

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



SouthGobi
R E S O U R C E S

SOUTHGOBI RESOURCES LTD.

南戈壁資源有限公司*

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

(Hong Kong Stock Code: 1878)

(TSX Venture Exchange Stock Symbol: SGQ)

SOUTHGOBI ANNOUNCES UNAUDITED FIRST QUARTER 2026 FINANCIAL AND OPERATING RESULTS

SouthGobi Resources Ltd. (the “**Company**” or “**SouthGobi**”) today announces its unaudited financial and operating results for the three months ended March 31, 2026.

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

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

Hong Kong, May 14, 2026

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

* *For identification purpose only*



May 14, 2026

SOUTHGOBI ANNOUNCES FIRST QUARTER 2026 FINANCIAL AND OPERATING RESULTS

HONG KONG – SouthGobi Resources Ltd. (**Hong Kong Stock Exchange (“HKEX”): 1878, TSX Venture Exchange (“TSX-V”): SGQ**) (the “Company” or “SouthGobi”) today announces its financial and operating results for the three months ended March 31, 2026. All figures are in U.S. dollars (“USD”) unless otherwise stated.

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company’s significant events and highlights for the three months ended March 31, 2026 and the subsequent period to May 14, 2026 are as follows:

- ***Operating Results*** – The Company continues to expand the scale of mining operations in 2026, as well as implementing various coal processing methods, including screening, wet washing and dry coal processing, which have resulted in improved coal quality and enhanced production volume and growth of coal export volume into China. In addition, the Company also continues to expand the categories of coal products in its portfolio, including mixed coal, wet washed coal and dry processed coal, which further increases the Company’s coal export volume.

The Company recorded sales volume of 3.1 million tonnes for the first quarter of 2026 compared to 2.1 million tonnes for the first quarter of 2025, while the Company recorded an average realised selling price of \$54.4 per tonne for the first quarter of 2026 compared to \$59.5 per tonne for the first quarter of 2025. The decrease in the average realised selling price was primarily attributable to prevailing market uncertainty and cautious buyer sentiment in the Chinese coal market. As a result, the Company adjusted its sales strategy and selling price to maintain its sales volume.

- ***Financial Results*** – The Company recorded a \$4.6 million profit from operations for the first quarter of 2026 compared to a \$15.7 million loss from operations for the first quarter of 2025. The financial results were impacted by the increased sales volume, as well as improved cost control on the coal production process during this period.

- ***Notice from Mongolian Government Plenipotentiary and designation of Company's mining deposits as mineral deposits of strategic importance*** – On April 2, 2025, Southgobi Sands LLC (“SGS”) received a letter from a plenipotentiary representative of the Mongolian government (the “Letter”) which invited SGS to participate in negotiations in relation to determining the Mongolian state's ownership interest in SGS, being the legal entity which holds the Company's coal mining and exploration licenses in Mongolia.

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

The Company has been advised by its Mongolian legal counsel that, the Government of Mongolia is empowered to participate on an equity ownership basis with the license holder in the exploitation and/or mining of each Mineral Deposit of Strategic Importance on terms to be negotiated between the Government of Mongolia and such license holder. Based solely on the knowledge of the Company's Mongolian legal counsel, the Company is aware that various other license holders of Mineral Deposits of Strategic Importance have entered into similar negotiations with the Plenipotentiary Representative of the Mongolian Government. The Company also understands that any legal person holding a special licence for a Mineral Deposit of Strategic Importance shall not, individually or jointly with other entities having a common interest, hold more than 34% of the total issued and outstanding shares of such legal person. However, there is uncertainty as to how these regulations will be interpreted and applied to a publicly-listed company which is the beneficial owner of a Mineral Deposit of Strategic Importance. 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, they are of the view that the ownership restriction is likely to be determined with reference to the beneficial shareholders of the publicly-listed company. In the event that the aforementioned ownership restriction is not complied with, the Government of Mongolia shall have the right to appoint a Plenipotentiary Representative to take charge of managing such legal person to ensure legal compliance.

