

SouthGobi Resources Ltd.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held on Tuesday, June 29, 2021

and

MANAGEMENT PROXY CIRCULAR

DATED: May 17, 2021

TAKE ACTION AND VOTE TODAY

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

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

SOUTHGOBI RESOURCES LTD.

**Notice of the annual and special meeting of Shareholders
to be held on Tuesday, June 29, 2021**

NOTICE IS HEREBY GIVEN that the annual and special meeting of the shareholders of **SOUTHGOBI RESOURCES LTD.** (the “**Company**”) will be held at the offices of Dentons Canada LLP, 20th floor – 250 Howe Street, Vancouver, British Columbia, on Tuesday, June 29, 2021 at 4:00 p.m. (PST) (the “**Meeting**”) for the following purposes:

1. to receive the report of the Board of Directors (the “**Board**”);
2. to receive the Company’s audited financial statements for the financial year ended December 31, 2020 and the auditors’ report thereon;
3. to appoint auditors for the Company for the ensuing year and to authorize the Board to fix the auditors’ remuneration;
4. to consider, and if thought advisable, to pass an ordinary resolution fixing the number of directors to be elected at the Meeting at eight (8);
5. to elect directors for the ensuing year; and
6. to consider, and if thought advisable, to pass an ordinary resolution: (i) reconfirming and approving all unallocated options, rights or other entitlements under the Company’s Employees’ and Directors’ Equity Incentive Plan (the “**Equity Incentive Plan**”) as required under the rules of the Toronto Stock Exchange; and (ii) approving the maximum number of common shares issuable under the Equity Incentive Plan as required under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited, all as more particularly described in the accompanying Management Proxy Circular dated May 17, 2021 (the “**Management Proxy Circular**”).

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

The Board has fixed Monday, May 10, 2021 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Meeting and at any adjournment thereof.

This Notice is accompanied by instructions to access the Management Proxy Circular and a form of proxy solicited by management of the Company for the Meeting (the “**Form of Proxy**”). The Management Proxy Circular contains details of the matters to be considered at the Meeting. Information respecting the appointment of auditors, the election of directors and the approvals relating to the Equity Incentive Plan may be found in the Management Proxy Circular under the headings “Appointment of Auditors”, “Election of Directors” and “Approvals Relating to the Equity Incentive Plan”, respectively.

Caution regarding COVID-19

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

However, in light of the rapidly evolving public health guidelines related to the ongoing coronavirus pandemic (“COVID-19”), the Company is asking shareholders to consider voting their shares by proxy, rather than attending the Meeting in person. Shareholders who do wish to attend the Meeting in person should carefully consider and follow the instructions of the federal Public Health Agency of Canada: (<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>).

We ask that shareholders also review and follow the instructions of any regional health authorities of the Province of British Columbia, including the Vancouver Coastal Health Authority, the Fraser Health Authority and any other health authority which has authority to govern the areas that a shareholder must travel through in order to attend the Meeting in person. Please do not attend the Meeting in person if you are experiencing any cold or flu-like symptoms, or if you or someone with whom you have been in close contact has travelled to/from outside of Canada within the 14 days immediately prior to the Meeting. All shareholders are strongly encouraged to vote by submitting their completed form of proxy (“Form of Proxy”) or voting instruction form prior to the Meeting by one of the means described in the Management Proxy Circular which accompanies this Notice.

The Company reserves the right to take any additional pre-cautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 outbreak or order established by applicable regional health authorities in the Province of British Columbia, which could include changing the location of the Meeting, hosting the Meeting by means of virtual communication only, placing further restrictions on in-person attendance (including limiting or prohibiting attendance) or postponing or adjourning the Meeting. Should any such changes to the Meeting format occur, the Company will announce any and all of these changes by way of news release, which will be filed under the Company’s profile on SEDAR.

Notice-and-Access

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

Website Where Meeting Materials are Posted

The Notice-and-Access Provisions are a set of rules that allows reporting issuers to post electronic versions of proxy-related materials and annual financial statements (including the Management Proxy Circular) on-line, via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and one (1) other website, rather than mailing paper copies of such materials to shareholders. Electronic copies of the Management Proxy Circular, the annual audited consolidated financial statements of the Company for the year ended December 31, 2020 (the “**Financial Statements**”) and management’s discussion and analysis of the Company’s results of operations and financial condition for the year ended December 31, 2020 (the “**MD&A**”) may be found on the Company’s SEDAR profile at www.sedar.com and the Company’s website at www.southgobi.com. In relation to the Meeting, the notice package for all shareholders will include the Form of Proxy, this notice of the annual general meeting of shareholders and a supplemental return card (collectively, the “**Meeting Materials**”). The Meeting Materials for those shareholders with existing instructions on their account to receive printed materials and those shareholders with addresses outside of Canada and the United States will also include a printed copy of the

Management Proxy Circular. All other shareholders will receive only the required notification documentation under the Notice-and-Access Provisions, which will not include a paper copy of the Management Proxy Circular.

Obtaining Paper Copies of Materials

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

Shareholders with questions about the Notice-and-Access Provisions may call our transfer agent, AST Trust Company (Canada) (the “**Transfer Agent**”), toll-free at 1-888-433-6443 or outside Canada and the U.S. at 416-682-3801 (which is not a toll-free number). The Meeting Materials can be viewed online on the Company’s website at www.southgobi.com. Please note that if you request a paper copy of the Meeting Materials, you will not receive a new Form of Proxy or voting instruction form, so you should retain these forms sent to you in order to vote. Shareholders may also obtain paper copies of the Management Proxy Circular, Financial Statements and MD&A free of charge by contacting the Company’s Corporate Secretary at 604-762-6783 (which is not a toll-free number).

A request for paper copies which are required in advance of the Meeting should be sent so that the request is received by the Company or the Transfer Agent, as applicable, by 4:00 p.m. (PST) on Tuesday, June 15, 2021 in order to allow sufficient time for shareholders to receive the paper copies and to return their proxies or voting instruction forms to intermediaries not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) prior to the time set out for the Meeting or any adjournments or postponements thereof.

Voting

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

A Form of Proxy is enclosed herewith. Registered shareholders who are unable, or do not wish, to attend the Meeting in person are requested to complete, date, sign and return the enclosed Form of Proxy to AST Trust Company (Canada) in accordance with the instructions set out on the Form of Proxy and in the Management Proxy Circular. If you are voting your shares by proxy, AST Trust Company (Canada) must receive your completed Form of Proxy by 4:00 p.m. (PST) on Friday, June 25, 2021 (which is 7:00 a.m. (Hong Kong time) on Saturday, June 26, 2021, or 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) before any adjournment(s) or postponement(s) of the Meeting.

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

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

DATED at Vancouver, British Columbia, Canada this May 17, 2021

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

“Allison Snetsinger”

Allison Snetsinger
Corporate Secretary

PLEASE VOTE PRIOR TO 4:00 P.M. (PST) ON FRIDAY, JUNE 25, 2021



Telephone: 604-762-6783

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is furnished to the holders (“**shareholders**”) of common shares (“**Common Shares**”) of SouthGobi Resources Ltd. (the “**Company**”) (TSX:SGQ) (HKEX:1878) by the Company’s management in connection with the solicitation of proxies to be voted at the annual and special meeting of shareholders (the “**Meeting**”) to be held at 4:00 p.m. (PST) on Tuesday, June 29, 2021, at the offices of Dentons Canada LLP, 20th floor – 250 Howe Street, Vancouver, British Columbia, for the purposes set forth in the Notice of Meeting that accompanies this Management Proxy Circular. Unless otherwise stated, this Management Proxy Circular contains information current as of May 14, 2021, the last business day preceding the date of this Management Proxy Circular.

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

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

Caution regarding COVID-19

As of the date of this Management Proxy Circular, the Company intends to hold the Meeting at the location and time stated in the accompanying notice of meeting dated May 17, 2021 (the “Notice of Meeting”). However, in light of the rapidly evolving public health guidelines related to the ongoing coronavirus (COVID-19) pandemic (“COVID-19”), the Company is asking shareholders to consider voting their shares by proxy, rather than attending the Meeting in person. Shareholders who do wish to attend the Meeting in person should carefully consider and follow the instructions of the federal Public Health Agency of Canada: (<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>).

We ask that shareholders also review and follow the instructions of any regional health authorities of the Province of British Columbia, including the Vancouver Coastal Health Authority, the Fraser Health Authority and any other health authority which has authority to govern the areas that a shareholder must travel through in order to attend the Meeting in person. Please do not attend the Meeting in person if you are experiencing any cold or

flu-like symptoms, or if you or someone with whom you have been in close contact has travelled to/from outside of Canada within the 14 days immediately prior to the Meeting. All shareholders are strongly encouraged to vote by submitting their completed form of proxy (“Form of Proxy”) or voting instruction form (“VIF”) prior to the Meeting by one of the means described in the Management Proxy Circular.

The Company reserves the right to take any additional pre-cautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 outbreak or order established by applicable regional health authorities in the Province of British Columbia, which could include changing the location of the Meeting, hosting the Meeting by means of virtual communication only, placing further restrictions on in-person attendance (including limiting or prohibiting attendance) or postponing or adjourning the Meeting. Should any such changes to the Meeting format occur, the Company will announce any and all of these changes by way of news release, which will be filed under the Company’s profile on SEDAR.

SOLICITATION OF PROXIES

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

This Management Proxy Circular, the accompanying notice of meeting dated May 17, 2021 (the “**Notice of Meeting**”) and the enclosed form of proxy solicited by management of the Company for the Meeting (the “**Form of Proxy**”) (collectively, the “**Meeting Materials**”) are being sent to shareholders using the notice-and-access provisions of National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”). The Meeting Materials for those shareholders with existing instructions on their account to receive paper copies and those shareholders with addresses outside of Canada and the United States will include a printed copy of this Management Proxy Circular. All other shareholders will receive a notification containing information on how to obtain electronic and paper copies of the Meeting Materials in advance of the Meeting. The Meeting Materials are to be mailed to shareholders on or about May 27, 2021. The Meeting Materials can be viewed online on the Company’s website at www.southgobi.com.

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

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

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

VOTING OF PROXIES

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

will be voted accordingly. **In the absence of such instructions, such Common Shares will be voted in favour of the matters specified in the Form of Proxy.**

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

- a) each matter or group of matters identified therein for which a choice is not specified;
- b) any amendment to or variation of any matter identified therein; and
- c) any other matter that properly comes before the Meeting.

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

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

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

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

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

The Meeting Materials are being sent to both registered shareholders and Non-Registered Shareholders. There are two (2) kinds of Non-Registered Shareholders: those who object to their names being made known to the Company, referred to as objecting beneficial owners ("**OBOs**"),

and those who do not object to the Company knowing who they are, referred to as non-objecting beneficial owners (“**NOBOs**”).

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

In order to vote via the Internet, have the Form of Proxy you received available and access the website at www.astvotemyproxy.com. You will be prompted to enter the 13-digit Control Number which is located in a box on the backside of the Form of Proxy. The cut-off time for voting over the Internet is 4:00 p.m. (PST) on Friday, June 25, 2021 (which is 7:00 a.m. (Hong Kong time) on Saturday, June 26, 2021), or 48 hours (excluding Saturdays and Sundays) before any adjournment(s) or postponement(s) of the Meeting.

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

APPOINTMENT AND REVOCATION OF PROXIES

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

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

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

and in each case must be received by the Transfer Agent by no later than 4:00 p.m. (PST) on Friday, June 25, 2021 (which is 7:00 a.m. (Hong Kong time) on Saturday, June 26, 2021), or 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) before the Meeting or any postponement(s) or adjournment(s) thereof at which the instrument of proxy is to be used.

In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it by depositing an instrument in writing executed by the shareholder or by the shareholder’s attorney authorized in writing: (i) at the registered office of the Company at any time

up to and including the last business day preceding the day of the Meeting or any postponement(s) or adjournment(s) thereof at which the proxy is to be used; or (ii) with the Chair of the Meeting on the day of the Meeting or any postponement(s) or adjournment(s) thereof.

With respect to Non-Registered Shareholders, a Form of Proxy or VIF given to an Intermediary may be revoked by contacting the Intermediary through which the Non-Registered Shareholder's Common Shares are held and following the instructions of the intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a Form of Proxy or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

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

VOTING SHARES AND RECORD DATE

Voting Shares

The Company has an authorized share capital consisting of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value ("**Preferred Shares**"). As of the close of business on May 10, 2021 (the "**Record Date**"), 273,137,085 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding. Each outstanding Common Share is entitled to one (1) vote on each item of business to be considered at the Meeting.

Record Date

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

VOTES NECESSARY TO PASS RESOLUTIONS

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

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

Shareholders are entitled, and will be asked, to elect directors, appoint the Company's auditors for the ensuing year and approve certain matters relating to the Equity Incentive Plan. With respect to the election of directors, if there are more nominees for election as directors or for appointment as the Company's auditors than there are vacancies to fill such positions, those

nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation, subject to the Company's Majority Voting Policy (see the heading entitled "Majority Voting Policy" below).

PRINCIPAL HOLDERS OF VOTING SHARES

The following table sets forth information as May 14, 2021, with respect to:

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

Name or Group and Municipality of Residence	Type of Ownership	Number of Issued Shares Owned ⁽¹⁾	% of Shares Outstanding
China Investment Corporation ⁽²⁾ Beijing, China	Indirect	64,766,591	23.71%
China Cinda Asset Management Co., Limited ⁽³⁾ Beijing, China	Indirect	46,358,978	16.97%
Directors & executive officers as a group	Direct	7,000 ⁽⁴⁾	0.01%

Notes:

- (1) The information as to Common Shares beneficially owned or controlled or directed that is not within the knowledge of the Company, its Directors or its officers has been furnished by the applicable shareholders or has been extracted from public filings.
- (2) China Investment Corporation (together with its wholly-owned subsidiaries, "CIC") holds its Common Shares through Land Breeze II S.à-r.l. ("CIC Subco"). Pursuant to the terms of a convertible debenture issued by the Company to CIC on October 26, 2009 and subsequently assigned by CIC to CIC Subco (the "Convertible Debenture"), and, subject to certain exceptions, while the Convertible Debenture is outstanding or while CIC Subco beneficially owns directly or indirectly 15% of the outstanding Common Shares, CIC Subco has a pre-emptive right to subscribe for any new Common Shares offered by the Company (on a pro rata basis).
- (3) China Cinda Asset Management Co., Limited holds its Common Shares through Novel Sunrise Investments Limited ("Novel Sunrise"). Subject to certain exceptions, for as long as Novel Sunrise and its affiliates own, directly or indirectly, 10% or more of the outstanding Common Shares, Novel Sunrise has a pre-emptive right to subscribe for any Common Shares, equity securities of the Company or securities convertible into Common Shares or equity securities of the Company, offered by the Company (on a pro rata basis).
- (4) This figure does not include the 2,900,000 Common Shares issuable upon the exercise of incentive stock options held, in aggregate, by the Directors and executive officers.

