voting

The Management Proxy Circular contains details of the matters to be considered at the Meeting. Information respecting the appointment of auditors, election of directors, and approval of the March 2025 Deferral Agreement may be found in the Management Proxy Circular under the headings “*Appointment of Auditors*”, “*Election of Directors*” and “*Approval of the March 2025 Deferral Agreement*” respectively.

A Form of Proxy is enclosed herewith. Registered shareholders in Canada and Hong Kong 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 (for registered shareholders in Canada) or to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for registered shareholders in Hong Kong) 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, the Form of Proxy should be returned in the following manner no later than 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: (i) TSX Trust Company, must receive your completed Form of Proxy by 6:00 p.m. (PDT) on Tuesday, June 24, 2025, 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; or (ii) Computershare Hong Kong Investor Services Limited must receive your completed Form of Proxy by 9:00 a.m. (Hong Kong time) on Wednesday, June 25, 2025 in Hong Kong or 48 hours (excluding Saturdays, Sundays and public holidays in Hong Kong) 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 13th day of May, 2025.

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

"Allison Snetsinger"

Allison Snetsinger
Corporate Secretary

**PLEASE VOTE PRIOR TO 6:00 P.M. (PDT) ON TUESDAY, JUNE 24, 2025 IN CANADA
OR 9:00 A.M. (HONG KONG TIME) ON WEDNESDAY, JUNE 25, 2025 IN HONG KONG**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (“HKEX” or “Hong Kong Stock Exchange”) take no responsibility for the contents of this Management Proxy Circular, 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 Management Proxy Circular.

If you are in any doubt as to any aspect of this Management Proxy Circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Management Proxy Circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This Management Proxy Circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



SouthGobi
RESOURCES

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)

Executive Directors

Mr. Ruibin Xu
Ms. Chonglin Zhu
Mr. Chen Shen

Non-Executive Directors

Mr. Zhu Gao
Mr. Zaixiang Wen

Independent Non-Executive Directors

Mr. Yingbin Ian He
Ms. Jin Lan Quan
Mr. Fan Keung Vic Choi

Telephone

+1 604-762-6783 (Canada)
+852 2156-1438 (Hong Kong)

Records and Registered Office

20th floor – 250 Howe Street
Vancouver, British Columbia
Canada V6C 3R8

Principal Place of Business in Hong Kong

Units 1208-10, Tower 1, Grand Century Place
193 Prince Edward Road West
Mongkok, Kowloon
Hong Kong

Principal Place of Business in Mongolia

8th Floor, Monnis Building
Orgil Stadium 22, Great Mongolian State Street
15th Khoroo, Khan-Uul District
Ulaanbaatar, Mongolia, 17011

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is furnished to the holders (“shareholders”) of common shares (“Common Shares”) of SouthGobi Resources Ltd. (the “Company”, together with its subsidiaries, the “Group”) (TSX-V:SGQ) (HKEX:1878) by the Company’s management in connection with the solicitation of proxies to be voted at the annual and special general meeting of shareholders (the “Meeting”) to be held at 6:00 p.m. (PDT) on Thursday, June 26, 2025 (which is 9:00 a.m. on Friday, June 27, 2025 in Hong Kong, China), at the offices of Dentons Canada LLP, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada, 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 May 12, 2025 (the “Latest Practicable Date”) the last business day preceding the date of this Management Proxy Circular.

* For identification purpose only

This document, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with applicable Canadian securities laws and the Rules Governing the Listing of Securities on the HKEX (the “**Listing Rules**”) 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 (i.e., for all currency denoted in “\$”, it refers to US\$) unless otherwise indicated.

The Chinese name(s) marked with “*” and the English translation of company names of the entities marked with “**” are for identification purposes only.

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 May 13, 2025 (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 May 27, 2025.

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. Non-registered shareholders will receive a VIF instead of a Form of Proxy. Non-Registered shareholders are asked to complete the VIF and return it through the various methods specified on the form.

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.meeting-vote.com. 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 6:00 p.m. (PDT) on Tuesday, June 24, 2025 (and Wednesday, June 25, 2025 at 9:00 a.m. in Hong Kong, China), or 48 hours (excluding Saturdays and Sundays and public/statutory holidays in the City of Vancouver, British Columbia, Canada and public holidays in Hong Kong) 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 (the "**Transfer Agent**"):

- (a) via the internet www.meeting-vote.com;
- (b) by facsimile to + 1 416-595-9593;
- (c) by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1 Attn: Proxy Department;
- (d) by hand to Suite 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1; or
- (e) by email to: proxyvote@tmx.com (for proxy appointments in English) or voteprocuration@tmx.com (for proxy appointments in French),

and in each case must be received by the Transfer Agent by no later than 6:00 p.m. (PDT) on Tuesday, June 24, 2025 (and by 9:00 a.m. on Wednesday, June 25, 2025 in Hong Kong, China), or 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada and public holidays in Hong Kong) before the Meeting or any postponement(s) or adjournment(s) thereof at which the instrument of proxy is to be used.

The Form of Proxy is deemed to be valid if deposit in the branch share registrar of the Company in Hong Kong (i.e., Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 48 hours before the time for holding the Meeting as stated above).

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 May 9, 2025 (the “**Record Date**”), 296,704,666 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 for the ensuing year and appoint the Company’s auditors for the ensuing year. With respect to the election of directors, if there are more nominees for election as directors 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 for Directors**” below).

Shareholders, other than the Deferral Interested Shareholder (as hereinafter defined), are entitled, and will be asked, to approve the March 2025 Deferral Agreement between JDZF (as defined below), the Company and certain subsidiaries, as more particularly described in the sections entitled “*Approval of the March 2025 Deferral Agreement*” in this Management Proxy Circular, respectively.

PRINCIPAL HOLDERS OF VOTING SHARES

The following table sets forth information as of the Latest Practicable Date, 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
JD Zhixing Fund L.P. ⁽²⁾ Beijing, PRC	Direct	85,714,194	28.89%
Land Grand International Holding Limited ⁽³⁾ Hong Kong, PRC	Direct	46,358,978	15.62%
Directors & executive officers as a group	Direct	180,666 ⁽⁴⁾⁽⁵⁾⁽⁶⁾	0.06%

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) Pursuant to the terms of a convertible debenture issued by the Company to China Investment Corporation ("**CIC**") on October 26, 2009 and subsequently assigned by CIC to JD Zhixing Fund L.P. ("**JDZF**") on August 30, 2022 (the "**Convertible Debenture**"), and, subject to certain exceptions, while the Convertible Debenture is outstanding or while JDZF beneficially owns directly or indirectly 15% of the outstanding Common Shares, JDZF 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**").
- (3) Subject to certain exceptions, for as long as Land Grand International Holding Limited ("**Land Grand**") and its affiliates own, directly or indirectly, 10% or more of the outstanding Common Shares, Land Grand 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 400,000 Common Shares issuable upon the exercise of incentive stock options held, in aggregate, by the Directors and executive officers.
- (5) This figure does not include the 85,714,194 Common Shares beneficially owned or controlled by JDZF. To the knowledge of the Company, JD Dingxing Limited and IMTT (as defined below) are the general partner and limited partner of JDZF, respectively, and Ms. Chonglin Zhu, a director nominee, holds 92.80% of the shares of JD Dingxing Limited.
- (6) This figure does not include the 46,358,978 Common Shares beneficially owned or controlled by Land Grand. To the knowledge of the Company, Mr. Zhu Gao, a director nominee, is the indirect controlling shareholder of Land Grand.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the Common Shares, underlying Common Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (“SFO”)) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

Name of Director	Capacity/Nature of interests	Number of Shares/ underlying Shares held ⁽¹⁾	Percentage of shareholding (%) ⁽²⁾
Chonglin Zhu ⁽³⁾	Interest in a controlled corporation	85,714,194 ⁽⁴⁾	28.89
Zhu Gao ⁽⁵⁾	Interest in a controlled corporation	46,358,978	15.62
Yingbin Ian He	Beneficial owner	327,000	0.11
Jin Lan Quan	Beneficial owner	150,000	0.05

Notes:

- (1) All interests stated above are long positions the Shares.
- (2) The percentage represents the total number of the Shares and the underlying Shares interested divided by the number of issued Shares as at the Latest Practicable Date (i.e., 296,704,666 Shares).
- (3) JD Dingxing Limited and IMTT (as defined below) are the general partner and limited partner of JDZF, respectively. Ms. Chonglin Zhu holds 92.80% of the shares of JD Dingxing Limited.
- (4) As at 23 April 2025, JDZF is the beneficial owner of 85,714,194 Shares, and 199,653,548 underlying shares under the US\$250 million convertible debenture issued by the Company. For more details of the US\$250 million convertible debenture, please refer to the section entitled “Approval of the March 2025 Deferral Agreement” below.
- (5) Land Grand is the registered and beneficial owner of 46,358,978 Shares of the Company’s issued and outstanding Shares. Mr. Zhu Gao is the indirect controlling shareholder of Land Grand.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any Common Shares, underlying Common Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Common Shares or underlying Common Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interests	Number of Shares/ underlying Shares held ⁽¹⁾	Percentage of shareholding (%) ⁽²⁾
JDZF ⁽³⁾	Beneficial owner	85,714,194 ⁽⁴⁾	28.89
JD Dingxing Limited ⁽³⁾	Interest in a controlled corporation	85,714,194 ⁽⁴⁾	28.89
Chonglin Zhu ⁽³⁾	Interest in a controlled corporation	85,714,194 ⁽⁴⁾	28.89
Inner Mongolia Tianyu Trading Limited** (內蒙古天宇創新商貿有限公司) (“IMTT”) ⁽³⁾	Interest in a controlled corporation	85,714,194	28.89
Inner Mongolia Yuxinsheng Technology Co., Ltd.** (內蒙古宇鑫盛科技有限公司) (“IMYTC”) ⁽³⁾	Interest in a controlled corporation	85,714,194	28.89
Inner Mongolia Tianyu Innovation Investment Group Limited** (內蒙古天宇創新投資集團有限公司) (“IMTIIG”) ⁽³⁾	Interest in a controlled corporation	85,714,194	28.89
Yong An ⁽³⁾	Interest in a controlled corporation	85,714,194	28.89
Land Grand ⁽⁵⁾	Beneficial owner	46,358,978	15.62
Mengfa Energy Holding Group Co., Ltd. (“Mengfa”) ⁽⁵⁾	Interest in a controlled corporation	46,358,978	15.62
Zhu Gao ⁽⁵⁾	Interest in a controlled corporation	46,358,978	15.62
Voyage Wisdom Limited ⁽⁶⁾	Beneficial owner	25,768,162	8.68
Aminbuhe ⁽⁶⁾	Interest in a controlled corporation	25,768,162	8.68
Ningqiao Li ⁽⁶⁾	Interest in a controlled corporation	25,768,162	8.68

Notes:

- (1) All interests stated above are long positions the Shares.
- (2) The percentage represents the total number of the Shares and the underlying Shares interested divided by the number of issued Shares as at the Latest Practicable Date (i.e., 296,704,666 Shares).
- (3) To the knowledge of the Company, JD Dingxing Limited and IMTT are the general partner and limited partner of JDZF, respectively. IMTT is a wholly-owned subsidiary of IMYTC, which is owned as to 92.80% of its issued share capital by IMTIIG. Mr. Yong An owns 75.00% of the issued share capital of IMTIIG. Ms. Chonglin Zhu, a director nominee, holds 92.80% of the shares in JD Dingxing Limited.

- (4) As at 23 April 2025, JDZF is the beneficial owner of 85,714,194 Shares, and 199,653,548 underlying shares under the US\$250 million convertible debenture issued by the Company. For more details of the US\$250 million convertible debenture, please refer to the section entitled “Approval of the March 2025 Deferral Agreement” below.
- (5) To the knowledge of the Company, Mengfa owns 100.00% of the issued share capital of Land Grand. Mr. Zhu Gao, a director nominee, owns 90.00% of the issued share capital of Mengfa.
- (6) To the best of the Company’s knowledge, Messrs. Yulan Guo, Aminbuhe and Ningqiao Li are directors and shareholders of Voyage Wisdom Limited, a private company which owned 8.68% of the Company’s issued and outstanding common shares as at December 31, 2024. Each of Messrs. Aminbuhe and Ningqiao Li each own 45% of the issued share capital of Voyage Wisdom Limited, respectively.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

Arrangements and Matters Concerning Directors

- (a) None of the Directors has entered or proposed to enter into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).
- (b) As at the Latest Practicable Date, save as disclosed in the section entitled “*Approval of the March 2025 Deferral Agreement*” below in respect of the Convertible Debenture, the Amended and Restated Cooperation Agreement and the related deferral agreements in which the Deferral Interested Directors are interested by virtue of their relationship with the Deferral Interested Shareholder, none of the Directors was interested, directly or indirectly, in any assets which, since December 31, 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, save as disclosed in the section entitled “*Approval of the March 2025 Deferral Agreement*” below in respect of the Convertible Debenture, the Amended and Restated Cooperation Agreement and the related deferral agreements in which the Deferral Interested Directors are interested by virtue of their relationship with the Deferral Interested Shareholder, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since December 31, 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.
- (d) As at the Latest Practicable Date, save as disclosed hereinabove, none of the Directors or their respective close associates had any interest in a business which competed or might compete either directly or indirectly, with the business of the Company.

FINANCIAL STATEMENTS

The Company’s audited annual consolidated financial statements for the year ended December 31, 2024, and the auditors’ reports on those statements, are included in the Company’s annual report and will be available at the Meeting. A copy of the annual report is also filed on the Company’s profile on SEDAR+ at www.sedarplus.ca, on the HKEX news website at www.hkexnews.hk and available to you on the Company’s website at www.southgobi.com.

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. At the Meeting, the Company's board of Directors (the "**Board**") is requesting that shareholders pass an ordinary resolution fixing the number of Directors at eight (8).

Term of Office

The term of office of each of the 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 for Directors

On November 6, 2013, the Board adopted a majority voting policy for Directors (which was amended on May 10, 2017 and March 28, 2023) pursuant to which, in both an uncontested and contested 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

JD Zhixing Fund L.P.

On August 30, 2022, JDZF completed a sales transaction (the "**JDZF Sales Transaction**") with the Company's former largest shareholder, China Investment Corporation ("**CIC**"). Upon completion of the JDZF Sale Transaction, JDZF was, amongst other things, assigned the rights and benefits of the contractual director nomination rights contained in the securityholders agreement (the "**Securityholders' Agreement**") and certain deferral agreements (the "**Deferral Agreements**"), between CIC, the Company and certain of its subsidiaries in connection with the deferral of interest payments and other outstanding fees under the Convertible Debenture and the Amended and Restated Cooperation Agreement (as defined below) previously held by CIC.

Pursuant to the terms of the Securityholders' Agreement, JDZF 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 JDZF beneficially owns directly or indirectly 15% of the outstanding Common Shares.

Pursuant to the terms of the Deferral Agreements, the Company granted JDZF the following board nomination rights (which are in addition to JDZF's right to nominate one individual for appointment or election to the Board pursuant to the Securityholders' Agreement):

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

Pursuant to the Securityholders' Agreement and the Deferral Agreement, JDZF has nominated Messrs. Ruibin Xu, Chen Shen and Ms. Chonglin Zhu as its nominees for election as Directors at this Meeting. See "*Election of Directors – Director Nominees*" below.

Land Grand International Holding Limited

On November 28, 2022, Land Grand completed a sales transaction (the "**Land Grand Sales Transaction**") with one of the Company's former substantial shareholders. Upon completion of the Land Grand Sales Transaction, Land Grand was, amongst other things, assigned the rights and benefits of the contractual director nomination rights under the subscription agreement (the "**Subscription Agreement**") between the Company and the former substantial shareholder of the Company.

Pursuant to the terms of the Subscription Agreement, Land Grand 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) so long as Land Grand 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) so long as Land Grand 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 Land Grand 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 Subscription Agreement, Land Grand has nominated Messrs. Zhu Gao and Zaixiang Wen 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:

Ruibin Xu
Chonglin Zhu
Chen Shen
Zhu Gao
Zaixiang Wen
Yingbin Ian He
Jin Lan Quan
Fan Keung Vic Choi

(collectively, the "**Directors**")

The following tables set out the names of the eight (8) 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 the Latest Practicable Date, and the number of options to purchase Common Shares held by each as at the Latest Practicable Date.

According to code provision B.2.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the Shareholders. Ms. Jin Lan Quan has been serving as an INED for more than nine years. Nonetheless, the Board is of the view that Ms. Jin Lan Quan meets the independence guidelines set out in Rule 3.13 of the Listing Rules and maintains her independence in accordance with the terms of such guidelines. Since joining the Company as an INED on August 6, 2015, Ms. Jin Lan Quan has made positive contributions to the Company's strategy, policies and performance with her independent advice, comments, judgment from the perspective of her background coupled with her understanding of the operations and business of the Group that she gained throughout the years. Ms. Jin Lan Quan has not engaged in any executive management of the Group. In view of Ms. Jin Lan Quan's extensive experience in finance, audit and risk management, the Board believes that she is capable of providing constructive contributions and objective view to the Board and contribute to the diversity of the Board. Ms. Jin Lan Quan has also confirmed that (i) she meets the independence factors as set out in Rule 3.13(1) to (8) of the Listing Rules; (ii) she did not and does not have any past or present financial or other interest in the business of the issuer or its subsidiaries or any connection with any core connected person (as defined in the Listing Rules) of the Company; and (iii) there are no other factors that may affect her independence as at the date of her confirmation. After careful consideration, the Board is of that view that Ms. Jin Lan Quan continued to demonstrate strong independence in judgement and her position outside the Company will not affect her in maintaining her current role in, and her functions and responsibilities for, the Company. Therefore, the Board considers Ms. Jin Lan Quan is still independent and should be appointed as INED. Her election at the annual general meeting will be subject to approval of a separate resolution by the shareholders.

Management recommends that shareholders vote in favour of Ms. Jin Lan Quan as a non-executive Director of the Company. Management also recommends that shareholders vote in favour of each of the nominees named below as a Director of the Company. 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 election of each of the nominees named below as a Director of the Company.

Ruibin Xu
Baotou, People's Republic of
China
Executive Director since:
June 20, 2023



Areas of Experience:

Legal
Finance
CEO/Senior Officer
Mining Industry
Financial Acumen
Corporate Governance
Managing/Leading Growth
General Business Management
Environmental/Safety/Corporate
Responsibility

Mr. Ruibin Xu, 53, was appointed as the Company's Chief Executive Officer on May 15, 2023, and appointed to the Board as an Executive Director on June 20, 2023, respectively. Mr. Xu is also a Director of the following Company subsidiaries: SouthGobi Resources (Hong Kong Limited), TST Holdings Limited and Chongqing SouthGobi Energy Co., Ltd.

Mr. Xu has over 15 years of experience in the energy and coal logistics industry, as well as financial investments. Mr. Xu served as a director and board secretary of Inner Mongolia Dajiang Runye Industrial Group Co. Ltd. ("**Dajiang Group**") from 2021 to 2023, where he was responsible for strategy development, energy investment, and capital operation affairs of the Dajiang Group. He also held the position of general manager in a subsidiary of Dajiang Group between 2018 and 2021. Before joining Dajiang Group, Mr. Xu served as the deputy general manager and board secretary of Inner Mongolia Zheng Tang Co. Ltd. from 2016 to 2018. Prior to that, he held a director position in an investment company located in Inner Mongolia, China and worked for several companies in the financial investment industry. Mr. Xu has extensive experience in corporate governance, corporate financing, and enterprise management.

