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**SouthGobi**  
R E S O U R C E S

**SOUTHGOBI RESOURCES LTD.**

**南戈壁資源有限公司\***

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

*(Hong Kong Stock Code: 1878)*

*(TSX Venture Exchange Stock Symbol: SGQ)*

## **SOUTHGOBI ANNOUNCES SECOND QUARTER 2025 UNAUDITED FINANCIAL AND OPERATING RESULTS**

SouthGobi Resources Ltd. (the “**Company**” or “**SouthGobi**”) today announces its unaudited financial and operating results for the three months and six months ended June 30, 2025.

Please see the attached announcement for more details. The information included in the attached announcement is available under the Company’s profile on SEDAR+ and HKEXnews respectively, at [www.sedarplus.ca](http://www.sedarplus.ca) and [www.hkexnews.hk](http://www.hkexnews.hk).

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

Vancouver, August 14, 2025  
Hong Kong, August 14, 2025

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

\* *For identification purpose only*



August 14, 2025

## **SOUTHGOBI ANNOUNCES SECOND QUARTER 2025 UNAUDITED FINANCIAL AND OPERATING RESULTS**

**HONG KONG** – SouthGobi Resources Ltd. (**Hong Kong Stock Exchange (“HKEX”): 1878, TSX Venture Exchange (“TSX-V”): SGQ**) (the “Company” or “SouthGobi”) today announces its financial and operating results for the three and six months ended June 30, 2025. All figures are in U.S. dollars (“USD”) unless otherwise stated.

### **SIGNIFICANT EVENTS AND HIGHLIGHTS**

The Company’s significant events and highlights for the three months ended June 30, 2025 and the subsequent period to August 14, 2025 are as follows:

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

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

The Company recorded sales volume of 3.0 million tonnes for the second quarter of 2025 compared to 1.2 million tonnes for the second quarter of 2024, while the Company recorded an average realised selling price of \$52.6 per tonne for the second quarter of 2025 compared to \$77.6 per tonne for the second quarter of 2024. The decrease in the average realised selling price was mainly due to the Company facing headwinds in the China coal market since 2024, leading to the Company changing its product mix to sell a greater percentage of lower-priced coal products.

- ***Financial Results*** – The Company recorded a \$14.3 million loss from operations for the second quarter of 2025 compared to \$15.0 million profit from operation for the second quarter of 2024. The financial results were impacted by the decreased average realised selling price, the change in product mix, as the Company sold more processed coal with higher production costs, and an impairment loss on coal stockpiles of \$12.3 million was recorded during the second quarter of 2025.
- ***Notice from Mongolian Government Plenipotentiary and designation of Company's mining deposits as mineral deposits of strategic importance*** – On April 2, 2025, Southgobi Sands LLC ("SGS") received a letter from a plenipotentiary representative of the Mongolian government (the "Letter") which invited SGS to participate in negotiations in relation to determining the Mongolian state's ownership interest in SGS, being the legal entity which holds the Company's coal mining and exploration licenses in Mongolia.

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 9, 2025, SGS obtained a copy of a judgement dated May 27, 2025 (“Appellate Court Judgement”) issued by the Appellate Court for Administrative in Ulaanbaatar, Mongolia (the “Appellate Court”). As per the Appellate Court Judgement, the Appellate Court upheld the court order issued by the Judge of the Administrative Court of First Instance on April 15, 2025. As a result, the claim brought by the MTA Officials against the TDRC in an attempt to dispute or overturn the previous decision made by the TDRC regarding the Re-assessment Result has been dismissed and rejected. According to applicable Mongolian law, the Appellate Court Judgement shall be final and is not subject to further appeal.

In prior year, the Company recorded an additional tax and tax penalty in the amount of \$45.5 million, which consists of a tax penalty payable of \$26.5 million and a provision for additional late tax penalty of \$19.0 million. As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48.5 million in 2024. To date, the Company has paid the MTA an aggregate of \$17.3 million in relation to the aforementioned tax penalty. The Company anticipates paying down the outstanding amount of the tax and tax penalty from cash generated from operations in the normal course. According to Mongolian tax law, the Mongolian tax authority has a legal authority to demand payment of the outstanding amount of the Revised Re-assessment Result from the Company at its discretion.

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

The effectiveness of the 2025 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2025 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2025 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The 2025 March Deferral Agreement was approved by the Company’s disinterested shareholders at the annual general meeting (“AGM”) of shareholders convened on June 27, 2025.

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

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



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

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

## OVERVIEW OF OPERATIONAL DATA AND FINANCIAL RESULTS

### Summary of Operational Data

	Three months ended			Six months ended		
	June 30,			June 30,		
	2025	2024		2025	2024	
Sales Volumes, Prices and Costs						
Premium semi-soft coking coal						
Coal sales (millions of tonnes)	0.17	0.29		0.21	0.65	
Average realised selling price (per tonne)	\$ 59.84	\$ 102.61		\$ 65.57	\$ 107.22	
Standard semi-soft coking coal/ premium thermal coal						
Coal sales (millions of tonnes)	1.65	0.28		2.60	0.56	
Average realised selling price (per tonne)	\$ 60.07	\$ 77.04		\$ 63.88	\$ 76.56	
Standard thermal coal						
Coal sales (millions of tonnes)	0.09	0.12		0.23	0.24	
Average realised selling price (per tonne)	\$ 17.89	\$ 36.10		\$ 28.54	\$ 41.93	
Processed coal						
Coal sales (millions of tonnes)	1.05	0.51		1.98	0.80	
Average realised selling price (per tonne)	\$ 42.46	\$ 73.04		\$ 46.28	\$ 67.09	
Total						
Coal sales (millions of tonnes)	2.96	1.20		5.02	2.25	
Average realised selling price (per tonne)	\$ 52.55	\$ 77.55		\$ 55.41	\$ 78.47	
Raw coal production (millions of tonnes)	3.91	2.01		7.83	3.26	
Cost of sales of product sold (per tonne)	\$ 53.87	\$ 61.32		\$ 58.39	\$ 52.94	
Direct cash costs of product sold (per tonne) <sup>(i)</sup>	\$ 44.92	\$ 47.15		\$ 48.63	\$ 39.48	
Mine administration cash costs of product sold (per tonne) <sup>(i)</sup>	\$ 1.28	\$ 2.42		\$ 1.45	\$ 1.79	
Total cash costs of product sold (per tonne) <sup>(i)</sup>	\$ 46.20	\$ 49.57		\$ 50.08	\$ 41.27	
Other Operational Data						
Production waste material moved (millions of bank cubic meters)	19.86	14.59		39.22	26.95	
Strip ratio (bank cubic meters of waste material per tonne of coal produced)	5.08	7.27		5.01	8.27	
Lost time injury frequency rate <sup>(ii)</sup>	0.00	0.00		0.00	0.11	

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

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



## Overview of Operational Data

### ***For the three months ended June 30, 2025***

The Company recorded an average realised selling price of \$52.6 per tonne in the second quarter of 2025 compared to \$77.6 per tonne in the second quarter of 2024. The decrease was mainly due to the Company facing headwinds in the China coal market since 2024, leading to the Company changing its product mix to sell a greater percentage of lower-priced coal products. The product mix for the second quarter of 2025 consisted of approximately 6% of premium semi-soft coking coal, 56% of standard semi-soft coking coal/premium thermal coal, 3% of standard thermal coal and 35% of processed coal compared to approximately 25% of premium semi-soft coking coal, 23% of standard semi-soft coking coal/premium thermal coal, 10% of standard thermal coal and 42% of processed coal for the second quarter of 2024.