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

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

- ***Additional Tax and Tax Penalty Imposed by the Mongolian Tax Authority (“MTA”)*** – On July 18, 2023, SGS received an official notice (the “Notice”) issued by the MTA stating that the MTA had completed a periodic tax audit (the “Audit”) on the financial information of SGS for the tax assessment years between 2017 and 2020, including transfer pricing, royalty, air-pollution fee and unpaid tax payables. As a result of the Audit, the MTA notified SGS that it was imposing a tax penalty against SGS in the amount of approximately \$75.0 million. Subsequently, the Company filed an appeal letter in relation to the Audit with the MTA on August 17, 2023.

On February 8, 2024, SGS received notice from the Tax Dispute Resolution Council (“TDRC”) which stated that, following the TDRC’s review, the TDRC ordered that the audit assessments set forth in the Notice be returned 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.

On May 15, 2024, SGS received a notice (the “Revised Notice”) from the MTA regarding the re-assessment result on the Audit (the “Re-assessment Result”), which amounted to a tax penalty of approximately \$80.0 million.

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 January 10, 2025, SGS received a resolution dated December 19, 2024 (the “Resolution”) from the TDRC in response to the appeal letter sent by SGS to the TDRC on June 12, 2024. As set forth in the Resolution, the TDRC reduced the re-assessment result from approximately \$80.0 million to approximately \$26.5 million (the “Revised Re-assessment Result”). The Company decided not to pursue a further appeal of the Revised Re-assessment Result.

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

On April 25, 2025, SGS obtained a copy of an order dated April 15, 2025 (the “Latest Court Order”) issued by the Administrative Court of First Instance dismissing the Proposed Case. 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 (the “Appellate Court Judgement”) issued by the Appellate Court for Administrative in Ulaanbaatar, Mongolia (the “Appellate Court”), pursuant to which the Appellate Court upheld the Latest Court Order. As a result, the Proposed Case was dismissed and rejected. According to applicable Mongolian law, the Appellate Court Judgement is not subject to further appeal.

In the prior year, the Company recorded an additional tax and tax penalty in the amount of \$45.5 million, which consist 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. As of the date hereof, the Company has fully settled the aforementioned tax penalty in February 2026. The provision for additional late tax penalty of \$18.5 million refers to potential penalty chargeable by the MTA for future tax audit periods. It is an estimated amount which will be adjusted when the tax audit is finalised.

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

The effectiveness of the 2026 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2026 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2026 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the rules governing the listing of securities on the Stock Exchange of Hong Kong (the “Listing Rules”). The Company will be seeking approval of the 2026 March Deferral Agreement from disinterested shareholders at the Company’s upcoming special meeting of shareholders, which will be held at a future date to be set by the board of directors of the Company (the “Board”).

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

- Payment of the 2026 March Deferred Amounts will be deferred until August 31, 2027 (the “2026 March Deferral Agreement Deferral Date”).
- As consideration for the deferral of the 2026 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2026 March Deferred Amounts, commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.

- As consideration for the deferral of the 2026 March Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2026 March Deferred Amounts commencing on the date on which each such 2026 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2026 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2026 March Deferred Amounts or related deferral fees. Instead, the 2026 March Deferral Agreement requires the Company to use its best efforts to pay the 2026 March Deferred Amounts and related deferral fees due and payable under the 2026 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2026 March Deferral Agreement and ending as of the 2026 March Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2026 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2026 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.
- **Build-Transfer Agreement** – On April 22, 2026, the Company's wholly-owned Mongolian subsidiary, SGS, entered into a Build-Transfer agreement (the "BT Agreement") with Tangshan Shenzhou Manufacturing Group Co., Ltd ("Tangshan"), pursuant to which Tangshan will be responsible for the construction of a new dry coal separation system (the "Dry Coal Separation System") at the Company's Ovoot Tolgoi Mine in Mongolia, which will be a stand-alone plant separate from the Company's existing dry processing plants. Tangshan will also be responsible for the construction of all related facilities for the Dry Coal Separation System. Tangshan shall transfer the ownership and relevant intellectual property rights of the Dry Coal Separation System and the related facilities to SGS upon the satisfaction of the conditions for transfer under the BT Agreement. Under the BT Agreement, SGS has the right to supervise and inspect Tangshan's construction progress and safety management.