Mr. Xu obtained his Master's degree in Business Administration from Inner Mongolia University in 2007. In 2010, Mr. Xu obtained the qualification as a lawyer and an intermediate economist in China. In 2015, he completed an Executive Master of Business program at Inner Mongolia University. He is a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Chief Executive Officer ("**CEO**") of the Company (May 15, 2023 to present).

Director Status: Executive ⁽⁶⁾	2024 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board/Committee Membership:				
Board of Directors	7 of 7	100%	n/a	
Health, Environment, Safety and Social Responsibility (Chair)	4 of 4	100%		
TOTAL	11 of 11	100%		

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

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁶⁾	Common Shares ⁽⁶⁾	Unexercised Options ⁽⁷⁾	Total
2025	Nil	n/a	Nil	n/a	Nil
2024	Nil	n/a	Nil	n/a	Nil

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁷⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Chonglin Zhu
Wuhai, People's Republic of China
Executive Director since:
September 8, 2022



Areas of Experience:
Finance
Senior Officer
Mining Industry
Financial Acumen
Managing/Leading Growth
General Business Management

Ms. Chonglin Zhu, 38, was appointed as an Executive Director on September 8, 2022 and the Company's Chief Financial Officer ("CFO") on February 2, 2024, respectively. She was the Company's Senior Vice President of Finance from September 8, 2022 to February 2, 2024. Ms. Zhu is also a Supervisor of the following Company subsidiaries: Inner Mongolia SouthGobi Energy Co. Ltd., SouthGobi Trading (Beijing) Co. Ltd., Inner Mongolia Mining Development Co. Ltd., Wuhai SouthGobi Mining Resources Co. Ltd., Inner Mongolia SouthGobi Trading Co. Ltd.

Ms. Zhu was the Chief Financial Officer of Inner Mongolia Tianyu Innovation Investment Group Co., Ltd. (內蒙古天宇創新投資集團有限公司) ("Tianyu Group") from March 2015 to September 2022. Tianyu Group is an investment company based in Inner Mongolia, China with a variety of businesses including coal mining and processing. Ms. Zhu was responsible for managing the financial operations and investments of Tianyu Group. She joined Tianyu Group in 2011 and served as a business manager in the finance department of Tianyu Group between 2012 and 2015.

Ms. Zhu studied Japanese and literature at Guangdong University of Foreign Studies in 2009 and obtained a Bachelor's Degree in accounting from Harbin University of Science and Technology in 2016. She is a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Chief Financial Officer (February 2, 2024 to present); Senior Vice President of Finance of the Company (September 8, 2022 to February 2, 2024).

Director Status: Executive ⁽⁸⁾	2024 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board/Committee Membership:				
Board of Directors	7 of 7	100%	n/a	
TOTAL	7 of 7	100%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾⁽³⁾

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁶⁾	Common Shares ⁽⁶⁾	Unexercised Options ⁽⁷⁾	Total
2025	85,714,194	\$34,902,908	\$34,902,908	n/a	\$34,902,908
2024	85,714,194	\$67,081,764	\$67,081,764	n/a	\$67,081,764

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁷⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Chen Shen

Chongqing, People's Republic of China

Executive Director since:

December 6, 2022



Areas of Experience:

Legal
Senior Officer
Mining Industry
Financial Acumen
Corporate Governance
Managing/Leading Growth
General Business Management

Mr. Chen Shen, 36, joined the Board on December 6, 2022 as a Non-Executive Director. On February 17, 2023 he became the Head of the Company's legal department and an Executive Director. He was appointed as the Company's Vice President of Legal on May 25, 2023.

Mr. Shen has a professional legal background and experience in the energy industry. Mr. Shen has served as the executive director and supervisor of Zhonghong Energy (Inner Mongolia) Co., Ltd. ("Zhonghong Group") from April 2021 to February 2023, and was responsible for overseeing investment in traditional energy and new energy fields in the Northwest districts in China. From October 2020 to January 2022, Mr. Shen served as a supervisor of Zhonghong Zhengyi Energy Holding (Inner Mongolia) Co., Ltd. Before joining Zhonghong Group, Mr. Shen worked as an attorney at Tahota Law Firm from 2015 to 2020 in China.

Mr. Shen obtained his Bachelor of Law degree from Southwest University of Political Science and Law in 2011 and his Master of Law degree from Guizhou University in 2014 in China. He is a member of the Canadian Institute of Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Vice President of Legal (May 25, 2023 to present); Head of the Company's Legal Department (February 2023 to present).

Director Status: Executive ⁽⁸⁾ Board/Committee Membership:	2024 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	7 of 7	100%	n/a	
TOTAL	7 of 7	100%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾			Value of Equity at Risk:		
Year	Common Shares	Total Market Value of Common Shares ⁽⁶⁾	Common Shares ⁽⁶⁾	Unexercised Options ⁽⁷⁾	Total
2025	Nil	n/a	Nil	n/a	Nil
2024	Nil	n/a	Nil	n/a	Nil

Options Held:						
Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁷⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Zhu Gao

Beijing, People's Republic of China

Director since: December 6, 2022



Areas of Experience:

Mining Industry
Financial Acumen
CEO/Senior Officer
International Business
Corporate Governance
Managing/Leading Growth
General Business Management

Mr. Zhu Gao, 67, joined the Board on December 6, 2022 as a Non-Executive Director.

Mr. Gao is the founder of Mengfa Energy Holding Group Co., Ltd. (the "**Mengfa Group**"). Since the establishment of the Mengfa Group in 1998, he has served as its Chairman and President. Mr. Gao has nearly 40 years of investment and management experience in the traditional energy industry. Prior to the establishment of the Mengfa Group, he held management positions at several large coal enterprises in Inner Mongolia.

Mr. Gao received an honorary doctorate in Management from Princeton University, in the United States, in 2017. He is a member of the Canadian Institute of Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Chairman of Ejin Horo Banner Mengtai Coal Co., Ltd. (January 2010 – present); Chairman of Mengfa Energy Holding Group (July 2007 – present).

Director Status: Non-Executive ⁽⁹⁾	2024 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	3 of 7	43%	n/a	
TOTAL	3 of 7	43%		

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾⁽⁴⁾

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁶⁾	Common Shares ⁽⁶⁾	Unexercised Options ⁽⁷⁾	Total
2025	46,358,978	\$18,877,424	\$18,877,424	n/a	\$18,877,424
2024	46,358,978	\$36,281,529	\$36,281,529	n/a	\$36,281,529

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁷⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Zaixiang Wen

Ordos City, People’s Republic of China

Director since: May 17, 2023



Areas of Experience:

Finance
Senior Officer
Mining Industry
Financial Acumen
Managing/Leading Growth
General Business Management

Mr. Zaixiang Wen, 49, joined the Board on May 17, 2023 as a Non-Executive Director.

Mr. Wen has over 20 years of experience in corporate management and financial management. He possesses a comprehensive understanding of the coal industry and the capital markets. He has been the Vice President within the Mengfa Group since January 2018, where he is responsible for overseeing the group’s strategic development, capital operations, investment and financing, public affairs relations, and real estate development. Mr. Wen joined the Mengfa Group in 2002 and has held various leadership positions within the subsidiaries of Mengfa Group. Prior to joining Mengfa Group, he worked as an accounting and finance professional in various energy resources companies.

Mr. Wen obtained a diploma in accounting from Inner Mongolia Yike Zhao League School of Finance and Economics in 1996. He completed a certificate in financial management at the Central University of Finance and Economics in 2018. He is a member of the Canadian Institute of Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Vice President of Mengfa Energy Holding Group (January 2018 – present).

Director Status: Non-Executive ⁽⁹⁾ Board/Committee Membership:	2024 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	7 of 7	100%	n/a	
TOTAL	7 of 7	100%		

Common Shares Beneficially Owned, Controlled or Directed:			Value of Equity at Risk:		
Year	Common Shares	Total Market Value of Common Shares ⁽⁶⁾	Common Shares ⁽⁶⁾	Unexercised Options ⁽⁷⁾	Total
2025	Nil	n/a	Nil	n/a	Nil
2024	Nil	n/a	Nil	n/a	Nil

Options Held:						
Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁷⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Yingbin Ian He

North Vancouver, Canada

Director Since: May 16, 2017



Areas of Experience:

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

Mr. He, 63, joined the Board on May 16, 2017 as an Independent Non-Executive Director. He was appointed as the Lead Director on June 27, 2024.

Mr. He's career in the mining industry has spanned over 30 years, with extensive senior executive and board experience. Mr. He is Director and Executive Chairman of Vatukoula Gold Mines, Lead Independent Director of China Gold International Resources Corp. Ltd., a company dually listed on the Toronto Stock Exchange and the Hong Kong Stock Exchange; Director of PT Bumi Resources Tbk listed on the Indonesia Stock Exchange, and Director of Tri-River Ventures Inc., a company listed on the TSX Venture Exchange ("TSX-V"). 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, now Atlantic Gold Corp., and part of St. Barbara Limited) (1995 to 2006), and 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 part of Bureau Veritas) (1992 to 1995), mineral process engineer (1990 and 1992) with Teck Resources, and Lecturer (1982-1985) with Heilongjiang Institute of Mining and Technology (now Heilongjiang University of Science and Technology).

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 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⁾

Director of China Gold International Resources Corp. (May 2003 to present); Director of Tri-River Ventures Inc. (October 2006 to present); Director of Vatukoula Gold Mines Limited (February 2013 to present); Director of PT Bumi Resources Tbk (June 18, 2019 to present).

Director Status: Independent ⁽⁵⁾	2024 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board/Committee Membership:				
Board of Directors	7 of 7	100%	China Gold International Resources Corp. (TSX: CGG and HKEX: 2099)	May 2003
Audit	9 of 9	100%	Tri-River Ventures Inc. (TSX-V)	October 2006
Compensation & Benefits	4 of 4	100%	PT Bumi Resources Tbk (IDX)	June 2019
Nominating & Corporate Governance (Chair)	2 of 2	100%	Vatukoula Gold Mines: formerly listed on the London Stock Exchange Alternative Investment Market	February 2013
Health, Environment, Safety & Social Responsibility	4 of 4	100%		
Total:	26 of 26	100%		

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

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁶⁾	Common Shares ⁽⁶⁾	Unexercised Options ⁽⁷⁾	Total
2025	177,000	\$72,075	\$72,075	\$17,706	\$89,781
2024	177,000	\$138,524	\$138,524	\$92,159	\$230,683

Options Held: ⁽¹²⁾

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁷⁾
June 29, 2021	June 29, 2026	150,000	150,000/Nil	HK\$1.41	150,000	\$17,706

Jin Lan Quan

Sydney, Australia

Director Since: August 6, 2015**Areas of Experience:**

Compensation
Public Company
Financial Acumen
International Business
Corporate Governance
Managing/Leading Growth
General Business Management

Ms. Quan, 62, joined the Board on August 6, 2015 as an Independent Non-Executive Director.

Ms. Quan is a venture capitalist, 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 (CAANZ), 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 ⁽⁵⁾ Board/Committee Membership:	2024 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	7 of 7	100%	n/a	
Audit (Chair)	9 of 9	100%		
Compensation & Benefits	4 of 4	100%		
Nominating & Corporate Governance	2 of 2	100%		
Total:	22 of 22	100%		

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

Year	Common Shares	Total Market Value of Common Shares ⁽⁶⁾	Common Shares ⁽⁶⁾	Unexercised Options ⁽⁷⁾	Total
2025	Nil	Nil	Nil	\$17,706	\$17,706
2025	Nil	Nil	Nil	\$92,159	\$92,159

Options Held: ⁽¹³⁾

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁷⁾
June 29, 2021	June 29, 2026	150,000	150,000/Nil	HK\$1.41	150,000	\$17,706

Fan Keung Vic Choi

Hong Kong, People’s Republic of China

Director Since: June 27, 2024



Areas of Experience:

Legal
 Compensation
 Public Company
 CEO/Senior Officer
 Financial Acumen
 International Business
 Corporate Governance
 Regulatory Compliance
 Managing/Leading Growth
 General Business Management

Mr. Choi, 60, joined the Board as an Independent Non-Executive Director on June 27, 2024.

Mr. Choi is a solicitor of the High Court of Hong Kong. Since September 2018, Mr. Choi has provided consulting services for Howse Williams, an independent Hong Kong law firm, primarily focused on advising and representing banks and financial industry participants in defending investigations and prosecutions brought by regulators and law enforcement agencies.

Mr. Choi’s career has spanned over 40 years, with a focus on regulatory compliance, compliance management, prevention and control of commercial crime and investigation and has extensive experience in legal practice and, crime investigation and prosecution. In addition to his practice at Howse Williams, Mr. Choi was General Counsel at Atlantis Investment Management Limited (September 2020 to July 2022) and Group General Counsel at Imperial Pacific International Holdings Limited (January 2016 to May 2017). He was employed by HSBC Bank (China) Co., Ltd. (December 2006 to December 2014), and served as deputy head of compliance, area compliance office in China and head of compliance where he managed over 160 compliance officers and was responsible for regulatory compliance and prevention and control of financial crime in over 60 cities in China. Mr. Choi He was an Independent Non-Executive Director of Shoucheng Holding Limited (HKEX), an investment holding company mainly engaged in the management of private funds and management and operations of car parking assets.

Mr. Choi obtained a Bachelor Degree, Post graduate certificate and a Master’s degree in Laws from the University of Hong Kong. He is a member of the Law Society of Hong Kong, a member of the Association of Certified Fraud Examiners and a director on the Board of its Hong Kong Chapter. He is a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

Solicitor, High Court of Hong Kong (November 2002 – present); Consultant, Howse Williams (September – present); Director of Shoucheng Holding Limited (May 2018 – April 30, 2025); General Counsel at Atlantis Investment Management Limited (September 2020 to July 2022).

Director Status: Independent ⁽⁵⁾	Board/Committee Membership: ⁽¹⁴⁾	2024 Attendance:		Other Public Company Board Membership:	
				Company:	Since:
	Board of Directors	4 of 4	100%	n/a	
	Audit	4 of 4	100%		
	Compensation & Benefits (Chair)	1 of 1	100%		
	Nominating & Corporate Governance	0 of 0	100%		
	Total:	9 of 9	100%		

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

Year	Common Shares	Total Market Value of Common Shares ⁽⁶⁾	Common Shares ⁽⁶⁾	Unexercised Options ⁽⁷⁾	Total
2025	Nil	Nil	Nil	Nil	Nil
2024	Nil	Nil	Nil	Nil	Nil

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁷⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a

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) To the best of the Company's knowledge, JD Dingxing Limited and IMTT are the general partner and limited partner of JDZF, respectively. Ms. Chonglin Zhu holds 92.80% of the shares of JD Dingxing Limited.
- (4) To the best of the Company's knowledge, Land Grand is the registered and beneficial owner of 46,358,978 Shares of the Company's issued and outstanding Shares. Mr. Zhu Gao is the indirect controlling shareholder of Land Grand.
- (5) "Independent" refers to the standards of independence established under Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101").
- (6) "Total Market Value" is calculated by multiplying the Canadian dollar closing price of the Common Shares on the TSX-V on May 12, 2025 (being Cdn\$0.57 per Common Share) and on May 13, 2024 (being Cdn\$1.07 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.
- (7) The "Value of Unexercised Options" is calculated on the basis of the difference between the closing price of the Common Shares on the HKEX on May 12, 2025 (being HK\$2.33 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.
- (8) Messrs. Ruibin Xu, Chen Shen and Ms. Chonglin Zhu are nominated for election as Directors of the Company by JDZF pursuant to a contractual nomination right granted to JDZF in connection with the Securityholders' Agreement and Deferral Agreements (see the section entitled "*Contractual Director Nomination Rights*" in this Management Proxy Circular).
- (9) Messrs. Zhu Gao and Zaixiang Wen are nominated for election as Directors of the Company by Land Grand pursuant to a contractual nomination right granted to Grand in connection with the Subscription Agreement (see the section entitled "*Contractual Director Nomination Rights*" in this Management Proxy Circular).
- (12) Mr. Yingbin Ian He exercised 150,000 incentive stock options, with a strike price of CDN\$0.11, on January 26, 2024.
- (13) Ms. Jin Lan Quan had 150,000 incentive stock options with a strike price of CDN\$0.11, expire on September 11, 2024.
- (14) Mr. Fan Keung Vic Choi joined the Board on June 27, 2024 and there were four (4) Board meetings, four (4) meetings of the Audit Committee, two (2) meetings of the Compensation and Benefits Committee and no meetings of the Nominating and Corporate Governance Committee subsequent to this date.

Save as disclosed herein and in the sections headed “*Contractual Director Nomination Rights*” and “*Disclosure of Interests*” above, none of the proposed Directors holds any other position with the Company or its subsidiaries (collectively, the “**Group**”), nor has any other directorships in other listed public companies in the last three years, and no Director has any other relationship with any Directors, senior management, substantial shareholders or the controlling shareholders of the Company or other members of the Group (as defined in the Listing Rules), or interested in other Common Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no information for each of the proposed Directors of the Company which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders of the Company.

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, 2024:

Board	7
Audit Committee	9
Compensation and Benefits Committee	4
Health, Environment, Safety and Social Responsibility Committee	4
Nominating and Corporate Governance Committee	2

On June 27, 2024, the Board of Directors approved the dissolution of the Operations Committee as it had fulfilled its mandate. There were no meetings of the Operations Committee held in 2024.

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

In 2024, there were sixteen (16) written resolutions passed by the Directors, and one (1) written resolution passed by each of the Compensation & Benefits Committee (the “**Compensation Committee**”), the Nominating and Corporate Governance Committee and the Health, Environment, Safety and Social Responsibility Committee. In 2024, no written resolutions were passed by the Audit 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, Messrs. Yingbin Ian He, Fan Keung Vic Choi and Ms. Jin Lan Quan, have all been nominated for re-election as INEDs 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.

The Board has assessed the independence of all the nominee INEDs and considers each of them to be independent having considered (i) receipt of their written confirmations of independence from Messrs. Yingbin Ian He, Fan Keung Vic Choi and Ms. Jin Lan Quan, relating to his/her independence pursuant to securities laws and stock exchange rules in all applicable jurisdictions, (ii) the absence of involvement in the daily management of the Company, (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement and (iv) information regarding personal and business circumstances provided in a comprehensive questionnaire completed annually by each of the Directors. Each of Messrs. Yingbin Ian He, Fan Keung Vic Choi and Ms. Jin Lan Quan has confirmed that (i) he/she meets the independence factors as set out in Rule 3.13(1) to (8) of the Listing Rules; (ii) he/she did not and does not have any past or present financial or other interest in the business of the issuer or its subsidiaries or any connection with any core connected person (as defined in the Listing Rules) of the Company; and (iii) there are no other factors that may affect his/her independence as at the date of his/her confirmation.

According to code provision B.2.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the Shareholders. Ms. Jin Lan Quan has been serving as an INED for more than nine years. Nonetheless, the Board is of the view that Ms. Jin Lan Quan meets the independence guidelines set out in Rule 3.13 of the Listing Rules and maintains her independence in accordance with the terms of such guidelines. Since joining the Company as an INED on August 6, 2015, Ms. Jin Lan Quan has made positive contributions to the Company's strategy, policies and performance with her independent advice, comments, judgment from the perspective of her background coupled with her understanding of the operations and business of the Group that she gained throughout the years. Ms. Jin Lan Quan has not engaged in any executive management of the Group. In view of Ms. Jin Lan Quan's extensive experience in finance, audit and risk management, the Board believes that she is capable of providing constructive contributions and objective view to the Board and contribute to the diversity of the Board. Ms. Jin Lan Quan has also confirmed her independence according to the factors set out in Rule 3.13 of the Listing Rules. After careful consideration, the Board is of that view that Ms. Jin Lan Quan continued to demonstrate strong independence in judgement and her position outside the Company will not affect her in maintaining her current role in, and her functions and responsibilities for, the Company. Therefore, the Board considers Ms. Jin Lan Quan is still independent and should be appointed as INED. Her election at the annual general meeting will be subject to approval of a separate resolution by the shareholders.

