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**SouthGobi**  
RESOURCES

**SOUTHGobi RESOURCES LTD.**

**南戈壁資源有限公司\***

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

*(Hong Kong Stock Code: 1878)*

*(TSX Venture Exchange Stock Symbol: SGQ)*

## **OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made by SouthGobi Resources Ltd. (the “**Company**”) pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The following document of the Company was published on the website of the SEDAR filing system in Canada ([www.sedarplus.ca](http://www.sedarplus.ca)). It is enclosed hereto as overseas regulatory announcement.

For and on behalf of

**SouthGobi Resources Ltd.**

Allison Snetsinger

*Corporate Secretary*

Hong Kong, April 10, 2026

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

*\* For identification purposes only*

**SOUTHGOBI RESOURCES LTD.**

**Annual Information Form**

For the year ended  
December 31, 2025

Dated: March 27, 2026

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## DEFINITIONS AND OTHER INFORMATION

### Currency and Exchange Rates

In this Annual Information Form, all funds are quoted in United States dollars unless otherwise indicated. References to “\$” and “US\$” are to United States dollars, references to “Cdn\$” are to Canadian dollars, references to “HK\$” are to Hong Kong dollars and references to “MNT” are to the Mongolian Tugrik.

The following table reflects the closing, high, low and average rates of exchange for the purchase of one United States dollar using Canadian dollars for the indicated periods below, based upon the buying rates published by the Bank of Canada:

*(Stated in Canadian dollars)*

	Year Ended December 31		
	2025	2024	2023
End of period	1.3706	1.4389	1.3226
High for the period	1.4603	1.4416	1.3875
Low for the period	1.3558	1.3316	1.3128
Average for the period	1.3978	1.3698	1.3497

The Bank of Canada noon buying rate as of March 26, 2026 for the purchase of one United States dollar using Canadian dollars was Cdn\$1.3844 (one Canadian dollar on the same date equalled US\$0.7223).

The following table reflects the closing, high, low and average rates of exchange for the purchase of one Hong Kong dollar using Canadian dollars for the indicated periods below, based upon the buying rates published by the Bank of Canada:

*(Stated in Canadian dollars)*

	Year Ended December 31		
	2025	2024	2023
End of period	0.1761	0.1853	0.1693
High for the period	0.1874	0.1857	0.1773
Low for the period	0.1727	0.1704	0.1678
Average for the period	0.1793	0.1755	0.1724

The Bank of Canada noon buying rate as of March 26, 2026 for the purchase of one Hong Kong dollar using Canadian dollars was Cdn\$0.1769 (one Canadian dollar on the same date equalled HK\$5.6524).

## Defined Terms and Abbreviations

In this Annual Information Circular, unless the subject matter or context is inconsistent therewith, the following terms shall have the meanings set forth below:

“**2006 Minerals Law**” means the Minerals Law of Mongolia, enacted on July 8, 2006, and effective from August 26, 2006, as the same may be amended or supplemented from time to time.

“**2012 Technical Report**” means the preliminary feasibility study and technical report on the Ovoot Tolgoi Deposit dated March 19, 2012, prepared by RungePincockMinarco.

“**2016 Technical Report**” means the technical report on the Ovoot Tolgoi Deposit dated May 6, 2016, prepared by RungePincockMinarco.

“**Addendum**” means the March 2007 addendum to the EIA for the Ovoot Tolgoi Deposit.

“**Annual Information Form**” means this annual information form dated March 27, 2026 in respect of the financial year ended December 31, 2025.

“**Articles**” means the Articles of Continuation of the Company dated May 29, 2007, and amended April 17, 2023.

“**Audit Committee**” means a committee of the Board formed for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

“**BAW**” means BAW Mineral Partners Limited.

“**BDO**” means BDO Limited, the Company’s external auditors.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as the same may be amended or supplemented from time to time.

“**Biluut**” means the area delineated and identified as the Biluut coal field in the Soumber Project.

“**Board**” means the board of directors of the Company.

“**Canadian Securities Administrators**” means the securities regulators of each province and territory of Canada.

“**Ceke**” means the PRC coal distribution terminal at the Shivee Khuren Border Crossing.

“**Central Soumber**” means the area delineated and identified as the Central Soumber coal field in the Soumber Project.

“**CIC**” means China Investment Corporation, together with its wholly owned subsidiaries and affiliates.

“**Class Action**” means the class action lawsuit in Canada filed against the Company, certain of its former senior officers and directors, and the Company’s former auditor relating to the Restatement.

“**Common Shares**” means common shares without par value in the capital of the Company.

“**Company**” or “**SouthGobi**” means SouthGobi Resources Ltd. and includes, as the context requires, one or more of its subsidiaries.

“**Compensation and Benefits Committee**” means a committee of the Board formed to discharge the Board’s responsibilities relating to compensation and benefits of directors and executive officers of the Company.

“**Convertible Debenture**” means the convertible debenture issued by the Company to CIC on October 26, 2009, which was assigned by CIC to CIC Subco on November 19, 2009, and which was further assigned by CIC Subco to JDZF on August 30, 2022.

“**DMCL**” means Dragon Mining Consulting Limited.

“**East Soumber**” means the area delineated and identified as the East Soumber coal field in the Soumber Project.

“**EIA**” means Environmental Impact Assessment.

“**Ejin Jinda**” means Ejinaqi Jinda Coal Industry Co. Ltd.

“**EMP**” means Environmental Management Plan.

“**EPP**” means Environmental Protection Plan.

“**FIL**” means Foreign Investment Law of Mongolia.

“**Government of Mongolia**” or “**Mongolian Government**” means the executive branch of the government of Mongolia, whether state, regional or local, and any agency, authority, branch, department, regulatory body or other entity exercising executive, taxing, regulatory or administrative powers of or pertaining to the government of Mongolia, and all officials, agents and representatives of each of the foregoing.

“**HKEX**” means The Stock Exchange of Hong Kong Limited.

“**Land Grand**” means Land Grand International Holding Limited.

“**ISO**” means the International Organization for Standardization.

“**IVN**” means Ivanhoe Mines Limited.

“**JDZF**” means JD Zhixing Fund LP.

“**JEMR**” means JEMR LLC.

“**Jargalant**” means the area delineated and identified as the Jargalant coal field in the Soumber Project.

“**Land Law of Mongolia**” means Law on Land of Mongolia enacted on June 7, 2002, as the same may be amended or supplemented from time to time.

“**LOM**” means life of mine.

“**MAK**” means Mongolyn Alt MAK LLC.

“**MAK-Qinghua**” means the joint venture between MAK and Qinghua.

“**McElroy Bryan**” means McElroy Bryan Geological Services.

“**MEL**” means a Mongolian mineral exploration licence.

“**Mineral Deposit of Strategic Importance**” means, under the 2006 Minerals Law, a deposit that may have the potential to impact national security, or the economic and social development of Mongolia at the national and regional levels, or that is generating, or has the potential to generate, more than 5% of Mongolia’s gross domestic product in any given year.

“**Mining Prohibition in Specified Areas Law**” means the Law on Prohibition against Exploration and Mining in Headwater Areas, Protected Zones for Water Reserves and Forest Lands of July 16, 2009, as the same may be amended or supplemented from time to time.

“**MNT**” means togrog or tugrik, the legal currency of Mongolia.

“**MRAM**” means the Mineral Resources and Petroleum Authority of Mongolia.

“**MTA**” means the Mongolian Tax Authority.

“**Nariin Sukhait Mine**” means the coal mine operated by Mak-Qinghua located immediately north of the Sunrise Field of the Ovoot Tolgoi Mine.

“**NI 43-101**” means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators.

“**NI 51-102**” means National Instrument 51-102 - *Continuous Disclosure of Obligations* of the Canadian Securities Administrators.

“**Nominating and Corporate Governance Committee**” means a committee of the Board formed to assist the Board in fulfilling its oversight responsibilities with respect to appointment and election of individuals to the Board and developing corporate governance guidelines for the Company.

“**Norwest**” means Norwest Corporation of Salt Lake City, Utah.

“**Novel Private Placement**” means the two tranche private placement with Novel Sunrise pursuant to the terms of a private placement agreement entered into between the Company and Novel Sunrise on February 24, 2015.

“**Novel Sunrise**” means Novel Sunrise Investments Limited, an investment holding company registered in the British Virgin Islands.

“**Ontario Court**” means the Ontario Superior Court of Justice in Canada.

“**OT LLC**” means Oyu Tolgoi LLC (formerly Ivanhoe Mines Mongolia Inc. LLC), a company incorporated under the laws of Mongolia and a subsidiary of Turquoise Hill.

“**Ovoot Tolgoi Deposit**” means the Company’s coal exploration, development and production projects at Ovoot Tolgoi, including the Ovoot Tolgoi Mine and the Ovoot Tolgoi Underground Deposit.

“**Ovoot Tolgoi Mine**” means the Company’s open pit coal mine at Ovoot Tolgoi, which is comprised of the Sunrise and Sunset open pit coal mines.

“**Ovoot Tolgoi Technical Report**” means the technical report on the Ovoot Tolgoi Mine dated December 2, 2024, prepared by BAW.

“**Ovoot Tolgoi Underground Deposit**” means the Company’s underground development project at Ovoot Tolgoi.

“**Parliament of Mongolia**” means the State Great Khural of Mongolia.

“**PIK Interest**” means payment-in-kind interest.

“**PRC**” or “**China**” means the People’s Republic of China, and references in this Annual Information Form to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.

“**Preferred Shares**” means preferred shares without par value in the capital of the Company.

“**Qinghua**” means Inner Mongolia Qinghua Group, a company incorporated under the laws of the PRC.

“**qualified person**” or “**QP**” means a “qualified person” as such term is defined in NI 43-101.

“**Renminbi**” or “**RMB**” means the lawful currency of the PRC.

“**Restatement**” means the decision by the Board in November 2013 to restate the Company’s 2011 and 2012 financial statements.

“**RPM**” means RungePincockMinarco Ltd or formerly known under the trade name “Mincarco MineConsult”, including the times during which it published the 2012 Technical Report and the 2016 Technical Report.

“**Sapphire**” means Sapphire Geo Ltd., a company established under the laws of Mongolia.

“**SGS**” means Southgobi Sands LLC, a wholly owned subsidiary of the Company.

“**Shareholders**” means holders of the Common Shares, and “**Shareholder**” means any one holder of the Common Shares.

“**Shivee Khuren Border Crossing**” means the Shivee Khuren-Ceke crossing at the Mongolia-PRC border.

“**Strategic Deposits List**” means a list of 15 deposits designated by the Parliament of Mongolia to be Mineral Deposits of Strategic Importance.

“**Soumber**” means, together, the areas delineated and identified as the Central Soumber and East Soumber coal fields in the Soumber Project.

“**Soumber Project**” means the Company’s coal exploration project located approximately 20km east of the Sunrise Pit comprised of the Central Soumber, East Soumber, South Biluut, Biluut and Jargalant fields.

“**Soumber Technical Report**” means the technical report on the Soumber Project dated December 2, 2024, prepared by BAW.

“**South Biluut**” means the area delineated and identified as the South Biluut coal field in the Soumber Project.

“**Sunrise Field**” means the area of the coal deposit that comprises both the surface and underground resources in the area delineated and identified as the Sunrise Field in the Ovoot Tolgoi Technical Report.

“**Sunrise Pit**” means the area of the coal deposit delineated and identified as the Sunrise Pit in the Ovoot Tolgoi Deposit.

“**Sunset Field**” means the area of the coal deposit that comprises both the surface and underground resources in the area delineated and identified as the Sunset Field in the Ovoot Tolgoi Technical Report.

“**Sunset Pit**” means the area of the coal deposit delineated and identified as the Sunset Pit in the Ovoot Tolgoi Deposit.

“**TAG**” means The Americas Group.

“**Tanan Impex**” means Tanan Impex Co. Ltd.

“**Tier 2 Deposits List**” means the list of 39 deposits designated by the Parliament of Mongolia as subject to further investigation by the Government of Mongolia in order to determine if one or more of such deposits should be designated as a Mineral Deposit of Strategic Importance.

“**Turquoise Hill**” means Turquoise Hill Resources Ltd., a corporation incorporated under the laws of the Yukon.

“**TSX**” means the Toronto Stock Exchange.

“**TSX-V**” means the TSX Venture Exchange.

“**United States**” means the United States of America, its territories, its possessions and all areas subject to its jurisdiction.

“**VAT**” means value added tax.

“**Voyage Wisdom**” means Voyage Wisdom Limited, a company owned by the VWL Shareholders.

“**VWL Shareholders**” to the best of the Company’s knowledge, means Messrs. Ningqiao Li, Aminbuhe and Yulan Guo, each a former director and/or officer of the Company.

“**Water Law of Mongolia**” means the Law of Mongolia on Water enacted on May 17, 2012, as the same may be amended or supplemented from time to time.

“**Zag Suuj Project**” means the Company’s coal exploration project located approximately 150km east of the Ovoot Tolgoi Deposit.

## **Conversion Factors**

For ease of reference, the following conversion factors are provided:

Imperial Measure	=	Metric Unit	Metric Unit	=	Imperial Measure
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 m	0.3048 m		1 foot
0.62 miles		1 km	1.609 km		1 mile
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)
2.205 pounds		1 kilogram	0.454 kilograms		1 pound
1.102 tons (short)		1 tonne	0.907 tonnes		1 ton
0.029 ounces (troy)/ton		1 gram/tonne	34.28 grams/tonne		1 ounce (troy)/ton

## Glossary of Geological and Mining Terms

**ad:** air dried basis (in reference to the moisture content of coal samples).

**ar:** as received basis (in reference to the moisture content of coal samples).

**cv:** means calorific value.

**fault:** a fracture in rock along which the adjacent rock surfaces are differentially displaced.

**FSI:** free swelling index (as a measure of coking properties of coal).

**ha:** hectares.

**indicated mineral resource:** that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An indicated mineral resource has a lower level of confidence than that applying to a measured mineral resource and may only be converted to a probable mineral reserve.

**inferred mineral resource:** that part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An inferred mineral resource has a lower level of confidence than that applying to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration.

**kcal:** kilocalorie.

**km:** kilometres.

**km<sup>2</sup>:** square kilometres.

**lb:** pound.

**logged:** measured and described.

**m:** metres.

**m<sup>2</sup>:** square metres

**measured mineral resource:** that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A measured mineral resource has a higher level of confidence than that applying to either an indicated mineral resource or an inferred mineral resource. It may be converted to a proven mineral reserve or to a probable mineral reserve.

**metallurgic coal:** various grades of coal suitable for making steel, such as coking coal.

**mineral reserve:** the economically mineable part of a measured or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which mineral reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated.

**mineral resource:** is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

**mm:** millimetres.

**Mt:** million tonnes.

**PCD:** polycrystalline.

**preliminary feasibility study, pre-feasibility study or PFS:** a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the modifying factors and the evaluation of any other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be converted to a mineral reserve at the time of reporting. A pre-feasibility study is at a lower confidence level than a feasibility study.

**probable mineral reserve:** the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable mineral reserve is lower than that applying to a proven mineral reserve.

**proven mineral reserve:** the economically mineable part of a measured mineral resource. A proven mineral reserve implies a high degree of confidence in the modifying factors.

**RC:** reverse circulation.

**ROM:** run-of-mine.

**seam:** a stratum or bed of coal or other mineral; generally applied to large deposits of coal.

**splits:** the division of a bed of coal into two or more horizontal sections by intervening rock strata.

**strike:** the direction, or course or bearing, of a vein or rock formation measured on a level surface.

**thermal coal:** coal that is used primarily for its heating value and that tends not to have the carbonization properties possessed by metallurgic coal.

## FORWARD LOOKING STATEMENTS

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

- the Company continuing as a going concern and its ability to realize its assets and discharge its liabilities in the normal course of operations as they become due;
- adjustments to the amounts and classifications of assets and liabilities in the Company's consolidated financial statements and the impact thereof;
- the Company’s expectations of sufficient liquidity and capital resources to meet its ongoing obligations and future contractual commitments, including the Company’s ability to settle its trade payables, to secure additional funding and to meet its obligations under each of the Convertible Debenture, the 2026 March Deferral Agreement (as defined below) and the Loan (as defined below) as the same become due, the Company’s ability to settle the tax penalty payable of \$26.5 million imposed by the Mongolian Tax Authority (“MTA”) and a provision of additional late tax penalty of \$19.0 million;
- the Company’s discussions with the Plenipotentiary Representative (as defined below) in relation to determining the Mongolian state’s ownership interest in SGS;
- the Company's anticipated financing needs, operational and development plans and future production levels, including ramp up of the Company’s mining operations and capacity in 2026;
- the estimates and assumptions included in the Company’s impairment analysis and the possible impact of changes thereof;
- the ability of the Company to enhance the operational efficiency and output throughput of the washing facilities at Ovoot Tolgoi;
- the ability of the Company to enhance the product value by conducting coal processing and coal washing;
- the impact of the Company’s activities on the environment and actions taken for the purpose of mitigation of potential environmental impacts and planned focus on health, safety and environmental performance;
- the future demand for coal in China;
- future trends in the Chinese coal industry;
- the Company’s plans to scale up mining operations and enhance coal processing capabilities in 2026;

- the Company's initiatives to strengthen spare parts management to improve maintenance efficiency in 2026;
- the Company's plans to deploy advanced remote-control systems, optimise transport routes and further expand the use of electric locomotives in 2026;
- the Company's outlook and objectives for 2026 and beyond (as more particularly described in this Annual Information Form under the heading entitled "*Outlook*"); and
- other statements that are not historical facts.

Forward-looking information is based on certain factors and assumptions described below and elsewhere in this Annual Information Form, including, among other things: the current mine plan for the Ovoot Tolgoi mine; mining, production, construction and exploration activities at the Company's mineral properties; the costs relating to anticipated capital expenditures; the capacity and future toll rate of the paved highway; plans for the progress of mining license application processes; mining methods; the Company's anticipated business activities, planned expenditures and corporate strategies; management's business outlook, including the outlook for 2026 and beyond; currency exchange rates; operating, labour and fuel costs; the ability of the Company to raise additional financing; negotiating a constructive understanding and agreement with the Plenipotentiary Representative; the anticipated royalties payable under Mongolia's royalty regime; the ability of the Company to settle the tax penalty payable of \$26.5 million imposed by the MTA and a provision of additional late tax penalty of \$19.0 million; the future coal market conditions in China and the related impact on the Company's margins and liquidity; the anticipated demand for the Company's coal products; future coal prices, and the level of worldwide coal production. While the Company considers these assumptions to be reasonable based on the information currently available to it, they may prove to be incorrect. Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include, among other things: the uncertain nature of mining activities, actual capital and operating costs exceeding management's estimates; variations in mineral resource and mineral reserve estimates; failure of plant, equipment or processes to operate as anticipated; the possible impacts of changes in mine life, useful life or depreciation rates on depreciation expenses; risks associated with, or changes to regulatory requirements (including environmental regulations) and the ability to obtain all necessary regulatory approvals; the potential expansion of the list of licenses published by the Government of Mongolia covering areas in which exploration and mining are purportedly prohibited on certain of the Company's mining licenses; the Government of Mongolia designating any one or more of the Company's mineral projects in Mongolia as a Mineral Deposit of Strategic Importance; the risk that the Company is unable to successfully settle the tax penalty payable of \$26.5 million imposed by the MTA and a provision of additional late tax penalty of \$19.0 million (as described in this Annual Information Form under the heading entitled "*Legal Matters – Additional Tax and Tax Penalty Imposed by MTA*"); the risk that the import coal quality standards established by Chinese authorities will negatively impact the Company's operations; the risk that Mongolia's southern borders with China will be subject for further closure; the risk that the Company's existing coal inventories are unable to sufficiently satisfy expected sales demand; the possible impact of changes to the inputs to the valuation model used to value the embedded derivatives in the Convertible Debenture; the risk of the Company or its subsidiaries defaulting under its existing debt obligations, including the Convertible Debenture, the Amended and Restated Cooperation Agreement, the 2026 March Deferral Agreement and the Loan ; the impact of amendments to, or the application of, the laws of Mongolia, China and other countries in which the Company carries on business; modifications to existing practices so as to comply with any future permit conditions that may be imposed by regulators; delays in obtaining approvals and lease renewals; the risk of fluctuations in coal prices and changes in China and world economic conditions; the risk that the calculated sales price determined by the Company for the

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

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

## **CORPORATE STRUCTURE**

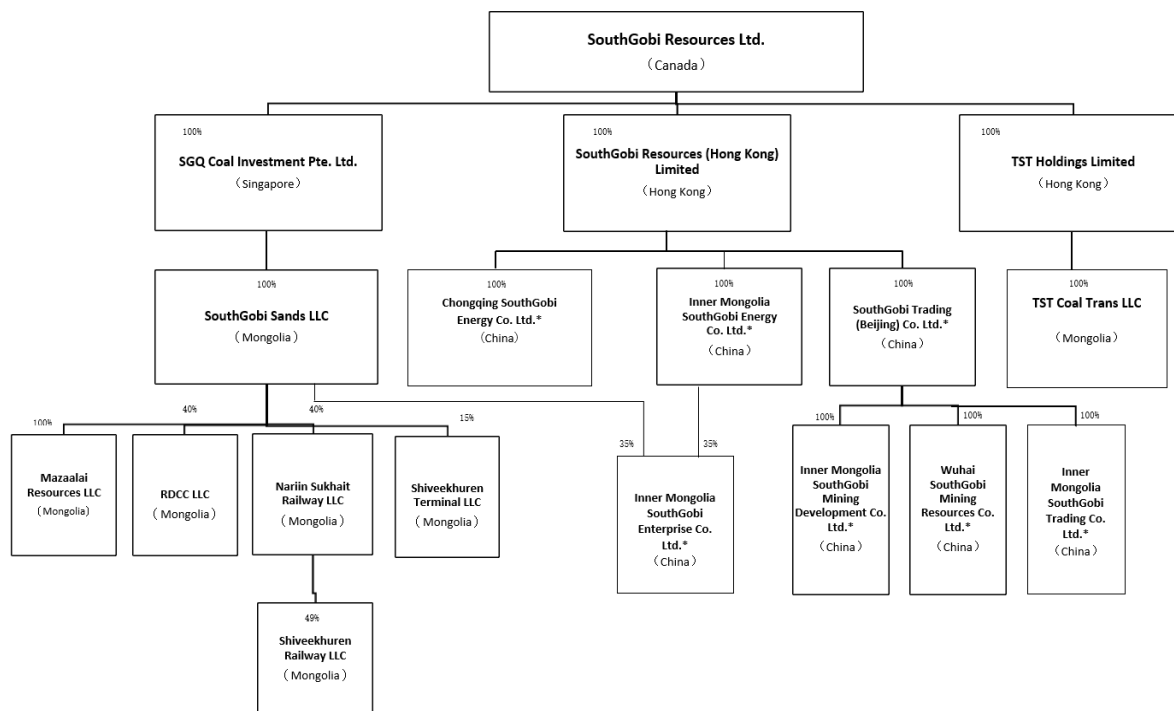
### **Name, Address and Incorporation**

The Company was incorporated on February 14, 2002, pursuant to the *Company Act* (British Columbia) under the name 5119 Investments Ltd. The Company changed its name to MX Capital Corp. on March 28, 2002, and then continued under the *Canada Business Corporations Act* on November 4, 2002. On August 26, 2003, the Company changed its name to Asia Gold Corp. On September 22, 2003, the Company consolidated its Common Shares on a six for one basis. On May 29, 2007, the Company was continued under the BCBCA, changed its name to SouthGobi Energy Resources Ltd. and reorganized its authorized capital to create a class of shares separate from the Common Shares, consisting of an unlimited number of Preferred Shares. On January 1, 2008, the Company amalgamated with Ivanhoe Resources Ltd. under the BCBCA and continued under the name SouthGobi Energy Resources Ltd. On May 11, 2010, the Company changed its name to SouthGobi Resources Ltd.

The Company’s principal place of business is located at Unit 1208-10, Tower One, 193 Prince Edward Road West, Grand Century Place, Mongkok, Kowloon, Hong Kong. The Company’s registered and records office is located at 20<sup>th</sup> floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8.

### **Intercorporate Relationships**

The following sets forth the name and jurisdiction of incorporation of the Company and its principal subsidiaries as of December 31, 2025:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview

The Company is an integrated coal mining, development and exploration company with 847 employees, including 732 Mongolian employees, as at December 31, 2025. The Company owns the Ovoot Tolgoi Mine, a significant coal project in Mongolia. The Company also owns the Zag Suuj Project and the Soumber Project, both development projects. These projects are located in the Umnugobi Aimag (South Gobi Province) of Mongolia, within 150km of each other and in close proximity to the Mongolia-PRC border. The Company holds a 100% interest in the Ovoot Tolgoi Mine.

As of the date hereof, the Common Shares are listed for trading on the TSX-V under the symbol “SGQ” and on the HKEX under the stock code symbol “1878”.

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. As at March 26, 2026, approximately 296.7 million Common Shares were issued and outstanding. There are also incentive share options outstanding to acquire approximately 0.7 million unissued Common Shares with exercise prices of Cdn\$0.13 and HK\$1.41. There are currently no Preferred Shares issued and outstanding.

As of March 26, 2026, to the best of the Company’s knowledge:

- JDZF holds approximately 85.7 million Common Shares representing approximately 28.87% of the issued and outstanding Common Shares;
- Land Grand holds approximately 46.4 million Common Shares representing approximately 15.61% of the issued and outstanding Common Shares; and

- Voyage Wisdom holds approximately 25.8 million Common Shares representing approximately 8.68% of the issued and outstanding Common Shares.

## **Context**

The Ovoot Tolgoi Mine, strategically located approximately 40km from the Shivee Khuren Border Crossing, is the Company's flagship asset.

The Ovoot Tolgoi Mine, together with the Ovoot Tolgoi Underground Deposit, forms the Ovoot Tolgoi Deposit. The Ovoot Tolgoi Deposit is separated into two distinct areas, the Sunrise and Sunset Pits. The Company commenced open pit mining at Ovoot Tolgoi's Sunset Pit in April 2008 and commenced coal sales in September 2008. In August 2011, the Company commenced open pit mining and sales at the Sunrise Pit.

The Company commenced mining at the Ovoot Tolgoi Mine in 2008. The Company's coal inventory is transported to China and sold via its Chinese subsidiaries at the stockyards in Ceke (Ceke, on the Chinese side of the Shivee Khuren Border Crossing, which is a major Chinese coal distribution terminal with rail connections to key coal markets in China) or certain designated locations in China as requested by customers.

Saleable products from the Ovoot Tolgoi Mine primarily consists of SouthGobi standard ("**Standard**") and SouthGobi premium ("**Premium**") semi-soft coking coal products. Some higher ash content product is washed or mixed and sold as semi-soft coking coal product while some of the unwashed product is sold as a thermal coal product, as and when the market allows.

The Ovoot Tolgoi Mine is covered by the Ovoot Tolgoi Mining Licence (as defined herein), a single 9,282.76ha mining licence, and a corresponding permit to mine. The Ovoot Tolgoi Underground Deposit is contiguous to, and located directly below, the Ovoot Tolgoi Mine.

The Soumber Project, comprising the Central Soumber, East Soumber, Biluut, South Biluut and Jargalant Fields, is located approximately 20km east of the Ovoot Tolgoi Mine.

The Zag Suuj Project is located approximately 150km east of the Ovoot Tolgoi Mine and approximately 80km north of the Mongolia-PRC border.

For a description of the Ovoot Tolgoi and Soumber Mining Licences, refer to "Description of Material Property – Ovoot Tolgoi Deposit – Property Description and Location" and Description of Material Property – Soumber Project – Property Description and Location" in this Annual Information Form.

## **Three Year History**

### *2023*

On January 31, 2023, the Company announced that it had received a written notice from the HKEX (the "**Migration Exchange Notice**") of its decision that the majority of trading in the Company's shares has migrated to the HKEX markets ("**Migration**") on a permanent basis as more than 55% of the Company's total worldwide trading volume took place on such markets over the most recent financial year. The Company was given a grace period of 12 months to comply with the applicable HKEX listing rules, which ended at midnight on the first anniversary of the date of the Migration Exchange Notice.

On February 17, 2023, the Company announced that Mr. Chen Shen had been re-designated from a non-executive Director to an Executive Director.

On February 28, 2023, the Company provided an update on its voluntary de-listing from the TSX and advised that the anticipated effective date was postponed to April 2023.

On March 2, 2023, the Company announced that Inner Mongolia SouthGobi Energy Co., Ltd., (the “**Borrower**”) an indirect wholly-owned subsidiary of the Company, as the borrower, entered into a revolving loan agreement (the “**Revolving Loan Agreement**”) with Inner Mongolia Tianyu Innovation Investment Group Limited (the “**Lender**”) which owns 100% of the equity interest in Inner Mongolia Tianyu Trading Limited, being the sole limited partner of JDZF, as the lender. The lender agreed to make available to the borrower an unsecured revolving credit facility (the “**Credit Facility**”) up to a maximum principal sum of RMB90,000,000 with a maturity date, being the date which falls three months after the date of the Revolving Loan Agreement.

On March 6, 2023, the Company announced that it was advised by the TSX-V that the TSX-V reconsidered the Company’s previous TSX-V Listing Application, and the TSX-V was prepared to grant approval for the Company’s TSX-V Listing Application, once the Company was able to comply with certain listing conditions. The Company had received a conditional acceptance letter from the TSX-V confirming that the TSX-V Listing Application had been approved subject to the satisfaction of certain listing conditions of the TSX-V.

On March 24, 2023, the Company and JDZF entered into a deferral agreement (the “**2023 March Deferral Agreement**”) pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash interest payment of approximately \$7.9 million (the “**2023 May Cash Interest**”) which will be due and payable on May 19, 2023 under the Convertible Debenture; (ii) the cash interest, management fees, and related deferral fees of approximately \$8.7 million (the “**2022 May Deferred Amounts**”) which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated May 13, 2022; (iii) the cash and PIK Interest, and related deferral fees of approximately \$13.5 million (the “**2021 July Deferred Amounts**”) which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated July 30, 2021; and (iv) the cash and PIK Interest, management fees, and related deferral fees of approximately \$110.4 million (the “**2020 November Deferred Amounts**”, and together with the 2023 May Cash Interest, the 2022 May Deferred Amounts and the 2021 July Deferred Amounts, the “**2023 March Deferred Amounts**”) which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated November 19, 2020.

The effectiveness of the 2023 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2023 March Deferral Agreement are subject to the approvals from the TSX and the shareholders of the Company in accordance with the requirements of Section 501(c) of the TSX Company Manual and the HKEX Rule. On August 29, 2023, the Company convened a special meeting of shareholders during which the Company obtained the requisite approval from disinterested shareholders for the 2023 March Deferral Agreement.

The principal terms of the 2023 March Deferral Agreement are as follows:

- Payment of the 2023 March Deferred Amounts are deferred until August 31, 2024 (the “2024 Deferral Date”).
- As consideration for the deferral of the 2023 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF: (i) a deferral fee equal to 6.4% per annum on the outstanding balance of such 2023 March

Deferred Amounts, commencing on the date on which each such 2023 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.

- As consideration for the deferral of the 2023 March Deferred Amounts which relate to payment obligations arising from Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2023 March Deferred Amounts commencing on the date on which each such 2023 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2023 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2023 March Deferred Amounts or related deferral fees. Instead, the 2023 March Deferral Agreement requires the Company to use its best efforts to pay the 2023 March Deferred Amounts and related deferral fees due and payable under the 2023 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2023 March Deferral Agreement and ending as of the 2024 Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2023 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2023 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.
- The Company expects to convene a special meeting of Shareholders in the second quarter of 2023 to seek disinterested Shareholder approval of the 2023 March Deferral Agreement.

On April 1, 2023, the Company announced that the Common Shares would commence trading on the TSX-V as of the opening of trade on April 17, 2023 in Canada. The Company's trading symbol "SGQ" would remain the same. In connection with the TSX-V listing, the Common Shares were delisted from the TSX at the close of trading on April 14, 2023 in Canada.

On April 16, 2023, the Company announced that the change of its secondary listing status to primary listing on the Main Board of the HKEX became effective.

On May 8, 2023, the Company announced that Mr. Gang Li tendered his resignation as a non-executive director of the Company.

On May 15, 2023, it was announced that Mr. Dong Wang had been removed as the Company's CEO and authorized representative (the "**Authorized Representative**") under Rule 3.05 of the Hong Kong Listing Rules with immediate effect. Mr. Ruibin Xu was appointed as the Company's CEO and Authorized Representative, with effect from May 15, 2023.

On May 17, 2023, the Company announced the appointment of Mr. Zaixiang Wen as a non-executive Director.

On June 22, 2023, the Company held its 2023 Annual General Meeting. The Company's CEO, Mr. Ruibin Xu was elected as an executive Director of the Company and appointed the Chair of the HESS Committee and a member of the Operations Committee (the "**Operations Committee**"). Immediately upon conclusion of the Meeting, Mr. Dong Wang ceased to be a non-executive Director, the Chair of the HESS Committee and a member of the Operations Committee and Mr. Dalanguerban retired from his role as the Company's President.

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

On October 13, 2023, the Company provided supplemental information to the 2022 Annual Report reporting that in addition to the information disclosed in the section headed "Directors' Report" in the 2022 Annual Report, as at the date of the 2022 Annual Report, the total number of shares available for issue under the Share Purchase Plan remained the same as that at December 31, 2022 (which was 2,297), representing approximately 0.00078% of the issued shares of the Company as at such date and the total number of shares available for issue under the Share Bonus Plan remained the same as that at December 31, 2022 (which was 1,800,000), representing approximately 0.61% of the issued shares of the Company as at such date.

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

The principal terms of the 2023 November Deferral Agreement are as follows:

- Payment of the 2023 November Deferred Amounts are deferred until August 31, 2024 (the "**2023 November Deferral Agreement Deferral Date**").
- As consideration for the deferral of the 2023 November Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2023 November Deferred Amounts, commencing on the date on which each such 2023 November Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2023 November Deferred Amounts which relate to payment obligations arising from Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2023 November Deferred Amounts commencing on the date on which each such 2023 November Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- The 2023 November Deferral Agreement does not contemplate a fixed repayment schedule for the 2023 November Deferred Amounts or related deferral fees. Instead, the 2023 November Deferral Agreement requires the Company to use its best efforts to pay the 2023 November Deferred Amounts and related deferral fees due and payable under the 2023 November Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2023 November Deferral Agreement and ending as of the 2023 November Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2023 November Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2023 November Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

On November 17, 2023, the Company provided an update on its payment obligations under the November 2022 Deferral Agreement with JDZF and reported that on November 15, 2023, and in accordance with the terms of the Convertible Debenture and the November 2022 Deferral Agreement, the Company paid JDZF the US\$7.1 million of cash interest which is due and payable on November 19, 2022 under the Convertible Debenture, the payment of which was deferred under the November 2022 Deferral Agreement until November 19, 2023. JDZF agreed to waive (the "**Waiver**") the Company's payment obligations under the November 2022 Deferral Agreement in relation to: (i) the remaining US\$1,100,000 of payment-in-kind interest which was payable on November 19, 2022 under the Convertible Debenture (the "**November 2022 PIK Interest**"), the payment of which was deferred under the November 2022 Deferral Agreement until November 19, 2023 (the "**Waived PIK Interest Default**"), as well as the right to collect deferral fees in respect of the November 2022 PIK Interest under the November 2022 Deferral Agreement for the period between November 20, 2023 until January 19, 2024 (both dates inclusive); and (ii) the management fees (the "**November 2022 Deferred Management Fees**") which were payable on November 15, 2022, February 15, 2023, May 16, 2023 and August 15, 2023 under the Amended and Restated Cooperation Agreement, the payments of which were deferred under the 2 November 2022 Deferral Agreement until November 19, 2023 (the "**Waived Deferred Management Fees Default**", and together with the Waived PIK Interest Default, the "**Waived Defaults**"). In order to allow the Company to remedy the Waived Defaults, the Waiver as it relates to the Waived PIK Interest Default will be in effect up to and until January 19, 2024 (or such other date as may be agreed upon by JDZF and the Company in writing), and the Waiver as it relates to the Waived Deferred Management Fees Default will be in effect up to and until August 31, 2024 (or such other date as may be agreed upon by JDZF and the Company in writing).

2024

On February 2, 2024 the Company announced that Ms. Chonglin Zhu was appointed as the Company's CFO and Mr. Alan Ho assumed a new management position within the Company.

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

On February 22, 2024, SGS received another notice from the MTA stating that the MTA anticipated commencing the re-assessment process on or about March 7, 2024 and the duration of such process would be approximately 45 working days. Any decision of the MTA following the re-assessment process may not be conclusive as the Company retains the right to appeal such decision under Mongolian law.

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

The effectiveness of the 2024 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2024 March Deferral Agreement are subject to the approval (if any) from the TSX-V and requisite approval from the disinterested shareholders of the Company in accordance with applicable Canadian securities laws and the Rule Governing the Listing of Securities on the HKEX. The 2024 March Deferral Agreement was approved by the Company’s disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

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

- Payment of the 2024 March Deferred Amounts are deferred until August 31, 2025 (the “**2024 March Deferral Agreement Deferral Date**”).
- As consideration for the deferral of the 2024 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2024 March Deferred Amounts, commencing on the date on which each such 2024 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2024 March Deferred Amounts which relate to payment obligations arising from Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2024 March Deferred Amounts commencing on the date on which each such 2024 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2024 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2024 March Deferred Amounts or related deferral fees. Instead, the 2024 March Deferral Agreement requires the Company to use its best efforts to pay the 2024 March Deferred Amounts and related deferral fees due and payable under the 2024 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2024 March Deferral Agreement and ending as of the 2024 March Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2024 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF,

having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.

- If at any time before the 2024 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

On March 26, 2024, the Company provided a profit warning based on the preliminary assessment of the Company's unaudited management accounts for the year ended December 31, 2023.

On April 30, 2024, the Company announced that the Company and its subsidiaries, namely SGS and SGQ Coal Investment Pte. Ltd., entered into a new deferral agreement with JDZF (the "**2024 April Deferral Agreement**"), pursuant to which JDZF agreed to grant the Company a deferral of the remaining US\$1,100,000 of payment-in-kind interest which was payable on November 19, 2022 under the Convertible Debenture, the payment of which was deferred under the November 2022 Deferral Agreement until November 19, 2023, as well as related deferral fees under the November 2022 Deferral Agreement. The principal terms of the 2024 April Deferral Agreement are as follows:

On May 13, 2024, the Company announced that it entered into an amendment agreement (the "**Convertible Debenture Amendment**") with JDZF, the registered holder of the Company's US\$250 million Convertible Debenture, and the Company's largest shareholder, to amend certain terms of the Convertible Debenture.

Pursuant to the Convertible Debenture Amendment, the Company may, by resolution of the Board, at any time and from time to time prepay, without penalty, the whole or any part of the principal amount outstanding under the Convertible Debenture, together with accrued cash interest and PIK Interest thereon to the date of prepayment, provided that: (i) the Company has, not later than three (3) business days prior to the proposed prepayment date, delivered to JDZF an irrevocable written notice, signed by an independent director of the Company and setting out the terms of the prepayment; (ii) the amount of such prepayment reduces the then outstanding principal amount under the Convertible Debenture by an amount that is (I) not less than US\$500,000 and (II) if in excess of US\$500,000, an integral multiple of US\$500,000; and (iii) the proposed prepayment date falls on a business day. The Company is not providing any additional form of consideration to JDZF in connection with the Convertible Debenture Amendment. Aside from the aforementioned amendments, the existing terms of the Convertible Debenture continue in full force and effect and unchanged. The effectiveness of the Convertible Debenture Amendment is subject to the Company providing notice to, and obtaining acceptance (if required) from the TSX-V and the Hong Kong Stock Exchange, as well as requisite approval from disinterested shareholders of the Company in accordance with the requirements of applicable securities laws. The Convertible Debenture Amendment was approved by the Company's disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

On May 22, 2024 the Company announced that SGS, its wholly owned subsidiary in Mongolia, had received a notice from the MTA on May 15, 2024 (the "**Revised Notice**"), regarding the reassessment result on the periodic tax audit (the "**Tax Audit**"). The re-assessed amount of the tax penalty is approximately US\$80.0 million (the "**Re-assessment Result**"). In accordance with applicable Mongolian laws, SGS is entitled to file an appeal to the TDRC regarding the Re-assessment Result within a 30-day period from the date of receiving the Revised Notice (the "**Appeal Period**").

On June 12, 2024 the Company advised that following consultation with its independent tax consultant in Mongolia, SGS submitted an appeal letter (the “**Appeal Letter**”) to the TDRC regarding the Re-assessment Result on the Tax Audit, in accordance with applicable Mongolian laws.

On June 27, 2024, the Company held its 2024 Annual General Meeting and announced the following: (i) Mr. Fan Keung Vic Choi’s appointment as an independent Director of the Company and his appointment as the Chair of the Compensation and Benefits Committee and a member of the Audit Committee and Nominating and Corporate Governance Committee; (ii) Mr. Mao Sun did not stand for re-election and immediately upon conclusion of the 2024 Annual General Meeting, Mr. Mao Sun ceased to be an independent Director, Lead Director, Chair of the Audit Committee and a member of the Compensation and Benefits Committee and Nominating and Corporate Governance Committee; (iii) appointment of Mr. Yingbin Ian He as Lead Director, (iv) the change in composition of board committees of the Company; and (v) the dissolution of the Company’s Operations Committee.

On July 15, 2024 the Company announced that SGS, entered into a Build-Operate-Transfer agreement (the “**BOT Agreement**”) with Tangshan Shenzhou Manufacturing Group Co., Ltd (唐山神州機械集團有限公司) (“**Tangshan Shenzhou**”), pursuant to which Tangshan Shenzhou is responsible for the construction, operation, and quality management of a new dry coal separation system, including the key equipment of CZM1000 超級乾選主機 and IDS2400A 智能乾選機 (collectively, the “**Dry Coal Separation System**”), which, for transliteration purpose only, mean super dry selection machine and intelligent dry selection machine, respectively at the Company's Ovoot Tolgoi Mine in Mongolia, which will be a stand-alone plant separate from the Company's existing dry processing plant. Tangshan Shenzhou is also responsible for the construction of all related facilities for the Dry Coal Separation System. Under the BOT Agreement, SGS has the right to supervise and manage the overall work of coal quality assurance and operation, including, but not limited to, the supervision and management of operational safety, production planning, and operations management. The total consideration payable by the Company over the term of the BOT Agreement is approximately RMB79.0 million (equivalent to approximately HK\$84.9 million or USD\$10.9 million), together with certain additional processing volume-based fees. Subject to the terms as set out therein, the BOT Agreement is effective from July 15, 2024 until October 1, 2029.

On August 29, 2024 the Company announced the results of its special meeting of shareholders that convened on August 28, 2024, in Vancouver, British Columbia, Canada, and reported that the 2024 March Deferral Agreement, 2024 April Deferral Agreement, and Convertible Debenture Amendment were approved by the Company’s disinterested Shareholders.

On December 2, 2024 the Company announced the filing of two new independent technical reports, each prepared by BAW, in accordance with the requirements of NI 43-101 under applicable Canadian securities laws in respect of its Ovoot Tolgoi Mine and its Soumber Coal Project.

## 2025

On January 20, 2025 the Company announced that on January 10, 2025, SGS received the Tax Resolution from the TDRC, in response to the Appeal Letter sent by SGS to the TDRC on June 12, 2024, relating to the reassessment result of the periodic tax audit. As set forth in the Tax Resolution, the TDRC has determined to reduce the re-assessed amount of tax penalty against SGS from approximately US\$80.0 million to US\$26.5 million (the “**Revised Re-assessment Result**”).

On February 13, 2025 the Company announced that after careful consideration and consultation with the Company’s independent tax consultant in Mongolia, the Company has determined not to pursue a further appeal of the Revised Re-assessment Result with the Administrative Court within the Appeal Period. As a

result, the Revised Re-assessment Result will be reflected on the Company's financial statements for the year ended December 31, 2024.

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

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

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

- Payment of the 2025 Deferred Amounts will be deferred until August 31, 2026.
- As consideration for the deferral of the 2025 Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2025 Deferred Amounts, commencing on the date on which each such 2025 Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2025 Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2025 Deferred Amounts commencing on the date on which each such 2025 Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2025 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2025 Deferred Amounts or related deferral fees. Instead, the 2025 March Deferral Agreement requires the Company to use its best efforts to pay the 2025 Deferred Amounts and related deferral fees due and payable under the 2025 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2025 March Deferral Agreement and ending as of August 31, 2026, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2025 Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.

- If at any time before the 2025 Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

On March 19, 2025, SGS received correspondence from the Administrative Court in Ulaanbaatar, Mongolia requesting supplemental information regarding a potential legal action (the “**Proposed Case**”) initiated by certain officers of the MTA (“**MTA Officials**”) against the TDRC to overturn the Revised Re-assessment Result. Upon further enquiry, SGS obtained a copy of an order dated March 7, 2025 issued by the Administrative Court regarding commencement of court proceedings brought by the MTA Officials.

On March 27, 2025, the Company provided a profit warning based on the preliminary assessment of the Company’s unaudited management accounts for the year ended December 31, 2024. On the same date, SGS was provided notice of a Court proceeding in relation to the Proposed Case.