The Company's unit cost of sales of product sold was \$53.9 per tonne in the second quarter of 2025 compared to \$61.3 per tonne in the second quarter of 2024. The decrease was due to change in product mix as more raw coal were sold in the second quarter of 2025 compared to 2024.

The Company ended the second quarter of both 2025 and 2024 without a lost time injury.

### ***For the six months ended June 30, 2025***

The Company sold 5.0 million tonnes for the first six months of 2025 as compared to 2.3 million tonnes for the first six months of 2024. The Company recorded an average realised selling price of \$55.4 per tonne for the first six months of 2025 compared to \$78.5 per tonne for the first six months of 2024, the decrease was mainly due to the Company facing headwinds in the China coal market since 2024, leading to the Company changing its product mix to sell a greater percentage of lower-priced coal products.

The Company's unit cost of sales of product sold was \$58.4 per tonne for the first six months of 2025 compared to \$52.9 per tonne for the first six months of 2024. The increase was due to the Company expanding into certain categories of processed coal with higher production costs.

There was no lost time injury recorded for the first six months of 2025, while there was a lost time injury frequency rate of 0.11 for the for six months of 2024.

## Summary of Financial Results

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>\$ in thousands, except per share information</i>				
Revenue <sup>(i)</sup>	\$ 155,289	\$ 92,821	\$ 278,156	\$ 174,990
Cost of sales <sup>(i)</sup>	(159,452)	(73,582)	(293,141)	(119,115)
Gross profit/(loss) excluding idled mine asset costs <sup>(ii)</sup>	(3,852)	19,303	(14,423)	55,985
Gross profit/(loss)	(4,163)	19,239	(14,985)	55,875
Other operating expenses, net	(7,013)	(1,157)	(8,584)	(2,210)
Administration expenses	(3,128)	(3,014)	(6,377)	(6,427)
Evaluation and exploration expenses	(22)	(23)	(54)	(45)
Profit/(loss) from operations	(14,326)	15,045	(30,000)	47,193
Finance costs	(9,140)	(10,322)	(17,952)	(20,655)
Finance income	53	722	74	107
Share of earnings of joint ventures	1,011	1,055	1,624	1,888
Share of earnings/(loss) of associates	(120)	–	(307)	10
Current income tax expenses	(284)	(8,585)	(2,450)	(18,376)
Net profit/(loss) attributable to equity holders of the Company	(22,806)	(2,085)	(49,011)	10,167
Basic and diluted earnings/(loss) per share	\$ (0.077)	\$ (0.007)	\$ (0.165)	\$ 0.034

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

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

## Overview of Financial Results

### *For the three months ended June 30, 2025*

The Company recorded a \$14.3 million loss from operations for the second quarter of 2025 compared to \$15.0 million profit from operations for the second quarter of 2024. The decrease was mainly due to the decreased average realised selling price, the change in product mix as the Company sold more processed coal with higher production costs, and an impairment loss on coal stockpiles of \$12.3 million was recorded during the second quarter of 2025.

Revenue was \$155.3 million for the second quarter of 2025 compared to \$92.8 million for the second quarter of 2024. The financial results were impacted by increased sales volume, as a result of expansion of its sales network, diversification of its customer base and expansion of the categories of coal products in its portfolio.

Cost of sales was \$159.5 million for the second quarter of 2025 compared to \$73.6 million for the second quarter of 2024. The increase in cost of sales was mainly due to increased sales volume, the Company expanding into certain categories of processed coal with higher production costs and more sales were made to a farther destination with higher transportation cost.

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

<i>\$ in thousands</i>	<b>Three months ended</b>	
	<b>June 30,</b>	
	<b>2025</b>	<b>2024</b>
Operating expenses	\$ 136,759	\$ 59,483
Share-based compensation expense	—	18
Depreciation and depletion	11,842	3,355
Royalties	10,540	10,662
Cost of sales from mine operations	\$ 159,141	\$ 73,518
Cost of sales related to idled mine assets	311	64
Cost of sales	<u>\$ 159,452</u>	<u>\$ 73,582</u>

Operating expenses in cost of sales were \$136.8 million for the second quarter of 2025 compared to \$59.5 million for the second quarter of 2024. The overall increase in operating expenses was due to the Company expanding into certain categories of processed coal with higher production costs and more sales were made to a farther destination with higher transportation cost.

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

Other operating expenses were \$7.0 million for the second quarter of 2025 (second quarter of 2024: \$1.2 million). The increase was due to increased management fee and an impairment loss on coal stockpiles of \$12.3 million was made for the second quarter of 2025, which was offset by a written off of other payables of \$6.3 million.

<i>\$ in thousands</i>	Three months ended June 30,	
	2025	2024
Management fee	\$ 2,229	\$ 1,268
Reversal of provision for doubtful trade and other receivables	–	(4)
Foreign exchange loss/(gain), net	(914)	382
Gain on disposal of items of property, plant and equipment, net	–	(262)
Reversal of impairment loss on materials and supplies inventories	(40)	(67)
Impairment loss on coal stockpiles	12,348	–
Written off of other payables	(6,272)	–
Gain on contract offsetting arrangement	(338)	(160)
Other operating expenses, net	<u>\$ 7,013</u>	<u>\$ 1,157</u>

Administration expenses were \$3.1 million for the second quarter of 2025 as compared to \$3.0 million for the second quarter of 2024.

<i>\$ in thousands</i>	Three months ended June 30,	
	2025	2024
Corporate administration	\$ 1,052	\$ 921
Legal and professional fees	607	741
Salaries and benefits	1,369	1,172
Share-based compensation expense	–	44
Depreciation	100	136
Administration expenses	<u>\$ 3,128</u>	<u>\$ 3,014</u>

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

Finance costs were \$9.1 million and \$10.3 million for the second quarter of 2025 and 2024 respectively, which primarily consisted of interest expense on the \$250.0 million Convertible Debenture.

***For the six months ended June 30, 2025***

The Company recorded a \$30.0 million loss from operations in the first six months of 2025 compared to a \$47.2 million profit from operations in the first six months of 2024. The financial results were negatively impacted by the decreased average realised selling price, the change in product mix as the Company sold more processed coal with higher production costs, and an impairment loss on coal stockpiles of \$12.3 million was recorded during the second quarter of 2025.

Revenue was \$278.2 million in the first six months of 2025 compared to \$175.0 million in the first six months of 2024. The financial results were impacted by increased sales volume, as a result of expansion of its sales network, diversification of its customer base and expansion of the categories of coal products in its portfolio.