ELECTION OF DIRECTORS

Fixing the Number of Directors

The Articles provide that the number of Directors is the greater of three (3) and the number fixed by ordinary resolution. At the Meeting, the Company's board of Directors (the "**Board**") is requesting that shareholders pass an ordinary resolution fixing the number of Directors at eight (8).

Term of Office

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

Majority Voting Policy

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

Contractual Director Nomination Rights

CIC

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

Pursuant to the terms of the 2019 Deferral Agreement (as hereinafter defined), the Company agreed to grant CIC the following board nomination rights (which are in addition to CIC's existing right to nominate one individual for appointment or election to the Board pursuant to the Securityholders' Agreement):

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

Pursuant to the Securityholders' Agreement and the 2019 Deferral Agreement. CIC has nominated Messrs. Jianmin Bao and Ben Niu as its nominees for election as Directors at this Meeting. See "*Election of Directors – Director Nominees*" below.

Novel Sunrise

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

Director Nominees

The following tables set out the names of management's, Novel Sunrise's and CIC's nominees for election as Directors, their ages, all major offices and positions with the Company each nominee now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a Director, the number of Common Shares beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at May 14, 2021, and the number of options to purchase Common Shares held by each as at May 14, 2021.

Management recommends that shareholders vote in favour of each of the nominees named below as a Director of the Company. In the absence of contrary instructions, the person named in the accompanying Form of Proxy intends to vote the Common Shares represented thereby FOR the election of each of the nominees named below as a Director of the Company.

Dalanguerban

Beijing, China

Director Since: March 31, 2020



Mr. Dalanguerban, 63, was appointed as Chief Executive Officer and Executive Director on March 31, 2020. Mr. Dalanguerban is also a Director of several of the Company's subsidiaries.

Mr. Dalanguerban is a seasoned mining professional, having accumulated over 35 years' of international mining and operational experience including a number of mining projects in Mongolia. Mr. Dalanguerban had spent the majority of his career working for China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC"), in a variety of roles in various countries. Between 1985 and 2017, Mr. Dalanguerban was the Chief Representative of NFC in Mongolia. During this time in Mongolia, Mr. Dalanguerban accomplished numerous achievements including the development and commissioning of the Tumurtiin-Ovoo zinc mine, which is recognized as an "Exemplary Project of China-Mongolia Cooperation" and for which he was awarded the "Mining Contribution" prize by Mongolia's Ministry of Mines. Mr. Dalanguerban served as a director, executive deputy general manager, and subsequently general manager of Tsairt Minerals LLC (the holding company of the Tumurtiin-Ovoo zinc mine) from its establishment in 1997 until 2005, when the Tumurtiin-Ovoo zinc mine was put into production.

Mr. Dalanguerban cofounded the Mongolian Chinese Chamber of Commerce in Mongolia in 2002 and now serves as its Executive Vice President and Secretary-General. In 2016, Mr. Dalanguerban was awarded an honorary Doctorate Degree from the Mongolian University of Life Sciences and in 2018 he was recognized by the Mongolian Government as a leading cultural contributor. Mr. Dalanguerban studied Arabic at the Shanghai International Studies University and graduated in 1980. He is a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

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

Areas of Experience:

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

Director Status: Executive ⁽⁶⁾ Board/Committee Membership: ⁽⁷⁾	2020 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	12 of 14	86%	n/a	
Operations ⁽⁸⁾	6 of 6	100%		
Health, Environment, Safety & Social Responsibility (Chair)	1 of 1	100%		
TOTAL	19 of 21	90%		

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

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:		
			Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2021	Nil	Nil	Nil	Nil	Nil
2020	Nil	Nil	Nil	Nil	Nil

Options Held:

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

Jianmin Bao

Beijing, China

Director Since: March 18, 2020



Areas of Experience:

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

Mr. Bao, 53, joined the Board of Directors on March 18, 2020 as a Non-Executive Director.

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

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

Mr. Bao joined the Board of PT Bumi Resources Tbk, a company listed on the Jakarta Stock Exchange (the “**IDX**”), on July 9, 2020. Previously, Mr. Bao was a Commissioner on the Board of Commissioners of PT Bumi Resources Tbk, and a non-executive Director of Noble Group Limited, a company listed on the Singapore Stock Exchange.

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

Principal Occupation, Business or Employment ⁽¹⁾

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

Director Status: Non-Independent ⁽⁹⁾ Board/Committee Membership: ⁽¹⁰⁾	2020 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	11 of 15	73%	PT Bumi Resources Tbk	July 2020
TOTAL	11 of 15	73%		

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

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2021	Nil	Nil	Nil	Nil	Nil
2020	Nil	Nil	Nil	Nil	Nil

Options Held:

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

Zhiwei Chen

Hong Kong, China

Director Since: April 2018



Areas of Experience:

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

Mr. Zhiwei Chen, 37, joined the Board on April 13, 2018 as a Non-Executive Director.

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

Mr. Chen is the current Executive Director and Chairman of Zhongchang International Holdings Group Limited, a company listed on the HKEX. Mr. Chen is also a Non-Executive Director of Modern Land (China) Co., Limited, China Fortune Financial Group and Silver Grant International Holdings Group Limited, each of which is listed on the HKEX. Mr. Chen has over 10 years’ of investment and research experience in the financial industry and, prior to joining Cinda HK, Mr. Chen was the Executive Assistant to the Chairman of the TIG Group in Singapore from 2007 to 2010 and was responsible for the TIG Group’s private equity investment business in China. Mr. Chen was a research scholar at the National University of Singapore from 2005 to 2007.

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

Principal Occupation, Business or Employment ⁽¹⁾

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

Director Status: Non-Independent ⁽¹¹⁾ Board/Committee Membership:	2020 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	16 of 17	94%	Modern Land (China) Co., Limited (HKEX)	December 2016
TOTAL	16 of 17	94%	China Fortune Financial Group (HKEX)	April 2018
			Silver Grant International Industries Limited (HKEX)	January 2019
			Zhongchang International Holdings Group Limited (HKEX)	May 2020

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

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:		
			Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2021	Nil	Nil	Nil	Nil	Nil
2020	Nil	Nil	Nil	Nil	Nil

Options Held:

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

Yingbin Ian He

North Vancouver, Canada

Director Since: May 2017



Mr. Yingbin Ian He, 59, joined the Board on May 16, 2017 as an Independent Non-Executive Director.

Mr. He's career in the mining industry has spanned over 30 years', with extensive senior executive and board experiences. Mr. He is the Lead Independent Director of China Gold International Resources Corp. Ltd., a company dually listed on the Toronto Stock Exchange ("TSX") and the HKEX; a Director of Tri-River Ventures Inc., a company listed on the TSX Venture Exchange (the "TSX-V"); a Director of PT Bumi Resources Tbk (IDX), and a Director and Non-Executive Chairman of Vatukoula Gold Mines Plc, formerly listed on the London Stock Exchange Alternative Investment Market. Mr. He formerly served as director of several public companies. Mr. He was the President and Director of Spur Ventures Inc. (TSX-V), and the General Manager of its operating subsidiary Yichang Mapleleaf Chemicals Inc. Earlier in his career, Mr. He worked as a mineral process engineer and coal preparation engineer with an engineering consulting firm and a Canadian mining company, respectively.

Mr. He obtained his Doctoral and Master's Degrees in Mineral Process Engineering from the University of British Columbia in Canada and his Bachelor of Engineering Degree in Coal Preparation and Utilization from Heilongjiang Institute of Mining and Technology (now known as the Heilongjiang University of Science and Technology) in China. Mr. He is a member of the Canadian Institute of Mining, Metallurgy and Petroleum and the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

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

Director Status: Independent ⁽³⁾ Board/Committee Membership:	2020 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	17 of 17	100%	China Gold International Resources Corp. (TSX and HKEX)	May 2003
Audit	9 of 9	100%	Tri-River Ventures Inc. (TSX-V)	September 2006
Compensation & Benefits	5 of 5	100%	PT Bumi Resources Tbk (IDX)	June 2019
Nominating & Corporate Governance (Chair)	4 of 4	100%		
Operations Committee ⁽⁸⁾ (Chair)	6 of 6	100%		
Health, Environment, Safety & Social Responsibility	2 of 2	100%		
Total:	43 of 43	100%		

Areas of Experience:

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

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

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:		
			Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2021	7,000	\$3,526	\$3,526	\$174,244	\$177,770
2020	7,000	\$646	\$646	\$2,129	\$2,775

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
June 5, 2017	June 5, 2022	100,000	100,000 / Nil	0.39	100,000	\$18,168
June 30, 2017	June 30, 2022	150,000	150,000 / Nil	0.33	150,000	\$34,684
July 3, 2018	July 3, 2023	150,000	150,000 / Nil	0.13	150,000	\$59,458
September 11, 2019	September 11, 2024	150,000	150,000 / Nil	0.11	150,000	\$61,935

Ka Lee Ku

Hong Kong

Director Since: December 9, 2020



Areas of Experience:

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

Ms. Ka Lee Ku, 50, joined the Board on December 9, 2020 as a Non-Executive Director.

Ms. Ku is currently the Managing Director of the Investment Department at Cinda HK, responsible for sourcing and execution of private and secondary market transactions valuing in excess of HK\$10 billion. Ms. Ku has over 24 years' experience in the management and finance sectors and is an executive Director and the Chief Executive Officer of Zhongchang International Holdings Group Limited, a company listed on the HKEX. She joined China Cinda Asset Management Co., Ltd. ("China Cinda") in 1996 and throughout her career at China Cinda, she has worked in a variety of roles and positions. Prior to her appointment in 2018 as the Managing Director of the Investment Department at Cinda HK, Ms. Ku also served as an Executive Director from March 2017 to March 2018 and as a Senior Manager Assistant from March 2016 to March 2017 in the same department. While at Cinda HK, Ms. Ku has provided corporations with financial support through loans, equity investments, mezzanine investments, bond investments, initial public offerings, and additional investment opportunities at every stage of corporate growth.

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

Principal Occupation, Business or Employment ⁽¹⁾

Managing Director of Cinda HK (March 2018 - present)

Director Status: Non-Independent ⁽¹¹⁾

Board/Committee Membership: ⁽¹²⁾

Board of Directors

TOTAL

2020 Attendance:

4 of 4

100%

4 of 4

100%

Other Public Company Board Membership:

Company:

Since:

Zhongchang International Holdings Group Limited (HKEX)

January 2021

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

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2021	Nil	Nil	Nil	Nil	Nil
2020	Nil	Nil	Nil	Nil	Nil

Options Held:

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

Ben Niu

Beijing, China

Director Since: May 2019



Areas of Experience:

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

Mr. Niu, 35, joined the Board on May 30, 2019 as a Non-Executive Director.

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

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

Principal Occupation, Business or Employment ⁽¹⁾

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

Director Status: Non-Independent ⁽¹³⁾ Board/Committee Membership: ⁽¹³⁾	2020 Attendance:		Other Public Company Board Membership:	
			Company:	Since:
Board of Directors	16 of 16	100%	n/a	
Operations ⁽⁸⁾	6 of 6	100%		
TOTAL:	22 of 22	100%		

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

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2021	Nil	Nil	Nil	Nil	Nil
2020	Nil	Nil	Nil	Nil	Nil

Options Held:

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

Jin Lan Quan

Sydney, Australia

Director Since: August 2015



Areas of Experience:

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

Ms. Jin Lan Quan, 58, joined the Board on August 6, 2015 as an Independent Non-Executive Director.

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

Ms. Quan is a Certified Public Accountant in China and a member of the Chinese Institute of Certified Public Accountants. She is also a Fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Chartered Accountants Australia and New Zealand (CA ANZ) and a member of the Canadian Institute of Corporate Directors.

Principal Occupation, Business or Employment ⁽¹⁾

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

Director Status: Independent ⁽³⁾ Board/Committee Membership:

2020 Attendance:

Other Public Company Board Membership:

Company:

Since:

Board of Directors	17 of 17	100%
Audit	9 of 9	100%
Nominating & Corporate Governance	4 of 4	100%
Compensation & Benefits (Chair)	5 of 5	100%
Total:	35 of 35	100%

n/a

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

Value of Equity at Risk:

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2021	Nil	Nil	Nil	\$190,760	\$190,760
2020	Nil	Nil	Nil	\$2,129	\$2,129

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
November 16, 2016	November 16, 2021	150,000	150,000 / Nil	0.33	150,000	\$34,684
June 30, 2017	June 30, 2022	150,000	150,000 / Nil	0.33	150,000	\$34,684
July 3, 2018	July 3, 2023	150,000	150,000 / Nil	0.13	150,000	\$59,458
September 11, 2019	September 11, 2024	150,000	150,000 / Nil	0.11	150,000	\$61,935

Mao Sun

Richmond, B.C., Canada

Director Since: November 2015



Areas of Experience:

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

Mr. Mao Sun, 44, joined the Board on November 5, 2015 as an Independent Non-Executive Director; he was the Company's Interim Lead Director from August 16, 2016 to May 30, 2019 and was appointed as the Lead Director on May 30, 2019.