On April 2, 2025, SGS received correspondence (the “**Notice**”) from a plenipotentiary representative of the Mongolian government (the “**Plenipotentiary Representative**”) which invited SGS to participate in negotiations to determine the Mongolian state’s ownership interest in SGS, being the legal entity which holds the Company’s coal mining licenses in Mongolia.

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

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

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

On April 24, 2025, SGS initiated preliminary discussions with the Plenipotentiary Representative.

On April 25, 2025, SGS obtained a copy of an order dated April 15, 2025 issued by the Administrative Court of First Instance in Ulaanbaatar, Mongolia refusing to accept the Proposed Case in an attempt to dispute or overturn the previous decision made by the TDRC regarding the Revised Re-assessment Result. The Proposed Case was dismissed by the Administrative Court of First Instance. The Company understood that the MTA Officials subsequently filed an appeal.

On June 9, 2025, SGS obtained a copy of a judgement dated May 27, 2025 (“**Appellate Court Judgement**”) issued by the Appellate Court for Administrative in Ulaanbaatar, Mongolia (the “**Appellate Court**”). As per the Appellate Court Judgement, the Appellate Court upheld the court order issued by the

Judge of the Administrative Court of First Instance in Mongolia on April 15, 2025. As a result, the Proposed Case has been dismissed and rejected. According to applicable Mongolian law, the Appellate Court Judgement is final and is not subject to further appeal. As of the date hereof, the Revised Re-assessment Result remains legally valid and effective.

On June 26, 2025, the Company held its 2025 Annual General Meeting.

On August 11, 2025, the Company provided a profit warning based on the preliminary assessment of the Company's unaudited management accounts for the six months ended June 30, 2025.

On August 11, 2025, the Company concluded a mediation process and reached an agreement in principle to a settlement (the "Settlement") of the Class Action.

As a result of the mediation, the class plaintiffs and the Company conditionally settled the Class Action for Cdn\$6.8 million, including all liability, class counsel fees, notice and administrative costs, fees, and costs and expenses related to the litigation (collectively, the "**Settlement Payments**"). The Settlement Payments are the obligation of the Company's insurers as of January 2014 and are within the Company's insured limits. The Settlement is conditional upon, amongst other things, the approval of the Ontario Court by way of motion brought to the Ontario Court, notice of the Settlement being provided to the class plaintiffs and finalization of a definitive settlement agreement.

On October 10, 2025 the Company announced that SGS had obtained a secured loan with Khan Bank JSC (the "**Lender**") for a principal amount of up to RMB235,000,000 (equivalent to approximately CAD46,095,250) (equivalent to approximately CAD46,095,250) (the "**Loan**"), pursuant to the terms of a loan agreement by and among SGS and the Lender dated October 7, 2025 (the "**Loan Agreement**").

The Loan has a term of 18 months from the date of initial disbursement. The Loan accrues interest at a rate of 10% per annum on the outstanding principal, calculated on a 365-day year basis. In the event of default, additional interest equal to 20% of the loan interest will be charged on the outstanding principal, as set out in the Loan Agreement. The Loan is subject to a 0.5% loan service fee, capped at RMB7,500 (equivalent to approximately CAD1,471), and a 0.5% amendment fee on the outstanding principal, also capped at RMB7,500 (equivalent to approximately CAD1,471). The total principal amount of the Loan of RMB235,000,000 (equivalent to approximately CAD46,095,250) will be advanced by the Lender to SGS upon satisfaction of certain customary conditions precedents, including the registration of the collateral. Loan repayments will consist of interest-only payments during the initial 12 months of the term of the Loan, followed by principal amortization payments during months 13 to 18 of the term of the Loan, all in accordance with the agreed loan disbursement and repayment schedule set forth in the Loan Agreement.

The Loan is secured by first-ranking pledges over specified immovable properties and land use rights belonging to SGS at Nariin Sukhait (Gurvantes soum, Umnugobi province), including office buildings, employee accommodation, maintenance shop and camp infrastructure, a gas and fuel station and related facilities, as well as multiple mining and infrastructure land-use parcels. In addition, the Loan is secured by pledges over movable and intangible assets of SGS, including a mining licence, exploration and prospecting data and feasibility studies, accounts receivable, and inventory (goods and materials), together with proceeds thereof. The Company intends to use the proceeds of the Loan to support working capital, operating expenses, taxes and the settlement of accounts payable of SGS.

Pursuant to the terms of the Convertible Debenture and the 2025 March Deferral Agreement, the aforementioned assets of SGS shall be charged in favour of JDZF, and SGS shall not create further charges over such assets. To facilitate SGS in obtaining the Loan, JDZF has agreed, for as long as the Loan remains outstanding, to waive (1) its rights over such SGS' assets, and (2) its right to claim against the Company

and SGS for breach of terms of the Convertible Debenture and the March 2025 Deferral Agreement as a result of the agreements in relation to the Loan.

On December 3, 2025, the Settlement was approved by the Ontario Court. The Settlement Payments have been paid by the insurers to the solicitors representing the plaintiffs. No appeals have been filed in respect of the Settlement and the 30-day appeal period commencing from December 2, 2025 has expired.

*2026 to date*

On January 28, 2026, the Company announced that its Mongolian legal counsel has advised that legal persons holding a Mongolian mining license for a Mineral Deposit of Strategic Importance are subject to certain ownership regulations under the Law on Mineral Resources of Mongolia, but there is uncertainty as to how these regulations will be interpreted and applied to a publicly-listed company which is the beneficial owner of a Mineral Deposit of Strategic Importance.

Based on the advice of Mongolian legal counsel, the Company understands that under Article 5.7 of the Law on Mineral Resources of Mongolia, any legal person holding a special license for a Mineral Deposit of Strategic Importance shall not, individually or jointly with other entities having a common interest, hold more than 34% of the total issued and outstanding shares of such legal person. In the event that the aforementioned ownership restriction is not complied with, Article 9.1.16 of the Law on Mineral Resources of Mongolia provides the Mongolian government with the right to appoint a plenipotentiary representative to take charge of managing such legal person to ensure compliance with the law.

The Company's Mongolian legal counsel has advised that, while there is no clarity as to how the aforementioned ownership restriction will be interpreted and applied in practice to a publicly-listed company like the Company, they are of the view that the ownership restriction set forth in Article 5.7 of the Law on Mineral Resources of Mongolia is likely to be determined with reference to the beneficial shareholders of the publicly-listed company. In the case of the Company, should any single shareholder (or parties acting in concert collectively) hold more than 34% of the Company's issued and outstanding shares, the Company could be in contravention of Article 5.7 of the Law on Mineral Resources of Mongolia. The Company has been further advised by its Mongolian legal counsel that the aforementioned ownership restrictions under the Law on Mineral Resources of Mongolia are ambiguous as it relates to their application to the Company or any other publicly listed company. As of the date of the announcement, the Company is not aware of any judicial case in Mongolia which sets a precedent as to, or provides clarity or interpretive guidance on, how the ownership restriction in Article 5.7 of the Law on Mineral Resources of Mongolia would be applied to a public-listed company. Accordingly, the Company is not in a position as of the date hereof to provide any reasonable assurance or guidance as to how the current ownership regulations under the Law on Mineral Resources of Mongolia may be applied to the Company in the future.

As of the date hereof and to the knowledge of the Company, the single largest shareholder of the Company holds approximately 28.87% of the Company's total issued and outstanding shares, and currently there is no shareholder which holds more than 34% of the Company's total issued and outstanding shares. SGS is in continued discussions with the Plenipotentiary Representative.

On March 23, 2026, the Company and JDZF entered into a deferral agreement (the "**2026 March Deferral Agreement**") pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash and PIK Interest, management fees, and related deferral fees in the aggregate amount of approximately \$116.3 million which will be due and payable to JDZF on or before August 31, 2026 pursuant to the deferral agreement dated March 20, 2025; (ii) semi-annual cash interest payment of approximately \$7.9 million payable to JDZF on May 19, 2026 under the Convertible Debenture; (iii) semi-annual cash interest payments of approximately \$8.1 million payable to JDZF on November 19, 2026 and the \$4.0 million in

PIK Interest payable to JDZF on November 19, 2026 under the Convertible Debenture; and (iv) management fees in the aggregate amount of approximately \$7.6 million payable to JDZF on May 16, 2026, August 15, 2026, November 15, 2026 and February 15, 2027, respectively, under the Amended and Restated Cooperation Agreement (collectively, the “**2026 March Deferred Amounts**”).

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

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

- Payment of the 2026 March Deferred Amounts will be deferred until August 31, 2027.
- As consideration for the deferral of the 2026 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2026 March Deferred Amounts, commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2026 March Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2026 March Deferred Amounts commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2026 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2026 March Deferred Amounts or related deferral fees. Instead, the 2026 March Deferral Agreement requires the Company to use its best efforts to pay the 2026 March Deferred Amounts and related deferral fees due and payable under the 2026 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2026 March Deferral Agreement and ending on August 31, 2027, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2026 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company’s operations and business at such time and with the view of ensuring that the Company’s operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2026 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

On March 26, 2026, the Company provided a profit warning based on the preliminary assessment of the Company’s unaudited management accounts for the year ended December 31, 2025.

## Outlook

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

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

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

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

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

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

In the medium term, the Company will gradually equip mining operations with remote-control functionality, progressively advancing toward unmanned work sites. This transformation will raise safety standards while addressing labor shortages that constrain capacity expansion. In addition, the Company will continue to adopt various strategies to enhance its product mix in order to maximise revenue, expand its customer base and sales network, improve logistics, optimise its operational cost structure and, most importantly, operate in a safe and socially responsible manner.

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

- **Enhance product mix** – The Company will focus on improving the product mix by: (i) improving mining operations; (ii) utilising the Company's dry and wet coal processing plant; and (iii) trading and blending different types of coal to produce blended coal products that are economical to the Company.

- **Expand market reach and customer base** – The Company will endeavor to increase sales volume and sales price by: (i) expanding its sales network and diversifying its customer base; (ii) increasing its coal logistics capacity to resolve the bottleneck in the distribution channel; and (iii) setting and adjusting the sales price based on a more market-oriented approach in order to maximise profit while maintaining sustainable long-term business relationships with customers.
- **Increase production and optimise cost structure** – The Company will aim to increase coal production volume to take advantage of economies of scale. The Company will also focus to reduce its production costs and optimise its cost structure through engaging sizable third-party contract mining companies to enhance its operation efficiency, strengthening procurement management, ongoing training and productivity enhancement.
- **Operate in a safe and socially responsible manner** – The Company will continue to maintain the highest standards in health, safety and environmental performance and operate in a corporate socially responsible manner.

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

- **Strategic location** – The Ovoot Tolgoi Mine is located approximately 40km from China, which represents the Company’s main coal market. The Company has an infrastructure advantage, being approximately 50km from a major Chinese coal distribution terminal with rail connections to key coal markets in China.
- **A large reserves base** – The Ovoot Tolgoi Deposit and Soumber Deposit have mineral reserves of 80.57 million tonnes.
- **Several growth options** – The Company has several growth options including the Soumber Deposit and Zag Suuj Deposit, located approximately 20km east and approximately 150km east of the Ovoot Tolgoi Mine, respectively.
- **Bridge between China and Mongolia** – The Company is well-positioned to capture the resulting business opportunities between China and Mongolia. The Company will seek assistance and support from its two largest shareholders, which are both experienced coal mining enterprises in China, and have a strong operational record for the past decade in Mongolia.

## LEGAL MATTERS

### Class Action Lawsuit

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

To commence and proceed with the Class Action, the plaintiffs were required to seek leave of the Ontario Court under the Ontario Securities Act (“**Leave Motion**”) and certify the action as a class proceeding under the Ontario Class Proceedings Act (“**Certification Motion**”). The Ontario Court rendered its decision on the Leave Motion on November 5, 2015, dismissing the action against the former senior officers and

directors and allowing the action to proceed against the Company in respect of alleged misrepresentation affecting trades in the secondary market for the Company's securities arising from the Restatement. The action against the Former Auditors was settled by the plaintiffs on the eve of the Leave Motion.

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

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

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

On August 11, 2025, a mediation was held and completed pursuant to which counsel for the plaintiffs and defendant: (i) completed document production and oral examinations for discovery; (ii) served expert reports on liability and damages; and (iii) designed a mediation process and finalised, with the participation of the relevant Company's insurers.

As a result of the mediation, the plaintiffs and the Company conditionally settled the Class Action for Cdn\$6.8 million, including all liability and class counsel fees, notice and administrative costs, fees, costs and expenses related to the litigation and the settlement. The Settlement Payments are the obligation of the Company's insurers as of January 2014 and are within the Company's insured limits.

On December 3, 2025, the Settlement was approved by the Ontario Court. The Settlement Payments have been paid by the insurers to the solicitors representing the plaintiffs. No appeals have been filed, and the 30-day appeal period commencing from December 2, 2025 has expired.

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

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

On February 13, 2015, the entire Soumber mining license and a portion of SGS' exploration license 9443X (9443X was converted to mining license MV-020436 in January 2016) (the "**License Areas**") were included into a special protected area (to be further referred as Special Needs Territory, the "**SNT**") newly set up by the Umnugobi Aimag's Civil Representatives Khural (the "**CRKh**") to establish a strict regime on the protection of natural environment and prohibit mining activities in the territory of the SNT.

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

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

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

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

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

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

## **Tax Legislation**

Mongolian tax, currency and customs legislation is subject to varying interpretation, and changes which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. The MTA may take a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. The Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as VAT, withholding tax, corporate income tax, personal income tax, transfer pricing and other areas. From time to time, the Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

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

As of December 31, 2025, the Company has recorded a provision for a tax penalty in the amount of \$45.0 million and the Company has paid the MTA an aggregate of \$22.2 million in relation to the aforementioned

tax penalty, as more particularly detailed in this Annual Information Form under the heading entitled “*Legal Matters - Additional Tax and Tax Penalty Imposed by MTA*”.

### **Additional Tax and Tax Penalty Imposed by MTA**

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

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

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

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

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

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

On March 19, 2025, SGS received correspondence from the Administrative Court in Ulaanbaatar, Mongolia requesting supplemental information regarding a potential legal action initiated by the MTA Officials against the TDRC. Upon further enquiry, SGS obtained a copy of an order dated March 7, 2025 issued by the Administrative Court regarding commencement of court proceedings brought by the MTA Officials.

On April 25, 2025, SGS obtained a copy of an order dated April 15, 2025 issued by the Administrative Court of First Instance refusing to accept and dismissing the Proposed Case. The Company understood that the MTA Officials, as plaintiff in the Proposed Case, filed an appeal.

On June 9, 2025, SGS obtained the Appellate Court Judgement issued by the Appellate Court. As per the Appellate Court Judgement, the Appellate Court upheld the court order issued by the Judge of the Administrative Court of First Instance on April 15, 2025. As a result, the Proposed Case was dismissed and rejected. According to applicable Mongolian law, the Appellate Court Judgement is final and is not subject to further appeal.

In its 2024 annual financial statements, the Company has recorded an additional tax and tax penalty in the amount of \$45.5 million, which consists of a tax penalty payable of \$26.5 million and a provision for additional late tax penalty of \$19.0 million. As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48.5 million in 2024. To date, the Company has paid the MTA an aggregate of \$22.2 million in relation to the aforementioned tax penalty, as more particularly detailed under section 6 “Liquidity and Capital Resources” of this MD&A under the heading entitled “Additional tax and tax penalty imposed by the MTA”.

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

## **RISK FACTORS**

There are certain risks involved in the Company’s operations, some of which are beyond its control. These risks can be broadly categorized into: (i) risks relating to the Company’s ability to continue as a going concern; (ii) risks relating to the Common Shares; (iii) risks relating to the economic operation of the Company's Ovoot Tolgoi Mine; (iv) risks relating to the Company's other projects in Mongolia; and (v) risks relating to its business and industry. The risk factors identified below could have a material adverse impact on the Company’s business, operations, results of operations, financial condition and future prospects and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Additional risks and uncertainties not presently known, or not expressed or implied below, or that are presently deemed immaterial, could also harm the Company’s business, operations, results of operations, financial condition and future prospects. Some of the following statements are forward-looking and actual results may differ materially from the results anticipated in these forward-looking statements. Refer to “Forward-Looking Statements”.

### **Risks Relating to the Company’s Ability to Continue as a Going Concern**

*Unless the Company acquires additional sources of financing and/or funding in the short term, the ability of the Company to continue as a going concern is threatened*

The Company’s consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue operating until at least December 31, 2026 and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. However, certain adverse conditions and material uncertainties cast doubt upon the ability of the Company to continue as a going concern. These include:

- the Company has a working capital deficiency (excess current liabilities over current assets) of \$297.9 million as at December 31, 2025;
- the Company has an obligation to pay JDZF under the Convertible Debenture, the Amended and Restated Cooperation Agreement, and the associated deferral agreements;

- the trade and other payables of the Company remain high due to liquidity constraints. Refer to Section 6 of the Company’s MD&A under the heading entitled “*Liquidity and Capital Resources – Liquidity and Capital Management – Going Concern Considerations*”; and
- the Company has other current liabilities which require settlement in the short-term, including trade and other payables of \$218.2 million, additional tax and tax penalty payable of \$23.3 million and interest-bearing borrowing of \$11.1 million.

This could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s consolidated financial statements and such adjustments could be material. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation, which may negatively affect the price and volatility of the Common Shares and any investment in such shares could suffer a significant decline or total loss in value.

***If the Company is unable to continue as a going concern it may be forced to seek relief under applicable bankruptcy and insolvency legislation.***

If the Company seeks relief under applicable bankruptcy and insolvency legislation, its business and operations will be subject to certain risks, including but not limited to, the following:

- An insolvency filing by or against the Company will cause an event of default under the Convertible Debenture;
- An insolvency filing by or against the Company may adversely affect its business prospects, including its ability to continue to obtain and maintain the contracts necessary to operate its business on competitive terms;
- There can be no assurance as to the Company’s ability to maintain or obtain sufficient financing sources for operations or to fund any reorganization plan and meet future obligations;
- There can be no assurance that the Company will be able to successfully develop, prosecute, confirm and consummate one or more plans of reorganization that are acceptable to the applicable courts and its creditors, equity holders and other parties in interest; and
- The value of the Common Shares could be reduced to zero as result of an insolvency filing.

### **Risks Relating to the Common Shares**

***Future issuances or sales, or perceived possible issuances or sales, of substantial amounts of Common Shares in the public market could materially and adversely affect the prevailing market price of the Common Shares and the Company’s ability to raise capital in the future.***

The market price of the Common Shares could decline as a result of future sales of substantial amounts of the Common Shares or other securities relating to the Common Shares in the public market, including sales by its substantial Shareholders, or the issuance of new Common Shares, or the perception that such sales or issuances may occur. Future sales, or perceived possible sales, of substantial amounts of the Common Shares could also materially and adversely affect the Company’s ability to raise capital in the future at a time and at a price favorable to it, and Shareholders may experience dilution in their holdings upon issuance or sale of additional Common Shares or other securities in the future.

***Future stock market conditions may change.***

There are risks involved with any equity investment. The market price of the Common Shares may rise or fall depending upon a range of factors and stock market conditions, which are unrelated to the Company's future financial performance. Movements on international stock markets, local interest rates and exchange rates, domestic and international economic and political conditions, as well as government, taxation and other policy changes may affect the stock market. As the Company is a listed company on the TSX-V and the HKEX, its Common Share price will also be subject to numerous influences including broad trends in the stock market and the share prices of individual companies or sectors.

**Risks Relating to the Economic Operation of the Company's Ovoot Tolgoi Project**

***There can be no assurance that the mine plan developed for the Ovoot Tolgoi Mine will ultimately be viable or profitable due to the inherent operational risks.***

As a result of work performed by BAW, the Company increased its estimate of total resources at the Ovoot Tolgoi deposit as described in the Ovoot Tolgoi Technical Report, dated December 2, 2024, has declared an updated mineral reserves estimate for the Ovoot Tolgoi Deposit and prepared a new mine plan. There are no assurances, however, that the Company will execute its mine plan and realize on the estimates for the Ovoot Tolgoi Deposit. It is not unusual in the mining industry for mining operations to experience unexpected problems during commercial production, resulting in delays and requiring more capital than anticipated. Actual costs and economic returns may differ materially from the Company's estimates. Risks associated with the operation of mines include, but are not limited to, the following:

- Unusual or unexpected geological formations;
- Unstable ground conditions that could result in cave-ins or landslides;
- Floods;
- Power outages;
- Restrictions or interruptions in supply of key materials;
- Restrictions or interruptions to coal exports into China;
- Labour disruptions or shortages;
- Social unrest in adjacent areas;
- Equipment failure;
- Fires and explosions;
- Changes to applicable law; and
- Inability to obtain suitable or adequate machinery, equipment, or labour.

In addition, risks particular to the Company's mine plan include:

- Ability to generate sufficient sales volumes at economical realized prices;

- Maintaining an adequate water supply to the mine site to permit the continued operations of the wash plant as planned;
- Achieving satisfactory yields from wet washing operations;
- Successful conversion of resources into reserves during the life of mine;
- Success in enhancing the operational efficiency and the output throughput of the of the wet wash plant; and

Any of the risks noted above could have a material adverse impact on the Company's financial performance, cash flow and results of operations, which may negatively affect the price and volatility of the Common Shares and any investment in such shares could suffer a significant decline or total loss in value.

### **Risks Relating to the Company's Projects in Mongolia**

#### ***The Company does not currently maintain insurance in relation to its ongoing mining operations***

For certain aspects of the Company's business operations, insurance coverage, in particular business interruption insurance, is restricted or prohibitively expensive. As of the date hereof, in consideration of the aging profile of the Company's mining equipment and the continuous engagement of third-party mining contractors, the Company did not renew the insurance policies relating to the mining property and commercial general liability and will renew any necessary insurance policies at the appropriate time.

Should any liability arise for which is it not insured or insurance coverage is inadequate to cover the entire liability, they could reduce or eliminate the Company's actual or prospective profitability, result in increasing costs and a decline in the value of the Common Shares and could materially and adversely affect the Company's business and results of operations.

#### ***Legislation in Mongolia may be subject to conflicting interpretations, which may have adverse consequences on the Company's business.***

The Mongolian legal system shares several of the qualitative characteristics typically found in a developing country and many of its laws, particularly with respect to matters of taxation, are still evolving. A transaction or business structure that would likely be regarded under a more established legal system as appropriate and relatively straightforward might be regarded in Mongolia as outside the scope of existing Mongolian law or regulation. As a result, certain business arrangements or structures and certain tax planning mechanisms may carry significant risks. In particular, when business objectives and practicalities dictate the use of arrangements and structures that, while not necessarily contrary to settled Mongolian law, are sufficiently novel within a Mongolian legal context, it is possible that such arrangements may be challenged resulting in their invalidation.

The legal system in Mongolia has inherent uncertainties that could limit the legal protections available to the Company, which include: (i) inconsistencies between laws; (ii) limited judicial and administrative guidance on interpreting Mongolian legislation; (iii) substantial gaps in the regulatory structure due to delay or absence of implementing regulations; (iv) the lack of established interpretations of new principles of Mongolian legislation, particularly those relating to business, corporate and securities laws; (v) a lack of judicial independence from political, social and commercial forces; and (vi) bankruptcy procedures that are not well developed and are subject to abuse. The Mongolian judicial system has relatively little experience in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the

outcome of any litigation; it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction.

In addition, while legislation has been enacted to protect private property against expropriation and nationalization, due to the lack of experience in enforcing these provisions and political factors, these protections may not be enforced in the event of an attempted expropriation or nationalization. Expropriation or nationalization of any of the Company's assets, or portions thereof, potentially without adequate compensation, could materially and adversely affect its business and results of operations.

***Application of and amendments to legislation could adversely affect the Company's mining rights in its projects or make it more difficult or expensive to develop its projects and carry out mining.***

The 2006 Minerals Law, which preserves to a limited extent some of the substance of the former 1997 minerals legislation, was drafted with the assistance of legal experts in the area of mining legislation and was widely regarded as progressive, internally consistent and effective legislation. However, the 2006 Minerals Law has been subsequently amended and the potential for political interference has increased and the rights and security of title holders of mineral tenures in Mongolia has been weakened. Certain provisions of the 2006 Minerals Law are ambiguous and it is unclear how they will be interpreted and applied in practice. Examples of such provisions include those relating to the designation of a mineral deposit as a Mineral Deposit of Strategic Importance. Refer to the risk factor entitled "*The Government of Mongolia could determine that any one or more of the Company's projects in Mongolia is a Mineral Deposit of Strategic Importance*" below.

In addition, the introduction of new Mongolian laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. For example, on July 16, 2009, the Parliament of Mongolia enacted the Mining Prohibition in Specified Areas Law (the "**Specified Areas Law**") that prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas as defined in the Law of Forests of Mongolia of May 17, 2012, as amended, and areas adjacent to rivers and lakes as defined in the Law of Mongolia on Water enacted on May 17, 2012, as amended.

Pursuant to the Specified Areas Law, the Government of Mongolia has defined the boundaries of certain areas in which exploration and mining is purportedly prohibited. A list of licences has been prepared that overlap with the prohibited areas described in the law based on information submitted by water authority agencies, forest authority agencies and local authorities for submission to the Government of Mongolia.

Portions of the mining licence in respect of the Ovoot Tolgoi Mine and the exploration licence pertaining to the Zag Suuj Deposit are included on the list of specified areas described in the Specified Areas Law.

In regard to the Ovoot Tolgoi Mining Licence, the potential area which may be affected is a relatively small area which represents approximately 3% of the entire area of the mining licence and does not contain any reserves or resources or immovable assets. Accordingly, the loss of the potentially affected area would not materially and adversely affect the existing operations.

Activities historically carried out on the other licences referred to above include drilling, trenching and geological reconnaissance. The Company has no immovable assets located in any of the potentially affected areas of these licences and the loss of any or all of these potentially affected properties would not materially and adversely affect the existing operations.

The Mining Prohibition in Specified Areas Law has not been adequately enforced to date mainly due to compensation issues due to the licence holders.

In order to address the issues facing its implementation, in February, 2015 the Parliament of Mongolia adopted an amendment to the Law on Implementation of the Mining Prohibition in Specified Areas Law (the “**Amended Law on Implementation**”). The Amended Law on Implementation provides an opportunity for license holders covered within the scope of application of the Mining Prohibition in Specified Areas Law to continue their mining operations subject to advance placement of funds to cover 100% of the future environmental rehabilitation costs. A model contract and a specific Government regulation on this requirement will be adopted by the Government. The license holders must also apply within 3 months after the amendment to the Law on Implementation comes into effect for permission to MRAM to resume activities. The Company submitted its application with respect to its mining licenses before the deadline set on June 16, 2015 and hasn’t yet received any communication from MRAM on the status of its application.

Pursuant to the Mongolian Law “To prohibit mineral exploration and mining operations at headwaters of rivers, water protection zones and forested areas”, the Government administrative agency has notified the Company that special license area 12726A is partly overlapping with a water reservoir. The Company has inspected the area together with the Cadastral Division of the Mineral Resource Authority as well as through the cadastral registration system of the Ministry of Environment, it is determined that 29 hectares of Sukhait Bulag is partly overlapping with a water reservoir, of which has been partly handed over (Resolution No.6/7522 issued on September 29, 2015 by the Head of Cadastral Division of the Mineral Resource Authority).

In accordance with Article 22.3 of Law of Mongolia on Water, 5,602.96 hectares of land, including Sukhaityn Bulag, Uvur Zadgai, and Zuun Shand pertaining to exploration license 9443X, which was converted to mining license MV-0125436 in January 2016, is overlapping with a protected area boundary. The overlapping area has been officially handed over to the local administration (Resolution No.688 issued on September 24, 2015 by the Head of Cadastral Division of the Mineral Resource Authority). In connection with the nullification of Annex 2 of the Government order No.194 “On determining boundary” issued on June 5, 2012, area around the water reservoir located at MV-016869 license area was annulled from the Specified Area Law.

Therefore, mining license 12726A was removed from the list of licenses that overlaps with the prohibited areas described in the law.

There has been limited development of the law during 2016 while two exploration licenses of the Company (13779X and 5267X) were converted to mining licenses (MV-020676 and MV-020675) in November 2016. The Company will continue to monitor the developments and ensure that it follows the necessary steps in the Amended Law on Implementation to secure its operations and licenses and is fully compliant with Mongolian law.

There can be no assurance that future political and economic conditions in Mongolia will not result in the Government of Mongolia adopting different policies in relation to foreign development and ownership of mineral resources. Any such changes in government or policy may result in changes in laws affecting ownership of assets, environmental protection, labour relations, repatriation of income, return of capital, investment agreements, income tax laws, royalty regulation, government incentive and other areas, each of which may materially and adversely affect the Company’s ability to undertake exploration and development activities in the manner currently contemplated. Any restrictions imposed or charges levied or raised (including royalty fees) under Mongolian law for the export of coal could harm the Company’s competitiveness.

***The Company's ability to carry on business in Mongolia is subject to political risk.***

The Company's ability to efficiently conduct its exploration and development activities is subject to changes in government policy or shifts in political attitudes within Mongolia that are beyond the Company's control.

Government policy may change to discourage foreign investment, nationalization of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There is no assurance that the Company's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. The provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances may not be effective to restore the value of the Company's original investment.

In addition, Mongolia may experience political instability. Such instability could have a material adverse effect on economic or social conditions in Mongolia and may result in outbreaks of civil unrest, which could materially and adversely affect the Company's business and results of operations.

***The Government of Mongolia could determine that any one or more of the Company's projects in Mongolia is a Mineral Deposit of Strategic Importance if it meets legal requirements.***

Under the 2006 Minerals Law, the Parliament of Mongolia has wide discretion to designate mineral deposits to be Mineral Deposits of Strategic Importance. The Government of Mongolia is empowered to participate on an equity basis with the licence holder in the exploitation and/or mining of each Mineral Deposit of Strategic Importance on terms to be negotiated between the Government of Mongolia and such licence holder. Details of any mineral reserves must be filed by the relevant licence holder with the Government of Mongolia, and those deposits on the Strategic Deposits List represent most of the largest and highest profile deposits in Mongolia. In addition to deposits currently on the Strategic Deposits List and the additional Tier 2 Deposits List, the Parliament of Mongolia may at any time designate other deposits not yet currently on such Lists to be Mineral Deposits of Strategic Importance, add such deposits to either the Strategic Deposits List or the Tier 2 Deposits List and, in the former case, commence negotiations with the relevant licence holder with respect to the terms under which the Government of Mongolia will take an interest in such deposit. While the Government of Mongolia is in the process of adding the exact location and coordinates for each Mineral Deposit of Strategic Importance, a number of deposits on the Strategic Deposits List are identified by name only with no indication of the latitude and longitude coordinates for the deposit, and it is therefore not always possible to precisely determine the intended geographic area covered by each designated Mineral Deposit of Strategic Importance or to accurately determine whether or not any given licence area is within, or overlaps, a Mineral Deposit of Strategic Importance. In July 2014, the Mongolian Parliament made an amendment to the Minerals Law and redefined the term of "Mineral Deposit of Strategic Importance". According to the Minerals Law, the Mineral Deposit of Strategic Importance means "a deposit which can affect national security, national economic and social development or a deposit that can produce more than five percent of Mongolian GDP in a year".

Under the 2006 Minerals Law, the size of the Government of Mongolia's participation is determined largely by the level of state funding which has been provided for the exploration and development of any deposit, with the Government of Mongolia entitled to participate up to 50% in the event that there has been state funding of such deposit and up to 34% if there has not. However, the 2006 Minerals Law is very vague as to the details and method by which the Government of Mongolia will take its interest and the final arrangements in respect of the Government of Mongolia's interest in each Mineral Deposit of Strategic Importance, including the amount of compensation to be paid to the licence holder and the actual form of the Government of Mongolia's interest are subject to negotiation between the Government of Mongolia and the licence holder. In 2015, the Parliament of Mongolia adopted an amendment to the 2006 Minerals

Law providing for the possibility for the Government to collect a special royalty on Mineral Deposits of Strategic Importance in lieu of holding an equity stake in such deposit. It stipulates that the parties can agree to transfer to the licence holder the state's share in the Mineral Deposit of Strategic Importance upon the approval of an authorized Government body, with the licence holder agreeing to pay a special royalty at a percentage (not to exceed 5%) to be approved by the Government.

The Company also understands that any legal person holding a special licence for a Mineral Deposit of Strategic Importance shall not, individually or jointly with other entities having a common interest, hold more than 34% of the total issued and outstanding shares of such legal person. In the event that the aforementioned ownership restriction is not complied with, the Government of Mongolia shall have the right to appoint a Plenipotentiary Representative to take charge of managing such legal person to ensure legal compliance.

The 2006 Minerals Law also contains provisions requiring any company which holds a Mineral Deposit of Strategic Importance to list no less than 10% of its shares on the Mongolian Stock Exchange. This particular provision of the 2006 Minerals Law has not yet been enforced and it is not clear how it will work in practice.

In recent years there have been a number of proposed amendments to the 2006 Minerals Law suggested by various parties, many of which have centered on amending the 2006 Minerals Law to increase the Government of Mongolia's participating interest in excess of 50%. While the 2006 Minerals Law provides that the interest of the Government of Mongolia should take the form of an equity interest, based on past practice, and depending on the results of individual negotiations, the interest may be in the form of production or profit sharing or some other arrangement negotiated between the licence holder and the Government of Mongolia. There can be no assurance that legislation will not be enacted which further strengthens the Government of Mongolia's right to participate in privately held mineral resources in Mongolia.

As at the date of this AIF, the deposits covered by four of the Company's Mongolian mining licenses have been designated as Mineral Deposits of Strategic Importance by Mongolian government authorities. The relevant mining licenses relate to the Company's Ovoot Tolgoi Mine and the Soumber Deposit. There can be no assurance that any one or more of the Company's mining licenses or exploration licenses will not be designated as Mineral Deposits of Strategic Importance by Mongolian government authorities in the future, in which case the Company's business and results of operations may be materially and adversely affected.

### **Risks relating to the Company's business and industry**

***Some of the Company's projects may not be completed as planned; costs may exceed original budgets and may not achieve the intended economic results or commercial viability.***

The Company's business strategy depends largely on expanding its production capacity at the Ovoot Tolgoi Mine and further developing its other coal projects into commercially viable mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) commodity prices, which are highly cyclical; and (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of mineral resources and environmental protection.

The Company's projects are subject to both (i) technical risk in that they may not perform as designed, or (ii) operational redesign or modification as a result of on-going evaluation of the projects. Increased development costs, lower output or higher operating costs may all combine to make a project less profitable than expected at the time of the development decision. This would have a negative impact on the Company's business and results of operations. No assurance can be given that the Company would be adequately

compensated by third party project design and construction companies (if not performed by the Company) in the event that a project did not meet its expected design specification.

***The Company's coal reserves and resources are estimates based on a number of assumptions, and the Company may produce less coal than its current estimates.***

The coal reserve and resource estimates are based on a number of assumptions that have been made by the QPs in accordance with NI 43-101. Mineral reserve and resource estimates involve expressions of judgment based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including quality of the results of exploration drilling and analysis of coal samples, as well as the procedures adopted by and the experience of the person making the estimates.

The Company notes that, in general, mineral resource and reserve estimates are always subject to change based on new information. Specifically, should the Company encounter mineralization different from that predicted by past drilling, sampling and similar examination, mineral resource and/or reserve estimates may have to be adjusted downward. In addition, the rank of coal ultimately mined may differ from that indicated by drilling results. There can be no assurance that coal recovered in laboratory tests will be duplicated under on-site conditions or in production-scale operations. In the event that the actual level of impurities is higher than expected or the coal mined is of a lower quality than expected, the demand for, and realizable price of, the Company's coal may decrease. Short term factors relating to reserves, such as the need for orderly development of coal seams or the processing of new or different quality coals, may also materially and adversely affect the Company's business and results of operations.

The inclusion of mineral reserve and resource estimates should not be regarded as a representation that all these amounts can be economically exploited and nothing contained herein (including, without limitation, the estimates of mine lives) should be interpreted as assurance of the economic lives of the Company's coal reserves and resources or the profitability of its future operations.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that mineral resources will be upgraded to proven and probable ore reserves. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves.

***The Company's results of operations are subject, to a significant extent, to economic, political and legal developments in China.***

The Company expects that a majority if not all of the coal sales from the Ovoot Tolgoi Mine will be made to customers based in China. Accordingly, the economic, political and social conditions, as well as government policies, of China may affect its business. The Chinese economy differs from the economies of most developed countries in many respects, including: (i) structure; (ii) level of government involvement; (iii) level of development; (iv) growth rate; (v) control of foreign exchange; and (vi) allocation of resources. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. For the past two decades, the Chinese government has implemented economic reform measures emphasizing the utilization of market forces in the development of the Chinese economy. Changes in the Chinese's political, economic and social conditions, laws, regulations and policies could materially and adversely affect the Company's business and results of operations.

***The interests of the Company's principal stakeholders, JDZF, Land Grand and Voyage Wisdom, may differ from those of the other stakeholders.***

As at March 26, 2026, to the best of the Company's knowledge:

- JDZF holds a total of 85.7 million Common Shares representing approximately 28.9% of the issued and outstanding Common Shares;
- Land Grand holds a total of approximately 46.4 million Common Shares representing approximately 15.7% of the issued and outstanding Common Shares; and
- Voyage Wisdom holds a total of approximately 25.8 million Common Shares representing approximately 8.71% of the issued and outstanding Common Shares.

Accordingly, the Company's principal stakeholders may have the ability to substantially affect the outcome of matters submitted to Shareholders of the Company for approval, including, without limitation, the election and removal of directors, amendments to our articles of incorporation and bylaws and the approval of any business combination. This may delay or prevent an acquisition of the Company or cause the market price of the Common Shares to decline. The interests of each of these principal stakeholders may conflict with the interests of other Shareholders and there is no assurance that any of these principal stakeholders will vote its Common Shares in a way that benefits minority Shareholders. While no Shareholder has the ability to elect a majority of the Board unilaterally, both JDZF and Land Grand have been granted contractual director appointment rights. In addition, the Company's principal stakeholders may have an interest in pursuing acquisitions, divestitures and other transactions that, in the judgment of management, could enhance its equity or debt investment, even though such transactions might involve risks to other Shareholders and may negatively affect prevailing market prices of the Common Shares.

Subject to compliance with applicable securities laws, the principal stakeholders may sell some or all of their Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on market prices of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by our principal stakeholders, or the perception that such sales could occur, could adversely affect prevailing market prices of the Common Shares.

***The Company is subject to litigation risks.***

The Company is subject to litigation risks. In the normal course of the Company's business, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including, without limitations, mining laws, environmental laws, labour laws, and anti-corruption and anti-bribery laws in the jurisdictions in which the Company operates. The Company was involved in a Class Action, which commenced in 2014 and was settled in 2025. The Company Defense and settlement costs associated with legal claims can be substantial, even with respect to claims that are frivolous or have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material adverse impact on its business, operations, results of operations, financial condition and future prospects.

***Tax and royalty legislation in Mongolia is subject to varying interpretations and changes which may have a significant impact on the Company's financial position.***

Mongolian tax, currency, customs and royalty legislation is subject to varying interpretations and changes, which can occur frequently. The interpretation by the Company's management of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties, interest or royalties may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

The royalty regime in Mongolia is evolving and has been subject to change since 2012. On June 23, 2021, the Government of Mongolia issued a new resolution in connection with the royalty regime. From July 1, 2021 onwards, the royalty payable is to be calculated based on the reference price as determined by the Government of Mongolia, and the reference to the contract sales price will be removed.

There can be no assurance, however, that the Government of Mongolia will not disagree with the methodology employed by the Company in determining the calculated sales price and require that the royalty payable be calculated based on the Mongolian government's reference, which could have a material adverse effect on the business and operations of the Company and may negatively affect the price and volatility of the Common Shares. To date, the Company has paid the MTA an aggregate of \$22.2 million in relation to the Revised Re-assessment Result.

Management believes that tax, royalty and legal risks are remote at present. Management performs regular re-assessment of tax risk and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present.

***Licences and permits are subject to renewal and various uncertainties and the Company may only renew its exploration licences a limited number of times for a limited period of time.***

The Company's activities are subject to extensive licensing and permitting requirements. The Company strives to obtain all required licenses and permits on a timely basis and to comply with all such licenses and permits at all times. However, there can be no assurance that the Company will obtain and maintain all required licenses and permits or that it will not face delays in obtaining all required licenses and permits, renewals of existing licenses and permits, additional licenses and permits required for existing or future operations or activities, or additional licenses and permits required by new legislation. The Company notes the following with respect to its ability to obtain and maintain applicable licenses and permits:

- Certain provisions of the Land Law of Mongolia and the 2006 Minerals Law provide for the revocation of previously granted land use rights, MELs or mining licences on the grounds that the affected area of land has been designated as SNT. The Land Law of Mongolia grants the discretion to declare an area of land for special needs purposes to local governing authorities and identifies various broad categories which qualify as special needs. The 2006 Minerals Law requires the local governing authority that designates an area of land as a special needs territory to compensate within one year the licence holder whose rights or licence status are affected. The failure to pay the compensation within the one year period would allow the licence holder to resume its operations. If any of the Company's land use rights or mining licences in Mongolia are revoked

because the underlying land is declared as special needs territory, there is no assurance that the Company will receive adequate compensation and its business and results of operation might be adversely and materially affected.

- On February 13, 2015, the License Areas were included into SNT newly set up by the Umnugobi Aimag's CRKh to establish a strict regime on the protection of natural environment and prohibit mining activities in the territory of the SNT.
- On July 8, 2015, SGS and the Chairman of the CRKh, in his capacity as the respondent's representative, reached the Amicable Resolution Agreement to exclude the License Areas from the territory of the SNT in full, subject to confirmation of the Amicable Resolution Agreement by the session of the CRKh. The parties formally submitted the Amicable Resolution Agreement to the appointed judge of the Administrative Court for her approval and requested a dismissal of the case in accordance with the Law of Mongolia on Administrative Court Procedure. On July 10, 2015, the judge issued her order approving the Amicable Resolution Agreement and dismissing the case, while reaffirming the obligation of CRKh to take necessary actions at its next session to exclude the License Areas from the SNT and register the new map of the SNT with the relevant authorities. Mining activities at the Soumber property cannot proceed until the License Areas are removed from the SNT.
- On July 24, 2021, SGS was notified by the Implementing Agency of Mongolian Government that the license area covered by two mining licenses (MV-016869 and MV-020451) are no longer overlapping with the SNT. The Company will continue to work with the Mongolian authorities regarding the license area covered by the mining license (MV-020436). There is no assurance that the Company will receive adequate compensation and its business and results of operation might be adversely and materially affected.
- On December 7, 2023, the Citizen Representative Khural of Gurvantes soum held a meeting and passed a resolution claiming that the License Areas were part of local special needs protection area. A request letter was sent to MRPAM on January 4, 2024.
- On January 11, 2024, MRPAM issued an official letter to the Citizen Representative Khural of Gurvantes soum and concluded that request was not reasonable and therefore the License Areas will not be registered on the Cadastre mapping system.
- On June 18, 2024, the Court of First Instance in Umnugobi Province reviewed the above subject matter in which SGS is the plaintiff and Citizen's Representative Meetings of Gurvantes soum is the defendant. The Court of First Instance determined that the claims made by Citizen's Representative Meetings of Gurvantes soum relating to the License Areas as set forth in the Resolution were invalid. Citizen's Representative Meetings of Gurvantes soum has since applied to the Court of Appeals for an appeal of the Court of First Instance's decision.
- On September 12, 2024, the Court of Appeals reviewed the appeal made by Citizen's Representative Meetings of Gurvantes soum and determined that the appeal was invalid. Citizen's Representative Meetings of Gurvantes soum did not apply to the Supreme Court of Mongolia for an appeal of the Court of Appeals' decision upon the expiry of the application deadline. As a result, the decision made by the Court of Appeals is final and conclusive.

The inability to obtain or maintain licenses and permits with respect to its mining operations, of any delay with respect to the obtaining of licenses and permits, could have a material adverse impact on the Company's financial performance, cash flow and results of operations.

***Prolonged periods of severe weather conditions could materially and adversely affect the Company's business and results of operations.***

Severe weather conditions may require the Company to evacuate personnel or curtail operations and may cause damages to the project site, equipment or facilities, which could result in the temporary suspension of operations or generally reduce the Company's productivity. Severe weather conditions have not caused any delay or damages to the Company's operations to date. However, there can be no assurance that severe weather will not occur. Any damages to the Company's projects or delays in its operations caused by prolonged periods of severe weather could materially and adversely affect its business and results of operations.

***The Company's business and results of operations are susceptible to the cyclical nature of coal markets and are vulnerable to fluctuations in prices for coal.***

The Company expects to derive substantially all of its revenue and cash flow from the sale of coal. Therefore, the market price of the Common Shares, the Company's ability to raise additional financing and maintain ongoing operations and its financial condition and results of operations will be directly related to the demand for, and price of, coal and coal-related products. Coal demand and price are determined by numerous factors beyond the Company's control, including the international demand for steel and steel products, the availability of competitive coal supplies, international exchange rates, political and economic conditions in Mongolia, China and elsewhere in the world, milder or more severe than normal weather conditions, production costs in major coal producing regions and, most recently, the impact of the COVID-19 pandemic. The Chinese and international coal markets are cyclical and have in the past exhibited significant fluctuations in supply, demand and prices from year to year. There has been significant price volatility on the coal spot market. An oversupply of coal in China or a general downturn in the economies of any significant markets for the Company's coal and coal-related products could materially and adversely affect its business and results of operations. In addition, the Company's dependence on Asian markets may result in instability in its operations due to political and economic factors in those Asian jurisdictions which are beyond the Company's control. The combined effects of any or all of these factors on coal prices or volumes are impossible for the Company to predict.

