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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 FOURTH QUARTER AND
FULL YEAR 2025 FINANCIAL AND OPERATING RESULTS**

SouthGobi Resources Ltd. (the “**Company**” or “**SouthGobi**”) today announces its financial and operating results for the quarter and year ended December 31, 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 and www.hkexnews.hk.

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

Hong Kong, March 27, 2026

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*



March 27, 2026

SOUTHGOBI ANNOUNCES FOURTH QUARTER AND FULL YEAR 2025 FINANCIAL AND OPERATING RESULTS

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

The Board of Directors (the “Board”) wish to inform that the Company’s independent auditors, BDO Limited, have completed their audit of the consolidated financial statements of the Company for the year ended December 31, 2025 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and would like to announce the audited annual results of the Company for the year ended December 31, 2025 together with the comparative figures for the previous year and the respective notes in this announcement.

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company’s significant events and highlights for the year ended December 31, 2025 and the subsequent period to March 27, 2026 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 year.

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 11.2 million tonnes in 2025 compared to 7.0 million tonnes in 2024, while the Company recorded an average realised selling price of \$53.5 per tonne in 2025 compared to \$70.4 per tonne in 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 \$133.2 million loss from operations in 2025 compared to a \$153.9 million profit from operations in 2024. The financial results were impacted by the decreased average realised selling price in 2025 as compared to 2024, the change in product mix year-over-year (as the Company sold more processed coal with higher production costs) and impairment losses on coal stockpile and items of property, plant and equipment of \$77.3 million and \$42.0 million were recorded respectively in 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. The Company also understands that any legal person holding a special licence for a Mineral Deposit of Strategic Importance shall not, individually or jointly with other entities having a common interest, hold more than 34% of the total issued and outstanding shares of such legal person. However, there is uncertainty as to how these regulations will be interpreted and applied to a publicly-listed company which is the beneficial owner of a Mineral Deposit of Strategic Importance. In the event that the aforementioned ownership restriction is not complied with, the Government of Mongolia shall have the right to appoint a Plenipotentiary Representative to take charge of managing such legal person to ensure legal compliance.

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.

- **2025 March Deferral Agreement** – On March 20, 2025, the Company and JD Zhixing Fund L.P. (“JDZF”) entered into a deferral 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 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 was 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.

On March 23, 2026, the Company and JDZF entered into a subsequent deferral agreement with respect to the 2025 March Deferred Amounts. Refer below under the heading entitled “2026 March Deferral Agreement”.

- ***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 (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 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 (the “Proposed Case”).

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 (the “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 the 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 \$22.2 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 MTA has a legal authority to demand payment of the outstanding amount of the Revised Re-assessment Result from the Company at its discretion.

- **Bank Loan** – On October 7, 2025, SGS has entered into a bank loan (the “2025 Bank Loan”) for a principal amount of up to RMB235 million (equivalent to approximately \$33.1 million) from Khan Bank JSC (the “Bank”) with the key commercial terms as follows:
 - Maturity date set at 18 months from drawdown (the “Term”);
 - Interest rate of 10% per annum on the outstanding principal and interest is calculated on a 365-day year basis;
 - Loan repayments will consist of interest-only payments during the initial 12 months of the Term, followed by principal amortisation payments during months 13 to 18 of the Term;
 - Certain items of property, plant and equipment with carrying amount of \$2.2 million, land-use rights and intangible assets were pledged as security for the 2025 Bank Loan; and
 - The Company intends to use the proceeds of the 2025 Bank Loan to support working capital, operating expenses, taxes and the settlement of accounts payable of SGS.
- **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 (the “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 (the “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 finalised, 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 was approved by Justice Morgan of the Ontario Superior Court of Justice on December 2, 2025. No appeals have been filed and the time to file an appeal has expired.

- **2026 March Deferral Agreement** – On March 23, 2026, the Company and JDZF entered into an agreement (the “2026 March Deferral Agreement”) pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash and PIK Interest, management fees, and related deferral fees in the aggregate amount of approximately \$140.5 million which will be due and payable to JDZF on or before August 31, 2026 pursuant to the deferral agreement dated March 20, 2025; (ii) semi-annual cash interest payment of approximately \$7.9 million payable to JDZF on May 19, 2026 under the Convertible Debenture; (iii) semi-annual cash interest payments of approximately \$8.1 million payable to JDZF on November 19, 2026 and the \$4.0 million in PIK Interest payable to JDZF on November 19, 2026 under the Convertible Debenture; and (iv) management fees in the aggregate amount of approximately \$7.6 million payable to JDZF on May 16, 2026, August 15, 2026, November 15, 2026 and February 15, 2027, respectively, under the Amended and Restated Cooperation Agreement (collectively, the “2026 March Deferred Amounts”).

The effectiveness of the 2026 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2026 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2026 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Listing Rules. The Company will be seeking approval of the 2026 March Deferral Agreement from disinterested shareholders at the Company’s upcoming AGM of shareholders, which will be held at a future date to be set by the Board.

The principal terms of the 2026 March Deferral Agreement are as follows:

- Payment of the 2026 March Deferred Amounts will be deferred until August 31, 2027 (the “2026 March Deferral Agreement Deferral Date”).
- As consideration for the deferral of the 2026 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 2026 March Deferred Amounts, commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2026 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 2026 March Deferred Amounts commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2026 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2026 March Deferred Amounts or related deferral fees. Instead, the 2026 March Deferral Agreement requires the Company to use its best efforts to pay the 2026 March Deferred Amounts and related deferral fees due and payable under the 2026 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2026 March Deferral Agreement and ending as of the 2026 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 2026 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 2026 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 Annual Operational Data

	Year ended December 31,	
	2025	2024
Sales Volumes, Prices and Costs		
Premium semi-soft coking coal		
Coal sales (<i>millions of tonnes</i>)	0.89	0.91
Average realised selling price (<i>per tonne</i>)	\$ 66.21	\$ 105.10
Standard semi-soft coking coal/ premium thermal coal		
Coal sales (<i>millions of tonnes</i>)	4.98	2.96
Average realised selling price (<i>per tonne</i>)	\$ 58.02	\$ 71.86
Standard thermal coal		
Coal sales (<i>millions of tonnes</i>)	0.94	0.86
Average realised selling price (<i>per tonne</i>)	\$ 21.80	\$ 38.40
Processed coal		
Coal sales (<i>millions of tonnes</i>)	4.39	2.29
Average realised selling price (<i>per tonne</i>)	\$ 52.53	\$ 66.62
Total		
Coal sales (<i>millions of tonnes</i>)	11.20	7.02
Average realised selling price (<i>per tonne</i>)	\$ 53.49	\$ 70.40
Raw coal production (<i>millions of tonnes</i>)	16.63	10.20
Cost of sales of product sold (<i>per tonne</i>)	\$ 53.46	\$ 51.37
Direct cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 44.06	\$ 39.56
Mine administration cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 1.29	\$ 1.58
Total cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 45.35	\$ 41.14
Other Operational Data		
Production waste material moved (<i>millions of bank cubic meters</i>)	80.61	59.47
Strip ratio (<i>bank cubic meters of waste material per tonne of coal produced</i>)	4.85	5.84
Lost time injury frequency rate ⁽ⁱⁱ⁾	0.00	0.06

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

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

Overview of Annual Operational Data

The Company recorded an average realised selling price of \$53.5 per tonne in 2025 compared to \$70.4 per tonne in 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 2025 consisted of approximately 8% of premium semi-soft coking coal, 45% of standard semi-soft coking coal/premium thermal coal, 8% of standard thermal coal and 39% of processed coal compared to approximately 13% of premium semi-soft coking coal, 42% of standard semi-soft coking coal/premium thermal coal, 12% of standard thermal coal and 33% of processed coal for 2024.

The Company's unit cost of sales of product sold was \$53.5 per tonne in 2025 compared to \$51.4 per tonne in 2024. The increase was due to the change in product mix year-over-year, as the Company sold more processed coal with higher production costs.

There was no lost time injury recorded in 2025, while there was a lost time injury frequency rate of 0.06 in 2024.

Summary of Annual Financial Results

<i>\$ in thousands, except per share information</i>	Year ended December 31,	
	2025	2024
Revenue ⁽ⁱ⁾	\$ 598,819	\$ 493,378
Cost of sales ⁽ⁱ⁾	(598,719)	(360,588)
Gross profit excluding idled mine asset costs ⁽ⁱⁱ⁾	1,339	133,286
Gross profit	100	132,790
Other operating income/(expenses), net	1,038	(3,698)
Administration expenses	(14,724)	(13,454)
Evaluation and exploration expenses	(337)	(1,362)
Impairment loss on coal stockpiles	(77,334)	–
Impairment loss on items of property, plant and equipment	(41,960)	–
Reversal of additional tax and tax penalty	–	39,666
Profit/(loss) from operations	(133,217)	153,942
Finance costs	(37,845)	(37,766)
Finance income	2,001	3,626
Share of earning of a joint venture	3,982	3,227
Share of earnings of associates	556	587
Current income tax expenses	(4,243)	(31,119)
Net profit/(loss) attributable to equity holders of the Company	(168,766)	92,497
Basic earnings/(loss) per share	\$ (0.569)	\$ 0.312
Diluted earnings/(loss) per share	\$ (0.569)	\$ 0.311

⁽ⁱ⁾ Revenue and cost of sales related to the Company's Ovoot Tolgoi Mine within the Coal Division operating segment. Refer to note 2 of the selected information from the notes to the consolidated financial statements in this press release for further analysis regarding the Company's reportable operating segments.