Following an assessment of the aforementioned information, the Board has determined that three (3) of its eight (8) Director nominees (Messrs. Yingbin Ian He, Fan Keung Vic Choi and Ms. Jin Lan Quan) are independent, representing 38% of all Director nominees nominated for election at the Meeting. Moreover, two (2) of the eight (8) Director nominees are Non-Executive Directors ("NEDs").

The Board believes that the proposed size and composition and the proposed composition of the Board committees, results in balanced representation. The Board is proposed to be comprised of three (3) Executive Directors, two (2) NEDs and three (3) INEDs.

Although a majority of the Board are not independent Directors, the Board is of the view that appropriate structures and procedures are in place to allow the Board to function independently of management. The Board has appointed an INED as Independent Lead Director who is responsible for providing overall leadership of the Board and maintaining the independence of the Board. In the event that the Board must consider a potential or actual conflict, such matter is referred to the INEDs and is subject to independent scrutiny. To facilitate the exercise of independent judgment, the INEDs and NEDs of the Board hold meetings as required.

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 Listing Rules 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 Messrs. Yingbin Ian He, Fan Keung Vic Choi 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 Messrs. Yingbin Ian He, Fan Keung Vic Choi and Ms. Jin Lan Quan are qualified to serve as INEDs and should be elected to the Board.

BOARD OF DIRECTORS

Directors and Officers Insurance

The Company has purchased a liability insurance program for our directors and officers. This program covers directors and officers in circumstances including, but not limited to, where the Company is unable to or are prevented from indemnifying them, subject to the terms and conditions outlined in the policy wording. The program has an annual aggregated limit of \$2,500,000 with a \$1,000,000 deductible if the claim is indemnifiable by the Company. The total annual premium paid was \$77,500.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, to the knowledge of the Company, no proposed Director:

- (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**”). Mr. Yingbin Ian He and Ms. Jin Lan Quan, who are nominated for election as Directors 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. Mr. Yingbin Ian He and Ms. Jin Lan Quan who are nominated for election as Directors on 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, who is nominated for election as a Director 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 trade 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 BDO as auditor of the Company until the next annual meeting of shareholders and the authorization to permit the Directors to set their remuneration.

Majority Voting Policy for Auditors

The Board has adopted a majority voting policy for auditors pursuant to which in any meeting of the shareholders of the Company at which the auditors are to be appointed, for whom the number of votes withheld exceeds the number of votes cast in favour of its appointment (a “**Non-Supported Auditor**”), the Non-Supported Auditor will be considered not to have received the support of Shareholders even though the Non-Supported Auditor was duly appointed as a matter of corporate law. The Board and the Company’s audit committee (the “**Audit Committee**”) will then consider the necessity to remove and replace any Non-Supported Auditor. The Board will consult with the Audit Committee in respect of the replacement of a Non-Supported Auditor promptly after the appointment of such Non-Supported Auditor. In the absence of exceptional circumstances, the Board expects that the Audit Committee will recommend to the Board that a special meeting of shareholders be convened for the purposes of considering an ordinary resolution for the removal of the Non-Supported Auditor and the appointment of another qualified audit firm to serve as auditors of the Company (the “**Replacement Auditor**”). The Board will announce in a press release its intention to call the special meeting to replace the Non-Supported Auditor, or explain the reasons justifying the Board’s decision not to remove the Non-Supported Auditor, which would be issued within 90 days following the meeting of Shareholders.

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 2024 were pre-approved by the Audit Committee or the Designated Member.

APPROVAL OF THE MARCH 2025 DEFERRAL AGREEMENT

Background to the March 2025 Deferral Agreement

The March 2025 Deferral Agreement is the result of arm’s length negotiations between representatives of the Company and JDZF that were conducted principally between February 2025 and March 2025. The following is a summary of the events leading up to the execution of the March 2025 Deferral Agreement, including certain relevant events relating to the negotiations and actions that preceded the execution and public announcement of the March 2025 Deferral Agreement.

Convertible Debenture and Cooperation Agreement

On October 26, 2009, the Company entered into the Convertible Debenture with CIC, which was subsequently assigned by CIC to its subsidiary on November 19, 2009. The Convertible Debenture is a secured, convertible debenture with an original principal amount of US\$500 million bearing interest at 8.0% (6.4% payable semi-annually in cash and 1.6% payable annually in Common Shares) with a maximum term of 30 years. The Convertible Debenture is secured by a first ranking charge over the assets of the Company and certain subsidiaries.

Nature of transaction:	An original principal amount of US\$500 million senior debentures convertible into Common Shares (US\$485 million net of advisory fees). Subsequently, as described herein, US\$250 million.
Interest:	The Convertible Debenture carries interest of 8.0% per annum made up of: <ul style="list-style-type: none"> (i) a cash coupon of 6.4% payable semi-annually; and (ii) additional interest of 1.6% per annum payable in Common Shares to be issued on each anniversary of the issue. Share value shall be calculated based on the 50 business day volume weighted average price (“VWAP”) prior to each anniversary of the issue.
Conversion Price:	Cdn\$11.88 shall be considered the “Base Conversion Value” and ordinarily, the conversion price will be set at the Base Conversion Value, subject to the adjustments set out below (the “Conversion Price”): <ul style="list-style-type: none"> – At the time of conversion, the VWAP of the Common Shares for the 50 business days prior to the conversion date will be calculated (the “Conversion Date Value”). – In the event the Conversion Date Value is lower than the Base Conversion Value, then the conversion price will be the Conversion Date Value. – The conversion price will be subject to a “Floor Price” of Cdn\$8.88.
Early Conversion Right:	After the earlier of two years from closing or the time of the Qualified Float (as defined below), the Company will have the right to require conversion of up to 50% of the initial principal amount of US\$500 million at the Conversion Price. The Company exercised this conversion right and on March 29, 2010, the Company converted US\$250 million of the debt into 21,560,961 Common Shares at a price of US\$11.64 per share.
Qualified Float:	A transaction whereby the Common Shares are listed on the HKEX or the TSX and that meets the following three criteria, shall be considered a “Qualified Float”: (i) not less than 25% of the issued and outstanding Common Shares (on a non-diluted basis, except including the initial principal amount of the Convertible Debenture on an as converted basis) are held by persons who are not insiders of the Company (i.e. insider holdings cannot exceed 75%); (ii) the offering price of the Common Shares issued to achieve the public float is not less than the base conversion value unless JDZF consents; and (iii) the Common Shares are listed on the HKEX.
Right to Nominate Director:	While the Convertible Debenture is outstanding, or while JDZF has a 15% direct or indirect shareholding interest in the Company, JDZF has the right, but not the obligation, to nominate one person to the Board. When JDZF nominates a person, the Board is not obliged to appoint such nominee as a director; the election of a nominee to the Board is subject to Shareholders’ approval. Furthermore, JDZF cannot require that its nominee be employed by or participate as the Company’s executive or manager, and the sole entitlement of the nominee is to act in the capacity of director. If appointed to the Board the nominee would be a non-independent non-executive director.

For further details of the Convertible Debenture, please refer to the section entitled “*Material Contracts – Convertible Debenture*” in the Company’s Annual Information Form dated March 28, 2025 (the “**AIF**”), a copy of which is available under the Company’s profile on SEDAR+ at www.sedarplus.ca, on the HKEX news website at www.hkexnews.hk and the Company’s website at www.southgobi.com.

On November 19, 2009, the Company entered into a mutual co-operation agreement (the “**Cooperation Agreement**”) with Fullbloom Investment Corporation (“**Fullbloom**”), a wholly-owned subsidiary of CIC, pursuant to which Fullbloom agreed to provide advisory services to the Company in relation to the sale of coal into China, and other procurement and logistics related matters. In consideration, the Company agreed to pay Fullbloom a fee for such services based on a percentage of the total net revenues realized by the Company and its Mongolian subsidiaries from sales into China.

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

June 2017 Deferral Agreement

On June 12, 2017, the Company and CIC executed a deferral agreement (the “**June 2017 Deferral Agreement**”) in relation to a revised payment schedule on the US\$22.3 million of cash interest and associated costs originally due on May 19, 2017. The key repayment terms of the June 2017 Deferral Agreement were as follows: (i) the Company was required to repay on average US\$2.2 million of the deferred cash interest and associated costs on a monthly basis during the period from May 2017 to October 2017; and (ii) the Company was required to repay US\$9.7 million of deferred cash interest and associated costs on November 19, 2017. The Company agreed to pay a deferral fee at a rate of 6.4% per annum as consideration for the aforementioned deferral.

2019 Deferral Agreement and Amended and Restated Cooperation Agreement

On April 23, 2019, CIC, the Company and certain of its subsidiaries entered into a deferral agreement (the “**2019 Deferral Agreement**”) pursuant to which CIC agreed to a deferral and revised repayment schedule in respect of: (i) US\$41.8 million of outstanding cash interest and payment in kind interest (“**PIK Interest**”) and associated costs which were due and payable to CIC on November 19, 2018 under the Convertible Debenture and the June 2017 Deferral Agreement; (ii) the semi-annual cash interest payments in the aggregate amount of US\$23.9 million which were due and payable to CIC in May 19, 2019, November 19, 2019 and May 20, 2020 under the Convertible Debenture; and (iii) US\$4.0 million worth of PIK Interest shares which were due to be issued to CIC on November 19, 2019 under the Convertible Debenture (collectively, the “**2019 Deferral Amounts**”).

As consideration for the deferral provided under the 2019 Deferral Agreement, the Company agreed to pay a deferral fee equal to 6.4% per annum on the outstanding balance of the 2019 Deferred Amounts, commencing on the date on which each such 2019 Deferred Amount was otherwise due and payable under the Convertible Debenture or the June 2017 Deferral Agreement, as applicable.

Under the 2019 Deferral Agreement, the Company agreed to pay CIC the 2019 Deferred Amounts in accordance with the following repayment schedule:

- US\$14.3 million by way of eight (8) instalment payments during the period from November 19, 2019 to June 19, 2020; and
- US\$62.6 million on June 20, 2020.

As a condition to agreeing to the 2019 Deferral Agreement, CIC required that the Company agree to an amendment and restatement of the Cooperation Agreement (the “**Amended and Restated Cooperation Agreement**”) for the purpose of clarifying the manner in which the service fee payable to Fullbloom under the Cooperation Agreement is calculated, with effect as of January 1, 2017, to provide that the service fee shall be calculated based on the net revenues realized by the Company and all of its subsidiaries derived from sales into China (rather than the net revenues realized by the Company and its Mongolian subsidiaries).

The aggregate amount of additional service fees payable to Fullbloom as a result of the Amended and Restated Cooperation Agreement was approximately US\$4.0 million (the “**Deferred Compensation**”). As consideration for deferring payment of the Deferred Compensation payable under the Amended and Restated Cooperation Agreement, the Company agreed to pay to Fullbloom a deferral fee at a rate of 2.5% on the outstanding amount of the Deferred Compensation and the related accrued deferral fee, commencing on the date on which each such payment of Deferred Compensation would otherwise have been due and payable under the Amended and Restated Cooperation Agreement. Under the Amended and Restated Cooperation Agreement, the Company agreed to repay Fullbloom the Deferred Compensation and related accrued deferral fee in six instalments between June 30, 2019 and November 30, 2019.

The terms of the 2019 Deferral Agreement and the Amended and Restated Cooperation Agreement provided that the effectiveness thereof was subject to the Company obtaining acceptance of the 2019 Deferral Agreement from the TSX and the requisite approval of the 2019 Deferral Agreement from Shareholders.

The 2019 Deferral Agreement was accepted by the TSX and approved by a majority of disinterested shareholders at the Company’s adjourned annual general and special meeting of Shareholders held on June 13, 2019 in accordance with the requirements of Section 501(c) of the TSX Company Manual. The 2019 Deferral Agreement and the Amended and Restated Cooperation Agreement and the respective parties’ obligations and rights thereunder became effective on the same date.

Events in 2020

On February 19, 2020, the Company and CIC entered into an agreement (the “**February 2020 Deferral Agreement**”) pursuant to which CIC agreed to grant the Company a deferral of: (i) deferred cash interest and deferral fees of US\$1.3 million and US\$2.0 million which were due and payable to CIC on January 19, 2020 and February 19, 2020, respectively, under the 2019 Deferral Agreement; and (ii) approximately US\$0.7 million of management fee which was due and payable on February 14, 2020 to Fullbloom under the Amended and Restated Cooperation Agreement.

The key terms of the February 2020 Deferral Agreement were as follows: (i) payment of the deferred cash interest and deferral fees was deferred until June 20, 2020, while the management fee was deferred until it is repaid by the Company; (ii) the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the deferred cash interest and deferral fees and a deferral fee equal to 2.5% per annum on the deferred management fees, in each case commencing on the date on which such payment would otherwise have been due and payable under the 2019 Deferral Agreement or Amended and Restated Cooperation Agreement, as applicable; and (iii) the parties agreed that nothing in the February 2020 Deferral Agreement prejudiced CIC's rights to pursue any of its remedies at any time pursuant to the 2019 Deferral Agreement and Amended and Restated Cooperation Agreement, respectively. The February 2020 Deferral Agreement was accepted by the TSX, and the respective parties' obligations and rights thereunder became effective, on March 10, 2020.

On March 10, 2020, the Company and CIC entered into an agreement (the "**March 2020 Deferral Agreement**") pursuant to which CIC agreed to grant the Company a deferral of deferred cash interest and deferral fees of US\$2.0 million which were due and payable to CIC on March 19, 2020 under the 2019 Deferral Agreement. The terms of the 2020 March Deferral Agreement were substantially the same as the terms of the 2020 February Deferral Agreement, including that the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2020 March Deferral Amount, commencing on March 19, 2020. The 2020 March Deferral Agreement became effective on March 25, 2020, being the date on which the Company obtained the requisite acceptance of the 2020 March Deferral Agreement from the TSX as required under applicable TSX rules.

On April 10, 2020, the Company and CIC entered into an agreement (the "**April 2020 Deferral Agreement**") pursuant to which CIC agreed to grant the Company a deferral of deferred cash interest and deferral fees of US\$2.0 million which were due and payable to CIC on April 19, 2020 under the 2019 Deferral Agreement. The terms of the 2020 April Deferral Agreement were substantially the same as the terms of the 2020 February Deferral Agreement, including that the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2020 April Deferral Amount, commencing on April 19, 2020. The April 2020 Deferral Agreement became effective on April 29, 2020, being the date on which the Company obtained the requisite acceptance of the April 2020 Deferral Agreement from the TSX as required under applicable TSX rules.

On May 8, 2020, the Company and CIC entered into an agreement (the "**May 2020 Deferral Agreement**") pursuant to which CIC agreed to grant the Company a deferral of deferred cash interest and deferral fees of US\$2.0 million which were due and payable to CIC on May 19, 2020 under the 2019 Deferral Agreement. The terms of the 2020 May Deferral Agreement were substantially the same as the terms of the 2020 February Deferral Agreement, including that the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the deferred cash interest and deferral fees commencing on May 19, 2020. The May 2020 Deferral Agreement became effective on June 8, 2020, being the date on which the Company obtained the requisite acceptance of the May 2020 Deferral Agreement from the TSX as required under applicable TSX rules.

On June 18, 2020, the Company and CIC entered into an agreement (the “**June 2020 Deferral Agreement**”) pursuant to which CIC agreed with the Company that payment of the deferred cash interest and deferral fees in the aggregate amount of approximately US\$74.0 million which were due and payable to CIC on June 19, 2020 (the “**June 2020 Deferred Amounts**”) under the 2019 Deferral Agreement and the prior deferral agreements entered into during the period between February 2020 to May 2020 would be deferred until September 14, 2020. The terms of the June 2020 Deferral Agreement were substantially the same as the terms of the 2020 February Deferral Agreement, including that the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the June 2020 Deferred Amounts commencing on June 19, 2020. The June 2020 Deferral Agreement became effective on July 17, 2020, being the date on which the Company obtained the requisite acceptance of the June 2020 Deferral Agreement from the TSX as required under applicable TSX rules.

November 2020 Deferral Agreement

On November 19, 2020, the Company and certain of its subsidiaries entered into an agreement (the “**November 2020 Deferral Agreement**”) with CIC and Fullbloom for a deferral of (i) deferred cash interest and deferral fees of US\$75.2 million which were due and payable to CIC on or before September 14, 2020, under the June 2020 Deferral Agreement; (ii) semi-annual cash interest payments in the aggregate amount of US\$16.0 million payable to CIC on November 19, 2020 and May 19, 2021 under the Convertible Debenture; (iii) US\$4.0 million worth of PIK Interest shares (“**2020 November PIK Interest**”) issuable to CIC on November 19, 2020 under the Convertible Debenture; and (iv) the management fees which were payable to Fullbloom on November 14, 2020, February 14, 2021, May 15, 2021, August 14, 2021 and November 14, 2021 under the Amended and Restated Cooperation Agreement (collectively, the “**2020 November Deferral Amounts**”).

As consideration for the deferral of the 2020 November Deferral Amounts, the Company agreed to pay CIC: (i) a deferral fee equal to 6.4% per annum on the 2020 November Deferral Amounts payable under the Convertible Debenture and the June 2020 Deferral Agreement, commencing on the date on which each such 2020 November Deferral Amounts would otherwise have been due and payable under the Convertible Debenture or the June 2020 Deferral Agreement, as applicable; and (ii) a deferral fee equal to 2.5% per annum on the 2020 November Deferral Amounts payable under the Amended and Restated Cooperation Agreement, commencing on the date on which the management fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

Commencing as of November 19, 2020 and until such time till the 2020 November PIK Interest is fully repaid, CIC reserved the right to require the Company to pay and satisfy the amount of the 2020 November PIK Interest, either in full or in part, by way of issuing and delivering PIK interest shares in accordance with the Convertible Debenture provided that, on the date of issuance of such shares, the Common Shares are listed and trading on at least one stock exchange.

The terms of the November 2020 Deferral Agreement provided that the effectiveness thereof was subject to the Company obtaining acceptance of the November 2020 Deferral Agreement from the TSX and the requisite approval of the November 2020 Deferral Agreement from Shareholders.

The November 2020 Deferral Agreement was accepted by the TSX and approved by a majority of disinterested shareholders at the Company’s annual general and special meeting of Shareholders held on January 21, 2021 in accordance with the requirements of Section 501(c) of the TSX Company Manual. The November 2020 Deferral Agreement and the respective parties’ obligations and rights thereunder became effective on the same date.

July 2021 Deferral Agreement

On July 30, 2021, the Company and CIC executed a deferral agreement (the “**July 2021 Deferral Agreement**”) pursuant to which CIC agreed to grant the Company a deferral of the interest payments which were due and payable on November 19, 2021 under the Convertible Debenture. The key repayment terms of the July 2021 Deferral Agreement were as follows: (i) a deferral of the semi-annual cash interest payment of US\$8.1 million payable to CIC on November 19, 2021 under the Convertible Debenture; and (ii) a deferral of the payment-in-kind interest payment of US\$4.0 million payable on November 19, 2021 under the Convertible Debenture, in each case until August 31, 2023. The Company agreed to pay a deferral fee at a rate of 6.4% per annum as consideration for the aforementioned deferral. The July 2021 Deferral Agreement became effective on August 18, 2021, being the date on which the Company obtained the requisite acceptance of the July 2021 Deferral Agreement from the TSX as required under applicable TSX rules.