If realized coal prices are below the full cost of production of any of the Company's future mining operations and remain at such a level for any sustained period, the Company could experience increased losses and may decide to discontinue operations, which could require the Company to incur closure costs and result in further reduced revenues.

***The Company's coal mining activities are subject to operational risks, including equipment breakdown.***

The Company's coal mining operations are subject to a number of operational risks, some of which are beyond its control, which could delay the production and delivery of coal. These risks include unexpected maintenance or technical problems, periodic interruptions to its mining operations due to inclement or hazardous weather conditions and natural disasters, industrial accidents, power or fuel supply interruptions and critical equipment failure, including malfunction and breakdown of its shovels, upon which its coal mining operations are heavily reliant and which would require considerable time to replace. These risks and hazards may result in personal injury, damage to, or destruction of, properties or production facilities, environmental damage, business interruption and damage to its business reputation. In addition, breakdowns of equipment, difficulties or delays in obtaining replacement shovels and other equipment, natural disasters, industrial accidents or other causes could temporarily disrupt the Company's operations, which in turn may also materially and adversely affect its business, prospects, financial condition and results of operations.

***The Company's future financial performance depends, in part, on the successful operation of the wash plant at the Ovoot Tolgoi Mine, which is subject to various risks***

Because the Company's current mine plan is predicated, in part, on incorporating a coal washing and process systems, the Company's future financial performance will depend on the successful operation of the wash plant at the Ovoot Tolgoi mine. The operating performance of the wash plant, and the related cost of operation and maintenance, may be adversely affected by a variety of risk factors, including, but not limited to, the following:

- Maintaining an adequate water supply and power supply to the mine site to permit the continued operations of the wash plant as planned;
- Achieving satisfactory yields from wet washing operations;
- The Company successfully enhancing the operational efficiency and the output throughput of the wet wash plant;
- The Company successfully negotiating an agreement with the wash plant operator regarding the operation of the wash plant;
- Unexpected maintenance and replacement expenditures;
- Shutdowns due to the breakdown or failure of the wash plant's equipment;
- Labour disputes; and
- Catastrophic events such as fires, explosions, severe storms or similar occurrence affecting the wash plant facility or third parties providing services to the wash plant.

Any of the risks noted above could have a material adverse impact on the operational performance or cost of operations of the wash plant, which in turn could have a material adverse effect on the Company's financial performance, cash flow and results of operations.

***The Company's prospects depend on its ability to attract, retain and train key personnel.***

Recruiting, retaining and training qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition within the mining industry for such persons is intense, in particular, Mongolian law requires that at least 90% of a mining company's employees be of Mongolian nationality. This provision of the law, coupled with the large number of active mining projects in Mongolia, further limits the number of available personnel and increases competition for skilled personnel. The reputation and capability to operate continuously over the longer term are key factors in also attracting key personnel to its business. The Company is reinforcing its core values of ethical behavior in dealing with all its stakeholders from senior management down in order to ensure the Company attracts the right people to its business. As the Company's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional operations staff. If the Company is not successful in attracting such key personnel, or retaining existing key personnel, its business and results of operations could be materially and adversely affected.

In addition, the Company's ability to train operating and maintenance personnel is a key factor for the success of its business activities. If the Company is not successful in recruiting, training and retaining such personnel, its business and results of operations could be materially and adversely affected.

***Competition in the coal industry may hinder development plans and adversely affect the Company's coal sales if it is not able to compete effectively.***

Continued growth in mining and mineral exploration activities in Mongolia could create an increasing demand for mining equipment and related services. Shortages of, or higher costs for, equipment and services could restrict the Company's ability to carry out the exploration, development and production activities, increase its costs of operations and adversely affect its future plans.

The Company intends to sell a majority of the coal it produces in China. Competition in the Chinese coal industry is based on many factors, including, among others, price, production capacity, coal quality and characteristics, transportation capability and costs, blending capability and brand name. The Company's coal business will most likely compete in China with other large Chinese and international coal mining companies. Due to location, some of the Company's Chinese competitors may have lower transportation costs than the Company does. The Chinese coal market is highly fragmented and the Company faces price competition from some small local coal producers that produce coal for significantly lower costs than the Company due to various factors, including their lower expenditure on safety and regulatory compliance. Some of the Company's international competitors, including the Mongolian coal producers, may have greater coal production capacity as well as greater financial, marketing, distribution and other resources than the Company does, and may benefit from more established brand names in international markets. The Company's future success will depend on its ability to respond in an effective and timely manner to competitive pressure.

***There are a number of risks associated with the Company's operation plan.***

The current operation plan contemplates significant operational funding in the Company's mining operations as well as equipment maintenance in order to achieve the Company's revenue and cash flow targets. Such expenditures and other working capital requirements may require the Company to seek additional financing. There is no guarantee that the Company will be able to secure other sources of financing. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

The Company has been selling its coal products since 2008. The Company had 103 active customers with the largest customer representing approximately 17%, the second largest customer representing approximately 8%, the third largest customer representing approximately 6% and the remaining customers accounting for 69% of the Company's total sales for the year ended December 31, 2025. In order to mitigate this risk, the Company is attempting to modify its sales strategy in order to expand its existing customer base. With certain of its customers, the Company has accepted payment for coal deliveries in the form of bank instruments, in lieu of cash. There can be no assurance, however, that the Company will be able to satisfy or comply with the funding conditions of such instruments following completion of the coal delivery or the bank that issues the instrument will be capable of paying all or any portion of the proceeds to the Company, which could have a material adverse effect on the business and operations of the Company and may negatively affect the price and volatility of the Common Shares.

The Company still expects to sell the majority of the coal from its Mongolian mining operations to customers in China. Chinese law requires specific authorization to be obtained by entities responsible for the import of coal into China. In the event that the Company's customers, or the agents of such customers who are responsible for importing coal into China on their behalf, fail to obtain and retain the necessary

authorizations, their ability to import coal into China may be affected, which could materially and adversely affect the Company's business and results of operations.

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

***Failure to maintain an effective system of internal controls may result in material misstatements of the Company's financial statements or cause the Company to fail to meet its reporting obligations or fail to prevent fraud.***

Effective internal controls are necessary for the Company to provide reliable financial reports and prevent fraud. If the Company fails to maintain an effective system of internal controls, the Company may not be able to report its financial results accurately or prevent fraud; and in that case, Shareholders and investors could lose confidence in the Company's financial reporting, which would harm the Company's business and could negatively impact the price of the Common Shares.

If the Company suffers any future material weaknesses in its internal controls and procedures or fails to maintain the adequacy of its internal controls and procedures, the Company could be the subject of regulatory scrutiny, penalties or litigation, all of which would harm the Company's business and could negatively impact the price of the Common Shares.

The Company cannot provide assurances that the Company will not experience potential material weaknesses in its internal controls. Even if the Company concludes that its internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS, because of their inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by individual acts, by collusion of two or more individuals or by unauthorized override of controls. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause the Company to fail to meet its future reporting obligations.

***The Company's operations are exposed to risks in relation to environmental protection and rehabilitation.***

The operations of coal mines involve substantial environmental risks and hazards and the Company's operations are subject to laws and regulations relating to the environment, health and safety and other regulatory matters in Mongolia and China.

The risk of environmental liability is inherent in the operation of the Company's business. Environmental hazards may occur in connection with the Company's operations as a result of human negligence, force majeure, or otherwise. Claims may be asserted against the Company arising out of its operations in the normal course of business, including claims relating to land use, safety, health and environmental matters.

The Company is not insured against environmental liabilities and there can be no assurance that environmental liabilities would not materially and adversely affect its business and results of operations.

In addition, the Company is subject to reclamation requirements. The Company's mine will eventually close. The key tasks in relation to the closure of the mines involves (i) long-term management of permanent engineered structures (for example, spillways, roads, waste dumps); (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and contractors; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is dependent on the Company's ability to successfully implement negotiated agreements with the relevant government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impacts and corporate reputation damage if desired outcomes cannot be achieved, which could materially and adversely affect the Company's business and results of operations.

In prior year, as part of its focus on capital preservation, the Company has decided to suspend indefinitely all further development activities relating to the previously announced Ceke Logistics Park Project until further notice. The Company may be at risk of becoming subject to litigation proceedings initiated by its investment partner in the Ceke Logistics Park Project for failing to comply with the underlying agreements governing project development. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company may become subject could have a material adverse impact on its business, operations, results of operations, financial condition and future prospects.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company may experience increased costs of production arising from compliance with environmental laws and regulations. Should the Company fail to comply with current or future environmental laws and regulations, the Company may be required to pay penalties or take corrective actions, any of which may have a material adverse effect on its results of operations and financial condition.

***The unavailability or shortage of reliable and sufficient coal transportation capacity that meets Mongolian authority regulations will reduce the Company's coal revenue by causing it to reduce its production volume or impairing its ability to supply coal to its customers.***

The Company anticipates that the majority of its coal production from the projects in Mongolia will be exported to China. Inadequate transportation infrastructure, or restrictions on or delays in coal exports to China, is likely to affect the pricing terms on which it can sell the coal to customers and the willingness and ability of such customers to purchase coal from it. Customers are likely to factor in any delays and the costs and availability of transportation in determining the price they are prepared to pay to purchase the Company's coal. Therefore, its mining operations are anticipated to be highly dependent on road and rail services in Mongolia and China.

The opening hours of the Shivee Khuren Border Crossing also affect the Company's ability to expedite the movement of its coal shipments. There can be no assurance that there would be any other cost effective means of transporting the coal to the Company's primary market in China. As a result, the Company may experience difficulty expediting the movement of its coal shipments and/or significant cost escalation for the transportation services, which could affect its production and reduce its profitability.

In China, rail and road infrastructure and capacity has in the past been affected by extreme weather conditions, earthquakes, delays caused by major rail accidents, the COVID-19 pandemic, the diversion of rolling stock needed to deliver emergency food relief and seasonal congestion during public holidays. There

can be no assurance that these problems will not recur or that new problems will not occur. In any of these circumstances, the customers may not be able to take delivery of the Company’s coal, which may lead to delays in payment, or refusal to pay, for the Company’s coal and, as a result, the Company’s business and results of operations could be materially and adversely affected.

***Foreign currency fluctuations could affect expenses and any future earnings.***

The Company is exposed to foreign exchange fluctuations with respect to the MNT, Chinese Renminbi, Hong Kong, and Canadian dollars. The Company’s financial results are reported in United States dollars. The salaries for local laborers in Mongolia are paid in local currency. Sales of coal into China have been and may continue to be settled in United States dollars and Renminbi. The Company has a subsidiary in Hong Kong where some expenses are incurred in Hong Kong dollars. Since the Company’s headquarters is in Canada, a minor portion of its expenses are in Canadian dollars and the Company holds a portion of its cash in Canadian dollars. As a result, its financial position and results are impacted by the exchange rate fluctuations between the aforementioned currencies and the United States dollar.

***Information in this Annual Information Form regarding future plans reflects current intentions and is subject to change.***

Whether the Company ultimately implements the business strategies described in this Annual Information Form will depend on a number of factors including, but not limited to: the political situation in Mongolia and China; the availability and cost of capital; current and projected coal prices; coal markets; costs and availability of drilling services, costs and availability of heavy equipment, supplies and personnel; success or failure of activities in similar areas to those in which the Company’s projects are situated; and changes in estimates of project completion costs. The Company will continue to gather information about its projects, and it is possible that additional information will cause it to alter its schedule or determine that a project should not be pursued at all. Accordingly, the Company’s plans and objectives may change from those described in this Annual Information Form.

**DESCRIPTION OF MATERIAL PROPERTY**

**Qualified Persons**

Disclosure of a scientific or technical nature in this Annual Information Form in respect of the Company’s material mineral project was prepared by or under the supervision of the individuals set out in the table below, each of whom is a “Qualified Person” as that term is defined in NI 43-101:

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

Disclosure of a scientific or technical nature relating to the Ovoot Tolgoi Mine contained in this Annual Information Form is derived from the Ovoot Tolgoi Technical Report prepared in accordance with NI 43-101 for the Ovoot Tolgoi Mine dated December 2, 2024, prepared Mr. Jaydee Ammugauan, Mr. Tao Xu

and Mr. Larry Li of BAW. A copy of the Ovoot Tolgoi Technical Report is available under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Disclosure of a scientific or technical nature relating to the Soumber Project contained in this Annual Information Form is derived from the Soumber Technical Report prepared in accordance with NI 43-101 for the Soumber Deposit dated December 2, 2024, prepared Mr. Jaydee Ammugauan, Mr. Tao Xu and Mr. Larry Li of BAW. A copy of the Soumber Technical Report is available under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## **Ovoot Tolgoi Deposit**

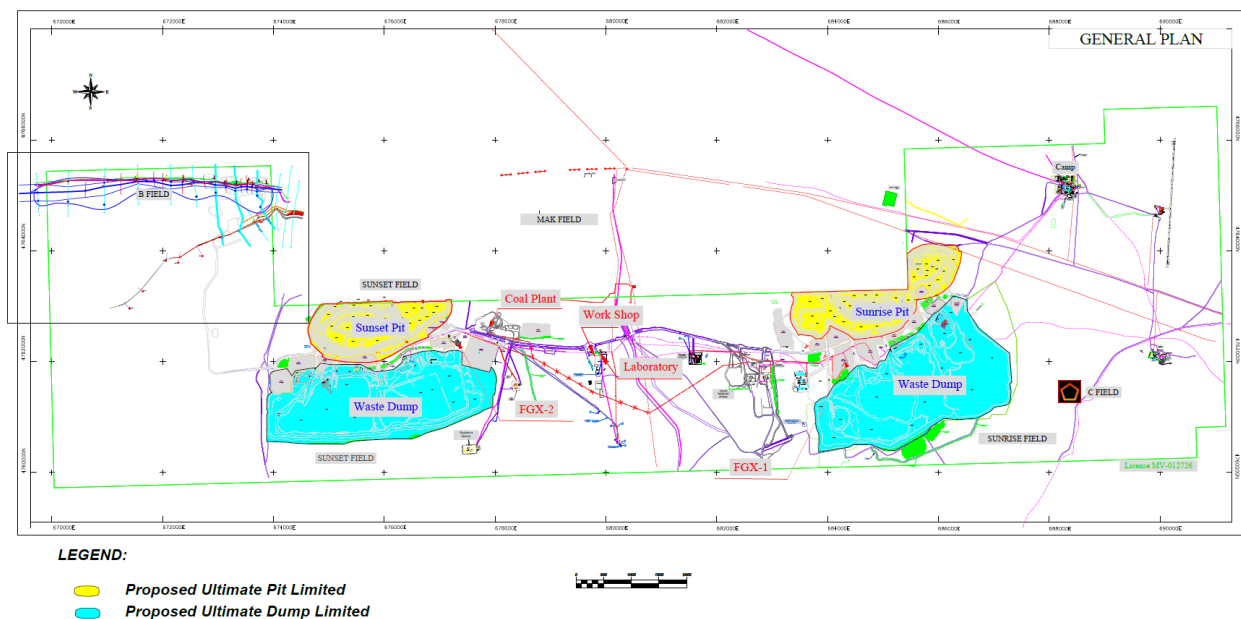
### ***Property Description and Location***

The Ovoot Tolgoi Mine is comprised of Sunrise Pit, Sunset Pit, B Field Prospect, and C Field Prospect which are situated in the southwest corner of the Umnugobi Aimag (South Gobi province), approximately 320 km southwest of the provincial capital of Dalanzadgad and 950 km south of the nation's capital Ulaanbaatar. Ceke border crossing and the Mongolian-Chinese border are situated around 45 km south of the Ovoot Tolgoi Mine. The primary delivery hub of the Ovoot Tolgoi coal is in Ceke, PRC.

The Company holds its interest in the Ovoot Tolgoi Mine through its wholly owned subsidiary, SGS. SGS is the operating company under the Company and is a company incorporated in Mongolia that holds the mining licenses of the Ovoot Tolgoi Mine.

The figure below illustrates the site layout plan of the mining area. The Sunset Pit (formerly known as West field) is located southwest of the concession owned by MAK and includes the Sunset Pit, which is part of SGS's operation. The underground resource represents the extension of the coal deposits in a downward direction. On the other hand, the Sunrise Pit (formerly named South-East field) is situated southeast of MAK's concession. The B Field Prospect is located on the northwest corner of the SGS’s concession whereas the C Field Prospect is located southeast to the Sunrise Pit. All references to mineral reserves and resources in this AIF are within SGS's concession only.

### ***Site Layout Plan***



### *Means of Access*

Regular scheduled air service is available between Ulaanbaatar and Dalanzadgad. The travel time from Dalanzadgad to the Ovoot Tolgoi Mine typically takes around seven hours and involves a combination of paved and unpaved roads.

The Ovoot Tolgoi Deposit has an onsite airport that is accessed via chartered aircraft from Ulaanbaatar, providing transport for the commute roster workforce. Prior to the establishment of the on-site airport, weekly chartered aircraft services from Ulaanbaatar were utilized for crew rotations and transportation of essential supplies. However, the chartered aircraft service has been suspended since 2020. As an alternative, land transportation is now employed to transport personnel and supplies to the Ovoot Tolgoi Mine.

A rail line connects the Ovoot Tolgoi area with the industrial centres in the PRC. The railroad terminus is approximately 40 km south of the Ovoot Tolgoi Deposit, at the Shivee Khuren Border Crossing. A two-lane paved road was built from the mine site to Ceke and it is currently used by coal trucks.

The camp and shop complexes at Ovoot Tolgoi were initially powered by diesel generators but are now connected to a powerline that runs from the PRC to Gurvantes Soum, supplying electrical power to the area.

Due to a lack of immediately available surface water near the coal mine, water supply wells were drilled for the camp's needs, and water for dust suppression is sourced from the pit dewatering system. A 2012 hydrogeological survey conducted by Aquaterra identified a groundwater source about 30 km from the site, suitable for industrial use and coal washing. SGS obtained a permit for this water source to support operations.

Waste disposal areas are approved in the mining permit.

SGS received a mining license on September 20, 2007, and operations at the Sunset Pit began in April 2008 following approval by the Mongolian Government.

### *Title and Interest*

According to Article 19.7 of the Mineral Laws of Mongolia, exploration permits granted by the Mongolian government have a duration of three years, with the possibility of two extensions, each lasting two years. During the exploration phase, license holders are responsible for fulfilling certain environmental protection obligations. Once a successful exploration program has been conducted, the holder of an exploration license can apply for a mining license to operate in any area covered by the license.

A mining license is granted for a period of thirty years, with the option to renew it twice for an additional twenty years each time. The mining license includes both mineral and surface leasing rights.

The Company's exploration activities, mining operation and land use rights for the Ovoot Tolgoi Deposit, as well as the Company's development projects are governed by the 2006 Minerals Law and the Land Law of Mongolia. The use of water is governed by the Water Law of Mongolia and the 2006 Minerals Law. These laws allow license holders to use the land and water in connection with exploration and mining operations, subject to the discretionary authority of Mongolian national, provincial and regional governmental authorities as granted under the Mongolian law.

On September 20, 2007, SGS was granted Mining License 12726A (the "**Ovoot Tolgoi Mining License**"), which allowed them to develop an open-pit coal mine. The mining license encompasses a total land area of 9,312.27 hectares.

SGS's concession is adjacent to a mining license owned by MAK, with coal deposits extending across the lease boundary. SGS and MAK entered into a memorandum of understanding on May 24, 2007, covering mining activities across this boundary. While open pits may extend beyond SGS's lease to extract all economically viable coal, mineral resource estimates are limited to SGS's concession. On February 20, 2014, SGS and MAK signed a cooperation agreement, allowing SGS to remove overburden from MAK's concession at SGS's expense. This supports the development of SGS's pits, with MAK responsible for extracting coal within its own lease area. Notably, the coal within MAK's concession is not treated as generating revenue or costs for SGS. This agreement significantly impacts SGS's mining operations and long-term planning.

Waste disposal areas have been identified and approved in the Ovoot Tolgoi Mining License.

SGS holds the rights to both surface and subsurface coal resources that are currently mined and

those intended for future development. SGS has authorized water licenses that cover water diversion and usage. The water usage rights held are sufficient to support the LOM plan.

### ***Royalties, Payments, and Encumbrances***

Under Mongolian royalty legislation, SGS is subject to a 5% base royalty on export coal sales, with an additional sliding scale royalty of up to 5%, both calculated solely based on a monthly reference price published by the Ministry of Finance of Mongolia.

In addition to royalties, SGS is liable for a 2% Immovable Property Tax on the purchase value of assets. The company also pays an annual mining license fee of MNT 7,250 per hectare for the 9,282.76-hectare Ovoot Tolgoi Mine, totaling MNT 67.3 million.

Other taxes and fees include a 10% VAT on capital, materials, supplies, and local sales, with VAT refunds applicable once SGS's coal is incorporated into the final mining product list. SGS also subject to an air pollution fee of MNT 1,000 per tonne of ROM coal and a land fee ranging of MNT 42 per m<sup>2</sup>, depending on land usage. Additionally, a fee of MNT 7,500 per kilometer applies to electric lines. Finally, the applicable tax rates for corporate income are (i) for the first six billion MNT of net profit before tax, a tax rate of 10% is applied and (ii) for the net profit before tax exceeding six billion MNT, a higher tax rate of 25% is imposed.

### ***Significant Factors or Risks***

There are no other significant factors or risks that might affect access or title, or the right or ability to perform work on, the property, including permitting and environmental liabilities to which the project is subject.

### ***History***

The first geological investigations at Nariin Sukhait took place in 1951 with geological investigations by V.S. Volkhonina, followed by a 1971 survey led by D. Dashtseren, which identified the first coal occurrence in the area.

Norwest conducted comprehensive studies of the deposit areas which were based on their management of exploration programs carried out between 2005 until 2009. In addition, they conducted mine planning studies up until 2009, which provided updated information and insights for the deposit area. McElroy Bryan

supervised exploration work in 2010. SGS has supervised all subsequent exploration work from 2011 up to the date hereof.

RPM completed multiple NI 43-101 technical reports for the Ovoot Tolgoi mine in March 2011, March 2012, and May 2016 and a technical review of the mine plan in April 2016.

In 2017, DMCL completed a NI 43-101 technical report, upgrading the geology type classification from "severe" to "complex" and re-establishing underground mineral resources due to recovering coal market conditions. The surface mineral resources were recalculated to a depth of 300 m, and new mineral reserves were declared for the first time, with a proven mineral reserve of 99.49 million tons and probable mineral reserves of 14.68 million tons, reflecting updated geological data and market conditions.

## ***Geological Setting***

### ***Regional Geology***

The South Gobi region of Mongolia features a geological history marked by the collision of continental plates and crustal extension, similar to Basin-and-Range tectonics. It consists of east-west-trending mountain ranges made up of crystalline basement rocks, which are affected by both compressional and extensional faults. Between the ranges are basins containing sedimentary sequences from the Late Cretaceous to Permian ages, overlaid by Quaternary sediments. The Nariin Sukhait fault, a key feature of the Ovoot Tolgoi Deposit, runs east-west, with coal-bearing sedimentary rocks on its southern side and Quaternary sediments to the north. The area's geological structure includes monoclinical formations and coal seams dipping between 12° to 83°.

### ***Structural Geology***

The structural geology of the Ovoot Tolgoi deposit is considered to be highly complex. There are significant variations in the thickness of coal seam groups, individual plies, and interburden units. These thickness variations are attributed to structural deformations within the stratigraphic layers. The primary mechanisms responsible for these deformations are interpreted to be extensive shearing within the coal seams, leading to coal "stacking" and "wants", as well as thrust faulting, which results in the repetition of the stratigraphic sequence.

Extensive structural deformation is observed in the current workings of the Ovoot Tolgoi Deposit. This deformation is evident through various indicators, including the presence of slickensided surfaces and sheared foliation within coal units. Additionally, apparent isoclinal folding, fault and shear discontinuities, and angular unconformities associated with faulting were also observed. These observations highlight the substantial influence of structural deformation on the geological characteristics of the deposit.

### ***Mineralization***

Coal-bearing sedimentary rocks, such as conglomerates and sandstones, can be found within the southern portion of the fault. On the other hand, the northern part of the area has experienced the deposition of Quaternary sediments. The coal deposits are distributed along the southern side of the fault. Moving eastward from the southern side of Nariin Sukhait, there are several rifts that extend towards the north and northwest. These rifts act as divisions, creating multiple smaller blocks within the area of sedimentary rocks that contain coal. The sedimentary rocks in the area have a northward dip of approximately 45° to 60°. The presence of shallow folds suggests movement and deformation caused by tectonic forces. Furthermore, the Nariin Sukhait fault exposes Late Permian coal-bearing sequences.

The estimated overall thickness of the coal-bearing sedimentary sequence in the region is 1,370 m. Within this sequence, the cumulative thickness of the coal ranges from 68 meters to 250 m, with the majority occurring in Seam No. 5. The interburden, which refers to the material between the coal seams, consists mainly of sandstones and conglomerates. Inside the coal seams, the partings are primarily composed of mudstones and carbonaceous mudstones.

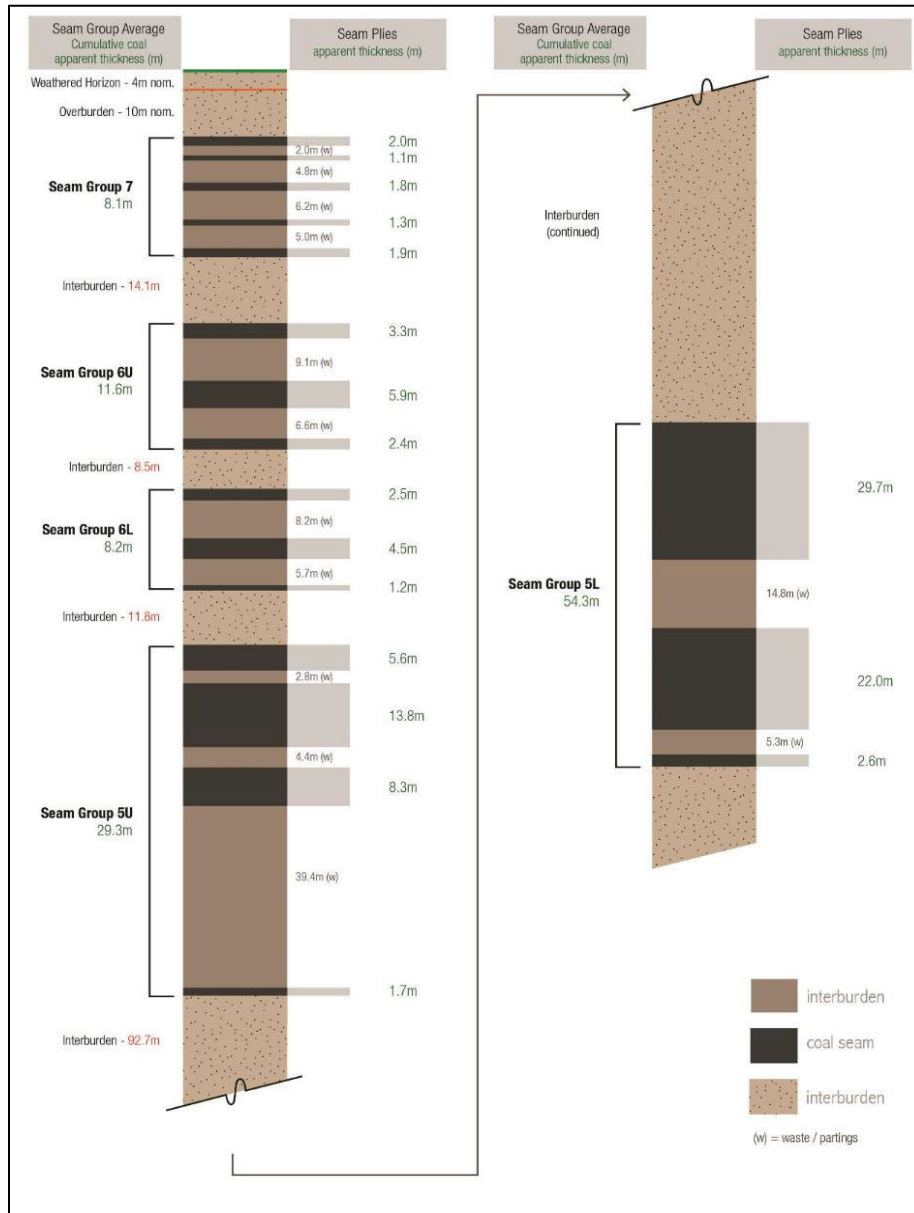
Based on the existing geological knowledge of the deposit, Seam Groups such as Seam Nos. 4, 5L, 5U, 6, 7, 8, 9, 10, and 11 have been identified. Each Seam Group is subdivided into multiple layers, also referred to as plies, based on the presence of parting material within the Seam Groups. The seams within the deposit are typically thick and have steep dips, although the geological characteristics vary significantly throughout the deposit.

Seam Nos. 5L and 5U, which are found in the Sunset and Sunrise Pits, provide most of the coal resources used in the coal mine. Seam Nos. 6 and 7 in the Sunrise Pit are found to be potentially related to Seam Group No. 8, 9 and 10 in the Sunset Pit. The existence of Seam 4 was also revealed through exploration efforts in area B of the Nariin Sukhait coal deposit.

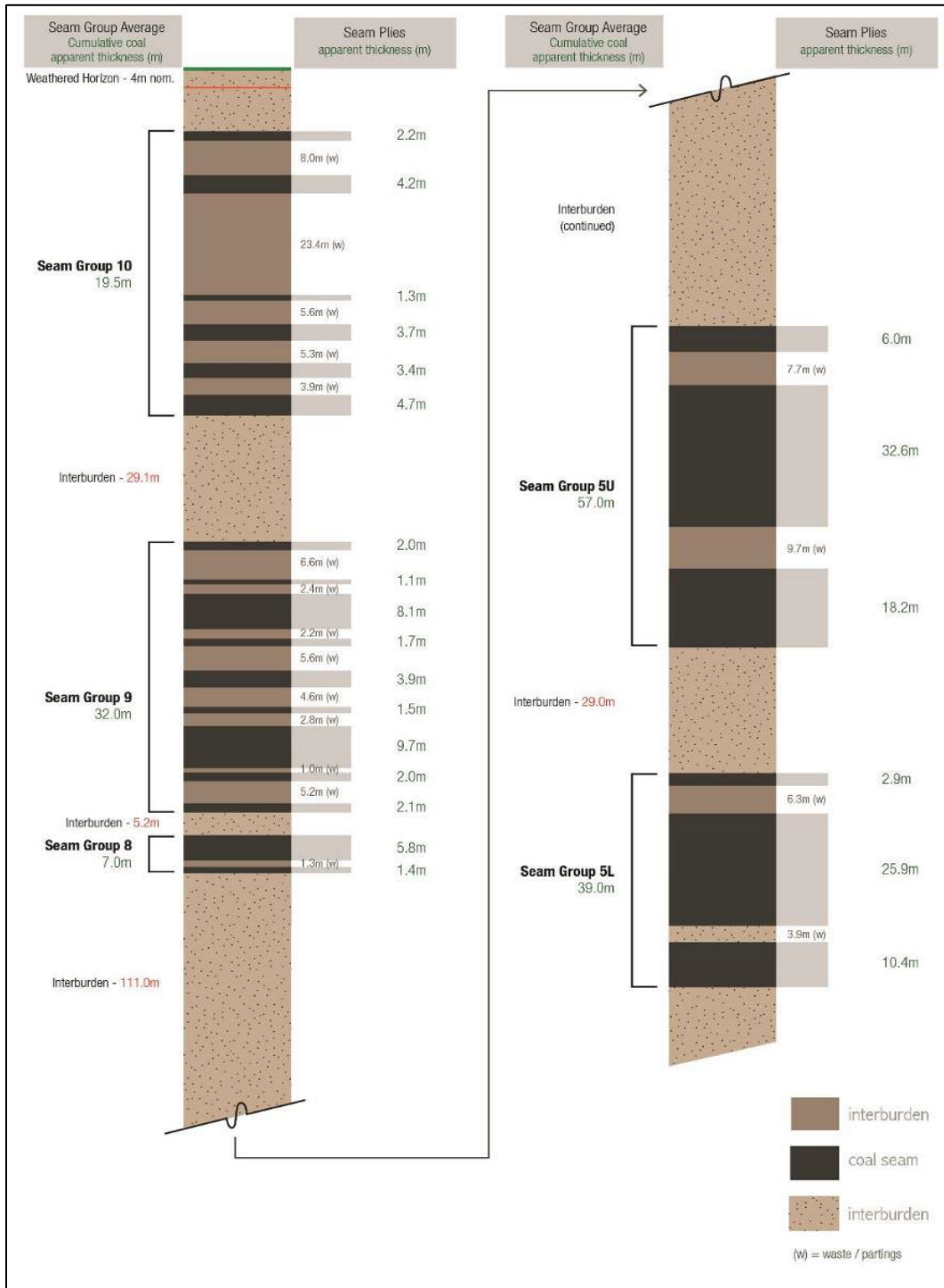
In the Sunset Pit, the remainder of the coal resource is identified in Seam Nos. 4, 8, 9, 10 and 11, containing multiple discrete seams. Meanwhile, the Seam Nos. 1, 2 and 3 in the Sunrise Pit described in the early exploration activities at Nariin Sukhait have not been identified in SGS's concession.

The following figures present the general stratigraphy of the Sunrise and Sunset fields respectively, based on the average apparent thickness derived from drillhole data. However, it is crucial to acknowledge that the geology exhibits high variability, and the generalized stratigraphic columns represent average values from intersected drillholes. They may not accurately represent all areas of the deposit since drillholes often do not intersect all seam groups.

### Simplified Stratigraphy of the Sunrise Pit (RPM, 2016)



**Simplified Stratigraphy of the Sunset Pit (RPM, 2016)**



## Coal Quality

Coal quality of each seam group, confined to the in-pit mineral resource (depth within 300 m below ground surface), and based on SGS's latest resource model as of December 31, 2023, is collected and categorized by product ash classifications as shown in the tables below.

### Coal Quality by Seam Group – Sunrise Pit

<i>Seam Group</i>	<i>TM</i> %	<i>IM</i> %, ad	<i>ASH</i> %, db	<i>VM</i> %, daf	<i>FC</i> %, ad	<i>TS</i> %, ad	<i>G<sub>R,I</sub></i>	<i>SG</i> g/mm <sup>3</sup>	<i>CV</i> cal/g, db
Ash <=10%									
5L	8.18	0.97	8.09	33.85	56.77	0.83	61.6	1.35	7,083
5U	8.46	1.11	7.88	34.22	57.05	0.88	65.6	1.34	7,066
6L	10.01	1.07	7.62	33.93	56.75	0.83	75.3	1.31	7,122
6U	11.01	1.04	8.55	34.04	56.40	0.95	51.9	1.37	7,196
7L	8.59	1.39	7.82	35.30	58.74	0.96	76.1	1.30	6,882
<b>Average</b>	<b>9.25</b>	<b>1.12</b>	<b>7.99</b>	<b>34.27</b>	<b>57.14</b>	<b>0.89</b>	<b>66.1</b>	<b>1.33</b>	<b>7,070</b>
10%<Ash <=15%									
5L	8.40	0.97	12.20	33.86	53.48	1.04	57.2	1.38	6,669
5U	8.02	1.10	12.11	34.26	53.63	0.99	58.4	1.81	6,665
6L	8.17	1.13	12.34	34.71	51.22	0.91	68.6	1.34	6,443
6U	9.21	1.29	11.94	35.66	53.30	1.02	53.8	1.37	6,613
7L	8.53	1.26	12.10	35.18	51.49	1.02	45.5	1.38	6,577
<b>Average</b>	<b>8.47</b>	<b>1.15</b>	<b>12.14</b>	<b>34.73</b>	<b>52.62</b>	<b>1.00</b>	<b>56.7</b>	<b>1.45</b>	<b>6,594</b>
15%<Ash <=25%									
5L	7.75	1.05	18.89	33.43	48.63	1.12	41.8	1.43	6,029
5U	8.11	1.27	19.28	33.83	48.04	1.19	44.5	1.42	5,982
6L	8.89	1.04	19.24	36.09	46.92	1.11	59.8	1.46	5,786
6U	7.22	0.92	20.31	34.90	44.18	1.22	51.2	1.40	5,744
7L	9.47	2.24	20.35	33.04	44.36	0.80	23.1	1.38	5,716

<i>Seam</i>	<i>TM</i>	<i>IM</i>	<i>ASH</i>	<i>VM</i>	<i>FC</i>	<i>TS</i>		<i>SG</i>	<i>CV</i>
<i>Group</i>	%	%, ad	%, db	%, daf	%, ad	%, ad	<i>Gr.I</i>	g/mm <sup>3</sup>	cal/g, db
<b>Average</b>	<b>8.29</b>	<b>1.30</b>	<b>19.62</b>	<b>34.26</b>	<b>46.43</b>	<b>1.09</b>	<b>44.1</b>	<b>1.42</b>	<b>5,851</b>
Ash >25%									
5L	7.14	0.90	31.34	32.89	39.18	1.10	22.3	1.55	4,988
5U	7.66	1.05	31.76	34.80	37.54	1.29	18.5	1.54	4,802
6L	6.63	1.19	30.45	33.98	36.28	1.31	56.1	1.58	4,856
6U	8.54	1.31	30.55	32.99	36.60	1.02	24.8	1.49	4,361
7L	10.13	1.15	29.34	32.22	35.80	1.20	21.4	1.47	4,679
<b>Average</b>	<b>8.02</b>	<b>1.12</b>	<b>30.69</b>	<b>33.37</b>	<b>37.08</b>	<b>1.19</b>	<b>28.6</b>	<b>1.53</b>	<b>4,737</b>

Coal Quality by Seam Group – Sunset Pit

<i>Seam</i>	<i>TM</i>	<i>IM</i>	<i>ASH</i>	<i>VM</i>	<i>FC</i>	<i>TS</i>			<i>SG</i>	<i>CV</i>
<i>Group</i>	%	%, ad	%, db	%, daf	%, ad	%, ad	<i>CSN</i>	<i>Gr.I</i>	g/mm <sup>3</sup>	cal/g, db
Ash <=10%										
5U	3.61	1.39	6.31	34.68	58.65	0.76	5.2	-	1.31	7,557
5L	4.56	1.39	6.21	33.50	59.59	0.77	4.1	69.2	1.31	7,525
8	5.33	2.60	7.80	35.81	54.29	1.33	3.7	92.9	1.37	7,311
9	4.99	1.78	8.10	34.90	56.51	1.31	4.3	80.6	1.33	7,346
10	5.93	2.36	8.05	35.01	55.79	1.28	4.2	-	1.33	7,317
<b>Average</b>	<b>4.03</b>	<b>1.48</b>	<b>6.50</b>	<b>34.48</b>	<b>58.51</b>	<b>0.83</b>	<b>4.8</b>	<b>80.6</b>	<b>1.32</b>	<b>7,523</b>
10%<Ash <=15%										
5U	3.41	1.49	12.46	33.82	52.91	1.05	4.8	-	1.39	6,996
5L	4.05	1.56	11.94	33.64	53.87	1.07	3.6	59.7	1.37	6,962
8	5.13	2.31	12.55	34.72	51.44	1.32	3.4	-	1.37	6,981
9	5.96	2.39	12.22	33.49	52.80	1.43	3.7	75.1	1.35	6,942
10	5.10	1.74	12.43	34.01	52.94	1.53	3.6	-	1.38	6,943

<i>Seam Group</i>	<i>TM</i> %	<i>IM</i> %, ad	<i>ASH</i> %, db	<i>VM</i> %, daf	<i>FC</i> %, ad	<i>TS</i> %, ad	<i>CSN</i>	<i>Gr.I</i>	<i>SG</i> g/mm <sup>3</sup>	<i>CV</i> cal/g, db
<b>Average</b>	<b>4.66</b>	<b>1.83</b>	<b>12.32</b>	<b>33.81</b>	<b>52.96</b>	<b>1.28</b>	<b>4.0</b>	<b>67.4</b>	<b>1.37</b>	<b>6,963</b>
15%<Ash <=25%										
5U	3.47	1.84	18.89	32.51	47.15	1.01	3.8	-	1.45	6,425
5L	4.07	1.81	19.43	31.58	47.59	1.16	2.8	57.2	1.45	6,336
8	5.23	2.33	19.42	32.19	46.55	1.36	2.4	-	1.46	6,338
9	5.49	1.62	18.88	32.73	47.27	1.54	3.4	53.2	1.43	6,387
10	5.26	1.64	19.27	32.35	47.39	1.43	2.9	-	1.44	6,317
<b>Average</b>	<b>4.77</b>	<b>1.74</b>	<b>19.15</b>	<b>32.34</b>	<b>47.29</b>	<b>1.32</b>	<b>3.1</b>	<b>55.2</b>	<b>1.44</b>	<b>6,355</b>
Ash >25%										
5U	3.54	1.61	31.05	28.72	38.46	1.06	3.1	-	1.58	5,348
5L	3.94	1.83	31.01	27.68	39.14	1.04	1.8	14.0	1.56	5,347
8	4.97	2.26	31.24	28.34	37.93	1.06	1.4	2.7	1.56	5,292
9	6.04	1.82	32.02	28.57	37.37	1.65	2.2	44.0	1.55	5,209
10	4.78	1.56	31.24	28.21	38.37	1.24	1.7	-	1.58	5,249
<b>Average</b>	<b>4.55</b>	<b>1.70</b>	<b>31.24</b>	<b>28.31</b>	<b>38.34</b>	<b>1.20</b>	<b>2.1</b>	<b>14.0</b>	<b>1.57</b>	<b>5,282</b>

Coal Quality by Seam Group - B Field Prospect

<i>Seam Group</i>	<i>TM</i> %	<i>IM</i> %, ad	<i>ASH</i> %, db	<i>VM</i> %, daf	<i>TS</i> %, ad	<i>Gr.I</i>	<i>SG</i> g/mm <sup>3</sup>	<i>CV</i> cal/g, db
1	6.88	1.48	16.49	42.72	1.14	58.89	1.33	6,370
2	8.06	1.63	17.96	41.18	1.18	58.68	1.33	6,200
3	8.29	1.53	17.01	42.03	1.41	67.72	1.34	6,390
4	7.71	1.57	17.51	41.47	1.61	65.46	1.37	6,347
6	4.23	1.71	10.33	42.43	1.10	63.94	1.33	6,908
7	3.59	1.73	15.02	41.04	1.23	36.33	1.33	6,355

8	4.34	1.65	15.53	41.48	1.23	60.06	1.33	6,454
9	4.31	1.59	17.07	41.40	1.26	47.33	1.34	6,301
10	4.17	1.58	19.14	40.81	1.43	33.27	1.37	6,096
<b>Average</b>	<b>5.73</b>	<b>1.61</b>	<b>16.23</b>	<b>41.62</b>	<b>1.29</b>	<b>54.63</b>	<b>1.34</b>	<b>6,380</b>

Coal quality of both Sunrise and the Sunset Pits generally indicate a strong continuity within the same coal seams. The majority of Seam 5U and 5L of both Sunrise Pit and Sunset Pit are A Coal product in which they accounted for 56.78% of the total saleable coal products in 2023.

B Field coal quality varies between coal seams but generally are characterized with low ash (<20%), moderate sulfur content (<1.5%), low inherent moisture (<2%). Free Swelling Index (FSI) values are limited and indicate both non-coking (<2 FSI) and coking coal properties (>4 FSI).

### ***Exploration***

In late 2004, IVN conducted the initial modern systematic exploration at Ovoot Tolgoi. This phase involved drilling five boreholes in the Ovoot Tolgoi Deposit area, which is now part of the Ovoot Tolgoi Mining License. From 2005 to 2006, exploration drilling activities continued with a primary focus on delineating the surface mineral resource. Additionally, general exploration activities were carried out along the entire Nariin Sukhait trend. In 2008, the exploration drilling activities shifted towards expanding the underground mineral resource in the Sunset Field. In 2010, the exploration efforts included infill drilling and extended drillhole coverage in the western part of the Sunrise Field. In 2011, the exploration work involved further infill drilling and increased drillhole coverage in the Sunset Extension. The 2014 drilling program exclusively targeted the Sunrise Field, with 14 drillholes in the Sunrise Extension and 3 drillholes in the western part of the Sunrise Main Pit. In 2016, a total of 22 drillholes were completed, with the primary objective of testing the further extension of coal resources beyond the current area of operation.

Several geological explorations and mapping activities were previously conducted in the Nariin Sukhait Coal Deposit to identify the lithology and mineralization in the area.

Other exploration activities conducted in the area include field reconnaissance mapping, satellite imagery, lineament studies from aerial photographs, surface-resistivity geophysical surveying and trenching.