The total consideration payable by the Company over the term of the BT Agreement is approximately \$7.8 million. Subject to the terms as set out therein, the BT Agreement is effective from April 22, 2026 until the consideration has been fully paid by SGS, which is expected to take place on or around April 22, 2031.

- **Going Concern** – Several adverse conditions and material uncertainties relating to the Company cast significant doubt upon the going concern assumption which includes the deficiencies in assets and working capital.

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

OVERVIEW OF OPERATIONAL DATA AND FINANCIAL RESULTS

Summary of Operational Data

	Three months ended March 31,	
	2026	2025
Sales Volumes, Prices and Costs		
Premium semi-soft coking coal		
Coal sales (<i>millions of tonnes</i>)		
– Run-of-mine	0.26	0.04
– Processed	0.95	0.08
Average realised selling price (<i>per tonne</i>)		
– Run-of-mine	\$ 75.38	\$ 90.75
– Processed	\$ 68.11	\$ 87.91
Standard semi-soft coking coal		
Coal sales (<i>millions of tonnes</i>)		
– Run-of-mine	1.06	0.95
– Processed	0.01	0.22
Average realised selling price (<i>per tonne</i>)		
– Run-of-mine	\$ 52.90	\$ 70.46
– Processed	\$ 58.03	\$ 78.34
Premium thermal coal		
Coal sales (<i>millions of tonnes</i>)		
– Processed	0.63	0.63
Average realised selling price (<i>per tonne</i>)		
– Processed	\$ 43.14	\$ 35.79
Standard thermal coal		
Coal sales (<i>millions of tonnes</i>)		
– Run-of-mine	–	0.12
Average realised selling price (<i>per tonne</i>)		
– Run-of-mine	\$ –	\$ 37.81
Coal by-products		
Coal sales (<i>millions of tonnes</i>)	0.20	0.02
Average realised selling price (<i>per tonne</i>)	\$ 5.85	\$ 13.91
Total		
Coal sales (<i>millions of tonnes</i>)	3.11	2.06
Average realised selling price (<i>per tonne</i>)	\$ 54.40	\$ 59.51
Run-of-mine production (<i>millions of tonnes</i>)	4.98	3.92
Cost of sales of product sold (<i>per tonne</i>)	\$ 51.48	\$ 64.90
Direct cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 40.51	\$ 53.97
Mine administration cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 1.44	\$ 1.70
Total cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾	\$ 41.95	\$ 55.67

Other Operational Data

Overburden stripped (<i>millions of bank cubic meters</i>)	22.47	19.36
Strip ratio (<i>bank cubic meters of overburden per tonne of coal produced</i>)	4.51	4.93
Lost time injury frequency rate ⁽ⁱⁱⁱ⁾	0.00	0.00

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

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

Overview of Operational Data

The Company recorded an average realised selling price of \$54.4 per tonne for the first quarter of 2026 compared to \$59.5 per tonne for the first quarter of 2025. The decrease was primarily attributable to prevailing market uncertainty and cautious buyer sentiment in the Chinese coal market. As a result, the Company adjusted its sales strategy and selling price to maintain its sales volume. The product mix for the first quarter of 2026 consisted of approximately 39% of premium semi-soft coking coal, 35% of standard semi-soft coking coal, 20% of premium thermal coal, and 6% of coal by-products compared to approximately 6% of premium semi-soft coking coal, 56% of standard semi-soft coking coal, 31% of premium thermal coal, 6% of standard thermal coal and 1% of coal by-products for the first quarter of 2025.

The Company's unit cost of sales of product sold was \$51.5 per tonne for the first quarter of 2026 compared to \$64.9 per tonne for the first quarter of 2025. The decrease was due to economies of scale and improved cost control on the coal production process during this period.

The Company ended the first quarter of both 2026 and 2025 without any lost time injury.