May 2022 Deferral Agreement

On May 13, 2022, the Company and CIC executed a deferral agreement (the “**May 2022 Deferral Agreement**”) in relation to a deferral of the US\$22.3 million of cash interest and associated costs originally due on May 19, 2022 under the Convertible Debenture. The key repayment terms of the May 2022 Deferral Agreement were as follows: (i) a deferral of the semi-annual cash interest payment of US\$7.9 million payable to CIC on May 19, 2022 under the Convertible Debenture; and (ii) a deferral of management fees for Q4 2021 and accrued deferral fees related thereto that is outstanding as of November 14, 2021 and the management fees to be accrued in Q2 2022 which were due and payable on August 14, 2022 under the Amended and Restated Cooperation Agreement (collectively the “**May 2022 Deferral Amounts**”).

As consideration for the deferral of the May 2022 Deferral Amounts, the Company agreed to pay CIC: (i) a deferral fee equal to 6.4% per annum on the May 2022 Deferral Amounts payable under the Convertible Debenture, commencing on the date on which each such May 2022 Deferral Amounts would otherwise have been due and payable under the Convertible Debenture; and (ii) a deferral fee equal to 2.5% per annum on the May 2022 Deferral Amounts payable under the Amended and Restated Cooperation Agreement, commencing on the date on which the management fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

The terms of the May 2022 Deferral Agreement provided that the effectiveness thereof was subject to the Company obtaining acceptance of the May 2022 Deferral Agreement from the TSX. The May 2022 Deferral Agreement was accepted by the TSX on June 10, 2022 in accordance with the requirements of Section 501(c) of the TSX Company Manual. The May 2022 Deferral Agreement and the respective parties’ obligations and rights thereunder became effective on the same date.

Completion of Sale by CIC of its Interests in the Company

As disclosed in the press releases issued by CIC and JDZF respectively on August 30, 2022, the sale (the “**CIC Sale Transaction**”) by CIC of all of its interests in the Company, including its 64,766,591 Common Shares and the Convertible Debenture, to JDZF was successfully completed on August 30, 2022. In connection with the completion of the CIC Sale Transaction, CIC assigned to JDZF all of its respective rights in and obligations under: (i) the Convertible Debenture and related security documents; (ii) the Amended and Restated Cooperation Agreement and related documents; (iii) the deferral agreements of CIC, the Company and certain of its subsidiaries in connection with the deferral of interest payments and other outstanding fees under the Convertible Debenture and the Amended and Restated Cooperation Agreement; and (iv) the security holders agreement between the Company, CIC and a former shareholder of the Company. In connection with the completion of the CIC Sale Transaction, JDZF agreed to reduce the service fee payable by the Company under the Amended and Restated Cooperation Agreement from 2.5% to 1.5% of all net revenues realized by the Company and all of its subsidiaries derived from sales into China.

November 2022 Deferral Agreement

On November 11, 2022, the Company and JDZF executed a deferral agreement (the “**November 2022 Deferral Agreement**”) pursuant to which JDZF agreed to grant the Company a deferral of (i) US\$7.0 million out of the semi-annual cash interest payment of US\$8.1 million payable to JDZF on November 19, 2022 under the Convertible Debenture; (ii) US\$1.1 million out of the payment-in-kind interest payment of US\$4.0 million payable on November 19, 2022 under the Convertible Debenture, in each case until November 19, 2023. The Company agreed to pay a deferral fee at a rate of 6.4% per annum as consideration for the aforementioned deferral. The November 2022 Deferral Agreement also includes deferral of management fees payable to JDZF on November 15, 2022, February 15, 2023, May 16, 2023 and August 15, 2023, respectively, under the Amended and Restated Cooperation Agreement with a consideration of 1.5% per annum on the outstanding balance of the deferred management fees.

The terms of the November 2022 Deferral Agreement provided that the effectiveness thereof was subject to the Company obtaining acceptance of the November 2022 Deferral Agreement from the TSX. The November 2022 Deferral Agreement was accepted by the TSX on November 23, 2022 in accordance with the requirements of Section 501(c) of the TSX Company Manual. The November 2022 Deferral Agreement and the respective parties’ obligations and rights thereunder became effective on the same date.

In December 2022, the Company issued 20,947,063 PIK shares to JDZF in accordance with the terms of the Convertible Debenture at an issuance price of CAD\$0.185 per PIK share as settlement of US\$2.9 million PIK interest owing by the Company to JDZF.

March 2023 Deferral Agreement

On March 24, 2023, the Company and JDZF executed a deferral agreement (the “**March 2023 Deferral Agreement**”) pursuant to which JDZF agreed to grant the Company a deferral of the (i) cash interest payments of approximately US\$7.9 million payable to JDZF on May 19, 2023 under the Convertible Debenture; (ii) cash interest, management fees, and related deferral fees of approximately US\$8.7 million payable to JDZF on or before August 31, 2023 under the May 2022 Deferral Agreement; (iii) cash and PIK Interest, and related deferral fees of approximately US\$13.5 million payable to JDZF on or before August 31, 2023 under the July 2021 Deferral Agreement; and (iv) the cash and PIK Interest, management fees, and related deferral fees of approximately US\$110.4 million which are payable to JDZF on or before August 31, 2023 under November 2020 Deferral Agreement (the “**March 2023 Deferral Amounts**”).

As consideration for the deferral of the March 2023 Deferral Amounts, the Company agreed to pay JDZF: (i) a deferral fee equal to 6.4% per annum on the March 2023 Deferral Amounts payable under the Convertible Debenture, commencing on the date on which each such March 2023 Deferral Amounts would otherwise have been due and payable under the Convertible Debenture; and (ii) a deferral fee equal to 1.5% per annum on the March 2023 Deferral Amounts payable under the Amended and Restated Cooperation Agreement, commencing on the date on which the management fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

The effectiveness of the March 2023 Deferral Agreement and the respective covenants, agreements and obligations of each party under the March 2023 Deferral Agreement were subject to the approvals from the TSX and the disinterested shareholders of the Company in accordance with the requirements of Section 501(c) of the TSX Company Manual and the Listing Rules. The requisite shareholder approvals for the March 2023 Deferral Agreement were obtained at a special meeting of shareholders convened on August 29, 2023.

November 2023 Deferral Agreement

On October 13, 2023, the Company and JDZF executed a deferral agreement (the “**November 2023 Deferral Agreement**”) pursuant to which JDZF agreed to grant the Company a deferral of (i) the PIK interest of approximately US\$4.0 million due and payable on November 19, 2023 under the Convertible Debenture; and (ii) the management fees payable to JDZF on November 15, 2023, February 15, 2024, May 16, 2024 and August 15, 2024, respectively, under the Amended and Restated Cooperation Agreement until August 31, 2024 (the “**November 2023 Deferred Amounts**”).

As consideration for the deferral of the November 2023 Deferred Amounts, the Company agreed to pay JDZF: (i) a deferral fee equal to 6.4% per annum on the November 2023 Deferred Amounts payable under the Convertible Debenture, commencing on the date on which each such November 2023 Deferred Amounts would otherwise have been due and payable under the Convertible Debenture; and (ii) a deferral fee equal to 1.5% per annum on the November 2023 Deferred Amounts payable under the Amended and Restated Cooperation Agreement, commencing on the date on which the management fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

On November 17, 2023, the Company provided an update on its payment obligations under the November 2022 Deferral Agreement with JDZF and reported that on November 15, 2023, and in accordance with the terms of the Convertible Debenture and the November 2022 Deferral Agreement, the Company paid JDZF the US\$7.1 million of cash interest which was due and payable on November 19, 2022 under the Convertible Debenture, the payment of which was deferred under the November 2022 Deferral Agreement until November 19, 2023. JDZF agreed to waive (the “**Waiver**”) the Company’s payment obligations under the November 2022 Deferral Agreement in relation to: (i) the remaining US\$1.1 million of PIK Interest which was payable on November 19, 2022 under the Convertible Debenture (the “**November 2022 PIK Interest**”), the payment of which was deferred under the November 2022 Deferral Agreement until November 19, 2023 (the “**Waived PIK Interest Default**”), as well as the right to collect deferral fees in respect of the November 2022 PIK Interest under the November 2022 Deferral Agreement for the period between November 20, 2023 until January 19, 2024 (both dates inclusive); and (ii) the management fees (the “**November 2022 Deferred Management Fees**”) which were payable on November 15, 2022, February 15, 2023, May 16, 2023 and August 15, 2023 under the Amended and Restated Cooperation Agreement, the payments of which were deferred under the November 2022 Deferral Agreement until November 19, 2023 (the “**Waived Deferred Management Fees Default**”, and together with the Waived PIK Interest Default, the “**Waived Defaults**”). In order to allow the Company to remedy the Waived Defaults, the Waiver as it relates to the Waived PIK Interest Default was in effect up to and until April 30, 2024, and the Waiver as it relates to the Waived Deferred Management Fees Default is in effect up to and until August 31, 2024.

March 2024 Deferral Agreement

On March 19, 2024, the Company and JDZF executed a deferral agreement (the “**March 2024 Deferral Agreement**”) pursuant to which JDZF agreed to grant the Company a deferral of (i) the PIK interest, management fees and related deferral fees of approximately US\$96.5 million due and payable on or before August, 2024 pursuant to the March 2023 Deferral Agreement and the November 2023 Deferral Agreement; (ii) the cash interest payment of approximately US\$7.9 million due and payable on May 19, 2024 under the Convertible Debenture; (iii) the cash interest payment of approximately US\$8.1 million and PIK interest payment of approximately US\$4.0 million due and payable on November 19, 2024 under the Convertible Debenture; and (iv) the management fee of approximately US\$2.2 million due and payable on November 15, 2024 and February 15, 2025 under the Amended and Restated Cooperation Agreement (the “**March 2024 Deferred Amounts**”).

As consideration for the deferral of the March 2024 Deferred Amounts, the Company agreed to pay JDZF: (i) a deferral fee equal to 6.4% per annum on the outstanding balance of the March 2024 Deferred Amounts payable under the Convertible Debenture, commencing on the date on which each such Deferred Amounts would otherwise have been due and payable under the Convertible Debenture; and (ii) a deferral fee equal to 1.5% per annum on the outstanding balance of such Deferred Amounts payable under the Amended and Restated Cooperation Agreement, commencing on the date on which each such Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

The effectiveness of the March 2024 Deferral Agreement and the respective covenants, agreements and obligations of each party under the March 2024 Deferral Agreement were subject to the approvals from the TSX and the disinterested shareholders of the Company pursuant to applicable Canadian securities laws and the Listing Rules. The requisite shareholder approvals for the March 2024 Deferral Agreement were obtained at a special meeting of shareholders convened on August 29, 2024.

April 2024 Deferral Agreement

On April 30, 2024, the Company and JDZF executed a deferral agreement (the “**April 2024 Deferral Agreement**”) pursuant to which JDZF agreed to grant the Company a deferral of (i) the grant the Company a deferral of the remaining US\$1.1 million of PIK interest payable on November 19, 2022 under the Convertible Debenture (the “**April 2024 Deferred Amounts**”).

As consideration for the deferral of the April 2024 Deferred Amounts, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of the April 2024 Deferred Amounts payable under the Convertible Debenture, commencing on the date on which each such Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.

The effectiveness of the April 2024 Deferral Agreement and the respective covenants, agreements and obligations of each party under the April 2024 Deferral Agreement were subject to the approvals from the TSX-V and the disinterested shareholders of the Company pursuant to applicable Canadian securities laws and the Listing Rules. The requisite shareholder approvals for the April 2024 Deferral Agreement were obtained at a special meeting of shareholders convened on August 29, 2024.

March 2025 Deferral Agreement

On March 20, 2025, the Board, after careful consideration, including reviewing the terms of the March 2025 Deferral (as defined below) and the March 2025 Deferral Agreement, the Company’s financial position and the possible funding alternatives reasonably available to the Company, the Board resolved by way of a written resolution (with the Directors who are appointed by JDZF pursuant to contractual nomination rights contained in the Securityholders Agreement and the Deferral Agreements, being Mr. Ruibin Xu, Ms. Chonglin Zhu and Mr. Chen Shen (collectively, the “**Deferral Interested Directors**”), who have a material interest in the March 2025 Deferral Agreement, abstaining), among other things, to approve the terms of the March 2025 Deferral and March 2025 Deferral Agreement and to authorize the execution and delivery of the March 2025 Deferral Agreement.

As of the Latest Practicable Date, JDZF represents both the Company’s largest shareholder, holding approximately 85.7 million Common Shares, representing approximately 28.89% of the issued and outstanding Common Shares, and largest creditor, by virtue of the Convertible Debenture and related deferral agreements.

The following is a summary of the principal terms of the March 2025 Deferral Agreement. The summary contained in this Management Proxy Circular is not comprehensive, and is qualified in its entirety by reference to the full text of the March 2025 Deferral Agreement, a copy of which have been filed on the Company’s profile on SEDAR+ at www.sedarplus.ca. A copy of the March 2025 Deferral Agreement is also available for inspection by shareholders at the Company’s registered and records office located at 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada, V6C 3R8 during regular business hours prior to the date of the Meeting.

Effectiveness of the March 2025 Deferral Agreement

The effectiveness of the March 2025 Deferral Agreement is subject to the requisite approval from disinterested shareholders of the Company in accordance with the requirements of applicable Canadian securities laws (see section entitled “*Canadian Securities Law Matters – Requirements under Multilateral Instrument 61-101*” below) and Rule 14.33 and Rule 14A.36 of the Hong Kong Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

March 2025 Deferral Agreement

Under the March 2025 Deferral Agreement, JDZF agreed to grant the Company a deferral (the “**March 2025 Deferral**”) of the following payments until August 31, 2026 (the “**Deferral Date**”):

- (i) the cash interest, PIK Interest, management fees, and related deferral fees in the aggregate amount of approximately US\$111.6 million (the “**2024 Deferral Amounts**”) due and payable on or before August 31, 2025 pursuant to the March 2024 Deferral Agreement and April 2024 Deferral Agreement;
- (ii) the cash interest payment of approximately US\$7.9 million due and payable on May 19, 2025 under the Convertible Debenture;
- (iii) the cash interest payment of approximately US\$8.1 million and PIK Interest of approximately US\$4.0 million (the “**November 2025 PIK Interest**”), which will in each case, be due and payable on November 19, 2025 under the Convertible Debenture; and
- (iv) management fees in the aggregate amount of approximately US\$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 Cooperation Agreement.

(collectively, the “**March 2025 Deferred Amounts**”)

As consideration for the deferral of the March 2025 Deferred Amounts which relate to 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 March 2025 Deferred Amounts payable under the Convertible Debenture commencing on the date on which each such March 2025 Deferred Amount would otherwise have been due and payable under the Convertible Debenture (the “**March 2025 Convertible Debenture Consideration**”).

As consideration for the deferral of the March 2025 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 March 2025 Deferred Amounts commencing on the date on which each such March 2025 Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement (the “**March 2025 Cooperation Agreement Consideration**”, and together with the March 2025 Convertible Debenture Consideration, the “**March 2025 Considerations**”).

The March 2025 Considerations were determined on an arm's length basis (or on terms no less favourable to the Group than terms available from independent third parties) among the parties to the March 2025 Deferral Agreement, taking into account the following factors:

- (i) the deferral fees stipulated under the previous deferral agreements, including the deferral fee at the rate of 6.4% per annum as consideration for the deferred interest payments arising from the Convertible Debenture and 1.5% per annum as consideration for the deferred management fees arising from the Amended and Restated Cooperation Agreement contemplated under the March 2024 Deferral Agreement and the April 2024 Deferral Agreement, which are the latest two deferral agreements before the March 2025 Deferral Agreement;
- (ii) historically, the higher finance costs incurred by the Group for receiving financial assistance from independent third parties of the Group within the past five years, the rate of which generally fell within the range from 15% to 16%;
- (iii) based on the publicly available information and to the Company's understanding, the finance costs of industry peers and listed companies in similar industry as the Group are of a similar range as those of the deferral fees contemplated under the March 2025 Deferral Agreement, with the interest rates ranged from 3% to 13.20% per annum; and
- (iv) the reasons and benefits as set out in the section headed "*Reasons and benefits of the March 2025 Deferral Agreement*" below.

Based on the closing price of the Common Shares as of March 19, 2025 (being the last trading day before the date of the March 2025 Deferral Agreement), the Company's market capitalization in US dollars was approximately US\$114.5 million. Accordingly, the aggregated total of March 2025 Considerations payable and April 2024 Considerations payable under the March 2025 Agreement and the April 2024 Agreement, being approximately US\$8.19 million, represent approximately 7.12% of the Company market capitalization as of March 19, 2025.

The March 2025 Deferral Agreement does not contemplate a fixed repayment schedule for the March 2025 Deferred Amounts or related deferral fees. Instead, the March 2025 Deferral Agreement requires the Company to use its best efforts to pay the March 2025 Deferred Amounts and related deferral fees due and payable under the March 2025 Deferral Agreement to JDZF. During the period beginning as of the effective date of the March 2025 Deferral Agreement and ending as of the 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 March 2025 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.

March 2025 Deferral Agreement Covenants

In addition to the above, under the March 2025 Deferral Agreement, the Company also agreed if at any time before the March 2025 Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its CEO, its CFO 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.

Pursuant to the March 2025 Deferral Agreement, the Company and its subsidiaries, Southgobi Sands (“**SGS**”) and SGQ Coal Investment Pte. Ltd. (the “**Guarantors**”), each agreed to: (i) comply with all covenants under the Convertible Debenture; (ii) not sell, transfer, assign or otherwise dispose of any of their respective property or assets (other than in the ordinary course of business) or enter into any agreement to do so; (iii) not create, incur, assume or permit to exist (I) additional debt (subject to limited exceptions); or (II) debt related to non-coal business related opportunities, and shall not grant a charge, pledge, mortgage or security interest in any of their respective assets or enter into any agreement to do so; (iv) grant reasonable access and provide any financial information as JDZF may require; (v) not amend or modify the terms and conditions of, provide waivers with respect to, or terminate or otherwise abandon any material contract; (vi) continue to operate its business in the ordinary course; (vii) provide JDZF with prior written notice of the commencement of any action, application or proceeding under any bankruptcy, insolvency, liquidation, winding-up or similar law for the relief from or otherwise affecting creditors of the Company or any of the Guarantors, or seek any debtor-in-possession financing in connection with the commencement of any such actions, application or proceeding; (viii) not object to the appointment of a receiver, receiver manager or other court-appointed officer over their respective property and assets in the event that JDZF exercise any of its rights and remedies under the Convertible Debenture or related security documents; (ix) upon request, allow JDZF and/or its advisors to: (I) inspect and audit the financial statements and books and records of the Company and its subsidiaries and affiliates; and (II) conduct due diligence of the business operation of the Company and its subsidiaries and affiliates.