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

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

Principal Occupation, Business or Employment ⁽¹⁾

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

Director Status: Independent ⁽³⁾

Board/Committee Membership:

	2020 Attendance:	
Board of Directors (Lead Director)	17 of 17	100%
Audit (Chair)	9 of 9	100%
Nominating & Corporate Governance	4 of 4	100%
Compensation & Benefits	5 of 5	100%
Total:	35 of 35	100%

Other Public Company Board Membership:

Company:

Since:

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

Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2021	Nil	Nil	Common Shares ⁽⁴⁾	Nil	\$254,346	\$254,346
2020	Nil	Nil	Unexercised Options ⁽⁵⁾	Nil	\$2,839	\$2,839

Options Held:

Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
November 16, 2016	November 16, 2021	200,000	200,000 / Nil	0.33	200,000	\$46,245
June 30, 2017	June 30, 2022	200,000	200,000 / Nil	0.33	200,000	\$46,245
July 3, 2018	July 3, 2023	200,000	200,000 / Nil	0.13	200,000	\$79,277
September 11, 2019	September 11, 2024	200,000	200,000 / Nil	0.11	200,000	\$82,580

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned, controlled or directed by a nominee is not within the knowledge of the management of the Company and has been furnished by the nominee.
- (2) Does not include unissued Common Shares issuable upon the exercise of incentive stock options.
- (3) “Independent” refers to the standards of independence established under Canadian Securities Administrators’ National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”).
- (4) “Total Market Value” is calculated by multiplying the Canadian dollar closing price of the Common Shares on the TSX on each of May 14, 2020 (being Cdn\$0.13 per Common Share) and May 14, 2021 (being Cdn\$0.61 per Common Share), respectively, by the number of Common Shares held by the nominee as of those dates and converted to U.S. dollars at the respective spot rates as published by the Bank of Canada.
- (5) The “Value of Unexercised Options” is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on May 14, 2021 (being Cdn\$0.61 per Common Share) and the exercise price of the options multiplied by the number of unexercised options, vested and unvested and converted to US\$ at the respective spot rates as published by the Bank of Canada.
- (6) Mr. Dalanguerban was appointed as the Company’s Chief Executive Officer and Executive Director on March 31, 2020. There were 14 meetings of the Board of Directors following his appointment.
- (7) Mr. Dalanguerban joined the Health, Environment, Safety and Social Responsibility Committee (the “**HESS Committee**”) and was appointed Chair of the HESS Committee on March 31, 2020. There was one (1) HESS Committee following his appointment.
- (8) The Operations Committee was formed on July 14, 2020 with Mr. He appointed as Chair and Messrs. Dalanguerban and Niu as members.
- (9) Mr. Bao has been nominated for election as a Director of the Company by CIC pursuant to a contractual nomination right granted to CIC in connection with the Convertible Debenture (see the section entitled “*Contractual Director Nomination Rights*” in this Management Proxy Circular).
- (10) Mr. Bao joined the Board on March 18, 2020. There were 15 meetings of the Board of Directors following his appointment and one (1) meeting was held in 2020 without the participation of the CIC nominee Directors.
- (11) Mr. Chen and Ms. Ku have been nominated for election as Directors of the Company by Novel Sunrise pursuant to a contractual nomination right granted to Novel Sunrise in connection with the Novel Sunrise Agreement (see the section entitled “*Contractual Director Nomination Rights*” in this Management Proxy Circular).
- (12) Ms. Ku joined the Board on December 9, 2020. There were four meetings of the Board of Directors following her appointment.
- (13) Mr. Niu has been nominated for election as a Director of the Company by CIC pursuant to a contractual nomination right granted to CIC in connection with the 2019 Deferral Agreement (see the section entitled “*Contractual Director Nomination Rights*” in this Management Proxy Circular). There was one meeting held in 2020 without the participation of the CIC nominee Directors.

Summary of Board and Committee Meetings Held

The following table summarizes the number of Board and committee meetings held during the year ended December 31, 2020:

Board	17
Audit Committee	9
Compensation and Benefits Committee	5
Nominating and Corporate Governance Committee	4
Health, Environment, Safety and Social Responsibility Committee	2
Operations Committee	6

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

In 2020, there were ten (10) written resolutions passed by the Directors, two (2) written resolutions passed by each of the Compensation & Benefits Committee (the “**Compensation Committee**”) and Nominating and Governance Committee and one (1) written resolution passed by the HESS Committee. In 2020, no written resolution was passed by the Audit Committee or Operations Committee. Resolutions in writing must be executed by all of the members of the Board or the committee, as applicable, entitled to vote on a matter in order to be effective.

Independent Non-Executive Directors

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

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

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

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

BOARD OF DIRECTORS

Directors and Officers Insurance

Given the current market condition, directors’ and officers’ liability insurance cannot be obtained at economically reasonable premium. The Company has therefore elected to place its current directors’ and officers’ liability insurance with aggregate coverage in the amount of US\$5 million

into three (3) years run-off, at one time cost of US\$50,000. The coverage has a deductible of US\$250,000.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

On May 13, 2020, the Company applied for a management cease trade order with the applicable Canadian securities regulators in connection with the anticipated delayed filing of: (i) its audited financial statements for the financial year ended December 31, 2019 (the “**2019 Financial Statements**”) and accompanying Management Discussion & Analysis (“**MD&A**”) and CEO and CFO certificates prior to the filing deadline of May 14, 2020; and (ii) its interim consolidated financial statements for the three month period ended March 31, 2020 and accompanying MD&A and CEO and CFO certificates prior to the filing deadline of May 15, 2020 (collectively, the “**Required Filings**”). A management cease trade order (the “**MCTO**”) was issued by the British Columbia Securities Commission (“**BCSC**”), the Company’s principal securities regulator in Canada, on May 15, 2020. On June 19, 2020, the BCSC issued a general “failure to file” cease trade order (the “**Cease Trade Order**”) prohibiting trading in the securities of the Company by any person in Canada, due to the Company’s failure to file the Required Filings prior to the deadline of June 15, 2020 provided in the MCTO.

The Cease Trade Order was revoked on February 8, 2021 and the Common Shares resumed trading on the TSX on February 8, 2021 and the HKEX on February 10, 2021. All of the individuals nominated for election as Directors at the Meeting were Directors while the Company was the subject of the Cease Trade Order.

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

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

APPOINTMENT OF AUDITORS

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

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

Pre-Approval Policies and Procedures

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

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

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

Pursuant to these procedures, 100% of each of the services provided by the Company's external auditors relating to the fees reported as audit, audit-related, tax and all other fees during 2020 were pre-approved by the Audit Committee or the Designated Member.

APPROVALS RELATING TO THE EQUITY INCENTIVE PLAN

The Company's Employees' and Directors' Equity Incentive Plan (the "**Equity Incentive Plan**") is a "rolling" plan pursuant to which the Company is authorized to allocate for issuance, and issue, up to a maximum of 10% of the Common Shares issued and outstanding from time to time under the Equity Incentive Plan of which no more than 2,000,000 Common Shares may be allocated for issuance under the Bonus Plan component of the Equity Incentive Plan. For further details regarding the Equity Incentive Plan, see "*Securities Authorized for Issuance under Equity Compensation Plans – Summary of the Company's Equity Incentive Plan*" in this Management Proxy Circular.

The rules of the TSX require that all unallocated options, rights and other entitlements under a security-based compensation arrangement that does not have a fixed maximum number of securities issuable, such as the Equity Incentive Plan, must be re-confirmed and approved by a majority of the Board and shareholders of the Company every three years after institution.

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

The Board approved all unallocated options, rights or other entitlements under the Equity Incentive Plan, as well as certain amendments to the Equity Incentive Plan, at a meeting of the Board held on May 11, 2021. For further details regarding the recent amendments to the Equity Incentive Plan, see "*Securities Authorized for Issuance under Equity Compensation Plans – Summary of the Company's Equity Incentive Plan*" in this Management Proxy Circular.

The Equity Incentive Plan was most recently confirmed and approved by an ordinary resolution at the annual meeting of shareholders of the Company held on June 28, 2018. Accordingly, at the Meeting, shareholders will be asked to consider, and if thought advisable, approve an ordinary resolution (the "**Equity Incentive Plan Resolution**") approving all the unallocated options, rights or other entitlements under the Equity Incentive Plan and setting the maximum number of Common Shares which may be allocated for issuance under the Equity Incentive Plan at such amount equal to 10% of the number of Common Shares issued and outstanding as of the date of the Meeting.

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

"BE IT RESOLVED that:

1. The unallocated options, rights and other entitlements under the Employee's and Directors' Equity Incentive Plan (the "**Equity Incentive Plan**") of SouthGobi Resources Ltd. (the "**Company**") are hereby reconfirmed and approved.

2. The Company shall have the ability to continue granting unallocated options, rights and other entitlements under the Equity Incentive Plan until June 29, 2024, the date that is three (3) years from the date of the shareholder meeting at which shareholder approval is being sought.
3. The maximum number of common shares in the capital of the Company which may be allocated for issuance under the Equity Incentive Plan shall be set at such number of common shares equal to 10% of the number of common shares issued and outstanding in the capital of the Company as of the date of the shareholder meeting at which shareholder approval is being sought.
4. Any officer of the Company be and is hereby authorized, for and on behalf of the Company, to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such officer the Company may consider to be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity or desirability to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions.”

In order to be effective, the Equity Incentive Plan Resolution must be passed by the affirmative vote of a majority of the votes cast thereon at the Meeting.

If shareholders do not approve the Equity Incentive Plan Resolution at the Meeting, (i) the Company will not be permitted to grant further options or other awards under the Equity Incentive Plan until such time as the required shareholder approval may be obtained, (ii) all options that have already been allocated and granted under the Equity Incentive Plan as of the date of the Meeting that have not yet been exercised will continue unaffected in accordance with their current terms, and (iii) all options and awards previously granted under the Equity Incentive Plan will not be available for reallocation if they are expired, terminated or cancelled prior to exercise.

If shareholders approve the Equity Incentive Plan Resolution at the Meeting, the Company will subsequently be required to seek the approval of shareholders no later than June 29, 2024 with respect to unallocated options, rights or other entitlement in existence under the Equity Incentive Plan at that time.

The Board has determined that the approval of the unallocated options, rights or other entitlements pursuant to the Equity Incentive Plan and the maximum number of Common Shares which may be allocated for issuance under the Equity Incentive Plan at such amount equal to 10% of the number of Common Shares issued and outstanding as of the date of the Meeting is in the best interests of the Company and its shareholders.

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

OTHER BUSINESS

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

STATEMENT OF EXECUTIVE COMPENSATION

In accordance with the requirements of applicable securities legislation in Canada, the following executive compensation disclosure is provided in respect of (a) each person who served as the Company's Chief Executive Officer (the "CEO") or Chief Financial Officer (the "CFO") during the 2020 fiscal year, (b) each of the three most highly compensated executive officers of the Company and its subsidiaries whose annual aggregate compensation for the 2020 fiscal year exceeded Cdn\$150,000; and (c) each individual who would be included under subsection (b) above but for the fact such individual was not an executive officer of the Company or its subsidiaries at the end of the financial year (collectively (a), (b) and (c), the "NEOs").

For the Company's 2020 fiscal year, the Company's NEOs were:

- Mr. Dalanguerban: CEO;
- Mr. Alan Ho: previously Controller, currently acting CFO;
- Mr. Kino Fu: Deputy CFO;
- Mr. Tao Zhang: previously Vice President, currently Vice President of Sales;
- Mr. Munkhbat Chuluun: President and Executive Director of SouthGobi Sands LLC ("SGS"), a wholly-owned subsidiary of the Company, and Vice President of Public Relations;
- Mr. Aiming Guo: previously Chief Operating Officer, currently Chief Mechanist;
- Mr. Shougao Wang, former CEO of the Company; and
- Mr. Weiguo Zhang, former CFO of the Company.

COMPENSATION DISCUSSION AND ANALYSIS

Overview for 2020

The purpose of the Company's compensation program for its senior executives is to provide incentives to attract, motivate and retain qualified and experienced executives, to ensure their interests are aligned with the interests of shareholders of the Company and to provide for transparent and defensible compensation.

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

Compensation and Benefits Committee

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

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

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

All Compensation Committee members are INEDs, based on the standards established under NI 58-101. The Compensation Committee met five (5) times during the fiscal 2020 year. As at the end of the 2020 fiscal year, the Compensation Committee was comprised of the following members, all of whom have experience in dealing with compensation matters:

Name	Experience
Jin Lan Quan (Chair)	Ms. Quan joined the Compensation Committee on June 30, 2016 and was appointed Chair of the Compensation Committee on June 28, 2018. As a former Managing Partner with an international accounting firm in Sydney Australia, Ms. Quan was involved in executive compensation proposals and decisions. She is a certified public accountant and is an independent financial planner and business consultant based in Sydney, Australia.
Yingbin Ian He	Mr. He joined the Compensation Committee on May 16, 2017. Mr. He is a mining professional with over 30 years' of board and senior executive experience. Over the course of his career, Mr. He has overseen the design and development of various forms of compensation policies, including salary, bonuses and stock options. Mr.

Name	Experience
	<p>He has also been involved in the recruitment of, and negotiation of compensation packages for, senior executives and expatriate senior executives.</p> <p>Mr. He was Chairman of the compensation committee for China Gold International Resources Corp. Ltd., a TSX and HKEX listed public company.</p>
Mao Sun	<p>Mr. Sun joined the Compensation Committee on December 14, 2015. Mr. Sun has extensive experience working with Canadian listed companies, as both a director and chief financial officer. He is a chartered accountant and graduated from Columbia University in New York with a Master Degree of International Affairs, International Finance and Business and a Bachelor Degree in Computer Science from Nanjing University, China.</p>

Outside Consultants and Peer Comparator Group

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

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

The following table sets out the aggregate amount of fees billed by the Company's external compensation consultants or advisors, or any of its affiliates, for services related to determining compensation for any of the Company's Directors and executive officer for each of the two most recently completed financial years: Mr. Chuluun's employment agreement with SGS does not provide for any additional compensation in case of any termination (whether voluntary, involuntary or constructive), resignation, retirement, or change of control of the Company.

	Fiscal 2020 (Cdn\$)	Fiscal 2019 (Cdn\$)
Executive Compensation-Related Fees	Nil	\$25,171
All Other Fees	Nil	Nil
Total Fees	Nil	\$25,171

Compensation and Benefits Philosophy and Goals

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

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

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

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

How We Make Compensation Decisions

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

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

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

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

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

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

Management of Risk

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

For a detailed explanation of the material risks applicable to the Company, see the section entitled “Risk Factors” in the Company’s Annual Information Form (the “AIF”) dated March 30, 2021 available under the Company’s profile on SEDAR at www.sedar.com.

COMPENSATION IN 2020

Compensation for NEOs

Dalanguerban

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

Alan Ho

Mr. Ho was appointed acting CFO of the Company on February 10, 2021, and prior to this appointment, Mr. Ho was the Company’s Controller. In connection with his duties as the Company’s Controller, Mr. Ho received a base salary of HK\$1,500,000 per year. Mr. Ho was also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Controller.

Kino Fu

Mr. Fu has been the Company’s Deputy CFO since April 18, 2018. In connection with his duties as the Company’s Deputy CFO, Mr. Fu receives a base salary of HK\$1,560,000 per year. Mr. Fu is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Deputy CFO.