### ***Drilling***

Limited drilling activities were accomplished during the Soviet/Mongolian government-sponsored exploration programs. An exploration program was conducted by IVN in 2004 to 2006 over both the Sunset and Sunrise Fields wherein a section line spacing of approximately 150 meters to 200 meters was employed with a drillhole spacing along a section line of approximately 50 meters. Drilling activities were further conducted by SGS from 2007 to 2011 to expand its coverage. In 2008, deeper areas of Sunrise Field were the focus for drilling with the purpose of proving up the underground mineral resource. To upgrade the resource classification, deeper areas of the Sunrise Field were further drilled in 2014. A total of 22 drillholes were completed in 2016 wherein majority of the exploration drillings were planned to test the further extension of coal resource outside the current operation area.

All drill holes have been geophysically logged, except in instances where holes have collapsed. Depending on the equipment employed, logs were either visually inspected or analyzed using geophysical logging

software. The depths of the drilled seam intersections were subsequently integrated into the geological model.

The table below provides information on the drilling activities conducted in different areas, namely the Sunrise Pit, Sunset Pit, B Field Prospect, and C Field Prospect since 2005. In the Sunrise Pit, 5 boreholes were drilled by IVN, totaling 687 meters in 2004. Exploration drilling activities continued in subsequent years, with the highest number of drillholes of 131 and the highest meters drilled 22,948 occurring in 2005. Additional drilling was carried out in 2006, 2007, 2010, 2014, 2016, 2018, 2019, 2020, 2023, 2024 and 2025. The total number of drilled holes is 301 with cumulative meterage of 56,864.0 m using a combination of rotary, RC, and diamond drilling. All completed drillholes starting 2016 are diamond drillholes (cored).

Exploration drilling in the Sunset Pit commenced in 2005 and extended over multiple subsequent years. The drilling activities took place in 2005, 2006, 2007, 2008, 2011, 2018, 2023, 2024 and 2025. In total, 324 drillholes were completed, with a cumulative drilled depth of 85,722.7 m. A notable amount of exploration drilling took place in the Sunset Field, with a total of 100 drillholes completed in 2005. This intensive drilling activity resulted in a cumulative drilled depth of 17,114 m. This was followed up with a core drilling of 40 drillholes totaling 22,792 m in 2008.

Drilling activities in B Field were conducted by Tanan Impex, Sant Sharga, Agdir International, New Meek over multiple years. Specifically, drilling took place in 2005, 2006, 2007, 2011, 2016, and 2024. During these drilling activities, a total of 100 drillholes were completed, resulting in a cumulative drilled depth of 15,309.8 m. The highest number of drilled holes was in 2011 with a total of 24 holes and a total drilled depth of 4,777 m. Meanwhile, Agdir International conducted drilling activities in the C Field Prospect in 2023, and 2024 totaling 33 holes and 5,815.1 m drilled.

Across all fields, a total of 771 drillholes were completed, with a combined drilled depth of 165,937.1 m. These drilling activities were carried out by several different companies, including IVN, SGS, Sapphire, McElroy Bryan, Tanan Impex, Norwest, Top Diamond, Sant Sharga, Agdir International, Solar Top Oil and New Meek.

#### Summary of Historic Exploration Drilling

<i>Field</i>	<i>Year</i>	<i>Core</i>		<i>Open</i>		<i>Total</i>		<i>Management/ Company</i>
		<i>No. of Holes</i>	<i>Metres drilled</i>	<i>No. of Holes</i>	<i>Metres drilled</i>	<i>No. of Holes</i>	<i>Metres drilled</i>	
Sunrise Pit	2004	5	687.00	-	-	5	687.00	IVN
	2005	38	6,248.00	93	16,700.00	131	22,948.00	IVN
	2006	3	1,273.00	27	6,089.00	30	7,362.00	SGS/Sapphire
	2007	1	254.00	17	3,438.00	18	3,692.00	SGS/Sapphire
	2010	6	993.00	53	10,459.00	59	11,452.00	McElroy Bryan/Tanan Impex
	2014	17	2,446.00	-	-	17	2,446.00	Top Diamond
	2016	2	350.00	-	-	2	350.00	Sant Sharga

<i>Field</i>	<i>Year</i>	<i>Core</i>		<i>Open</i>		<i>Total</i>		<i>Management/ Company</i>
		<i>No. of Holes</i>	<i>Metres drilled</i>	<i>No. of Holes</i>	<i>Metres drilled</i>	<i>No. of Holes</i>	<i>Metres drilled</i>	
	2018	5	939.50	-	-	5	939.50	Sant Sharga
	2019	7	1,233.30	-	-	7	1,233.30	SGS
	2020	7	1,676.40	-	-	7	1,676.40	SGS
	2023	7	1,184.30	-	-	7	1,184.30	Agdir International
	2024	9	2,477.50	-	-	9	2,477.50	Agdir International/New Meek/Solar Top Oil
	2025	4	416.00	-	-	4	416.00	Sant Sharga
	<b>Sub-total</b>	<b>111.0</b>	<b>20,178.00</b>	<b>190</b>	<b>36,686.0</b>	<b>301.0</b>	<b>56,864.0</b>	
Sunset Pit	2005	13	2,034.00	87	15,080.00	100	17,114.00	Norwest/Sapphire
	2006	24	5,187.00	47	10,738.00	71	15,925.00	Norwest/Sapphire
	2007	7	2,797.00	23	5,333.00	30	8,130.00	SGS/Sapphire
	2008	40	22,792.00	-	-	40	22,792.00	SGS/Sapphire
	2011	37	9,110.00	20	6,660.00	57	15,770.00	SGS/Sapphire
	2018	2	161.00	-	-	2	161.00	Sant Sharga
	2023	5	1,034.50	-	-	5	1,034.50	Agdir International
	2024	9	2,201.20	-	-	9	2,201.20	Agdir International/New Meek/Solar Top Oil
	2025	10	2,596.00	-	-	10	2,596.00	Sant Sharga
	<b>Sub-total</b>	<b>147</b>	<b>47,912.70</b>	<b>177</b>	<b>37,811.00</b>	<b>324</b>	<b>85,723.70</b>	
B Field	2005	-	-	20	2,877.00	20	2,877.00	Tanan Impex/Major UDR
	2006	3	460.90	13	1,896.40	16	2,357.30	Tanan Impex
	2007	-	-	2	345.00	2.0	345.00	Tanan Impex
	2011	-	-	24	4,777.00	24	4,777.00	Tanan Impex
	2016	18	2,617.5	-	-	18	2,617.50	Sant Sharga

Field	Year	Core		Open		Total		Management/ Company
		No. of Holes	Metres drilled	No. of Holes	Metres drilled	No. of Holes	Metres drilled	
	2024	20	2,336.00	-	-	20	2,336.00	Agdir International/New Meek/Solar Mop Oil
	<b>Sub-total</b>	<b>41</b>	<b>5,414.40</b>	<b>59</b>	<b>9,895.40</b>	<b>100</b>	<b>15,309.80</b>	
C Field	2023	6	876.00	-	-	6	876.00	Agdir International
	2024	27	4,939.10	-	-	27	4,939.10	Agdir International/New Meek/Solar Top Oil
	<b>Sub-total</b>	<b>33</b>	<b>5,815.10</b>	<b>0</b>	<b>0.00</b>	<b>33</b>	<b>5,815.10</b>	
D Field	2024	13	2,225.50	-	-	13	2,225.50	Agdir International/New Meek/Solar Top Oil
	<b>Sub-total</b>	<b>13</b>	<b>2,225.50</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>2,225.50</b>	
<b>TOTAL</b>		<b>345</b>	<b>81,545.70</b>	<b>426</b>	<b>84,392.40</b>	<b>771</b>	<b>165,938.10</b>	

*Note: 7 water bores drilled in the Sunrise Pit and 13 drill-holes located on the adjacent MAK's concession were incorporated into the geological database for modelling purposes but not shown above.*

### ***Sampling, Analysis and Data Verification***

At the Ovoot Tolgoi Mine, most exploration holes have been drilled using rotary techniques. This drilling method involves the use of a rotating drill bit to penetrate the ground, resulting in the collection of drill cuttings as samples. Although sampling only drill cuttings have its limitations, it can still provide valuable insights into the general geological characteristics of the deposit, including the presence of coal seams and their approximate thickness. All quality analyses used for modelling were taken from core samples, which were obtained using triple-tube coring equipment. As of December 31, 2025, out of the total 771 drillholes in the Ovoot Tolgoi Mine, 345 core drillholes have been designated as coal quality holes. In B Field, 41 out of the 100 drillholes are classified as coal quality holes.

### ***Core Drilling Samples***

SGS follows a structured sampling and analysis process for coal samples at the Ovoot Tolgoi Mine. Samples are collected based on lithological changes within the drilled core, with core recovery recorded and compared against geophysical logs. In zones of uniform coal appearance, samples are bagged approximately every 0.6 to 1 meter. In-seam partings up to 0.1 meters thick are included in coal samples under certain conditions, while larger partings and non-coal lithologies are sampled separately. Samples are cleaned, sealed in plastic bags to prevent moisture loss, labeled, and placed into waxed-cardboard core boxes before being transported to the company's office in Ulaanbaatar and then shipped to accredited laboratories.

Testing is conducted at certified labs, including SGS Mineral Labs in Denver (ISO-9000 certified), SGS Laboratories in Tianjin (ISO-17025 certified), and SGS laboratory located onsite, which was replaced in January 2023 by China Certification & Inspection Group Fujian Co., Ltd., which holds ISO/IEC 17020 and ISO/IEC 17025 certifications. These laboratories used by SGS are independent service providers and have no present or prospective interests in SGS or its mining properties.

### RC Samples

SGS's RC sampling procedure involves collecting samples at 1.0 m intervals, sealing them in plastic bags to prevent moisture loss, and labeling them with drillhole and sample numbers. Samples are then grouped, packaged, and transported to SGS's office in Ulaanbaatar, where they undergo proximate and thermal analysis, with remaining samples stored at SGS facilities.

### Data Collection Protocols

Since the initial setup of the exploration camp in 2005, data collection verification and storage at Ovoot Tolgoi has been managed by various independent consultants employed by the Company, with Norwest overseeing the initial exploration and establishing protocols for drilling, sampling, and data management. These protocols were later maintained under the supervision of SGS and McElroy Bryan from 2007 to 2008 and again in 2010 and 2011. From 2011 to 2016, data was managed on-site by SGS while RPM managed sampling protocols, geological database, and resource models together with SGS. Since 2017, SGS personnel has managed all exploration work. In the Ovoot Tolgoi Technical Report, BAW assessed the protocols established by Norwest for geological data collection and deemed them fair and suitable for the Ovoot Tolgoi Deposit. Additionally, BAW reviewed logging and sampling sheets and engaged in discussions with SGS geologists regarding the protocols used and found their responses satisfactory.

### Data Verification

The database management protocols at the Ovoot Tolgoi Mine were initially developed by Norwest, TAG, Sapphire, and McElroy Bryan and are now maintained by SGS. These protocols involve electronically storing geological mapping data, daily transmission of field geological data, validation of logs, and integration of coal quality testing results into the database. Regular updates, cross-sections, and digital models ensure accurate ongoing analyses.

SGS actively manages the geological database, which has been cross-checked by various QPs and updated in 2023 to enhance accuracy and reliability. BAW verified drillhole collar coordinates through site visits and compared them with original survey records and the Digital Terrain Model, confirming their accuracy. Adjustments to seam picks were made based on lithological logs and geophysical data, with thin coal intersections excluded where uncertainties existed. These exclusions are not expected to impact the geological model significantly.

BAW also reviewed coal quality data in 2023, ensuring consistency with original laboratory results. The database was updated to distinguish between Relative Density and Apparent Relative Density, with statistical and regression analyses applied to key coal quality parameters. Any anomalies identified were cross-checked with original records to maintain data integrity. While some quality data gaps exist, the database includes essential parameters for coal classification and quality estimation.

### Security of Samples

According to the Ovoot Tolgoi Technical Report, the security measures have been conducted appropriately and in accordance with the required standards and the QP is not aware of any significant concerns regarding the same.

### ***Mineral Processing, Sampling and Metallurgical Testing***

#### Mineral Processing and Sampling

Coal quality has been a key focus of exploration programs in the Nariin Sukhait region. Early programs indicated that the coal was high-volatile bituminous coals, with recent assessments confirming that it includes a mixture of thermal and metallurgical grades. The coal is characterized by low ash, sulfur, and moisture content, which can be advantageous for both combustion and processing purposes. Its Free Swelling Index (FSI) ranges from low to high coking coal potential, which is important for assessing the coking properties of coal.

The Coal Mine has been in production since 2008 in the Sunset Pit and since 2011 in the Sunrise Pit. Historical records show that the coal is classified as low-ash 1/3 coking coal according to Chinese National Standards (GB Standards). In 2016, the coal's ash content was recorded at 13.09%, with approximately 1% sulfur and a 4.5 FSI. Since then, A Coal has been marketed as 1/3 coking coal in China. In 2023, A Coal accounted for 56.78% of total sales, indicating that the adoption of GB Standards has led to higher coal prices in the Chinese market.

The coal seams of the Sunrise Pit, Sunset Pit and B Field Prospect are classified as 1/3 coking coal, gas coal and 1/2 medium caking coal.

Caking Index (G Index) tests were conducted on various drillhole samples, though at a lower sampling rate compared to other coal quality tests. A strong correlation was observed between caking properties and ash content, with an ash content below 9% serving as a reliable indicator for classifying the coking properties of A Coal. This classification was established using data from the drillhole database and integrated into the master coal quality database.

Ultimate analysis focused on key elements such as carbon, hydrogen, nitrogen, and oxygen, while ash fusibility testing examined the coal's behavior during combustion. Based on GB Standards, the coal ash in the Ovoot Tolgoi region is classified as having medium softening and flow temperatures. Trace element analysis from the 2021 and 2023 drilling programs included fluorine, mercury, phosphorus, chlorine, and arsenic, which are critical to steelmaking and environmental protection when coal is turned into other materials or serves as an energy source.

Washability tests were not performed on core samples from the 2021–2023 drilling programs. In 2023, approximately 8.02% of total coal production was processed, with over 90% remaining as raw coal. All the coal seams can be classified as ultra-low ash coal (<10%), while the clean coal retrieves a yield of 83.24%. It is known that the clean coal yield depends on dilution of the coal seams. The drillhole database only indicates basic clean coal quality, and the yield and washability will be subject to dilution and geological conditions

Coal quality data was generally acquired from core samples while a few RC samples were collected during the exploration programs. There is a total of 613 drillholes completed for the Ovoot Tolgoi Mine among which 182 drillholes are coal quality holes.

In 2017, DMCL collected ROM coal samples from active mining areas and requested SGS to sample selected seam groups. These samples were sent to ALS Mongolia in Ulaanbaatar for washability testing, including coal quality assessment, sizing, float-sink, and flotation tests. ALS Mongolia's analytical protocols were confirmed to be consistent with those used by other SGS laboratories globally. BAW did not conduct validation sampling for SGS's 2023 drilling results, but the QP from DMCL determined this was non-material, as prolonged coal seam exposure could have altered quality parameters. The QP also found the laboratory procedures used by SGS to be appropriate for evaluating the deposit.

### Metallurgical Testing

The collected coal samples were sent to accredited laboratories for analysis using a standard analytical package that is commonly used and recognized in the coal mining industry. Laboratories used during the past exploration programs include SGS Denver in the US, an ISO-9000 certified and NQA accredited laboratory, SGS China in Tianjin, an ISO-17025 certified and China National Accreditation Service for Conformity Assessment accredited laboratory, and SGS on-site ISO/IEC 17025 certified laboratory. In January 2023, China Certification & Inspection Group Fujian Co., Ltd. (CCIC) established an onsite laboratory which replaced SGS laboratory. CCIC currently holds ISO/IEC 17020 and ISO/IEC 17025 certifications, accredited by China National Accreditation Service for Conformity Assessment and certificated by Certification and Accreditation Administration of the PRC.

Coal samples were submitted for the proximate analysis, ultimate analysis, ash analysis, thermal analysis, sulphur analysis and metallurgical test. The detail of each test is described below.

Test items of proximate analysis include:

- Moisture
- Ash
- Volatile matter
- Fixed carbon
- Thermal value

Test items of ultimate analysis include:

- Carbon
- Hydrogen
- Nitrogen
- Sulphur
- Oxygen

Ash analysis is a method used to evaluate and characterize the properties of coal ash residues. It involves determining the inorganic and mineral residues that remain after complete combustion of the coal. The test items typically included in ash analysis are:

- $\text{Al}_2\text{O}_3$
- $\text{BaO}$
- $\text{CaO}$
- $\text{Fe}_2\text{O}_3$
- $\text{K}_2\text{O}$
- $\text{MgO}$
- $\text{MnO}$
- $\text{NaO}$
- $\text{SO}_3$
- $\text{SiO}_3$
- $\text{SrO}$
- $\text{TiO}_2$
- $\text{ZnO}$

Test items of sulphur analysis include:

- Sulphate
- Pyrite
- Organic

Test items of metallurgical test include:

- Gieseler plastometer
- Audibert – Arnu dilatometer
- Reactive maceral analysis (petrography)
- Phosphorous content (P %)
- FSI or Crucible Swelling Number
- G Index

- Trace element analyses (ppm)
- Hardgrove grindability index (HGI)
- Sapozhnikov Plastometer

HGI determination has been conducted in order to describe the coal handling characteristics. Trace element analyses expressed as parts per million (ppm) is used to ascertain the potential for release of deleterious elements following combustion of coal.

### ***Resource Estimate***

The mineral resource of the Ovoot Tolgoi Mine has been estimated by BAW as of December 31, 2023, using the 3D resource models provided by SGS. At present, there are no mineral resources estimated for the C Field Prospect as further drilling is required. The below mineral resource estimation is divided into in-pit mineral resource, surface mineral resource and underground mineral resource. The in-pit mineral resource is a portion of the surface mineral resource (depth <300 m from surface) based on the ultimate pit design provided by SGS. The underground mineral resource covers a depth from 300 to 500 m below surface. The key assumptions used for the mineral resource estimation are:

- Minimum coal seam thickness = 0.6 m.
- Maximum coal parting = 0.3 m.
- Maximum ash content of 50% was used for the measured and indicated mineral resources.
- In-pit mineral resources are constrained to a depth of 300 m below surface and the ultimate pit design used in the "NI 43-101 Technical Report for the Ovoot Tolgoi Mine, SouthGobi Province, Mongolia" in May 2017.
- Surface mineral resources are constrained to a depth of 300 m below surface and are inclusive of in-pit mineral resources.
- Underground mineral resources are constrained to a depth of 300 m - 500 m below surface.
- Volumes are converted to tonnages using laboratory relative density analytical results converted to an estimated in-situ basis.
- Mineral resource is constrained to the mining lease held by SGS only.
- Mineral resource is estimated on an in-situ basis (i.e. as an in-situ tonnage and not adjusted; for mining recovery).
- Mineral resource is depleted by mined out tonnage.
- Measured and indicated mineral resources are inclusive of those mineral resources modified to produce the mineral reserves, i.e. mineral reserves are not additional to mineral resources.
- Mineral resource is estimated based on the survey data made available as of December 31, 2023, for the Sunrise and Sunset Pits and B Field Prospect, respectively.

Totals may not add up due to rounding.

In-pit Mineral Resource Estimate of the Ovoot Tolgoi Mine as of December 31, 2023

<i>Coal Field</i>	<i>Seam Group</i>	<i>In-Pit Resource (Mt)</i>			
		<i>Measured</i>	<i>Indicated</i>	<i>Measured + Indicated</i>	<i>Inferred</i>
<b>Sunrise Pit</b>	7	0.37	0.28	0.65	0.71
	6	0.34	1.03	1.37	0.52
	5U	17.03	7.74	24.77	1.02
	5L	10.15	2.13	12.28	0.54
	4	0.76	0.83	1.59	0.08
	<b>Sub-total</b>	<b>28.65</b>	<b>12.01</b>	<b>40.66</b>	<b>2.87</b>
<b>Sunset Pit</b>	10	7.55	0.26	7.81	0.00
	9	4.72	0.37	5.09	0.00
	8	1.04	0.09	1.13	0.00
	5U	16.03	0.10	16.13	0.00
	5L	13.33	0.33	13.66	0.00
	<b>Sub-total</b>	<b>42.67</b>	<b>1.15</b>	<b>43.82</b>	<b>0.00</b>
<b>B Field Prospect</b>	10	0.26	0.54	0.80	0.90
	9	0.31	1.11	1.42	1.18
	8	0.10	0.28	0.38	0.24
	7	0.00	0.00	0.00	0.00
	6	0.00	0.00	0.00	0.00
	<b>Sub-total</b>	<b>0.67</b>	<b>1.93</b>	<b>2.60</b>	<b>2.32</b>
<b>Grand Total</b>	<b>72.00</b>	<b>15.08</b>	<b>87.08</b>	<b>5.19</b>	

Surface Mineral Resource Estimate of the Ovoot Tolgoi Mine as of December 31, 2023

<i>Coal Field</i>	<i>Seam Group</i>	<i>Surface Resource (Mt)</i>			
		<i>Measured</i>	<i>Indicated</i>	<i>Measured + Indicated</i>	<i>Inferred</i>
<b>Sunrise Pit (depth &lt;300m)</b>	7	1.00	1.77	2.77	4.68
	6	2.17	3.04	5.21	4.07
	5U	34.13	31.33	65.46	26.49
	5L	16.16	4.98	21.14	1.36
	4	1.52	1.84	3.36	1.30
	<b>Sub-total</b>	<b>54.98</b>	<b>42.96</b>	<b>97.94</b>	<b>37.90</b>
<b>Sunset Pit (depth &lt;300m)</b>	10	21.43	3.24	24.67	1.24
	9	10.54	3.50	14.04	0.87
	8	1.84	2.07	3.91	0.61
	5U	23.19	1.36	24.55	0.06
	5L	20.08	1.69	21.77	0.21
	<b>Sub-total</b>	<b>77.08</b>	<b>11.86</b>	<b>88.94</b>	<b>2.99</b>
<b>B Field Prospect (depth &lt;300m)</b>	10	0.67	1.64	2.31	5.21
	9	0.88	2.63	3.51	6.71
	8	0.67	1.50	2.17	3.48
	7	0.26	2.01	2.27	5.87
	6	0.00	0.18	0.18	0.21
	<b>Sub-total</b>	<b>2.48</b>	<b>7.96</b>	<b>10.44</b>	<b>21.48</b>
<b>Grand Total</b>	<b>134.56</b>	<b>62.78</b>	<b>197.34</b>	<b>62.38</b>	

Underground Mineral Resource Estimate of the Ovoot Tolgoi Mine as of December 31, 2023

<i>Coal Field</i>	<i>Seam Group</i>	<i>Underground Resource (Mt)</i>			
		<i>Measured</i>	<i>Indicated</i>	<i>Measured + Indicated</i>	<i>Inferred</i>
<b>Sunrise Pit (depth from 300m to 500m)</b>	5U	3.29	8.78	12.07	17.20
	5L	6.19	13.76	19.95	27.93
	4	0.98	2.66	3.64	4.06
	<b>Sub-total</b>	<b>10.46</b>	<b>25.20</b>	<b>35.66</b>	<b>49.19</b>
<b>Sunset Pit (depth from 300m to 500m)</b>	10	17.76	3.95	21.71	2.85
	9	8.16	1.40	9.56	1.16
	8	0.28	0.63	0.91	1.16
	5U	25.54	4.43	29.97	2.74
	5L	18.29	5.33	23.62	2.84
	<b>Sub-total</b>	<b>70.03</b>	<b>15.74</b>	<b>85.77</b>	<b>10.75</b>
<b>B Field Prospect (depth from 300m to 500m)</b>	10	0.00	1.07	1.07	1.07
	9	0.00	0.51	0.51	0.51
	8	0.00	0.70	0.70	0.70
	7	0.00	1.43	1.43	1.47
	6	0.00	0.14	0.14	0.14
	<b>Sub-total</b>	<b>0.00</b>	<b>3.85</b>	<b>3.85</b>	<b>3.89</b>
<b>Grand Total</b>		<b>80.49</b>	<b>44.79</b>	<b>125.27</b>	<b>63.83</b>

Surface and Underground Mineral Resource Estimate of the Ovoot Tolgoi Mine as of December 31, 2023

<i>Coal Field</i>	<i>Surface and Underground Resource (Mt)</i>				
		<i>Measured</i>	<i>Indicated</i>	<i>Measured + Indicated</i>	<i>Inferred</i>
<b>Sunrise Pit</b>	Surface	54.98	42.96	97.94	37.90
	Underground	10.46	25.20	35.66	49.19
<b>Sunset Pit</b>	Surface	77.08	11.86	88.94	2.99
	Underground	70.03	15.74	85.77	10.75
<b>B Field Prospect</b>	Surface	2.48	7.96	10.44	21.48
	Underground	0.00	3.85	3.85	3.89
<b>Grand Total</b>		<b>215.03</b>	<b>107.57</b>	<b>322.60</b>	<b>126.20</b>

Factors that May Affect Mineral Resource Estimate

There are certain issues of uncertainty that have the potential to significantly impact the mineral resource estimates including:

Changes to long-term coal price assumptions: The estimation of mineral resource is influenced by assumptions regarding future coal prices. If there are significant changes in long-term coal price projections, it could have a material impact on the economic viability and classification of the resources.

Changes in geological interpretations: The size, shape, and distribution of the interpreted coal seams and waste materials play a crucial role in estimating mineral resources. Any revisions or changes in the geological interpretations, such as adjustments to the understanding of the deposit's geology, can impact the estimated quantity and quality of the resources.

Changes in local interpretations: Local interpretations of seam geometry, fault geometry, and seam continuity can evolve as more data becomes available or through improved understanding of the geological conditions. These changes in interpretation can influence the estimation of mineral resources by altering the size, shape, and distribution of the coal deposits.

Changes to input assumptions for open pit outlines: The estimation of mineral resource often involves using open pit outlines to constrain the estimate. Any modifications to the input assumptions, such as slope angles, pit designs, or mining constraints, can affect the classification and quantity of the estimated mineral resources.

Changes to environmental, permitting, and social license assumptions: Factors related to environmental regulations, permitting requirements, and social acceptance can play a significant role in determining the economic viability and feasibility of coal mining projects. Any changes in these assumptions, such as stricter environmental standards or evolving social license considerations, can impact the estimation of mineral resources.

The QP asserts that there are no other significant environmental, legal, title, taxation, socio-economic, marketing, political, or any other relevant factors known to him that would materially impact the estimation of mineral resource beyond what has been discussed in the Ovoot Tolgoi Technical Report.

### *Reserve Estimate*

The mineral reserves of the Ovoot Tolgoi Mine and B Field have been estimated as of December 31, 2023, based on the resource model provided by SGS and the long-term mine plan completed for the Sunset and Sunrise Pits. No mineral reserves were estimated for the B Field Prospect and C Field Prospect at this time in the absence of mine planning and detailed technical studies. The key assumptions used for the mineral reserve estimation are:

- Measured and indicated mineral resources are inclusive of those mineral resources modified to produce the mineral reserves.
- Mineral reserves do not include any inferred mineral resources, including those that have been treated as waste (i.e. its mining costs have been covered but no revenue has been assumed for the inferred mineral resources).
- The mining method selected is a truck-and-shovel open pit terrace mining operation.
- Cut-off ash content for raw coal is assumed to be 50%.
- A mining recovery factor of 95% and a mining dilution factor of 2.5% are applied in the mineral reserve estimates.
- The pits and thus mineral reserves are designed to 300 m below the original ground surface.

Mineral reserves are constrained to the mining lease held by SGS only although the open pit limits will extend across the lease boundary into the adjacent lease held by MAK. SGS and MAK have an agreement in place that allows SGS to strip off the overburden in MAK's concession. MAK will remove the coal within its concession to allow development of SGS's pits. Coal within MAK's concession has been treated with no revenue and no cost whereas the waste within the pits and MAK's concession will be stripped off at the cost of SGS.

Mineral reserves are estimated to account for coal and waste that was mined as of December 31, 2023.

Coal price adopted in the mineral reserves estimates is US \$90/t.

## Mineral Reserve Estimate of the Ovoot Tolgoi Mine

<i>Coal Field</i>	<i>Seam Group</i>	<i>Reserve (Mt)</i>		
		<i>Proven</i>	<i>Probable</i>	<i>Total</i>
<b>Sunrise Pit</b>	7	0.36	0.28	0.64
	6	0.33	1.00	1.33
	5U	16.58	7.53	24.12
	5L	9.89	2.07	11.96
	4	0.74	0.81	1.55
	<b>Sub-total</b>	<b>27.90</b>	<b>11.69</b>	<b>39.59</b>
<b>Sunset Pit</b>	11	0.00	0.00	0.00
	10	7.35	0.25	7.60
	9	4.60	0.36	4.95
	8	1.02	0.09	1.10
	5U	15.61	0.10	15.71
	5L	12.98	0.32	13.31
	<b>Sub-total</b>	<b>41.56</b>	<b>1.12</b>	<b>42.68</b>
<b>Grand Total</b>	<b>69.46</b>	<b>12.81</b>	<b>82.26</b>	

### Factors that May Affect Mineral Reserves Estimation

There are certain areas of uncertainty that have the potential to significantly impact on the estimates of mineral reserves. These areas include:

**Changes to long-term coal price assumptions:** The estimation of mineral reserves is influenced by assumptions regarding future coal prices. If there are significant changes in long-term coal price projections, it could have a material impact on the economic viability and classification of the mineral resources.

**Changes in geological interpretations:** The size, shape, and distribution of the interpreted coal seams and waste materials play a crucial role in estimating mineral resources. Any revisions or changes in the geological interpretations, such as adjustments to the understanding of the deposit's geology, can impact on the estimated quantity and quality of the mineral reserves.

Changes in local interpretations: Local interpretations of seam geometry, fault geometry, and seam continuity can evolve as more data becomes available or through improved understanding of the geological conditions. These changes in interpretation can influence the estimation of mineral resources by altering the size, shape, and distribution of the coal deposits.

Changes to input assumptions for open pit outlines: The estimation of mineral resources often involves using open pit outlines to constrain the estimate. Any modifications to the input assumptions, such as slope angles, pit designs, or mining constraints, can affect the classification and quantity of the estimated mineral reserves.

Variations in geotechnical, hydrogeological, and mining assumptions: Assumptions related to geotechnical factors, hydrogeology, and mining methods play a crucial role in estimating mineral reserves. Changes or variations in these assumptions, such as alterations in stability parameters, water management considerations, or mining techniques, can have a significant impact on the estimated mineral reserves. Factors like ground conditions, water inflow, and mining constraints can affect the technical and economic feasibility of extracting the mineral reserves.

Changes to environmental, permitting, and social license assumptions: Factors related to environmental regulations, permitting requirements, and social acceptance can play a significant role in determining the economic viability and feasibility of coal mining projects. Any changes in these assumptions, such as stricter environmental standards or evolving social license considerations, can impact the estimation of mineral reserves.

The QP asserts that there are no other significant environmental, legal, title, taxation, socio-economic, marketing, political, or any other relevant factors known to him that would materially impact the estimation of mineral reserve beyond what has been discussed in the Ovoot Tolgoi Technical Report.

## ***Mining Operations***

### ***Mining Method***

The current mining operation at the Ovoot Tolgoi Mine employs an open pit terrace truck-and-shovel mining method. This method is chosen due to the steep dip of the coal seams, which prevents operating machinery on the coal seam roof and floor. To accommodate this, terraces or benches are excavated at fixed horizontal horizons within the pit. These benches intersect with both coal and waste materials. The open pit limits extend across the Ovoot Tolgoi Mining License boundary into the adjacent lease held by MAK. As described previously, the Company and MAK have a cooperation agreement in place to allow mining across the boundary, which stipulates that SGS is responsible for removal of MAK waste but MAK is responsible for mining of MAK coal. Accordingly, the current reserve estimate does not include any coal within the MAK lease that must be extracted as part of SGS' mining operation. Therefore, in the current mine plan, no revenue has been assumed for the MAK coal whereas costs have been assumed for stripping off the MAK waste.

Separate mining operations are carried out for coal and waste on each bench. Dozers are utilized as needed to push coal or waste material down to the excavator, which loads the material onto haul trucks for transportation. This approach allows for efficient large-scale open pit mining in steeply dipping coal seam environments. Given the steep seam dips, waste material is dumped outside of the pit area, as in-pit dumping is not feasible. This means that waste material is transported and deposited outside the active mining area.

## ***Processing and Recovery Operations***

In 2016, the Company and SGS developed a strategy to process ROM coal before sales, leading SGS to commission a Chinese contractor to build a wet washing plant. The facility became operational in 2018, and over 60% of the saleable coal now meets the 1/3 coking coal specification under GB Standards.

### ***Processing Strategy***

Both wet and dry processing facilities have been put into operation at the Ovoot Tolgoi Mine. The coal product strategy prioritizes maximizing sales. The wash plant requires further modifications to reach its designed capacity, and better utilization of fine coals, including those around the pneumatic jet, is necessary. Effective processing of low-quality WF Coal directly contributes to increasing sales of higher quality coal and is crucial to maximizing revenue. Water and power supply availability are critical factors affecting production, while strict quality control measures are essential to maintaining product standards.

### ***Screening and Sorting***

ROM coal is screened and crushed to specific sizes as required by the GB Standards. Coal is then sorted by ash content into different product categories, with rejects removed and ultra-fine coals drained before blending.

### ***Processing Methods***

The processing includes jig box washing and pneumatic jet processing to upgrade WF Coal quality. The jig washing circuit enhances separation efficiency and clean coal recovery, though its performance is affected by factors such as feed size, water supply, and weather conditions.

### ***Quality Control***

Quality control measures include a blending strategy that optimizes coal product quality by combining different coal types based on calorific value, ash, sulfur, and G Index. Quality is monitored at various stages, from mining to processing, to ensure compliance with quality standards.

### ***Processing Yields and Finished Coal Products***

In 2023, the processing facilities achieved a 94.2% yield from ROM coal, with a clean coal recovery rate of 54.83% from the wash plant. The estimated clean coal yield is projected at 77.8%, based on a 9.09% ash content and 15% dilution. Seam No. 5, which accounts for over 70% of the total saleable coal, has low ash content and 1/3 coking coal properties. The diluted coal from this seam needs to be processed separately from the other coal, and the low-ash WF Coal to be washed into the Processed A Coal. ROM coal from Seam No. 5 is planned to produce both screened and washed coking coal, with washing yields simulated using conventional jig washing circuits and washability tests. The overall processing strategy is to deliver multi-clean coal products which will maximize the value of the mining operation of the Ovoot Tolgoi Mine.

## ***Infrastructure***

Significant infrastructure has been developed at the mine site, encompassing various facilities to support the operations. These include coal handling facilities, coal stockpile, coal washing plant, waste dump, heavy equipment workshops, office buildings, employee accommodations, and an airstrip designed to handle commuter aircraft for employee transportation. Trucks are employed to transport coal from the mine site to

the Ceke border in the PRC. The transportation route primarily involves the use of paved roads. Upon reaching Ceke, the coal is then transferred into rail wagons or trucks for onward shipment to customers.

The camp and shop complexes at Ovoot Tolgoi were initially powered by diesel generators but are now connected to a powerline that runs from the PRC to Gurvantes Soum, supplying electrical power to the area. Due to a lack of immediately available surface water near the coal mine, water supply wells were drilled for the camp's needs, and water for dust suppression is sourced from the pit dewatering system. A 2012 hydrogeological survey conducted by Aquaterra identified a groundwater source about 30 km from the site, suitable for industrial use and coal washing. SGS obtained a permit for this water source to support operations.

Waste disposal areas are approved in the mining permit.

### ***Environmental, Permitting, and Social or Community Factors***

#### ***Environmental Factors***

SGS has conducted multiple environmental studies to assess the impact of mining operations at the Ovoot Tolgoi Mine. An initial Detailed Environmental Impact Assessment (DEIA) was submitted in 2006, with an addendum in 2008, which evaluated changes in production, pit dimensions, waste rock volumes, and workforce requirements. A 2010 hydrogeological survey assessed groundwater sources, concluding that mine inflows were sufficient for immediate water needs but not a viable long-term supply. Another addendum in 2023 further analyzed volume of coal production and waste rocks, pit dimensions and depth, accident and risks assessment, evaluation of major and potential mining impacts and prepared corresponding preventive measures to mitigate adverse effects brought by mining. SGS has also implemented an EPP for 2024 to 2028, which serves as a summary of the environmental protection measures to be implemented and is subject to annual review and refinement. Waste and tailings management prioritize the implementation of best practices. Closure considerations focus on progressive rehabilitation, including the implementation of vegetation and landscaping initiatives and biological remediation, with a goal of restoring mined areas to a more natural and self-sustaining state.

#### ***Permitting***

SGS has obtained all necessary licenses and permits required for its current operations. This includes a water permit, granted in 2014 by Mongolia's Water Resources Committee, which authorizes specified daily water extraction limits across multiple locations.

#### ***Social or Community Factors***

SGS has engaged in community initiatives through agreements with the Umnugobi provincial administration, supporting socio-economic growth in the region while ensuring smooth business operations. As part of its Corporate Social Responsibility Strategy, SGS plans to develop and implement Community Development Plans in collaboration with local government authorities and community members. Additionally, SGS has partnered with the Vocational Training and Production Center to provide skills training, internships, and employment opportunities in the mining sector, and students in the program will have the opportunity to participate in internships at the Ovoot Tolgoi Mine operations, facilitating their practical learning and increasing their chances of securing employment in the industry.

## Capital and Operating Costs

### Capital Costs

Capital Costs or Capital Expenditure (CAPEX) generally comprises of Development and Expansion CAPEX, Sustaining CAPEX, Rehabilitation CAPEX and Exploration CAPEX. The Ovoot Tolgoi Mine has prepared a projection of Development and Expansion CAPEX and Sustaining CAPEX for further mine development, mining equipment and support facilities based on their long-term mine planning and Rehabilitation CAPEX for proposed rehabilitation program and environmental work, which is reasonable and conformable with the industry practice. Meanwhile, no projection was made for Exploration CAPEX. The CAPEX projected for the Ovoot Tolgoi Mine is summarized in the table below for the period from 2024 to 2038.

Forecasted CAPEX for the Ovoot Tolgoi Mine (US\$ in million)

Year	2026	2027	2028 - 2042 (Accumulated)
<b>Sustaining CAPEX</b>	5.27	5.27	50.06
<b>Rehabilitation CAPEX</b>	-	-	-
<b>Development and Expansion CAPEX</b>	24.76	28.03	266.27
<b>Exploration CAPEX</b>	2.37	2.37	28.44
<b>Total</b>	<b>32.40</b>	<b>35.67</b>	<b>344.77</b>

SGS has entered contracts with two Mongolian mining contractors and two Chinese mining contractors for the purpose of undertaking stripping and mining operation at the Ovoot Tolgoi Mine. In general, contract-mining agreements have the advantage of significantly reducing the CAPEX required by SGS for alternative mining strategies and future production capacity expansion. Additionally, it ensures a higher utilization rate of mining equipment which generally requires a timely supply of various parts. The mining contractors are expected to have reasonable advantages, compared to contractors from other regions, in terms of maintaining a steady supply of different parts for the mining equipment given that the Ovoot Tolgoi Mine is located only around 45km away from the Ceke border in the PRC.

### Operating Costs

Operating costs or Expenditure (OPEX) can be classified into operating cash costs and total production costs. The operating cash costs generally include mining costs, processing (washing) costs, general and administration (G&A) cost, selling costs, environmental protection costs, taxes, resource compensation levy, interests on loans and other cash cost items. The total production costs comprise the operating cash costs, depreciation/ amortization costs and other non-cash cost items. The historic and forecasted operating costs are summarized in the table below.

Forecasted Operating Cash Costs for the Ovoot Tolgoi Mine

<b>Operating Cash Costs</b>	<b>Unit</b>	<b>2026</b>	<b>2027</b>	<b>2028 till the end of LOM</b>
<b>(A) Mining and Coal Processing</b>				
Workforce Employment	USD/t raw coal	1.03	1.03	1.03
Consumables, Fuel, Electricity and Water	USD/t raw coal	1.13	1.13	1.13
Maintenance, Repair and Other	USD/t raw coal	0.30	0.30	0.30
Contractor mining cost	USD/t raw coal	33.48	33.48	33.48
Environmental and safety costs	USD/t raw coal	0.10	0.10	0.10
Coal Preparation and Handling	USD/t raw coal	0.02	0.02	0.02
<b>Total Mining and Preparation Cost</b>	<b>USD/t raw coal</b>	<b>36.06</b>	<b>36.06</b>	<b>36.06</b>
<b>(B) General &amp; Admin (G&amp;A)</b>				
On- and Off-Site Management	USD/t raw coal	1.78	1.78	1.78
Marketing and selling expense	USD/t raw coal	10.45	10.45	10.45
Non-Income Taxes, Royalties and Governmental Charges	USD/t raw coal	9.29	9.29	9.29
<b>Total G&amp;A Cost</b>	<b>USD/t raw coal</b>	<b>21.51</b>	<b>21.51</b>	<b>21.51</b>
<b>Total Operating Cash Costs (A+B)</b>	<b>USD/t raw coal</b>	<b>57.57</b>	<b>57.57</b>	<b>57.57</b>
<b>(C) Depreciation and Amortization</b>	<b>USD/t raw coal</b>	<b>1.11</b>	<b>1.11</b>	<b>1.11</b>
<b>Total Production Cost (A+B+C)</b>	<b>USD/t raw coal</b>	<b>66.94</b>	<b>71.49</b>	<b>76.35</b>

<b>Coal Washing *</b>	USD/t output coal	11.32	11.32	11.32
<b>Coal Screening</b>	USD/t output coal	1.10	1.10	1.10
<b>Dry Processing</b>	USD/t output coal	6.43	6.43	6.43

SGS has gradually switched from traditionally self-mining to contract-mining since 2017 in order to reduce mining cost and effectively address the additional demand of mining equipment and labor force resulted from the new mining strategy and expanded production target.

### Economic Analysis

The mining operation at the Ovoot Tolgoi Mine includes using open pit terrace truck-and-shovel mining methods, similar to the current mining methods employed, which could be described as open pit terrace mining utilizing hydraulic excavators, shovels and trucks, or known as conventional "truck/shovel" operations. The operation includes top-soil stripping, drilling, and blasting of overburden and interburden, and stripping of waste and coal using a backhoe excavator. Waste and coal will be loaded onto a fleet of mining trucks for hauling to the waste dumps or the coal stockpiles, as appropriate.

The updated long-term mine plan for both the Sunrise and Sunset Pits aims to achieve an overall production target of 9.0 mtpa of ROM coal starting from 2017 and mining in both pits at the same time. Mining is scheduled to be completed by 2030 with a total LOM of 14 years. However, prior to the COVID-19 pandemic, the planned production target had not been achieved and only reached a peak production of 6.38 Mt in 2017. Following the COVID-19 pandemic, the production volume has started recovering and reached a peak production of 16.63Mt in 2025.

BAW estimated ROM coal from the proven and probable mineral reserve for the Sunset and Sunrise Pits. The key assumptions were: 1) a mining recovery of 95% and dilution of 2.5% by the weight of coal adopted to account for the mining losses and dilutions, and 2) statistics of raw coal ash content ranges from coal sample data is applied to estimate annual ROM coal quantities based on ash content categories. Long-term mine plan is confined within the ultimate pit shells.

Annual Production and Waste Schedule of the Sunset and Sunrise Pits

Year		<i>Sunrise Pit</i>			<i>Sunset Pit</i>			<i>Combined</i>		
		<i>ROM</i>	<i>Waste</i>	<i>Strip Ratio</i>	<i>ROM</i>	<i>Waste</i>	<i>Strip Ratio</i>	<i>ROM</i>	<i>Waste</i>	<i>Strip Ratio</i>
		<i>Kt</i>	<i>k BCM</i>	<i>BCM/tonne</i>	<i>kt</i>	<i>k BCM</i>	<i>BCM/tonne</i>	<i>kt</i>	<i>k BCM</i>	<i>BCM/tonne</i>
1	2024	1,972	5,936	4.1	2,508	8,820	4.8	4,480	14,756	4.5
2	2025	2,016	4,985	3.4	2,391	9,878	5.7	4,407	14,863	4.6
3	2026	1,974	5,138	3.6	2,493	10,030	5.5	4,466	15,168	4.7
4	2027	2,094	6,366	4.2	2,371	8,254	4.8	4,464	14,621	4.5
5	2028	2,073	5,264	3.5	2,483	10,422	5.8	4,556	15,686	4.7
6	2029	2,086	5,658	3.7	2,431	10,317	5.8	4,517	15,975	4.9
7	2030	2,004	5,879	4.0	2,472	10,366	5.8	4,477	16,244	5.0
8	2031	2,167	7,011	4.5	2,502	9,891	5.4	4,669	16,902	5.0
9	2032	2,003	8,339	5.7	2,448	7,746	4.4	4,451	16,086	5.0
10	2033	2,062	9,019	6.0	2,539	6,355	3.4	4,601	15,374	4.6
11	2034	2,146	9,278	6.0	2,486	4,558	2.5	4,632	13,836	4.1
12	2035	2,108	8,192	5.4	2,356	4,258	2.5	4,464	12,451	3.8
13	2036	2,147	7,500	4.8	2,439	4,473	2.5	4,586	11,973	3.6
14	2037	2,196	7,121	4.5	2,448	4,610	2.6	4,643	11,731	3.5
15	2038	2,193	6,739	4.2	2,490	4,482	2.5	4,683	11,221	3.3
16	2039	2,107	6,551	4.3	2,426	4,248	2.4	4,533	10,798	3.3
17	2040	2,169	5,484	3.5	2,448	3,942	2.2	4,617	9,426	2.8
18	2041	2,073	1,627	1.1	945	1,552	2.3	3,018	3,179	1.5
19	2042	2,000	1,610	1.1	N/A	N/A	N/A	2,000	1,610	1.1
<b>Total</b>		<b>39,588</b>	<b>117,697</b>	<b>4.1</b>	<b>42,676</b>	<b>124,204</b>	<b>4.0</b>	<b>82,263</b>	<b>241,900</b>	<b>4.1</b>

**Soumber Project**

***Property Description and Location***

The Soumber Project is comprised of four concessions, namely, Central Soumber, East Soumber, Biluut and Jargalant. It is situated in the southwestern part of Umnugobi Aimag, which is also known as South Gobi Province in Mongolia. Specifically, it is located within the Uvuljuu Uul area of Gurvantes Soum. The

Soumber Project is bordered by Dundogovi Aimag and Dornogovi Aimag provinces to the northeast and southeast respectively, while Uvurkhangai Aimag and Bayankhongor Aimag provinces lie to the northwest and southwest. To the south, it is bounded by the PRC.