March 2025 Deferral Agreement Events of Default

The occurrence of any of the following events shall constitute an event of default (each a “**Deferral Event of Default**”) under the March 2025 Deferral Agreement: (i) the Company or any of the Guarantors fails to comply with or defaults in the performance of the terms, covenants and agreements of the March 2025 Deferral Agreement, or an Event of Default (as such term is defined in the Convertible Debenture) occurs; (ii) breach of any representation or warranty contained in the March 2025 Deferral Agreement, the Transaction Documents (as such term is defined in the Convertible Debenture), other security documents related to the Convertible Debenture; (iii) failure by the Company and the Guarantors: (I) to notify JDZF of any action, application or proceeding under any bankruptcy, insolvency, liquidation, winding-up or similar law for the relief from or otherwise affecting creditors of the Company or any of the Guarantors within a prescribed period; or (II) to obtain the prior written consent of JDZF to any debtor-in-possession financing in connection with the commencement of any such actions, application or proceeding; (iv) commencement of any action, application or proceeding under any bankruptcy, insolvency, liquidation, winding-up or similar law for the relief from or otherwise affecting creditors of the Company or any of the Guarantors; (v) any receiver, monitor, liquidator, trustee or similar official is appointed in respect of the Company or any of the Guarantors or all or any part of their respective property or assets; (vi) the Company or any of the Guarantors makes a general assignment for the benefit of its creditors, acknowledges its insolvency or declares bankruptcy, fails to meet its liabilities generally as they become due or commits an act of bankruptcy; (vii) any holder of any security interest, mortgage, lien, charge or encumbrance of any kind enforces against such security, or otherwise takes possession or control of all or any part of the property or assets of the Company or any of the Guarantors or all or any part of the interest of the Company or any of the Guarantors therein; (viii) a distress, execution, levy, writ or any similar process is enforced upon or against all or any part of the assets of the Company or any of the Guarantors with a total collateral value in excess of US\$500,000 and which is not dismissed or resolved within a prescribed period, or any third party demand is issued by any governmental authority in respect of the Company or any of the Guarantors or all or any part of their respective assets, or any other seizure is made in respect of all or any part of any of the assets of the Company or any of the Guarantors with a total collateral value in excess of US\$500,000 and which is not dismissed or resolved within a prescribed period, or the Company or any of the Guarantors ceases or threatens to cease to carry on their respective businesses; (ix) the Company or any of the Guarantors contests or denies in any manner the legality, validity or enforceability of the March 2024 Deferral Agreement, the Convertible Debenture and related security documents; and (x) if JDZF determines that a Material Adverse Effect (as such term is defined in the Convertible Debentures) in the financial or business condition of the Company or any of the Guarantors has occurred after the date of the March 2025 Deferral Agreement.

The occurrence of a Deferral Event of Default or an Event of Default (as such term is defined in the Convertible Debenture) will: (i) entitle JDZF to pursue any and all remedies against the Company and the Guarantors in accordance with the Convertible Debenture; and (ii) result in the principal, interest and other amounts owing under the March 2025 Deferral Agreement, the Convertible Debenture and related security agreements becoming immediately due and payable without any requirement for JDZF to deliver notice to the Company.

Reasons and Benefits of the March 2025 Deferral Agreement

In evaluating the terms of and the transactions contemplated under the March 2025 Deferral Agreement and reaching its conclusion and making its recommendation in support of the March 2025 Deferral, the Board (excluding the JDZF appointed directors as of the dates on which the March 2025 Deferral Agreement was approved, being Messrs. Ruibin Xu, Chen Shen and Ms. Chonglin Zhu), considered a number of factors, including the following:

- one of the factors which the auditors of the Company (the “**Auditors**”) considered as a material uncertainty which casts doubt upon management’s going concern assumptions in the Company’s audited financial statements for the financial year ended December 31, 2024 (the “**2024 Financial Statements**”) is the Company’s ability to successfully meet its obligation to JDZF to pay the March 2025 Deferred Amounts on their original due dates. Had the Company been unable to obtain a deferral for the March 2025 Deferred Amounts, the Company would not have been able to provide sufficient audit evidence to the Auditors to support the issuance of their unmodified opinion on the 2024 Financial Statements. The March 2025 Deferral Agreement provided the Auditors with sufficient evidence and comfort to issue their unmodified audit opinion on the 2024 Financial Statements;
- the March 2025 Deferral Agreement is designed to improve the financial position of the Company;
- with respect to the Deferral Date, the due date of the March 2025 Deferred Amounts is extended to August 31, 2026. The Deferral Date was determined after arm’s length negotiation among the Company and JDZF having taken into account, among others, (i) the financial positions of the Group; and (ii) a deferral date extending the respective due dates of those payments which would otherwise become due during the current and coming financial year for approximately six to 15 months could help justify the going concern assumptions in the Company’s audited financial statements. Based on the above, the Board is of the view that such extension period is fair and reasonable;
- the March 2025 Deferral Agreement does not contemplate a fixed repayment schedule for the March 2025 Deferred Amounts, or related deferral fees during the term of the respective deferral agreements. In determining the repayment plan for and up to August 31, 2026, instead of a fix and predetermined repayment plan, it is in the interest of the Company to maintain certain flexibility in setting the repayment plan and deciding the actual repayment schedule with reference to the then financial status and working capital requirements of the Company throughout the term of the March 2025 Deferral Agreement;

- the Company has considered other forms of funding alternatives reasonably available to the Company, including:
 - o *Equity financing.* Taking into account the Group has been reporting consecutive net losses attributable to owners of the Company right before the turn around in the year ended December 31, 2023 and the year ended December 31, 2024 (“**FY2024**”), the net liabilities position of the Group in FY2024 and the worsened capital deficiency of the Group in FY2024, any types of equity financing, including those that are pro rata in nature such as open offer or rights issue, may not be attractive to the investors and/or the Shareholders without substantial discounts to its Common Share price. Furthermore, fund raising by way of equity financing will create dilution effect on the shareholding of the existing Shareholders; and
 - o *Bank borrowings.* The ability for the Group to obtain bank borrowings with loan size that are comparable to the March 2025 Deferred Amount would largely depend on the Group’s profitability, financial position and the then prevailing market condition. However, given the existing financial position of the Group, it was determined that it would be difficult for the Group to finance either the March 2025 Deferred Amount by way of bank borrowings on terms which are favorable to the Group. It is contemplated that even the Group had reached out to banks for borrowings, the finance cost incurred by bank borrowings would not be on terms more favourable to the Group than that of either the March 2025 Deferral Agreement, and it might thus not in the interest of the Company and the Shareholders as a whole to obtain bank borrowings in lieu of the March 2025 Deferral Agreement.

Therefore, compared to the other funding alternatives reasonably available to the Company, the March 2025 Deferral is offered on reasonable commercial terms not less advantageous to the Company than if the Company obtained similar financing from a person dealing at arm’s length with the Company;

- the March 2025 Deferral will enhance the Company’s ability to continue as a going concern in the near term and provide the Company with financial flexibility to consider and explore different measures to secure additional capital or to pursue a strategic debt restructuring or refinancing plan with JDZF;
- the terms of the March 2025 Deferral is reasonable in the circumstances of the Company;
- the terms of the March 2025 Deferral Agreement have been approved by the INED in accordance with MI 61-101 (as hereinafter defined);
- the rights of shareholders will be protected because the effectiveness of the March 2025 Deferral Agreement are subject to the Company obtaining approval of a simple majority (50% plus one vote) of shareholders excluding the votes of JDZF and its affiliates; and
- the best interests of the Company and shareholders will be served by approving the March 2025 Deferral and the March 2025 Deferral Agreement.

In reaching their conclusion, the Board relied on their knowledge of the Company, JDZF and the mining industry, on the information provided by the Company's management and on the advice of its legal advisors.

The Board also considered potential risks relating to the March 2025 Deferral Agreement, including the following:

- the risks and costs to the Company if the March 2025 Deferral Agreement was not executed by the Company, including the fact that the Company may default under the Convertible Debenture, the March 2023 Deferral Agreement, the November 2023 Deferral Agreement, the November 2022 Deferral Agreement, the March 2024 Deferral Agreement, the April 2024 Deferral Agreement, the Amended and Restated Cooperation Agreement and the risk that JDZF would take steps to exercise its rights thereunder; and
- the risk that the Company would not have been able to file its 2024 Financial Statements because the Auditors' willingness to render an unmodified opinion on the 2024 Financial Statements was conditioned on, amongst other things, the Company entering into the March 2025 Deferral Agreement.

The foregoing summary of the information and factors considered by the Board in reaching their conclusions and recommendations is not, and is not intended to be, exhaustive. In view of the wide variety of factors and the amount of information considered in connection with its evaluation of the March 2025 Deferral Agreement, the Board did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusions and recommendations. In addition, our individual directors may have assigned different weight to different factors.

Directors' Confirmation

The terms of the March 2025 Deferral Agreement were determined and settled through an arm's length negotiation between the parties. The Directors (excluding the INEDs who will provide their opinion separately based on the recommendations from DL Securities (HK) Limited (the "**Independent Financial Adviser**")) have confirmed that the terms of the March 2025 Deferral Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms (on arm's length basis or terms no less favourable to the Group than terms available from independent third parties) or better, in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

The Deferred Interested Directors who have a material interest in the March 2025 Deferral Agreement and the transactions contemplated thereunder were required to abstain from voting on the board resolutions approving the same. Except for the Deferral Interested Directors, none of the Directors have any material interest in the March 2025 Deferral Agreement and the transactions contemplated thereunder, and none of the Directors were required to abstain from voting on the board resolutions approving the same.

Financial Effect of the March 2025 Deferral Agreement

The Directors are of the opinion that the March 2025 Deferral Agreement and the transactions contemplated thereunder will not have material impact on the earnings, assets and liabilities of the Group.

Canadian Securities Law Matters

Requirements under Multilateral Instrument 61-101

As a reporting issuer in each of the provinces of Canada, the Company is subject to applicable securities laws of such provinces. The securities regulatory authority in the Provinces of Alberta, Manitoba, Ontario, Quebec and New Brunswick have adopted Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), which regulates transactions that raise the potential for conflicts of interest.

MI 61-101 regulates certain types of transactions to ensure fair treatment of securityholders when, in relation to a transaction, there are persons in a position that could cause them to have an actual or reasonably perceived conflict of interest or informational advantage over other securityholders. If MI 61-101 applies to a proposed transaction of a reporting issuer, then enhanced disclosure in documents sent to securityholders, the approval of security holders excluding, among others, “interested parties” (as defined in MI 61-101), and a formal valuation prepared by an independent and qualified valuator, are all mandated (subject to certain exemptions). The protections afforded by MI 61-101 apply to, among other transactions, “related party transactions” (as defined in MI 61-101) which involve the Issuer and a person that is a “related party” of the issuer (as defined in MI 61-101) at the time the transaction is agreed to.

Pursuant to Part 5 of MI 61-101 under applicable Canadian securities laws, the Company is required to seek minority shareholder approval of the March 2025 Deferral Agreement, excluding the Common Shares beneficially owned by JDZF because (i) JDZF is a “related party” of the Company because JDZF has beneficial ownership of more than 10% of the voting rights attached to the outstanding Common Shares of the Company; and (ii) the March 2025 Deferral Agreement constitutes a “related party transactions” for purposes of MI 61-101 because the March 2025 Deferral Agreement materially amends the terms of an outstanding debt or liability owed by the Company to a related party.

As a result, the Deferral Agreement Resolution (as defined below) will require the affirmative vote of a simple majority of the votes cast by all shareholders, present in person or represented by proxy at the Meeting, other than with respect to Common Shares beneficially owned, or over which control or direction is exercised, by JDZF (the “**Deferral Interested Shareholder**”).

There is no requirement for the March 2025 Deferral Agreement to be the subject of a formal valuation by virtue of not being within the scope of related party transactions set out in Section 5.4 of MI 61-101.

To the knowledge of the Company and its directors and senior officers, after reasonable inquiry, there is no prior valuation as to the subject matter of, or is otherwise relevant to, the March 2025 Deferral Agreement that has been made in the 24 months prior to the date of hereof.

To the best of the Company’s knowledge, approximately 85,714,194 Common Shares, representing approximately 28.89% of the issued and outstanding Common Shares, are beneficially owned by the Deferral Interested Shareholder. Accordingly, the 85,714,194 votes attached to the Common Shares beneficially owned, or over which control or direction is exercised, by the Deferral Interested Shareholder, representing approximately 28.89% of the issued and outstanding Common Shares, will be excluded from the vote.

With respect to the deferral of the PIK Interest, PIK Interest under the terms of the Convertible Debenture must be paid and satisfied by the Company by way of issuing Common Shares at an issue price determined based on the 50-trading day volume weighted average price (“**VWAP**”) of the Common Shares as at the date of payment. Shareholders are cautioned that, as a result of deferring the payment date of the PIK Interest portion of the 2024 Deferred Amounts and November 2025 PIK Interest under the March 2025 Deferral Agreement, the final number of Common Shares that the Company will issue to satisfy the PIK Interest portion of the 2024 Deferred Amounts and the November 2025 PIK Interest will depend on the prevailing 50-trading day VWAP of the Common Shares as of the future payment date, and may result in a number of Common Shares being issued that could be greater than, or lesser than, the number of Common Shares that the Company would have had to issue on the original payment date for the PIK Interest portion of the 2024 Deferred Amounts and the November 2025 PIK Interest.

Hong Kong Listing Rules Implications

Pursuant to Hong Kong Listing Rules, JDZF is a substantial shareholder of the Company holding approximately 28.89% of the Common Shares and hence a connected person of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transactions contemplated under the March 2025 Deferral Agreement exceed 5% but all are less than 25%, the entering into of the March 2025 Deferral Agreement constitutes a discloseable and connected transaction of the Company and is subject to reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

Given that the Deferral Interested Shareholder is involved in and/or interested in the March 2025 Deferral Agreement and the transactions contemplated thereunder, the Deferral Interested Shareholder will abstain from voting at the Meeting on the relevant resolutions. Accordingly, the 85,714,194 votes attached to the Common Shares beneficially owned, or over which control or direction is exercised, by the Deferral Interested Shareholder will be excluded from the vote to approve the March 2025 Deferral Agreement.

Save for the aforesaid and to the Directors’ best knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has a material interest in the March 2025 Deferral Agreement and therefore no other Shareholder is required to abstain from voting on the Deferral Agreement Resolution (as defined below) at the Meeting.

General Information of the Parties

The Group

The Company is an integrated coal mining, development and trading company. SGQ Coal Investment Pte. Ltd. is a wholly-owned subsidiary of the Company incorporated under the laws of Singapore, which is principally engaged in the investment holding business activities. SGS is a wholly-owned subsidiary of the Company incorporated under the laws of Mongolia, which is principally engaged in coal mining, development and exploration of properties in Mongolia.

JDZF

JDZF is an exempt limited partnership formed under the laws of the Cayman Islands, which is principally engaged in investment holding activities. JDZF's general partner and limited partner are JD Dingxing Limited and Inner Mongolia Tianyu Trading Limited. To the best of the Company's knowledge and belief, the ultimate beneficial owner of the limited partner is Mr. Yong An and that of the general partner is Ms. Chonglin Zhu. Mr. Yong An is the Chairman and founder of Inner Mongolia Tianyu Innovation Investment Group Co. Ltd.** (內蒙古天宇創新投資集團有限公司) ("**Tianyu Group**"), and has conducted business in Inner Mongolia region since 1998. Ms. Chonglin Zhu was the Chief Financial Officer of Tianyu Group from March 2015 to September 2022, and was also responsible for managing JDZF. Ms. Chonglin Zhu has served as an Executive Director of the Company since September 8, 2022. She was the Company's Senior Vice President of Finance from September 8, 2022 to February 2, 2024, and appointed as the Company's Chief Financial Officer on February 2, 2024.

Independent Board Committee and Independent Financial Adviser

The Company has established the Independent Board Committee, comprising Messrs. Yingbin Ian He, Fan Keung Vic Choi and Ms. Jin Lan Quan, all of whom are INEDs who have no material interest in the March 2025 Deferral Agreement, to advise the independent Shareholders on: (i) the fairness and reasonableness of the terms of the March 2025 Deferral Agreement and the transaction contemplated thereunder; and (ii) how to vote on the resolutions in relation to the March 2025 Deferral Agreement at the Meeting, after taking into account the recommendations of the Independent Financial Adviser. DL Securities (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in relation to the terms of the March 2025 Deferral Agreement and the transaction contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (i) the March 2025 Deferral Agreement and the transaction contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms (on arm's length basis or terms no less favourable to the Group than terms available from independent third parties) or better; and (ii) the terms of the March 2025 Deferral Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the Meeting. The letter from the Independent Board Committee to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this Management Proxy Circular. The letter from DL Securities (HK) Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-11 of this Management Proxy Circular.

Voting on the Deferral Agreement Resolution

At the Meeting, shareholders will be asked to consider and, if thought fit, to pass an ordinary resolution (the "**Deferral Agreement Resolution**") to authorize and approve the March 2025 Deferral Agreement. To be effective, the Deferral Agreement Resolution requires the approval of at least a simple majority of the votes cast by shareholders (excluding the votes of the Deferral Interested Shareholder), represented in person or by proxy and entitled to vote at the Meeting.

The text of the Deferral Agreement Resolution is as follows:

“BE IT RESOLVED THAT:

1. The deferral agreement (the “**March 2025 Deferral Agreement**”) dated March 20, 2025 between JD Zhixing Fund L.P. and SouthGobi Resources Ltd. (the “**Company**”), Southgobi Sands LLC and SGQ Coal Investment Pte. Ltd., the actions of the directors of the Company in approving the March 2025 Deferral (as more particularly described in the management proxy circular of the Company dated May 13, 2025 (the “**Management Proxy Circular**”) and the actions of the officers of the Company in executing and delivering the March 2025 Deferral Agreement, are hereby authorized, approved and ratified; and
2. any director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and, if appropriate, deliver all documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of such action.”

Independent Board Committee unanimously recommend that Shareholders vote in favour of the Deferral Agreement Resolution. In the absence of a contrary instruction, the person(s) designated by management of the Company in the enclosed Form of Proxy intend to vote FOR the approval of the Deferral Agreement Resolution.

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 2024 fiscal year, (b) each of the three most highly compensated executive officers of the Company and its subsidiaries whose annual aggregate compensation for the 2024 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 2024 fiscal year, the Company’s NEOs were:

- Mr. Ruibin Xu: CEO
- Ms. Chonglin Zhu: CFO;
- Mr. Chen Shen: Vice President of Legal and Head of the Legal Department;
- Mr. Jinsheng Xu: Executive Director and President of SGS;
- Mr. Munkhbat Chuluun: former Vice President of Public Relations; and
- Mr. Man Ho Alan Ho: former CFO.

COMPENSATION DISCUSSION AND ANALYSIS

Overview for 2024

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 NEO'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. During the fiscal 2024 year, the Compensation Committee met four (4) times. As at the end of the 2024 fiscal year, the Compensation Committee was comprised of the following members, all of whom have experience in dealing with compensation matters:

Name	Experience
Fan Keung Vic Choi (Chair)	Mr. Choi joined, and was appointed Chair of, the Compensation Committee on June 27, 2024. Mr. Choi is a solicitor and has over 30 years of management experience. Over the course his career, Mr. Choi has been involved in management issues relating to human resources and compensation. Mr. Choi was a member of the Remuneration Committee of Shoucheng Holdings.
Jin Lan Quan	Ms. Quan joined the Compensation Committee on June 30, 2016. She was Chair of the Compensation Committee from June 28, 2018 to June 27, 2024. 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 in his roles as Chairman of Vatukoula Gold Mines Limited, General Manager of Yichang Maple Leaf Chemicals Co., President of Spur Ventures Inc., and Chairman of the Compensation and Benefit Committee for China Gold International Resources Corp. Ltd.

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.

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 AIF (as defined below) which is available under the Company’s profile on SEDAR+ at www.sedarplus.ca, on the HKEX news website at www.hkexnews.hk and available to you on the Company’s website at www.southgobi.com.

COMPENSATION IN 2024

Compensation for NEOs

Ruibin Xu

Mr. Ruibin Xu was appointed as the Company’s CEO on May 15, 2023. In connection with his duties as CEO, Mr. Ruibin Xu receives an annual base salary of US\$180,000. Mr. Xu 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.

Chonglin Zhu

Ms. Chonglin Zhu was appointed as the Company’s CFO on February 2, 2024 and was the Company’s Senior Vice President of Finance from September 8, 2022 to February 2, 2024. In connection with her duties as CFO, Ms. Zhu receives an annual base salary of US\$180,000. Ms. Zhu is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on her annual performance as CFO.