Cost of sales were \$293.1 million in the first six months of 2025 compared to \$119.1 million in the first six months of 2024, as follows:

<i>\$ in thousands</i>	<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Operating expenses	\$ 251,441	\$ 92,854
Share-based compensation expense	—	18
Depreciation and depletion	20,617	5,565
Royalties	20,521	20,568
Cost of sales from mine operations	\$ 292,579	\$ 119,005
Cost of sales related to idled mine assets	562	110
Cost of sales	<u>\$ 293,141</u>	<u>\$ 119,115</u>

Operating expenses in cost of sales were \$251.4 million in the first six months of 2025 compared to \$92.9 million in the first six months of 2024. The overall increase in operating expenses was due to the increased sales and the Company expanding into certain categories of processed coal with higher production costs.

Cost of sales related to idled mine assets in the first six months of 2025 included \$0.6 million related to depreciation expenses for idled equipment (first six months of 2024: \$0.1 million).

Other operating expenses were \$8.6 million in the first six months of 2025 (first six months of 2024: \$2.2 million). The increase was due to increased management fee and an impairment loss on coal stockpiles of \$12.3 million was made for the second quarter of 2025, which was offset by a written off of other payables of \$6.3 million.

<i>\$ in thousands</i>	Six months ended June 30,	
	2025	2024
Management fee	\$ 3,917	\$ 2,384
Reversal of provision for doubtful trade and other receivables	(56)	(23)
Foreign exchange loss/(gain), net	(945)	582
Gain on disposal of items of property, plant and equipment, net	–	(262)
Reversal of impairment loss on materials and supplies inventories	(70)	(74)
Impairment loss on coal stockpiles	12,348	–
Written off of other payables	(6,272)	–
Gain on contract offsetting arrangement	(338)	(397)
Other operating expenses, net	<u>\$ 8,584</u>	<u>\$ 2,210</u>

Administration expenses were \$6.4 million in the first six months of 2025 (first six months of 2024: \$6.4 million).

<i>\$ in thousands</i>	Six months ended June 30,	
	2025	2024
Corporate administration	\$ 2,094	\$ 1,625
Legal and professional fees	1,148	1,590
Salaries and benefits	2,936	2,898
Share-based compensation expense	–	45
Depreciation	199	269
Administration expenses	<u>\$ 6,377</u>	<u>\$ 6,427</u>

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

Finance costs were \$18.0 million and \$20.7 million in the first six months of 2025 and 2024 respectively, which primarily consisted of interest expense on the \$250.0 million Convertible Debenture.

## Summary of Quarterly Operational Data

Quarter Ended	2025			2024			2023	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
<b>Sales Volumes, Prices and Costs</b>								
Premium semi-soft coking coal								
Coal sales ( <i>millions of tonnes</i> )	0.17	0.04	0.16	0.10	0.29	0.36	0.54	0.64
Average realised selling price ( <i>per tonne</i> )	\$ 59.84	\$ 90.75	\$ 89.56	\$ 116.48	\$ 102.61	\$ 111.01	\$ 107.59	\$ 100.33
Standard semi-soft coking coal/ premium thermal coal								
Coal sales ( <i>millions of tonnes</i> )	1.65	0.95	1.31	1.09	0.28	0.28	0.29	0.18
Average realised selling price ( <i>per tonne</i> )	\$ 60.07	\$ 70.46	\$ 69.30	\$ 72.54	\$ 77.04	\$ 76.07	\$ 72.41	\$ 68.43
Standard thermal coal								
Coal sales ( <i>millions of tonnes</i> )	0.09	0.14	0.38	0.24	0.12	0.12	–	–
Average realised selling price ( <i>per tonne</i> )	\$ 17.89	\$ 35.37	\$ 36.99	\$ 37.20	\$ 36.10	\$ 47.91	\$ –	\$ –
Processed coal								
Coal sales ( <i>millions of tonnes</i> )	1.05	0.93	0.81	0.68	0.51	0.29	0.13	0.33
Average realised selling price ( <i>per tonne</i> )	\$ 42.46	\$ 50.57	\$ 68.66	\$ 63.65	\$ 73.04	\$ 56.65	\$ 77.23	\$ 66.03
Total								
Coal sales ( <i>millions of tonnes</i> )	2.96	2.06	2.66	2.11	1.20	1.05	0.96	1.15
Average realised selling price ( <i>per tonne</i> )	\$ 52.55	\$ 59.51	\$ 65.72	\$ 67.77	\$ 77.55	\$ 79.52	\$ 92.93	\$ 85.57
Raw coal production ( <i>millions of tonnes</i> )	3.91	3.92	4.19	2.75	2.01	1.25	1.34	1.18
Cost of sales of product sold ( <i>per tonne</i> )	\$ 53.87	\$ 64.90	\$ 48.92	\$ 52.77	\$ 61.32	\$ 43.36	\$ 38.17	\$ 42.23
Direct cash costs of product sold ( <i>per tonne</i> ) <sup>(i)</sup>	\$ 44.92	\$ 53.97	\$ 37.92	\$ 41.74	\$ 47.15	\$ 30.70	\$ 26.20	\$ 32.26
Mine administration cash costs of product sold ( <i>per tonne</i> ) <sup>(i)</sup>	\$ 1.28	\$ 1.70	\$ 1.88	\$ 0.94	\$ 2.42	\$ 1.08	\$ 1.83	\$ 0.82
Total cash costs of product sold ( <i>per tonne</i> ) <sup>(i)</sup>	\$ 46.20	\$ 55.67	\$ 39.80	\$ 42.68	\$ 49.57	\$ 31.78	\$ 28.03	\$ 33.08
<b>Other Operational Data</b>								
Production waste material moved ( <i>millions of bank cubic meters</i> )	19.86	19.36	17.48	15.04	14.59	12.36	7.81	7.34
Strip ratio ( <i>bank cubic meters of waste material per tonne of coal produced</i> )	5.08	4.93	4.17	5.48	7.27	9.87	5.85	6.24
Lost time injury frequency rate <sup>(ii)</sup>	0.00	0.00	0.00	0.00	0.00	0.22	0.22	0.21

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

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



## Summary of Quarterly Financial Results

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

<i>\$ in thousands, except per share information</i>								
Quarter Ended	2025			2024			2023	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
<b>Financial Results</b>								
Revenue <sup>(i)</sup>	\$ 155,289	\$ 122,867	\$ 174,640	\$ 143,748	\$ 92,821	\$ 82,169	\$ 88,504	\$ 97,979
Cost of sales <sup>(i)</sup>	(159,452)	(133,689)	(130,119)	(111,354)	(73,582)	(45,533)	(36,645)	(48,569)
Gross profit/(loss) excluding idled mine asset costs <sup>(ii)</sup>	(3,852)	(10,571)	44,757	32,544	19,303	36,682	51,908	49,491
Gross profit/(loss) including idled mine asset costs	(4,163)	(10,822)	44,521	32,394	19,239	36,636	51,859	49,410
Other operating income/(expenses), net	(7,013)	(1,571)	(1,194)	(294)	(1,157)	(1,053)	4,308	(413)
Administration expenses	(3,128)	(3,249)	(3,627)	(3,400)	(3,014)	(3,413)	(3,879)	(1,846)
Evaluation and exploration expenses	(22)	(32)	(314)	(1,003)	(23)	(22)	(91)	(808)
Reversal of/(provision for) additional tax and tax penalty	–	–	39,666	–	–	–	(10,153)	–
Profit/(loss) from operations	(14,326)	(15,674)	79,052	27,697	15,045	32,148	42,044	46,343
Finance costs	(9,140)	(8,812)	(6,893)	(10,679)	(10,322)	(11,021)	(12,334)	(13,266)
Finance income	53	21	3,247	733	722	73	40	4,915
Share of earnings of joint ventures	1,011	613	1,206	133	1,055	833	1,101	809
Share of earnings/(loss) of associates	(120)	(187)	578	(1)	–	10	4	–
Current income tax expenses	(284)	(2,166)	(4,899)	(7,844)	(8,585)	(9,791)	(6,519)	(9,452)
Net profit/(loss)	(22,806)	(26,205)	72,291	10,039	(2,085)	12,252	24,336	29,349
Basic earnings/(loss) per share	\$ (0.077)	\$ (0.088)	\$ 0.244	\$ 0.034	\$ (0.007)	\$ 0.041	\$ 0.082	\$ 0.099
Diluted earnings/(loss) per share	\$ (0.077)	\$ (0.088)	\$ 0.228	\$ 0.034	\$ (0.007)	\$ 0.041	\$ 0.082	\$ 0.099