The Company holds its interest in the Soumber Project through its wholly owned subsidiary, SGS. SGS is the operating company under the Company and is a company incorporated in Mongolia that holds the mining licenses of the Soumber Project and the nearby Ovoot Tolgoi Mine.

The Soumber Project is located approximately 20 km east of the of the Ovoot Tolgoi Mine, which is owned and operated by SGS, while Biluut and Jargalant lie immediately to the east of Soumber. It is roughly 950 km southwest (linear distance) of Ulaanbaatar (capital of Mongolia), 320 km southwest (linear distance) of the town of Dalanzadgad (capital of Umnugobi Aimag), 45 km southeast of Gurvantes Soum. Moreover, the Soumber Project is situated about 50 km north of the Mongolian-PRC border at Ceke, which is the nearest border crossing point between Mongolia and the PRC. Ceke, located in the PRC, plays a crucial role in the logistics and distribution network for exporting coal from the region to various destinations within the PRC.

### ***Means of Access***

Regular scheduled air service is available between Ulaanbaatar and Dalanzadgad. The travel time from Dalanzadgad to the Soumber Project typically takes around seven hours and involves a combination of paved and unpaved roads.

The Soumber Project has an onsite airport that is accessed via chartered aircraft from Ulaanbaatar, providing transport for the commute roster workforce. Prior to the establishment of the on-site airport, weekly chartered aircraft services from Ulaanbaatar were utilized for crew rotations and transportation of essential supplies. However, the chartered aircraft service has been suspended since 2020. As an alternative, land transportation is now employed to transport personnel and supplies to the Soumber Project.

A rail line connects the Ovoot Tolgoi area with the interior of the PRC. The railroad terminal is situated at Ceke, approximately 45 km south to the Ovoot Tolgoi Mine. A two-lane paved road was built from the mine site to Ceke and it is currently used by coal trucks.

The camp and shop complexes were initially powered by diesel generators but are now connected to a powerline that runs from the PRC to Gurvantes Soum, supplying electrical power to the area.

Due to a lack of immediately available surface water near the coal mine, it is essential to address the water requirements for operational and camp purposes. There is sufficient space for waste disposal and mine facilities, including coal handling and processing plants, if required. These facilities are essential for efficient extraction, transportation, and processing of coal. The location of mine facilities is included in a DEIA and is still pending approval.

### ***Title and Interest***

According to Article 19.7 of the Mineral Laws of Mongolia, exploration permits granted by the Mongolian government have a duration of three years, with the possibility of two extensions, each lasting two years. During the exploration phase, license holders are responsible for fulfilling certain environmental protection obligations. Once a successful exploration program has been conducted, the holder of an exploration license can apply for a mining license to operate in any area covered by the license.

A mining license is granted for a period of thirty years, with the option to renew it twice for an additional twenty years each time. The mining license includes both mineral and surface leasing rights.

The Company's exploration activities, mining operation and land use rights for the Soumber Project, as well as the Company's development projects are governed by the 2006 Minerals Law and the Land Law of Mongolia. The use of water is governed by the Water Law of Mongolia and the 2006 Minerals Law. These laws allow license holders to use the land and water in connection with exploration and mining operations, subject to the discretionary authority of Mongolian national, provincial and regional governmental authorities as granted under the Mongolian law.

SGS holds Exploration Licenses MEL 9443X and MEL 9449X. The licenses are in good standing.

On September 20, 2007, SGS was granted the Ovoot Tolgoi mining license 12726A, while the western portion of MEL 9443X was included in the adjacent mining license 12726A. Following successful exploration programs, a certain part of MEL 9443X was converted into Mining License MV-016869 covering East Soumber and Biluut on July 4, 2011. Subsequently, on January 18, 2013, SGS was granted a Pre-Mining Agreement (PMA) with respect to the remaining portion of MEL 9443X. Mining License MV-020436 which is also part of MEL 9443X covering Central Soumber was granted on January 12, 2016. On the other hand, Mining License MV-020451 which is part of MEL 9449 covering Jargalant was granted on January 25, 2016. MEL 9449X is retained as a valid PMA application until its expiration in 2015. It is now partially transferred to Undram Tsag LLC. PMA holders permit the extension of an expiring license for a maximum of three years, during which certain activities like additional exploration, pre-feasibility studies, and specific development work can be conducted. SGS has applied for the PMAs and has successfully met all the necessary requirements for receiving them and obtaining an extension of their exploration licenses. The obligations for the holder of a PMA are the same as for an exploration license.

### ***Royalties, Payments, and Encumbrances***

Under Mongolian royalty legislation, SGS is subject to a 5% base royalty on export coal sales, with an additional sliding scale royalty of up to 5%, both calculated solely based on a monthly reference price published by the Ministry of Finance of Mongolia.

In addition to royalties, SGS is liable for a 2% Immovable Property Tax on the purchase value of assets. The company also pays an annual mining license fee of MNT 7,250 per hectare for the Soumber Project's mining licenses. Given that the total area of the 3 mining licenses is 22,262.69 hectares, the annual fee payable by SGS is MNT 161.40 million, divided into MNT 79.70 million for MV-016869, MNT 17.93 million for MV-020436 and MNT 63.77 million for MV-020451 respectively.

Other taxes and fees include a 10% VAT on capital, materials, supplies, and local sales, with VAT refunds applicable once SGS's coal is incorporated into the final mining product list. SGS also subject to an air pollution fee of MNT 1,000 per tonne of ROM coal and a land fee of MNT 42 per m<sup>2</sup>, depending on land usage. Additionally, a fee of MNT 7,500 per kilometer applies to electric lines. Finally, the applicable tax rates for corporate income are: (i) for the first six billion MNT of net profit before tax, a tax rate of 10% is applied and (ii) for the net profit before tax exceeding six billion MNT, a higher tax rate of 25% is imposed.

### ***Significant Factors or Risks***

There are no other significant factors or risks that might affect access or title, or the right or ability to perform work on, the property, including permitting and environmental liabilities to which the Soumber Project is subject.

## ***History***

The first geological investigations at Nariin Sukhait took place in 1951 and 1952 by V.S. Volkhonina. Additional mapping was performed in 2004 under the supervision of Burenkhuu et al., who identified a coal bearing layer of Upper Permian Deliin Shand suite.

Prior exploration on the property involved multiple exploration and drilling programs from 2005 to 2013, led by Norwest and RPM. Initial drilling with oversight by Norwest was conducted in 2005-2006, which confirmed significant coal potential, with subsequent exploration by SGS in 2007-2008 (121 drill holes with a total meterage of totaling 24,512 m) and further exploration was conducted at Biluut, South Biluut, and Jargalant in 2010-2011 (338 drill holes covering 73,600 m). Geotechnical and hydrological programs were conducted in the Central Soumber area in 2009.

Mineral resource estimates under NI 43-101 were first reported by Norwest in 2009, indicating measured mineral resources of 13.10 Mt, indicated mineral resources of 8.30 Mt, and inferred mineral resources of 55.50 Mt for Central Soumber. They also estimated a combined potential coal tonnage of 32.00 Mt to 56.00 Mt from East Soumber, West Soumber and Central Soumber. RPM completed technical reports for the Soumber Project in 2011, 2012, and 2013. In RPM's 2013 technical report, the mineral resource estimates for the Soumber Project included a surface (depth <300m) measured mineral resource of 30.80 Mt, indicated mineral resource of 16.30 Mt, and inferred mineral resource of 11.00 Mt for Central Soumber. East Soumber was estimated to have a measured mineral resource of 16.90 Mt, indicated mineral resource of 15.10 Mt, and inferred mineral resource of 10.00 Mt. Biluut had a measured mineral resource of 14.70 Mt, indicated mineral resource of 50.90 Mt, and inferred mineral resource of 18.00 Mt, while South Biluut had an inferred mineral resource of 1.00 Mt. RPM estimated a surface potential coal tonnage of 0 Mt to 1.00 Mt for Central Soumber, 0 Mt to 3.00 Mt for East Soumber, 0 Mt to 8.00 Mt for Biluut and 0 Mt to 8.00 Mt for Jargalant.

## ***Geological Setting***

### *Regional Geology*

The South Gobi region of Mongolia features a geological history marked by the collision of continental plates and crustal extension, similar to Basin-and-Range tectonics. It consists of east-west-trending mountain ranges made up of crystalline basement rocks, which are affected by both compressional and extensional faults. Between the ranges are basins containing sedimentary sequences from the Late Cretaceous to Permian ages, overlaid by Quaternary sediments.

### *Coal Occurrences*

The Soumber Project is structurally situated along the arcuate, east-west-trending, moderately dipping Nariin Sukhait thrust fault, about 25 km east of the Ovoot Tolgoi Mine. The regional fault is the most notable structure relating to the Soumber, Biluut, and Jargalant concessions. The coal seams at Central Soumber, Biluut, and Jargalant are located within the Deliin Shand suite, and is estimated to have a thickness of up to 1,300 m in the Ovoot Khural Basin, with a sedimentary sequence consisting of claystones, siltstones, sandstones, conglomerates, and coal layers. Tectonic activity along the fault has resulted in variable sedimentary partings and locally thick coal deposits. Drillhole data indicate a significant coal-bearing sequence in the central deposit, largely covered by Quaternary and recent alluvium.

### Structural Geology

The Soumber Project's structural setting is complex, featuring a shallow basin formed due to post-depositional compression, extending into neighboring areas to the east. However, there is a barren area between Central Soumber and East Soumber where coal deposition did not take place. The key geological feature is the Nariin Sukhait fault, located north of the deposit, which is an arcuate, east-west-trending, moderately dipping fault. The coal-bearing sequences generally trend west-to-east and are characterized by a south-dipping homocline with dip angles ranging from 15° to 30°.

### ***Mineralization***

The coal seams of the Soumber Project are hosted within the Deliin Shand suite, which is a sedimentary sequence consisting of claystones, siltstones, sandstones, conglomerates, and coal seams, exposed along the Nariin Sukhait thrust fault. However, the coal-bearing sequence is mostly covered by Quaternary and recent alluvium, which makes it less accessible for direct observation. The exposed sequences near Soumber and Biluut indicate deposition during the Permian, Triassic, Jurassic, and Quaternary periods.

The coal-bearing sequence at Soumber has a roughly rectangular shape with dimensions of about 12 km east-west and 2 km north-south, while Biluut and Jargalant have a larger strike length of about 25 km. The overburden and interburden are mainly composed of fine to coarse-grained sediments, with pyrite and siderite zones being relatively harder than most rock types that do not bear coal. A distinctive red marker bed below the main coal seam serves as a valuable correlation tool to allow an easier identification and correlation of geological layers within the deposit.

Geological studies identified multiple coal seams. The work conducted by Norwest in 2007 at Soumber delineated a total of seven seams, with S4 being the main seam. McElroy Bryan's 2010-2011 re-interpretation of the stratigraphy of the Soumber concession unveiled the presence of six major seams (0-5) and two minor seams (6-7), with Seam 2 containing 40% of the coal resources. Contrary to Norwest's interpretation, McElroy Bryan's interpretation is that the two east-west faults proposed by Norwest do not actually exist and that the seams could be correlated throughout the area using downhole geophysics, suggesting there is no need to have these faults to explain the distribution and continuity of the coal seams. This suggests that the continuity and connectivity of the seams can be established using geophysical data collected from drillholes. This re-interpretation is important in the understanding of the mineral resources estimate.

Seam Nomenclature of the Soumber Concession of the Soumber Project (RPM, 2011)

7	73			43	436		16				
	72				435		15	153			
	71				434			152			
6	64				433			151			
	63				432		14				
	62				431			132			
5	57	573	4	42	422	1	13	131			
		572			4216			130			
		571			4215			122			
	56	565		42	42	4214		12	121		
		564				4213			120		
		563				4212			11	112	
		562				4211				111	
	55	561		41	41	413	0U	0U	0U3		
		553				412			0U22		
		552				411			0U21		
		551				40			0U12		
	54	543				34		0M	0M2	0U11	
		542								344	0M22
		541								343	0M21
	53	532				33			0M1	0M13	
531		342	0M12								
530		341	0M11								
52	523			32		0L		0L3			
	522							322	0L2	0L22	
					321						

	51	521	2	31	312	0L1	0L21
		512			311		
		511		232			
	50	504		23	231	0L1	
		503			222		
		502		22	221		
		501			220		
		21			212		
				2112			
				2111			
	20			202			
		201					

In the Biluut/Jargalant concessions, three major coal seams were identified. These seams have also been subdivided into plies based on the presence of stone partings within them. The coal seam stratigraphy specific to this area is provided in the table below. At present, there has been no attempt to establish a correlation between the coal seam nomenclature in the Biluut/Jargalant concessions and that of the Soumber concession. The naming conventions and stratigraphic interpretation of the coal seams in these two areas have not been linked or compared.

Seam Nomenclature of the Biluut /Jargalant Concessions of the Soumber Project (RPM, 2011)

<b>Seam</b>	<b>Ply</b>
3U	3U2
	3U1
3L	3L2
	3L1
2U	2U3
	2U2
	2U1
2L	2L2
	2L1
1U	1U
1L	1L1
	1L0

The coal seams of the Soumber concession are Upper Permian in age and are found in a similar geological setting as the Upper Permian coals found at the Ovoot Tolgoi Mine and Nariin Sukhait mines and other coal occurrences in the South Gobi region.

## Coal Seams

The thickness of the coal seams is reported based on the drill intercepts, but it should be noted that the true thickness cannot be determined because verticality logs were not conducted during the drilling process. Without verticality logs, it is not possible to accurately account for any deviations from verticality, which may affect the apparent thickness measurements. Therefore, the reported thickness represents the apparent thickness observed from the drill intercepts. The coal seam thickness of the Soumber concession and Biluut/Jargalant concessions are summarized in the tables below.

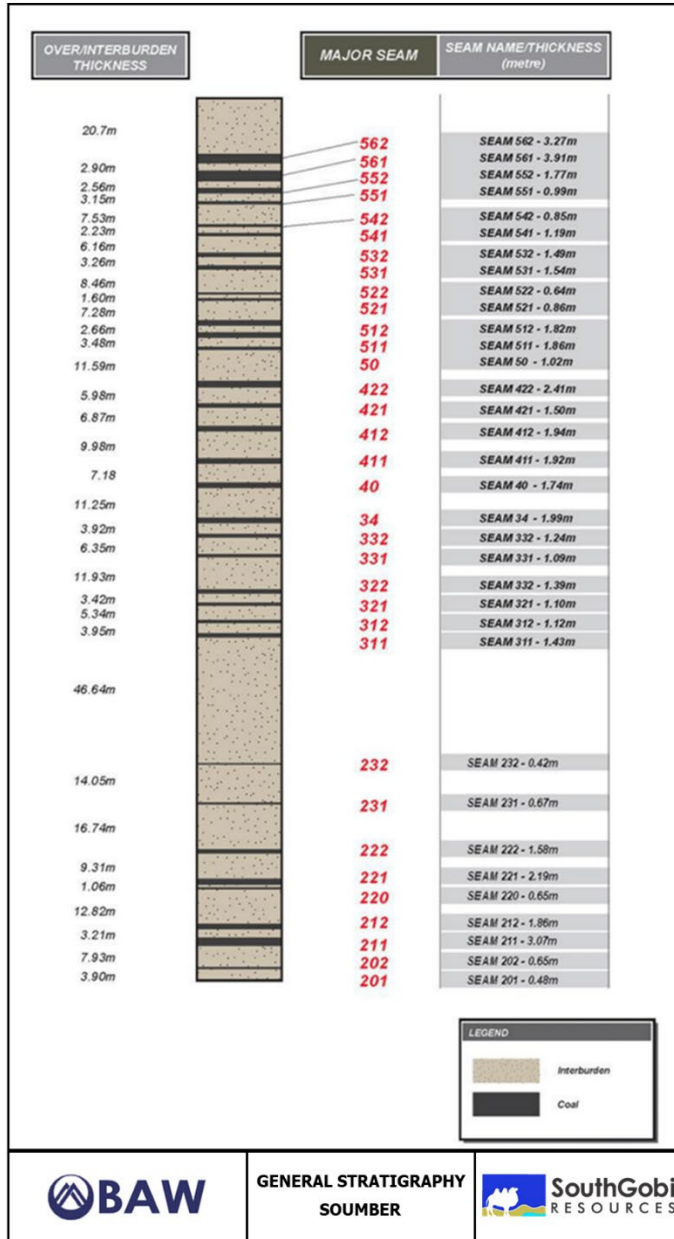
Coal Seam Apparent Thickness of the Soumber Concession of the Soumber Project (RPM, 2011)

<i>Seam Group</i>	<i>Minimum Thickness (m)</i>	<i>Maximum Thickness (m)</i>	<i>Mean Thickness (m)</i>
7	0.5	4.6	2.1
6	0.6	3.4	1.5
5	0.7	44.5	10.3
4	0.7	58.2	12.5
3	0.5	58.5	9.8
2	0.4	23.7	5.9
1	1.7	21.3	9.1
0	1.6	34.5	8.6

Coal Seam Apparent Thickness of the Biluut/Jargalant Concessions of the Soumber Project (RPM, 2011)

<i>Seam Group</i>	<i>Minimum Thickness (m)</i>	<i>Maximum Thickness (m)</i>	<i>Mean Thickness (m)</i>
3	0.1	15.9	3.7
2U	0.4	19.4	5.0
2L	0.1	25.0	5.1
1U	0.1	2.8	0.8
1L	0.1	10.9	2.5

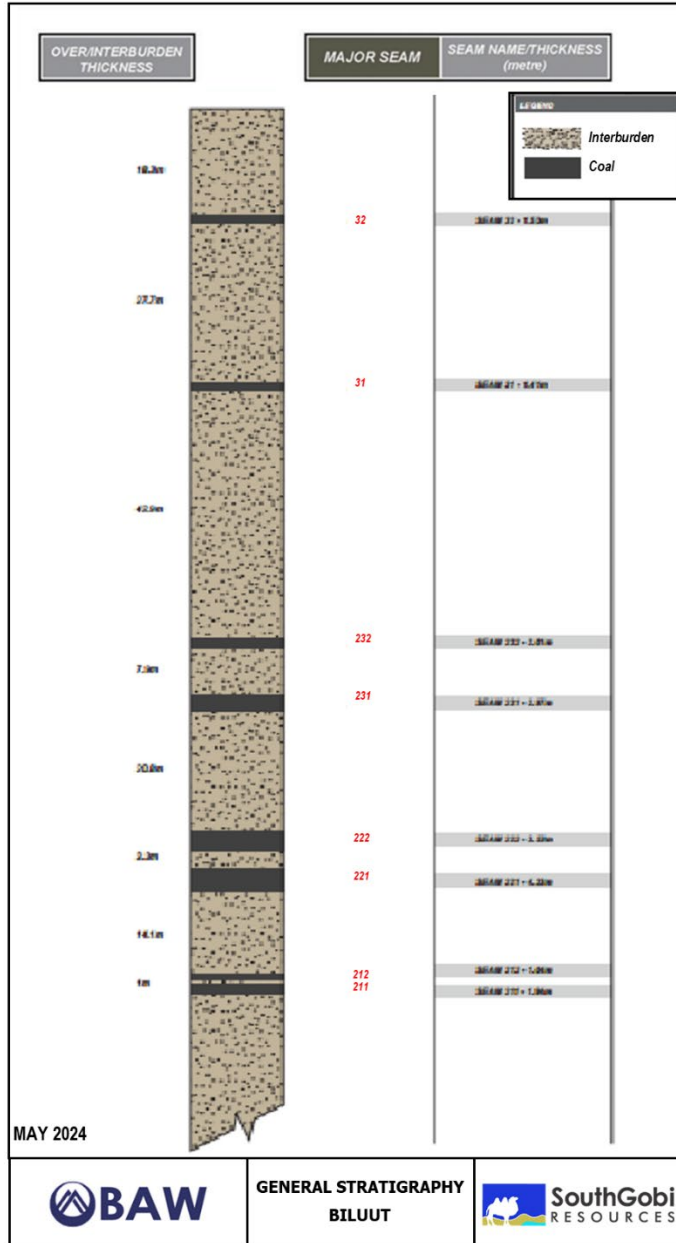
**Major Coal Seams of the Soumber Project (RPM, 2011)**



GENERAL STRATIGRAPHY  
SOUMBER



*Major Coal Seams of the Biluut Concession (RPM, 2011)*



Coal Quality

To date, 37 core holes have been used for analysis of coal quality at East Soumber and 153 holes in Biluut/Jargalant. Based on the available analytical results and composite coal quality data, the coal rank of the deposits ranges between low to medium volatile bituminous coal in accordance with the American Society For Testing and materials Standard D388 ("ASTM Standards").

Overall, the coal seams of the Soumber Project are characterized by high ash content (>20%), low sulfur content (<1%), low inherent moisture (<1%), and varying FSI values, indicating both non-coking (<2 FSI) and coking coal properties (>4 FSI).

## ***Exploration***

Initial surface mapping of the Soumber Project area was conducted by Russian geologist V.S. Volkhonina in the 1950s. In 2004, Burenkhuu et al. identified a coal-bearing layer of the Upper Permian Deliin Shand suite and additional mapping was carried out in the same area.

Norwest initiated the first exploration in 2005, followed by IVN's exploratory work from 2005-2006, which included 30 exploration trenches and 56 drill holes. Some coal samples were collected; however, the location of the analytical results for these samples are currently unknown.

After the exploration license was transferred to SGS, further exploration was undertaken in 2007-2008, including drilling to delineate the extension of the deposit, assess coal quality, and infilling the entire Soumber concession. In 2008, the exploration efforts in the Biluut/Jargalant concessions focused on trenching with the objective to intersect coal seams at subcrop. SGS conducted geotechnical and hydrological studies in 2009 to assess ground stability and water resources. Drilling programs in 2010-2011 aimed to enhance the understanding of coal resources at Soumber and Biluut/Jargalant. Additional drilling in 2023 aimed to upgrade mineral resource categories and to increase confidence in the understanding of coal quality.

## ***Drilling***

Drilling activities in the Soumber (Central, East, and West), Jargalant and Biluut concessions resulted in the completion of 792 exploration holes (diamond core and cuttings) with a cumulative drilled length of 151,616 m as of the end of 2023.

The majority of drilling in Soumber was concentrated in the central and eastern areas, with limited drilling in the western part of the concession. The distance between drill traverses in these areas ranged from 120 m to 150 m, while the spacing between individual holes along the traverses varied from 30 m to 100 m. The median depth of the drillholes was 200 m, with the deepest hole reaching 347 m.

In the Biluut concession, drilling coverage is fairly regular, with traverses spaced approximately 150 m apart and the spacing between holes along the traverses ranging from 50 m to 150 m. The average depth of the holes was 170 m, with the maximum depth reaching 340 m. In the Jargalant concession, the distance between drill traverses was between 250 m to 300 m, and the spacing between holes along the traverse ranging 70 m and 120 m. The hole depths in this area were similar to those at the Biluut site.

At South Biluut, drilling has been limited, with distances between drill traverses spaced approximately 700 m apart and holes along the traverses spaced about 300 m. The average depth of the holes drilled in South Biluut was 620 m, with the deepest hole reaching 954.5 m.

All of the holes drilled for the Soumber Project were vertical, drilled from the surface, using truck-mounted rigs specifically equipped for wireline coring and RC drilling. Core rigs were equipped with HQ-size coring tools, with an approximate diameter of 63.5 mm, and for RC drilling, larger diameter tools of approximately 110 mm were used.

Core logging was conducted on-site by geologists from Sapphire and Erd Geo Inc. This included detailed descriptions of lithology (rock types and characteristics), identification of sample intervals, and documentation of the depths at which core samples were obtained. In addition to core logging, geotechnical logging was performed on all drillholes completed during the 2008 and 2009 exploration campaigns, which involved assessing and documenting core discontinuities such as fractures or other structural features within the core material.

For the majority of the drillholes, two types of logs were obtained: natural gamma logs and density logs. These logs provided important data on the natural radiation levels and density of surrounding formations. Afterwards, open hole logs, including gamma, density, resistivity, and caliper measurements, were obtained when the drill holes were not cased. These logs varied in depth depending on the specific conditions of each hole. It is important to note that geophysical logging was conducted in all holes, except for those that collapsed. However, verticality logs, which provide information about the alignment and straightness of the drill holes, were not performed in this particular drilling campaign.

#### Summary of Historic Drilling in the Soumber Project

Year	Soumber		Biluut		South Biluut		Jargalant	
	No. of Holes	Meters	No. of Holes	Meters	No. of Holes	Meters	No. of Holes	Meters
2005	35	4,535	12	1,648	-	-	13	1,788
2006	27	3,596	-	-	-	-	-	-
2007	23	3,905	-	-	-	-	-	-
2008	98	20,607	-	-	-	-	-	-
2009	6	1,333	-	-	-	-	-	-
2010	65	10,469	67	13,958	-	-	-	-
2011	134	24,334	171	31,958	22	13,619	78	14,069
2023	13	1,657	28	4,140	-	-	-	-
<b>Total</b>	<b>401</b>	<b>70,436</b>	<b>278</b>	<b>51,704</b>	<b>22</b>	<b>13,619</b>	<b>91</b>	<b>15,857</b>

\* Drillhole at Soumber includes West Soumber, East Soumber and Central Soumber

#### *Sampling, Analysis and Data Verification*

Most exploration holes of the Soumber Project have been drilled using rotary techniques. This drilling method involves the use of a rotating drill bit to penetrate the ground, and as a result, only drill cuttings were collected as samples. However, despite the limitations of sampling only drill cuttings, they can still provide valuable insights into the general geological nature of the deposit, including the presence of coal seams and their approximate thickness. Approximately 24% of exploration drill holes have been completed with triple-tube coring equipment that allows coal sampling for laboratory analysis. These core holes are concentrated in the areas of most potential. All quality analyses used for modelling were taken from core samples.

#### *Core Drilling Samples*

SGS follows a structured sampling and analysis process for coal samples at the Soumber Project. Samples are collected based on lithological changes within the drilled core, with core recovery recorded and compared against geophysical logs. In zones of uniform coal appearance, samples are bagged approximately every 0.6 to 1 m. In-seam partings up to 0.1 m thick are included in coal samples under certain conditions, while larger partings and non-coal lithologies are sampled separately. Samples are

cleaned, sealed in plastic bags to prevent moisture loss, labeled, and placed into waxed-cardboard core boxes before being transported to the company's office in Ulaanbaatar and then shipped to accredited laboratories.

Testing is conducted at certified labs, including SGS Mineral Labs in Denver (ISO-9000 certified), SGS Laboratories in Tianjin (ISO-17025 certified), and SGS laboratory located onsite, which was replaced in January 2023 by China Certification & Inspection Group Fujian Co., Ltd., which holds ISO/IEC 17020 and ISO/IEC 17025 certifications. These laboratories used by SGS are independent service providers and have no present or prospective interests in SGS or its mining properties.

#### Reverse Circulation Samples

SGS's RC sampling procedure involves collecting samples at 1.0 m intervals, sealing them in plastic bags to prevent moisture loss, and labeling them with drillhole and sample numbers. Samples are then grouped, packaged, and transported to SGS's office in Ulaanbaatar, where they undergo proximate and thermal analysis, with remaining samples stored at SGS facilities.

#### Data Collection Protocols

Since the initial setup of the exploration camp in 2005, data collection verification and storage at the Soumber Project has been managed by various independent consultants employed by the Company, with Norwest overseeing the initial exploration and establishing protocols for drilling, sampling, and data management. From 2007 to 2009 and in 2011, data was managed on-site by SGS and Sapphire personnel. During the 2010 field season, data was managed on-site by McElroy Bryan personnel. Since 2012, SGS personnel have managed all exploration programs.

Additionally, BAW reviewed logging and sampling sheets and engaged in discussions with SGS geologists regarding the protocols used and found their responses satisfactory.

#### Data Verification

The database management protocols at the Soumber Project were initially developed by Norwest, TAG, Sapphire, and McElroy Bryan and are now maintained by SGS. These protocols involve electronically storing geological mapping data, daily transmission of field geological data, validation of logs, and integration of coal quality testing results into the database. Regular updates, cross-sections, and digital models ensure accurate ongoing analyses.

SGS actively manages the geological database, which has been cross-checked by various QPs and updated in 2023 to enhance accuracy and reliability. BAW verified drillhole collar coordinates through site visits and compared them with original survey records and the Digital Terrain Model, confirming their accuracy. Adjustments to seam picks were made based on lithological logs and geophysical data, with thin coal intersections excluded where uncertainties existed. These exclusions are not expected to impact the geological model significantly.

BAW also reviewed coal quality data in 2023, ensuring consistency with original laboratory results. The database was updated to distinguish between Relative Density and Apparent Relative Density, with statistical and regression analyses applied to key coal quality parameters. Any anomalies identified were cross-checked with original records to maintain data integrity. While some quality data gaps exist, the database includes essential parameters for coal classification and quality estimation.

### Security of Samples

According to the Soumber Technical Report, the security measures have been conducted appropriately and in accordance with the required standards and the QP is not aware of any significant concerns regarding the same.

### ***Mineral Processing and Metallurgical Testing***

Explorations conducted between 2008 and 2011 followed ASTM Standards, which are internationally recognized. Since 2023, testing standards have shifted to GB Standards and MASM (Mongolian National Standards), reflecting a focus on industrial and metallurgical applications. GB standards align with China's industrial requirements, while MASM standards address Mongolia's local needs.

The adoption of GB Standards and MASM ensures consistency in testing methods, measurement parameters, and units, allowing for accurate coal quality evaluation, optimized processing, and alignment with metallurgical industry demands.

Most coal quality data were generally acquired from core samples during the exploration programs. There is a total of 190 core drillholes used for coal quality characterization tests for the Soumber Project.

### Coal Quality

The coal quality analysis conducted for the East Soumber, Biluut, and Jargalant concessions is based on drillhole samples obtained through RC (205 holes) and core drillings (102 holes) performed between 2005 and 2011. This analysis aims to characterize the coal properties of the mineable coal seams in these specific areas. The coal quality analysis encompasses a total of 769 samples, which were subjected to 12 different analytic items. These items include proximate analysis, ash chemical analysis, spectrometric analysis, coking property evaluation, petrographic analysis and washability analysis.

In summary, the coal quality in East Soumber, Biluut, and Jargalant is primarily identified as coking coal in situ. The following key findings relate to coal quality in these concessions:

#### East Soumber and Biluut

- The coal in these areas have strong coking properties, with 30 out of 126 boreholes showing an FSI above 8.0.
- Average ash content is 12.24%, sulfur content is 0.92%, and GR.I value is 96.

#### Jargalant

- The coal in Jargalant is categorized as Medium Volatile Bituminous coal, suitable for metallurgical use.
- 56 out of 104 boreholes have an FSI above 7.5, with a True Relative Density of 1.44 and an HGI of 94.

#### Mineable Coal Seams

- Seam 2 and Seam 3 in East Soumber, Biluut, and Jargalant are viable for mining and possess favorable coking properties.

- Seam 1, Seam 4, and Seam 5 are classified as thermal coal due to lower FSI values
- Although some samples from Seam 1 show high coking potential, determining spot boundaries and ensuring and mining reliability are important aspects for maximizing coal recovery.

Industrial Advantages:

- Biluut and Jargalant coal have ultra-low sulfur content, while East Soumber coal has low sulfur content.
- Medium volatile matter and high calorific value make the coal suitable for industrial use.
- The coal exhibits medium volatile matter content and high calorific value. Based on the ASTM Standards coal rank classification, Biluut and Jargalant are classified as medium-volatile bituminous coal, whereas East Soumber is classified as low-volatile bituminous coal.
- Ash fusion characteristics indicate a moderate softening temperature.
- The fuel ratio ranges from 2.3:1 to 3.3:1, further enhancing its industrial applicability.

Petrographic Analysis

In addition to the previous analyses, petrographic analysis was conducted for the coal samples. This analysis involved measurement of the Vitrinite Mean Maximum Reflectance (R<sub>v</sub>, max %) which is an indicator of the coal's maturity and thermal history. Based on the information provided shown in the table below, the Vitrinite Mean Maximum Reflectance (R<sub>v</sub>, max %) of the coal samples ranges from 1.08 to 1.63. This range indicates the thermal maturity and rank of the coals, with higher values generally associated with more mature and high-ranking coals.

Coal Petrographic Analysis

Field	Drillhole Name	Coal Seam	Vitrinite Mean Maximum Reflectance (R <sub>v</sub> , max %)
Soumber	SBRCT13-02	S11_S23	1.58
	SBRCT13-02_01	S28_S46	1.62
	SBRCT13-02_06	S1_S8	1.63
Biluut	SBRBT13-03	S1_S24	1.08
	SBRBT13-03	S29_S44	1.24
	SBRBT13-08	S1_S15	1.20

Metallurgical Testing

The collected coal samples were sent to accredited laboratories for analysis using a standard analytical package that is commonly used and recognized in the coal mining industry. Laboratories used during the past exploration programs include SGS Denver in the US, an ISO-9000 certified and NQA accredited

laboratory, SGS China in Tianjin, an ISO-17025 certified and China National Accreditation Service for Conformity Assessment accredited laboratory, and SGS on-site ISO/IEC 17025 certified laboratory. In January 2023, China Certification & Inspection Group Fujian Co., Ltd. (CCIC) established an onsite laboratory which replaced SGS laboratory. CCIC currently holds ISO/IEC 17020 and ISO/IEC 17025 certifications, accredited by China National Accreditation Service for Conformity Assessment and certificated by Certification and Accreditation Administration of the PRC.

Coal samples were submitted for the proximate analysis, ultimate analysis, ash analysis, thermal analysis, sulphur analysis and metallurgical test. The detail of each test is described below.

Test items of proximate analysis include:

- Moisture
- Ash
- Volatile matter
- Fixed carbon
- Thermal value
- Test items of ultimate analysis include:
  - Carbon
  - Hydrogen
  - Nitrogen
  - Sulphur
  - Oxygen

Ash analysis is a method used to evaluate and characterize the properties of coal ash residues. It involves determining the inorganic and mineral residues that remain after complete combustion of the coal. The test items typically included in ash analysis are:

- Al<sub>2</sub>O<sub>3</sub>
- BaO
- CaO
- Fe<sub>2</sub>O<sub>3</sub>
- K<sub>2</sub>O
- MgO
- MnO

- NaO
- SO<sub>3</sub>
- SiO<sub>3</sub>
- SrO
- TiO<sub>2</sub>
- ZnO

Test items of sulphur analysis include:

- Sulphate
- Pyrite
- Organic
- Test items of metallurgical test include:
  - Gieseler plastometer
  - Audibert – Arnu dilatometer
  - Reactive maceral analysis (petrography)
  - Phosphorous content (P %)
  - FSI or Crucible Swelling Number
  - G Index
  - Trace element analyses (ppm)
  - HGI
  - Sapozhnikov Plastometer

HGI determination has been conducted in order to describe the coal handling characteristics. Trace element analyses expressed as ppm is used to ascertain the potential for release of deleterious elements following combustion of coal.

### ***Resource Estimate***

The mineral resource of the Soumber Project has been estimated by BAW as of December 31, 2023 using the 3D resource models provided by SGS. The key assumptions used for the mineral resource estimation are:

- Minimum coal seam thickness = 0.6 m.
- Maximum coal parting = 0.3 m.
- In-pit mineral resources are constrained to a depth of 300 m below surface and the ultimate pit design provided by SGS to BAW.
- Surface mineral resources are constrained to a depth of 300 m below surface and are inclusive of in-pit mineral resources.
- Underground mineral resources are constrained to a depth of 300 m - 500 m below surface.
- Volumes are converted to tonnages using laboratory relative density analytical results converted to an estimated in-situ basis.
- Mineral resource is constrained to the mining leases held by SGS only.
- Mineral resource is estimated on an in-situ basis (i.e., as an in-situ tonnage and not adjusted; for mining recovery).
- Measured and indicated mineral resources are inclusive of those mineral resources modified to produce the mineral reserves, i.e., mineral reserves are not additional to mineral resources.
- The estimation of the mineral resources may be materially affected by legal title, environmental permitting, socio-political, taxation, marketing and other related issues and therefore, mineral resources which are not defined as mineral reserves may not demonstrate economic viability.
- The quantity and quality of the inferred mineral resource in this estimation is uncertain in nature. Further exploration in the future does not guarantee the upgrading of result into indicated and measured mineral resources category.

Totals may not add up due to rounding.

BAW divided the resource estimation into in-pit mineral resource, surface mineral resource and underground mineral resource. The in-pit resource is a portion of the surface resource (depth <300 m) based on the ultimate pit design provided by SGS. The underground mineral resource covers a depth from 300 m to 500 m below surface. The mineral resource estimated for the Soumber Project as of December 31, 2023 is tabulated below.

In-Pit Mineral Resource Estimate of the Soumber Project as of December 31, 2023

Concession	Seam Group	In-Pit Resource (Mt)			
		Measured	Indicated	Measured + Indicated	Inferred
Biluut	3U	0.15	0.04	0.20	0.00
	3L	0.99	0.05	1.04	0.01
	2U	4.33	0.30	4.64	0.02
	2L	10.07	1.44	11.50	0.08
	1U	0.31	0.09	0.40	0.00
	1L	1.22	0.53	1.75	0.00
	<b>Sub-total</b>	<b>17.07</b>	<b>2.46</b>	<b>19.53</b>	<b>0.10</b>
Jargalant	3U	0.53	0.29	0.82	0.00
	3L	0.04	0.21	0.25	0.00
	2U	0.06	0.05	0.11	0.00
	2L	0.94	0.81	1.74	0.04
	1U	0.00	0.01	0.01	0.01
	1L	0.00	0.03	0.03	0.33
	<b>Sub-total</b>	<b>1.57</b>	<b>1.40</b>	<b>2.97</b>	<b>0.38</b>
East Soumber	7	0.03	0.00	0.03	0.00
	6	0.05	0.00	0.05	0.00
	5	0.17	0.00	0.17	0.00
	4	0.04	0.00	0.04	0.00
	3	0.23	0.07	0.30	0.00
	2	0.87	0.07	0.94	0.00
	1	1.68	0.11	1.79	0.02
	<b>Sub-total</b>	<b>3.07</b>	<b>0.25</b>	<b>3.33</b>	<b>0.02</b>
<b>Grand Total</b>		<b>21.71</b>	<b>4.11</b>	<b>25.82</b>	<b>0.50</b>

Surface Mineral Resource Estimate of the Soumber Project as of December 31, 2023

Concession	Seam Group	Surface Resource (Mt)			
		Measured	Indicated	Measured + Indicated	Inferred
Biluut (depth <300m)	3U	0.52	1.36	1.88	0.90
	3L	2.64	3.24	5.88	1.87
	2U	12.19	6.53	18.72	0.78
	2L	31.67	14.17	45.84	2.74
	1U	1.29	0.51	1.80	0.07
	1L	13.69	7.35	21.04	2.32
	<b>Sub-total</b>	<b>61.99</b>	<b>33.17</b>	<b>95.16</b>	<b>8.67</b>
Jargalant (depth <300m)	3U	1.64	1.63	3.27	0.39
	3L	1.29	2.36	3.65	1.95
	2U	0.28	0.24	0.52	0.18
	2L	5.63	7.77	13.40	2.25
	1U	0.10	0.11	0.22	0.01
	1L	0.98	1.66	2.63	0.86
	<b>Sub-total</b>	<b>9.91</b>	<b>13.76</b>	<b>23.68</b>	<b>5.64</b>
East Soumber (depth <300m)	7	0.20	0.19	0.39	0.03
	6	0.17	0.09	0.26	0.01
	5	0.48	0.42	0.90	0.05
	4	0.81	0.52	1.32	0.07
	3	3.27	2.62	5.89	0.55
	2	2.64	1.32	3.96	0.12
	1	7.62	5.32	12.94	0.85
	<b>Sub-total</b>	<b>15.19</b>	<b>10.48</b>	<b>25.67</b>	<b>1.68</b>
<b>Grand Total</b>		<b>87.09</b>	<b>57.41</b>	<b>144.51</b>	<b>15.99</b>

Underground Mineral Resource Estimate of the Soumber Project as of December 31, 2023

Concession	Seam Group	Underground Resource (Mt)			
		Measured	Indicated	Measured + Indicated	Inferred
Biluut (depth from 300m to 500m)	3U	0.02	0.03	0.06	0.01
	3L	0.18	0.88	1.06	1.51
	2U	0.31	2.27	2.58	3.64
	2L	0.93	8.59	9.52	8.42
	1U	0.13	0.70	0.83	0.37
	1L	1.82	6.20	8.02	2.12
	<b>Sub-total</b>	<b>3.40</b>	<b>18.68</b>	<b>22.08</b>	<b>16.07</b>
Jargalant (depth from 300m to 500m)	3U	0.00	0.00	0.00	0.00
	3L	0.00	0.00	0.00	0.00
	2U	0.00	0.00	0.00	0.00
	2L	0.11	0.01	0.11	0.25
	1U	0.00	0.00	0.00	0.00
	1L	0.04	0.05	0.09	0.09
	<b>Sub-total</b>	<b>0.14</b>	<b>0.06</b>	<b>0.20</b>	<b>0.33</b>
East Soumber (depth from 300m to 500m)	7	0.00	0.00	0.00	0.00
	6	0.00	0.00	0.00	0.00
	5	0.00	0.00	0.00	0.00
	4	0.01	0.26	0.27	0.26
	3	0.06	0.40	0.46	0.40
	2	0.00	0.02	0.02	0.02
	1	0.13	0.86	0.99	0.86
<b>Sub-total</b>	<b>0.20</b>	<b>1.53</b>	<b>1.73</b>	<b>1.53</b>	
<b>Grand Total</b>		<b>3.74</b>	<b>20.27</b>	<b>24.01</b>	<b>17.94</b>

Surface and Underground Mineral Resource Estimate of the Soumber Project as of December 31, 2023

Concession		Surface and Underground Resource (Mt)			
		Measured	Indicated	Measured + Indicated	Inferred
Biluut	Surface	61.99	33.17	95.16	8.67
	Underground	3.40	18.68	22.08	16.07
Jargalant	Surface	9.91	13.76	23.68	5.64
	Underground	0.14	0.06	0.20	0.33
East Soumber	Surface	15.19	10.48	25.67	1.68
	Underground	0.20	1.53	1.73	1.53
<b>Grand Total</b>		<b>90.83</b>	<b>77.68</b>	<b>168.52</b>	<b>33.92</b>

According to the 2013 technical report prepared by RPM, Central Soumber has a total mineral resource of 58.1 Mt which included 30.8 Mt of measured mineral resource, 16.3 Mt of indicated mineral resource and 11 Mt of inferred mineral resource.

Factors that May Affect Mineral Resource Estimate

There are certain issues of uncertainty that have the potential to significantly impact the mineral resource estimates including:

Changes to long-term coal price assumptions: The estimation of mineral resource is influenced by assumptions regarding future coal prices. If there are significant changes in long-term coal price projections, it could have a material impact on the economic viability and classification of the resources.

Changes in geological interpretations: The size, shape, and distribution of the interpreted coal seams and waste materials play a crucial role in estimating mineral resources. Any revisions or changes in the geological interpretations, such as adjustments to the understanding of the deposit's geology, can impact the estimated quantity and quality of the resources.

Changes in local interpretations: Local interpretations of seam geometry, fault geometry, and seam continuity can evolve as more data becomes available or through improved understanding of the geological conditions. These changes in interpretation can influence the estimation of mineral resources by altering the size, shape, and distribution of the coal deposits.

Changes to input assumptions for open pit outlines: The estimation of mineral resource often involves using open pit outlines to constrain the estimate. Any modifications to the input assumptions, such as slope angles, pit designs, or mining constraints, can affect the classification and quantity of the estimated mineral resources.

Changes to environmental, permitting, and social license assumptions: Factors related to environmental regulations, permitting requirements, and social acceptance can play a significant role in determining the economic viability and feasibility of coal mining projects. Any changes in these assumptions, such as

stricter environmental standards or evolving social license considerations, can impact the estimation of mineral resources.