Chen Shen

Mr. Chen Shen was appointed as the Company’s Vice President of Legal on May 25, 2023 and became the Head of the Company’s Legal department on February 17, 2023. In connection with his duties as Vice President of Legal, Mr. Shen receives an annual base salary of US\$180,000. Mr. Shen 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 Legal.

Jinsheng Xu

Mr. Jinsheng Xu was appointed as SGS’ Executive Director on December 12, 2022 and its President on June 22, 2023. In connection with his duties as Executive Director and President, Mr. Xu receives an annual base salary of CNY560,000 and a discretionary KPI portion of up to CNY240,000 per annum. Mr. Xu is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as the President of SGS.

Compensation for former NEOs

Munkhbat Chuluun

Mr. Munkhbat Chuluun was the Company’s Vice President of Public Relations from February 10, 2021 to December 31, 2024. In connection with his duties as Vice President of Public Relations, Mr. Chuluun received an annual base salary of US\$126,000. Mr. Chuluun was 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.

Man Ho Alan Ho

Mr. Man Ho Alan Ho was the Company's CFO from September 8, 2022 to February 2, 2024. Prior to this appointment, he was the acting CFO from February 10, 2021 to September 8, 2022, and the Company's Controller from July 1, 2015 to February 10, 2021. In connection with his duties as CFO, Mr. Ho received an annual base salary of HK\$1,500,000. Mr. Ho was also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as CFO.

NEO Incentive Compensation for 2024

Compensation decisions for incentive awards to NEOs for performance during the 2024 fiscal year were based on an assessment by the Compensation Committee and the Board of each NEO's contribution during the 2024 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 2024 fiscal year, the Company awarded US\$668,615 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 2024 fiscal year is disclosed under "Termination and Change of Control Benefits" below.

Summary Compensation Table

The following executive compensation disclosure for each NEO is provided as of December 31, 2024, December 31, 2023 and December 31, 2022.

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			
Ruibin Xu CEO	2024	180,000	Nil	Nil	190,589	Nil	17,539	Nil	388,128
	2023	113,226	Nil	Nil	170,000	Nil	7,655	141	291,022
	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Chonglin Zhu ⁽⁴⁾ CFO	2024	180,000	Nil	Nil	190,589	Nil	22,020	Nil	392,609
	2023	180,000	Nil	Nil	170,000	Nil	10,862	141	361,003
	2022	56,500	Nil	Nil	120,000	Nil	1,033	Nil	177,533
Chen Shen Vice President of Legal	2024	180,000	Nil	Nil	190,589	Nil	22,020	Nil	392,609
	2023	156,429	Nil	Nil	170,000	Nil	10,936	141	337,506
	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jinsheng Xu Executive Director and President of SGS	2024	77,801	Nil	Nil	42,345	Nil	Nil	Nil	120,146
	2023	79,173	Nil	Nil	52,504	Nil	Nil	Nil	131,677
	2022	22,263	Nil	Nil	34,343	Nil	Nil	Nil	56,606
Munkhbat Chuluun ⁽⁵⁾ Former Vice President of Public Relations	2024	126,000	Nil	Nil	96,848	Nil	Nil	Nil	222,848
	2023	126,000	Nil	Nil	84,000	Nil	Nil	Nil	210,000
	2022	126,000	Nil	Nil	54,000	Nil	Nil	Nil	180,000
Man Ho Alan Ho ⁽⁶⁾ Former CFO	2024	192,181	Nil	Nil	Nil	Nil	1,730	33,122	227,033
	2023	191,598	Nil	Nil	76,860	Nil	2,299	137	270,894
	2022	158,279	Nil	Nil	38,536	Nil	2,299	Nil	199,114

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 dividend yield of US\$ 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⁾ Ms. Zhu was appointed as the Company's CFO on February 2, 2024.
- ⁽⁵⁾ Mr. Chuluun was the Company's Vice President of Public Relations from February 10, 2021 to December 31, 2024.
- ⁽⁶⁾ Mr. Ho was the Company's CFO from on September 8, 2022 to February 2, 2024. He served as the Company's acting CFO from February 10, 2021 until September 8, 2022.

Name and principal position	Year	Option Grant	Grant Date	Conversion Rate ⁽¹⁾	Grant Date Fair Value (\$)	Grant Date Fair Value (Cdn\$)
Ruibin Xu CEO	2024	Nil	n/a	n/a	n/a	n/a
	2023	Nil	n/a	n/a	n/a	n/a
	2022	Nil	n/a	n/a	n/a	n/a
Chonglin Zhu CFO	2024	Nil	n/a	n/a	n/a	n/a
	2023	Nil	n/a	n/a	n/a	n/a
	2022	Nil	n/a	n/a	n/a	n/a
Chen Shen Vice President of Legal	2024	Nil	n/a	n/a	n/a	n/a
	2023	Nil	n/a	n/a	n/a	n/a
	2022	Nil	n/a	n/a	n/a	n/a
Jinsheng Xu Executive Director and President of SGS	2024	Nil	n/a	n/a	n/a	n/a
	2023	Nil	n/a	n/a	n/a	n/a
	2022	Nil	n/a	n/a	n/a	n/a
Munkhbat Chuluun Former Vice President of Public Relations	2024	Nil	n/a	n/a	n/a	n/a
	2023	Nil	n/a	n/a	n/a	n/a
	2022	Nil	n/a	n/a	n/a	n/a
Man Ho Alan Ho Former CFO	2024	Nil	n/a	n/a	n/a	n/a
	2023	Nil	n/a	n/a	n/a	n/a
	2022	Nil	n/a	n/a	n/a	n/a

Incentive Plan Awards
Outstanding share-based awards and option-based awards
as at December 31, 2024

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⁾⁽²⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)
Ruibin Xu CEO	Nil	n/a	n/a	n/a	n/a	n/a
Chonglin Zhu CFO	Nil	n/a	n/a	n/a	n/a	n/a
Chen Shen Vice President of Legal	Nil	n/a	n/a	n/a	n/a	n/a
Jinsheng Xu Executive Director and President of SGS	Nil	n/a	n/a	n/a	n/a	n/a
Munkhbat Chuluun ⁽³⁾ Former Vice President of Public Relations	250,000	0.22	29-Jun-26	58,224	Nil	Nil
Man Ho Alan Ho ⁽⁴⁾ Former CFO	Nil	n/a	n/a	n/a	n/a	n/a

Notes:

- ⁽¹⁾ 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-V on December 31, 2024 (being Cdn\$0.56 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.
- ⁽²⁾ The value of the unexercised in-the-money options as of December 31, 2024, has been converted from Canadian dollars to U.S. dollars at the rate of US\$1.00/Cdn\$1.4389, which was the Bank of Canada noon rate on December 31, 2024.
- ⁽³⁾ Mr. Chuluun had 150,000 options with a strike price of Cdn\$0.13 which expired on November 15, 2024.
- ⁽⁴⁾ Mr. Ho exercised 67,000 incentive stock options, with a strike price of Cdn\$0.13 on May 30, 2024 and 350,000 options with a strike price of HK\$1.41 on October 4, 2024.

Incentive Plan Awards – value vested or earned during 2024
(\$)

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
Ruibin Xu CEO	Nil	n/a	n/a
Chonglin Zhu CFO	Nil	n/a	n/a
Chen Shen Vice President of Legal	Nil	n/a	Nil
Jinsheng Xu Executive Director and President of SGS	Nil	n/a	Nil
Munkhbat Chuluun Former Vice President of Public Relations	Nil	n/a	Nil
Man Ho Alan Ho 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.

The Company is in compliance with the statutory requirement in relation to retirement and employment insurance contributions for its Directors, NEOs and employees in each of the jurisdictions in which the Company operates.

For the Directors residing in Canada, the Company contributes to the employment insurance (“EI”) program and to the Canada Pension Plan. Each employee and employer pay their respective portion of the EI premiums. The Company contributed 3.9% of relevant director fees to Canada Pension Plan, and in 2024 the annual contributions was capped at C\$3,867.50 per director.

For the Directors residing in China, the Company contributes to the pension plan and social insurance plan in accordance with applicable Chinese regulations.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Ruibin Xu

Mr. Xu's employment contract with SouthGobi Resources (Hong Kong) Limited ("**SouthGobi HK**") and services agreement with the Company provides that in the case of a termination without cause, Mr. Xu will be entitled to either three (3) months notice or payment equal to three (3) month's base salary. Neither Mr. Xu'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. Xu as at December 31, 2024 in the event of a termination without cause would have been three month's salary equal to US\$45,000.

Chonglin Zhu

Ms. Zhu's employment contract with SouthGobi HK and services agreement with the Company provides that in the case of a termination without cause, Ms. Zhu will be entitled to either three (3) months notice or payment equal to three (3) month's base salary. Neither Ms. Zhu's employment contract with SouthGobi HK nor her 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 Ms. Zhu as at December 31, 2024 in the event of a termination without cause would have been three month's salary equal to US\$45,000.

Chen Shen

Mr. Shen's employment contract with SouthGobi HK and services agreement with the Company provides that in the case of a termination without cause, Mr. Shen will be entitled to either three (3) months notice or payment equal to three (3) month's base salary. Neither Mr. Chen'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. Chen as at December 31, 2024 in the event of a termination without cause would have been three month's salary equal to US\$45,000.

Jinsheng Xu

Mr. Xu's employment contracts with SouthGobi HK and SGS provide that in the case of a termination without cause, Mr. Xu will be entitled to either one (1) month notice or payment equal to one (1) month's base salary. Neither Mr. Xu's employment contract with SouthGobi HK nor SGS provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Xu as at December 31, 2024 in the event of a termination without cause would have been one month's salary equal to CNY46,667.

Munkhbat Chuluun

Mr. Chuluun's employment contract with SouthGobi HK and services agreement with the Company provides 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, 2024 in the event of a termination without cause would have been three month's salary equal to US\$31,500.

Man Ho Alan Ho

Mr. Ho's employment contract with SouthGobi HK and services agreement with the Company provided that in the case of a termination without cause, Mr. Ho would 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, 2024 in the event of a termination without cause would have been three month's salary equal to HK\$375,000.

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:	20,000
HESS Committee Chair:	10,000

The HESS Committee is chaired by Mr. Xu, the Company's CEO and 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.

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.

No options were granted in 2024.

Director Compensation Table for Fiscal 2024
(\$)

Name ⁽¹⁾	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity Incentive Plan	Pension Value	All Other Compensation	Total (\$)
Zhu Gao	n/a	n/a	n/a	n/a	n/a	n/a	nil
Yingbin Ian He	91,089	n/a	nil	11,687	2,961	n/a	105,737
Zaixiang Wen	n/a	n/a	n/a	n/a	n/a	n/a	nil
Jin Lan Quan	73,823	n/a	nil	11,687	n/a	n/a	85,510
Fan Keung Vic Choi ⁽²⁾	35,195	n/a	nil	5,823	nil	n/a	41,018
Mao Sun ⁽³⁾	51,204	n/a	nil	n/a	2,961	n/a	54,165

Notes:

- ⁽¹⁾ Additional information with respect to the compensation for Messrs. Ruibin Xu, Chen Shen, and Ms. Chonglin Zhu 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⁾ Mr. Choi was appointed to the Board on June 27, 2024.
- ⁽³⁾ Mr. Sun did not stand for re-election and ceased to be a Director on June 27, 2024.

Outstanding Share-based awards, option-based awards and non-equity incentive plan compensation as at December 31, 2024

Name ⁽¹⁾	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 (\$) ⁽²⁾⁽³⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)
Zhu Gao	n/a	n/a	n/a	n/a	n/a	n/a
Yingbin Ian He ⁽⁴⁾	150,000	0.22	29-Jun-26	\$34,935	Nil	Nil
Jin Lan Quan ⁽⁵⁾	150,000	0.22	29-Jun-26	\$34,935	Nil	Nil
Zaixiang Wen	n/a	n/a	n/a	n/a	n/a	n/a
Fan Keung Vic Choi ⁽⁶⁾	n/a	n/a	n/a	n/a	n/a	n/a
Mao Sun ⁽⁷⁾	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

- (1) Additional information with respect to the compensation for Messrs. Ruibin Xu, Chen Shen, and Ms. Chonglin Zhu 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-V on December 31, 2024 (being Cdn\$0.56 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, 2024, has been converted from Canadian dollars to U.S. dollars at the rate of US\$1.00/Cdn\$1.4389, which was the Bank of Canada noon rate on December 31, 2024.
- (4) Mr. He exercised 150,000 options with a strike price of C\$0.11 on January 26, 2024.
- (5) Ms. Quan had 150,000 options with a strike price of Cdn\$0.11 which expired on September 11, 2024.
- (6) Mr. Choi was appointed to the Board of Directors on June 27, 2024.
- (7) Mr. Sun exercised 200,000 options with a strike price of C\$0.11 on January 26, 2024 and 200,000 options with a strike price of HK\$1.41 on May 24, 2024. Mr. Sun did not stand for re-election and ceased to be a Director on June 27, 2024.

Incentive Plan Awards – value vested or earned during 2024

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 (\$)
Zhu Gao	n/a	n/a	n/a
Yingbin Ian He	Nil	n/a	n/a
Jin Lan Quan	Nil	n/a	n/a
Zaixiang Wen	n/a	n/a	n/a
Fan Keung Vic Choi	n/a	n/a	n/a
Mao Sun	n/a	n/a	n/a

Notes:

1. Additional information with respect to the compensation for Messrs. Ruibin Xu, Chen Shen, and Ms. Chonglin Zhu 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 2024 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

The following is a summary and description of the Company's employees' and directors' equity incentive plan (the "**Equity Incentive Plan**"). This summary is qualified in its entirety by the text of the Equity Incentive Plan which is attached as Appendix 1 to the Company's management proxy circular dated June 22, 2022, a copy of which is available under the Company's profile on SEDAR+ at www.sedarplus.ca, on the HKEX news website at www.hkexnews.hk and available to you on the Company's website at www.southgobi.com.

As at December 31, 2024, a maximum of 27,425,442 Common Shares were issuable under the Equity Incentive Plan, representing approximately 10.00% of the Common Shares issued and outstanding as of the date of approval of the Equity Incentive Plan at the annual and special general meeting of the Company held on July 21, 2022. As at December 31, 2024, there remained 26,218,442 Common Shares available, in the aggregate, for issuance under the Equity Incentive Plan, representing approximately 8.84% of the Common Shares issued and outstanding as at the Last Practicable Date. As at December 31, 2024, there were 1,207,000 stock options issued and outstanding under the Equity Incentive Plan, representing approximately 0.41% of the Common Shares issued and outstanding as at the Last Practicable Date.

As at December 31, 2022, December 31, 2023 and December 31, 2024, a maximum of 29,522,678, 27,425,442 and 27,425,442 Common Shares, respectively, were issuable under the Equity Incentive Plan, representing 10.00% of the Common Shares then issued and outstanding.

Of the 27,425,442 Common Shares that were issuable under the Equity Incentive Plan as at December 31, 2024: (i) 1,207,000 Common Shares have been reserved for future issuance pursuant to outstanding but unexercised options granted under the share option plan (the "**Share Option Plan**") of the Equity Incentive Plan, representing approximately 0.41% of the Common Shares issued and outstanding as at the Last Practicable Date; (ii) the total number of unissued Common Shares available to be granted under the Share Option Plan, and the total number of unissued Common Shares available for issue under the share purchase plan (the "**Share Purchase Plan**") were 26,217,442 representing approximately 8.84%, and 0.00% of the Common Shares issued and outstanding as at the Last Practicable Date, respectively.

Pursuant to the Equity Incentive Plan, the maximum number of Common Shares that may be issued under the Share Purchase Plan are 500,000 Common Shares, respectively, of which 497,703 Common Shares have already been issued and outstanding pursuant to the share bonus plan (the "**Share Bonus Plan**") and the Share Purchase Plan, respectively. As requested by the HKEX, the Company has undertaken not to issue any further shares under the Share Purchase Plan.

The Company has not granted any stock options under the Share Option Plan of the Equity Incentive Plan over the fiscal years ended December 31, 2022, 2023 and 2024. The Company will not grant any further stock options under the Share Option Plan of the Equity Incentive Plan.

Except for 75,184 Common Shares issued and outstanding under the Share Purchase Plan of the Equity Incentive Plan during the year ended December 31, 2022, representing approximately 0.03% of total Common Shares issued and outstanding as at December 31, 2022, 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 ended December 31, 2022, 2023 and 2024.

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 ended December 31, 2022, 2023 and 2024:

	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2024
Options granted	–	–	–
Options exercised	(24,750)	(51,000)	(1,531,000)

Overview

The Equity Incentive Plan has two active (2) components: (i) the 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. As requested by the HKEX, the Company has undertaken not to issue any further shares under the Share Purchase Plan.

The eligible participants in the 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 Equity Incentive Plan as the Board determines.

The 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 Equity Incentive Plan.

Share Issuance Limits

The aggregate number of Common Shares that may be subject to issuance under the 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 represents approximately ten percent (10%) of the outstanding Common Shares as of the date of approval of the Equity Incentive Plan at the annual and special general meeting of the Company held on July 21, 2022.

General Vesting Requirements

While the Common Share are listed for trading on the TSX-V:

- no awards under the 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, and the Company must obtain prior written approval from the TSX-V to accelerate the vesting of any unvested Options granted to an investor relations service provider.

Share Option Plan

Participation Criteria

Participants in the Share Option Plan must be either a director of the Company or an affiliate or an individual performing a similar function or position for the Company or an affiliate, or an officer, employee or service provider of the Company or of an affiliate, to the extent permitted under Rule 17.03A of the Listing Rules.

Duration of Plan

The Share Option Plan is 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 Share Option Plan is adopted, after which period no further Options may be issued but the provisions of the 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.

Performance Target

The Compensation Committee may decide in their sole discretion and will state in the offer of any specific performance targets a participant is required to achieve before the exercise of an Option is granted to them.

Number of Shares

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 Equity Incentive Plan and other securities granted or issued under the Equity Incentive Plan and all other security-based compensation arrangement adopted by the Group (if any) other than the Equity Incentive Plan shall not, in aggregate, exceed 27,425,442 Common Shares, representing 10% of the share capital of the Company in issue as at the date of approval of the Equity Incentive Plan at a general meeting.

The total number of Common Shares issued and which may be issued upon exercise of the Options and the Options granted under other schemes, or security-based compensation arrangements adopted by the Group (if any) (including both exercised or outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Minimum Hold Period

Unless otherwise stated in the offer to a participant, a participant is not required to hold an Option for any minimum period nor achieve any performance targets before the exercise of an Option.

Exercise Price

The exercise price in respect of any Option shall be at the discretion of the Compensation and Benefits Committee pursuant to Rule 17.03(9) of the Listing Rules, provided that it must 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 offer date; (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 offer date; and (iii) the closing price of the shares as quoted on the TSX-V on the date immediately preceding the offer date (but which in no event will result in the exercise price in respect of any Option being less than Cdn\$0.05 per share).

Adjustment to the Exercise Price

In the event of a capitalisation issue, rights issue, consolidation or sub-division of the Common Shares, or reduction of the share capital of the Company, adjustments will be made by the Board in its discretion: (i) to the aggregate number, class and/or issuer of the securities reserved for issuance under the Share Option Plan; (ii) to the number, class and/or issuer of securities subject to outstanding Options; and (iii) to the exercise price of outstanding Options; and in each case in a manner that reflects equitably the effects of such event or transaction and subject to prior TSX-V approval.

Cancellation of Options

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 participant and the approval of the Compensation Committee.