Tao Zhang

Mr. Zhang was appointed as the Company’s Vice President on June 1, 2018 and his title was re-designated as Vice President of Sales on February 10, 2021. In connection with his duties as the Company’s Vice President, Mr. Zhang received a base salary of US\$200,000 per year. Mr. Zhang was also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Vice President.

Munkhbat Chuluun

Mr. Chuluun was appointed as the Company’s Vice President of Public Relations on February 10, 2021, and President and Executive Director of SGS effective as of September 17, 2015. In connection with his duties, Mr. Chuluun received a base salary of US\$184,452 per year. As President and Executive Director of SGS, Mr. Chuluun was eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as President and Executive Director of SGS.

Aiming Guo

Mr. Guo was the Company’s Chief Operating Officer from June 1, 2018 to February 10, 2021. Mr. Guo is currently the Company’s Chief Mechanist. In connection with his duties as the Company’s Chief Operating Officer, Mr. Guo received a base salary of US\$200,000 per year. Mr.

Guo was also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Chief Operating Officer.

Compensation for former CEO and former CFO

Shougao Wang

Mr. Wang was the Company's CEO from June 1, 2018 to March 31, 2020. In connection with his duties as CEO, Mr. Wang received a base salary of US\$360,000 per year. Mr. Wang was also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as CEO.

Weiguo Zhang

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

NEO Incentive Compensation for 2020

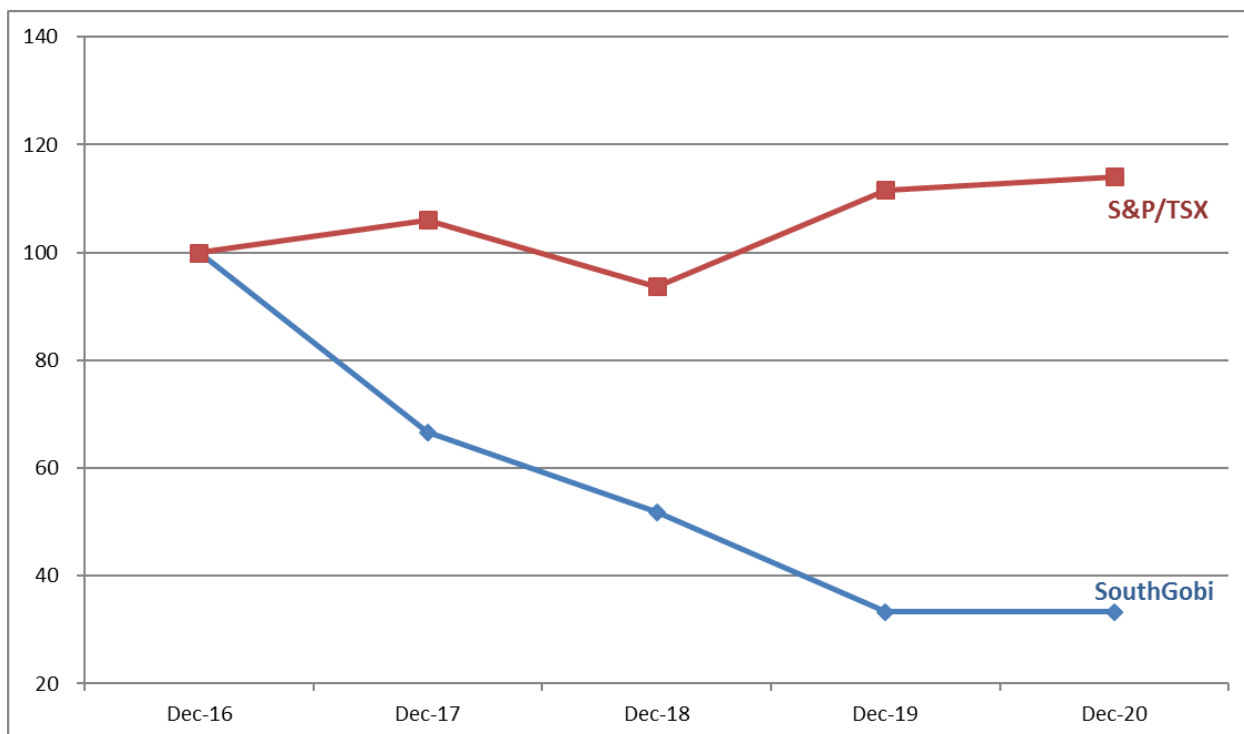
Compensation decisions for incentive awards to NEOs for performance during the 2020 fiscal year were based on an assessment by the Compensation Committee and the Board of each NEO's contribution during the 2020 fiscal year and the extent to which certain agreed upon individual and corporate performance measures were achieved. In assessing whether or not a particular performance measure was achieved, the Board and the Compensation Committee retain a considerable degree of discretion. Among other matters, considerable weight is given to the small size of the Company's executive team, the significant change in the senior management structure of the Company and the multiple roles handled by the very small management team members. In recognition of their contributions during the 2020 fiscal year, the Company awarded \$104,061 in cash bonuses to certain NEOs.

Other Compensation

The aggregate "other compensation" received by each NEO is disclosed in the Summary Compensation Table below. The Company does not provide its executive officers with a pension plan. Termination compensation in respect of NEOs whose employment ended during the 2020 fiscal year is disclosed under "Termination and Change of Control Benefits" below.

Performance Graph

The following graph and table compare the cumulative shareholder return on a Cdn\$100 investment in Common Shares to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from December 31, 2016 to December 31, 2020. Trading of the Company's Common Shares were halted on the TSX from December 17, 2018 to May 30, 2019 and from June 19, 2020 to February 8, 2021.



	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20
SouthGobi Resources Ltd.	100	67	52	33	33
S&P/TSX Composite Index	100	106	94	112	114

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

Summary Compensation Table

The following executive compensation disclosure for each NEO is provided as of December 31, 2020, December 31, 2019 and December 31, 2018.

Summary Compensation Table
(\$)

Name and principal position	Year	Salary ⁽¹⁾	Share-based awards	Option-based awards ⁽²⁾	Non-equity incentive plan compensation (\$)		Pension value	All other compensation ⁽³⁾	Total compensation
					Annual incentive plans	Long-term incentive plans			
Dalanguerban ⁽⁴⁾ CEO	2020	270,000	Nil	Nil	Nil	30,000	Nil	760	300,762
	2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alan Ho ⁽⁵⁾ Acting CFO	2020	193,440	Nil	Nil	19,344	Nil	Nil	760	213,545
	2019	191,386	Nil	2,931	38,277	Nil	Nil	Nil	232,594
	2018	191,364	Nil	3,668	111,629	Nil	Nil	Nil	306,660
Kino Fu Deputy CFO	2020	201,178	Nil	Nil	19,344	Nil	Nil	760	221,282
	2019	199,041	Nil	2,931	38,277	Nil	Nil	Nil	240,249
	2018	193,756	Nil	3,668	103,815	Nil	Nil	Nil	301,238
Tao Zhang ⁽⁶⁾ Vice President of Sales (formerly, Vice President)	2020	200,004	Nil	Nil	Nil	Nil	Nil	760	200,764
	2019	200,004	Nil	7,327	Nil	16,667	Nil	Nil	223,998
	2018	116,669	Nil	7,335	Nil	80,000	Nil	Nil	204,004
Munkhbat Chuluun ⁽⁷⁾ Vice President of Public Relations and President and Executive Director of SGS	2020	228,070	Nil	Nil	18,705	Nil	Nil	Nil	246,776
	2019	217,939	Nil	4,396	49,934	Nil	Nil	Nil	272,269
	2018	188,351	Nil	5,501	38,834	Nil	Nil	Nil	232,687
Aiming Guo ⁽⁸⁾ Chief Mechanist (formerly, COO)	2020	200,004	Nil	Nil	Nil	Nil	Nil	760	200,764
	2019	200,004	Nil	7,327	Nil	16,667	Nil	Nil	223,998
	2018	116,669	Nil	7,335	Nil	80,000	Nil	Nil	204,004
Shougao Wang ⁽⁹⁾ Former CEO	2020	90,000	Nil	Nil	Nil	Nil	Nil	Nil	90,000
	2019	360,000	Nil	11,723	Nil	30,000	Nil	Nil	401,723
	2018	210,000	Nil	14,670	Nil	80,000	Nil	Nil	304,670
Weiguo Zhang ⁽¹⁰⁾ Former CFO	2020	200,004	Nil	Nil	Nil	16,667	Nil	760	217,431
	2019	200,004	Nil	8,792	Nil	16,667	Nil	Nil	225,463
	2018	116,669	Nil	7,335	Nil	80,000	Nil	Nil	204,004

Notes:

⁽¹⁾ The salaries for the NEOs are paid in U.S., Hong Kong dollars, Renminbi and Mongolian Tugrik. For the purpose of reporting, the salaries in the Summary Compensation Table above are reported in U.S. dollars (converted using the prevailing Bank of Canada exchange rate on the date an amount was paid).

⁽²⁾ The value of the stock options awarded is the estimated fair value on the date of grant calculated using the Black-Scholes option pricing model with the following assumptions: an estimated volatility equal to the historical volatility of the Common Shares over a

period equal to the expected life of the option, an estimated divided yield of \$nil, a risk free rate of return equal to the rate currently available on federal government zero-coupon bonds with a term equal to the expected life of the option and an expected life approximating the term of the option. The value of stock options with a Canadian dollar exercise price was converted to US dollars using the Bank of Canada closing exchange rate on date of grant.

- (3) For the purpose of reporting, all other compensation in the Summary Compensation Table is reported in U.S. dollars. Foreign currency amounts are converted into U.S. dollars using the prevailing Bank of Canada exchange rate on the date an amount was paid.
- (4) Mr. Dalanguerban was appointed as the Company's CEO on March 31, 2020.
- (5) Mr. Alan Ho was appointed as the Company's acting CFO on February 10, 2021.
- (6) Mr. Tao Zhang was the Company's Vice President from June 1, 2019 to February 9, 2021. Mr. Zhang was re-designated as the Company's Vice President of Sales on February 10, 2021.
- (7) Mr. Munkhbat Chuluun was appointed as President and Executive Director of SGS on September 17, 2015. Mr. Chuluun was appointed as the Company's Vice President of Public Relations on February 10, 2021.
- (8) Mr. Aiming Guo was the Company's COO from June 1, 2018 to February 10, 2021. Mr. Guo was re-designated as the Company's Chief Mechanist on March 1, 2021.
- (9) Mr. Shougao Wang was the Company's CEO from June 1, 2018 to March 31, 2020.
- (10) Mr. Weiguo Zhang was the Company's CFO from June 1, 2018 to February 10, 2021.

Name and principal position	Year	Option Grant	Grant Date	Conversion Rate ⁽¹⁾	Grant Date Fair Value (\$)	Grant Date Fair Value (Cdn\$)
Dalanguerban CEO	2020	Nil	n/a	n/a	n/a	n/a
Alan Ho ⁽²⁾ Acting CFO	2020	Nil	n/a	n/a	n/a	n/a
	2019	100,000	15-Nov-19	1.3250	2,931	3,883
	2018	100,000	16-Aug-18	1.3144	3,668	4,821
Kino Fu ⁽³⁾ Deputy CFO	2020	Nil	n/a	n/a	n/a	n/a
	2019	100,000	15-Nov-19	1.3250	2,931	3,883
	2018	100,000	16-Aug-18	1.3144	3,668	4,821
Tao Zhang Vice President of Sales (formerly, Vice President)	2020	Nil	n/a	n/a	n/a	n/a
	2019	250,000	15-Nov-19	1.3250	7,327	9,708
	2018	200,000	16-Aug-18	1.3144	7,335	9,641
Munkhbat Chuluun ⁽⁴⁾ Vice President of Public Relations and President and Executive Director of SGS	2020	Nil	n/a	n/a	n/a	n/a
	2019	150,000	15-Nov-19	1.3250	4,396	5,825
	2018	150,000	16-Aug-18	1.3144	5,501	7,231
Aiming Guo Chief Mechanist (formerly, COO)	2020	Nil	n/a	n/a	n/a	n/a
	2019	250,000	15-Nov-19	1.3250	7,327	9,708
	2018	200,000	16-Aug-18	1.3144	7,335	9,641
Shougao Wang Former CEO	2020	Nil	n/a	n/a	n/a	n/a
	2019	400,000	15-Nov-19	1.3250	11,723	15,533
	2018	400,000	16-Aug-18	1.3144	14,670	19,283
Weiguo Zhang Former CFO	2020	Nil	n/a	n/a	n/a	n/a
	2019	300,000	15-Nov-19	1.3250	8,792	11,650
	2018	200,000	16-Aug-18	1.3144	7,335	9,641

Notes:

- (1) The conversion rates used for the purpose of converting the grants to the NEOs in the Summary Compensation Chart above from Canadian dollars to U.S. dollars in 2020, 2019 and 2018, respectively.
- (2) Mr. Ho had 45,431 options with a strike price of C\$0.92, which expired on April 1, 2020.
- (3) Mr. Fu had 42,746 options with a strike price of C\$0.92, which expired on April 1, 2020.
- (4) Mr. Chuluun had 32,331 options with a strike price of C\$0.92, which expired on April 1, 2020.

Incentive Plan Awards
Outstanding share-based awards and option-based awards
as at December 31, 2020

Name and principal position	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)
Dalanguerban CEO	Nil	n/a	n/a	n/a	n/a	n/a
Alan Ho ⁽²⁾ Acting CFO	100,000 100,000	0.13 0.13	16-Aug-23 15-Nov-24	n/a n/a	Nil	Nil
Kino Fu ⁽³⁾ Deputy CFO	100,000 100,000	0.13 0.13	15-Nov-24 16-Aug-23	n/a n/a	Nil	Nil
Tao Zhang Vice President of Sales (formerly, Vice President)	250,000 200,000	0.13 0.13	15-Nov-24 16-Aug-23	n/a n/a	Nil	Nil
Munkhbat Chuluun ⁽⁴⁾ Vice President of Public Relations, and President and Executive Director of SGS	150,000 150,000	0.13 0.13	15-Nov-24 16-Aug-23	n/a n/a	Nil	Nil
Aiming Guo Chief Mechanist (formerly, COO)	250,000 200,000	0.13 0.13	15-Nov-24 16-Aug-23	n/a n/a	Nil	Nil
Shougao Wang Former CEO	400,000 400,000	0.13 0.13	15-Nov-24 16-Aug-23	n/a n/a	Nil	Nil
Weiguo Zhang Former CFO	300,000 200,000	0.13 0.13	15-Nov-24 16-Aug-23	n/a n/a	Nil	Nil

Notes:

- (1) The value of the unexercised in-the-money options, is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on June 19, 2020 (Cdn\$0.09 per Common Share, being the last trading day in 2020 prior to the suspension of trading of the Common Shares on the TSX) and the exercise price of the options. The value of the unexercised in-the-money options as of December 31, 2020, has been converted from Canadian dollars to U.S. dollars at the rate of US\$1.00/Cdn\$1.3587, which was the Bank of Canada noon rate on June 19, 2020, being the last trading day in 2020 prior to the suspension of trading of the Common Shares on the TSX.
- (2) Mr. Ho had 45,431 options with a strike price of C\$0.92 which expired on April 1, 2020.
- (3) Mr. Fu had 42,746 options with a strike price of C\$0.92 which expired on April 1, 2020.
- (4) Mr. Chuluun had 32,331 options with a strike price of C\$0.92 which expired on April 1, 2020.