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

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

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity and Capital Management**

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

#### ***Additional tax and tax penalty imposed by the MTA***

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

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

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

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

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

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

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

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

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

On June 9, 2025, SGS obtained the Appellate Court Judgement issued by the Appellate Court. As per the Appellate Court Judgement, the Appellate Court upheld the court order issued by the Judge of the Administrative Court of First Instance on April 15, 2025. As a result, the claim brought by the MTA Officials against the TDRC in an attempt to dispute or overturn the previous decision made by the TDRC regarding the Re-assessment Result has been dismissed and rejected. According to applicable Mongolian law, the Appellate Court Judgement shall be final and is not subject to further appeal.

In prior year, the Company recorded an additional tax and tax penalty in the amount of \$45.5 million, which consists of a tax penalty payable of \$26.5 million and a provision for additional late tax penalty of \$19.0 million. As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48.5 million in 2024. To date, the Company has paid the MTA an aggregate of \$17.3 million in relation to the aforementioned tax penalty. The Company anticipates paying down the outstanding amount of the tax and tax penalty from cash generated from operations in the normal course. According to Mongolian tax law, the Mongolian tax authority has a legal authority to demand payment of the outstanding amount of the Revised Re-assessment Result from the Company at its discretion.

### ***Going concern considerations***

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least June 30, 2026 and will be able to realise its assets and discharge its liabilities in the normal course of operations as they come due. However, in order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with sufficient liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's condensed consolidated interim financial statements. The Company had a deficiency in assets of \$108.4 million as at June 30, 2025 as compared to a deficiency in assets of \$49.8 million as at December 31, 2024 while the working capital deficiency (excess current liabilities over current assets) reached \$148.0 million as at June 30, 2025 as compared to a working capital deficiency of \$228.1 million as at December 31, 2024.

Included in the working capital deficiency as at June 30, 2025 are significant obligations, represented by trade and other payables of \$212.3 million and the additional tax and tax penalty of \$28.2 million.

The Company may not be able to settle all trade and other payables on a timely basis, and as a result any continuing postponement in settling of certain trade and other payables owed to suppliers and creditors may result in potential lawsuits and/or bankruptcy proceedings being filed against the Company. Except as disclosed elsewhere in this press release, no such lawsuits or proceedings were pending as at August 14, 2025. However, there can be no assurance that no such lawsuits or proceedings will be filed by the Company's creditors in the future and the Company's suppliers and contractors will continue to supply and provide services to the Company uninterrupted.

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

For the purpose of assessing the appropriateness of the use of the going concern basis to prepare the financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from June 30, 2025. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (a) entering into the 2025 March Deferral Agreement on March 20, 2025 for a deferral of the 2025 March Deferred Amounts; (b) communicating with vendors in agreeing repayment plans of the outstanding payable; and (c) obtaining an avenue of financial support from an affiliate of the Company's major shareholder for a maximum amount of \$127.0 million (equivalent to RMB900 million) during the period covered in the cash flow projection. Regarding these plans and measures, there is no guarantee that the suppliers would agree the settlement plan as communicated by the Company. Nevertheless, after considering the above, the directors of the Company believe that there will be sufficient financial resources to continue its operations and to meet its financial obligations as and when they fall due in the next 12 months from June 30, 2025 and therefore are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

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

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

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

As at June 30, 2025 and December 31, 2024, the Company was not subject to any externally imposed capital requirements.

## ***Convertible Debenture***

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

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

## ***Deferral Agreements***

On March 20, 2025, the Company and JDZF entered into the 2025 March Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of the 2025 March Deferred Amounts.

The effectiveness of the 2025 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2025 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2025 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Listing Rules. The 2025 March Deferral Agreement was approved by the Company's disinterested shareholders at the AGM of shareholders convened on June 27, 2025.

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

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

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

### **Ovoot Tolgoi Mine Impairment Analysis**

The Company determined that an indicator of impairment existed for its Ovoot Tolgoi Mine cash generating unit as at June 30, 2025. The impairment indicator was the uncertainty of future coal price in China. Since the recoverable amount was higher than carrying value of the Ovoot Tolgoi Mine cash generating unit, there was no impairment of non-financial asset recognised during the six months ended June 30, 2025.



## REGULATORY ISSUES AND CONTINGENCIES

### Lawsuit

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

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

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

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

In December 2018, the parties agreed to a consent Certification Order, whereby the action against the former senior officers and directors was withdrawn and the Class Action would only proceed against the Company, creating the class plaintiffs (“Class Plaintiffs”) and permitting the Class Plaintiffs to proceed with the Class Action against only the Company.

Counsel for the plaintiffs and defendant have: (i) completed document production and oral examinations for discovery; (ii) served expert reports on liability and damages; and (iii) designed a mediation process and finalized, with the participation of the relevant Company’s insurers, the mediation under the guidance of former Chief Justice of Ontario George Strathy, which mediation was held and completed on August 11, 2025 (the “Mediation”).

As a result of the Mediation, the Class Plaintiffs and the Company have conditionally settled (the “Settlement”) the Class Action for CA\$6.8 million, including all liability and class counsel fees, notice and administrative costs, fees, costs and expenses related to the litigation and the settlement (the “Settlement Payments”). The Settlement Payments are the obligation of the Company’s insurers as of January 2014.

The Settlement is conditional upon the approval of a judge of the Superior Court of Justice of Ontario (the “Court”), expected to be presented to the Court by the Class Plaintiffs with the support of the Company on or before December 31, 2025.

The Company continues to believe that it has a strong defence on the merits. No provision for this matter is required as at June 30, 2025.

### **Special Needs Territory in Umnugobi**

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

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

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

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

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

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

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

## **Tax Legislation**

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

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

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

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

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

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

On June 9, 2025, SGS obtained the Appellate Court Judgement issued by the Appellate Court. As per the Appellate Court Judgement, the Appellate Court upheld the court order issued by the Judge of the Administrative Court of First Instance on April 15, 2025. As a result, the claim brought by the MTA Officials against the TDRC in an attempt to dispute or overturn the previous decision made by the TDRC regarding the Re-assessment Result has been dismissed and rejected. According to applicable Mongolian law, the Appellate Court Judgement shall be final and is not subject to further appeal.