Alteration of the Plan

Subject to Chapter 17 of the Listing Rules, the Board will have the power to, at any time and from time to time, amend, suspend or terminate the Equity Incentive Plan or any Option or other award granted under the Equity Incentive Plan without Shareholders' approval, subject to certain exceptions.

Termination

The Shareholders of the Company by ordinary resolution at a general meeting may at any time terminate the operation of the Share Option Plan and in such event no further options will be offered but in all other respects the provisions of the 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 the 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 the Share Option Plan.

Cashless Net Exercise

Participants in the 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 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 (a) 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 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 Equity Incentive Plan.

Share Purchase Plan

As requested by the HKEX, the Company has undertaken not to issue any further shares under the 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, to the extent permitted under Rule 17.03A of the Listing Rules.

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 0.17% of the issued and outstanding Common Shares as of the Last Practicable Date.

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.

Transferability

Benefits, rights and options under the 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 Equity Incentive Plan provides that the Board has the authority and discretion to amend, suspend or terminate the 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 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 Equity Incentive Plan, and any other matter relating to the Equity Incentive Plan and the Options and awards granted thereunder, subject always to Chapter 17 of the Listing Rules and 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 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 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 Equity Incentive Plan;
 - (v) any alterations to the terms of the 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 Equity Incentive Plan;
 - (vii) the provisions of this 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 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 Equity Incentive Plan.

If the Equity Incentive Plan is terminated, the provisions of the 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 Equity Incentive Plan, the Board will remain able to make such amendments to the Equity Incentive Plan or the options as they would have been entitled to make if the Equity Incentive Plan were still in effect.

Securities Issued and Unissued under the Equity Incentive Plan

There are 296,704,666 Common Shares issued and outstanding as at the Latest Practicable Date. 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 Share Option Plan	1,207,000	0.41%
Unissued Common Shares available for future issuance under the Share Purchase Plan	2,297	0.00%
Unissued Common Shares available for future option grants under the Share Option Plan	26,216,145	8.84%
Maximum number of Common Shares available for issuance under Equity Incentive Plan ⁽¹⁾	27,425,442	9.24%

Notes:

⁽¹⁾ Includes unissued Common Shares available for future awards under the Share Purchase Plan.

⁽²⁾ The weighted average price of all options outstanding as of Latest Practicable Date is 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, 2024, 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	1,207,000	HK\$1.41	26,218,442
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	1,207,000	HK\$1.41	26,218,442

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.

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.sedarplus.ca, on the HKEX news website at www.hkexnews.hk and available to you on the Company’s website at www.southgobi.com.

Shareholders may also request copy of the AIF, without charge, by mail addressed to SouthGobi Resources Ltd., Attention: Corporate Secretary, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, or by phone: + 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or email: corporate@southgobi.com.

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. The INED nominees are Ms. Jin Lan Quan and Messrs. Yingbin Ian He and Fan Keung Vic Choi. The Non-Independent Director nominees are Messrs. Chen Shen, Zhu Gao, Ruibin Xu, Zaixiang Wen and Ms. Chonglin Zhu.

The Board has assessed the independence of all the INEDs and considers each of them to be independent having considered (i) receipt of their annual written confirmations of independence from Messrs. Yingbin Ian He, Fan Keung Vic Choi and Ms. Jin Lan Quan, relating to their independence pursuant to securities laws and stock exchange rules in all applicable jurisdictions, (ii) the absence of involvement in the daily management of the Company, (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement and (iv) information regarding personal and business circumstances provided in a comprehensive questionnaire completed annually by each of the Directors. For additional assessment of Ms. Jin Lan Quan's independence in light of her serving as an INED for more than nine years, please refer to the paragraph entitled "*Election of Directors – Independent Non-Executive Directors*" in this Management Proxy Circular.

Messrs. Ruibin Xu, Chen Shen and Ms. Chonglin Zhu are considered to be Non-Independent Directors because they are Executive Officers of the Company and are nominated representatives of JDZF, the Company's largest shareholder, which currently owns approximately 28.89% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular. Messrs. Ruibin Xu, Chen Shen and Ms. Chonglin Zhu have been nominated for election as Directors of the Company at the Meeting by JDZF pursuant to a contractual nomination right granted to JDZF in connection with the Securityholders' Agreement and the Deferral Agreements. See "*Election of Directors – Contractual Director Nomination Rights*" in this Management Proxy Circular.

Mr. Zhu Gao is considered to be a Non-Independent Director because he is the shareholder of Land Grand, which currently owns approximately 15.62% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular. Messrs. Zhu Gao and Zaixiang Wen are each nominated for election as a Director of the Company at the Meeting by Land Grand pursuant to a contractual nomination right granted to Land Grand under the Subscription Agreement and are thus considered to be Non-Independent Directors. 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	Year Appointed	Committees			
		Audit	Compensation and Benefits	Nominating and Corporate Governance	Health, Environment, Safety and Social Responsibility
Executive					
Ruibin Xu	2023				Chair
Chonglin Zhu	2022				
Chen Shen	2022				
Non-Independent					
Zhu Gao	2022				
Zaixiang Wen	2023				
Independent					
Yingbin Ian He	2017	✓	✓	Chair	✓
Jin Lan Quan	2015	Chair	✓	✓	
Fan Keung Vic Choi	2024	✓	Chair	✓	

As of the date hereof, 38% of the current eight (8) Board members are independent, and, if each of the nominees put forward in this Management Proxy Circular are elected as Directors of the Company, Messrs. Yingbin Ian He and Fan Keung Vic Choi, and Ms. Jin Lan Quan, being 38% of the Board, will be considered INEDs. All of the Director nominees, with the exception of Messrs. Ruibin Xu, Chen Shen and Chonglin Zhu, 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 Director nominees proposed by management for election to the Board 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 2024:

Director	Board of Directors Meetings	Audit Committee Meetings	Nominating & Corporate Governance Committee Meetings	Compensation & Benefits Committee Meetings	Health, Environment, Safety & Social Responsibility Committee Meetings
Current Directors					
Ruibin Xu	7 of 7	n/a	n/a	n/a	4 of 4
Chonglin Zhu	7 of 7	n/a	n/a	n/a	n/a
Chen Shen	7 of 7	n/a	n/a	n/a	n/a
Zhu Gao	3 of 7	n/a	n/a	n/a	n/a
Zaixiang Wen	7 of 7	n/a	n/a	n/a	n/a
Yingbin Ian He	7 of 7	9 of 9	2 of 2	4 of 4	4 of 4
Jin Lan Quan	7 of 7	9 of 9	2 of 2	4 of 4	4 of 4
Fan Keung Vic Choi ⁽¹⁾	4 of 4	4 of 4	0 of 0	1 of 1	n/a
Former Directors					
Mao Sun ⁽²⁾	3 of 3	5 of 5	2 of 2	3 of 3	n/a
Overall Attendance Rate	95%	100%	100%	100%	100%

Notes:

- 1) Mr. Choi was appointed to the Board on June 27, 2024 and there were four (4) Board meetings subsequent to his appointment. Mr. Choi joined the Audit, Compensation and Benefits and Nominating and Corporate Governance Committees on June 27, 2024 and there were, respectively, four (4) meetings, one (1) meeting and no meetings subsequent to his appoint.
- 2) Mr. Sun did not stand for re-election and ceased to be a Director of the Company and a member of the Audit, Compensation and Benefits and Nominating and Corporate Governance Committees on June 27, 2024.

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 2024, one (1) meeting between the Independent Lead Director, who is fulfilling the duties of the Chairman and the INED was held and three (3) meetings between the Independent Lead Director and the Non-Executive Directors were 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. Yingbin Ian He, 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. He was appointed as Lead Director on June 27, 2024. Mr. He is the Lead Director of China Gold International Resources Corp. and the Executive Chairman of Vatukoula Gold Mines Limited.

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 act as directors of any entities that are reporting issuers (or the equivalent) in Canada or elsewhere.

Interlocking Directorships

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

Position Descriptions

The Board has developed written position descriptions for the Lead Director, the Chair of each of the Audit, Compensation, Nominating and Governance, and HESS Committees, CEO, CFO, Vice President of Legal, 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.

Over the course of the year, the Company hosted three (3) professional development seminars, which were attended by all Directors.

BDO Limited, conducted seminars on:

1. ESG: How its policies can bring benefits & value to companies and stakeholders.
2. Inside Information disclosure: Hazards and discussion on recent cases.

The Company's external legal counsel conducted a seminar on:

3. Public disclosure obligations, the regulatory framework, and ways that the Company can enhance its public disclosure.

Each Director was 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.

Directors were 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 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. In support of the Code of Conduct standards, the Company adopted a Director Conflicts of Interest Standard.

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 at 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 at www.southgobi.com and may also be requested by mail addressed to: SouthGobi Resources Ltd. Attention: Corporate Secretary, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, or by phone: + 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or email: corporate@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. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to professional experience, skills, knowledge, cultural and educational background, ethnicity, age and gender. 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. 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 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, in accordance with the requirements set out in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, 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, March 2022 and May 2025 in order to fully align the Board Diversity Policy with Hong Kong Listing Rules.

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

The Nominating 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 Committee strives for the inclusion of diverse groups, knowledge, and viewpoints. To accomplish this, the Nominating 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 at www.southgobi.com and may also be requested by mail addressed to: SouthGobi Resources Ltd. Attention: Corporate Secretary, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, or by phone: + 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or email: corporate@southgobi.com.

Shareholder Communication Policy

The Board is committed to maintaining an ongoing communication with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors. The Company has maintained a Shareholder Communication Policy which sets out the general policy and measures adopted by the Company in respect to 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**").

The objective of the Shareholder Communication Policy is to ensure that Shareholders and the investment community are 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. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is of public domain and will be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any enquiry in respect of the Company.

The Company has reviewed the implementation and effectiveness of the Shareholder Communication Policy and considers that the Shareholder Communication Policy is effectively implemented and, upon the recommendation of the Nominating and Governance Committee, the Board reviewed the Shareholders' Communication Policy and considered it was appropriate and effective.

A copy of the Shareholder Communication Policy is available on the Company's website at www.southgobi.com and may also be requested by mail addressed to: SouthGobi Resources Ltd. Attention: Corporate Secretary, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, or by phone: + 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or email: corporate@southgobi.com.

Nomination of Directors

The Board maintains a Nominating and Governance Committee that currently consists of Messrs. Yingbin Ian He, Fan Keung Vic Choi and Ms. Jin Lan Quan, all of whom are INEDs. Mr. He is Chair of the Nominating and Governance Committee. If the nominees 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 nominees and identifies the specific experience and expertise brought by each individual Director nominee.

Directors	Corporate Governance	Mining Industry	General Business Management	Compensation/ Human Resources	Finance	Audit	Mining Expertise	Public Company	Mongolia Specific	China Specific
Ruibin Xu	✓	✓	✓		✓					✓
Zhu Gao	✓	✓	✓		✓				✓	✓
Zaixiang Wen		✓	✓		✓					✓
Yingbin Ian He	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jin Lan Quan	✓		✓	✓	✓	✓		✓		✓
Chen Shen	✓		✓							✓
Fan Keung Vic Choi	✓		✓	✓		✓		✓		✓
Chongjin Zhu			✓		✓					✓

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 at www.southgobi.com and may also be requested by mail addressed to: SouthGobi Resources Ltd. Attention: Corporate Secretary, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, or by phone: + 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or email: corporate@southgobi.com.

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, and each of its committees.

The Nominating and Governance Committee has, on an annual basis, reviewed and approved performance assessments 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 2024, 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 at www.southgobi.com and may also be requested by mail addressed to: SouthGobi Resources Ltd. Attention: Corporate Secretary, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, or by phone: + 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or email: corporate@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 and NEDs also have the opportunity to meet separate from management. If required, between regularly scheduled Board meetings, meetings of the INEDs and NEDs, 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 and NEDs 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 Ms. Jin Lan Quan, Messrs. Yingbin Ian He and Fan Keung Vic Choi. Ms. Quan 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 management's nominees 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.sedarplus.ca on the HKEX news website at www.hkexnews.hk and available to you on the Company's website at www.southgobi.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 a Compensation Committee and it is composed exclusively of INEDs, being Messrs. Fan Keung Vic Choi, Yingbin Ian He and Ms. Jin Lan Quan. Mr. Choi is the Chair of the Compensation Committee.

The Board has appointed all of the independent Board members to the Compensation Committee. If management’s nominees 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. Choi is a solicitor with over 30 years of management experience and was a member of the Remuneration Committee of Shoucheng Holdings. Mr. He is a mining professional with over 30 years of Board and senior executive experience in the mining industry. 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 is responsible 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 at www.southgobi.com and may also be requested by mail addressed to: SouthGobi Resources Ltd. Attention: Corporate Secretary, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, or by phone: + 1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or email: corporate@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. Ruibin Xu, Yingbin Ian He, and Jinsheng Xu, the Executive Director and President of the Company’s subsidiary SGS. Mr. Ruibin Xu 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 at 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: corporate@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.

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.sedarplus.ca 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 or by email to: info@southgobi.com, to request a copy of the AIF, without charge.

ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company's profile on SEDAR+ at www.sedarplus.ca, on the HKEX news website at www.hkexnews.hk and available to you on the Company's website at www.southgobi.com.

Shareholders may contact the Company's Corporate Secretary by phone at: +1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong), or by email: corporate@southgobi.com, or by mail addressed to: SouthGobi Resources Ltd., Attention Corporate Secretary, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, 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.sedarplus.ca 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.

Having considered the reasons set out herein, the Board (including the Independent Directors) consider that the entering into of the March 2025 Deferral Agreement and the transactions contemplated thereunder, are fair and reasonable, on normal commercial terms (on arm's length basis or terms no less favourable to the Group than terms available from independent third parties) or better, and in the interests of the Company and the Shareholders as a whole.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The Board recommends all Shareholders to vote in favor of the relevant resolutions at 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 FOR the relevant resolutions at the Meeting.

RESPONSIBILITY STATEMENT

This Management Proxy Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the TSX-V policies and Hong Kong Listing Rules 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 Management Proxy Circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

DATED at Vancouver, British Columbia, this 13th day of May 2025.

BY ORDER OF THE BOARD OF DIRECTORS

"Allison Snetsinger"

Allison Snetsinger
Corporate Secretary

APPENDIX I – GENERAL INFORMATION

1. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this Management Proxy Circular:

Name	Qualification
DL Securities (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert did not have any shareholding in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this Management Proxy Circular with the inclusion herein of its letter, advice and opinion and references to its name in the forms and contexts in which it appeared.

2. DOCUMENTS ON DISPLAY

A copy of the March 2025 Deferral Agreement will be published on the HKEX news website at www.hkexnews.hk, on the Company's profile on SEDAR+ at www.sedarplus.ca and the website of the Company at www.southgobi.com, from the date of this Management Proxy Circular for 14 business days (both days inclusive).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this Management Proxy Circular, setting out its recommendation to the Independent Shareholders in relation to the March 2025 Deferral Agreement, the transactions contemplated thereunder.



SouthGobi
RESOURCES

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)

May 13, 2025

To the independent Shareholders

Dear Sir/Madam,

We refer to the Management Proxy Circular of the Company dated May 13, 2025 (the “**Circular**”) to its Shareholders of which this letter forms part. Capitalized terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you on: (i) the fairness and reasonableness of the terms of the March 2025 Deferral Agreement and the transactions contemplated thereunder; and (ii) how to vote on the resolutions regarding the March 2025 Deferral Agreement at the Meeting, after taking into account the recommendations of the Independent Financial Adviser.

DL Securities (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders as to whether the terms of the March 2025 Deferral Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the independent Shareholders on how to vote on the relevant resolution.

Your attention is drawn to the Management Proxy Circular and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-11 of this Management Proxy Circular which contains its advice to the Independent Board Committee and the independent Shareholders, together with the principal factors and reasons taken into consideration in arriving at such advice.

* For identification purpose only

Having considered the advice from the Independent Financial Adviser, we are of the view that: (i) the March 2025 Deferral Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms (on arm's length basis or terms no less favourable to the Group than terms available from independent third parties) or better; and (ii) the terms of the March 2025 Deferral Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolutions in relation to the March 2025 Deferral Agreement to be presented at the Meeting.

Yours faithfully,

For and on behalf of the Independent Board Committee
Mr. Yingbin Ian He, Ms. Jin Lan Quan and Mr. Fan Keung Vic Choi
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this Management Proxy Circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the transactions under the March 2025 Deferral Agreement.



29/F, Vertical Square
28 Heung Yip Road
Wong Chuk Hang, Hong Kong

May 13, 2025

To: *the Independent Board Committee and
the independent Shareholders of SouthGobi Resources Ltd.*

Dear Sirs and Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE MARCH 2025 DEFERRAL AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in relation to the March 2025 Deferral Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the management proxy circular issued by the Company to the Shareholders dated May 13, 2025 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On March 20, 2025, the Company and its subsidiaries, namely Southgobi Sands LLC and SGQ Coal Investment Pte. Ltd., entered into the March 2025 Deferral Agreement with JDZF, pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash interest, PIK Interest, management fees, and related deferral fees in aggregate amount of approximately US\$111.6 million which will be due and payable to JDZF on or before August 31, 2025 pursuant to the March 2024 Deferral Agreement and April 2024 Deferral Agreement; (ii) cash interest payment of approximately US\$7.9 million which will be due and payable to JDZF on May 19, 2025 under the Convertible Debenture; (iii) the cash interest payment of approximately US\$8.1 million payable to JDZF and PIK Interest payment of US\$4.0 million, which will in each case, be due and payable on November 19, 2025 under the Convertible Debenture; and (iv) the management fees in the aggregate amount of approximately US\$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 Cooperation Agreement (collectively, the “**March 2025 Deferred Amounts**”) until August 31, 2026 (the “**Deferral**”).

LISTING RULE IMPLICATION

As at the Latest Practicable Date, JDZF is beneficially interested in 85,714,194 Common Shares, representing approximately 28.89% of the total issued share capital of the Company and also the Convertible Debenture. Accordingly, the JDZF is a substantial Shareholder of the Company and together with its associates are connected persons of the Company. Accordingly, the entering into of the March 2025 Deferral Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Hong Kong Listing Rules) in respect of the transactions contemplated under the March 2025 Deferral Agreement, when aggregated with the transactions contemplated under the April 2024 Deferral Agreement, is/are more than 5% but all of the applicable percentage ratios are less than 25%, the entering into of the March 2025 Deferral Agreement, on an aggregated basis, constitutes discloseable and connected transactions of the Company, which is subject to the reporting, announcement, circular and the independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yingbin Ian He, Ms. Jin Lan Quan and Mr. Fan Keung Vic Choi has been established to consider and make a recommendation to the independent Shareholders on whether the terms of the March 2025 Deferral Agreement are fair and reasonable so far as the independent Shareholders are concerned, whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and how the independent Shareholders should vote at the Meeting. We, DL Securities (HK) Limited, have been appointed to advise the Independent Board Committee and the independent Shareholders in this regard.