Given that a special protected area which prohibits mining activities within the Central Soumber concession remains effective until December 3, 2025, BAW has opted not to include the mineral resources and mineral reserves for the Central Soumber concession. The mineral resources and mineral reserves can be re-classified in the future once the protected area status is resolved.

The QP asserts that there are no other significant environmental, legal, title, taxation, socio-economic, marketing, political, or any other relevant factors known to him that would materially impact the estimation of mineral resource beyond what has been discussed in the Soumber Technical Report.

### ***Reserve Estimate***

The mineral reserves of the Soumber Project were estimated as of December 31, 2023, based on the resource model provided by SGS for the East Soumber, Jargalant and Biluut concessions. The key assumptions used for the mineral reserves estimation are:

- Measured and indicated mineral resources are inclusive of those mineral resources modified to produce the mineral reserves.
- Mineral reserves do not include any inferred mineral resources, including those which have been treated as waste (i.e., its mining costs have been covered but no revenue has been assumed for the inferred mineral resources).
- The planned mining method selected is a truck-and-shovel open pit terrace mining operation.
- Cut-off ash content for raw coal is assumed to be 50%.
- A mining recovery factor of 95% and a mining dilution factor of 2.5% are applied in the mineral reserve estimates.
- The pits and thus mineral reserves are designed to 300 m below the original ground surface.
- Coal price adopted in the mineral reserve estimates is US \$90/t,
- Mineral reserves are constrained to SGS's concessions.

Totals may not add up due to rounding.

The mineral reserves estimated for the Soumber Project as of December 31, 2023, are tabulated below. The mineral reserves presented in this AIF is a maiden estimate for the Soumber Project. There has been no prior mineral reserve declared since the first NI 43-101 technical report was issued in 2009.

Mineral Reserves Estimate of the Soumber Project as of December 31, 2023

Concession	Seam Group	Reserves (Mt)		
		Proven	Probable	Total
Biluut	3U	0.15	0.04	0.19
	3L	0.96	0.05	1.01
	2U	4.22	0.30	4.52
	2L	9.80	1.40	11.20
	1U	0.30	0.09	0.39
	1L	1.18	0.52	1.70
	<b>Sub-total</b>	<b>16.62</b>	<b>2.39</b>	<b>19.02</b>
Jargalant	3U	0.51	0.29	0.80
	3L	0.04	0.21	0.24
	2U	0.06	0.05	0.11
	2L	0.91	0.79	1.70
	1U	0.00	0.01	0.01
	1L	0.00	0.03	0.03
	<b>Sub-total</b>	<b>1.52</b>	<b>1.36</b>	<b>2.89</b>
East Soumber	7	0.03	0.00	0.03
	6	0.05	0.00	0.05
	5	0.17	0.00	0.17
	4	0.04	0.00	0.04
	3	0.23	0.07	0.29
	2	0.84	0.07	0.91
	1	1.64	0.11	1.75
	<b>Sub-total</b>	<b>2.99</b>	<b>0.24</b>	<b>3.24</b>
<b>Grand Total</b>		<b>21.14</b>	<b>4.00</b>	<b>25.14</b>

## Factors that May Affect Mineral Reserves Estimation

There are certain areas of uncertainty that have the potential to significantly impact on the estimates of mineral reserves. These areas include:

**Changes to long-term coal price assumptions:** The estimation of mineral reserves is influenced by assumptions regarding future coal prices. If there are significant changes in long-term coal price projections, it could have a material impact on the economic viability and classification of the mineral resources.

**Changes in geological interpretations:** The size, shape, and distribution of the interpreted coal seams and waste materials play a crucial role in estimating mineral resources. Any revisions or changes in the geological interpretations, such as adjustments to the understanding of the deposit's geology, can impact on the estimated quantity and quality of the mineral reserves.

**Changes in local interpretations:** Local interpretations of seam geometry, fault geometry, and seam continuity can evolve as more data becomes available or through improved understanding of the geological conditions. These changes in interpretation can influence the estimation of mineral resources by altering the size, shape, and distribution of the coal deposits.

**Changes to input assumptions for open pit outlines:** The estimation of mineral resources often involves using open pit outlines to constrain the estimate. Any modifications to the input assumptions, such as slope angles, pit designs, or mining constraints, can affect the classification and quantity of the estimated mineral reserves.

**Variations in geotechnical, hydrogeological, and mining assumptions:** Assumptions related to geotechnical factors, hydrogeology, and mining methods play a crucial role in estimating mineral reserves. Changes or variations in these assumptions, such as alterations in stability parameters, water management considerations, or mining techniques, can have a significant impact on the estimated mineral reserves. Factors like ground conditions, water inflow, and mining constraints can affect the technical and economic feasibility of extracting the mineral reserves.

**Changes to environmental, permitting, and social license assumptions:** Factors related to environmental regulations, permitting requirements, and social acceptance can play a significant role in determining the economic viability and feasibility of coal mining projects. Any changes in these assumptions, such as stricter environmental standards or evolving social license considerations, can impact the estimation of mineral reserves.

The QP asserts that there are no other significant environmental, legal, title, taxation, socio-economic, marketing, political, or any other relevant factors known to him that would materially impact the estimation of mineral reserve beyond what has been discussed in the Soumber Technical Report.

## ***Mining Operations***

### *Mining Method*

Mining in the Soumber Project has not yet commenced. According to the latest pre-feasibility study prepared by Goldman in 2023 (“**2023 Goldman PFS**”), the proposed mining operation at the Soumber Project includes using open pit terrace truck-and-shovel mining method, similar to the current mining methods employed at the Ovoot Tolgoi Mine operated by SGS, which could be described as open pit terrace mining utilizing hydraulic excavators, shovels and trucks, or known as conventional "truck/shovel"

operations. The proposed mining operation includes top-soil stripping, drilling and blasting of overburden and interburden, and stripping of waste and coal using excavators. Waste and coal will be loaded onto a fleet of mining trucks for hauling to the waste dumps or the coal stockpiles, as appropriate.

### ***Recovery Methods***

As of now, no coal processing has been undertaken for the Soumber Project. However, certain coal processing facilities will be necessary to meet the coal quality specifications required by buyers. These facilities may include a mobile screen, rotary breaker, and wet washing plant, similar to the existing operation at the nearby Ovoot Tolgoi Mine. Implementing such processing facilities would enable the production of coal that meets the specific requirements and standards of potential buyers. By incorporating these processing facilities, the Soumber Project can ensure the production of high-quality coal and enhance its market competitiveness.

### ***Infrastructure***

Coal mining has not yet commenced for the Soumber Project. There is no infrastructure currently in place for the Soumber Project. Given that the Soumber Project is located in proximity to the Ovoot Tolgoi Mine, SGS plans to truck the ROM coal to the Ovoot Tolgoi Mine for handling and preparation. Therefore, majority of the infrastructures will rely substantially on the Ovoot Tolgoi Mine

### ***Environmental, Permitting, and Social or Community Factors***

#### **Environmental Factors**

In 2008, SGS commissioned JEMR to conduct a baseline environmental study for Soumber Project (East Soumber, Biluut, and Jargalant), assessing water, soil, biodiversity, air quality, and noise, along with consultations with local officials and communities. In 2012, SGS engaged JEMR again for a DEIA, which evaluated the project's potential environmental impacts. Although submitted to the Ministry of Environment and Tourism, the DEIA remains unapproved, and mining activities can only commence after approval in accordance under Mongolia's Environmental Impact Assessment law.

In 2023, SGS engaged IH ZOS LLC for a new DEIA covering East Soumber and Biluut (the “**East Soumber and Biluut DEIA**”), identifying 37 socio-cultural and environmental impacts. However, this DEIA has not yet been submitted as it is contingent on the approval of the 2023 Goldman PFS.

#### **Permitting**

The East Soumber and Biluut DEIA has not been officially submitted to the Ministry of Environment and Tourism of Mongolia for approval. The sequential nature of the approvals required and the submission of the DEIA is contingent upon the approval of the 2023 Goldman PFS. As of to date, no DEIA has been prepared for the Jargalant concession, which needs to be prepared in anticipation of the proposed mining operation in this concession. Considering the absence of immediate surface water availability in the vicinity of the Soumber Project, similar to the Ovoot Tolgoi Mine, the need for drilling water wells to meet operational and camp requirements is recognized by the Company and SGS. SGS will have to secure approval from the Water Resources Committee of The Natural Environment Green Developing Tourism Department of Mongolia for drilling water wells.

### Social or Community Factors

SGS initiated the process of signing a cooperation agreement with the administration of Umnugobi Province. This agreement aims to regulate the collaboration between SGS and the provincial administration, with a focus on SGS's contributions to the socio-economic growth of Umnugobi Province, particularly in the western region where SGS operates. In addition, the agreement ensures the smooth functioning of SGS's production, finance, and business operations within the licensed area.

As part of its Corporate Social Responsibility Strategy, SGS is committed to developing and implementing the Community Development Plans for each of the soums (administrative subdivisions) where it operates. These plans are created in close coordination with the respective government authorities and community members, emphasizing SGS's commitment to the local development.

### **Capital and Operating Costs**

#### Capital Costs

Capital Costs or Capital Expenditure ("CAPEX") comprises of Development and Expansion CAPEX, Sustaining CAPEX, Rehabilitation CAPEX and Exploration CAPEX. SGS prepared a projection of Development and Expansion CAPEX and Sustaining CAPEX for the proposed mine development, mining equipment and support facilities based on their long-term mine planning and Rehabilitation CAPEX for proposed rehabilitation program and environmental work, which is reasonable and conformable with the industry practice. The CAPEX projected for the Soumber Project is summarized in the table below for the period from Year 1 to Year 11.

Forecasted CAPEX for the Soumber Project (US\$ in million)

<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Till the end of LOM (Accumulated)</b>
<b>Sustaining CAPEX</b>	11.02	11.02	11.02	11.02	60.64
<b>Rehabilitation CAPEX</b>	0.00	0.00	0.00	0.00	0.00
<b>Development and Expansion CAPEX</b>	3.75	3.75	3.75	3.75	20.64
<b>Exploration CAPEX</b>	4.00	4.00	4.00	4.00	22.00
<b>Total</b>	18.78	18.78	18.78	18.78	103.27

#### Operating Costs

Operating costs or Expenditure ("OPEX") can be classified into operating cash costs and total production costs. The operating cash costs include mining costs, processing (washing) costs, general and administration (G&A) cost, selling costs, environmental protection costs, taxes, resource compensation levy, interests on

loans and other cash cost items. The total production costs comprise the operating cash costs, depreciation/amortization costs and other non-cash cost items. The historic and forecasted operating costs are summarized below.

Forecasted Operating Cash Costs for the Soumber Project

<b>Operating Cash Costs</b>	<b>Unit</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Till the end of LOM</b>
<b>(A) Mining and Coal Processing</b>						
Workforce Employment	USD/t raw coal	2.51	2.74	2.63	3.05	2.86
Consumables, Fuel, Electricity and Water	USD/t raw coal	0.75	0.75	0.75	0.76	0.74
Maintenance, Repair and Other	USD/t raw coal	0.48	0.49	0.48	0.49	0.48
Contractor mining cost	USD/t raw coal	31.64	33.26	32.62	33.96	33.41
Environmental and safety costs	USD/t raw coal	1.60	0.11	0.13	0.12	0.42
Coal Preparation and Handling	USD/t raw coal	4.76	6.89	6.09	9.55	8.10
<b>Total Mining and Preparation Cost</b>	<b>USD/t raw coal</b>	<b>41.74</b>	<b>44.24</b>	<b>42.70</b>	<b>47.94</b>	<b>46.02</b>
<b>(B) General &amp; Admin (G&amp;A)</b>						
On- and Off-Site Management	USD/t raw coal	2.54	2.63	2.60	2.63	2.61
Marketing and selling expense	USD/t raw coal	5.71	5.71	5.71	5.71	5.71
Non-Income Taxes, Royalties and Governmental Charges	USD/t raw coal	7.50	7.71	7.61	7.95	7.78
<b>Total G&amp;A Cost</b>	<b>USD/t raw coal</b>	<b>15.75</b>	<b>16.06</b>	<b>15.92</b>	<b>16.30</b>	<b>16.10</b>
<b>Total Operating Cash Costs (A+B)</b>	<b>USD/t raw coal</b>	<b>57.49</b>	<b>60.30</b>	<b>58.62</b>	<b>64.23</b>	<b>62.12</b>
<b>(C) Depreciation and Amortization</b>	<b>USD/t raw coal</b>	<b>1.98</b>	<b>2.31</b>	<b>2.28</b>	<b>2.73</b>	<b>2.80</b>
<b>Total Production Cost (A+B+C)</b>	<b>USD/t raw coal</b>	<b>59.47</b>	<b>62.62</b>	<b>60.91</b>	<b>66.96</b>	<b>64.92</b>

### Economic Analysis

Mining in the Soumber Project has not yet commenced. According to the 2023 Goldman PFS, the proposed mining operation at the Soumber Project includes using open pit terrace truck-and-shovel mining method, similar to the current mining methods employed at the Ovoot Tolgoi Mine operated by SGS, which could be described as open pit terrace mining utilizing hydraulic excavators, shovels and trucks, or known as conventional "truck/shovel" operations. The proposed mining operation includes top-soil stripping, drilling and blasting of overburden and interburden, and stripping of waste and coal using excavators. Waste and coal will be loaded onto a fleet of mining trucks for hauling to the waste dumps or the coal stockpiles, as appropriate.

Based on the pit optimization result, the best-case scenario for the East Soumber concession will produce 3.12 Mt of ROM coal with an average strip ratio of 8.87 bcm/tonne coal. The Jargalant concession will produce 1.76 Mt of ROM coal with an average strip ratio of 11.3 bcm/tonne coal. Meanwhile, the Biluut concession will produce 17.34 Mt of ROM coal with an average strip ratio of 8.21 bcm/tonne coal. Overall, the average strip ratio for the three concessions is 9.1 bcm/tonne coal. The LOM of the three concessions is estimated to be 11 years with a production target of 2.0 mtpa of ROM coal.

BAW reviewed the parameters and procedures of the 2023 ultimate pit shell, mine design and layout stated in the 2023 PFS and considered them to be sufficient for the planned production target of 2.0 mtpa of ROM coal.

#### Projected Annual Production of the Soumber Project from Year 1 to Year 11

Indicator	Unit	Production Year											Total/ Avg
		1	2	3	4	5	6	7	8	9	10	11	
Coal mining	1,000 t	2,066	2,016	2,066	2,043	2,034	2,036	2,006	2,001	2,168	2,004	2,001	22,439
	1,000 m <sup>3</sup>	1,476	1,440	1,476	1,459	1,453	1,454	1,433	1,429	1,549	1,431	1,429	16,028
Waste stripping	1,000 t	7,608	7,600	7,586	7,592	7,617	7,594	7,603	7,604	7,579	7,604	7,196	83,183
	1,000 m <sup>3</sup>	19,020	19,000	18,964	18,981	19,043	18,986	19,007	19,011	18,947	19,009	17,989	207,959
Coal volume weight	t/m <sup>3</sup>	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Waste volume weight	t/m <sup>3</sup>	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Strip ratio	m <sup>3</sup> /t	9.07	9.28	9.04	9.15	9.22	9.19	9.33	9.36	8.61	9.34	8.85	9.13

<b>Total earth movement</b>	<b>1,000 t</b>	<b>9,674</b>	<b>9,616</b>	<b>9,652</b>	<b>9,635</b>	<b>9,651</b>	<b>9,630</b>	<b>9,609</b>	<b>9,605</b>	<b>9,747</b>	<b>9,607</b>	<b>9,197</b>	<b>105,623</b>
	<b>1,000 m<sup>3</sup></b>	<b>20,496</b>	<b>20,440</b>	<b>20,440</b>	<b>20,440</b>	<b>20,496</b>	<b>20,440</b>	<b>20,440</b>	<b>20,440</b>	<b>20,440</b>	<b>20,496</b>	<b>20,440</b>	<b>19,419</b>
<b>Production Resources</b>													
Dilution	%	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36
Pollution size	1,000 t	131	128	131	130	129	129	128	127	138	127	127	1,427
Waste percent	%	4.54	4.54	4.54	4.54	4.54	4.54	4.54	4.54	4.54	4.54	4.54	454.00%
Waste size	1,000 t	100	97	100	99	98	98	97	97	105	97	97	1,084
<b>Production resources</b>	<b>t</b>	<b>2,097</b>	<b>2,046</b>	<b>2,097</b>	<b>2,074</b>	<b>2,064</b>	<b>2,066</b>	<b>2,036</b>	<b>2,031</b>	<b>2,201</b>	<b>2,034.20</b>	<b>2,031.80</b>	<b>22,783</b>

## SALES AND MARKETING

The Company expects that all production from the Ovoot Tolgoi Mine will continue to be marketed and sold into the PRC. Saleable products from the Ovoot Tolgoi Mine primarily include SouthGobi standard and SouthGobi premium semi-soft coking coal products. Some higher ash content product is processed and sold as semi-soft coking coal product while some of the unwashed product is sold as a thermal coal product.

Coal sales from Ovoot Tolgoi are made through the Shivee Khuren Border Crossing. Once the coal arrives in the PRC it is distributed from Ceke. End users and logistics specialists generally undertake logistics from Ceke, with the coal destined for use in coke-making, power generation and cement making. The Company established a wholly owned foreign enterprise in China in 2016, which enables the Company to sell coal directly to Chinese end users.

The Company intends to continue to develop markets for both its premium and standard semi-soft coking coal products and to pursue long-term supply offtake with end users in the PRC to complement its existing customer base and to gain best value of the Company's coal in the PRC market. The Company is committed to further enhance the quality of its coal products through various coal processing methods and increase its market penetration in the PRC. The commissioning of the wash plant and dry coal separate system at the Ovoot Tolgoi mine was completed during the second quarter of 2018 and in 2023, respectively. The Company has completed construction of a second dry coal separation system at the Ovoot Tolgoi mine and is currently conducting operational testing prior to the commencement of production at this facility.

## DIRECT AND INDIRECT EMPLOYEES

As at December 31, 2025 the Company had 847 employees, including 734 Mongolian employees.

## SOCIAL AND ENVIRONMENTAL POLICIES

Within the framework of applicable environmental laws and legislation, the Company aspires to demonstrate environmental leadership by adhering to the following principles:

- avoid any environmental impact wherever possible;
- where environmental impact cannot be avoided, minimize the impact; and
- the engagement of locals in the area in which it operates.
- In order to implement its environmental policy, the Company is committed to adhering to the following:
  - fully discharging its duty of protecting the environment in accordance with Mongolian laws in the course of its mining activities;
  - prioritizing environmental actions for implementation in its business activities;
  - implementing third party and internal environmental monitoring and include the participation of local people and governmental organizations;
  - preventing and reducing environmental impact, and rehabilitating and carrying out biological offsetting in the project area;
  - carrying out land reclamation in accordance with Mongolian standards during mining operation and at the time of mine closure;
  - establishing and implementing environmental management system;
  - identifying, assessing and managing the environmental risks of its activities in all planning and operational decisions;
  - regularly examining its environmental management system and regulations, and revising the same where necessary, in order to continuously improve its environmental activities;
  - cooperating with local people and administration as well as specialists or specialized agencies; and
  - regularly organizing training for its employees and contractors with respect to the environment.

The Company uses, and will continue to utilize, appropriate and recognized environmental management systems, including documentation of all relevant environmental matters, and conducting internal compliance audits and engaging third parties to conduct audits where necessary to assist with environmental management. Specifically, the measures it is taking or that it expects to take in relation to the protection of the environment at the Ovoot Tolgoi Mine include:

**Reducing land use footprint at mining site:** Since 2013, the Company has carried out technical rehabilitation on 147.84 hectares and biological rehabilitation on 55.16 hectares for future mine reclamation. In 2025, as part of our offset rehabilitation efforts near the mine, the Company signed a contract and completed the rehabilitation of a 10-hectare area in Uzuur Suuj, located in Nomgon Soum, Umnugovi Province, which had been illegally mined for gold by artisanal miners.

**Monitoring biodiversity in licence area and surrounding territories:** Currently there are no endangered plant and animal species in the Ovoot Tolgoi Mine area. The Company monitors biodiversity conservation and impact mitigation measures in mining areas and is prepared to undertake action as required in the future to preserve or maintain biodiversity. The Environmental Monitoring Program was completed in 2025.

**Monitoring biodiversity in licence area and surrounding territories:** In 2025, a biodiversity study was conducted on the impact in the areas surrounding the Nariin Sukhait mining complex. Due to the expansion of mining operations, infrastructure development, and an increasing population in the area, wildlife distribution has begun to decline.

**Developing an environmental protection strategy:** The Company worked with a professional organization to develop a strategy for 2014 - 2018 to protect biological diversity, maintain ecosystem balance and preserve species found in the Ovoot Tolgoi Mine area, all in accordance with Mongolian laws and regulations. In 2015, the biodiversity offset strategic plan was produced in cooperation with Mycobio LLC. Within this framework of biodiversity offset, the Company established a watering point for rare, wild animals in the Tost, Toson Bumba Nature Reserve in 2016. In 2017, border marking of the Tost, Toson Bumba Nature Reserve was completed. As a result of research work conducted, offset reclamation was undertaken at Tost Toson Bumba Nature Reserve between 2016 and 2020, and presented to local authorities. As part of the 2020 biodiversity offset rehabilitation, brochures with pictures of endangered birds were published in cooperation with the administration office of "Tost and Toson Bumba" to educate people on endangered birds living in Tost, Toson Bumba Nature Reserve. Due to the COVID-19 pandemic, biodiversity offset rehabilitation was counted as rehabilitation conducted at areas of Sevrei soum in 2021. In 2022, a watering point for wild animals was restored by the Company in cooperation with the Tost, Toson Bumba Mountain Nature Reserve. In 2023, the Company purchased furnishings for the Tost, Toson Bumba Mountain Nature Reserve's information center. In 2024, a cooperation agreement was signed with the administration of Tost Toson Bumba Nature Reserve and the Mongolian Mammal Research Society, a non-governmental organization, to organize the installation of a satellite-collared tracking device on one snow leopard.

It is planned to provide support in 2025 to improve the material base necessary for the effective implementation of conservation management activities in the Tost and Toson Bumbyn Range Nature Reserves in Gurvantes soum, Umnugovi aimag. As part of this work, the Administration of the Tost and Toson Bumbyn Range Nature Reserves has handed over essential motorcycles, tools, and equipment.

**Environmental protection activities:** Within the framework of the "One Billion Trees" national program initiated by the President of Mongolia, the Company has committed to planting a total of 15 million trees. In 2025, the Company planted:

- 55,000 coniferous trees in New Kharkhorum city
- 30,000 saxaul trees in Gurvantes Soum;
- 10,000 saxaul trees in Sevrei Soum

**Monitoring the air quality at mining site:** The Company aims to develop a comprehensive air quality plan and improve the internal and independent air quality monitoring and analysis mechanism. In order to achieve this goal, the Company cooperates with "EACC" LLC, an environmental consultancy firm, and an on-site survey was completed in October 2024.

In 2025, the Company commissioned the professional organization “TOTBAT” LLC to conduct an environmental monitoring program. As part of the program, comprehensive studies on air, soil, vegetation, water, and wildlife were carried out using professional methodologies for each respective category.

**Reusing grey water:** The Company reuses its grey water through a water treatment facility, which is a key part of reducing consumption of water resources and benefits the environment. The Ovoot Tolgoi camp has utilized grey water since 2015. In 2025 the Company purified 45,331m<sup>3</sup> of domestic waste water and, of this 23,874m<sup>3</sup> of water was used for watering the green area and dust suppression at the mine site.

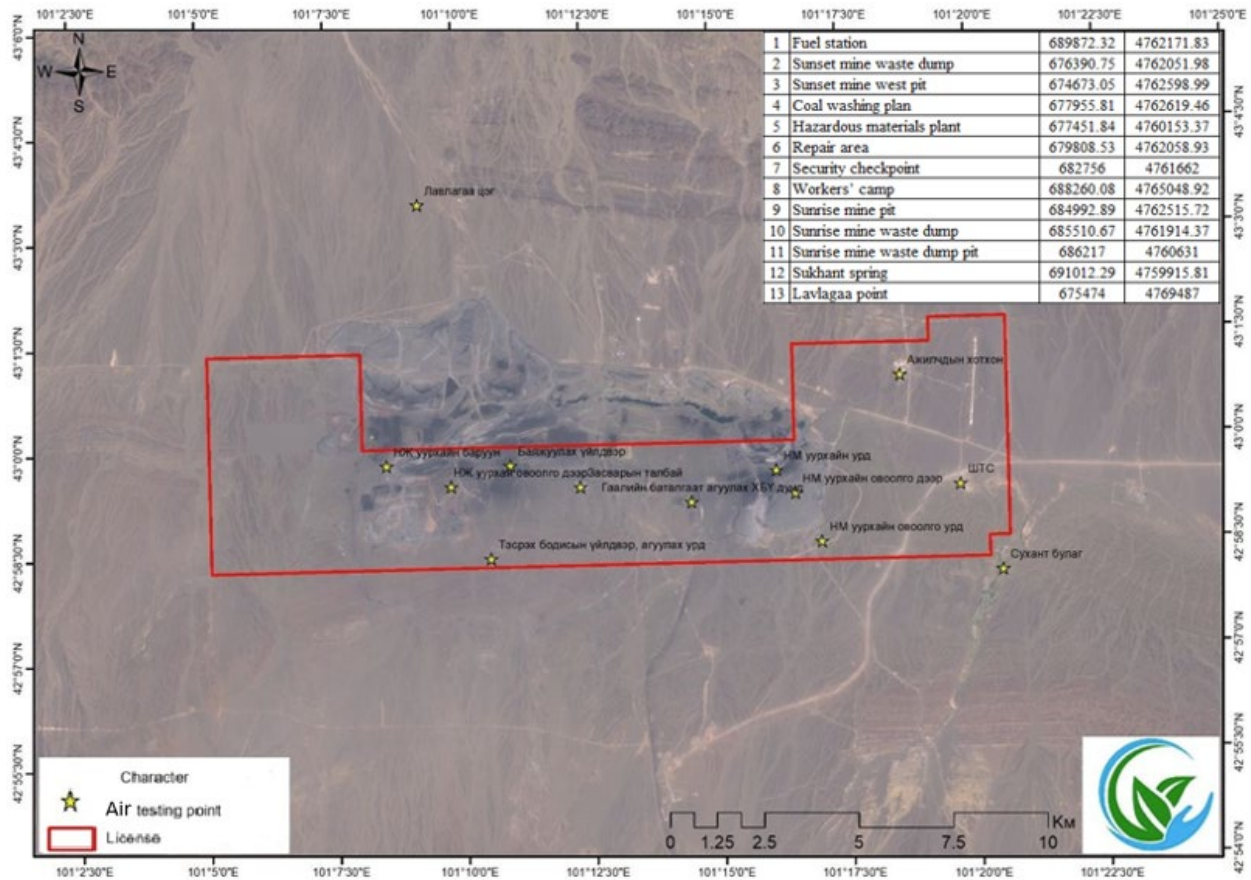
**Recycling waste oil and plastic bottle:** The Company has engaged a professional contractor to recycle waste oil. Non-toxic recyclable waste is also provided to local communities to increase income and create employment opportunities. Additionally, the Company is collaborating with a local waste management service provider to improve the handling and management of non-mineral waste.

**Recycling waste oil and plastic bottles:** The Company has consistently implemented its policies and monitoring measures. In 2025, due to the expansion of mining operations, the volume of waste increased, necessitating improvements in waste management. To address this, a smokeless, high-efficiency incinerator was put into continuous operation to manage non-hazardous waste from the mining camp.

For further information on the EIA and EMP for the Ovoot Tolgoi Mine, refer to the heading entitled “*Description of Material Properties – Ovoot Tolgoi Deposit – Environmental Matters*” in this Annual Information Form.

The environmental monitoring program data is shown below:

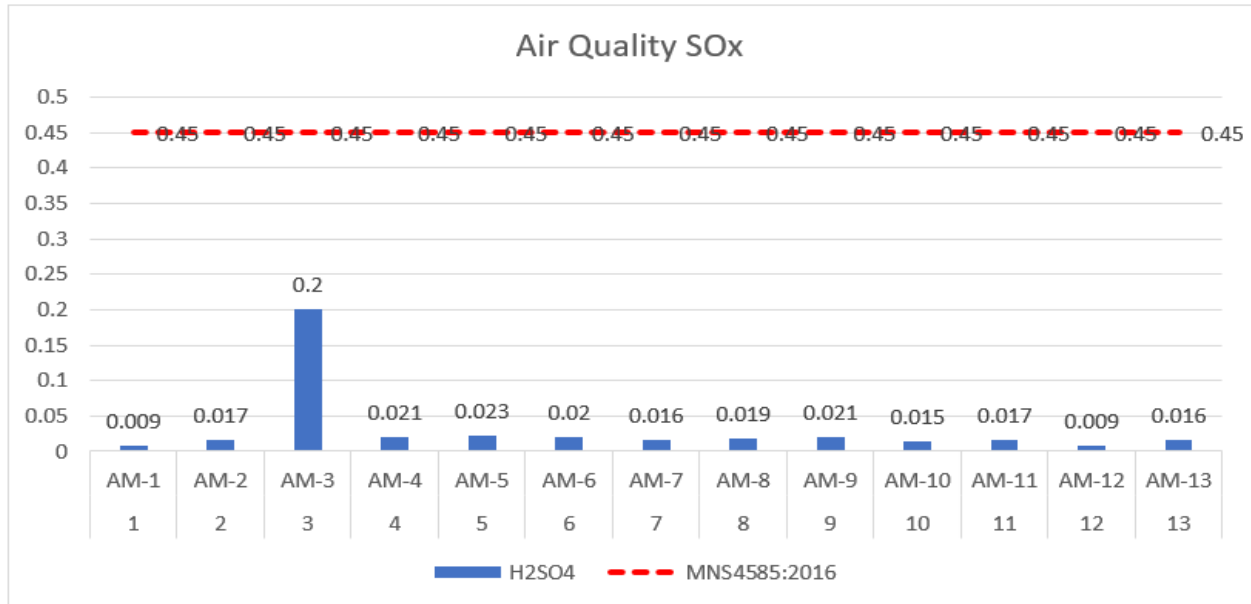
According to the MNS 4585:2016 Air Quality Technical Standard, the permissible maximum concentration of dust is set at **500 mg/m<sup>3</sup>**. Except for the Sunrise mine waste dump (774 mg/m<sup>3</sup>) and the Sunset mine waste dump (672 mg/m<sup>3</sup>), where active mining operations are taking place, dust concentrations at other locations do not exceed the permissible maximum limit.

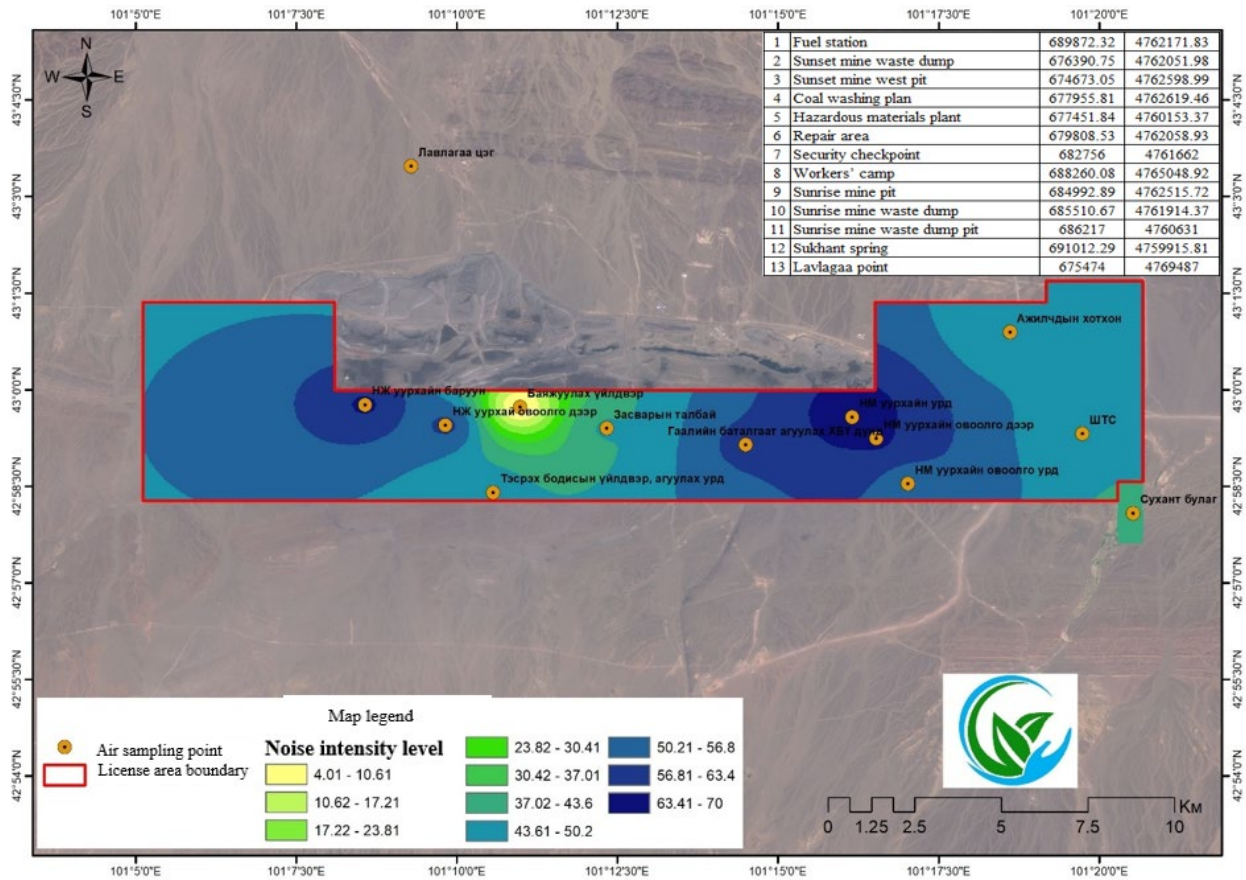


**Air Quality Measurement Results (Dust / Particulate Matter)**

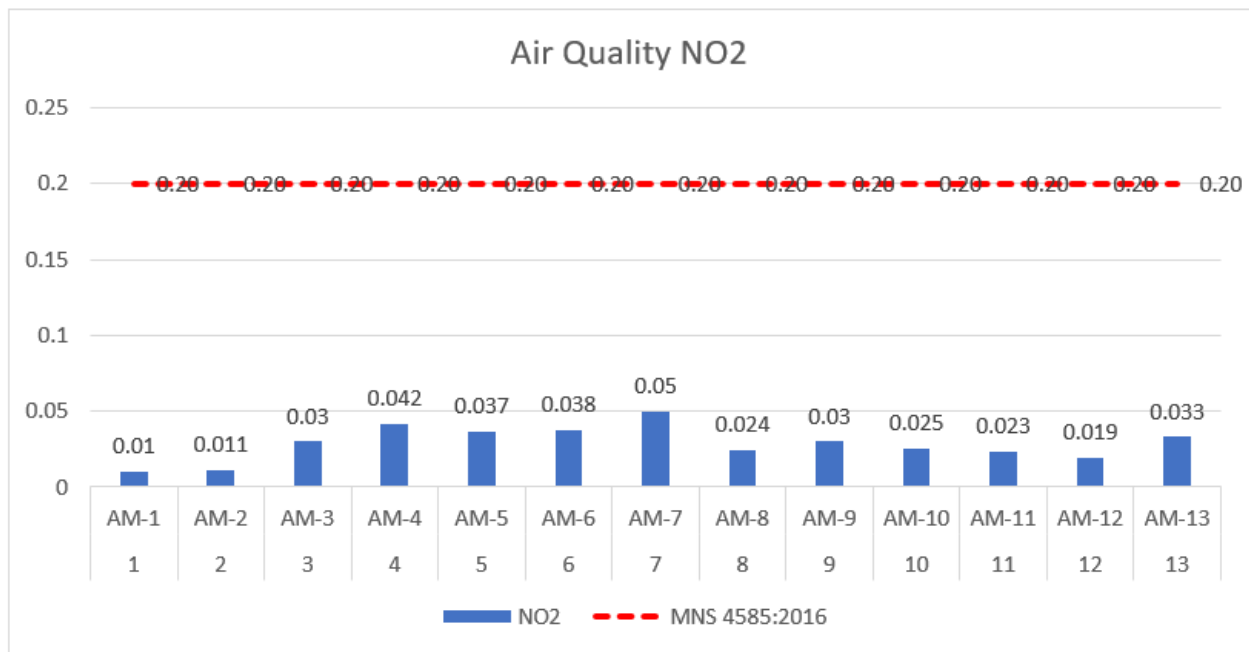
Sampling Location	PM1.0 (µg/m³)	PM2.5 (µg/m³)	PMrsp (µg/m³)	PM10 (µg/m³)	Total Dust (µg/m³)
	-	50	-	100	-
Fuel station	31	11.2	26.2	59.4	93.5
Sunset mine waste dump	3.4	73.7	121.8	480	672
Sunset mine west pit	0.5	2	4.3	12.8	20
Coal washing plan	2.3	14.4	36	87	125
Blast Plant and Storage Area (Front)	3.5	22.7	54	130	190
Workshop area	2.5	16.5	43	120	185
Security checkpoint	2.2	17	40	110	166.2
Workers' camp	0.7	2.9	5.2	11	15.5
Sunrise mine pit	9.1	65	142	400	541
Sunrise mine waste dump	28.3	136.5	378	598	774
Sunrise mine waste dump pit	0.5	0.5	3	10.9	16.7
Sukhant river	0.3	0.3	3	9.9	13.2
Lavlagaa point	0.5	0.5	4	14.7	24

The concentration of sulfur dioxide (SO<sub>2</sub>) in the air ranges from 0.009 to 0.2 mg/m<sup>3</sup>, which is below the permissible limits set by the MNS 4585:2016 Air Quality Technical Standard.

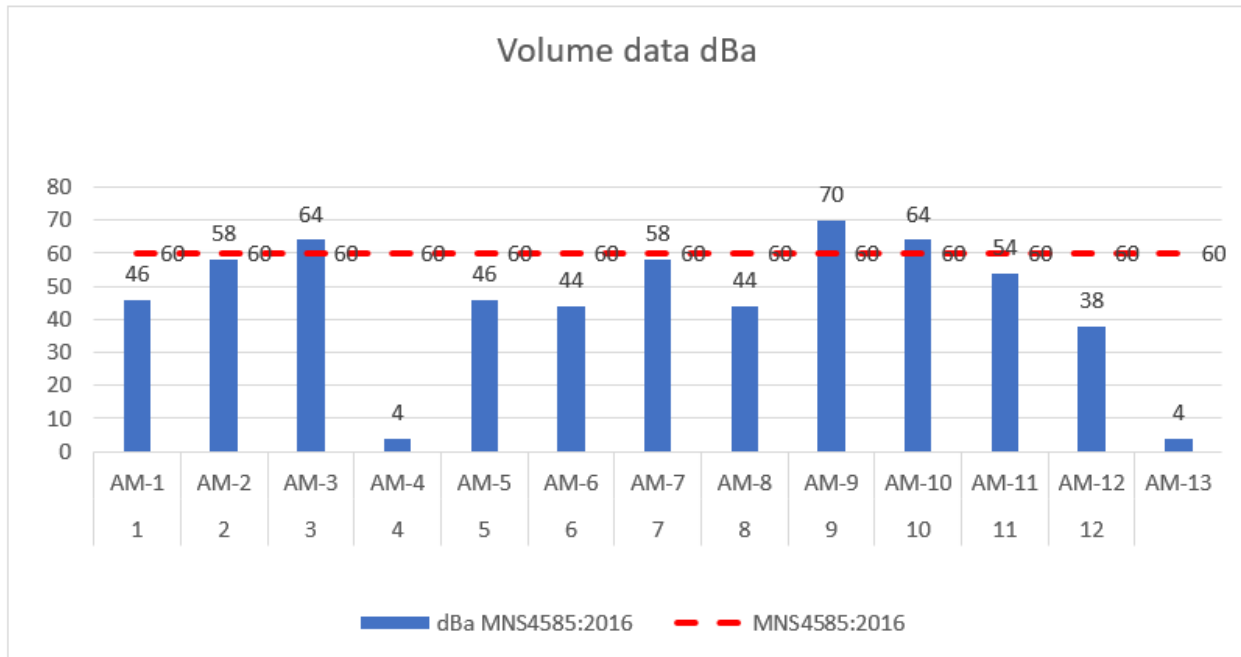
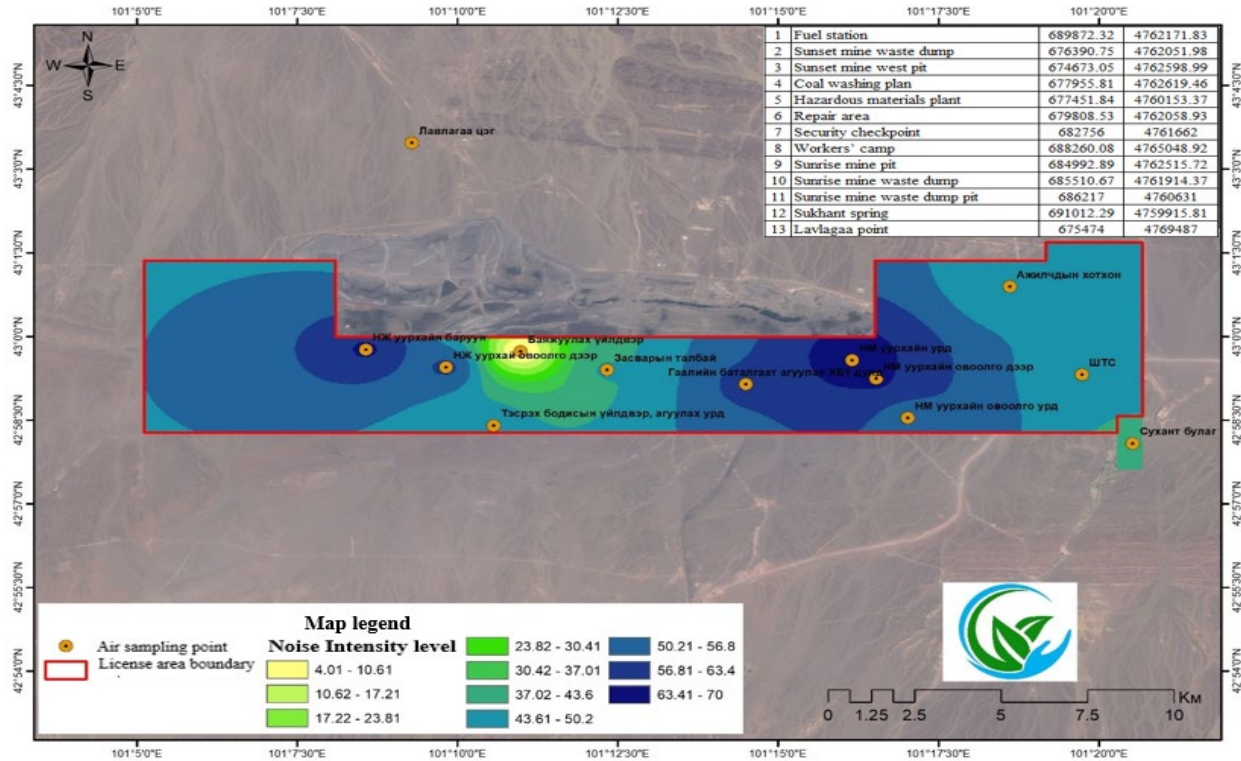




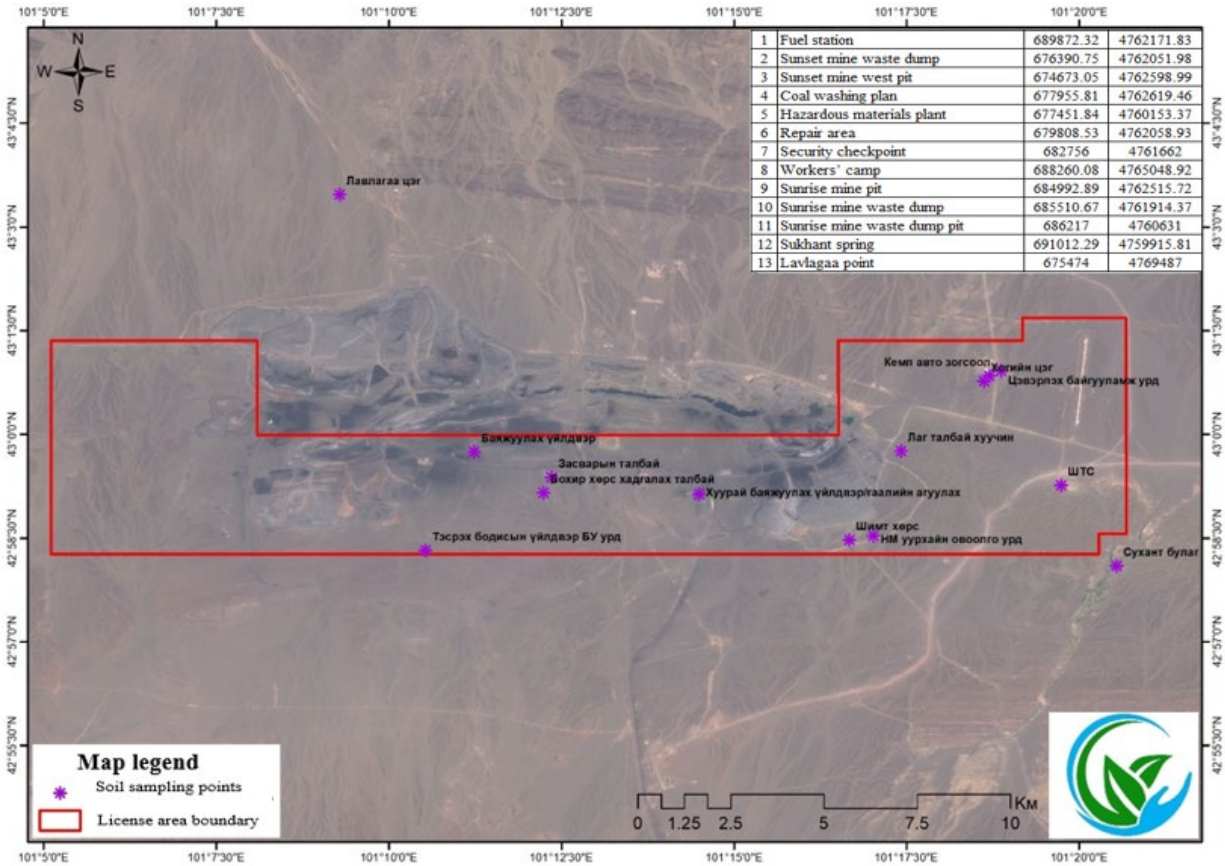
The nitrogen dioxide content in the air is 0.01-0.042 mg/m<sup>3</sup>, which is lower than the permissible concentration in the air quality technical requirements MNS 4585:2016 standard.