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

Name and principal position	Option-based awards - Value vested during the year	Share-based awards - Value vested during the year	Non-equity incentive plan compensation - Value earned during the year
Dalanguerban CEO	Nil	n/a	Nil
Alan Ho Acting CFO	Nil	n/a	Nil
Kino Fu Deputy CFO	Nil	n/a	Nil
Tao Zhang Vice President of Sales (formerly, Vice President)	Nil	n/a	Nil
Munkhbat Chuluun Vice President of Public Relations, and President and Executive Director of SGS	Nil	n/a	Nil
Aiming Guo Chief Mechanist (formerly, COO)	Nil	n/a	Nil
Shougao Wang Former CEO	Nil	n/a	Nil
Weiguo Zhang Former CFO	Nil	n/a	Nil

PENSION PLAN BENEFITS

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

TERMINATION AND CHANGE OF CONTROL BENEFITS

Dalanguerban

Mr. Dalanguerban's employment contract with SouthGobi Resources (Hong Kong) Limited ("**SouthGobi HK**") and under the secondment arrangement with the Company provide that in the case of a termination without cause, Mr. Dalanguerban will be entitled to either one (1) month notice or payment equal to one (1) month's base salary. Neither Mr. Dalanguerban's employment contract with SouthGobi HK nor his secondment arrangement with the Company provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Dalanguerban as at December 31, 2020 in the event of a termination without cause would have been one month's salary equal to \$30,000.

Alan Ho

Mr. Ho's employment contract with SouthGobi HK provides that in the case of a termination without cause, Mr. Ho is entitled to payment equal to two (2) months' base salary. Mr. Ho's employment contract does not provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated incremental payments to Mr. Ho as at December 31, 2020 in the event of a termination without cause would have been two (2) months' salary equal to HK\$250,000.

Kino Fu

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

Tao Zhang

Mr. Tao Zhang's employment contract with SouthGobi HK provides that in the case of a termination without cause, Mr. Zhang is entitled to either one (1) month notice or payment equal to one (1) month's base salary. Mr. Zhang's employment contract with SouthGobi HK does not provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Zhang as at December 31, 2020 in the event of a termination without cause would have been one month's salary equal to \$16,667.

Munkhbat Chuluun

Mr. Chuluun's employment agreement with SGS does not provide for any additional compensation in case of any termination (whether voluntary, involuntary or constructive), resignation, retirement, or change of control of the Company.

Aiming Guo

Mr. Guo's employment contract with SouthGobi HK and under the secondment arrangement with the Company provided that in the case of a termination without cause, Mr. Guo would be entitled to either one (1) month notice or payment equal to one (1) month's base salary. Neither Mr. Guo's employment contract with SouthGobi HK nor his secondment arrangement with the Company

provided for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Guo as at December 31, 2020 in the event of a termination without cause as Chief Operating Officer of the Company would have been one month's salary equal to \$16,667.

Shougao Wang

Mr. Wang's employment contract with SouthGobi HK and under the secondment arrangement with the Company provided that in the case of a termination without cause, Mr. Wang was entitled to either one (1) month notice or payment equal to one (1) month's base salary. Neither Mr. Wang's employment contract with SouthGobi HK nor his secondment arrangement with the Company provided for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated payment to Mr. Wang as at December 31, 2020 in the event of a termination without cause would have been one month's salary equal to \$30,000.

Weiguo Zhang

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

COMPENSATION OF DIRECTORS

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

Based in part on the recommendations provided in the compensation report commissioned from Roger Gurr & Associates (the "**Gurr Directors Report**") in 2016, the annual retainer for each of the INEDs was approved as below:

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

The HESS Committee is chaired by Mr. Dalanguerban, the executive director. Should the HESS Committee be chaired by a non-executive Director, he or she would be entitled to receive the

Cdn\$10,000 annual retainer. There are no fees paid to the Chair or the members of the Operations Committee.

In April 2018, based on the recommendations provided in the Gurr Directors Report, the remuneration for the Lead Director was approved and set at Cdn\$25,000 per annum.

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

No incentive stock options were granted to the INEDs in 2020.

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

**Director Compensation Table for Fiscal 2020
(\$)**

Name ⁽¹⁾	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	All Other Compensation	Total (\$)
Jianmin Bao ⁽²⁾	n/a	n/a	n/a	n/a	nil
Zhiwei Chen	n/a	n/a	n/a	n/a	nil
Yingbin Ian He	90,943	n/a	n/a	n/a	90,943
Ka Lee Ku ⁽³⁾	n/a	n/a	n/a	n/a	nil
Ben Niu	n/a	n/a	n/a	n/a	nil
Jin Lan Quan	81,252	n/a	n/a	n/a	81,252
Mao Sun	107,343	n/a	n/a	n/a	107,343
Xiaoxiao Li ⁽⁴⁾	n/a	n/a	n/a	n/a	nil
Wen Yao ⁽⁵⁾	n/a	n/a	n/a	n/a	nil

Notes:

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

⁽²⁾ Mr. Jianmin Bao was appointed to the Board of Directors on March 18, 2020.

⁽³⁾ Ms. Ka Lee Ku was appointed to the Board of Directors on December 9, 2020.

⁽⁴⁾ Mr. Xiaoxiao Li resigned as a Director on November 13, 2020.

⁽⁵⁾ Mr. Wen Yao resigned as a Director on March 11, 2020.

**Outstanding Share-based awards, option-based awards and
non-equity incentive plan compensation
as at December 31, 2020**

Name ⁽¹⁾⁽²⁾	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽³⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)
Jianmin Bao ⁽⁴⁾	n/a	n/a	n/a	n/a	n/a	n/a
Zhiwei Chen	n/a	n/a	n/a	n/a	n/a	n/a
Yingbin Ian He	100,000 150,000 150,000 150,000	0.39 0.33 0.13 0.13	5-Jun-22 30-Jun-22 3-Jul-23 11-Sept-24	n/a n/a n/a n/a	Nil	Nil
Ka Lee Ku ⁽⁵⁾	n/a	n/a	n/a	n/a	n/a	n/a
Ben Niu	n/a	n/a	n/a	n/a	n/a	n/a
Jin Lan Quan ⁽⁶⁾	150,000 150,000 150,000 150,000	0.33 0.33 0.13 0.13	16-Nov-21 30-Jun-22 3-Jul-23 11-Sept-24	n/a n/a n/a n/a	Nil	Nil
Mao Sun ⁽⁶⁾	200,000 200,000 200,000 200,000	0.33 0.33 0.13 0.13	16-Nov-21 30-Jun-22 3-Jul-23 11-Sept-24	n/a n/a n/a n/a	Nil	Nil
Xiaoxiao Li ⁽⁷⁾	n/a	n/a	n/a	n/a	n/a	n/a
Wen Yao ⁽⁸⁾	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

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

⁽²⁾ The "Value of unexercised in-the-money options" is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on June 19, 2020 (being Cdn\$0.09 per Common Share, being the last trading day in 2020 prior to the suspension of trading of the Common Shares on the TSX) and the exercise price of the option multiplied by the number of unexercised options, vested and unvested and converted to US\$ at the respective spot rates as published by the Bank of Canada.

- (3) The value of the unexercised in-the-money options as of December 31, 2020, has been converted from Canadian dollars to U.S. dollars at the rate of US\$1.00/Cdn\$1.3587, which was the Bank of Canada noon rate on June 19, 2020, being the last trading day in 2020 prior to the suspension of trading of the Common Shares on the TSX.
- (4) Mr. Jianmin Bao was appointed to the Board of Directors on March 18, 2020.
- (5) Ms. Ka Lee Ku was appointed to the Board of Directors on December 9, 2020.
- (6) Ms. Quan and Mr. Sun each had 100,000 options with a strike price of C\$0.29 expire on December 14, 2020.
- (7) Mr. Xiaoxiao Li resigned as a Director on November 13, 2020.
- (8) Mr. Wen Yao resigned as a Director on March 11, 2020.

Incentive Plan Awards – value vested or earned during 2020

Name ⁽¹⁾ ⁽²⁾	Option-based awards - Value vested during the year (\$) ⁽²⁾	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Jianmin Bao ⁽³⁾	n/a	n/a	n/a
Zhiwei Chen	n/a	n/a	n/a
Yingbin Ian He	Nil	n/a	n/a
Ka Lee Ku ⁽⁴⁾	n/a	n/a	n/a
Ben Niu	n/a	n/a	n/a
Jin Lan Quan	Nil	n/a	n/a
Mao Sun	Nil	n/a	n/a
Xiaoxiao Li ⁽⁵⁾	n/a	n/a	n/a
Wen Yao ⁽⁶⁾	n/a	n/a	n/a

Notes:

- (1) Additional information with respect to the compensation for Messrs. Dalanguerban and Shougao Wang has been included in the Incentive Plan table for NEOs, and is not reported in the Director Compensation section of this Management Proxy Circular.
- (2) Value vested during the year represents the aggregate dollar value that would have been realized if a Director had exercised each of their options that vested in 2020 on the date of such vesting. The value vested during the year is converted from Canadian dollars to U.S. dollars based on the Bank of Canada noon rate at the date of vesting of each option. Where the option exercise price is above the share price on the date of vesting the value assigned to the option is nil.
- (3) Mr. Jianmin Bao was appointed to the Board of Directors on March 18, 2020.
- (4) Ms. Ka Lee Ku was appointed to the Board of Directors on December 9, 2020.
- (5) Mr. Xiaoxiao Li resigned as a Director on November 13, 2020.
- (6) Mr. Wen Yao resigned as a Director on March 11, 2020.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Summary of the Company's Equity Incentive Plan

The following is a summary and description of the Equity Incentive Plan. This summary is qualified in its entirety by the text of the Equity Incentive Plan which is attached as Schedule "A" to this Management Proxy Circular.

On May 11, 2021, the Board approved the following amendments to the Equity Incentive Plan: (i) the exercise price of any option granted under the Option Plan will be determined based on the weighted average trading price of the Common Shares on the HKEX for the five (5) days on which Common Shares were traded immediately preceding the date of grant (rather than the weighted average trading price of the Common Shares on the TSX for the five (5) days on which Common Shares were traded immediately preceding the date of grant); (ii) the price at which the Common Shares issued pursuant to the Purchase Plan will be determined based on the weighted average trading price of the Common Shares on the HKEX during the quarter (rather than the weighted average trading price of the Common Shares on the TSX during the quarter); and (iii) introducing a requirement that all Common Shares acquired pursuant to the Purchase Plan be subject to a mandatory 90-day hold period commencing from the date of issuance of such Common Shares.

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

As at December 31, 2020, there remained 20,971,034 Common Shares available, in the aggregate, for issuance under the Equity Incentive Plan, representing approximately 7.69% of the Common Shares issued and outstanding. As at December 31, 2020, there were 6,299,250 stock options issued and outstanding under the Equity Incentive Plan, representing approximately 2.31% of the Common Shares issued and outstanding.

For the fiscal years ending December 31, 2018 and 2019 the Company granted awards under the Equity Incentive Plan covering 2,908,702 Common Shares and 2,925,000 Common Shares, respectively. There were no awards granted under the Equity Incentive Plan in 2020. In accordance with the policies of the TSX, the following table sets out the annual burn rate, calculated in accordance with Section 613(p) of the TSX Company Manual, of the Equity Incentive Plan for the Company's three most recently complete financial years:

Fiscal Year	2018	2019	2020
Options	1.04%	1.07%	0.00%
Bonus Shares	0.00%	0.00%	0.00%
Share Purchase Plan Shares	0.03%	0.00%	0.00%
Average Annual Burn Rate⁽¹⁾	1.07%	1.07%	0.00%
Three-year Average Burn Rate	0.71%		

Notes:

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

Overview

The Equity Incentive Plan has three (3) components: (i) a share option plan (the “**Option Plan**”), which provides for the grant to eligible participants of incentive stock options exercisable to purchase Common Shares; (ii) a share bonus plan (the “**Bonus Plan**”), which provides for awards of fully paid Common Shares to eligible participants as and when determined by the Board to be warranted on the basis of past performance; and (iii) a share purchase plan (the “**Purchase Plan**”), under which eligible participants have the opportunity to purchase Common Shares through payroll deductions which are supplemented by additional contributions by the Company.

The eligible participants in the Equity Incentive Plan include a Director of the Company or a director of any affiliate of the Company, and any full time and part time employees (including officers) of the Company or any affiliate of the Company that the Board determines to be eligible for participation in the Equity Incentive Plan. Furthermore, persons or companies engaged by the Company or any affiliate of the Company to provide services for an initial, renewable or extended period of 12 months or more are eligible for participation in the Equity Incentive Plan as the Board determines.

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

Share Issuance Limits

The aggregate number of Common Shares that may be subject to issuance under the Equity Incentive Plan, together with any other securities based compensation arrangements of the Company in effect from time to time, may not exceed ten percent (10%) of the outstanding Common Shares from time to time. The Equity Incentive Plan is a “rolling plan” and, accordingly in accordance with the rules of the TSX, options that have expired, or that have been cancelled, terminated, exercised or surrendered, will be available to be re-granted under the Equity Incentive Plan and, accordingly will not reduce the aggregate number of Common Shares that may be subject to issuance under the Equity Incentive Plan.