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

Overview of Annual Financial Results

The Company recorded a \$133.2 million loss from operations in 2025 compared to \$153.9 million profit from operations in 2024. The decrease was mainly due to the decreased average realised selling price in 2025 as compared to 2024, the change in product mix year-over-year (as the Company sold more processed coal with higher production costs) and impairment losses on coal stockpile and items of property, plant and equipment of \$77.3 million and \$42.0 million were recorded respectively in 2025.

Revenue was \$598.8 million in 2025 compared to \$493.4 million in 2024. The financial results were impacted by increased sales volume year-over-year, as a result of an expansion of the Company's sales network, diversification of its customer base and expansion of the categories of coal products in its portfolio.

Cost of sales was \$598.7 million in 2025 compared to \$360.6 million in 2024. The increase in cost of sales was mainly due to increased sales volume year-over-year, 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 year.

<i>\$ in thousands</i>	Year ended December 31,	
	2025	2024
Operating expenses	\$ 507,911	\$ 288,773
Share-based compensation expense	–	18
Depreciation and depletion	46,495	19,924
Royalties	43,074	51,377
	<hr/>	<hr/>
Cost of sales from mine operations	\$ 597,480	\$ 360,092
Cost of sales related to idled mine assets	1,239	496
	<hr/>	<hr/>
Cost of sales	<u>\$ 598,719</u>	<u>\$ 360,588</u>

Operating expenses in cost of sales were \$507.9 million in 2025 compared to \$288.8 million in 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 in 2025 included \$1.2 million related to depreciation expenses for idled equipment (2024: \$0.5 million).

Other operating income was \$1.0 million in 2025 as compared to other operating expenses of \$3.7 million in 2024. The amount mainly consisted of foreign exchange gain of \$1.5 million, reversal of impairment loss on materials and supplies inventories of \$1.2 million and written off of other payables of \$6.3 million, which was offset by management fee of \$8.3 million.

<i>\$ in thousands</i>	Year ended December 31,	
	2025	2024
Management fee	\$ 8,315	\$ 6,630
Provision/(reversal of provision) for doubtful trade and other receivables	(67)	10
Foreign exchange loss/(gain), net	(1,470)	134
Loss/(gain) on disposal of items of property, plant and equipment, net	2	(261)
Impairment loss/(reversal of impairment loss) on materials and supplies inventories	(1,204)	231
Written off of other payables	(6,272)	–
Gain on contract offsetting arrangement	(342)	(3,046)
	<u> </u>	<u> </u>
Other operating expenses/(income), net	<u>\$ (1,038)</u>	<u>\$ 3,698</u>

Administration expenses were \$14.7 million in 2025 as compared to \$13.5 million in 2024. The change was mainly due to higher daily administration fees and increased salaries and benefits as a result of an expansion of operations.

<i>\$ in thousands</i>	Year ended December 31,	
	2025	2024
Corporate administration	\$ 4,534	\$ 3,293
Legal and professional fees	2,484	2,836
Salaries and benefits	6,863	6,415
Share-based compensation expense	–	45
Depreciation	843	865
	<u> </u>	<u> </u>
Administration expenses	<u>\$ 14,724</u>	<u>\$ 13,454</u>

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

Finance costs were \$37.8 million in both 2025 and 2024, which primarily consisted of interest expense on the \$250.0 million Convertible Debenture.

Summary of Quarterly Operational Data

Quarter Ended	2025				2024			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Sales Volumes, Prices and Costs								
Premium semi-soft coking coal								
Coal sales (<i>millions of tonnes</i>)	0.38	0.30	0.17	0.04	0.16	0.10	0.29	0.36
Average realised selling price (<i>per tonne</i>)	\$ 68.76	\$ 63.37	\$ 59.84	\$ 90.75	\$ 89.56	\$ 116.48	\$ 102.61	\$ 111.01
Standard semi-soft coking coal/ premium thermal coal								
Coal sales (<i>millions of tonnes</i>)	1.13	1.25	1.65	0.95	1.31	1.09	0.28	0.28
Average realised selling price (<i>per tonne</i>)	\$ 55.58	\$ 48.03	\$ 60.07	\$ 70.46	\$ 69.30	\$ 72.54	\$ 77.04	\$ 76.07
Standard thermal coal								
Coal sales (<i>millions of tonnes</i>)	0.28	0.43	0.09	0.14	0.38	0.24	0.12	0.12
Average realised selling price (<i>per tonne</i>)	\$ 15.02	\$ 22.59	\$ 17.89	\$ 35.37	\$ 36.99	\$ 37.20	\$ 36.10	\$ 47.91
Processed coal								
Coal sales (<i>millions of tonnes</i>)	1.35	1.06	1.05	0.93	0.81	0.68	0.51	0.29
Average realised selling price (<i>per tonne</i>)	\$ 58.23	\$ 56.96	\$ 42.46	\$ 50.57	\$ 68.66	\$ 63.65	\$ 73.04	\$ 56.65
Total								
Coal sales (<i>millions of tonnes</i>)	3.14	3.04	2.96	2.06	2.66	2.11	1.20	1.05
Average realised selling price (<i>per tonne</i>)	\$ 54.76	\$ 48.99	\$ 52.55	\$ 59.51	\$ 65.72	\$ 67.77	\$ 77.55	\$ 79.52
Raw coal production (<i>millions of tonnes</i>)	4.37	4.43	3.91	3.92	4.19	2.75	2.01	1.25
Cost of sales of product sold (<i>per tonne</i>)	\$ 51.60	\$ 47.22	\$ 53.87	\$ 64.90	\$ 48.92	\$ 52.77	\$ 61.32	\$ 43.36
Direct cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 41.27	\$ 39.39	\$ 44.92	\$ 53.97	\$ 37.92	\$ 41.74	\$ 47.15	\$ 30.70
Mine administration cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 1.34	\$ 0.97	\$ 1.28	\$ 1.70	\$ 1.88	\$ 0.94	\$ 2.42	\$ 1.08
Total cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 42.61	\$ 40.36	\$ 46.20	\$ 55.67	\$ 39.80	\$ 42.68	\$ 49.57	\$ 31.78
Other Operational Data								
Production waste material moved (<i>millions of bank cubic meters</i>)	21.91	19.48	19.86	19.36	17.48	15.04	14.59	12.36
Strip ratio (<i>bank cubic meters of waste material per tonne of coal produced</i>)	5.02	4.39	5.08	4.93	4.17	5.48	7.27	9.87
Lost time injury frequency rate ⁽ⁱⁱ⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.22

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

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

Overview of Quarterly Operational Data

The Company experienced a decrease in the average selling price of coal from \$65.7 per tonne in the fourth quarter of 2024 to \$54.8 per tonne in the fourth quarter of 2025, as a result of the Company facing headwinds in the China coal market in 2025. This led the Company to change its product mix to sell a greater percentage of lower-priced coal products. The product mix for the fourth quarter of 2025 consisted of approximately 12% premium semi-soft coking coal, 36% standard semi-soft coking coal/premium thermal coal, 9% standard thermal coal and 43% of processed coal compared to approximately 6% premium semi-soft coking coal, 49% standard semi-soft coking coal/premium thermal coal, 14% standard thermal coal and 31% of processed coal in the fourth quarter of 2024.

The Company sold 3.1 million tonnes for the fourth quarter of 2025, compared to 2.7 million tonnes for the fourth quarter of 2024.

The Company's unit cost of sales of product sold increased from \$48.9 per tonne in the fourth quarter of 2024 to \$51.6 per tonne in the fourth quarter of 2025. The increase was mainly due to the Company expanding into certain categories of processed coal with higher production costs.

Summary of Quarterly Financial Results

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

*\$ in thousands, except
per share information*

Quarter Ended	2025				2024			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Financial Results								
Revenue ⁽ⁱ⁾	\$ 171,861	\$ 148,802	\$ 155,289	\$ 122,867	\$ 174,640	\$ 143,748	\$ 92,821	\$ 82,169
Cost of sales ⁽ⁱ⁾	(162,036)	(143,542)	(159,452)	(133,689)	(130,119)	(111,354)	(73,582)	(45,533)
Gross profit/(loss) excluding idled mine asset costs ⁽ⁱⁱ⁾	10,135	5,627	(3,852)	(10,571)	44,757	32,544	19,303	36,682
Gross profit/(loss) including idled mine asset costs	9,825	5,260	(4,163)	(10,822)	44,521	32,394	19,239	36,636
Other operating income/(expenses), net	(2,027)	(699)	5,335	(1,571)	(1,194)	(294)	(1,157)	(1,053)
Administration expenses	(5,074)	(3,273)	(3,128)	(3,249)	(3,627)	(3,400)	(3,014)	(3,413)
Evaluation and exploration expenses	(49)	(234)	(22)	(32)	(314)	(1,003)	(23)	(22)
Impairment loss on coal stockpiles	(64,986)	–	(12,348)	–	–	–	–	–
Impairment loss on items of property, plant and equipment	(41,960)	–	–	–	–	–	–	–
Reversal of additional tax and tax penalty	–	–	–	–	39,666	–	–	–
Profit/(loss) from operations	(104,271)	1,054	(14,326)	(15,674)	79,052	27,697	15,045	32,148
Finance costs	(10,471)	(9,422)	(9,140)	(8,812)	(6,893)	(10,679)	(10,322)	(11,021)
Finance income	19	1,908	53	21	3,247	733	722	73
Share of earning of a joint venture	1,258	1,100	1,011	613	1,206	133	1,055	833
Share of earnings/(loss) of associates	606	257	(120)	(187)	578	(1)	–	10
Current income tax credit/(expenses)	147	(1,940)	(284)	(2,166)	(4,899)	(7,844)	(8,585)	(9,791)
Net profit/(loss)	(112,712)	(7,043)	(22,806)	(26,205)	72,291	10,039	(2,085)	12,252
Basic earnings/(loss) per share	\$ (0.380)	\$ (0.024)	\$ (0.077)	\$ (0.088)	\$ 0.244	\$ 0.034	\$ (0.007)	\$ 0.041
Diluted earnings/(loss) per share	\$ (0.380)	\$ (0.024)	\$ (0.077)	\$ (0.088)	\$ 0.228	\$ 0.034	\$ (0.007)	\$ 0.041

⁽ⁱ⁾ Revenue and cost of sales relate to the Company's Ovoot Tolgoi Mine within the Coal Division operating segment. Refer to note 2 of the selected information from the notes to the consolidated financial statements in this press release for further analysis regarding the Company's reportable operating segments.