Summary of Financial Results

<i>\$ in thousands, except per share information</i>	Three months ended	
	March 31,	
	2026	2025
Revenue ⁽ⁱ⁾	\$ 169,365	\$ 122,867
Cost of sales ⁽ⁱ⁾	(160,109)	(133,689)
Gross profit/(loss) excluding idled mine asset costs ⁽ⁱⁱ⁾	9,828	(10,571)
Gross profit/(loss)	9,256	(10,822)
Other operating expenses, net	(1,476)	(1,571)
Administration expenses	(3,171)	(3,249)
Evaluation and exploration expenses	(21)	(32)
Profit/(loss) from operations	4,588	(15,674)
Finance costs	(10,502)	(8,812)
Finance income	22	21
Share of earning of a joint venture	1,337	613
Share of earnings/(losses) of associates	8	(187)
Current income tax expenses	(3,489)	(2,166)
Net loss attributable to equity holders of the Company	(8,036)	(26,205)
Basic and diluted loss per share	\$ (0.027)	\$ (0.088)

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

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

Overview of Financial Results

The Company recorded a \$4.6 million profit from operations for the first quarter of 2026 compared to a \$15.7 million loss from operations for the first quarter of 2025. The increase was mainly due to the increased sales volume, as well as improved cost control on coal production process during this period.

Revenue was \$169.4 million for the first quarter of 2026 compared to \$122.9 million for the first quarter of 2025. The financial results were impacted by increased sales volume year-over-year, as a result of an expansion of the Company's sales network, diversification of its customer base and expansion of the categories of coal products in its portfolio.

Cost of sales was \$160.1 million for the first quarter of 2026 compared to \$133.7 million for the first quarter of 2025. The increase in cost of sales was mainly due to increased sales volume year-over-year, the Company expanding into certain categories of processed coal with higher production costs and the increase of sales to further destinations with higher transportation costs.

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

<i>\$ in thousands</i>	Three months ended	
	March 31,	
	2026	2025
Operating expenses	\$ 130,480	\$ 114,682
Depreciation and depletion	16,165	8,775
Royalties	12,892	9,981
Cost of sales from mine operations	\$ 159,537	\$ 133,438
Cost of sales related to idled mine assets	572	251
Cost of sales	<u>\$ 160,109</u>	<u>\$ 133,689</u>

Operating expenses in cost of sales were \$130.5 million for the first quarter of 2026 compared to \$114.7 million for the first quarter of 2025. The overall increase in operating expenses was due to increased sales volume year-over-year, the Company expanding into certain categories of processed coal with higher production costs and the increase of sales to further destinations with higher transportation costs.

Cost of sales related to idled mine assets for the first quarter of 2026 included \$0.6 million related to depreciation expenses for idled equipment (first quarter of 2025: \$0.3 million).

Other operating expenses was \$1.5 million for the first quarter of 2026 compared to \$1.6 million for the first quarter of 2025.

<i>\$ in thousands</i>	Three months ended	
	March 31,	
	2026	2025
Management fee	\$ 2,430	\$ 1,688
Reversal of provision for doubtful trade and other receivables	(11)	(56)
Foreign exchange gain, net	(832)	(31)
Loss on disposal of items of property, plant and equipment, net	1	–
Reversal of impairment loss on materials and supplies inventories	(112)	(30)
	<u>1,476</u>	<u>1,571</u>
Other operating expenses, net	<u>\$ 1,476</u>	<u>\$ 1,571</u>

Administration expenses were both \$3.2 million for the first quarter of 2026 and the first quarter of 2025.

<i>\$ in thousands</i>	Three months ended	
	March 31,	
	2026	2025
Corporate administration	\$ 1,055	\$ 938
Legal and professional fees	391	539
Salaries and benefits	1,510	1,567
Depreciation	215	205
	<u>3,171</u>	<u>3,249</u>
Administration expenses	<u>\$ 3,171</u>	<u>\$ 3,249</u>

The Company continued to minimise evaluation and exploration expenditures in the first quarter of 2026 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in the first quarter of 2026 were limited to ensuring that the Company met the Mongolian Minerals Law requirements in respect of its mining licenses.

Finance costs were \$10.5 million and \$8.8 million for the first quarter of 2026 and 2025 respectively, which primarily consisted of interest expense on the \$250.0 million Convertible Debenture.