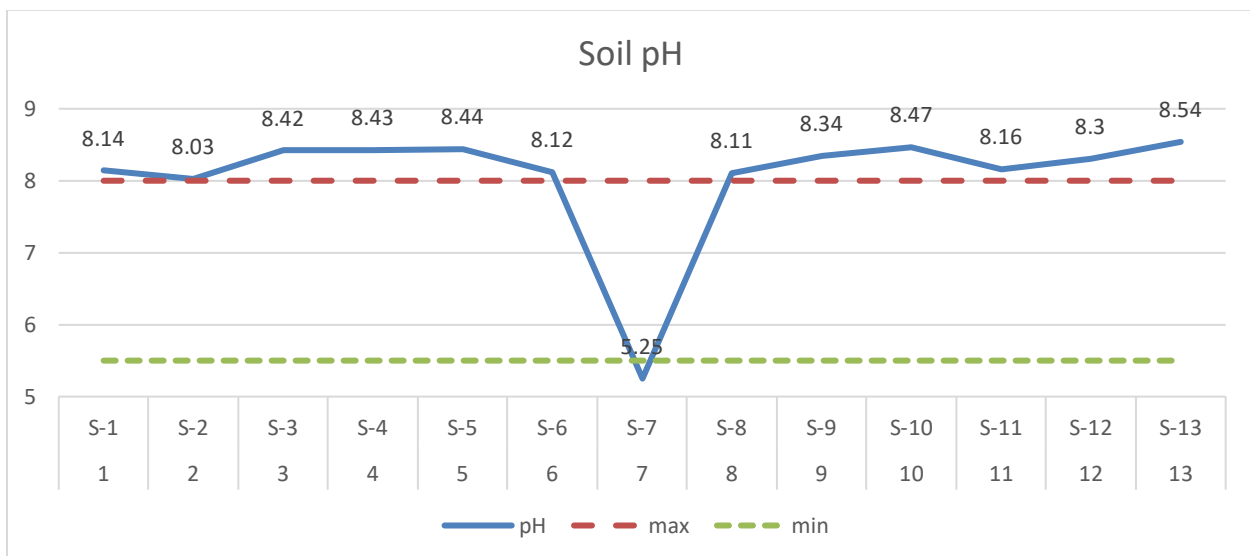
The noise level in the air around the project site was 42-70 dBA, which is 3 points higher than the general air quality requirements MNS 4585:2016 standard. The area is an active mining area.



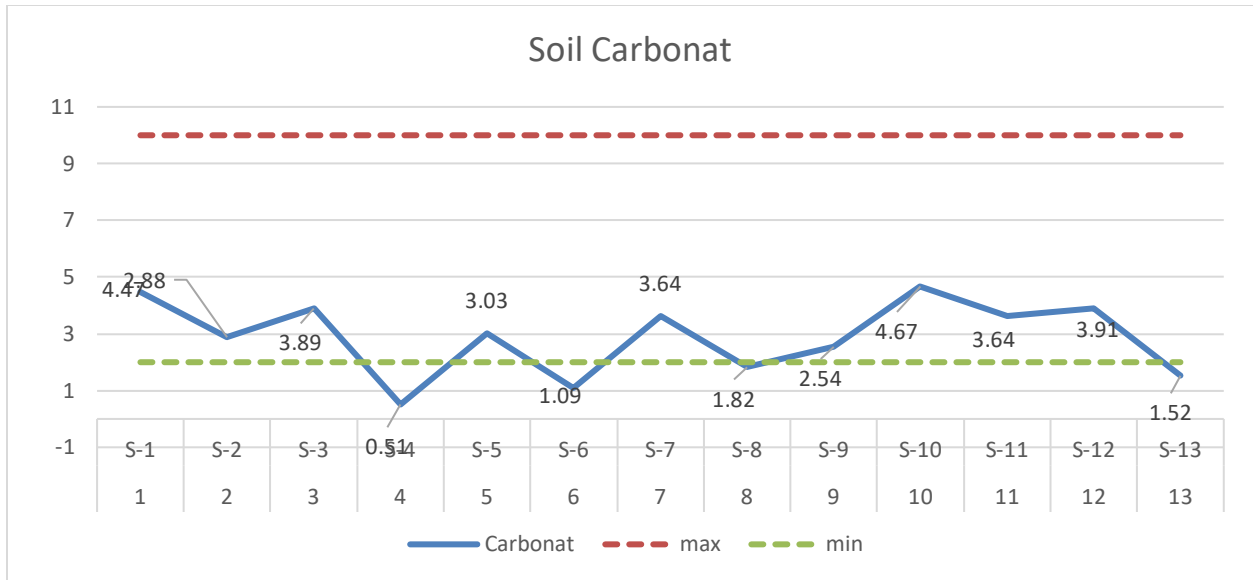
Sampling was carried out at 13 locations to determine the extent of soil contamination at the Ovoot Tolgoi Deposit. The general requirements for sampling for analysis were in accordance with the MNS 3298:1990 standard.



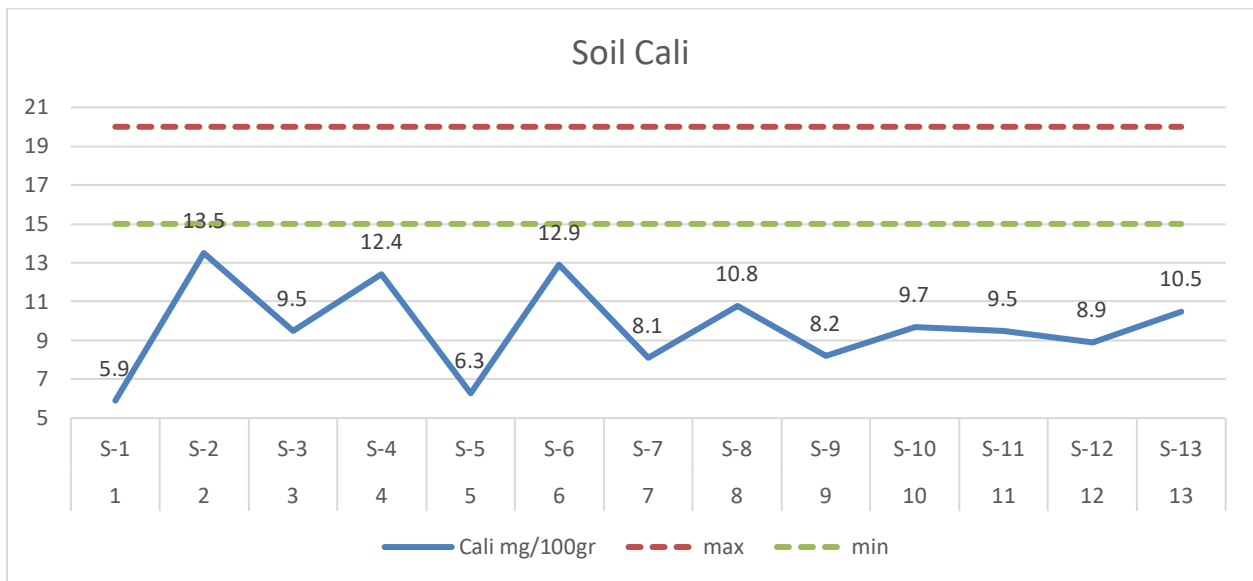
The soil reaction environment is moderately alkaline to strongly alkaline, with an average pH of 5.25-8.54, and the soil is moderately alkaline with an average pH of 8.06.



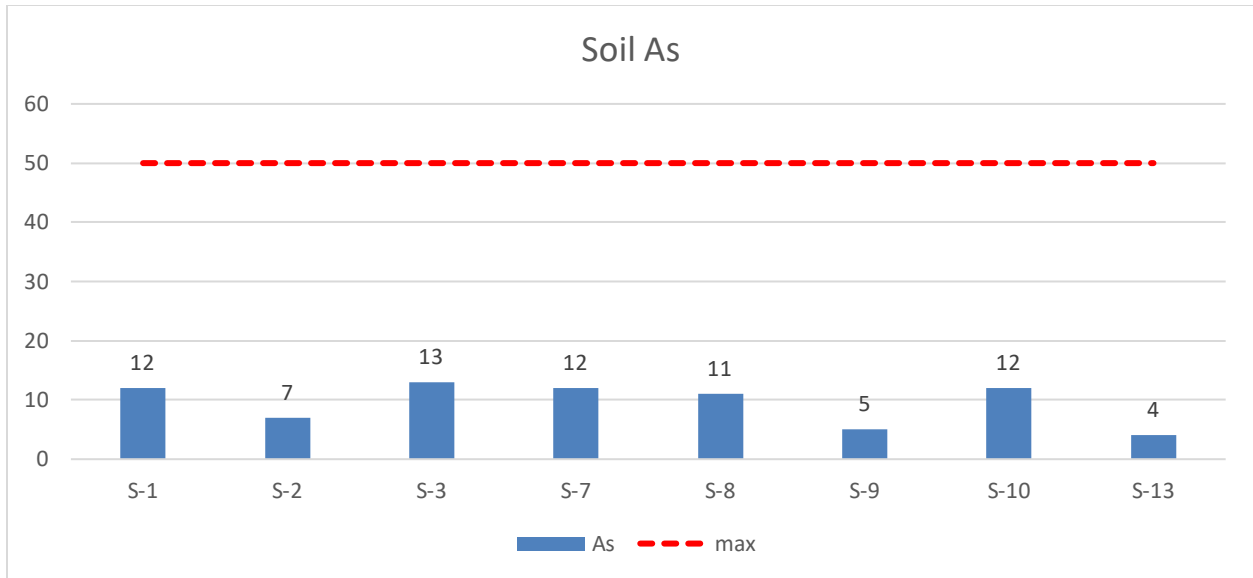
The carbonate content of the soil ranges from 0.51-4.67% non-carbonated to moderately carbonated, with an average content of 2.89%, or weakly carbonated.



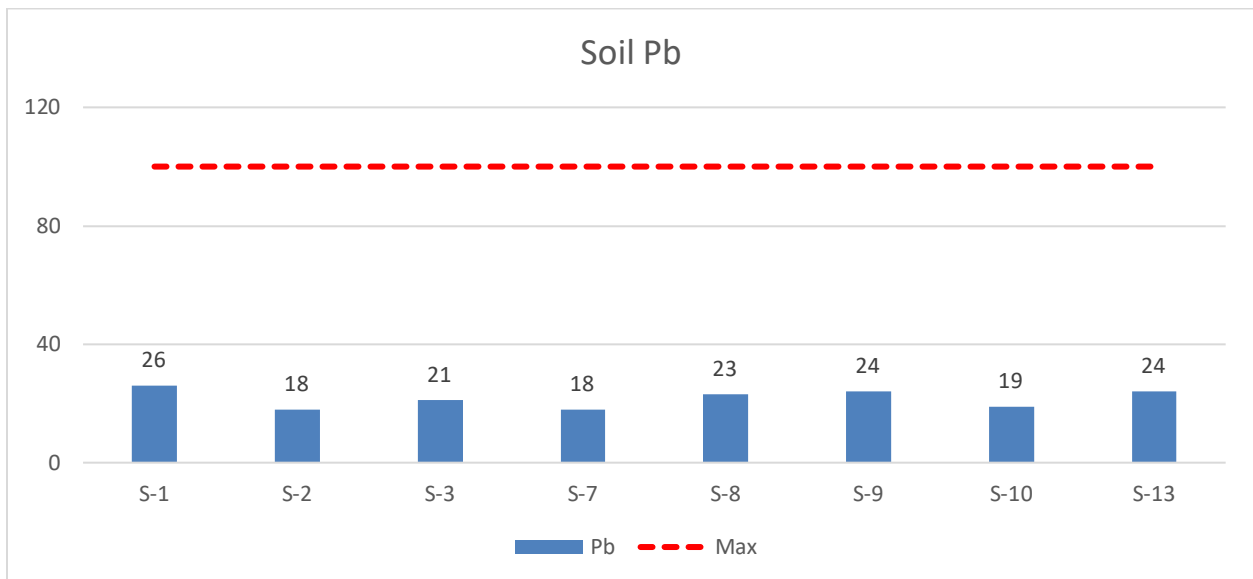
The mobile potassium supply is 5.9-13.5 mg/100g, the average potassium supply is 9.7 mg/100g, the lowest value is 5.9 mg/100g in the fuel station, and the highest value is 13.5 mg/100g in the enrichment plant.



Arsenic is classified as extremely toxic and is usually present in soil in the form of oxides. The results of the study show that the As value fluctuates between 4-13 mg/kg, which does not exceed the standard permissible level.



The results of the study showed that the Pb value ranged from 18 to 26 mg/kg. The average concentration was 21,625 mg/kg, which did not exceed the standard value.



### **Health and Safety Policy**

Based on industry best practices and advanced technology, the Company aspires to be a responsible mining company in terms of safety, by complying with the occupational health and safety standards and requirements under Mongolian laws, providing employees with healthy and safe workplace conditions, and committing towards a target of zero incidents. The Company’s employees are its most valuable assets.

The Company has determined detailed performance targets, obligations and duties, in order to implement and fulfil the Company’s occupational health and safety (“OHS”) goals and objectives.

To achieve our OHS goals and objectives the Company will continue to:

- identify, mitigate and control the Company’s operational risks which may adversely impact health of the Company’s employees and its contractors;
- comply with the applicable laws, regulations and standards and, where possible, use its endeavors to maintain its performance beyond the standards set out by those laws, regulations and standards;
- establish accountability related to the Company’s OHS goals and objectives and its performance all levels of the organization and effectively exchange information in this regard;
- plan, manage, perform, and close all operations in a manner that meet our OHS goals and objectives;
- develop, implement and maintain an effective OHS Management System that aligns with internationally recognized best practices;
- regularly provide training for all employees of the Company, and its contractors, in order to improve their safety-related knowledge and skills, and instill positive OHS attitudes;
- identify direct and underlying causes of all OHS incidents and take measures to prevent any reoccurrence of such incidences; and
- regularly monitor, audit and review the effectiveness of the OHS management system for the purpose of its continuous improvement.

The Company’s safety management system is designed on the principles of continual improvement and adopts the “Plan, Do, Check and Review” methodology. The structure of the safety management system generally follows the layout of Mongolian and international standards such as MNS ISO 45001:2018 and ISO 45001 Occupational H&S management system.

Due to the need for the implementation of the OSH management system, renewed procedure “Goal, Objective, Plan of OSH” in order to regulate the development of the policy and plan and the fulfillment of goals and objectives. According to the procedure, the Company determined OSH goals and objectives on the basis of SGS’ operation plan for the year and developed a strategic plan to fulfill those goals and objectives. The implementation of the plan is monitored and all departments’ work performance is evaluated as per the performance indicators.

SGS has renewed 23 procedures which are inter-related, and each of those have specific objective which enables the employees to identify and manage various health and safety threats. Each element includes measures which help employees meet the requirements of respective objective. Some of the elements refer to fixed procedures that must be followed, and defined in safe work procedures. The health and safety performance standards also address specific risk areas and the precautions and guidelines set by the health and safety performance standards are mandatory for all employees.

All employees of the Company and its contractors are required to observe, and act in accordance with, this policy.

### **Health and Safety Training**

OSH training is conducted regularly in order to provide knowledge of the OSH related laws and regulations, policies and regulations, the management system, hazard and risk management and first aid. All visitors,

representatives coming to observe mine activities and employees of our Company and contractors, who work at the Ovoot Tolgoi mine site, receive the appropriate OSH orientation and trainings.

Below please find a summary of the OSH trainings and orientations conducted in 2025:

Training	Q1	Q2	Q3	Q4	Total
New employee safety training for SGS employees and contractors	874	1,088	1,149	1,113	4,224
Visitor orientations	21	2	14	14	51
Refresher training for SGS employees	272	152	152	0	576
<b>Total</b>	<b>1,167</b>	<b>1,242</b>	<b>1,315</b>	<b>1,127</b>	<b>4,851</b>

The OSH department also regularly provides training on: Critical Risk, the OHS Management System and Incident Investigation and Recording for senior employees at the minesite.

### **Corporate Social Responsibility**

“Corporate social responsibility” means continuously and ethically managing business operations in order to contribute to economic development while improving the quality of life of employees, their families, and local communities, and supporting social development.”

SGS has renewed its tripartite cooperation agreement with local authorities, incorporating proposals and initiatives from all parties, and is actively ensuring its implementation.

Our Company has defined its Corporate Social Responsibility (“CSR”) policy and follows the principle of discussing and resolving stakeholder suggestions through the Corporate Citizenship Committee (“CCC”) Committee. The CCC Committee was created to review and approve donations for sustainable projects that benefit the wider communities.

Since the beginning of our operations, we have consistently supported the following key areas:

- Education,
- Healthcare,
- Protection and promotion of cultural heritage,
- Construction, repair, and infrastructure improvement,
- Donations for celebrations,
- Environmental protection, and
- Winter preparedness

In 2025, SGS spent a total of MNT 5,901,502,956 on donations and supported the following activities under CSR programs.

### **Education**

Supporting education is the top priority of SGS’ CSR program.

In 2011, SGS built Kindergarten No. 3 in Gurvantes soum, Umnugovi province, with a capacity of 120 children. The kindergarten currently has an enrollment of 180 children.

SGS has also organized programs supporting English language learning and physical development competitions in general education schools.

Additionally, SGS provides domestic university scholarships to students studying in fields that are highly needed in the local area. For the 2025–2026 academic year, SGS approved the scholarships for 96 students from Gurvantes soum, Umnugovi province.

In 2025, the CSR Committee awarded scholarships to 40 students, covering their full annual tuition fees.

Thirty 9th-grade students from the Gurvantes Soum General Education School visited the Umnugovi Vocational Education and Training Center to learn about its training and activities. SGS supported the purchase of necessary learning materials for their participation.

### **“Ul medekh Tsetsegkhen Khotkhond – In Umnugovi Province” Project**

Since 2025, SGS has supported the educational project “Ul medekh Tsetsegkhen Khotkhond – In Umnugovi Province” aimed at preschool and primary school children.

The project introduces children to: mining, natural resources, particularly coal, the unique landscapes of the Gobi Desert and local plants and animals.

Information related to the educational program is delivered through: radio and TV programs, animated videos and illustrated children’s books.

The project team conducted initial field studies at Ovoot Tolgoi and in Umnugovi Province. To date the project has produced: 4 Facebook reels, 6 YouTube videos and the final manuscript for a children’s book.

The Governor of Umnugovi Province met with the project team and expressed official support.

### **Healthcare**

In 2025, SGS organized preventive health examinations for 131 elderly residents from Baga-Ovoo and Bayasakh of Gurvantes soum at a Traditional Mongolian Medicine Hospital in the Ceke border area, China. Due to the distance, many elderly residents cannot easily travel to Ulaanbaatar for medical examinations, and for many this was their first comprehensive health screening.

Local government officials noted that this initiative was effective and recommended it to other mining companies.

SGS also provided financial assistance for a local resident of the Umnugovi province, who was diagnosed with bone cancer and required surgery in Turkey.

## **Cultural Heritage Protection and Promotion**

SGS provided material support to the “Amazing Khuren Khan Cliff” National Archery Competition, organized jointly by “Gurvan Tegshiin Merged” National Archery Association and Gurvantes Soum Governor’s Office.

During the Lunar New Year (Tsagaan Sar) celebration, SGS honored 161 elderly residents from Baga-Ovoo and Bayasakh with holiday gifts.

A local herder from Gurvantes soum was awarded the prestigious title of Twice State Champion Herder of Mongolia. His award ceremony was held on July 28, and SGS supported the event by sponsoring prizes for horse races.

## **Construction, Repair, and Infrastructure**

- A 15 km earth road was constructed along the Dalanzadgad–Gurvantes highway corridor within the allocated 74 km route.
- 10 km of the 36 km Gurvantes–Ovoot Tolgoi road is regularly maintained and improved monthly.

SGS also supported strengthening the administration and material resources of the Tost–Toson Bumbyn Nuruu Protected Area Authority.

## **Environment**

SGS has successfully implemented tree planting activities for the third consecutive year under the “Billion Trees” National Program, initiated by the President of Mongolia.

In 2025, a total of 95,000 trees were planted in Sevrei and Gurvantes soums of Umnugovi province and in the Kharkhorin soum of Uvurkhangaï province

Under the program, SGS signed an MNT 2,525,363,636 agreement with the United Association of Mongolian Tree Nurseries and Landscaping Organizations to implement phased tree cultivation in Kharkhorin soum.

SGS also signed an MNT 4,788,121,000 agreement with the Government of Mongolia to finance programs under the Air Pollution Reduction Fund.

In 2025, funding was provided for:

- The installation of a vehicle emissions reduction system in Songinokhairkhan, Khan-Uul, and Chingeltei districts of Ulaanbaatar; and
- The installation of a gas boiler at School No.149 in Ulaanbaatar.

## **Winter Preparedness**

SGS donated coal to support winter preparedness to the: Gurvantes soum, Noyon soum, Bayandalai soum, Sevrei soum and Border Military Unit 0166.

In 2025, the total of MNT 5,901,502,956 was spent on CSR activities.

## DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares. As at March 26, 2026, there were 296,934,666 Common Shares and no Preferred Shares issued and outstanding. Rights and restrictions in respect of the Common Shares and Preferred Shares are set out in the Company's Articles, and in the BCBCA and its regulations.

### Common Shares

The holders of Common Shares are entitled to one vote per Common Share at all meetings of Shareholders except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series. Subject to the prior rights of the holders of Preferred Shares and any other shares ranking senior to the Common Shares, the holders of Common Shares are entitled to receive dividends as and when declared by the directors, and to receive a pro rata share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company.

The Common Shares have no pre-emptive, redemption, purchase or conversion rights. There are no sinking fund provisions in relation to the Common Shares and they are not liable to further calls or to assessment by the Company. The BCBCA provides that the rights and provisions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of shares of that class.

### Preferred Shares

The Preferred Shares rank senior to the Common Shares as to the payment of dividends and the distribution of property and assets on the liquidation, dissolution or winding up of the Company. Holders of Preferred Shares will not be entitled to any voting rights as a class except as may be provided under the BCBCA other than those voting rights that attach to any series of Preferred Shares as determined by the Board from time to time. The Preferred Shares are issuable in one or more series, each consisting of such number of Preferred Shares as may be fixed by the Board. The Board may from time to time by resolution passed before the issue of any Preferred Shares of any particular series, determine the designation of the Preferred Shares of that series, fix the number of Preferred Shares of that series and create, define and attach special rights and restrictions to the Preferred Shares of that series.

## DIVIDENDS AND DISTRIBUTIONS

No cash dividends or distributions were declared on the Common Shares for the financial years 2023, 2024 and 2025.

Further to the requirements of the HKEX's Corporate Governance Code, the Board has adopted a dividend policy (the "**Dividend Policy**") effective as of March 26, 2019. Under the Dividend Policy, the Board will make all decisions with respect to dividends on the Common Shares, and the Board shall consider the following factors in determining if and when dividends should be declared and paid in the future based on, amongst other things:

- the actual and expected financial results of the Company at the relevant time (including whether the Company has adequate retained earnings);

- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company;
- the Company’s business strategy and operational plans, including future cash commitments and investment needs to sustain the long-term growth of the Company;
- the current and expected liquidity position and capital requirements of the Company; and
- any other factors that the Board deems appropriate.

The Company has not paid any dividends on the Common Shares since its incorporation and the Board does not anticipate that any dividends will be declared on the Common Shares in the immediate or foreseeable future.

### MARKET FOR SECURITIES

As of the date hereof, the Common Shares are listed for trading in Hong Kong on the HKEX under the stock code 1878 and in Canada on the TSX-V under the symbol “SGQ”.

The following sets forth the high and low market prices and the volume of the Common Shares traded on the TSX-V and HKEX during the periods indicated:

#### TSX-V

(stated in Canadian dollars)

Period	High	Low	Volume
January 2025	0.69	0.50	39,900
February 2025	0.69	0.50	79,100
March 2025	0.67	0.50	204,500
April 2025	0.60	0.45	179,700
May 2025	0.59	0.31	48,300
June 2025	0.40	0.30	30,500
July 2025	0.43	0.32	120,900
August 2025	0.45	0.36	63,700
September 2025	0.52	0.32	166,800
October 2025	0.50	0.36	152,300
November 2025	0.42	0.20	75,500

December 2025	0.35	0.17	94,100
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**HKEX**  
(stated in Hong Kong dollars)

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
January 2025	3.60	2.68	11,975,050
February 2025	3.48	2.60	10,751,150
March 2025	3.56	2.60	16,409,900
April 2025	3.16	2.43	8,751,700
May 2025	2.95	1.89	16,128,650
June 2025	2.19	1.80	6,057,499
July 2025	2.94	1.95	21,279,900
August 2025	2.74	2.28	10,150,898
September 2025	2.53	2.01	10,461,500
October 2025	2.54	2.15	6,297,200
November 2025	2.50	2.10	5,571,550
December 2025	2.34	1.91	3,249,250

**DIRECTORS AND OFFICERS**

**Biographical Information**

The name, province or state, and country of residence and position with the Company of each director and executive officer of the Company, and the principal business or occupation in which each director or executive officer has been engaged during the immediately preceding five years are as follows (such information not being within the knowledge of the Company, it has been furnished by each director and officer individually):

<b>Name and Municipality of Residence</b>	<b>Position with Company</b>	<b>Principal During Past Five Years</b>	<b>Occupation</b>
RUIBIN XU Baotou, the People's Republic of China	CEO and Executive Director (Executive Director since June 15, 2023 and CEO since May 15, 2023)	CEO of the Company (May 2023 to present); Director and Board Secretary of Inner Mongolia Dajiang Runye Industrial Group ("Dajiang") (February 2021 – May 2023); General Manager of Hunan Huazhong Rail-Water Intermodal Energy Base Co., Ltd., a subsidiary of Dajiang, (April 2018 – February 2021).	
CHONGLIN ZHU Wuhai, the People's Republic of China	Chief Financial Officer and Executive Director (Executive Director since September 8, 2022 and CFO since February 2, 2024)	Chief Financial Officer (February 2024 to present); Senior Vice President of Finance of the Company (September 2022 to February 2024); CFO of Inner Mongolia Tianyu Innovation Investment Group (July 2010 – September 2022).	
CHEN SHEN Chongqing, the People's Republic of China	Vice President of Legal and Executive Director (Executive Director since February 17, 2023 and Vice President of Legal since May 25, 2023)	Vice President of Legal (May 25, 2023 to present); Head of the Company's Legal Department (February 2023 – May 25, 2023); Supervisor at Zhonghong Zhengyi Energy Holding (Inner Mongolia) (October 2020 – January 2022); Attorney with Tahota Law Firm (March 2015 – October 2020).	
YINGBIN IAN HE North Vancouver, British Columbia, Canada	Independent Director (Lead Director since June 27, 2024, Director since May 16, 2017)	Director of China Gold International Resources Corp. (May 2003 – present); Director of Tri-River Ventures Inc. (October 2006 – present); Director of Vatukoula Gold Mines Limited (February 2013 to present); Director of PT Bumi Resources Tbk (June 18, 2019 – June 2025).	
JIN LAN QUAN Sydney, Australia	Independent Director (since August 6, 2015)	Financial Planner and Business Consultant, J&Q Investments Pty Ltd. (June 2004 – present).	
FAN KEUNG VIC CHOI Hong Kong, the People's Republic of China	Independent Director (since June 27, 2024)	Consultant (Solicitor) with Messrs. Howse Williams (September 2018 – present). Director of Shoucheng Holding Limited (May 2018 – May 2025).	
ZHU GAO Beijing, the People's Republic of China	Non-executive Director (since December 6, 2022)	Chairman of Ejin Horo Banner Mengtai Coal Co., Ltd. (January 2010 – present); Chairman of Mengfa Energy Holding Group (July 2007 – present).	

<b>Name and Municipality of Residence</b>	<b>Position with Company</b>	<b>Principal During Past Five Years</b>	<b>Occupation</b>
ZAIXIANG WEN Ordos City, the People's Republic of China	Non-executive Director (since May 17, 2023)	Vice President of Mengfa Energy Holdings Group (January 2018 – present)	
ALLISON SNETSINGER North Vancouver, British Columbia, Canada	Corporate Secretary	Corporate Secretary of the Company (November 11, 2014 – present).	

Each director's term of office expires at the next annual general meeting of the Company.

#### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than disclosed below, to the knowledge of the Company, no director, executive officer or Shareholder of the Company holding a sufficient number of Common Shares to materially affect control is, as at the date in this Annual Information Form, or has been, within 10 years before the date in this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity:

- 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;
- 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 company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- 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; or
- has within the 10 years before the date in this Annual Information Form, 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.

On March 17, 2022, the Company applied for the 2022 MCTO with the applicable Canadian securities regulators in connection with the anticipated delayed filing of the 2022 Required Filings. The 2022 MCTO was issued by the BCSC, on April 1, 2022. On June 7, 2022, the BCSC granted a full revocation of the 2022 MCTO and trading resumed on the TSX on June 8, 2022.

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 certain required financial statements and related public filings. A management cease trade order was issued by the BCSC on May 15, 2020. On June 19, 2020, the BCSC issued a general “failure to file” cease trade order prohibiting trading in the securities of the Company by any person in Canada, due to the Company’s failure to file the aforementioned required filings prior to the deadline of June 15, 2020. On February 5, 2021, the BCSC and the OSC granted a full revocation of the aforementioned general “failure to file” cease trade order issued against the Company.

Mr. Yingbin Ian He (a director of the Company) was a director of Huaxing Machinery Corp. (“**Huaxing**”) from January 2011 to December 2016. On February 26, 2015, the British Columbia Securities Commission 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.

### **Shareholdings of Directors and Senior Management**

As at March 26, 2026, to the best of the Company’s knowledge, the directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 132,403,838 Common Shares representing approximately 44.6% of the of the issued and outstanding Common Shares. Of these 132,403,838 Common Shares, (i) 85,714,194 Common Shares are controlled by Ms. Chonglin Zhu, who is, to the best of the Company’s knowledge, the controlling shareholder of JD Dingxing Limited, the general partner and limited partner of JDZF; and (ii) 46,358,978 Common Shares are controlled by Mr. Zhu Gao, who is, to the best of the Company’s knowledge, the majority controlling shareholder of Land Grand.

### **Committees of the Board**

The committees of the Board consist of the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation and Benefits Committee, and the Health, Environment, Safety and Social Responsibility (“HESS”) Committee.

The members of the Audit Committee are Ms. Jin Lan Quan (Chair), Messrs. Yingbin Ian He and Fan Keung Vic Choi.

The members of the Nominating and Corporate Governance Committee are Messrs. Yingbin Ian He (Chair), Fan Keung Vic Choi, and Ms. Jin Lan Quan.

The members of the Compensation and Benefits Committee are Mr. Fan Keung Vic Choi (Chair), Mr. Yingbin Ian He and Ms. Jin Lan Quan.

The members of the HESS Committee are Messrs. Ruibin Xu (Chair), Yingbin Ian He and Jinsheng Xu.

### **Audit Committee Information**

#### ***Audit Committee Charter***

The charter of the Audit Committee is reproduced in its entirety in Schedule “A” to this Annual Information Form.

### ***Composition of Audit Committee***

The Audit Committee consists of Ms. Jin Lan Quan (Chair), Messrs. Yingbin Ian He and Fan Keung Vic Choi. The Board has determined that each of and Ms. Quan, Messrs. He and Choi are “independent” directors, and each is “financially literate” within the meaning of Multilateral Instrument 52-110 *Audit Committees*.

### ***Relevant Education and Experience***

#### ***Jin Lan Quan***

Ms. Quan is an independent financial planner and business consultant based in Sydney, Australia. Prior to her current role, Ms. Quan developed 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. Ms. Quan has extensive experience in financial consulting services with specialist skills in external auditing, internal audit structuring, corporate financing and risk management and business acquisition. Ms. Quan was previously a director of Kresta Holdings Ltd., a company listed on the Australian Stock Exchange.

Ms. Quan is a Fellow of the Association of Chartered Certified Accountants United Kingdom (ACCA UK), and a P.R.C. Certified Public Accountant (CICPA). She is also a Fellow of the Association of Chartered Certified Accountants of United Kingdom, a member of the Chartered accountants Australia and New Zealand (CA ANZ), and a member of the Chartered Accountants Australia & New Zealand (CA ANZ).

#### ***Yingbin Ian He***

Mr. He’s career in the mining industry has spanned over 30 years, with extensive senior executive and board experience. Mr. He is Director and Chairman of Vatukoula Gold Mines Limited (“Vatukoula”), Lead Independent Director of China Gold International Resources Corp. Ltd. (“**China Gold**”), a company dually listed on the TSX and the HKEX, and Director of Tri-River Ventures Inc. (“**Tri-River**”), a company listed on the TSX-V. Throughout his career, Mr. He has served as director of several public companies and was the President and Director of Spur Ventures Inc. (TSX-V, now Atlantic Gold Corp., part of St. Babara Limited) (1995 to 2006), and General Manager of its former operating subsidiary Yichang Mapleleaf Chemicals Inc. (2003 to 2006 and 2011 to 2017). In his early career, Mr. He worked as senior metallurgical engineer with Process Research Associates (now part of Bureau Veritas) (1992 to 1995), mineral process engineer (1990 and 1992) with Teck Resources, and Lecturer (1982-1985) with Heilongjiang Institute of Mining and Technology (now Heilongjiang University of Science and Technology).

Mr. He has also served as a Director on the Boards of the following companies: PT Bumi Resources Tbk listed on the Indonesia Stock Exchange (2019 – 2025); Zhongrun Resources Investment Corporation, listed on Shenzhen Stock Exchange (2010 – 2018); Jiulian Resources Inc., listed on the TSX-V (2006 – 2015); Huaxing Machinery Corp., listed on the TSX-V (2010 – 2017); and Dolly Varden Silver Corp., listed on the TSX-V (2013 – 2015). In addition to being a former President and Director of Spur Ventures Inc., listed on the TSX-V, Mr. He was also the General Manager of its operating subsidiary Yichang Mapleleaf Chemicals Inc. In his early career, Mr. He worked as a mineral process engineer and coal preparation engineer in a Canadian mining company and an engineering consulting company.

Mr. He obtained his PhD (1994) and Master of Applied Science (1990) degrees in Mineral Process Engineering from the University of British Columbia in Canada and his Bachelor of Engineering degree (1982) in Coal Preparation and Utilization from Heilongjiang Institute of Mining and Technology in China. Mr. He is a member of the Canadian Institute of Mining, Metallurgy and Petroleum.

Mr. He is currently the Chairman of the Audit Committee of China Gold and was previously a member of the Audit Committees for Tri-River, Zhongrun, Jiulian and Vatukoula.

#### *Fan Keung Vic Choi*

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

Mr. Choi's career has spanned over 40 years, with a focus on regulatory compliance, compliance management, prevention and control of commercial crime and investigation and has extensive experience in legal practice and, crime investigation and prosecution. In addition to his practice at Howse Williams, Mr. Choi was General Counsel at Atlantis Investment Management Limited (2020 - 2022) and Group General Counsel at Imperial Pacific International Holdings Limited (2016 - 2017). He was employed by HSBC Bank (China) Co., Ltd. (2010 - 2014), and served as deputy head of compliance, area compliance office in China and head of compliance where he managed over 160 compliance officers and was responsible for regulatory compliance and prevention and control of financial crime in over 60 cities in China. Mr. Choi also served as a Director on the Board of Shoucheng Holding Limited, an investment holding company listed on the HKEX that was mainly engaged in the management of private funds and car parking assets, and was a member of its Audit Committee.

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

#### ***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 ("**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 permitted services need to be 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 auditor relating to the fees reported as audit, audit-related, tax and other fees were pre-approved by the Audit Committee or the Designated Member.

## ***Audit Fees***

Fees paid/payable to BDO and its affiliates in respect of audit and non-audit services provided during fiscal 2025 and fiscal 2024 were approximately Cdn\$947,000 and Cdn\$1,101,000.

These fees are detailed below.

	<b>BDO</b>	<b>BDO</b>
<i>(Canadian \$ in 000's)</i>	<u>2025</u>	<u>2024</u>
Audit Fees <sup>1</sup>	863	1,019
Audit Related Fees <sup>1</sup>	84	82
Total	947	1,101

<sup>1</sup> Fees for audit services billed relating to fiscal 2025 and 2024 consisted of: (i) audit of the Company's annual financial statements; (ii) review of the Company's quarterly financial statements; (iii) statutory audit of the annual financial statements of subsidiaries of the Company; and (iv) other services related to Canadian securities regulatory authorities' matters.

## **Conflicts of Interest**

Certain directors of the Company and its subsidiaries are associated with other reporting issuers or other corporations, which may give rise to conflicts of interest. In accordance with the BCBCA, directors and officers of the Company are required to disclose to the Company the nature and extent of any interest that they have in a material contract or material transaction, whether made or proposed, with the Company, if the director or officer: (i) is a party to the contract or transaction; (ii) is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (iii) has a material interest in a party to the contract or transaction.

The Nominating and Governance Committee monitors the disclosure of conflicts of interest by directors with a view to ensuring that no director votes or participates in any Board deliberations on a matter in respect of which such director has a material interest.

## **Ethical Business Conduct**

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

In addition to "The Way We Work", the Company has also adopted additional guidance notes and standards, which form part of the Company's overall Code of Conduct Standards. Included in the Code of Conduct Standards are the following policies and standards: the Anti-Corruption Standard and the Conflicts of Interest Standard, "The Way We Work" and Guidelines for the investigation into allegations of serious wrongdoing. In 2023 the Company adopted a Corporate Compliance Policy and a Director's Conflict of Interest Policy to further enhance the Company's overall Code of Conduct Standards.

The Ethics Policy and the Code of Conduct Standards provide that the Company's employees, consultants, officers and Directors are required to uphold the Company's 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](http://www.SouthGobi.com) and may be obtained, without charge, by request to SouthGobi Resources Ltd. at its registered and records office in Canada, 20<sup>th</sup> floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, for the attention of the Corporate Secretary, or by phone to +1 604-762-6783.

To support the ethical standards expected of the Company and its employees, SouthGobi and its subsidiaries have adopted a confidential whistle-blower program, where employees may confidentially report any concerns or perceived misconduct.

The Company’s whistleblowing program is administered by the Company’s Corporate Secretary in conjunction with the Chair of the Audit Committee.

The Nominating and Corporate 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.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as described elsewhere in this Annual Information Form, no director, executive officer or person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company’s outstanding voting securities and no associate or affiliate of any of such persons or companies has any material interest, direct or indirect, in any transaction within the three most recently completed fiscal years or since the commencement of the Company’s last completed fiscal year or in any proposed transaction, which, in either case, has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

#### **TRANSFER AGENTS AND REGISTRARS**

The registrar and transfer agent for the Common Shares in Canada is TSX Trust Company at its principal offices in Vancouver and Toronto. The registrar and transfer agent for the Common Shares in Hong Kong is Computershare Hong Kong Investor Services Limited.

#### **MATERIAL CONTRACTS**

Material contracts under NI 51-102 are contracts, other than contracts entered into in the ordinary course of the Company’s business, which are material to the Company. The Company has not entered into any material contracts since January 1, 2025. Prior to January 1, 2025, the following material contracts were entered into and remain in effect:

##### **Novel Private Placement**

On February 24, 2015, the Company entered into a subscription agreement (the “**Novel Subscription Agreement**”) with Novel Sunrise setting out the terms and conditions of the Novel Private Placement, which consisted of the issuance of a combination of mandatory convertible units of the Company and Common Shares to Novel Sunrise. The Novel Private Placement was completed in two stages for aggregate gross proceeds of \$7.5 million. The net proceeds of the Novel Private Placement were applied towards general working capital.

Pursuant to the terms of the Novel Subscription Agreement, Novel Sunrise is entitled to nominate up to three individuals for appointment or election to the Board and to appoint executive officers of the Company, subject to Novel Sunrise and its affiliates owning certain threshold percentages of the issued and outstanding Common Shares, as more particularly set out in Novel Subscription Agreement.

A copy of the Novel Subscription Agreement is available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Convertible Debenture**

The major terms of the Convertible Debenture are described in the chart below. Unless otherwise defined in this Annual Information Form, capitalized terms used in the chart below shall have the meanings ascribed to them in the Convertible Debenture.

Transaction:	An original principal amount of US\$500 million senior debentures convertible into Common Shares (US\$485 million net of advisory fees). Subsequently, as described herein, US\$250 million was converted into Common Shares, leaving an outstanding principal balance of US\$250 million
Maturity:	30 years.
Interest:	The Convertible Debenture carries interest of 8.0% per annum made up of:  a cash coupon of 6.4% payable semi-annually; and  additional interest of 1.6% per annum payable in Common Shares to be issued on each anniversary of the issue. Share value shall be calculated based on the 50 business day volume weighted average price (“VWAP”) prior to each anniversary of the issue.
Conversion Price:	Cdn\$11.88 shall be considered the “Base Conversion Value” and ordinarily, the conversion price will be set at the Base Conversion Value, subject to the adjustments set out below.  At the time of conversion, the VWAP of the Common Shares for the 50 business days prior to the conversion date will be calculated (the “ <b>Conversion Date Value</b> ”).  In the event the Conversion Date Value is lower than the Base Conversion Value, then the conversion price will be the Conversion Date Value.  The conversion price will be subject to a “Floor Price” of Cdn\$8.88.  The conversion price, so determined, is referred to as the “Conversion Price” in this summary of key investment terms.

The Company's Conversion Right: Early After the earlier of two years from closing or the time of the Qualified Float (as defined below), the Company will have the right to require conversion of up to 50% of the initial principal amount of US\$500 million at the Conversion Price.

The Company exercised this conversion right and on March 29, 2010, the Company converted US\$250 million of the debt into 21,560,961 Common Shares at a price of US\$11.64 per share.

Qualified Float: A transaction whereby the Common Shares are listed on the SEHK or the SEHK and the TSX and that meets the following three criteria, shall be considered a "Qualified Float": (i) not less than 25% of the issued and outstanding Common Shares (on a non-diluted basis, except including the initial principal amount of the Convertible Debenture on an as-converted basis) are held by persons who are not insiders of the Company (i.e. insider holdings cannot exceed 75%); (ii) the offering price of the Common Shares issued to achieve the public float is not less than the base conversion value unless JDZF consents; and (iii) the Common Shares are listed on the SEHK.

Right to Nominate Director: While the Convertible Debenture is outstanding, or while JDZF has a 15% direct or indirect shareholding interest in the Company, JDZF has the right, but not the obligation, to nominate one person to the Board. When JDZF nominates a person, the Board is not obliged to appoint such nominee as a director; the election of a nominee to the Board is subject to Shareholders' approval. Furthermore, JDZF cannot require that its nominee be employed by or participate as the Company's executive or manager, and the sole entitlement of the nominee is to act in the capacity of director. If appointed to the Board the nominee would be a non-independent non-executive director.

Voting Restriction: JDZF or any transferee will be entitled to one vote per Common Share held on matters to be voted on by Shareholders. However, if conversion results in JDZF, or its affiliates, directly or indirectly owning more than 29.9% of the fully diluted Common Shares outstanding, JDZF will not vote any Share in excess of 29.9%. This cap in JDZF's voting rights is a contractual agreement between JDZF and the Company and will not extend to third party transferees of all or a part of any Common Shares issued to JDZF and thereafter sold to a third party. The cap does include shares held by JDZF affiliates, and shares beneficially owned by JDZF, so affiliate transferees are part of the aggregate summation to determine the 29.9%. Further, if JDZF transfers its interest, in the Convertible Debenture or the ancillary agreements, the latter being the security holder's agreement and the registration rights agreement made in connection with the Convertible Debenture financing, to an affiliate, the transferee of the interest would be bound by the contractual voting limitation.