OUR INDEPENDENCE

Within the two years prior to the Latest Practicable Date, we have acted as the independent financial adviser to the independent Shareholders of the Company in relation to connected transactions and continuing connected transactions of the Company, details of which are set out in the circulars of the Company dated July 20, 2023 and July 25, 2024 (collectively, the "**Engagements**"). The Engagements were limited to providing independent advisory services to the Independent Board Committee and the independent Shareholders of the Company pursuant to the Listing Rules. Under the Engagements, we received normal professional fees from the Company. Notwithstanding the Engagements, as at the date of this letter, we did not have any relationships or interests with the Company, JDZF or any other parties that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules. Apart from normal professional fees payable to us in connection with the Engagements, no arrangements exist whereby we will receive any fees or benefits from the Company, JDZF or any other party to the captioned transactions, and therefore we are considered to be eligible to give independent advice on the terms of the March 2025 Deferral Agreement.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Board in relation to the terms of the March 2025 Deferral Agreement and the transactions contemplated thereunder, we have reviewed, amongst others, (i) the March 2025 Deferral Agreement, (ii) the annual results announcement of the Company for the year ended December 31, 2024; (iii) the annual report of the Company for the year ended December 31, 2023; and (iv) other information as set out in the Circular. We have relied on the information, facts and representations contained or referred to in the Circular, the public information announced by the Company and the information, facts and representations provided by, and the opinions expressed by the Directors and management of the Company (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the disclosed information and the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the Circular and public information disclosed and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular and public information disclosed have been arrived at after due and careful consideration and there are no other facts not contained in the public information disclosed, the omission of which would make any statement in the public information disclosed misleading.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the public information disclosed or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the transactions contemplated under the March 2025 Deferral Agreement, as referred to in Rule 13.80 of the Hong Kong Listing Rules (including the notes thereof) in formulating our opinion and recommendation. This letter is issued for the information for the Board solely in connection with their consideration of the terms of the March 2025 Deferral Agreement and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the independent Shareholders, we have considered the following principal factors and reasons:

1. Information of the parties to the March 2025 Deferral Agreement

The Group

The Company is an integrated coal mining, development and trading company. SGQ Coal Investment Pte. Ltd. is a wholly-owned subsidiary of the Company incorporated under the laws of Singapore, which is principally engaged in investment holding activities. Southgobi Sands LLC is a wholly-owned subsidiary of the Company incorporated under the laws of Mongolia, which is principally engaged in coal mining, development and exploration of properties in Mongolia.

Financial performance and financial position of the Group

The following is a summary of the audited consolidated financial results of the Group for the three years ended December 31, 2024 as extracted from the annual result announcement for the year ended December 31, 2024 (the “**2024 Result Announcement**”) and the annual report for the year ended December 31, 2023 (the “**2023 Annual Report**”) respectively:

Table 1: Consolidated financial result of the Group

	For the year ended December 31		
	2024	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(audited)
Revenue	493,378	331,506	73,084
Gross profit	132,790	173,311	15,322
Profit from operations	153,942	75,870	13,572
Profit/(loss) before tax	123,616	34,726	(25,751)
Net profit/(loss) attributable to equity holders of the Company	92,497	908	(30,419)

With reference to the 2024 Result Announcement, the Group’s revenue increased by approximately \$161.9 million or 48.8% from approximately \$331.5 million for the year ended December 31, 2023 (“**FY2023**”) to approximately \$493.4 million for the year ended December 31, 2024 (“**FY2024**”). Such increase was mainly attributable to the 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. The Group recorded a profit from operations of approximately \$153.9 million in FY2024 compared to profit from operations of approximately \$75.9 million in FY2023. The increase was mainly due to an increase of approximately 3.4 million tonnes of sales volume in FY2024 as compared to FY2023 and a reversal of additional tax and tax penalty of \$48.5 million was recorded in the fourth quarter of FY2024. The Group recorded an increased net profit attributable to shareholders of approximately \$92.5 million for FY2024 from approximately \$0.9 million for FY2023.

With reference to the 2023 Annual Report, the Group’s revenue increased by approximately \$258.4 million or 353.6% from approximately \$73.1 million for the year ended December 31, 2022 (“**FY2022**”) to approximately \$331.5 million for FY2023. Such increase was mainly attributable to (i) coal export volumes through the Ceke Port of Entry gradually increased since the second quarter of FY2023; and (ii) the Company experienced an increase in the average selling price of coal from \$65.7 per tonne for FY2022 to \$93.0 per tonne for FY2023, as a result of improved market conditions in China, expansion of its sales network and diversification of its customer base. Given the increased export volume and average selling price, the Group recorded a profit from operations of approximately \$75.9 million for FY2023, representing an increase of approximately 459.0% as compared to a profit from operations of approximately \$13.6 million for FY2022. The Group recorded a net profit attributable to shareholders of approximately \$0.9 million for FY2023 as compared to a net loss attributable to shareholders of approximately \$30.4 million for FY2022.

Table 2: Consolidated financial position of the Group

	As at December 31	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)
Current assets		
Cash and cash equivalents	8,590	47,993
Restricted cash	274	423
Inventories	107,246	52,927
Other current assets	37,569	14,012
	<u>153,679</u>	<u>115,355</u>
Non-current assets		
Property, plant and equipment	243,564	157,119
Investments in joint ventures	12,400	15,178
Investments in associates	20,210	8,086
	<u>276,174</u>	<u>180,383</u>
Total assets	<u>429,853</u>	<u>295,738</u>
Current liabilities		
Trade and other payables	169,281	60,192
Additional tax and tax penalty	43,790	83,897
Deferred revenue	34,350	65,670
Convertible debenture	120,651	103,150
Other current liabilities	13,741	21,261
	<u>381,813</u>	<u>334,170</u>
Non-current liabilities		
Convertible debenture	84,267	91,150
Other non-current liabilities	13,616	11,750
	<u>97,883</u>	<u>102,900</u>
Total liabilities	<u>479,696</u>	<u>437,070</u>
Total deficiency in assets	<u>(49,843)</u>	<u>(141,332)</u>

Current assets of the Group as at December 31, 2024 mainly comprised inventories and cash and cash equivalents. As at December 31, 2024, the Group had inventories of approximately \$107.2 million and cash and cash equivalents of approximately \$8.6 million, together representing over 75% of the Group's current assets. The non-current assets of the Group were approximately \$276.2 million as at December 31, 2024 which was mainly consisted of mineral properties among the property, plant and equipment.

Current liabilities of the Group as at December 31, 2024 mainly comprised convertible debenture, trade and other payables. The balance of current liabilities increased to approximately \$381.8 million as at December 31, 2024 from approximately \$334.2 million as at December 31, 2023 mainly due to the increase in trade and other payables from approximately \$60.2 million as at December 31, 2023 to approximately \$169.3 million as at December 31, 2024. The non-current liabilities of the Group slightly decreased from approximately \$102.9 million as at December 31, 2023 to approximately \$97.9 million as at December 31, 2024. The deficiency in assets of the Group decreased to approximately \$49.8 million as at December 31, 2024 as compared to approximately \$141.3 million as at December 31, 2023.

JDZF

JDZF is an exempted limited partnership formed under the laws of the Cayman Islands, which is principally engaged in investment holding activities. JDZF's general partner and limited partner are JD Dingxing Limited and Inner Mongolia Tianyu Trading Limited, respectively. To the best of the Company's knowledge and belief, the ultimate beneficial owner of the limited partner is Mr. Yong An and that of the general partner is Ms. Chonglin Zhu. Mr. Yong An is the Chairman and founder of Inner Mongolia Tianyu Innovation Investment Group Co. Ltd.* (內蒙古天宇創新投資集團有限公司) ("**Tianyu Group**"), and he has been conducting business in Inner Mongolia region since 1998. Ms. Chonglin Zhu was the Chief Financial Officer of Tianyu Group from March 2015 to September 2022, who was also responsible for managing JDZF. Ms. Chonglin Zhu has served as the executive Director and Senior Vice President of Finance of the Company since September 8, 2022, and was appointed as the Chief Financial Officer of the Company on February 2, 2024.

2. Reasons and benefits of the Deferral

As stated in the Letter from the Board, the Board consider that the March 2025 Deferral Agreement is designed to improve the financial position of the Company which could also provide sufficient audit evidence to the Auditors in respect of the going concern assumption to support the issuance of their unmodified opinion on the financial statements for FY2024.

With reference to the 2024 Result Announcement, we notice that there are 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 consolidated financial statements, including but not limited to, (i) the deficiency in assets of approximately \$49.8 million as at December 31, 2024 as compared to a deficiency in assets of approximately \$141.3 million as at December 31, 2023; and (ii) the working capital deficiency (i.e. the net current liabilities) of approximately \$228.1 million as at December 31, 2024 compared to a working capital deficiency of approximately \$218.8 million as at December 31, 2023. In assessing the appropriateness of the use of the going concern basis to prepare the financial statements, the management of the Company has prepared a cash flow projection covering a period of 12 months from December 31, 2024 for which the deferral of interest and management fee payment stipulated under the March 2025 Deferral Agreement has been considered as one of the important measures for improving the liquidity and financial position of the Company. We have also reviewed the cashflow projection of the Company for the 12 months ending December 31, 2025 and noticed that, in the absence of the March 2025 Deferral Agreement, there would be a material uncertainty on whether the Company will have sufficient working capital and financial resources in repaying the cash portion under the March 2025 Deferred Amounts.

Therefore, by entering into the March 2025 Deferral Agreement, the Deferral can relieve the imminent need of the Company to repay the March 2025 Deferred Amounts in light of the Group's recent net current liabilities position, which in turn, can protect the Company from potential default on the existing deferral agreements, the Amended and Restated Cooperation Agreement as well as the Convertible Debenture while enabling the Company to retain the funds for replenishing the Company's working capital to support its existing business operation and allow more financial flexibility for its ongoing business development to improve the business performance and financial position of the Group.

As advised by the management of the Group, the Company has considered other forms of equity financing. However, considering the (i) prevailing relatively low market prices of the Common Shares as compared to the minimum conversion price of the Convertible Debenture; and (ii) the Group has been reporting consecutive net losses attributable to owners of the Company right before the turn around in FY2023 and FY2024, and (iii) the net liabilities position of the Group in FY2024; and (iv) the worsened capital deficiency of the Group in FY2024, any types of equity financing, including those that are pro rata in nature such as open offer or rights issue, may not be attractive to the investors and/or the Shareholders without substantial discounts to its Share price. Furthermore, fundraising by way of equity financing will create dilution effect on the shareholding of the non-participating Shareholders. With respect to bank borrowings, the ability for the Group to obtain bank borrowings with loan size that are comparable to the March 2025 Deferred Amounts would largely depend on the Group's profitability, financial position and the then prevailing market condition. However, given the existing financial position of the Group, it would be difficult for the Group to finance the March 2025 Deferred Amounts by way of bank borrowings.

Having considered that (i) the Deferral under the March 2025 Deferral Agreement represents one of the key factors in preparing the working capital forecast in justifying the preparation of the financial statements for the year ended 31 December 2024 on a going concern basis; (ii) the Deferral would effectively allow the Company to refinance its payment of the March 2025 Deferred Amounts for a further 6-15 months; (iii) the Deferral can relieve the imminent need of the Company to repay the March 2025 Deferred Amounts in light of the Group's recent net current liabilities position; and (iv) the Deferral can protect the Company from potential default on the existing deferral agreements, the Amended and Restated Cooperation Agreement as well as the Convertible Debenture, we are of the view that entering into of the March 2025 Deferral Agreement is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group.

3. Principal terms of the March 2025 Deferral Agreement

Under the March 2025 Deferral Agreement, JDZF agreed to grant the Company the Deferral of the following payments until the Deferral Date, i.e. August 31, 2026:

- (i) the cash interest, PIK Interest, management fees, and related deferral fees in aggregate amount of approximately US\$111.6 million will be due and payable to JDZF on or before August 31, 2025 pursuant to the March 2024 Deferral Agreement and April 2024 Deferral Agreement;
- (ii) the semi-annual cash interest payment of approximately US\$7.9 million payable to JDZF on May 19, 2025 under the Convertible Debenture;
- (iii) the semi-annual cash interest payment of approximately US\$8.1 million payable to JDZF and PIK Interest payment of US\$4.0 million, which will in each case, be due and payable on November 19, 2025 under the Convertible Debenture; and
- (iv) management fees in the aggregate amount of approximately US\$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 Cooperation Agreement.

As consideration for the Deferral, the Company agrees to pay JDZF the consideration comprising of the Convertible Debenture Deferral Fee and the Cooperation Agreement Deferral Fee.

The Convertible Debenture Deferral Fee represents a deferral fee equal to 6.4% per annum on the March 2025 Deferred Amounts which relate to payment obligations payable under the Convertible Debenture commencing on the date on which each such March 2025 Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.

The Cooperation Agreement Deferral Fee represents a deferral fee equal to 1.5% per annum on the March 2025 Deferred Amounts which relate to the outstanding balance of the payment obligations arising from the Amended and Restated Cooperation Agreement commencing on the date on which each such March 2025 Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

The due date of the March 2025 Deferred Amounts is extended to August 31, 2026 under the March 2025 Deferral Agreement. We understand that the Deferral Date was determined after arm's length negotiation among the Company and JDZF having taken into account, among others, (i) the current financial positions of the Group; and (ii) a deferral date extending the respective due dates of those payments which would otherwise become due during the current and coming financial year for a further approximately 6-15 months could help justifying the going concern assumptions in the Company's audited financial statements. As such, we are of the view that the Deferral Date of August 31, 2026 under the March 2025 Deferral Agreement is fair and reasonable. Pursuant to the March 2025 Deferral Agreement, there is no fixed repayment schedule for the March 2025 Deferred Amounts or related deferral fees. Instead, the Deferral Agreement requires the Company to use its best efforts to pay the March 2025 Deferred Amounts and related deferral fees due and payable under the March 2025 Deferral Agreement to JDZF. During the term of the March 2025 Deferral Agreement, the Company shall provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF shall on a monthly basis discuss and assess in good faith the amount (if any) of the March 2025 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.

The March 2025 Deferral Agreement also imposes certain covenants on the Company and defines the events of default, details of which are set out in the Letter from the Board.

Deferral fee under the March 2025 Deferral Agreement

We notice that the deferral fees under the March 2025 Deferral Agreement, similar to the March 2024 Deferral Agreement and April 2024 Deferral Agreement, are equivalent to their respective interest rate or fee rate stipulated under the Convertible Debenture and the Amended and Restated Cooperation Agreement. Under the existing terms of the Convertible Debenture, the total interest rate is 8% per annum which comprises of a 6.4% cash interest payable semi-annually and a 1.6% payment in kind interest in form of the Common Shares of the Company payable annually. Pursuant to the Amended and Restated Cooperation Agreement, JDZF reduced the service fee payable by the Company from 2.5% to 1.5% of all net revenues realized by the Group derived from sales into China.

We have enquired into the Management regarding the existing financing cost of the Group. However, we are given to understand that the Group currently does not have any outstanding bank borrowings. Based on our review of the recent financial statements of the Company, we notice from the interim report of the Company for the six months ended June 30, 2022 that, the latest external financing obtained by the Group was a bank loan obtained by a subsidiary of the Company from a Mongolian bank with a maturity of 3 months and an interest rate of 16.8% per annum. With reference to the data published by CEIC Data Company Ltd., a financial information service firm that specializes in economic databases of emerging and developed markets worldwide, the lending rate for Mongolian banks was reported at 16.942% per annum in January 2025. Therefore, in the absence of the March 2025 Deferral Agreement whereby the Group may need to obtain bank loans in Mongolia to finance the repayment of the March 2025 Deferred Amounts, the interest cost to be borne by the Company would be substantially higher than the fee rates of 6.4% and 1.5% per annum under the March 2025 Deferral Agreement.

In assessing the fee rates to be charged under the March 2025 Deferral Agreement, we have also reviewed the finance costs of the loans and borrowings of two companies listed on the Main Board of the Hong Kong Stock Exchange which are also principally engaged in coal mining with coal mines or majority of the assets located in Mongolia (the “Comparable Companies”). To the best of our knowledge and as far as we are aware of, we have identified the following Comparable Companies which met the said criteria and set out below is the exhaustive list of the Comparable Companies that we found based on our selection criteria:

Company	Stock code	Principal Business	Market Capitalization as at March 20, 2025	Latest Published Full Year Financial Information	Financing Cost
Mongolian Mining Corporation	975	Mining, processing, transportation and sales of coal with two open-pit mines of coking coal in Southern Gobi of Mongolia	HK\$6,151.7 million	For the year ended/as at December 31, 2024: Revenue: US\$1,039.9 million Net Profit: US\$243.6 million Net Assets: US\$1,380.9 million	Senior notes: 12.5% per annum Bank loan: 13.3% per annum
Mongolia Energy Corporation Limited	276	Mining of coal, the production and sales of coal products which is operated by its wholly-owned subsidiary in Mongolia	HK\$103.5 million	For the year ended/as at March 31, 2024: Revenue: HK\$3,173.2 million Net Profit: HK\$1,677.9 million Net Liabilities: HK\$2,685.3 million	Convertible notes and loan note: 3% per annum Advances from a director: Hong Kong Dollar Prime Rate plus 3% per annum
The Company	1878	Coal mining, development and exploration of properties in Mongolia	HK\$887.1 million*	For the year ended/as at December 31, 2024: Revenue: US\$493.4 million Net Profit: US\$92.5 million Net Liabilities: US\$49.8 million	Deferral Fee: 1.5% or 6.4% per annum

Note: Such market capitalization is calculated solely based on the closing price of the Shares quoted from the Hong Kong Stock Exchange on March 20, 2025 and multiplied by the number of total issued Shares, without taking into account the closing price of Shares quoted from TSX-V.

Notwithstanding that the principal activities, market capitalization, profitability and financial position of the Comparable Companies identified may not be the same as, or may even substantially vary from, that of the Company, we consider that their existing financing costs can still provide a general reference on the current market conditions for coal mining listed companies on the Hong Kong Stock Exchange with major assets or operations in Mongolia in issuing debt or obtaining bank financing. With reference to the latest published annual reports of the Comparable Companies, we notice that the existing outstanding loans and borrowings of the Comparable Companies mainly consist of bank loans, convertible notes and senior notes, with interest rates ranging from 3% to 13.3% per annum. Therefore, the deferral fee of 6.4% per annum on the March 2025 Deferred Amounts which relate to payment obligations payable under the Convertible Debenture is within the range of the finance costs of the Comparable Companies while the deferral fee equal to 1.5% per annum on the March 2025 Deferred Amounts which relate to the outstanding balance of the payment obligations arising from the Amended and Restated Cooperation Agreement is lower than that of the Comparable Companies.

Furthermore, the Company would have been technically in default pursuant to the terms of the Convertible Debenture and the Amended and Restated Cooperation Agreement but for the arrangements under the existing deferral agreements and the March 2025 Deferral Agreement. It is also not uncommon for debt instruments including convertible debenture to have a default interest rate that is higher than the coupon interest rate under such debt instruments.

Having taken into account the fact that (i) the deferral fee rates under the March 2025 Deferral Agreement remain the same as the interest rate and the fee rate under the Convertible Debenture and the Amended and Restated Cooperation Agreement, respectively, without any additional default penalty; (ii) the deferral fee rates are substantially lower than the historical lending interest rate of the Group offered by its bank; and (iii) the deferral fee rates are either lower than or within the range of the finance costs of the Comparable Companies, we are of the view that the terms of the March 2025 Deferral Agreement are on normal commercial terms and fair and reasonable.

CONCLUSION

Having considered the above principal factors and reasons, although the entering into of the March 2025 Deferral Agreement is not in the ordinary and usual course of business of the Group, we consider that it is on normal commercial terms and we are of the view that (i) the terms of the March 2025 Deferral Agreement are fair and reasonable so far as the independent Shareholders are concerned; and (ii) the Deferral under the March 2025 Deferral Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the independent Shareholders to vote in favor of the resolutions to be proposed at the Meeting for approving the March 2025 Deferral Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
DL Securities (HK) Limited
Tommy Cheng
Managing Director
Corporate Finance Division

Mr. Tommy Cheng is licensed persons under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officer of DL Securities (HK) Limited. Mr. Tommy Cheng has over 14 years of experience in corporate finance industry.