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

Overview of Quarterly Financial Results

The Company recorded a \$104.3 million loss from operations in the fourth quarter of 2025 compared to a \$79.1 million profit from operations in the fourth quarter of 2024. The decrease was mainly due to the decreased average realised selling price realised in the fourth quarter of 2025 as compared to the same period in 2024, change in product mix, as the Company sold more processed coal with higher production costs and impairment losses on coal stockpile and items of property, plant and equipment of \$65.0 million and \$42.0 million were recorded respectively in the fourth quarter of 2025.

Revenue was \$171.9 million in the fourth quarter of 2025 compared to \$174.6 million in the fourth quarter of 2024. The Company was able to maintain its revenue amount as a result of an 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 \$162.0 million in the fourth quarter of 2025 compared to \$130.1 million in the fourth 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 the increase in sales made to further destinations 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 section "Non-IFRS Financial Measures" for further analysis) during the quarter.

<i>\$ in thousands</i>	Three months ended	
	December 31,	
	2025	2024
Operating expenses	\$ 133,782	\$ 105,873
Depreciation and depletion	14,729	8,908
Royalties	<u>13,215</u>	<u>15,102</u>
Cost of sales from mine operations	\$ 161,726	\$ 129,883
Cost of sales related to idled mine assets	<u>310</u>	<u>236</u>
Cost of sales	<u><u>\$ 162,036</u></u>	<u><u>\$ 130,119</u></u>

Operating expenses in cost of sales were \$133.8 million for the fourth quarter of 2025 compared to \$105.9 million for the fourth 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 the increase in sales were made to further destinations with higher transportation cost.

Cost of sales related to idled mine assets in the fourth quarter of 2025 included \$0.3 million related to depreciation expenses for idled equipment (fourth quarter of 2024: \$0.2 million).

Other operating expenses were \$2.0 million for the fourth quarter of 2025 compared to \$1.2 million for the fourth quarter of 2024.

<i>\$ in thousands</i>	Three months ended	
	December 31,	
	2025	2024
Management fee	\$ 2,448	\$ 2,304
Provision/(reversal of provision) for doubtful trade and other receivables	(12)	42
Foreign exchange loss/(gain), net	(235)	1,114
Loss on disposal of items of property, plant and equipment, net	-	1
Impairment loss/(reversal of impairment loss) on materials and supplies inventories	(171)	317
Gain on contract offsetting arrangement	(3)	(2,584)
	<u>2,027</u>	<u>(2,584)</u>
Other operating expenses, net	<u>\$ 2,027</u>	<u>\$ 1,194</u>

Administration expenses were \$5.1 million in the fourth quarter of 2025 compared to \$3.6 million in the fourth quarter of 2024. The change was mainly due to an increase in daily administration expenses and salaries and benefits as a result of an expansion of operations.

<i>\$ in thousands</i>	Three months ended	
	December 31,	
	2025	2024
Corporate administration	\$ 2,179	\$ 826
Legal and professional fees	530	719
Salaries and benefits	2,153	1,883
Depreciation	212	199
	<u>5,074</u>	<u>3,627</u>
Administration expenses	<u>\$ 5,074</u>	<u>\$ 3,627</u>

The Company continued to minimise evaluation and exploration expenditures in the fourth quarter of 2025 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in the fourth 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 \$10.5 million in the fourth quarter of 2025 compared to \$6.9 million in the fourth quarter of 2024, which primarily consisted of interest expense on the \$250.0 million Convertible Debenture.

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.

Bank Loan

On October 7, 2025, SGS has entered into the 2025 Bank Loan for a principal amount of up to RMB235 million (equivalent to approximately \$33.1 million) from the Bank with the key commercial terms as follows:

- Maturity date set at 18 months from drawdown;
- Interest rate of 10% per annum on the outstanding principal and interest is calculated on a 365-day year basis;
- Loan repayments will consist of interest-only payments during the initial 12 months of the Term, followed by principal amortisation payments during months 13 to 18 of the Term;
- Certain items of property, plant and equipment with carrying amount of \$2.2 million, land-use rights and intangible assets were pledged as security for the 2025 Bank Loan; and
- The Company intends to use the proceeds of the 2025 Bank Loan to support working capital, operating expenses, taxes and the settlement of accounts payable of SGS.

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.

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 the 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 \$22.2 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 MTA 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 consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least December 31, 2026 and will be able to realise its assets and discharge its liabilities in the normal course of operations as they come due. However, in order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with sufficient liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's consolidated financial statements. The Company had a deficiency in assets of \$227.2 million as at December 31, 2025 as compared to a deficiency in assets of \$49.8 million as at December 31, 2024 while the working capital deficiency (excess current liabilities over current assets) reached \$337.0 million as at December 31, 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 December 31, 2025 are significant obligations, represented by trade and other payables of \$218.2 million, additional tax and tax penalty of \$23.3 million and interest-bearing borrowing of \$11.1 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 March 27, 2026. 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.

In addition, the recent global geopolitical events, particularly the escalation of tensions involving Iran and the US, have significantly pushed up international coal prices in the short term due to increasing energy prices and demand for coal as a substitute for natural gas. However, management notes that coal price trends remain subject to uncertainties related to the duration of such conflicts and broader geopolitical developments. Should the conflict ease or cease, the price momentum driven by supply risk premiums and energy substitution may weaken or even reverse, thereby exposing coal prices to considerable downside uncertainty. Such volatility may affect the Company's operations, including the selling price of its coal product and its production costs.

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 consolidated 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 consolidated 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 consolidated financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from December 31, 2025. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (a) entering into the 2026 March Deferral Agreement on March 23, 2026 for a deferral of the 2026 March Deferred Amounts; (b) communicating with vendors in agreeing repayment plans of the outstanding payable; and (c) considering geopolitical tensions, specifically the Iran-US conflict, which is expected to create a favourable pricing environment during forecast period. 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 December 31, 2025 and therefore are satisfied that it is appropriate to prepare the consolidated 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 the following key factors: the utilisation of 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, and the fluctuations in international coal prices, which are subject to the developments in geopolitical tensions.

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 December 31, 2025, 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

2024 March Deferral Agreement

On March 19, 2024, the Company and JDZF entered into an agreement (the "2024 March Deferral Agreement") pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash and PIK Interest, management fees, and related deferral fees in the aggregate amount of approximately \$96.5 million due and payable to JDZF on or before August 31, 2024 pursuant to certain prior deferral agreements dated March 24, 2023 and October 13, 2023; (ii) semi-annual cash interest payment of approximately \$7.9 million payable to JDZF on May 19, 2024 under the Convertible Debenture; (iii) semi-annual cash interest payments of approximately \$8.1 million payable to JDZF on November 19, 2024 and the \$4.0 million in PIK Interest payable to JDZF on November 19, 2024 under the Convertible Debenture; and (iv) management fees in the aggregate amount of \$2.2 million payable to JDZF on November 15, 2024 and February 15, 2025, respectively, under the Amended and Restated Cooperation Agreement (collectively, the "2024 March Deferred Amounts").

The effectiveness of the 2024 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2024 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2024 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 2024 March Deferral Agreement was approved by the Company's disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

The principal terms of the 2024 March Deferral Agreement are as follows:

- Payment of the 2024 March Deferred Amounts are deferred until August 31, 2025 (the "2024 March Deferral Agreement Deferral Date").

- As consideration for the deferral of the 2024 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 2024 March Deferred Amounts, commencing on the date on which each such 2024 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2024 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 2024 March Deferred Amounts commencing on the date on which each such 2024 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2024 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2024 March Deferred Amounts or related deferral fees. Instead, the 2024 March Deferral Agreement requires the Company to use its best efforts to pay the 2024 March Deferred Amounts and related deferral fees due and payable under the 2024 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2024 March Deferral Agreement and ending as of the 2024 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 2024 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 2024 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.

2024 April Deferral Agreement

On April 30, 2024, the Company and JDZF entered into an agreement (the "2024 April Deferral Agreement") pursuant to which JDZF agreed to grant the Company a deferral of the remaining \$1.1 million of PIK interest which was payable on November 19, 2022 under the Convertible Debenture, the payment of which was deferred pursuant to a certain prior deferral agreement dated November 11, 2022 (the "November 2022 Deferral Agreement") until November 19, 2023, as well as related deferral fees under the November 2022 Deferral Agreement (collectively, the "2024 April Deferred Amounts").

The effectiveness of the 2024 April Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2024 April Deferral Agreement are subject to the Company obtaining the requisite approval of the 2024 April 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 2024 April Deferral Agreement was approved by the Company's disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

The principal terms of the 2024 April Deferral Agreement are as follows:

- Payment of the 2024 April Deferred Amounts are deferred until August 31, 2025 (the "2024 April Deferral Agreement Deferral Date").
- As consideration for the deferral of the 2024 April Deferred Amounts, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2024 April Deferred Amounts, commencing on the date on which each such 2024 April Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- The 2024 April Deferral Agreement does not contemplate a fixed repayment schedule for the 2024 April Deferred Amounts or related deferral fees. Instead, the 2024 April Deferral Agreement requires the Company to use its best efforts to pay the 2024 April Deferred Amounts and related deferral fees due and payable under the 2024 April Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2024 April Deferral Agreement and ending as of the 2024 April 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 2024 April 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 2024 April 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.