In addition, the aggregate number of Common Shares under the Equity Incentive Plan which the Company may:

- issue or reserve for issuance to any eligible participant may not exceed five percent (5%) of the issued and outstanding Common Shares from time to time;
- reserve for issuance to insiders of the Company (when combined with all of the Company's other security-based compensation arrangements in favour of insiders of the Company) may not exceed ten percent (10%) of the issued and outstanding Common Shares from time to time;
- issue to insiders of the Company (when combined with all of the Company's other security-based compensation arrangements in favour of insiders of the Company) within any one-year period may not exceed ten percent (10%) of the issued and outstanding Common Shares from time to time; or
- issue to any one insider of the Company and his or her associates (when combined with all of the Company's other security-based compensation arrangements in favour that insider and his or her associates) within any one-year period may not exceed five percent (5%) of the issued and outstanding Common Shares from time to time.

Option Plan

Option Grants

The Option Plan authorizes the Board to grant options to purchase Common Shares to eligible employees and directors as designated by the Board. The number of Common Shares, the exercise price per Common Share, the vesting period and any other terms and conditions of options granted pursuant to the Option Plan, from time to time are determined by the Board at the time of the grant, subject to the defined parameters of the Option Plan.

Exercise Price

The exercise price of any option granted under the Option Plan cannot be less than the volume weighted average price of the Common Shares on the HKEX for the five (5) days on which Common Shares were traded immediately preceding the date of grant.

Exercise Period and Vesting

Options are exercisable for five (5) years from the date the option is granted or such shorter or longer period of time (not exceeding ten years) determined by the Board. Options may be earlier terminated in the event of death or termination of employment or appointment. Vesting of options is determined by the Board. Failing a specific vesting determination by the Board, options automatically become exercisable incrementally over a period of three (3) years from the date of grant, as to one-third of the total number of Common Shares under option in each such year. Vesting may be accelerated by the Board in circumstances they deem appropriate, including in the event of a takeover bid in respect of the Common Shares.

Cashless Exercise

Optionees have the right to exercise a vested option on a “cashless” basis by electing to relinquish the right to exercise the option and receive, in lieu thereof, a number of fully paid Common Shares. The number of Common Shares issuable pursuant to any such cashless exercise is equal to the quotient obtained by dividing the difference between the aggregate fair market value and the aggregate option price of all Common Shares subject to the option by the fair market value of one (1) Common Share.

Financial Assistance

The Board may, in its discretion but subject to applicable laws, authorize the Company to make loans to employees to assist them in exercising options. The terms of any such loans include security, in favour of the Company, in the Common Shares issued upon exercise of the options, which security may be granted on a non-recourse basis, interest at prevailing market rates and a term not in excess of one year. Directors and executive officers are not eligible to receive financial assistance. As of the date of this Management Proxy Circular, no such loans are currently outstanding.

Termination or Death

If an optionee dies while employed by, or while serving as a director of, the Company or an affiliate, any vested option held by him or her will be exercisable for a period of twelve months or until the expiration of the option (whichever is sooner) by the person to whom the rights of the optionee pass by will or applicable laws of descent and distribution. If an optionee is terminated for cause, no option will be exercisable unless the Board determines otherwise. If an optionee is terminated for any reason other than cause, then all unvested options immediately terminate and any vested options will remain exercisable for a period of twelve months or until the expiration of the option (whichever is sooner).

Blackout Period

If the expiry date of any option would occur either during a period in which trading of the Common Shares is restricted (a “**blackout period**”) or within ten business days following the expiry of the blackout period, the expiry date of such option is automatically extended to a date that is ten business days following the expiry of the blackout period.

Bonus Plan

The Bonus Plan permits the Board to authorize the issuance, from time to time, of Common Shares to employees, directors, officers and service providers of the Company and its affiliates for no cash consideration. The Board retains the discretion to determine the criteria for making an award and the quantum of the award. The Bonus Plan currently provides for the issuance of a maximum of 2,000,000 Common Shares in respect of bonus awards. Common Shares allocated to the Bonus Plan may be reallocated for issuance under the Option Plan or Purchase Plan and are then no longer available for issuance under the Bonus Plan. The Common Shares currently available for issuance under the Bonus Plan represent less than 1% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular.

Purchase Plan

Participation Criteria

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

Contribution Limits

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

Number of Shares

Each participant receives, at the end of each calendar quarter during which he or she participates in the Purchase Plan, a number of Common Shares equal to the quotient obtained by dividing the aggregate amount of all contributions to the Purchase Plan by the participant, and by the Company on the participant's behalf, during the preceding quarter by the weighted average trading price of the Common Shares on the HKEX during the quarter. Common Shares acquired by the participant pursuant to the Purchase Plan are subject to a mandatory 90-day hold period commencing from the date of issuance of such Common Shares, during which time the participant is restricted from transferring, selling, pledging, assigning or otherwise disposing of such Common Shares.

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

Termination of Employment or Death

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

Transferability

Benefits, rights and options under the Equity Incentive Plan are non-transferable and, during the lifetime of a participant, may only be exercised by such participant.

Amendment Procedure

The Equity Incentive Plan provides that the Board has the authority and discretion to amend, suspend or terminate the Equity Incentive Plan and awards granted thereunder in respect of any matter without shareholder approval, including changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Equity Incentive Plan, changes to the exercise price, vesting, term and termination provisions of options, changes to the cashless exercise provisions, changes to the share bonus plan provisions (other than the maximum number

of Common Shares issuable under the Bonus Plan), changes to the authority and role of the Compensation Committee under the Equity Incentive Plan, changes to the acceleration and vesting of options, and any other matter relating to the Equity Incentive Plan and the options and awards granted thereunder, subject always to the following provisos:

- a) Any such amendment, change or termination is in compliance with applicable laws and the rules of any stock exchange on which the Common Shares are listed;
- b) no amendment to the Equity Incentive Plan or to an option granted thereunder will have the effect of impairing, derogating from, or otherwise adversely affecting, the terms of an option which is outstanding at the time of such amendment without the written consent of the holder of such option;
- c) the expiry date of an option may not exceed ten years except when the option period would otherwise end during a blackout period or within ten business days following the expiry of a blackout period as expressly provided for in the Equity Incentive Plan;
- d) the Company must obtain shareholder approval of:
 - i) any increase in the maximum number of Common Shares available for issuance under the Bonus Plan;
 - ii) any increase in the maximum percentage of the outstanding Common Shares available for issuance under the Equity Incentive Plan;
 - iii) any amendment to the limitation on the number of Common Shares that may be reserved for issuance, or issued, to insiders of the Company or any amendment that would reduce the exercise price of an outstanding option except in the limited circumstances expressly provided for in the Equity Incentive Plan;
 - iv) any amendment that would reduce the exercise price of an option;
 - v) any amendment that would extend the expiry date of an option; and
 - vi) any amendment to the amending provisions of the Equity Incentive Plan.

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

Securities Issued and Unissued under the Equity Incentive Plan

There are 273,137,085 Common Shares issued and outstanding as at May 14, 2021. The following table summarizes the total number of Common Shares reserved or that may be reserved for issuance under the Equity Incentive Plan:

	Number of Common Shares	% of Issued and Outstanding Common Shares ⁽²⁾
Common shares reserved for future issuance pursuant to outstanding but unexercised options under the Option Plan	5,360,500	1.96
Unissued Common Shares available for future awards under the Bonus Plan	1,800,000	0.66
Unissued Common Shares available for future issuance under the Purchase Plan	186,388	0.07
Unissued Common Shares available for future option grants under the Option Plan	19,966,821	7.31
Maximum number of Common Shares available for issuance under Equity Incentive Plan shares available for future option grants under the Option Plan ⁽¹⁾	27,313,709	10.00

Notes:

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

⁽²⁾ The weighted average price of all options outstanding as of May 14, 2021 is Cdn\$0.16.

Equity Compensation Plan Information

The following table shows the equity securities authorized for issuance from the Company's treasury under the Equity Incentive Plan as at December 31, 2020, as approved by shareholders. The Company has no equity compensation plans providing for issuance of Common Shares that have not been previously approved by shareholders.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	6,299,250	Cdn\$0.16	20,971,034
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	6,299,250	Cdn\$0.16	20,971,034

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

CORPORATE GOVERNANCE

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

Director Independence

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

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

Messrs. Bao and Niu are considered to be non-independent because they are employees of CIC Capital, a wholly owned subsidiary of CIC, the Company's largest shareholder, which currently owns approximately 23.7% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular. Mr. Bao and Mr. Niu have been nominated for election as Directors of the Company at the Meeting by CIC pursuant to a contractual nomination right granted to CIC in connection with the Convertible Debenture and the 2019 Deferral Agreement. See "*Election of Directors – Contractual Director Nomination Rights*" in this Management Proxy Circular.

Mr. Chen and Ms. Ku are considered to be non-independent because they are employees of China Cinda (HK) Asset Management Company, a wholly owned subsidiary of Novel Sunrise, which currently owns approximately 17% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular. Mr. Chen and Ms. Ku have been nominated for election as Directors of the Company at the Meeting by Novel Sunrise pursuant to a contractual

nomination right granted to Novel Sunrise under the Novel Sunrise Agreement. See “*Election of Directors – Contractual Director Nomination Rights*” in this Management Proxy Circular.

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

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

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

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

All Directors have or will receive a comprehensive briefing on the duties, responsibilities and liabilities of Directors. In particular, the briefings focused on the Directors’ obligations to provide objective oversight of the Company on behalf of all shareholders notwithstanding other prior or current relationships. In the event the Board must consider a matter which involves a potential or actual conflict, such matter will be referred to the independent Directors for consideration to ensure that a proper process is followed and the matter is subject to independent scrutiny. To facilitate the exercise of their respective independent judgment, the INEDs may hold meetings

without the presence of management and the non-independent Directors. The INEDs met twice in 2020 (excluding any meetings of the Audit Committee, Compensation Committee, Nominating and Governance Committee). Not all meetings of INEDs are regularly scheduled but communication among this group occurs on an ongoing basis as needs arise between regularly scheduled meetings of the Board. The CEO and CFO are periodically invited to attend such meetings in order to brief the INEDs on recent developments.

The following table discloses the attendance of the members of the Board at meetings of the Board and its committees in 2020:

Director	Board of Directors Meetings	Audit Committee Meetings	Nominating & Corporate Governance Committee Meetings	Compensation & Benefits Committee Meeting	Health, Environment, Safety & Social Responsibility Committee Meetings	Operations Meetings
Dalanguerban ⁽¹⁾	12/14	n/a	n/a	n/a	1/1	6/6
Jianmin Bao ^{(2) (4)}	11/15	n/a	n/a	n/a	n/a	n/a
Zhiwei Chen	16/17	n/a	n/a	n/a	n/a	n/a
Yingbin Ian He	17/17	9/9	4/4	5/5	2/2	6/6
Ka Lee Ku ⁽³⁾	4/4	n/a	n/a	n/a	n/a	n/a
Ben Niu ⁽⁴⁾	16/16	n/a	n/a	n/a	n/a	6/6
Jin Lan Quan	17/17	9/9	4/4	5/5	n/a	n/a
Mao Sun	17/17	9/9	4/4	5/5	n/a	n/a
Overall Attendance Rate	94%	100%	100%	100%	100%	100%

Notes:

- ⁽¹⁾ Mr. Dalanguerban was appointed to the Board of Directors on March 31, 2020. There were 14 meetings of the Board of Directors following his appointment.
- ⁽²⁾ Mr. Jianmin Bao was appointed to the Board of Directors on March 18, 2020. There were 15 meetings of the Board of Directors following his appointment.
- ⁽³⁾ Ms. Ka Lee Ku was appointed to the Board of Directors on December 9, 2020. There were four (4) meetings of the Board of Directors following her appointment.
- ⁽⁴⁾ One (1) meeting of the Board of Directors was held without the participation of the CIC nominee directors.

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

During 2020, there were 17 Board meetings, nine (9) meetings of the Audit Committee, six (6) meetings of the Operations Committee, five (5) meetings of the Compensation Committee, four (4) meetings of the Nominating and Governance Committee, and two (2) meetings of the HESS Committee.

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

Chair of the Board

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

Directorship

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

Interlocking Directorships

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

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

Position Descriptions

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

Orientation and Continuing Education

The Company takes steps to ensure that prospective Directors fully understand the role of the Board and its Committees and the contribution individual Directors are expected to make, including, in particular, the commitment of time and energy that the Company expects. New Directors are provided with a director orientation as well as a comprehensive information package, including pertinent corporate documents and a Director's manual containing information on the duties, responsibilities and liabilities of Directors. New Directors are also briefed by management as to the status of the Company's business and are encouraged to visit the Company's properties.

All Directors have received a briefing on the duties, responsibilities and liabilities of Directors, including the statutory duty of Directors to act honestly and in good faith with a view to the best interests of the Company when exercising the powers and performing the functions of Directors. In particular, the briefing focuses on the Directors' obligations to provide objective oversight of the Company on behalf of all shareholders notwithstanding other prior or current relationships. In the event the Board must consider a matter which involves a potential or actual conflict, such matter will be referred to the independent Directors for consideration to ensure that a proper process is followed and the matter is subject to independent scrutiny.

Management and outside advisors provide information and education sessions to the Board and its Committees on a continuing basis as necessary to keep the Directors up-to-date with the Company, its business and the environment in which it operates as well as with developments in the responsibilities of Directors. Presentations are made to the Directors from time to time to educate and keep them informed of changes within the Company and of regulatory and industry requirements and standards.

As a means of facilitating continuing education opportunities for Directors, all Directors are members of the Canadian Institute of Corporate Directors and have the opportunity to attend courses relevant to the Company and its business, particularly with respect to corporate governance and the mining industry, at the Company's expense.

Ethical Business Conduct

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

In 2012, the Company adopted and implemented a revised Code of Business Conduct and Ethics (the "Ethics Policy") called "The Way We Work". The Ethics Policy is applicable to all employees, consultants, officers and Directors regardless of their position in the organization, at all times and everywhere the Company does business.

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

EthicsPoint is the Company's whistleblowing service which is administered by an independent third party provider. EthicsPoint provides an avenue for the Company's personnel to raise concerns confidentially and anonymously and it is available for use should someone suspect or is aware of any illegal, unsafe or inappropriate activity at work. Information regarding EthicsPoint is available on the Company's website at www.southgobi.com.

The Ethics Policy and the Code of Conduct Standards provide that the Company's employees, consultants, officers and Directors will uphold its commitment to a culture of honesty, integrity and accountability and that the Company requires the highest standards of professional and ethical conduct from its employees, consultants, officers and Directors. A copy of the Ethics Policy entitled "The Way We Work" and the various policies forming the Code of Conduct Standards are available on the Company's website at www.southgobi.com and may be obtained, without charge, by request to SouthGobi Resources Ltd. at its registered and records office in Canada, 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, to the attention of the Corporate Secretary, or by phone to 604-762-6783.