In prior year, the Company has recorded an additional tax and tax penalty in the amount of \$45.5 million, which consists of a tax penalty payable of \$26.5 million and a provision for additional late tax penalty of \$19.0 million. As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48.5 million in 2024. To date, the Company has paid the MTA an aggregate of \$17.3 million in relation to the aforementioned tax penalty, as more particularly detailed under section "Liquidity and Capital Resources" of this press release under the heading entitled "Additional Tax and Tax Penalty Imposed by the MTA".

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

## **TRANSPORTATION INFRASTRUCTURE**

On August 2, 2011, the State Property Committee of Mongolia awarded the tender to construct a paved highway from the Ovoot Tolgoi Mine to the Shivee Khuren Border Crossing (the "Paved Highway") to consortium partners NTB LLC and SGS (together referred to as "RDCC LLC") with an exclusive right of ownership of the Paved Highway for 30 years. The Company has an indirect 40% interest in RDCC LLC through its Mongolian subsidiary SGS. The toll rate is MNT 1,800 per tonne.

The Paved Highway has a carrying capacity in excess of 20 million tonnes of coal per year.

For the three and six months ended June 30, 2025, RDCC LLC recognised toll fee revenue of \$4.1 million (2024: \$3.6 million) and \$6.5 million (2024: \$6.3 million), respectively.

## **PLEDGE OF ASSETS**

As at June 30, 2025, most of the Company's mobile equipment and other operating equipment with carrying value of \$12.6 million (December 31, 2024: \$11.4 million) were pledged as security of Convertible Debenture.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares within the meaning of the Listing Rules) during the six month ended June 30, 2025. The Company did not hold any treasury shares as at June 30, 2025.

## **COMPLIANCE WITH CORPORATE GOVERNANCE**

The Company has, throughout the six months ended June 30, 2025, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board of Directors of the Company (the "Board") and all applicable statutory, regulatory and stock exchange listings standards, which include the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix C1 to the Listing Rules, except for the following:

1. Pursuant to Section C.2 under Part 2 of the Corporate Governance Code, the chairman of the Board (the "Chairman") should be responsible for the overall management of the Board. The Company has not had a Chairman since November 2017. The Board has appointed an Independent Lead Director, who is fulfilling the duties of the Chairman;
2. Pursuant to code provision C.2.7 of the Corporate Governance Code, the Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the period of January 1, 2025 to June 30, 2025, there were two meetings between the Independent Lead Director, who is fulfilling the duties of the Chairman, and the non-executive directors without the presence of the executive directors. The opportunity for such communication channel is offered at the end of each Board meeting;
3. Pursuant to code provision F.1.3 under Part 2 of the Corporate Governance Code, the Chairman of the Board should attend the annual general meeting. Mr. Yingbin Ian He, an independent non-executive director and the Lead Director, attended and acted as Chairman of the Company's annual general meeting held on June 27, 2025 (Hong Kong) to ensure effective communication with shareholders of the Company.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted policies regarding directors' securities transactions in its Corporate Disclosure, Confidentiality and Securities Trading Policy that have terms that are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules ("Model Code").

In response to a specific enquiry made by the Company on each of the directors, all directors confirmed that they had complied with the required standards as set out in the Model Code and the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the six months ended June 30, 2025.

Furthermore, if a Director (a) enters into a transaction involving securities of the Company or, for any other reason, the direct or indirect beneficial ownership of, or control or direction over, securities of the Company changes from that shown or required to be shown in the latest insider report filed by the Director, or (b) enters into a transaction involving a related financial instrument, the Director must, within the prescribed period, file (i) an insider report in the required form on the System for Electronic Disclosure by Insiders website ([www.sedi.ca](http://www.sedi.ca)) operated by the Canadian Securities Administrators and (ii) a Disclosure of Interest Form with the HKEX.

A "related financial instrument" is defined as: (a) an instrument, agreement, security or exchange contract, the value, market price or payment obligations of which is/are derived from, referenced to or based on the value, market price or payment obligations of a security, or (b) any other instrument, agreement or understanding that affects, directly or indirectly, a person's economic interest in respect of a security or an exchange contract.

## **SIGNIFICANT INVESTMENTS**

Except for investments in joint ventures and associates, the Company had no significant investments held as at June 30, 2025.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES**

The Company did not have any material acquisition or disposal of subsidiaries, joint ventures and associates during the six months ended June 30, 2025.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

There was no specific plan for material investments or capital assets as at June 30, 2025.

## **OUTLOOK**

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



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

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

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

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

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

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

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

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

- **Enhance product mix** – The Company will focus on improving the product mix by: (i) improving mining operations; (ii) utilising the Company's dry and wet coal processing plants; and (iii) trading and blending different types of coal to produce blended coal products that are economical to the Company.
- **Expand market reach and customer base** – The Company will endeavor to increase sales volume and sales price by: (i) expanding its sales network and diversifying its customer base; (ii) increasing its coal logistics capacity to resolve the bottleneck in the distribution channel; and (iii) setting and adjusting the sales price based on a more market-oriented approach in order to maximise profit while maintaining sustainable long-term business relationships with customers.



- **Increase production and optimise cost structure** – The Company will aim to increase coal production volume to take advantage of economies of scale. The Company will also focus on reducing its production costs and optimising its cost structure through engaging sizable third-party contract mining companies to enhance its operation efficiency, strengthening procurement management, ongoing training and productivity enhancement.
- **Operate in a safe and socially responsible manner** – The Company will continue to maintain the highest standards in health, safety and environmental performance and operate in a corporate socially responsible manner.

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

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

## NON-IFRS FINANCIAL MEASURES

### Cash Costs

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

## SUMMARISED COMPREHENSIVE INCOME INFORMATION

(Expressed in thousands of USD, except for per share amounts)

	Three months ended June 30, 2025		Six months ended June 30, 2025	
	2025	2024	2025	2024
Revenue	\$ 155,289	\$ 92,821	\$ 278,156	\$ 174,990
Cost of sales	(159,452)	(73,582)	(293,141)	(119,115)
<b>Gross profit/(loss)</b>	<b>(4,163)</b>	<b>19,239</b>	<b>(14,985)</b>	<b>55,875</b>
Other operating expenses, net	(7,013)	(1,157)	(8,584)	(2,210)
Administration expenses	(3,128)	(3,014)	(6,377)	(6,427)
Evaluation and exploration expenses	(22)	(23)	(54)	(45)
<b>Profit/(loss) from operations</b>	<b>(14,326)</b>	<b>15,045</b>	<b>(30,000)</b>	<b>47,193</b>
Finance costs	(9,140)	(10,322)	(17,952)	(20,655)
Finance income	53	722	74	107
Share of earnings of joint ventures	1,011	1,055	1,624	1,888
Share of earnings/(loss) of associates	(120)	—	(307)	10
<b>Profit/(loss) before tax</b>	<b>(22,522)</b>	<b>6,500</b>	<b>(46,561)</b>	<b>28,543</b>
Current income tax expenses	(284)	(8,585)	(2,450)	(18,376)
<b>Net profit/(loss) attributable to equity holders of the Company</b>	<b>(22,806)</b>	<b>(2,085)</b>	<b>(49,011)</b>	<b>10,167</b>
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>				
Exchange difference on translation of foreign operation	(5,324)	(196)	(9,552)	2,006
<b>Net comprehensive income/(loss) attributable to equity holders of the Company</b>	<b>\$ (28,130)</b>	<b>\$ (2,281)</b>	<b>\$ (58,563)</b>	<b>\$ 12,173</b>
<b>Basic and diluted earnings/(loss) per share</b>	<b>\$ (0.077)</b>	<b>\$ (0.007)</b>	<b>\$ (0.165)</b>	<b>\$ 0.034</b>