2025 March Deferral Agreement

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.

2026 March Deferral Agreement

On March 23, 2026, the Company and JDZF entered into the 2026 March Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of the 2026 March Deferred Amounts.

The effectiveness of the 2026 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2026 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2026 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Listing Rules. The Company will be seeking approval of the 2026 March Deferral Agreement from disinterested shareholders at the Company's upcoming AGM of shareholders, which will be held at a future date to be set by the Board.

The principal terms of the 2026 March Deferral Agreement are as follows:

- Payment of the 2026 March Deferred Amounts will be deferred until the 2026 March Deferral Agreement Deferral Date.
- As consideration for the deferral of the 2026 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 2026 March Deferred Amounts, commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2026 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 2026 March Deferred Amounts commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2026 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2026 March Deferred Amounts or related deferral fees. Instead, the 2026 March Deferral Agreement requires the Company to use its best efforts to pay the 2026 March Deferred Amounts and related deferral fees due and payable under the 2026 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2026 March Deferral Agreement and ending as of the 2026 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 2026 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 2026 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.

Amendment of Convertible Debenture

On May 13, 2024, the Company and JDZF entered into an amendment agreement (the “Convertible Debenture Amendment”) to amend certain terms of the Convertible Debenture.

Pursuant to the Convertible Debenture Amendment, the Company may, by resolution of the Board of the Company, at any time and from time to time prepay, without penalty, the whole or any part of the principal amount outstanding under the Convertible Debenture, together with accrued cash interest and PIK interest thereon to the date of prepayment, provided that:

- (i) the Company has, not later than three (3) business days prior to the proposed prepayment date, delivered to JDZF an irrevocable written notice, signed by an independent director of the Company and setting out the terms of the prepayment;
- (ii) the amount of such prepayment reduces the then outstanding principal amount under the Convertible Debenture by an amount that is (a) not less than \$500,000 and (b) if in excess of \$500,000, an integral multiple of \$500,000; and
- (iii) the proposed prepayment date falls on a business day.

The Company did not provide any additional form of consideration to JDZF in connection with the Convertible Debenture Amendment. Aside from the aforementioned amendments, the existing terms of the Convertible Debenture continue in full force and effect and unchanged.

The effectiveness of the Convertible Debenture Amendment is subject to the Company providing notice to, and obtaining acceptance (if required) from the TSX-V and requisite approval from disinterested shareholders of the Company in accordance with the requirements of applicable Canadian securities laws and Listing Rules. The Convertible Debenture Amendment was approved by the Company’s disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

Ovoot Tolgoi Mine Impairment Analysis

The Company determined that an indicator of impairment existed for its Ovoot Tolgoi Mine cash generating unit (“CGU”) as at December 31, 2025. The impairment indicator was the uncertainty of future coal price in China.

During the year, its Ovoot Tolgoi Mine CGU in the mining operation was suffered from the decline of coal selling price, which had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment loss recorded on the CGU of \$42.0 million. The pre-tax discount rate used to measure the CGU's value in use was 22.8%.

The Company conducted an impairment test whereby the carrying value of the Company's Ovoot Tolgoi Mine CGU was compared to the recoverable amount (being the "value in use") using a discounted future cash flow valuation model. The Company's cash flow valuation model takes into consideration the latest available information to the Company, including but not limited to, sales prices, sales volumes, washing production, operating costs and life of mine coal production estimates as at December 31, 2025. The carrying value of the Company's Ovoot Tolgoi Mine CGU was \$206.9 million as at December 31, 2025.

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering limited license period.

Key estimates and assumptions in the valuation model included the following:

- Coal resources and reserves as estimated by an independent third-party mining consulting firm;
- Sales price estimates from an independent market consulting firm;
- Forecasted sales volumes in line with production levels as reference to the mine plan;
- Life-of-mine coal production, strip ratio, capital costs and operating costs; and
- A pre-tax discount rate of 22.8% based on an analysis of the market, country and asset specific factors.

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Company's beta adjusted to reflect management's assessment of specific risks related to the CGU. Growth rates are based on economic data pertaining to the region concerned.

Key sensitivities in the valuation model are as follows:

- For each 1% increase/(decrease) in the long term price estimates, the calculated fair value of the CGU increases/(decreases) by approximately \$11.3/(11.4) million;
- For each 1% increase/(decrease) in the post-tax discount rate, the calculated fair value of the CGU (decreases)/increases by approximately \$(8.9)/9.4 million;
- For each 1% increase/(decrease) in the cash mining cost estimates, the calculated fair value of the CGU (decreases)/increases by approximately \$(7.8)/7.7 million; and

- For each 1% increase/(decrease) in Mongolian inflation rate, the calculated fair value of the CGU (decreases)/increases by approximately \$(4.2)/4.1 million.

If any one of the following changes were made to the above key assumptions, the carrying amount and recoverable amount would be equal.

REGULATORY ISSUES AND CONTINGENCIES

Lawsuit

In January 2014, Siskinds LLP, a Canadian law firm, filed the Class Action against the Company, certain of its former senior officers and directors, and the Former Auditors, in the Ontario Court in relation to the Company's Restatement.

To commence and proceed with the Class Action, the plaintiff was required to seek a 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 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 finalised, with the participation of the relevant Company's insurers, the Mediation, which was held and completed on August 11, 2025.

As a result of the Mediation, the Class Plaintiffs and the Company have conditionally settled 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 was approved by Justice Morgan of the Ontario Superior Court of Justice on December 2, 2025. No appeals have been filed and the time to file an appeal has expired.

No provision for this matter is required as at December 31, 2025 and 2024.

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.

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 the 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 \$22.2 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 months and the year ended December 31, 2025, RDCC LLC recognised toll fee revenue of \$5.0 million (2024: \$3.1 million) and \$16.4 million (2024: \$12.9 million), respectively.

PLEDGE OF ASSETS

As at December 31, 2025, most of the Company's mobile equipment and other operating equipment with carrying amount of \$12.1 million (December 31, 2024: \$11.4 million) were pledged as securities of convertible debenture, and buildings with carrying amount of \$2.2 million (December 31, 2024: \$nil) were pledged as securities of interest-bearing borrowing.

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 year ended December 31, 2025. The Company did not hold any treasury shares as at December 31, 2025.

COMPLIANCE WITH CORPORATE GOVERNANCE

The Company has, throughout the year ended December 31, 2025, applied the principles and complied with the requirements of its corporate governance practices as defined by 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 F.1.3 under Part 2 of the Corporate Governance Code, the Chairman of the Board should attend the AGM. Mr. Yingbin Ian He, an independent non-executive director ("INED") and the Lead Director, attended and acted as Chairman of the Company's AGM held on June 27, 2025 (Hong Kong) to ensure effective communication with shareholders of the Company.

Pursuant to code provision C.2.7 under Part 2 of the Corporate Governance Code, the Chairman of the Board should at least annually hold meetings with the INEDs without the presence of other directors. During the year ended December 31, 2025, one (1) meeting between the Independent Lead Director, who is fulfilling the duties of the Chairman, and INED was held. Additionally, during the year ended December 31, 2025, four (4) meetings between the Independent Lead Director and the non-executive directors were held. The opportunity for such communication channel is provided at the end of each Board meeting.

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 year ended December 31, 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) 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 a joint venture and associates, the Company had no significant investments held as at December 31, 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 year ended December 31, 2025.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at December 31, 2025.

OUTLOOK

The global coal market continues to face structural shifts amid evolving geopolitical and economic conditions. Although international trade tensions have moderated compared with previous years, uncertainties persist due to fluctuating commodity prices, energy transition policies, and regional security concerns. China’s ongoing efforts to balance energy security with environmental commitments will continue to shape demand patterns, with coal expected to remain a critical component of its energy mix in the near term.

The strategic partnership between China and Mongolia, particularly under the frameworks of the Belt and Road Initiative and Mongolia’s “New Revival Policy”, continues to deepen. Significant investments in cross-border infrastructure, including the ongoing expansion and modernisation of railway networks and border ports, are progressively reducing logistical bottlenecks and enhancing efficiency. These advancements are expected to strengthen the competitiveness of Mongolian coking coal in the Chinese market by improving transit efficiency and lowering overall landed costs.

At the same time, challenges persist. China's property sector remains under pressure, and infrastructure investment is being carefully managed, which may constrain steel production and, in turn, coking coal demand.

Against this backdrop, the Company remains cautiously optimistic about the China coal market, as coal continues to be regarded as the primary energy source on which China will rely in the foreseeable future. Coal supply and imports in China are expected to remain limited due to increasingly stringent environmental and safety requirements, which may contribute to volatility in domestic coal prices. The Company will continue to closely monitor market developments and respond proactively to changing conditions.

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.

In 2026, the Company will continue to scale up mining operations and enhance coal processing capabilities to deliver higher product quality and meet evolving customer demands. Initiatives to strengthen spare parts management will be advanced to improve maintenance efficiency and ensure reliable, uninterrupted mining operations. At the same time, the Company will deploy advanced remote-control systems, optimise transport routes, and further expand the use of electric locomotives to enhance the efficiency and capacity of cross-border transportation, ensuring alignment with production growth.

In the medium term, the Company will gradually equip mining operations with remote-control functionality, progressively advancing toward unmanned work sites. This transformation will raise safety standards while addressing labor shortages that constrain capacity expansion. In addition, 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 and Soumber Deposit have mineral reserves of at least 80.57 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.