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

Board Diversity Policy

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

All Board appointments will continue to be based on merit, having due regard to the overall effectiveness of the Board and diversity will be one of the criteria considered in determining the optimum composition of the Board. A copy of the Board Diversity Policy is available on the Company's website at www.southgobi.com and may be obtained, without charge, by request to SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, to the attention of the Corporate Secretary, or by phone to 604-762-6783.

Representation of Women on the Board and in Executive Officer Positions

The Company supports the principle of diversity in its leadership, of which gender is an important aspect, but has not formally adopted a policy or targets regarding the representation of women on the Board of Directors or in its senior management, as it does not believe that quotas or strict rules necessarily result in the identification or selection of the best candidates. Instead, the identification and selection process takes into consideration a variety of factors, including differences of viewpoint, professional experience, education, skill, and other individual qualities and attributes, including race, gender and national origin, as well as the requirements of the Board of Directors and senior executive management at the time.

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

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

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

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

The senior management of the Company currently consists of four (4) men and one (1) woman. Ms. Snetsinger represents 20% of the total number of senior executives.

Shareholder Communication Policy

The Company has a Shareholder Communication Policy, that sets out the general policy and measures adopted by the Company in respect of its communication with Shareholders, both individual and institutional, and, when appropriate, potential investors and analysts who report on and analyze the Company's performance (collectively, the "**investment community**"), with the objective that all of them will be provided with complete, equal, and timely information about the Company (including its financial performance, strategic goals and plans, material business developments, corporate governance, risk profile and other material information) in order to enable shareholders to make an informed decision with respect to their shares and other securities of the Company and to allow the investment community to engage in constructive dialogue with the Company.

A copy of the Shareholder Communication Policy is available on the Company's website at www.southgobi.com and may be obtained, without charge, by request to SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, to the attention of the Corporate Secretary, or by phone to 604-762-6783.

Nomination of Directors

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

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

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

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

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

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

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

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

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

A copy of the Nominating and Governance Committee's Charter may be obtained upon request to: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, to the attention of the Corporate Secretary, or by phone to 604-762-6783, or on the Company's website at www.southgobi.com.

Director Term Limits and Other Mechanisms of Board Renewal

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

Assessments

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

The Nominating and Governance Committee has, on an annual basis, reviewed and approved a performance evaluation questionnaire forwarded to all of the members of the Board. This questionnaire covers a wide range of issues providing for quantitative ratings and subjective comments and recommendations in each area. In 2020, all Directors assessed the performance of the Board as a whole and its Committees. These evaluations showed that the Board, its Committees, the Committee Chairs, the Lead Director and individual Directors were fulfilling their responsibilities.

Mandate of the Board

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

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

The Board's mandate requires that it be satisfied that the Company's senior management will manage the affairs of the Company in the best interest of the shareholders, in accordance with

the Company's principles, and that the arrangements made for the management of the Company's business and affairs are consistent with their duties described above. The Board is responsible for protecting shareholder interests and ensuring that the incentives of the shareholders and of management are aligned. The obligations of the Board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the Board may have to assume a more direct role in managing the affairs of the Company.

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

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

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

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

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

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

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

A copy of the Board Mandate may be obtained upon request to: SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, to the attention of the

Corporate Secretary, or by phone to 604-762-6783, or on the Company's website at www.southgobi.com.

Meetings of the Board

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

Not all meetings of INEDs are regularly scheduled but communication among this group occurs on an ongoing basis as needs arise between regularly scheduled meetings of the Board. Two (2) scheduled meetings of the INEDs took place during the fiscal year that commenced on January 1, 2020. The Board believes that adequate structures and processes are in place to facilitate the functioning of the Board with a level of independence from the Company's management.

The Board Mandate, including a list of specific responsibilities, is available on the Company's website at www.southgobi.com.

AUDIT COMMITTEE

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

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

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

NOMINATING AND GOVERNANCE COMMITTEE

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

COMPENSATION AND BENEFITS COMMITTEE

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

To encourage an objective nomination process, the Board has appointed all of the independent Board members to the Compensation Committee. If management's nominees set forth herein are

elected or re-elected, as applicable at the Meeting, it is expected that the Compensation Committee will be composed solely of independent Directors.

The members of the Compensation Committee have diverse professional backgrounds, with prior experience in executive compensation. Mr. He is a mining professional with over 30 years' of Board and senior executive experience in the mining industry. Mr. Sun is a founding partner of a private accounting firm and Ms. Quan is a former partner of an international accounting firm in Sydney, Australia. Given that the Compensation Committee is composed entirely of independent Directors; this encourages an objective process for determining compensation.

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

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

A copy of the Compensation Committee's Charter may be obtained upon request from the Company by mail addressed to SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, to the attention of the Corporate Secretary, or by phone to 604-762-6783, or on the Company's website at www.southgobi.com.

OTHER BOARD COMMITTEES

HEALTH, ENVIRONMENT, SAFETY AND SOCIAL RESPONSIBILITY COMMITTEE

The Company's HESS Committee consists of three (3) members, including two (2) Directors and one (1) member of senior management, namely Messrs. Dalanguerban, He and Munkhbat Chuluun, the Company's Vice President of Public Relations, and President and Executive Director of SGS. Mr. Dalanguerban joined the HESS Committee on March 31, 2020 and was appointed Chair at that time. Mr. Shougao Wang ceased to be the Chair and HESS Committee member on March 31, 2020. Mr. Chuluun joined the HESS Committee on February 10, 2021 following the resignation of Mr. Aiming Guo, the Company's former Chief Operating Officer.

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

A copy of the HESS Committee's Charter may be obtained upon request from the Company by mail addressed to SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, to the attention of the Corporate Secretary, or by phone to 604-762-6783, or on the Company's website at www.southgobi.com.

OPERATIONS COMMITTEE

The Board approved the formation of the Operations Committee on July 14, 2020. The Operations Committee is composed of three (3) Directors namely, Messrs. Dalanguerban, He and Niu. Mr. He is the Chair of the Operations Committee.

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

A copy of the Operations Committee's Charter may be obtained upon request from the Company by mail addressed to SouthGobi Resources Ltd., 20th floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, to the attention of the Corporate Secretary, or by phone to 604-762-6783, or on the Company's website at www.southgobi.com.

Ad Hoc/Special Committees

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

ADDITIONAL INFORMATION

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

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

DIRECTORS' APPROVAL

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

DATED at Vancouver, British Columbia, this 17th day of May 2021.

BY ORDER OF THE BOARD OF DIRECTORS

"Allison Snetsinger"

Allison Snetsinger
Corporate Secretary

Schedule "A"

SOUTHGOBI RESOURCES LTD EMPLOYEES' AND DIRECTORS' EQUITY INCENTIVE PLAN

Amended and restated: [●], 2021

Approved: June [●], 2021

PART 1 INTRODUCTION

1.1 Purpose

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

1.2 Definitions

- (a) "**Affiliate**" has the meaning set forth in Section 1(2) of the *Securities Act* (Ontario), as amended.
- (b) "**Associate**" has the meaning assigned to it in the *Securities Act* (Ontario), as amended.
- (c) "**Board**" means the board of directors of the Company, provided that to the extent that the Board delegates some or all of its administrative functions under the Plan to the Committee pursuant to Section 6.1, references in the Plan to the "Board" will be deemed to also refer to the Committee in the context of the administrative functions it performs.
- (d) "**Blackout Period**" means a period of time during which the trading of Shares or other securities of the Company is restricted under the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy, or under any other policy of the Company then in effect.
- (e) "**Change of Control**" means the occurrence of any of the following, in one transaction or a series of related transactions: (i) any person acquires beneficial ownership within the meaning of the *Securities Act* (Ontario), as amended, directly or indirectly, of securities of the Company representing more than 50% of the voting power of the Company's then outstanding Shares for the election of directors; (ii) a consolidation, securities exchange, reorganization, arrangement or amalgamation of the Company resulting in the shareholders of the Company immediately prior to such event not owning at least a majority of the voting power of the resulting entity's securities outstanding immediately following such event; (iii) the sale or other disposition of all or substantially all the assets of the Company (other than a transfer of financial assets made in the ordinary course of business for the purpose of securitization or other ordinary course activities); (iv) a liquidation or dissolution of the Company; or (v) any similar event deemed by the Board to constitute a Change of Control for purposes of the Plan. Notwithstanding the foregoing provisions, a transaction or a series of related transactions will not constitute a Change of Control if such transaction(s) result(s) in the Company, or any successor to the Company's

business, being controlled, directly or indirectly, by the same person or persons who controlled the Company, directly or indirectly, immediately before such transaction(s).

- (f) "**Company**" means SouthGobi Resources Ltd., a company continued under the laws of British Columbia.
- (g) "**Committee**" has the meaning assigned to it in Section 6.1.
- (h) "**Date of Grant**" means, in respect of an Option, (i) a date not earlier than the date that the grant of the Option was approved by the Committee for recommendation to the Board, provided that the Board approves such grant; or (ii) if the Option grant was not the subject of a Committee recommendation, a date not earlier than the date such grant was approved by the Board.
- (i) "**Eligible Director**" means a director of the Company or a director of an Affiliate.
- (j) "**Eligible Employee**" means an employee or Service Provider of the Company or an employee or Service Provider of an Affiliate.
- (k) "**Exchange**" means TSX or, as the context requires, any other stock exchange or securities market on which the Shares are then listed or admitted to trading.
- (l) "**Fair Market Value**" means, with respect to a Share, the volume weighted average price of a Share on HKEX for the five days on which Shares were traded immediately preceding the date in respect of which Fair Market Value is to be determined or, if the Shares are not, as at that date, listed on HKEX, on such other Exchange on which the Shares are listed on that date. If the Shares are not listed and posted for trading on an Exchange on such day, the Fair Market Value will be such price per Share as the Board, acting in good faith, may determine.
- (m) "**HKEX**" means The Stock Exchange of Hong Kong Limited.
- (n) "**Insider**" means a person, and an Associate or Affiliate of a person, who meets the definition of "insider" in the *Securities Act* (Ontario), as amended.
- (o) "**Option**" means an incentive stock option granted under the terms of the Share Option Plan.
- (p) "**Option Period**" means, in respect of an Option, the period commencing on the Date of Grant and ending on the date that the Option is fully exercised, expires or is otherwise terminated.
- (q) "**Optionee**" means an Eligible Employee or Eligible Director to whom an outstanding Option has been granted under the terms of the Share Option Plan.
- (r) "**Participant**" means, in respect of any Plan, an Eligible Employee or Eligible Director who is designated by the Board to participate, and participates, in such Plan.
- (s) "**Plan**" means, collectively the Share Option Plan, the Share Bonus Plan and the Share Purchase Plan and "Plan" means any such plan as the context requires.

- (t) **"Service Provider"** means any person or company engaged by the Company or an Affiliate to provide services for an initial, renewable or extended period of 12 months or more.
- (u) **"Share Bonus Plan"** means the plan established and operated pursuant to Part 3 and Part 5 hereof.
- (v) **"Share Option Plan"** means the plan established and operated pursuant to Part 2 and Part 5 hereof.
- (w) **"Share Purchase Plan"** means the plan established and operated pursuant to Part 4 and Part 5 hereof.
- (x) **"Share"** means a common share without par value in the capital of the Company.
- (y) **"TSX"** means The Toronto Stock Exchange.

PART 2 SHARE OPTION PLAN

2.1 Participation

Options will be granted only to Eligible Employees and Eligible Directors.

2.2 Price

The exercise price per Share of any Option will be not less than one hundred per cent (100%) of the Fair Market Value on the Date of Grant.

2.3 Grant of Options

The Board may at any time authorize the granting of Options to such Eligible Employees and Eligible Directors as it may select for the number of Shares that it will designate, subject to the provisions of the Share Option Plan. When the grant is authorized, the Board will specify the Date of Grant.

Each Option granted to an Eligible Employee or Eligible Director will be evidenced by a stock option agreement incorporating by reference the terms and conditions of the Share Option Plan and as approved by the Board (which terms and conditions need not be the same in each case and may be changed from time to time, subject to Section 5.7 of the Plan, and the approval of any material changes by TSX).

2.4 Option Period

The Option Period will be five years from the Date of Grant or, subject to subsection 5.71.1(c), such longer or shorter duration as the Board may determine as of the Date of Grant, and may thereafter be reduced as contemplated in Section 2.10 hereof; provided that if at any time the Option Period would otherwise end during a Blackout Period or within ten business days following the expiry of a Blackout Period, the Option Period will be deemed to end on the tenth business day following the expiry of the Blackout Period.

2.5 Vesting

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

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

The Board may, at any time, accelerate the vesting of any unvested Options.

2.6 Exercise of Options

Except as set forth in Section 2.10, no Option may be exercised unless the Optionee is at the time of such exercise:

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

2.7 Conditions of Exercise

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

2.8 Cashless Exercise

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

- (a) subtracting the Option exercise price per Share from the Fair Market Value per Share as of the date immediately preceding the date that the Optionee elected to effect a cashless exercise and multiplying the remainder by the number of Shares underlying the terminated Option; and
- (b) dividing the product obtained under subsection 2.8(a) by the Fair Market Value per Share as of the date immediately preceding the date that the Optionee elected to effect a cashless exercise.

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

2.9 Lapsed Options

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

2.10 Effect of Termination of Employment or Death

If an Optionee:

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

2.11 Exchange upon Change of Control

Notwithstanding anything to the contrary set forth in the Plan, upon or in anticipation of any Change of Control of the Company, the Board may, in its sole and absolute discretion and without the need for the consent of any Optionee, cancel any Option in exchange for a substitute award (a "**Substitute Award**") with respect to the successor entity or its Affiliate contingent upon the occurrence of that Change of Control. Substitute Awards will have no less economic value, no more stringent performance conditions, and similar vesting schedules as the Options they replace. Notwithstanding the foregoing, any vested Options will continue to be exercisable until the occurrence of the Change of Control.

2.12 Effect of Takeover Bid

With respect to any Change of Control transaction that constitutes a takeover bid, as defined in the *Securities Act* (Ontario), as amended, the Board will cause all unvested Options to become vested and exercisable solely for the conditional purpose of enabling an Optionee to exercise the Options and tender the underlying Shares to the Change of Control transaction, provided that, if the Optionee fails to exercise any Options for which vesting is accelerated pursuant to this Section 2.12 prior to the occurrence of the Change of Control, such Options will, subject to Section 2.11, revert to their previously unvested status upon the occurrence of the Change of Control.