## SUMMARISED FINANCIAL POSITION INFORMATION

(Expressed in thousands of USD)

	As at	
	June 30, 2025	December 31, 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,614	\$ 8,590
Restricted cash	838	274
Trade and other receivables	17,233	31,486
Inventories	106,548	107,246
Prepaid expenses	4,761	6,083
<b>Total current assets</b>	<b>131,994</b>	<b>153,679</b>
<b>Non-current assets</b>		
Property, plant and equipment	246,369	243,564
Investment in a joint venture	13,173	12,400
Investments in associates	19,147	20,210
<b>Total non-current assets</b>	<b>278,689</b>	<b>276,174</b>
<b>Total assets</b>	<b>\$ 410,683</b>	<b>\$ 429,853</b>
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	\$ 212,289	\$ 169,281
Additional tax and tax penalty	28,184	43,790
Deferred revenue	25,370	34,350
Lease liabilities	1,023	850
Income tax payable	13,090	12,891
Current portion of convertible debenture	–	120,651
<b>Total current liabilities</b>	<b>279,956</b>	<b>381,813</b>

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

	<b>As at</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
<b>Non-current liabilities</b>		
Lease liabilities	<b>956</b>	1,342
Convertible debenture	<b>222,399</b>	84,267
Decommissioning liability	<b>15,745</b>	12,245
Long service payment liabilities	<b>33</b>	29
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>239,133</b>	97,883
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>519,089</b>	479,696
	<hr/>	<hr/>
<b>Equity</b>		
Common shares	<b>1,102,053</b>	1,102,053
Share option reserve	<b>52,998</b>	52,998
Capital reserve	<b>536</b>	533
Exchange fluctuation reserve	<b>(65,757)</b>	(56,205)
Accumulated deficit	<b>(1,198,236)</b>	(1,149,222)
	<hr/>	<hr/>
<b>Total deficiency in assets</b>	<b>(108,406)</b>	(49,843)
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	<b>\$ 410,683</b>	\$ 429,853
	<hr/> <hr/>	<hr/> <hr/>
<b>Net current liabilities</b>	<b>\$ (147,962)</b>	\$ (228,134)
<b>Total assets less current liabilities</b>	<b>\$ 130,727</b>	\$ 48,040

## SUMMARISED CASH FLOWS INFORMATION

(Expressed in thousands of USD)

	Six months ended June 30,	
	2025	2024
<b>Operating activities</b>		
Profit/(loss) before tax	\$ (46,561)	\$ 28,543
Adjustments for:		
Depreciation and depletion	21,378	5,944
Share-based compensation	–	63
Interest expense on convertible debenture	17,536	18,929
Interest elements on leased assets	116	158
Accretion of decommissioning liability	300	177
Fair value loss/(gain) on embedded derivatives in convertible debenture	(55)	461
Interest income	(19)	(107)
Share of earnings of joint ventures	(1,624)	(1,888)
Share of earnings/(loss) of associates	307	(10)
Gain on disposal of items of property, plant and equipment, net	–	(262)
Reversal of provision for doubtful trade and other receivables	(56)	(23)
Provision for long service payments	4	4
Reversal of impairment loss on materials and supplies inventories	(70)	(74)
Impairment loss on coal stockpiles	12,348	–
Written off of other payables	(6,272)	–
Gain on contract offsetting arrangement	(338)	(397)
Operating cash flows before changes in working capital items	(3,006)	51,518
Net change in working capital items	53,903	5,805
Cash generated from operating activities	50,897	57,323
Income tax and additional tax penalty paid	(16,327)	(24,968)
<b>Net cash flows from operating activities</b>	<b>34,570</b>	<b>32,355</b>

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Investing activities</b>		
Expenditures on property, plant and equipment	<b>(39,551)</b>	(64,032)
Proceeds from disposal of items of property, plant and equipment	<b>–</b>	990
Interest received	<b>19</b>	107
Investment in an associate	<b>(105)</b>	(3,000)
Dividend from a joint venture	<b>288</b>	1,641
	<hr/>	<hr/>
Net cash flows used in investing activities	<b>(39,349)</b>	(64,294)
	<hr/>	<hr/>
<b>Financing activities</b>		
Interest payment of convertible debenture	<b>–</b>	(3,000)
Proceeds from exercise of share options	<b>–</b>	98
Capital elements of lease rental paid	<b>(258)</b>	(231)
Interest elements of lease rentals paid	<b>(116)</b>	(158)
	<hr/>	<hr/>
Net cash flows used in financing activities	<b>(374)</b>	(3,291)
	<hr/>	<hr/>
Effect of foreign exchange rate changes, net	<b>(823)</b>	(105)
	<hr/>	<hr/>
<b>Decrease in cash and cash equivalents</b>	<b>(5,976)</b>	(35,335)
Cash and cash equivalents, beginning of period	<b>8,590</b>	47,993
	<hr/>	<hr/>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,614</b>	<b>\$ 12,658</b>
	<hr/>	<hr/>

## **SELECTED INFORMATION FROM THE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Additional information required by the HKEX and not disclosed elsewhere in this press release is as follows. All amounts are expressed in thousands of USD and shares in thousands, unless otherwise indicated.

### **1. BASIS OF PREPARATION**

#### **1.1 Corporate information and going concern**

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least June 30, 2026 and will be able to realise its assets and discharge its liabilities in the normal course of operations as they come due. However, in order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with sufficient liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's condensed consolidated interim financial statements. The Company had a deficiency in assets of \$108,406 as at June 30, 2025 as compared to a deficiency in assets of \$49,843 as at December 31, 2024 while the working capital deficiency (excess current liabilities over current assets) reached \$147,962 as at June 30, 2025 compared to a working capital deficiency of \$228,134 as at December 31, 2024.

Included in the working capital deficiency as at June 30, 2025 are significant obligations, represented by trade and other payables of \$212,289 and an additional tax and tax penalty of \$28,184.

The Company may not be able to settle all trade and other payables on a timely basis, and as a result any continuing postponement in settling of certain trade and other payables owed to suppliers and creditors may result in potential lawsuits and/or bankruptcy proceedings being filed against the Company. Except as disclosed elsewhere in this press release, no such lawsuits or proceedings were pending as at August 14, 2025. However, there can be no assurance that no such lawsuits or proceedings will be filed by the Company's creditors in the future and the Company's suppliers and contractors will continue to supply and provide services to the Company uninterrupted.