The following table provides a reconciliation of the cash costs of product sold disclosed for the three months and year ended December 31, 2025 and December 31, 2024. The cash costs of product sold presented below may differ from cash costs of product produced depending on the timing of coal stockpile inventory turnover and impairment of coal stockpile inventories from prior periods.

<i>\$ in thousands, except per tonne information</i>	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Cash costs				
Cost of sales determined in accordance with IFRS	\$ 162,036	\$ 130,119	\$ 598,719	\$ 360,588
Less royalties	(13,215)	(15,102)	(43,074)	(51,377)
Less non-cash expenses	(14,729)	(8,908)	(46,495)	(19,942)
Less non-cash idled mine asset costs	(310)	(236)	(1,239)	(496)
Total cash costs	133,782	105,873	507,911	288,773
Less idled mine asset cash costs	—	—	—	—
Total cash costs excluding idled mine asset cash costs	133,782	105,873	507,911	288,773
Coal sales (<i>millions of tonnes</i>)	3.14	2.66	11.20	7.02
Total cash costs of product sold (<i>per tonne</i>)	\$ 42.61	\$ 39.80	\$ 45.35	\$ 41.14

<i>\$ in thousands, except per tonne information</i>	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Cash costs				
Direct cash costs of product sold (<i>per tonne</i>)	\$ 41.27	\$ 37.92	\$ 44.06	\$ 39.56
Mine administration cash costs of product sold (<i>per tonne</i>)	1.34	1.88	1.29	1.58
Total cash costs of product sold (<i>per tonne</i>)	\$ 42.61	\$ 39.80	\$ 45.35	\$ 41.14

The cash cost of product sold per tonne was increased from \$41.1 in 2024 to \$45.4 in 2025. The increase was due to the Company expanding into certain categories of processed coal with higher production costs and the increase in sales made to further destinations with higher transportation cost.

Idled Mine Asset Costs

The Company uses idled mine asset costs to describe the cost incurred during idled mine period. Idled mine asset costs 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 gross profit internally and believes this measure provides investors and analysts with useful information about the Company's underlying gross profit. 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. This performance measure is commonly utilised in the mining industry.

The following table provides a reconciliation of the gross profit disclosed for the three months and year ended December 31, 2025 and December 31, 2024.

<i>\$ in thousands, except per tonne information</i>	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Idled mine asset costs				
Gross profit excluding idled mine asset costs	\$ 10,135	\$ 44,757	\$ 1,339	\$ 133,286
Less non-cash idled mine asset costs	<u>(310)</u>	<u>(236)</u>	<u>(1,239)</u>	<u>(496)</u>
Gross profit including idled mine asset costs	<u>\$ 9,825</u>	<u>\$ 44,521</u>	<u>\$ 100</u>	<u>\$ 132,790</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Year ended December 31,	
	2025	2024
Revenue	\$ 598,819	\$ 493,378
Cost of sales	<u>(598,719)</u>	<u>(360,588)</u>
Gross profit	100	132,790
Other operating income/(expenses), net	1,038	(3,698)
Administration expenses	(14,724)	(13,454)
Evaluation and exploration expenses	(337)	(1,362)
Impairment loss on coal stockpiles	(77,334)	–
Impairment loss on items of property, plant and equipment	(41,960)	–
Reversal of additional tax and tax penalty	<u>–</u>	<u>39,666</u>
Profit/(loss) from operations	(133,217)	153,942
Finance costs	(37,845)	(37,766)
Finance income	2,001	3,626
Share of earning of a joint venture	3,982	3,227
Share of earnings of associates	<u>556</u>	<u>587</u>
Profit/(loss) before tax	(164,523)	123,616
Current income tax expenses	<u>(4,243)</u>	<u>(31,119)</u>
Net profit/(loss) attributable to equity holders of the Company	(168,766)	92,497
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Exchange difference on translation of foreign operation	<u>(8,626)</u>	<u>(1,258)</u>
Net comprehensive income/(loss) attributable to equity holders of the Company	\$ <u>(177,392)</u>	\$ <u>91,239</u>
Basic earnings/(loss) per share	\$ (0.569)	\$ 0.312
Diluted earnings/(loss) per share	\$ (0.569)	\$ 0.311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of USD)

	As at December 31,	
	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 12,375	\$ 8,590
Restricted cash	853	274
Trade and other receivables	24,141	31,486
Inventories	68,600	107,246
Prepaid expenses	5,741	6,083
	<hr/>	<hr/>
Total current assets	111,710	153,679
Non-current assets		
Property, plant and equipment	206,883	243,564
Investment in a joint venture	15,632	12,400
Investments in associates	21,352	20,210
	<hr/>	<hr/>
Total non-current assets	243,867	276,174
	<hr/>	<hr/>
Total assets	\$ 355,577	\$ 429,853
Equity and liabilities		
Current liabilities		
Trade and other payables	\$ 218,167	\$ 169,281
Additional tax and tax penalty	23,276	43,790
Deferred revenue	52,583	34,350
Interest-bearing borrowing	11,136	–
Lease liabilities	819	850
Income tax payable	2,362	12,891
Convertible debenture	140,328	120,651
	<hr/>	<hr/>
Total current liabilities	448,671	381,813
Non-current liabilities		
Interest-bearing borrowing	22,269	–
Lease liabilities	888	1,342
Convertible debenture	93,379	84,267
Decommissioning liability	17,568	12,245
Long service payment liabilities	37	29
	<hr/>	<hr/>
Total non-current liabilities	134,141	97,883
	<hr/>	<hr/>
Total liabilities	582,812	479,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*(Expressed in thousands of USD)*

	As at December 31,	
	2025	2024
Equity		
Common shares	1,102,053	1,102,053
Share option reserve	52,998	52,998
Capital reserve	536	533
Exchange fluctuation reserve	(64,831)	(56,205)
Accumulated deficit	<u>(1,317,991)</u>	<u>(1,149,222)</u>
Total deficiency in assets	<u>(227,235)</u>	<u>(49,843)</u>
Total equity and liabilities	<u>\$ 355,577</u>	<u>\$ 429,853</u>
Net current liabilities	\$ (336,961)	\$ (228,134)
Total assets less current liabilities	\$ (93,094)	\$ 48,040

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in thousands of USD)

	Year ended December 31,	
	2025	2024
Operating activities		
Profit/(loss) before tax	\$ (164,523)	\$ 123,616
Adjustments for:		
Depreciation and depletion	48,577	20,890
Share-based compensation	–	63
Provision for long service payment	8	8
Impairment loss/(reversal of impairment loss) on materials and supplies inventories	(1,204)	231
Impairment loss on coal stockpiles	77,334	–
Provision for/(reversal of) doubtful trade and other receivables	(67)	10
Loss/(gain) on disposal of items of property, plant and equipment, net	2	(261)
Written off of other payables	(6,272)	–
Gain on contract offsetting arrangement	(342)	(3,046)
Reversal of additional tax and tax penalty	–	(39,666)
Interest expense on convertible debenture	36,241	37,103
Interest expense on interest-bearing borrowing	711	–
Interest elements on leased assets	226	292
Accretion of decommissioning liability	667	371
Fair value gain on embedded derivatives in convertible debenture	(62)	(298)
Gain on modification of convertible debenture	(1,890)	(3,187)
Interest income	(49)	(141)
Impairment loss on items of property, plant and equipment	41,960	–
Share of earning of a joint venture	(3,982)	(3,227)
Share of earnings of associates	(556)	(587)
	<hr/>	<hr/>
Operating cash flows before changes in working capital items	26,779	132,171
Net change in working capital items	57,636	5,323
	<hr/>	<hr/>
Cash generated from operating activities	84,415	137,494
Income tax and additional tax paid	(32,995)	(29,578)
	<hr/>	<hr/>
Net cash flows from operating activities	51,420	107,916

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*(Expressed in thousands of USD)*

	Year ended December 31,	
	2025	2024
Investing activities		
Expenditures on property, plant and equipment	(73,135)	(118,618)
Proceeds from disposal of items of property, plant and equipment	–	1,038
Interest received	49	141
Investment in an associate	(1,310)	(8,299)
Dividend from a joint venture	288	2,623
	<hr/>	<hr/>
Net cash flows used in investing activities	(74,108)	(123,115)
Financing activities		
Interest payment on convertible debenture	(5,500)	(23,000)
Interest payment on interest-bearing borrowing	(517)	–
Proceeds from interest-bearing borrowing	32,954	–
Proceeds from exercise of share options	–	187
Capital elements of lease rental paid	(896)	(716)
Interest elements of lease rentals paid	(226)	(292)
	<hr/>	<hr/>
Net cash flows from/(used in) financing activities	25,815	(23,821)
Effect of foreign exchange rate changes, net	658	(383)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	3,785	(39,403)
Cash and cash equivalents, beginning of year	8,590	47,993
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 12,375	\$ 8,590
	<hr/> <hr/>	<hr/> <hr/>

SELECTED INFORMATION FROM THE NOTES TO THE 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 and options in thousands, unless otherwise indicated.

1. BASIS OF PREPARATION

1.1 Corporate information and liquidity

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

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's consolidated financial statements. The Company had a deficiency in assets of \$227,235 as at December 31, 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 \$336,961 as at December 31, 2025 as compared to a working capital deficiency of \$228,134 as at December 31, 2024.

Included in the working capital deficiency as at December 31, 2025 are significant obligations, represented by trade and other payables of \$218,167, additional tax and tax penalty of \$23,276 and interest-bearing borrowing of \$11,136.

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 March 27, 2026. 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.