2.13 Adjustments

In the event of any recapitalization, reorganization, split or combination, distribution or other similar event or transaction, substitutions or adjustments will be made by the Board in its discretion:

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

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

2.14 Loans to Employees

Subject to applicable law, the Board may at any time authorize the Company to loan money to an Eligible Employee (which for purposes of this Section 2.14 excludes any director or executive officer (or equivalent thereof) of the Company), on such terms and conditions as the Board may reasonably determine, to assist such Eligible Employee to exercise an Option held by him or her. Such terms and conditions will include, in any event, interest at prevailing market rates, a term not in excess of one year, and security in favour of the Company represented by that number of Shares issued pursuant to the exercise of an Option in respect of which such loan was made or equivalent security which equals the loaned amount divided by the Fair Market Value of the Shares on the date of exercise of the Option, which security may be granted on a non-recourse basis.

PART 3 SHARE BONUS PLAN

3.1 Participants

The Board will have the right, subject to Section 3.2, to issue or reserve for issuance, for no cash consideration, to any Eligible Employee or any Eligible Director any number of Shares as a discretionary bonus subject to such provisos and restrictions as the Board may determine.

3.2 Number of Shares

The aggregate maximum number of shares that may be issued pursuant to Section 3.1 will be limited to 2,000,000 Shares. Shares reserved for issuance and issued under the Share Bonus Plan will also be subject to the limitations set out in Section 5.1.

The Board in its absolute discretion, will have the right to reallocate any of the Shares reserved for issuance under the Share Bonus Plan for future issuance under the Share Option Plan or the Share Purchase Plan and, in the event that any Shares specifically reserved under the Share Bonus Plan are reallocated to the Share Option Plan or the Share Purchase Plan, as the case may be, the aggregate maximum number of Shares reserved under the Share Bonus Plan will be reduced to that extent. In no event will the number of Shares allocated for issuance under the Share Bonus Plan exceed 2,000,000 Shares.

3.3 Necessary Approvals

The obligation of the Company to issue and deliver any Shares pursuant to an award made under the Share Bonus Plan will be subject to all necessary approvals of the Exchange or any securities regulatory authority having jurisdiction over the Shares.

PART 4 SHARE PURCHASE PLAN

4.1 Participants

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

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

Any Participant may elect to contribute money (the "**Participant's Contribution**") to the Share Purchase Plan in any calendar year if the Participant delivers to the Company a written direction in form and substance satisfactory to the Company authorizing the Company to deduct from the Participant's salary, in equal instalments, and hold in trust the Participant's Contribution pending the issuance of Shares to the Participant pursuant to Section 4.5. Such direction will remain effective until revoked in writing by the Participant or until the Board terminates or suspends the Share Purchase Plan, whichever occurs earlier.

4.3 Maximum Participant's Contribution

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

4.4 Company's Contribution

Immediately prior to the date any Shares are issued to a Participant in accordance with Section 4.5, the Company will credit the Participant with, and thereafter hold in trust for the Participant, an amount determined by the Board (the "**Company's Contribution**") not to exceed the Participant's Contribution then held in trust by the Company.

4.5 Issue of Shares

On March 31, June 30, September 30 and December 31 in each calendar year the Company will issue to each Participant a number of fully paid and non-assessable Shares, disregarding fractions, which is equal to the aggregate amount of the Participant's Contribution and the Company's Contribution divided by the Issue Price. For the purposes of this Section 4.5, "Issue Price" means the weighted average price of the Shares on HKEX for the 90-day period immediately preceding the date of issuance or, if the Shares are not, as at that date, listed on HKEX, on such other Exchange on which the Shares are listed on that date. If the Shares are not traded on an Exchange on the date of issuance, the Issue Price will be such price per Share as the Board, acting in good faith, may determine. The Company will hold any unused balance of the Participant's Contribution for a Share Purchase Plan Participant until used to purchase Shares in accordance with the Share Purchase Plan.

4.6 Number of Shares

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

4.7 Hold Period

Shares issued to a Participant pursuant to Section 4.5 shall be subject to a hold period for a duration of 90 days from the date of issuance of such shares (the "**Hold Period**"). During the Hold Period, each Participant's right to transfer, sell, exchange, pledge, assign or otherwise dispose of such Shares shall be restricted. The share certificate delivered in respect of the Shares issued to a Participant pursuant to Section 4.5 shall bear a restrictive legend stating that such Shares will not be transferable during the Hold Period, or if such Shares are held in book-entry form, the Company will provide instructions to its transfer agent that such Shares will not be transferable during the Hold Period.

4.8 Delivery of Shares

As soon as reasonably practicable following each issuance of Shares to a Participant pursuant to Section 4.5, the Company will cause to be delivered to the Participant a certificate or, if the Shares are uncertificated, other evidence of ownership in respect of such Shares provided that, if required by applicable law or the rules and policies of an Exchange, a restrictive legend will be inscribed on the certificate, or if the Shares are uncertificated, the Company will give the Participant a written notice, stating that the Shares will not be transferable for such period as may be prescribed by law or by any regulatory authority or stock exchange on which the Shares are listed.

4.9 Effect of Termination of Employment or Death

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

4.10 Effect of Takeover Bid

If a Change of Control transaction that constitutes a takeover bid, as defined in the *Securities Act* (Ontario), as amended, to which a Participant wishes to tender unissued Shares that are

scheduled to be issued under Section 4.5 after the takeover bid expires, the Board will, upon the written request of the Participant given at least fifteen (15) days before the takeover bid expires, accelerate the issuance of all unissued Shares that the Participant would, as of the date of the written request, be entitled to receive under Section 4.5 in order to permit the Participant to tender the Shares to the takeover bid.

4.11 Effect of Change of Control

With respect to any Change of Control transaction in which all or substantially all of the Shares are exchanged for money, property or securities other than Shares, each Participant to whom Shares are to be issued will receive, on the date on which any Shares would otherwise have been delivered to the Participant in accordance with Section 4.5, the money, property or securities to which the Participant would have been entitled in respect of such Change of Control transaction had the Shares been issued immediately prior to the effective date of such Change of Control transaction.

PART 5 GENERAL

5.1 Number of Shares

The aggregate number of Shares that may be reserved for issuance under the Plan (together with any other security based compensation arrangements of the Company in effect from time to time) will not exceed ten per cent (10%) of the Company's outstanding issue from time to time. This prescribed maximum may be subsequently increased to any other specified amount, provided the increase is authorized by a vote of the shareholders of the Company. In addition, the aggregate number of Shares reserved for issuance under the Plan:

- (a) that may be reserved for issuance to Insiders under the Plan (or when combined with all of the Company's other security based compensation arrangements) will not exceed ten per cent (10%) of the Company's outstanding issue from time to time;
- (b) that may be issued to Insiders under the Plan (or when combined with all of the Company's other security based compensation arrangements) within any one-year period will not exceed ten per cent (10%) of the Company's outstanding issue from time to time; and
- (c) that may be issued to any one Insider and his or her Associates under the Plan within any one-year period will not exceed five per cent (5%) of the Company's outstanding issue from time to time.

In no event will the number of Shares at any time reserved for issuance to any Participant exceed five per cent (5%) of the Company's outstanding issue from time to time.

For the purposes of this Section 5.1, "outstanding issue" means the total number of Shares, on a non-diluted basis, that are issued and outstanding immediately prior to the date that any Shares are issued or reserved for issuance pursuant to an award under the Plan.

For greater certainty, as this Plan is a rolling plan, the reloading of Options is permitted under the Plan and Options that are exercised, surrendered, terminated or expire without being exercised no longer represent Shares reserved for issuance under this Plan and do not decrease the number of Shares issuable under this Section 5.1 as determined from time to time, subject to the provisions in Section 2.9.

5.2 Transferability

Any benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan will not be transferable unless specifically provided herein. During the lifetime of a Participant all benefits, rights and options may only be exercised by the Participant. Options are non-transferable except by will or by the laws of descent and distribution.

5.3 Employment

Nothing contained in any Plan will confer upon any Participant any right with respect to employment or continuance of employment with the Company or any, Affiliate, or interfere in any way with the right of the Company or any Affiliate to terminate the Participant's employment at any time. Participation in any Plan by a Participant is voluntary.

5.4 Record Keeping

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

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

5.5 Necessary Approvals

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

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

5.6 Income Taxes

With respect to any Option or other award under the Plan, the Participant will pay to the Company, or make arrangements satisfactory to the Board regarding the payment of, taxes of any kind required by law to be withheld with respect to any amount required to be included in the gross income of the Participant under applicable law. The obligations of the Company under the Plan will be conditioned on such payment or arrangements and the Company will have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. Specifically:

- (a) in taking any action under the Plan, or in relation to any rights or benefits hereunder, the Company and each Participant will comply with all provisions and requirements of any income tax legislation or regulations of any jurisdiction which may be applicable to the Company or Participant, as the case may be;
- (b) the Company may withhold, or cause to be withheld, and deduct, or cause to be deducted, any amount the Company is required by applicable law to withhold or deduct on account of income taxes or other deductions required by any Canadian or foreign, federal, provincial, territorial, state or local taxing authorities or other amounts required by law to be withheld in relation to the grant or exercise or surrender of any Option or any payment or benefit under the Plan;
- (c) the Company will have the right to require, in connection with exercise or surrender of any Option, payment by the Participant of any amount the Company is required to withhold or deduct as contemplated in subsection 5.6(b) in order to satisfy all tax obligations, including withholding obligations, in connection with such exercise and any payment or benefit under the Plan in respect thereof;
- (d) the Company will have the right to sell, or arrange for the sale, in the market or as the Company may determine, on behalf of any Participant, such portion of any Shares issuable to the Participant under the Plan as the Company may determine, in order to realize net cash proceeds sufficient to permit the Company to pay any amount the Company is required to withhold or deduct as contemplated in subsection 5.6(b) (the "**Tax Withholding Amount**") and will have the right to withhold, or cause to be withheld, or deduct, or cause to be deducted from such proceeds any or all of such Tax Withholding Amount. Unless the Board otherwise determines, the Participant will be responsible for paying all transaction costs, including brokerage commissions or similar fees (collectively, the "**Transaction Costs**"), in connection with such sales and the Company may authorize any investment bank or other person selling Shares on behalf of the Participant to sell Shares on behalf of the Participant in order to realize sufficient proceeds to pay such Transaction Costs and such investment bank or other person will be entitled to sell such Shares on behalf of the Participant and deduct from the proceeds of such sale such Transaction Costs. If any investment bank or other person sells any Shares on behalf of a Participant as contemplated in this subsection 5.6(d), any net amount after deduction of the Tax Withholding Amount and Transaction Costs will be paid to the Participant;
- (e) the Company may take such other action as the Board may consider advisable to enable the Company and any Participant to satisfy obligations for the payment of withholding or other tax obligations in connection with the grant or exercise or surrender of any Option, any payment required under the Plan or which may otherwise be required by any applicable laws in respect of the Plan or any benefit or amount under the Plan;
- (f) each Participant (or the Participant's legal representatives) will bear and be responsible for any and all income or other tax imposed in respect of the grant and exercise or surrender of any Option under the Plan and in respect of any amount payable to or benefit received or deemed to be received by such Participant (or legal representative) under the Plan. Each Participant will be responsible for reporting and paying all income and other taxes applicable to or payable in respect of any Option granted to the Participant, any exercise or surrender of such Option, any payment required under the Plan and any transactions involving Shares which may be issued on exercise of any Option or pursuant to another award under the Plan, and any dividends or distributions in respect thereof, or proceeds from any sale or disposition thereof, including, without limitation, any taxes

payable in respect of any sale or disposition of Shares made by or on behalf of the Participant (including as contemplated in subsection 5.6(d)); and

- (g) if the Company does not withhold any amount or require payment of an amount by a Participant (or legal representative), sufficient to satisfy all income tax obligations referred to in subsection 5.6(b), the Participant (or legal representative) will forthwith make reimbursement, on demand, in cash, of any amount paid by the Company in satisfaction of any such obligation.

5.7 Amendments to Plan

The Board will have the power to, at any time and from time to time, either prospectively or retrospectively, amend, suspend or terminate the Plan or any Option or other award granted under the Plan without shareholder approval, including, without limiting the generality of the foregoing, changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Plan, changes to the exercise price, vesting, term and termination provisions of Options, changes to the cashless exercise right provisions, changes to the share bonus plan provisions (other than the maximum number of Shares issuable under the Bonus Plan in Section 3.2 of the Plan), changes to the authority and role of the Committee under the Plan, changes to the acceleration and vesting of Options, and any other matter relating to the Plan and the Options and awards granted thereunder, provided that:

- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of each Exchange;
- (b) no amendment to the Plan or to an Option granted hereunder will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an Option which is outstanding at the time of such amendment without the written consent of the Optionee;
- (c) the expiry date of an Option Period in respect of an Option will not be more than ten years from the date of grant of an Option except as expressly provided in Section 2.4;
- (d) the Board will obtain shareholder approval of:
 - (i) any amendment to the aggregate maximum number of Shares specified in Section 3.2 (Share Bonus Plan);
 - (ii) any amendment to the aggregate percentage of Shares specified in Section 5.1;
 - (iii) any amendment to the limitations on Shares that may be reserved for issuance, or issued, to Insiders under subsections 5.1(a), (b) and (c); or
 - (iv) any amendment that would reduce the exercise price of an outstanding Option other than pursuant to section 2.13;
 - (v) any amendment that would extend the expiry date of the Option Period in respect of any Option granted under the Plan except as expressly contemplated in subsection 2.4; and
 - (vi) any amendment to the amending provision set out in this Section 5.7 (Amendments to Plan).

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

5.8 No Representation or Warranty

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

5.9 Compliance with Applicable Law

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Company or the Plan then such provision will be deemed to be amended to the extent required to bring such provision into compliance therewith.

PART 6 ADMINISTRATION OF THE PLAN

6.1 Administration by the Committee

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

6.2 Board Role

- (a) The Board, on the recommendation of the Committee, will determine and designate from time to time the individuals to whom awards will be made, the amounts of the awards and the other terms and conditions of the awards.
- (b) The Board may delegate any of its responsibilities or powers under the Plan to the Committee, provided that the grant of all Shares, Options or other awards under the Plan

will be subject to the approval of the Board. No Option will be exercisable in whole or in part unless and until such approval is obtained.

- (c) In the event the Committee is unable or unwilling to act in respect of a matter involving the Plan, the Board will fulfill the role of the Committee provided for herein.