Security: The Convertible Debenture is secured by a first charge over the Company's assets. Standard loan restrictive covenants regarding incurring additional debt and granting additional security to third parties

(with standard carve-outs and grace periods for issues of this type) apply to the Company and its direct and indirect subsidiaries.

- Pre-emptive Right:** While the Convertible Debenture is outstanding, or while JDZF has a 15% direct or indirect shareholding interest in the Company, JDZF has a pre-emptive right on a pro rata basis to subscribe for any new Common Shares issued during the period which the Convertible Debentures remain outstanding. The pre-emptive right will not apply to new Common Shares issued pursuant to pro-rata public equity offerings made to all Shareholders, or the exercise of stock options and shares to achieve a 25% public float.
- Right of First Offer:** While the Convertible Debenture is outstanding, or while JDZF has a 15% direct or indirect shareholding interest in the Company, JDZF has a right of first offer for any direct or indirect sale of Turquoise Hill's stake in the Company.
- Liquidity Rights:** JDZF has registration rights for Common Shares received upon conversion of the Convertible Debenture.

Under certain conditions, including the non-payment of interest amounts as the same become due, amounts outstanding under the Convertible Debenture may be accelerated. Bankruptcy and insolvency events with respect to the Company or its material subsidiaries will result in an automatic acceleration of the indebtedness under the Convertible Debenture. Subject to notice and cure periods, certain events of default under the Convertible Debenture will result in acceleration of the indebtedness under such debenture at the option of CIC. Such other events of default include, but are not limited to, non-payment, breach of warranty, non-performance of obligations under the Convertible Debenture, default on other indebtedness and certain adverse judgments.

On June 12, 2017, the Company executed the June 2017 Deferral Agreement with CIC for a revised repayment schedule on the \$22.3 million of cash interest and associated costs due under the Convertible Debenture on May 19, 2017. The key repayment terms of the June 2017 Deferral Agreement are: (i) the Company was required to repay on average \$2.2 million of the cash interest and associated costs monthly during the period from May 2017 to October 2017; and (ii) the Company was required to repay \$9.7 million of cash interest and associated costs on November 19, 2017. The Company will pay a deferral fee at a rate of 6.4% per annum in consideration for the deferral.

On April 23, 2019, the Company executed the 2019 Deferral Agreement with CIC in relation to a deferral and revised repayment schedule in respect of (i) \$41.8 million of outstanding cash and payment in kind interest and associated costs due and payable to CIC on November 19, 2018 under the Convertible Debenture and the June 2017 Deferral Agreement; and (ii) \$27.9 million of cash and PIK Interest payments payable to CIC under the Convertible Debenture from April 23, 2019 to and including May 19, 2020. Pursuant to Section 501(c) of the TSX Company Manual, the 2019 Deferral Agreement became effective on June 13, 2019, being the date on which the 2019 Deferral Agreement was approved by shareholders at the Company's adjourned annual and special meeting of shareholders.

The key repayment terms of the 2019 Deferral Agreement are: (i) the Company agreed to pay a total of \$14.3 million over eight instalments from November 2019 to June 2020; (ii) the Company agreed to pay the PIK Interest covered by the Deferral by way of cash payments, rather than the issuance of Common

Shares; and (iii) the Company agreed to pay the remaining balance of \$62.6 million on June 20, 2020. The Company agreed to pay a deferral fee at a rate of 6.4% per annum in consideration of the deferred amounts.

At any time before the payment under the terms of the 2019 Deferral Agreement is fully repaid, the Company is required to consult with and obtain written consent from CIC prior to effecting a replacement or termination of either or both of its Chief Executive Officer and its Chief Financial Officer, otherwise this will constitute an event of default under the Convertible Debenture, but CIC shall not withhold its consent if the Board proposes to replace either or both such officers with nominees selected by the Board, provided that the Board acted honestly and in good faith with a view to the best interests of the Company in the selection of the applicable replacements.

As a condition to agreeing to the Deferral, CIC required that the Cooperation Agreement dated November 19, 2009 between SGS and CIC, be amended and restated to clarify the manner in which the service fee payable to CIC under the Cooperation Agreement is calculated, with effect as of January 1, 2017. Specifically, the Management Fee under the Amended and Restated Cooperation Agreement is determined based on the net revenues realized by the Company and all of its subsidiaries derived from sales into China (rather than the net revenues realized by the Company and its Mongolian subsidiaries as currently contemplated under the Cooperation Agreement). As consideration for deferring payment of the additional Management Fee payable to CIC as a result of the Amended and Restated Cooperation Agreement, the Company agreed to pay to CIC a deferral fee at the rate of 2.5% on the outstanding Management Fee. Pursuant to the Amended and Restated Cooperation Agreement, the Company agreed to pay CIC the total outstanding Management Fee and related accrued deferral fee of \$4.2 million over six instalments from June 2019 to November 2019. The Company executed the Amended and Restated Cooperation Agreement with CIC on April 23, 2019.

Pursuant to their terms, both the 2019 Deferral Agreement and the Amended and Restated Cooperation Agreement became effective on June 13, 2019, being the date on which the 2019 Deferral Agreement was approved by shareholders at the Company's adjourned annual and special meeting of shareholders.

In connection with the 2019 Deferral Agreement, the Company also announced that it intends to discuss a potential debt restructuring plan with respect to amounts owing to CIC which is mutually beneficial to the Company and CIC; and to form a special committee comprised of independent directors to ensure that the interests of its minority shareholders are fairly considered in the negotiation and review of any such restructuring; however, there can be no assurance that a favorable outcome will be reached. As of the date hereof, there has not been any significant progress in relations to the restructuring plan.

On February 19, 2020, the Company and CIC entered into the 2020 February Deferral Agreement pursuant to which CIC agreed to grant the Company a deferral of: (i) the 2020 February Deferral Amounts; and (ii) approximately \$0.7 million of the Management Fee which was due and payable on February 14, 2020 to CIC under the Amended and Restated Cooperation Agreement. The 2020 February Deferral Agreement became effective on March 10, 2020, being the date on which the Company obtained the requisite acceptance of the 2020 February Deferral Agreement from the TSX as required under applicable TSX rules.

The principal terms of the 2020 February Deferral Agreement are as follows:

- Payment of the 2020 February Deferral Amounts will be deferred until June 20, 2020, while the Management Fee will be deferred until they are repaid by the Company.
- As consideration for the deferral of these amounts, the Company agreed to pay CIC: (i) a deferral fee equal to 6.4% per annum on the 2020 February Deferral Amounts, commencing on the date on which each such 2020 February Deferral Amounts would otherwise have been due and payable

under the 2019 Deferral Agreement; and (ii) a deferral fee equal to 2.5% per annum on the Management Fee, commencing on the date on which the Management Fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- The Company agreed to provide CIC with monthly updates regarding its operational and financial affairs.
- As the Company anticipated prior to agreeing to the 2020 February Deferral Agreement that a deferral was likely required in respect of the monthly payments due and payable in the period between April 2020 and June 2020 under the 2019 Deferral Agreement and Amended and Restated Cooperation Agreement, the Company and CIC have agreed to discuss in good faith a deferral of these payments on a monthly basis as they become due. There can be no assurance, however, that a favorable outcome will be reached either at all or on favorable terms.
- The Company agreed to comply with all of its obligations under the 2019 Deferral Agreement and the Amended and Restated Cooperation Agreement, as amended by the 2020 February Deferral Agreement.
- The Company and CIC agreed that nothing in the 2020 February Deferral Agreement prejudices CIC's rights to pursue any of its remedies at any time pursuant to the 2019 Deferral Agreement and Amended and Restated Cooperation Agreement, respectively.

On March 10, 2020, the Company agreed with CIC that the \$2.0 million which was due and payable to CIC on March 19, 2020 under the 2019 Deferral Agreement will be deferred until June 20, 2020. The terms of the 2020 March Deferral Agreement are substantially the same as the terms of the 2020 February Deferral Agreement, including that the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2020 March Deferral Amount, commencing on March 19, 2020. The 2020 March Deferral Agreement became effective on March 25, 2020, being the date on which the Company obtained the requisite acceptance of the 2020 March Deferral Agreement from the TSX as required under applicable TSX rules.

On April 10, 2020, the Company agreed with CIC that the \$2.0 million which was due and payable to CIC on April 19, 2020 under the 2019 Deferral Agreement will be deferred until June 20, 2020. The terms of the 2020 April Deferral Agreement are substantially the same as the terms of the 2020 February Deferral Agreement, including that the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2020 April Deferral Amount, commencing on April 19, 2020. The 2020 April Deferral Agreement became effective on April 29, 2020, being the date on which the Company obtained the requisite acceptance of the 2020 April Deferral Agreement from the TSX as required under applicable TSX rules.

On May 8, 2020, the Company agreed with CIC that the 2020 May Deferral Amount which was due and payable to CIC on May 19, 2020 and May 15, 2020 under the 2019 Deferral Agreement and the Amended and Restated Cooperation Agreement, respectively, will be deferred until June 20, 2020. The terms of the 2020 May Deferral Agreement are substantially the same as the terms of the 2020 February Deferral Agreement, including that the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the deferred cash interest and deferral fees commencing on May 19, 2020 and a deferral fee equal to 2.5% per annum on the deferred Management Fees commencing on May 15, 2020. The 2020 May Deferral Agreement became effective on June 8, 2020, being the date on which the Company obtained the requisite acceptance of the 2020 May Deferral Agreement from the TSX as required under applicable TSX rules.

On June 19, 2020, the Company agreed with CIC that the 2020 June Deferral Amount which was due and payable to CIC on June 19, 2020 under the 2019 Deferral Agreement and the prior deferral agreements entered into during the period between February and May 2020 will be deferred until September 14, 2020.

The terms of the 2020 June Deferral Agreement are substantially the same as the terms of the 2020 February Deferral Agreement, including that the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2020 June Deferral Amount commencing on June 19, 2020. The 2020 June Deferral Agreement became effective on July 17, 2020, being the date on which the Company obtained the requisite acceptance of the 2020 June Deferral Agreement from the TSX as required under applicable TSX rules.

On November 19, 2020, the Company and CIC entered into the 2020 November Deferral Agreement pursuant to which CIC agreed to grant the Company a deferral of the 2020 November Deferral Amounts. The effectiveness of the 2020 November Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2020 November Deferral Agreement are subject to the Company obtaining the requisite approval of the 2020 November Deferral Agreement from the Company's shareholders in accordance with applicable TSX rules.

On October 29, 2020, the Company obtained an order from the British Columbia Securities Commission, the Company's principal securities regulator in Canada, which partially revoked the CTO to, amongst other things, permit the Company to execute the 2020 November Deferral Agreement. The 2020 November Deferral Agreement became effective on January 21, 2021, being the date on which the 2020 November Deferral Agreement was approved by shareholders at the Company's annual and special meeting of shareholders.

The principal terms of the 2020 November Deferral Agreement are as follows:

- Payment of the 2020 November Deferral Amounts will be deferred until August 31, 2023.
- CIC agreed to waive its rights arising from any default or event of default under the Convertible Debenture as a result of trading in the Common Shares being halted on the TSX beginning as of June 19, 2020 and suspended on the HKEX beginning as of August 17, 2020, in each case for a period of more than five trading days.
- As consideration for the deferral of the 2020 November Deferral Amounts, the Company agreed to pay CIC: (i) a deferral fee equal to 6.4% per annum on the 2020 November Deferral Amounts payable under the Convertible Debenture and the 2020 June Deferral Agreement, commencing on the date on which each such 2020 November Deferral Amounts would otherwise have been due and payable under the Convertible Debenture or the June 2020 Deferral Agreement, as applicable; and (ii) a deferral fee equal to 2.5% per annum on the 2020 November Deferral Amounts payable under the Amended and Restated Cooperation Agreement, commencing on the date on which the Management Fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2020 November Deferral Agreement does not contemplate a fixed repayment schedule for the 2020 November Deferral Amounts and related deferral fees. Instead, the Company and CIC would agree to assess in good faith the Company's financial condition and working capital position on a monthly basis and determine the amount, if any, of the 2020 November Deferral Amounts and related deferral fees that the Company is able to repay under the Convertible Debenture, the June 2020 Deferral Agreement or the Amended and Restated Cooperation Agreement, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- Commencing as of November 19, 2020 and until such time as the November 2020 PIK Interest is fully repaid, CIC reserves the right to require the Company to pay and satisfy the amount of the

November 2020 PIK Interest, either in full or in part, by way of issuing and delivering PIK Interest shares in accordance with the Convertible Debenture provided that, on the date of issuance of such shares, the Common Shares are listed and trading on at least one stock exchange.

- If at any time before the 2020 November Deferral Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its Chief Executive Officer, its Chief Financial Officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, then the Company must first consult with, and obtain written consent from CIC prior to effecting such appointment, replacement or termination.

On July 30, 2021, the Company and Land Breeze entered into the 2021 July Deferral Agreement, pursuant to which Land Breeze agreed to grant the Company a deferral of the 2021 July Deferral Amounts payable to Land Breeze on November 19, 2021 under the Convertible Debenture.

The principal terms of the 2021 July Deferral Agreement are as follows:

- Payment of the 2021 July Deferral Amounts will be deferred until August 31, 2023.
- As consideration for the deferral of the 2021 July Deferral Amounts, the Company agreed to pay Land Breeze a deferral fee equal to 6.4% per annum on the 2021 July Deferral Amounts payable under the Convertible Debenture, commencing on November 19, 2021;
- If at any time before the 2021 July Deferral Amounts and related deferral fee are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from Land Breeze prior to effecting such appointment, replacement or termination;
- The Company agreed to comply with all of its obligations under the prior deferral agreements entered into with Land Breeze; and
- The Company and Land Breeze agreed that nothing in the 2021 July Deferral Agreement prejudices Land Breeze's rights to pursue any of its remedies at any time pursuant to the prior deferral agreements.

On May 13, 2022, the Company, Land Breeze and Fullbloom entered into the 2022 May Deferral Agreement, pursuant to which Land Breeze agreed to grant the Company a deferral of the 2022 May Deferral Amounts payable to Land Breeze on May 19, 2022 under the Convertible Debenture and Fullbloom agreed to grant the Company a deferral of the 2022 May Deferred Management Fees, a portion of which became payable on February 14, 2022 and a portion of which will be due and payable on August 14, 2022, in each case under the Amended and Restated Cooperation Agreement.

The principal terms of the 2021 July Deferral Agreement are as follows:

- Payment of the 2022 May Deferral Amounts and 2022 May Deferred Management Fees will be, in each case, deferred until August 31, 2023;
- As consideration for the deferral of the 2022 May Deferral Amounts, the Company agreed to pay Land Breeze a deferral fee equal to 6.4% per annum on the 2022 May Deferral Amounts payable under the Convertible Debenture, commencing on May 19, 2022;

- As consideration for the deferral of the 2022 May Deferred Management Fees, the Company agreed to pay Fullbloom a deferral fee equal to 2.5% per annum on the outstanding balance of the 2022 May Deferred Management Fees payable under the Amended and Restated Cooperation Agreement, commencing on the date on which each such 2022 May Deferred Management Fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement;
- The Company agreed to provide Land Breeze with monthly updates regarding its operational and financial affairs;
- If at any time before the 2022 May Deferral Amounts and related deferral fee are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from Land Breeze prior to effecting such appointment, replacement or termination; and
- The Company and Land Breeze agreed that nothing in the 2022 May Deferral Agreement prejudices Land Breeze's rights to pursue any of its remedies at any time pursuant to the prior deferral agreements.

On May 13, 2022, Company and CIC, entered into the 2022 May Deferral Agreement pursuant to which: (i) CIC agreed to grant the Company a deferral of semi-annual cash interest payment of approximately US\$7,934,247 payable to CIC on May 19, 2022 under the Convertible Debenture; and (ii) CIC agreed to grant the Company a deferral of the management fees accrued and became payable on February 14, 2022 and the management fees which will be due and payable on August 14, 2022, in each case under the Amended and Restated Cooperation Agreement.

The principal terms of the 2022 May Deferral Agreement are as follows:

- Payment of the 2022 May Deferral Amounts and 2022 May Deferred Management Fees will be, in each case, deferred until August 31, 2023;
- As consideration for the deferral of the 2022 May Deferral Amounts, the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2022 May Deferral Amounts payable under the Convertible Debenture, commencing on May 19, 2022;
- As consideration for the deferral of the 2022 May Deferred Management Fees, the Company agreed to pay CIC a deferral fee equal to 2.5% per annum on the outstanding balance of the 2022 May Deferred Management Fees payable under the Amended and Restated Cooperation Agreement, commencing on the date on which each such 2022 May Deferred Management Fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement;
- The Company agreed to provide CIC with monthly updates regarding its operational and financial affairs;
- If at any time before the 2022 May Deferral Amounts and related deferral fee are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such

consent shall not be unreasonably withheld) from CIC prior to effecting such appointment, replacement or termination; and

- The Company and CIC agreed that nothing in the 2022 May Deferral Agreement prejudices CIC's rights to pursue any of its remedies at any time pursuant to the prior deferral agreements.
- On May 27, 2022, the Company announced that, as disclosed in the CIC Press Release, CIC has entered into an agreement to sell all of its interests in the Company, including its 64,766,591 common shares of the Company and the Convertible Debenture, to JDZF.
- In connection with the CIC Sale Transaction, CIC agreed to assign to JDZF all of CIC's rights in and obligations under: (i) the Convertible Debenture and related security documents; (ii) the Amended and Restated Cooperation Agreement and related documents; (iii) Deferral Agreements; and (iv) the Securityholders Agreement.
- On August 30, 2022, the Company announced that the CIC Sale Transaction was successfully completed. In connection with the completion of the CIC Sale Transaction, CIC assigned to JDZF all of its respective rights in and obligations under: (i) the Convertible Debenture and related security documents; (ii) the Amended and Restated Cooperation Agreement and related documents; (iii) the deferral agreements of CIC, the Company and certain of its subsidiaries in connection with the deferral of interest payments and other outstanding fees under the Convertible Debenture and the Amended and Restated Cooperation Agreement; and (iv) the security holders agreement between the Company, CIC and a former shareholder of the Company. In connection with the completion of the CIC Sale Transaction, JDZF agreed to reduce the service fee payable by the Company under the Amended and Restated Cooperation Agreement from 2.5% to 1.5% of all net revenues realized by the Company and all of its subsidiaries derived from sales into China.

On November 11, 2022 the Company announced that it had entered into the November 2022 Deferral Agreement with JDZF, pursuant to which JDZF agreed to grant the Company a deferral of the following payments until November 19, 2023: (i) the November 2022 Deferral Amounts and (iii) the November 2022 Deferred Management Fees, in each case under the Amended and Restated Cooperation Agreement.

The Company anticipated paying JDZF a cash payment of \$1.0 million as partial payment for cash interest owed pursuant to the Convertible Debenture, and paying JDZF the remaining \$2.9 million of the November 2022 PIK Interest on November 19, 2023 by way of issuing and delivering a certain number of payment-in-kind interest shares to JDZF which will be determined based on the volume weighted average price of the Company's common shares during the 50 consecutive trading days preceding November 19, 2023, all in accordance with the terms of the Convertible Debenture.

The principal terms of the 2022 November Deferral Agreement are as follows:

- Payment of the November 2022 Deferral Amounts and November 2022 Deferred Management Fees will be, in each case, deferred until November 19, 2023;
- As consideration for the deferral of the November 2022 Deferral Amounts, the Company agrees to pay JDZF a deferral fee equal to 6.4% per annum on the November 2022 Deferral Amounts payable under the Convertible Debenture, commencing on November 19, 2022;
- As consideration for the deferral of the November 2022 Deferred Management Fees, the Company agrees to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of the 2022 November Deferred Management Fees payable under the Amended and Restated Cooperation

Agreement, commencing on the date on which each such November 2022 Deferred Management Fees would otherwise have been due and payable under the Amended and Restated Cooperation Agreement;

- If at any time before the November 2022 Deferral Amounts, November 2022 Deferred Management Fees and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination;
- The Company agreed to comply with all of its obligations under the prior deferral agreements assigned to JDZF; and
- The Company and JDZF agreed that nothing in the 2022 November Deferral Agreement prejudices JDZF's rights to pursue any of its remedies at any time pursuant to the prior deferral agreements.

On March 26, 2023, it was announced that the Company and JDZF, entered into the 2023 March Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of the following payments until August 31, 2024: (i) the May 2023 Cash Interest which will be due and payable on May 19, 2023 under the Convertible Debenture; (ii) the May 2022 Deferred Amounts) which are due and payable to JDZF on or before August 31, 2023 under the May 2022 Deferral Agreement; (iii) the July 2021 Deferred Amounts which are due and payable to JDZF on or before August 31, 2023 under the July 2021 Deferral Agreement; and (iv) the November 2020 Deferred Amounts which are due and payable to JDZF on or before August 31, 2023 under the November 2020 Deferral Agreement.

The principal terms of the March 2023 Deferral Agreement are as follows:

- Payment of the March 2023 Deferred Amounts will be, in each case, deferred until August 31, 2024;
- As consideration for the deferral of the March 2023 Deferred Amounts, the Company agreed JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such March 2023 Deferred Amounts payable under the Convertible Debenture commencing on the date on which each such March 2023 Deferred Amount would otherwise have been due and payable under the Convertible Debenture;
- As consideration for the deferral of the March 2023 Deferred Amounts, the Company agrees to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such March 2023 Deferred Amounts commencing on the date on which each such March 2023 Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement;
- If at any time before the March 2023 Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination;

- The Company agreed to comply with all of its obligations under the prior deferral agreements assigned to JDZF; and
- The Company and JDZF agreed that nothing in the March 2023 Deferral Agreement prejudices JDZF's rights to pursue any of its remedies at any time pursuant to the prior deferral agreements.

The effectiveness of the 2023 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2023 March Deferral Agreement are subject to the approvals from the TSX and the shareholders of the Company in accordance with the requirements of Section 501(c) of the TSX Company Manual and the HKEX Rule. On August 29, 2023, the Company convened a special meeting of shareholders during which the Company obtained the requisite approval from disinterested shareholders for the 2023 March Deferral Agreement.

On October 13, 2023, the Company and JDZF entered into the 2023 November Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of (i) the PIK Interest of approximately \$4.0 million which will be due and payable on November 19, 2023 under the Convertible Debenture; and (ii) the management fees payable to JDZF on November 15, 2023, February 15, 2024, May 16, 2024 and August 15, 2024, respectively, under the Amended and Restated Cooperation Agreement.

The principal terms of the 2023 November Deferral Agreement are as follows:

- Payment of the 2023 November Deferred Amounts will be deferred until the 2023 November Deferral Agreement Deferral Date.
- As consideration for the deferral of the 2023 November Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2023 November Deferred Amounts, commencing on the date on which each such 2023 November Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2023 November Deferred Amounts which relate to payment obligations arising from Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2023 November Deferred Amounts commencing on the date on which each such 2023 November Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2023 November Deferral Agreement does not contemplate a fixed repayment schedule for the 2023 November Deferred Amounts or related deferral fees. Instead, the 2023 November Deferral Agreement requires the Company to use its best efforts to pay the 2023 November Deferred Amounts and related deferral fees due and payable under the 2023 November Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2023 November Deferral Agreement and ending as of the 2023 November Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2023 November Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.

- If at any time before the 2023 November Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

On March 19, 2024, the Company and JDZF entered into the 2024 March Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash interest, payment-in-kind interest, management fees, and related deferral fees in aggregate amount of US\$96.5 million which are due and payable to JDZF on or before August 31, 2024 under the 2023 March Deferral Agreement and 2023 November Deferral Agreement; (ii) semi-annual cash interest payment of US\$7.9 million payable to JDZF on May 19, 2024 under the Convertible Debenture; (iii) semi-annual cash interest payments of US\$8.1 million payable to JDZF on November 19, 2024 and the US\$4.0 million in PIK Interest shares issuable to JDZF on November 19, 2024 under the Convertible Debenture; and (iv) management fees in the aggregate amount of US\$2.2 million payable to JDZF on November 15, 2024 and February 15, 2025, respectively, under the Amended and Restated Cooperation Agreement.

The effectiveness of the 2024 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2024 March Deferral Agreement are subject to the approval (if any) from the TSX-V and requisite approval from the disinterested shareholders of the Company in accordance with applicable Canadian securities laws and the Rule Governing the Listing of Securities on the HKEX. The Company will be seeking approval of the 2024 March Deferral Agreement from disinterested shareholders at the Company's upcoming annual general meeting of shareholders, which will be held at a future date to be set by the board of directors of the Company.

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

- Payment of the 2024 March Deferred Amounts will be deferred until the 2024 March Deferral Agreement Deferral Date.
- As consideration for the deferral of the 2024 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2024 March Deferred Amounts, commencing on the date on which each such 2024 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2024 March Deferred Amounts which relate to payment obligations arising from Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2024 March Deferred Amounts commencing on the date on which each such 2024 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2024 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2024 March Deferred Amounts or related deferral fees. Instead, the 2024 March Deferral Agreement requires the Company to use its best efforts to pay the 2024 March Deferred Amounts and related deferral fees due and payable under the 2024 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2024 March Deferral Agreement and ending as of the 2024 March Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF

will on a monthly basis discuss and assess in good faith the amount (if any) of the 2024 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.

- If at any time before the 2024 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

On April 30, 2024, the Company and JDZF entered into the 2024 April Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of the 2024 April Deferred Amounts.

The effectiveness of the 2024 April Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2024 April Deferral Agreement are subject to the Company obtaining the requisite approval of the 2024 April Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Listing Rules. The 2024 April Deferral Agreement was approved by the Company's disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

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

- Payment of the 2024 April Deferred Amounts are deferred until the 2024 April Deferral Agreement Deferral Date.
- As consideration for the deferral of the 2024 April Deferred Amounts, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2024 April Deferred Amounts, commencing on the date on which each such 2024 April Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- The 2024 April Deferral Agreement does not contemplate a fixed repayment schedule for the 2024 April Deferred Amounts or related deferral fees. Instead, the 2024 April Deferral Agreement requires the Company to use its best efforts to pay the 2024 April Deferred Amounts and related deferral fees due and payable under the 2024 April Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2024 April Deferral Agreement and ending as of the 2024 April Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2024 April Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2024 April Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such

consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

- On May 13, 2024, the Company and JDZF entered into the Convertible Debenture Amendment to amend certain terms of the Convertible Debenture.

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

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

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

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

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

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

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

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

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

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

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

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

- Payment of the 2026 March Deferred Amounts will be deferred until August 31, 2027.
- As consideration for the deferral of the 2026 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2026 March Deferred Amounts, commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2026 March Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2026 March

Deferred Amounts commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- The 2026 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2026 March Deferred Amounts or related deferral fees. Instead, the 2026 March Deferral Agreement requires the Company to use its best efforts to pay the 2026 March Deferred Amounts and related deferral fees due and payable under the 2026 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2026 March Deferral Agreement and ending as of August 31, 2027, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2026 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2026 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

A copy of the Convertible Debenture may be found under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **CIC Mutual Cooperation Agreement**

On November 19, 2009, the Company entered into the Cooperation Agreement with CIC. The agreement is on commercial terms consistent with industry practices. Under the terms of the Cooperation Agreement, CIC agreed to provide advisory services to the Company in relation to the sale of coal into the PRC, and other procurement and logistics related matters. In consideration, the Company agreed to a commercial payment for such services based on the amount of the Company's coal sales into the PRC which originated from Mongolia.

As a condition to agreeing to the Deferral, CIC required that the Cooperation agreement be amended and restated to clarify the manner in which the Management Fee payable to CIC under the Cooperation Agreement is calculated, with effect as of January 1, 2017. Specifically, the Management Fee under the Amended and Restated Cooperation Agreement is determined based on the net revenues realized by the Company and all of its subsidiaries derived from sales into China (rather than the net revenues realized by the Company and its Mongolian subsidiaries as currently contemplated under the Cooperation Agreement). As consideration for deferring payment of the additional Management Fee payable to CIC as a result of the Amended and Restated Cooperation Agreement, the Company agreed to pay to CIC a deferral fee at the rate of 2.5% on the outstanding Management Fee. Pursuant to the Amended and Restated Cooperation Agreement, the Company agreed to pay CIC the total outstanding Management Fee and related accrued deferral fee of \$4.2 million over six instalments from June 2019 to November 2019. Pursuant to Section 501(c) of the TSX Company Manual, the Amended and Restated Cooperation Agreement became effective on June 13, 2019, being the date on which the 2019 Deferral Agreement was approved by shareholders at the Company's adjourned annual and special meeting of shareholders.

In connection with the CIC Sale Transaction, CIC assigned to JDZF all of CIC's rights in and obligations under the Amended and Restated Cooperation Agreement and related documents and the Deferral Agreements.

Upon completion of the CIC Sale Transaction and related Assignment, JDZF agreed, effective as of July 1, 2022, to reduce the service fee payable by the Company under the Amended and Restated Cooperation Agreement from 2.5% to 1.5% of all net revenues realized by the Company and all of its subsidiaries derived from sales into China.

### **INTERESTS OF EXPERTS**

BDO Limited is the independent auditor of the Company and they have advised that they are independent with respect to the Company within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Disclosure in this Annual Information Form relating to scientific and technical information with respect to the Ovoot Tolgoi Deposit and the Soumber Deposit are derived from the Ovoot Tolgoi Technical Report and Soumber Technical Report prepared in accordance with NI 43-101 by BAW Minerals Partners Limited. To the knowledge of the Company, neither BAW nor any of its respective "designated professionals" (as such term is defined in NI 51-102) held securities of the Company representing in excess of 1% of the outstanding securities of any class at the time of the preparation of the reports.

### **INSURANCE**

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

In consideration of the aging profile of the mining equipment and the continuous engagement of third-party mining contractors, the Company did not renew the insurance policies relating to the mining property and commercial general liability and will renew any necessary insurance policies at the appropriate time.

### **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's management proxy circular dated May 13, 2025 for the Company's annual general meeting of shareholders held on June 26, 2025. Additional financial information is contained in the Company's comparative financial statements and MD&A as at and for the years ended December 31, 2025 and 2024, copies of which are available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), on the HKEX news website at [www.hkexnews.hk](http://www.hkexnews.hk) and may also be obtained by request to SouthGobi Resources Ltd. at its registered and records office in Canada, 20<sup>th</sup> floor – 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8, Attention: Corporate Secretary, or by phone: +1 604-762-6783 (Canada), +852 2156 1438 (Hong Kong) or email: [corporate@southgobi.com](mailto:corporate@southgobi.com).

Additional information relating to the Company may be found under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## SCHEDULE “A”

### AUDIT COMMITTEE CHARTER

(amended: May 2025)

#### I. Purpose

The primary objective of the Audit Committee (the “Committee”) of SouthGobi Resources Ltd. (the “Company”) is to act as a liaison between the Board and the Company’s independent auditors (the “Auditors”) and to assist the Board in fulfilling its oversight responsibilities with respect to: (a) the integrity and accuracy of the financial statements and other financial information provided by the Company to its shareholders, the public and others; (b) the Company’s compliance with legal and regulatory requirements; (c) the Company’s risk management and internal financial and accounting controls, and management information systems; and (d) the qualification, independence and performance of the Auditors.

Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. The members of the Committee are not full-time employees of the Company and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits or to determine that the Company’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditors.

The responsibilities of a member of the Committee are in addition to such member’s duties as a member of the Board.

#### II. Organization

The Committee shall consist of three or more independent non-executive directors of the Company. The Committee membership shall satisfy, at a minimum, the laws governing the Company and the independence, financial literacy, expertise and financial experience requirements under applicable securities laws, rules and regulations, stock exchange rules and policies, and any other regulatory requirements applicable to the Company.

The members of the Committee and the Chair of the Committee shall be appointed (and may be replaced) by the Board on the recommendation of the Nominating & Corporate Governance Committee. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of shareholders at which directors are elected, provided that if the appointment of members of the Committee is not so made, the directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

Members of the Committee shall not simultaneously serve on the audit committees of more than two other public companies, unless the Board first determines that such simultaneous service will not impair the ability of the relevant member to effectively serve on the Committee.

Members of the Committee must be financially literate, as the Board interprets such qualification in its business judgment, and all members shall be able to read and understand the Company’s financial statements and to understand the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

No member of the Committee shall have (i) been a partner of or otherwise have had a financial interest in the Auditors during the past two years; or (ii) participated in the preparation of the financial statements of the Company or any current subsidiary at any time during the past three years. At least one member of the Committee shall have past employment experience in finance or accounting of public companies, requisite professional certification in accounting, or any other comparable experience or background which results in such individual's financial sophistication (including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities).

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director of the Company. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board on the recommendation of the Nominating & Corporate Governance Committee.

The Committee may form and delegate authority to individual members or subcommittees when appropriate.

The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

### **III. Meetings**

The Committee shall meet as frequently as the Committee deems necessary to carry out its duties effectively, but not less frequently than four times per year. The Committee shall meet at least quarterly with management, the Company's financial and accounting officer(s) and the Auditors in separate sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. Meetings may be held in person, by telephone, by video-conference or by any combination of any of the foregoing, to the extent permitted by the Company's constituting documents and applicable corporate law.

A majority of the members of the Committee, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum. Matters decided by the Committee shall be decided by a majority vote. The Chair of the Committee shall have an ordinary vote and not a casting vote.

The Chair of the Committee shall be an independent chair who is not the Chair of the Board. In the absence of the appointed Chair of the Committee at any meeting, the members shall elect a temporary Chair from those in attendance at the meeting. The Chair of the Committee, in consultation with the other members of the Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each upcoming meeting. The Chair shall ensure that the agenda for each upcoming meeting of the Committee is circulated to each member of the Committee in advance of the meeting.

The Committee will appoint a Secretary who will keep full minutes of all meetings. The Secretary may be the Company's Corporate Secretary or another person who does not need to be a member of the Committee. Draft and final versions of the meeting minutes shall be sent to all members of the Committee within a reasonable time following such meetings, which, in the case of draft meeting minutes, shall be circulated no later than 21 days following the date of the applicable meeting.

The Committee may invite, from time to time, such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Company's accounting and financial officer(s) and the Auditors shall attend any meeting when requested to do so by the Chair of the Committee.

#### **IV. Authority and Responsibilities**

The Board, after consideration of the recommendation of the Committee, shall nominate the Auditors for appointment by the shareholders of the Company in accordance with applicable law and Company policies (including the Company's Majority Voting Policy for Auditors). The Auditors report directly to the Committee. The Auditors are ultimately accountable to the Committee and the Board as representatives of the shareholders.

In fulfilling its duties and responsibilities under this Charter, the Committee will be entitled to reasonably rely on: (a) the integrity of those persons within the Company and of the professionals and experts (such as the Auditors) from whom it receives information; (b) the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts; and (c) the representations made by the Auditors as to any services provided by them to the Company.

The Committee shall have the following responsibilities:

##### **(a) Auditors**

1. Recommend to the Board the independent auditors to be nominated for appointment or reappointment as the Auditors of the Company at the Company's annual meeting of shareholders and the remuneration to be paid to the Auditors; approve the scope of all auditing services to be provided by the Auditors; be directly responsible for the oversight of the work of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting; recommend to the Board and the shareholders the termination of the appointment of the Auditors, if and when advisable; and be responsible for handling any questions of the Auditors' resignation or dismissal.
2. When the Board disagrees with the Committee's view on the selection, appointment, resignation, or dismissal of the external Auditors, the issuer should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
3. If at any meeting of the shareholders of the Company at which the Auditors are to be appointed, the number of votes withheld exceeds the number of votes cast in favour of its appointment, such audit firm shall be a Non-Supported Auditor. In consultation with the Board, the Committee, will recommend to the Board that a special meeting of shareholders be convened for the purposes of considering an ordinary resolution for the removal of the Non-Supported Auditor and the appointment of another qualified audit firm to serve as Auditors of the Company in accordance with the Company's Majority Voting Policy for Auditors.
4. When there is to be a change of the Auditors, (i) review all issues related to the change, including any notices required under applicable law, stock exchange rules or policies, or other regulatory requirements, and the planned steps for an orderly transition; and (ii) be primarily responsible for questions relating to such change.
5. Review and discuss with the Auditors their audit plan, scope, staffing, materiality threshold, and general audit approach.
6. Review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the

Auditors the nature and scope of the audit and reporting obligations prior to the commencement of the audit.

7. Review on an annual basis the performance of the Auditors, including the lead audit partner.
8. Take reasonable steps to confirm the independence of the Auditors, which include:
  - (a) ensuring receipt from the Auditors of a formal written statement in accordance with applicable regulatory requirements delineating all relationships between the Auditors and the Company;
  - (b) considering and discussing with the Auditors any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the Auditors;
  - (c) developing and implementing a policy on the provision of non-audit related services provided by the Auditors to the Company or its subsidiaries and approving in advance the provision of and the fees for such services, with a view to ensure independence of the Auditors, and in accordance with applicable regulatory standards, including applicable stock exchange requirements with respect to approval of non-audit related services performed by the Auditors (for the purposes of this Part IV(a)(8)(c), Auditors include any entity that is under common control, ownership or management with the Auditors or any entity that a reasonable and informed third party knowing all the relevant information would reasonably conclude to be part of the Auditors, nationally or internationally); and
  - (d) as necessary, taking or recommending that the Board take appropriate action to oversee the independence of the Auditors.
9. Review and approve any disclosures required to be included in periodic reports under applicable securities laws, rules and regulations and stock exchange and other regulatory requirements with respect to non-audit services provided by the Auditors.
10. Confirm with the Auditors and receive written confirmation at least once per year: (i) indicating that the Auditors are a member in good standing with the Canadian Public Accountability Board (CPAB) and comparable bodies elsewhere to the extent required and disclosing any sanctions or restrictions imposed by the CPAB and such other comparable bodies; and (ii) responding to any other reasonable request of the Committee for confirmation as to their qualifications to act as the Company's Auditors.
11. Consider the tenure of the lead audit partner on the engagement in light of applicable law, stock exchange rules and policies or other regulatory requirements.
12. Review all reports required to be submitted by the Auditors to the Committee under applicable laws, rules and regulations, stock exchange rules and policies or other regulatory requirements.
13. Receive and consider all recommendations and explanations which the Auditors place before the Committee.
14. Ensure that the provision of any non-audit related services by the Auditors does not impair their independence or objectivity and develop and implement any necessary policies in that regard.

**(b) Financial Statements and Financial Information**

15. Review and discuss with management, the financial and accounting officer(s) of the Company and the Auditors, the Company's annual audited financial statements, including the disclosure made in Management's Discussion and Analysis relating thereto and the Auditor's report thereon, prior to filing or distribution of such statements, and recommend to the Board, if appropriate, that the Company's audited financial statements be included in the Company's annual reports distributed and filed under applicable laws and regulatory requirements.
16. Review and discuss with management, the financial and accounting officer(s) of the Company and the Auditors, the Company's interim financial statements, including the disclosure made in Management's Discussion and Analysis relating thereto and the Auditors' review of such interim financial statements, prior to filing or distribution of such statements.
17. Review any earnings press release of the Company before the Company publicly discloses this information.
18. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of these procedures.
19. Discuss with the Auditors and review the matters required to be discussed by applicable auditing standards requirements relating to the conduct of the audit, including:
  - (a) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices, including significant assumptions and qualifications;
  - (b) the management letter provided by the Auditors and the Company's timely response to that letter;
  - (c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, or personnel and any significant disagreements with management; and
  - (d) any material queries raised by the Auditors to management about accounting records, financial accounts or systems of control and management's response.
20. Discuss with management and the Auditors any major issues regarding accounting principles used in the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, at least twice a year. Review and discuss analyses prepared by management and/or the Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under generally accepted accounting principles. Review any report under applicable securities law, stock exchange rules or policies or other regulatory requirements, including any reports required to be included in statutory filings, including in the Company's annual proxy statement.

**(c) Ongoing Reviews and Discussions with Management and Others**

21. Obtain and review an annual report from management relating to the accounting principles used in the preparation of the Company's financial statements, including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof.
22. Periodically review separately with each of management, the financial and accounting officer(s) of the Company and the Auditors: (a) any significant disagreement between management and the Auditors in connection with the preparation of the financial statements; (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information; and (c) management's response to each.
23. Periodically discuss with the Auditors, without management being present: (a) their judgments about the quality, integrity and appropriateness of the Company's accounting principles and financial disclosure practices as applied in its financial reporting; and (b) the completeness and accuracy of the Company's financial statements.
24. Monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgments contained therein. In reviewing such reports before submission to the Board, the Committee's review shall include a review of:
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with applicable stock exchange regulations and other legal requirements relating to financial reporting.
25. Consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the Auditors or management and the resulting financial statement impact. Review with the Auditors or management the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.
26. Review and discuss with management, the Auditors and the Company's independent counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including applicable changes in accounting standards or rules, or compliance with applicable laws and regulations, inquiries received from regulators or government agencies and any pending material litigation.
27. Discuss with the Company's financial and accounting officer(s) and the Auditors-any matters which should be brought to the attention of the Committee concerning accounting, financial and operating practices and controls and accounting practices of the Company and give due consideration to such matters.

28. Review the principal control risks to the business of the Company, its subsidiaries and joint ventures; and verify that effective control systems are in place to manage and mitigate these risks.
29. Review and discuss with management any earnings press releases, including the use of “pro forma” or “adjusted” non-GAAP information, as well as any financial information and earnings guidance provided to analysts and rating agencies, before the Company publicly discloses this information. Such discussions may be done generally (i.e., discussion of the types of information to be disclosed and the types of presentations made).
30. Review and discuss with management any material off-balance sheet transactions, significant or unusual items, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may need to be reflected in the reports or accounts, or may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses. Obtain explanations from management of all significant variances between comparative reporting periods.
31. Review and discuss with management the Company’s major risk exposures and the steps management has taken to monitor, control and manage such exposures, including the Company’s risk assessment and risk management guidelines and financial and accounting policies.

**(d) Risk Management and Internal Controls**

32. Review, based upon the recommendation of the Auditors and management, the scope and plan of the work to be done by the Company’s financial and accounting group and the responsibilities, budget and staffing needs of such group.
33. Review the appointment of the Chief Financial Officer and any key financial executives involved in the financial reporting process and recommend to the Nominating and Corporate Governance Committee and to the Board any changes in such appointments.
34. Review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and act as the key representative body for overseeing the Company’s relations with the Auditors.

**(e) Other Responsibilities**

35. Create an agenda and timetable for the Committee for the ensuing year.
36. Review and approve related-party transactions if required under applicable law, stock exchange or other regulatory requirements.
37. Consider major investigation findings with respect to risk management and internal control matters, as delegated by the Board or on its own initiative, and management’s response to such findings.
38. Review and approve: (a) any change or waiver in the Company’s code of ethics applicable to senior financial officers; and (b) any disclosures made under applicable law, stock exchange or other regulatory requirements regarding such change or waiver.

39. Establish, review and approve policies for the hiring of partners, former partners, employees, or former employees of the Auditors or the Company's former independent auditors.
40. Review and reassess the adequacy of, and the duties and responsibilities set out in, this Charter annually and recommend to the Nominating and Corporate Governance Committee and to the Board any changes deemed appropriate by the Committee.
41. Review its own performance annually, seeking input from management and the Board.
42. Confirm to the Board annually that all responsibilities outlined in this Charter have been carried out.
43. Perform any other activities consistent with this Charter, the Company's constating documents and governing law, as the Committee or the Board deems necessary or appropriate.

## **V. Reporting**

The Committee shall report regularly to the Board, including on matters set out in applicable stock exchange regulations, and shall submit the minutes of all meetings of the Committee to the Board (which minutes shall ordinarily be included in the papers for the next full board meeting after the relevant meeting of the Committee). The Committee shall also report to the Board on the proceedings and deliberations of the Committee at such times and in such manner as the Board may require. The Committee shall review with the full Board any issues that have arisen with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Auditors or the performance of the Company's financial and accounting group.

## **VI. Resources and Access to Information**

The Committee shall be provided with sufficient resources by the Company to perform its duties. The Committee shall have the authority to: (i) retain, at the expense of the Company, independent legal, accounting and other advisors or consultants to advise the Committee, as it determines necessary to carry out its duties; and (ii) approve the terms and conditions of the arrangement (including, the fees and other retention terms) with such outside advisors.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities. The Committee has direct and unrestricted access to any officer, employee or consultant of the Company and its subsidiaries. The Committee may request any officer, employee or consultant of the Company or its subsidiaries, the Company's outside counsel or the Auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee with or without the presence of management. In the performance of any of its duties and responsibilities, the Committee shall have unrestricted access to any and all books and records of the Company and its subsidiaries necessary for the execution of the Committee's obligations.

The Committee shall determine the extent of funding necessary for payment of: (a) compensation to the Company's independent public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company; (b) compensation to any independent legal, accounting and other advisors or consultants retained to advise the Committee; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **Amendments**

At least annually, this charter will be fully evaluated by the Nominating and Corporate Governance Committee and any appropriate updates will be recommended to the Board for consideration. The Nominating and Corporate Governance Committee shall have the authority to make minor technical amendments to this charter from time to time as required.