In addition, the recent global geopolitical events, particularly the escalation of tensions involving Iran and the US, have significantly pushed up international coal prices in the short term due to increasing energy prices and demand for coal as a substitute for natural gas. However, management notes that coal price trends remain subject to uncertainties related to the duration of such conflicts and broader geopolitical developments. Should the conflict ease or cease, the price momentum driven by supply risk premiums and energy substitution may weaken or even reverse, thereby exposing coal prices to considerable downside uncertainty. Such volatility may affect the Company's operations, including the selling price of its coal product and its production costs.

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 consolidated 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 consolidated 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 consolidated financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from December 31, 2025. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (a) entering into the 2026 March Deferral Agreement on March 23, 2026 for a deferral of the 2026 March Deferred Amounts; (b) communicating with vendors in agreeing repayment plans of the outstanding payable; and (c) considering geopolitical tensions, specifically the Iran-US conflict, which is expected to create a favourable pricing environment during forecast period. 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 December 31, 2025 and therefore are satisfied that it is appropriate to prepare the consolidated 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 the following key factors: the utilisation of 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, and the fluctuations in international coal prices, which are subject to the developments in geopolitical tensions.

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 December 31, 2025, the Company was not subject to any externally imposed capital requirements.

1.2 Statement of compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards and International Accounting Standards ("IAS Standards") issued by the IASB and Interpretations (collectively "IFRS Accounting Standards") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules.

1.3 Basis of presentation

The consolidated financial statements of the Company for the year ended December 31, 2025 were approved and authorised for issue by the Board on March 27, 2026.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of SouthGobi and its major controlled subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

1.5 Adoption of new and revised standards and interpretations

The following new IFRS Accounting Standards and interpretations were adopted by the Company on January 1, 2025.

Amendments to IAS 21	Lack of Exchangeability
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37	Disclosure about Uncertainties in the Financial Statements

There have been no new IFRS Accounting Standards or IFRIC interpretations that have a material impact on the Company's results and financial position for the year ended December 31, 2025. The Company has not early applied any new or amended IFRS Accounting Standards that is not yet effective for the year ended December 31, 2025.

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 China and Mongolia for the years ended December 31, 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 years ended December 31, 2025 and 2024.

During the years ended December 31, 2025 and 2024, the Coal Division had 103 and 78 active customers, respectively. 1 customer with revenue contributed over 10% of the total revenue during the year ended December 31, 2025 and is accounting for 17% (\$100,000) of the total revenue. 1 customer with revenue contributed over 10% of the total revenue during the year ended December 31, 2024 and is accounting for 15% (\$74,434) of the total revenue.

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 profit/(loss) before tax is arrived at after charging/(crediting):

	Year ended December 31,	
	2025	2024
Depreciation	\$ 48,577	\$ 20,890
Auditors' remuneration	675	877
Employee benefit expense (including directors' remuneration)		
Wages and salaries	\$ 17,583	\$ 14,958
Equity-settled share option expense	-	63
Pension scheme contributions	2,670	2,102
Provision for long service payment	8	8
	\$ 20,261	\$ 17,131
Short term lease payments under operating leases	\$ 208	\$ 508
Foreign exchange loss/(gain), net	(1,470)	134
Impairment loss/(reversal of impairment loss)		
on materials and supplies inventories	(1,204)	231
Impairment loss on coal stockpiles	77,334	-
Impairment loss on items of property, plant and equipment	41,960	-
Royalties	43,074	51,377
Management fee	8,315	6,630
Provision/(reversal of provision) for doubtful trade and other receivables	(67)	10
Loss/(gain) on disposal of items of property, plant and equipment, net	2	(261)
Written off of other payables	(6,272)	-
Gain on contract offsetting arrangement	(342)	(3,046)
Reversal of additional tax and tax penalty		
Provision for additional late tax penalty	\$ -	\$ 8,797
Reversal of additional tax penalty	-	(48,463)
	\$ -	\$ (39,666)
Mine operating costs and others	\$ 500,985	\$ 284,621
Total operating expenses	\$ 732,036	\$ 339,436

5. COST OF SALES

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

	Year ended December 31,	
	2025	2024
Operating expenses	\$ 507,911	\$ 288,773
Share-based compensation expense	–	18
Depreciation and depletion	46,495	19,924
Royalties	43,074	51,377
	<u>597,480</u>	<u>360,092</u>
Cost of sales from mine operations	597,480	360,092
Cost of sales related to idled mine assets ⁽ⁱ⁾	1,239	496
	<u>1,239</u>	<u>496</u>
Cost of sales	\$ 598,719	\$ 360,588

⁽ⁱ⁾ Cost of sales related to idled mine assets for the year ended December 31, 2025 includes \$1,239 of depreciation expense (2024: \$496). The depreciation expense relates to the Company's idled plant and equipment.

Cost of inventories recognised as expense in cost of sales for the year ended December 31, 2025 totaled \$463,526 (2024: \$231,543).

6. OTHER OPERATING EXPENSES/(INCOME), NET

The Company's other operating expenses/(income), net consist of the following amounts:

	Year ended December 31,	
	2025	2024
Management fee	\$ 8,315	\$ 6,630
Provision/(reversal of provision) for doubtful trade and other receivables	(67)	10
Foreign exchange loss/(gain), net	(1,470)	134
Loss/(gain) on disposal of items of property, plant and equipment, net	2	(261)
Impairment loss/(reversal of impairment loss) on materials and supplies inventories	(1,204)	231
Written off of other payables	(6,272)	–
Gain on contract offsetting arrangement	(342)	(3,046)
	<u>(1,038)</u>	<u>(3,046)</u>
Other operating expenses/(income), net	\$ (1,038)	\$ 3,698

7. ADDITIONAL TAX AND TAX PENALTY

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 has notified SGS that it is imposing a tax penalty against SGS in the amount of approximately \$74,990. 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 anticipates 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 \$80,000. 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 has 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 \$80,000 to approximately \$26,500. 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 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.

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 the prior year, the Company has recorded an additional tax and tax penalty in the amount of \$45,477, which consists of a tax penalty payable of \$26,527 and a provision for additional late tax penalty of \$18,950. As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48,463 in 2024. To date, the Company has paid the MTA an aggregate of \$22,201 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 MTA has a legal authority to demand payment of the outstanding amount of the Revised Re-assessment Result from the Company at its discretion.

8. FINANCE COSTS AND INCOME

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

	Year ended December 31,	
	2025	2024
Interest expense on convertible debenture	\$ 36,241	\$ 37,103
Interest expense on interest-bearing borrowing	711	—
Interest elements on leased assets	226	292
Accretion of decommissioning liability	667	371
	<hr/>	<hr/>
Finance costs	\$ 37,845	\$ 37,766
	<hr/> <hr/>	<hr/> <hr/>

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

	Year ended December 31,	
	2025	2024
Fair value gain on embedded derivatives in convertible debenture	\$ 62	\$ 298
Gain on modification of convertible debenture	1,890	3,187
Interest income	49	141
	<hr/>	<hr/>
Finance income	\$ 2,001	\$ 3,626
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9. TAXES

9.1 Income tax recognised in profit or loss

	Year ended December 31,	
	2025	2024
Current tax:		
PRC Enterprise Income Tax (“EIT”)	\$ 200	\$ 1,031
Mongolian corporate income tax	<u>4,043</u>	<u>30,088</u>
Income tax expenses	<u>\$ 4,243</u>	<u>\$ 31,119</u>

No provision for Hong Kong Profits Tax, Canadian Corporation Income Tax, Singapore Corporate Income Tax has been made in the financial statements as the Company has no assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% on the estimated assessable profits.

Mongolian corporate income tax was calculated at 10% to the first MNT 6 billion of annual taxable income and 25% on the remaining annual taxable income for both years.

The Canadian statutory tax rate was 27% (2024: 27%). A reconciliation between the Company’s tax expense and the product of the Company’s profit/(loss) before tax multiplied by the Company’s domestic tax rate is as follows:

	Year ended December 31,	
	2025	2024
Profit/(loss) before tax	\$ (164,523)	\$ 123,616
Statutory tax rate	<u>27%</u>	<u>27%</u>
Income tax expenses/(credit) based on combined Canadian federal and provincial statutory rates	(44,421)	33,376
Tax effect of higher/(lower) effective tax rate in foreign jurisdictions	1,974	(1,953)
Underprovision/(overprovision) of income tax in the prior year	82	(9,890)
Tax effect of tax losses and temporary differences not recognised	(900)	9,382
Tax effect of withholding tax on intercompany interest	1,730	1,814
Tax effect of profit attributable to a joint venture	(996)	(807)
Tax effect of income not subject to tax	(4,823)	(6,029)
Tax effect of non-deductible expenses	<u>51,597</u>	<u>5,226</u>
Income tax expenses	<u>\$ 4,243</u>	<u>\$ 31,119</u>

9.2 Unrecognised deductible temporary differences and unused tax losses

The Company's deductible temporary differences and unused tax losses for which no deferred tax asset is recognised consist of the following amounts:

	As at December 31,	
	2025	2024
Non-capital losses	\$ 213,459	\$ 205,660
Capital losses	30,049	30,049
Foreign exchange and others	<u>317,543</u>	<u>320,975</u>
Total unrecognised amounts	<u>\$ 561,051</u>	<u>\$ 556,684</u>

9.3 Expiry dates

The expiry dates of the Company's unused tax losses are as follows:

	As at December 31, 2025	
	U.S. Dollar	Expiry
	Equivalent	dates
Non-capital losses		
Canada	\$ 191,545	2043 – 2045
China	<u>21,914</u>	2030
	<u>\$ 213,459</u>	
Capital losses		
Canada	\$ 30,049	Indefinite
As at December 31, 2024		
	U.S. Dollar	Expiry
	Equivalent	dates
Non-capital losses		
Canada	\$ 201,141	2042 – 2044
China	<u>4,519</u>	2029
	<u>\$ 205,660</u>	
Capital losses		
Canada	\$ 30,049	Indefinite

9.4 Pillar Two income taxes

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules (“Pillar Two Model Rules”) for a new global minimum tax reform applicable to large multinational enterprises. The Company operates in jurisdictions where the Pillar Two Model Rules have either been enacted or are already effective. However, as the Company’s estimated effective tax rates of all jurisdictions in which the Company operates are higher than 15%, after taking into account the adjustments under the Pillar Two Model Rules based on management’s best estimate, the directors of the Company considered the Company is not liable to top-up tax under the Pillar Two Model Rules.