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



For the purpose of assessing the appropriateness of the use of the going concern basis to prepare the financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from June 30, 2025. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (a) entering into the 2025 March Deferral Agreement on March 20, 2025 for a deferral of the 2025 March Deferred Amounts; (b) communicating with vendors in agreeing repayment plans of the outstanding payable; and (c) obtaining an avenue of financial support from an affiliate of the Company's major shareholder for a maximum amount of \$127,000 (equivalent to RMB900 million) during the period covered in the cash flow projection. Regarding these plans and measures, there is no guarantee that the suppliers would agree the settlement plan as communicated by the Company. Nevertheless, after considering the above, the directors of the Company believe that there will be sufficient financial resources to continue its operations and to meet its financial obligations as and when they fall due in the next 12 months from June 30, 2025 and therefore are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

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

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

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

As at June 30, 2025 and December 31, 2024, the Company was not subject to any externally imposed capital requirements.

## **1.2 Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" using accounting policies in compliance with the IFRS Accounting Standards issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

The condensed consolidated interim financial statements of the Company for the six months ended June 30, 2025 were approved and authorised for issue by the Board on August 14, 2025.

## **1.3 Basis of presentation**

These condensed consolidated interim financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the Company's December 31, 2024 consolidated annual financial statements. These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2024.

## 1.4 Adoption of new and revised standards and interpretations

There have been no other new IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company, except those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2024.

## 2. SEGMENT INFORMATION

The Company's Chief Executive Officer (chief operating decision maker) reviews the financial information in order to make decisions about resources to be allocated to the segment and to assess its performance. No operating segment identified by the Board has been aggregated in arriving at the reporting segments of the Company. For management's purpose, the Company has only one reportable operating segment, which is the coal division. The division is principally engaged in coal mining, development and exploration in Mongolia, and logistics and trading of coal in Mongolia and China for the six months ended June 30, 2025 and 2024.

The Company's resources are integrated and as a result, no discrete operating segment financial information is available. Since this is the only reportable and operating segment of the Company, no further analysis thereof is presented. All the revenue of the Company is generated from trading of coal for the six months ended June 30, 2025 and 2024.

### 2.1 Information about major customers

During the six months ended June 30, 2025 and 2024, the Coal Division had 70 and 50 active customers, respectively. 2 and 2 customers with respective revenue contributed over 10% of the total revenue during the six months ended June 30, 2025 and 2024, with the largest customer accounting for 20% of revenue (June 30, 2024: 15%) and the second largest customer accounting for 12% of revenue (June 30, 2024: 12%).

### 2.2 Geographical information

The operations of the Company are primarily located in Mongolia, Hong Kong and China.

	Mongolia		Hong Kong		China		Consolidated Total
<b>Revenue <sup>(i)</sup></b>							
For the three months ended June 30, 2025	\$	–	\$	–	\$	155,289	\$ 155,289
For the three months ended June 30, 2024		–		–		92,821	92,821
For the six months ended June 30, 2025	\$	4	\$	–	\$	278,152	\$ 278,156
For the six months ended June 30, 2024		–		–		174,990	174,990
<b>Non-current assets</b>							
As at June 30, 2025	\$	277,183	\$	357	\$	1,149	\$ 278,689
As at December 31, 2024		274,372		467		1,335	276,174

<sup>(i)</sup> The revenue information above is based on the locations of the customers.

## 3. REVENUE

Revenue represents the value of goods sold which arises from the trading of coal. The Company recognises all revenue from the trading of coal at a point in time when the customer obtains control of the goods or services.

#### 4. EXPENSES BY NATURE

The Company's expenses by nature are summarised as follows:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Depreciation	\$ 12,254	\$ 3,555	\$ 21,378	\$ 5,944
Auditors' remuneration	20	20	40	40
Employee benefit expense (including directors' remuneration)				
Wages and salaries	\$ 3,834	\$ 2,992	\$ 8,542	\$ 6,881
Equity-settled share option expense	—	62	—	63
Pension scheme contributions	626	479	1,332	971
Provision for long service payments	—	2	4	4
	\$ 4,460	\$ 3,535	\$ 9,878	\$ 7,919
Lease payments under operating leases	\$ 27	\$ 198	\$ 182	\$ 321
Foreign exchange loss/(gain), net	(914)	382	(945)	582
Reversal of impairment loss on materials and supplies inventories	(40)	(67)	(70)	(74)
Impairment loss on coal stockpiles	12,348	—	12,348	—
Royalties	10,540	10,662	20,521	20,568
Management fee	2,229	1,268	3,917	2,384
Reversal of provision for doubtful trade and other receivables	—	(4)	(56)	(23)
Gain on disposal of items of property, plant and equipment, net	—	(262)	—	(262)
Written off of other payables	(6,272)	—	(6,272)	—
Gain on contract offsetting arrangement	(338)	(160)	(338)	(397)
Mine operating costs and others	135,301	58,649	247,573	90,795
<b>Total operating expenses</b>	<b>\$ 169,615</b>	<b>\$ 77,776</b>	<b>\$ 308,156</b>	<b>\$ 127,797</b>

## 5. COST OF SALES

The Company's cost of sales consists of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Operating expenses	\$ 136,759	\$ 59,483	\$ 251,441	\$ 92,854
Share-based compensation expense	—	18	—	18
Depreciation and depletion	11,842	3,355	20,617	5,565
Royalties	10,540	10,662	20,521	20,568
Cost of sales from mine operations	\$ 159,141	\$ 73,518	\$ 292,579	\$ 119,005
Cost of sales related to idled mine assets <sup>(i)</sup>	311	64	562	110
<b>Cost of sales</b>	<b>\$ 159,452</b>	<b>\$ 73,582</b>	<b>\$ 293,141</b>	<b>\$ 119,115</b>

<sup>(i)</sup> Cost of sales related to idled mine assets for the six months ended June 30, 2025 includes depreciation expense of \$562 (June 30, 2024: \$110). The depreciation expense relates to the Company's idled plant and equipment.

Cost of inventories recognised as expense in cost of sales for the three months ended June 30, 2025 totaled \$119,692 (June 30, 2024: \$44,596). Cost of inventories recognised as expense in cost of sales for the six months ended June 30, 2025 totaled \$221,516 (June 30, 2024: \$68,767).

## 6. OTHER OPERATING EXPENSES, NET

The Company's other operating expenses, net consist of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Management fee	\$ 2,229	\$ 1,268	\$ 3,917	\$ 2,384
Reversal of provision for doubtful trade and other receivables	—	(4)	(56)	(23)
Foreign exchange loss/(gain), net	(914)	382	(945)	582
Gain on disposal of items of property, plant and equipment, net	—	(262)	—	(262)
Reversal of impairment loss on materials and supplies inventories	(40)	(67)	(70)	(74)
Impairment loss on coal stockpiles	12,348	—	12,348	—
Written off of other payables	(6,272)	—	(6,272)	—
Gain on contract offsetting arrangement	(338)	(160)	(338)	(397)
<b>Other operating expenses, net</b>	<b>\$ 7,013</b>	<b>\$ 1,157</b>	<b>\$ 8,584</b>	<b>\$ 2,210</b>

## 7. FINANCE COSTS AND INCOME

The Company's finance costs consist of the following amounts:

	Three months ended June 30, 2025		2024	Six months ended June 30, 2025		2024
Interest expense on convertible debenture	\$	8,915	\$	9,686	\$	17,536
Fair value loss on embedded derivatives in convertible debenture		—		—		461
Value added tax on interest from intercompany loan		—		472		930
Interest elements on leased assets		60		73		158
Accretion of decommissioning liability		165		91		177
<b>Finance costs</b>	<b>\$</b>	<b>9,140</b>	<b>\$</b>	<b>10,322</b>	<b>\$</b>	<b>17,952</b>
					<b>\$</b>	<b>20,655</b>

The Company's finance income consists of the following amounts:

	Three months ended June 30, 2025		2024	Six months ended June 30, 2025		2024
Fair value gain on embedded derivatives in convertible debenture	\$	40	\$	688	\$	55
Interest income		13		34		107
<b>Finance income</b>	<b>\$</b>	<b>53</b>	<b>\$</b>	<b>722</b>	<b>\$</b>	<b>74</b>
					<b>\$</b>	<b>107</b>

## 8. TAXES

The Canadian statutory tax rate was 27% (2024: 27%). The Company's tax expense is as follows:

	Three months ended June 30, 2025		2024	Six months ended June 30, 2025		2024
Current – Canada						
Charge for the period	\$	—	\$	—	\$	—
Current – elsewhere						
Charge for the period		284		8,585		2,450
<b>Total tax charge for the period</b>	<b>\$</b>	<b>284</b>	<b>\$</b>	<b>8,585</b>	<b>\$</b>	<b>2,450</b>
					<b>\$</b>	<b>18,376</b>

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following data:

	Three months ended June 30, 2025		Six months ended June 30, 2025		2024	
Net profit/(loss)	\$	(22,806)	\$	(2,085)	\$	(49,011)
Weighted average number of shares		296,705		295,844		295,987
<b>Basic and diluted earnings/(loss) per share</b>	<b>\$</b>	<b>(0.077)</b>	<b>\$</b>	<b>(0.007)</b>	<b>\$</b>	<b>(0.165)</b>
						<b>\$ 0.034</b>

Potentially dilutive items not included in the calculation of diluted loss per share for the period ended June 30, 2025 include the underlying shares comprised in the convertible debenture and stock options that were anti-dilutive.

## 10. CASH AND CASH EQUIVALENTS

	As at June 30, 2025		December 31, 2024	
Cash and bank balances	\$	3,452	\$	8,864
Less: Restricted cash <sup>(i)</sup>		(838)		(274)
<b>Cash and cash equivalents</b>	<b>\$</b>	<b>2,614</b>	<b>\$</b>	<b>8,590</b>

<sup>(i)</sup> Pursuant to relevant regulations in Mainland China, the Company is required to place certain amounts at designated bank accounts as guaranteed deposits for issuance of guarantee letter as requested by China Customs.

The Company's cash is denominated in the following currencies:

	As at June 30, 2025		December 31, 2024	
Denominated in U.S. Dollars	\$	122	\$	99
Denominated in Chinese Renminbi		1,826		6,271
Denominated in Mongolian Tugriks		439		1,962
Denominated in Canadian Dollars		89		25
Denominated in Hong Kong Dollars		138		233
<b>Cash</b>	<b>\$</b>	<b>2,614</b>	<b>\$</b>	<b>8,590</b>

## Exposure to fluctuations in foreign exchange rates

The sensitivity of the Company's profit/(loss) before tax due to changes in the carrying values of assets and liabilities denominated in foreign currencies is as follows. A positive number indicates an increase in profit before tax or a decrease in loss before tax, whereas a negative number indicates an increase in loss before tax or a decrease in profit before tax.

	<b>As at</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
<b>Increase/decrease in foreign exchange rate against respective functional currency</b>		
+5%	\$ 422	\$ 273
-5%	\$ (422)	\$ (273)

## 11. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of the following amounts:

	<b>As at</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Trade receivables	\$ 15,710	\$ 25,418
Other receivables	<u>1,523</u>	<u>6,068</u>
<b>Total trade and other receivables</b>	<b><u>\$ 17,233</u></b>	<b><u>\$ 31,486</u></b>

The aging of the Company's trade and other receivables, based on invoice date and net of provisions, is as follows:

	<b>As at</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Less than 1 month	\$ 16,358	\$ 28,630
1 to 3 months	<u>875</u>	<u>2,856</u>
<b>Total trade and other receivables</b>	<b><u>\$ 17,233</u></b>	<b><u>\$ 31,486</u></b>

Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade and other receivable balances.



The Company has determined that the loss allowance on its trade and other receivables was \$21,876 as at June 30, 2025 (December 31, 2024: \$22,348), based upon an expected loss rate of 10% for trade and other receivables 90 days past due and 100% for trade and other receivables 180 days past due.

The closing allowances for trade and other receivables as at June 30, 2025 reconcile to the opening loss allowances as follows:

**Loss allowance for trade and other receivables**

<b>Opening loss allowance as at January 1, 2025</b>	<b>\$</b>	<b>22,348</b>
Decrease in loss allowance recognised in profit or loss during the period		(56)
Exchange realignment		(416)
		<u>21,876</u>
<b>Closing loss allowance as at June 30, 2025</b>	<b>\$</b>	<b>21,876</b>
<b>Opening loss allowance as at January 1, 2024</b>	<b>\$</b>	<b>22,487</b>
Decrease in loss allowance recognised in profit or loss during the period		(23)
Exchange realignment		522
		<u>22,986</u>
<b>Closing loss allowance as at June 30, 2024</b>	<b>\$</b>	<b>22,986</b>

**12. TRADE AND OTHER PAYABLES**

Trade and other payables of the Company primarily consist of amounts outstanding for trade purchases relating to coal mining, development and exploration activities and mining royalties payable. The usual credit period taken for trade purchases is between 30 to 90 days.

The aging of the Company's trade and other payables, based on invoice date, is as follows:

	<b>As at</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Less than 1 month	\$ 49,885	\$ 53,646
1 to 3 months	52,930	50,936
3 to 6 months	25,064	18,205
Over 6 months	84,410	46,494
	<u>212,289</u>	<u>169,281</u>
<b>Total trade and other payables</b>	<b>\$ 212,289</b>	<b>\$ 169,281</b>

**13. ACCUMULATED DEFICIT AND DIVIDENDS**

At June 30, 2025, the Company has accumulated a deficit of \$1,198,236 (December 31, 2024: \$1,149,222). No dividends have been paid or declared by the Company since inception.

## REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements for the Company for the three and six months ended June 30, 2025, which are unaudited but have been reviewed by the audit committee of the Company.

The Company's results for the three and six months ended June 30, 2025, are contained in the unaudited condensed consolidated interim financial statements and Management Discussion and Analysis of Financial Condition and Results of Operations, available on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca) and the Company's website at [www.southgobi.com](http://www.southgobi.com).

## ABOUT SOUTHGObI

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

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

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

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

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

relating to the Company's decision to suspend activities relating to the development of the Ceke Logistics Park project, including the risk that its investment partner may initiate legal action against the Company for failing to comply with the underlying agreements governing project development; risks relating to the ability of the Company to enhance the operational efficiency and the output throughput of the washing facilities at Ovoot Tolgoi and risks relating to the Company's ability to raise additional financing and to continue as a going concern. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

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

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

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