The Company has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

10. DIRECTOR AND EMPLOYEE EMOLUMENTS

Directors’ emoluments

Directors’ and chief executive’s remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, the Company’s directors’ emoluments consist of the following amounts:

	Year ended December 31,	
	2025	2024
Directors’ fees	\$ 254	\$ 281
Other emoluments for executive and non-executive directors		
Salaries and other benefits	840	1,113
Retirement Scheme Contributions	69	68
Directors’ emoluments	\$ 1,163	\$ 1,462

Year ended December 31, 2025

Name of director	Directors' fees	Salaries and other benefits	Share-based compensation	Pension and social insurance contributions	Total
Executive directors					
Ruibin Xu	\$ -	\$ 280	\$ -	\$ 22	\$ 302
Chonglin Zhu	-	280	-	22	302
Chen Shen	-	280	-	22	302
	<u>\$ -</u>	<u>\$ 840</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 906</u>
Non-executive directors					
Fan Keung Vic Choi	\$ 75	\$ -	\$ -	\$ -	\$ 75
Zhu Gao	3	-	-	-	3
Yingbin Ian He	98	-	-	3	101
Jin Lan Quan	75	-	-	-	75
Zaixiang Wen	3	-	-	-	3
	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 257</u>
Directors' emoluments	<u>\$ 254</u>	<u>\$ 840</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 1,163</u>

Year ended December 31, 2024

Name of director	Directors' fees	Salaries and other benefits	Share-based compensation	Pension and social insurance contributions	Total
Executive directors					
Ruibin Xu	\$ -	\$ 371	\$ -	\$ 18	\$ 389
Chonglin Zhu	-	371	-	22	393
Chen Shen	-	371	-	22	393
	<u>\$ -</u>	<u>\$ 1,113</u>	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ 1,175</u>
Non-executive directors					
Fan Keung Vic Choi ⁽ⁱ⁾	\$ 41	\$ -	\$ -	\$ -	\$ 41
Zhu Gao	-	-	-	-	-
Yingbin Ian He	103	-	-	3	106
Jin Lan Quan	86	-	-	-	86
Mao Sun ⁽ⁱⁱ⁾	51	-	-	3	54
Zaixiang Wen	-	-	-	-	-
	<u>\$ 281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 287</u>
Directors' emoluments	<u>\$ 281</u>	<u>\$ 1,113</u>	<u>\$ -</u>	<u>\$ 68</u>	<u>\$ 1,462</u>

⁽ⁱ⁾ Appointed to the Board during the year ended December 31, 2024.

⁽ⁱⁱ⁾ Ceased to be a non-executive director upon conclusion of the Company's AGM held on June 27, 2024.

Five highest paid individuals

The five highest paid individuals included three directors of the Company for the year ended December 31, 2025 (2024: three directors). The emoluments of the five highest paid individuals are as follows:

	Year ended December 31,	
	2025	2024
Salaries and other benefits	\$ 1,302	\$ 1,560
Share-based compensation	<u>—</u>	<u>63</u>
Total emoluments	<u>\$ 1,302</u>	<u>\$ 1,623</u>

The emoluments for the five highest paid individuals were within the following bands:

	Year ended December 31,	
	2025	2024
HK\$ 1,500,001 to HK\$ 2,000,000	2	2
HK\$ 2,000,001 to HK\$ 2,500,000	3	—
HK\$ 2,500,001 to HK\$ 3,000,000	—	—
HK\$ 3,000,001 to HK\$ 3,500,000	<u>—</u>	<u>3</u>
	<u>5</u>	<u>5</u>

11. EARNINGS/(LOSS) PER SHARE

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

	Year ended December 31,	
	2025	2024
Net profit/(loss)	\$ (168,766)	\$ 92,497
Weighted average number of shares	<u>296,705</u>	<u>296,618</u>
Basic earnings/(loss) per share	<u>\$ (0.569)</u>	<u>\$ 0.312</u>
Earnings/(loss)		
Profit/(loss) for the purposes of diluted earnings/(loss) per share	<u>\$ (168,766)</u>	<u>\$ 92,497</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	296,705	296,618
Effect of dilutive potential ordinary shares:		
– Share options	<u>–</u>	<u>1,278</u>
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	<u>296,705</u>	<u>297,896</u>
Diluted earnings/(loss) per share	<u>\$ (0.569)</u>	<u>\$ 0.311</u>

Potentially dilutive items not included in the calculation of diluted loss per share for the year ended December 31, 2025 include the underlying shares comprised in the convertible debenture and stock options that were anti-dilutive.

12. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2025	2024
Cash and bank balances	\$ 13,228	\$ 8,864
Less: Restricted cash ⁽ⁱ⁾	<u>(853)</u>	<u>(274)</u>
Cash and cash equivalents	<u>\$ 12,375</u>	<u>\$ 8,590</u>

⁽ⁱ⁾ 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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

	As at December 31,	
	2025	2024
Denominated in U.S. Dollars	\$ 55	\$ 99
Denominated in Chinese Renminbi	10,197	6,271
Denominated in Mongolian Tugriks	1,809	1,962
Denominated in Canadian Dollars	97	25
Denominated in Hong Kong Dollars	<u>217</u>	<u>233</u>
Cash	<u>\$ 12,375</u>	<u>\$ 8,590</u>

13. TRADE AND OTHER RECEIVABLES

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

	As at December 31,	
	2025	2024
Trade receivables	\$ 19,714	\$ 25,418
Other receivables	3,986	2,114
Bills receivables	441	3,954
	<hr/>	<hr/>
Total trade and other receivables	\$ 24,141	\$ 31,486
	<hr/> <hr/>	<hr/> <hr/>

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

	As at December 31,	
	2025	2024
Less than 1 month	\$ 22,710	\$ 28,630
1 to 3 months	1,413	2,856
3 to 6 months	18	—
	<hr/>	<hr/>
Total trade and other receivables	\$ 24,141	\$ 31,486
	<hr/> <hr/>	<hr/> <hr/>

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 \$22,488 as at December 31, 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 December 31, 2025 reconcile to the opening loss allowances as follows:

Loss allowance for trade and other receivables	
Opening loss allowance as at January 1, 2025	\$ 22,348
Decrease in loss allowance recognised in profit or loss during the year	(67)
Exchange realignment	207
	<hr/>
Closing loss allowance as at December 31, 2025	\$ 22,488
	<hr/> <hr/>
Opening loss allowance as at January 1, 2024	\$ 22,487
Increase in loss allowance recognised in profit or loss during the year	10
Exchange realignment	(149)
	<hr/>
Closing loss allowance as at December 31, 2024	\$ 22,348
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14. 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:

	As at December 31,	
	2025	2024
Less than 1 month	\$ 63,802	\$ 53,646
1 to 3 months	45,091	50,936
3 to 6 months	19,530	18,205
Over 6 months	<u>89,744</u>	<u>46,494</u>
Total trade and other payables	<u>\$ 218,167</u>	<u>\$ 169,281</u>

The trade and other payables of \$218,167 (2024: \$169,281) included other tax payables of \$35,641 (2024: \$55,225).

15. DEFERRED REVENUE

At December 31, 2025, the Company had deferred revenue of \$52,583, which represents cash prepayments from customers for future coal sales (2024: \$34,350).

The movement of the Company's deferred revenue is as follows:

	Year ended	
	December 31,	
	2025	2024
Balance, beginning of year	\$ 34,350	\$ 65,670
Revenue recognised that was included in the deferred revenue balance	(34,256)	(65,508)
Repayment of trade deposits	(16,191)	(8,435)
Increase due to trade deposits received, excluding amounts recognised as revenue during the year	66,045	44,157
Exchange realignment	<u>2,635</u>	<u>(1,534)</u>
Balance, end of year	<u>\$ 52,583</u>	<u>\$ 34,350</u>

The performance obligation related to the revenue from customers for contracts that are unsatisfied (or partially unsatisfied) are expected to be recognised within one year after the reporting date. The Company applies the practical expedient and does not disclose information about any remaining performance obligation that is a part of contract that has original expected duration of one year or less.

16. INTEREST-BEARING BORROWING

	As at December 31,	
	2025	2024
Current interest-bearing borrowing		
Bank loan ⁽ⁱ⁾	\$ 11,136	\$ –
Non-current interest-bearing borrowing		
Bank loan ⁽ⁱ⁾	<u>22,269</u>	<u>–</u>
Total interest-bearing borrowing	<u>\$ 33,405</u>	<u>\$ –</u>

⁽ⁱ⁾ *Bank Loan*

On October 7, 2025, SGS has entered into the 2025 Bank Loan for a principal amount of up to RMB235,000,000 (equivalent to approximately \$33,075) from the Bank with the key commercial terms as follows:

- Maturity date set at 18 months from drawdown;
- Interest rate of 10% per annum on the outstanding principal and interest is calculated on a 365-day year basis;
- Loan repayments will consist of interest-only payments during the initial 12 months of the Term, followed by principal amortisation payments during months 13 to 18 of the Term;
- Certain items of property, plant and equipment with carrying amount of \$2,244, land-use rights and intangible assets were pledged as security for the 2025 Bank Loan; and
- The Company intends to use the proceeds of the 2025 Bank Loan to support working capital, operating expenses, taxes and the settlement of accounts payable of SGS.

17. LEASE LIABILITIES

The Company leases certain of its office premises and plant for daily operations. These leases have remaining lease terms ranging from 2 to 5 years.

At December 31, 2025, the total future minimum lease payments and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	As at December 31,		As at December 31,	
	2025	2024	2025	2024
Amounts payable:				
Within one year	\$ 978	\$ 1,213	\$ 820	\$ 1,023
In the second year	681	726	604	622
In the third to fifth year, inclusive	301	603	283	547
	<u>1,960</u>	<u>2,542</u>	<u>1,707</u>	<u>2,192</u>
Total minimum lease payments	\$ 1,960	\$ 2,542	\$ 1,707	\$ 2,192
Future finance charges	<u>(253)</u>	<u>(350)</u>		
	<u>1,707</u>	<u>2,192</u>		
Total net lease payables	\$ 1,707	\$ 2,192		
Portion classified as current liabilities	<u>(819)</u>	<u>(850)</u>		
	<u>888</u>	<u>1,342</u>		
Non-current portion	\$ 888	\$ 1,342		

18. CONVERTIBLE DEBENTURE

On November 19, 2009, the Company issued a convertible debenture to CIC for \$500,000. The convertible debenture is presented as a liability since it contains no equity components. The convertible debenture is a hybrid instrument, containing a debt host component and three embedded derivatives – the investor’s conversion option, the issuer’s conversion option and the equity-based interest payment provision (the 1.6% share interest payment) (the “embedded derivatives”). The debt host component is classified as other financial liabilities and is measured at amortised cost using the effective interest rate method and the embedded derivatives are classified as fair value through profit or loss and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the convertible debenture.

The embedded derivatives were valued upon initial measurement and subsequent periods using a Monte Carlo simulation valuation model. A Monte Carlo simulation model is a valuation model that relies on random sampling and is often used when modeling systems with a large number of inputs and where there is significant uncertainty in the future value of inputs and where the movement of the inputs can be independent of each other. Some of the key inputs used by the Company in its Monte Carlo simulation include: the floor and ceiling conversion prices, the Company's common share price, the risk-free rate of return, expected volatility of the Company's common share price, forward foreign exchange rate curves (between the CA\$ and U.S. dollar) and spot foreign exchange rates.

18.1 Partial conversion

On March 29, 2010, the Company exercised a right within the debenture to call and convert \$250,000 of the debenture for 21,471 Common Shares.

18.2 Presentation

Based on the Company's valuation as at December 31, 2025, the fair value of the embedded derivatives decreased by \$62 (2024: decreased by \$298) compared to December 31, 2024. The decrease was recorded as finance income for the year ended December 31, 2025.

For the year ended December 31, 2025, the Company recorded interest expense of \$36,241 related to the convertible debenture as a finance cost (2024: \$37,103). The interest expense consists of the interest at the contract rate and the accretion of the debt host component of the convertible debenture. To calculate the accretion expense, the Company uses the contract life of 30 years and an effective interest rate of 14.1%.

A modification gain of \$1,890 was recognised in profit or loss for the year ended December 31, 2025 (2024: \$3,187) for the difference between the original contractual cash flows and modified cash flows under the 2025 March Deferral Agreement discounted at the new effective interest rate.

The movements of the amounts due under the convertible debenture are as follows:

	Year ended December 31,	
	2025	2024
Balance, beginning of year	\$ 204,918	\$ 194,300
Interest expense on convertible debenture	36,241	37,103
Decrease in fair value of embedded derivatives	(62)	(298)
Gain on modification of convertible debenture	(1,890)	(3,187)
Interest paid	(5,500)	(23,000)
	<u>233,707</u>	<u>204,918</u>
Balance, end of year	\$ 233,707	\$ 204,918

The convertible debenture balance consists of the following amounts:

	As at December 31,	
	2025	2024
Current convertible debenture		
Interest payable	\$ 140,328	\$ 120,651
	<u>140,328</u>	<u>120,651</u>
Non-current convertible debenture		
Debt host and interest payable	\$ 93,378	\$ 84,204
Fair value of embedded derivatives	1	63
	<u>93,379</u>	<u>84,267</u>
Total convertible debenture	\$ 233,707	\$ 204,918

19. ACCUMULATED DEFICIT AND DIVIDENDS

At December 31, 2025, the Company has accumulated a deficit of \$1,317,991 (2024: \$1,149,222). No dividend has been paid or declared by the Company since inception.

The Board did not recommend the payment of any dividend for the year ended December 31, 2025 (2024: \$nil).

REVIEW OF RESULTS

The annual results of the Company for the year ended December 31, 2025 were reviewed by the Audit Committee of the Company and approved and authorised for issue by the Board on March 27, 2026.

The financial figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2025, as set out in this press release have been agreed by the Company's independent auditors, BDO Limited, to the amounts set out in the Company's audited consolidated financial statements for the year.

The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO Limited on this press release.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

BDO Limited was engaged to audit the consolidated financial statements of the Company. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Company for the years ended December 31, 2025 and 2024.

“Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements” section of our auditor's report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' “Code of Ethics for Professional Accountants” (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group had a deficiency in assets of US\$227.2 million while the working capital deficiency reached US\$337.0 million as at December 31, 2025. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

PUBLICATION OF ANNUAL RESULTS

The Company's results for the year ended December 31, 2025 are contained in the audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), available on the SEDAR+ website at www.sedarplus.ca and the Company's website at www.southgobi.com. Copies of the Company's 2025 Annual Report containing the audited consolidated financial statements and the MD&A, and the Annual Information Form will be available at www.southgobi.com. Shareholders with registered addresses in Hong Kong who have elected to receive a copy of the Company's Annual Report will receive one. Other shareholders of the Company may request a hard copy of the 2025 Annual Report free of charge by contacting our Investor Relations department by email at info@southgobi.com.

QUALIFIED PERSONS

Disclosure of a scientific or technical nature in this press release in respect of the Company's material mineral projects was prepared by or under the supervision of the individuals set out in the table below, each of whom is a "Qualified Person" as that term is defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators:

Property	Qualified Persons	Field of Expertise	Relationship to Company
Ovoot Tolgoi	Jaydee Ammugauan	Resources	Independent Consultant
Ovoot Tolgoi	Tao Xu	Reserves	Independent Consultant
Soumber	Jaydee Ammugauan	Resources	Independent Consultant
Soumber	Tao Xu	Reserves	Independent Consultant

Disclosure of a scientific or technical nature relating to the Ovoot Tolgoi Mine contained in this press release is derived from a technical report (the "Ovoot Tolgoi Technical Report") prepared in accordance with NI 43-101 on the Ovoot Tolgoi Mine dated December 2, 2024, prepared by Mr. Jaydee Ammugauan, Mr. Tao Xu and Mr. Larry Li of BAW Mineral Partners Limited ("BAW"). A copy of the Ovoot Tolgoi Technical Report is available under the Company's profile on SEDAR+ at www.sedarplus.ca. BAW has not reviewed or updated the Ovoot Tolgoi Technical Report since the date of publishing.

Disclosure of a scientific or technical nature relating to the Soumber Deposit contained in this press release is derived from a technical report (the “Soumber Technical Report”) prepared in accordance with NI 43-101 on the Soumber Deposit dated December 2, 2024, prepared by Mr. Jaydee Ammugauan, Mr. Tao Xu and Mr. Larry Li of BAW. A copy of the Soumber Technical Report is available under the Company’s profile on SEDAR+ at www.sedarplus.ca. BAW has not reviewed or updated the Soumber Technical Report since the date of publishing.

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.

Contact:

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Mr. Ruibin Xu

Chief Executive Officer

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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 consolidated 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 JDZF Convertible Debenture, the 2026 March Deferral Agreement and the 2025 Bank Loan, 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 2026;
- the estimates and assumptions included in the Company's impairment analysis and the possible impact of changes thereof;
- 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 plans to scale up mining operations and enhance coal processing capabilities;
- the Company's initiatives to strengthen spare parts management to improve maintenance efficiency;
- the Company's plans to deploy advanced remote-control systems, optimise transport routes and further expand the use of electric locomotives;
- the Company's outlook and objectives for 2026 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 2026 and beyond; currency exchange rates; operating, labour and fuel costs; the ability of the Company to raise additional financing; negotiating a constructive understanding and agreement with the Plenipotentiary Representative of the Mongolian Government; the anticipated royalties payable under Mongolia's royalty regime; the ability of the Company to settle the tax penalty payable of \$26.5 million imposed by the MTA and a provision for additional late tax penalty of \$19.0 million; the future coal market conditions in China and the related impact on the Company's margins and liquidity; the anticipated demand for the Company's coal products; future coal prices, and the level of worldwide coal production. While the Company considers these assumptions to be reasonable based on the information currently available to it, they may prove to be incorrect. Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include, among other things: the uncertain nature of mining activities, actual capital and operating costs exceeding management's estimates; variations in mineral resource and mineral reserve estimates; failure of plant, equipment or processes to operate as anticipated; the possible impacts of changes in mine life, useful life or depreciation rates on depreciation expenses; risks associated with, or changes to regulatory requirements (including environmental regulations) and the ability to obtain all necessary regulatory approvals; the potential expansion of the list of licenses published by the Government of Mongolia covering areas in which exploration and mining are purportedly prohibited on certain of the Company's mining licenses; the Government of Mongolia designating any one or more of the Company's mineral projects in Mongolia as a Mineral Deposit of Strategic Importance; 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, the 2026 March Deferral Agreement and the 2025 Bank Loan; 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; 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.