Summary of Quarterly Operational Data

Quarter Ended	2026		2025				2024	
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Sales Volumes, Prices and Costs								
Premium semi-soft coking coal								
Coal sales (<i>millions of tonnes</i>)								
– Run-of-mine	0.26	0.38	0.30	0.17	0.04	0.16	0.10	0.29
– Processed	0.95	0.97	0.82	0.26	0.08	0.12	0.02	0.05
Average realised selling price (<i>per tonne</i>)								
– Run-of-mine	\$ 75.38	\$ 68.76	\$ 63.37	\$ 59.84	\$ 90.75	\$ 89.56	\$ 116.48	\$ 102.61
– Processed	\$ 68.11	\$ 66.22	\$ 62.48	\$ 59.06	\$ 87.91	\$ 98.02	\$ 90.64	\$ 92.85
Standard semi-soft coking coal								
Coal sales (<i>millions of tonnes</i>)								
– Run-of-mine	1.06	1.13	1.25	1.65	0.95	1.31	1.09	0.28
– Processed	0.01	0.01	0.12	0.13	0.22	0.25	0.14	0.07
Average realised selling price (<i>per tonne</i>)								
– Run-of-mine	\$ 52.90	\$ 55.58	\$ 48.03	\$ 60.07	\$ 70.46	\$ 69.30	\$ 72.54	\$ 77.04
– Processed	\$ 58.03	\$ 64.54	\$ 42.11	\$ 56.83	\$ 78.34	\$ 100.36	\$ 93.38	\$ 79.42
Premium thermal coal								
Coal sales (<i>millions of tonnes</i>)								
– Processed	0.63	\$ 0.37	\$ 0.12	\$ 0.67	\$ 0.63	\$ 0.44	\$ 0.52	\$ 0.38
Average realised selling price (<i>per tonne</i>)								
– Processed	\$ 43.14	\$ 39.92	\$ 33.44	\$ 33.36	\$ 35.79	\$ 42.54	\$ 43.74	\$ 49.74
Standard thermal coal								
Coal sales (<i>millions of tonnes</i>)								
– Run-of-mine	–	0.10	0.28	0.04	0.12	0.37	0.23	0.11
Average realised selling price (<i>per tonne</i>)								
– Run-of-mine	\$ –	\$ 34.15	\$ 32.76	\$ 32.55	\$ 37.81	\$ 37.45	\$ 38.60	\$ 41.76
Coal by-products								
Coal sales (<i>millions of tonnes</i>)								
– Processed	0.20	0.18	0.15	0.04	0.02	0.01	0.01	0.02
Average realised selling price (<i>per tonne</i>)								
– Processed	\$ 5.85	\$ 2.28	\$ 14.94	\$ 13.31	\$ 13.91	\$ 18.43	\$ 2.47	\$ 2.13
Total								
Coal sales (<i>millions of tonnes</i>)								
– Run-of-mine	3.11	3.14	3.04	2.96	2.06	2.66	2.11	1.20
Average realised selling price (<i>per tonne</i>)								
– Run-of-mine	\$ 54.40	\$ 54.46	\$ 48.99	\$ 52.55	\$ 59.51	\$ 65.72	\$ 67.77	\$ 77.55
Run-of-mine production (<i>millions of tonnes</i>)								
– Run-of-mine	4.98	4.37	4.43	3.91	3.92	4.19	2.75	2.01
Cost of sales of product sold (<i>per tonne</i>)								
– Run-of-mine	\$ 51.48	\$ 51.60	\$ 47.22	\$ 53.87	\$ 64.90	\$ 48.92	\$ 52.77	\$ 61.32
Direct cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾								
– Run-of-mine	\$ 40.51	\$ 41.27	\$ 39.39	\$ 44.92	\$ 53.97	\$ 37.92	\$ 41.74	\$ 47.15
Mine administration cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾								
– Run-of-mine	\$ 1.44	\$ 1.34	\$ 0.97	\$ 1.28	\$ 1.70	\$ 1.88	\$ 0.94	\$ 2.42
Total cash costs of product sold (<i>per tonne</i>) ⁽ⁱ⁾								
– Run-of-mine	\$ 41.95	\$ 42.61	\$ 40.36	\$ 46.20	\$ 55.67	\$ 39.80	\$ 42.68	\$ 49.57
Other Operational Data								
Overburden stripped (<i>millions of bank cubic meters</i>)								
– Run-of-mine	22.47	21.91	19.48	19.86	19.36	17.48	15.04	14.59
Strip ratio (<i>bank cubic meters of overburden per tonne of coal produced</i>)								
– Run-of-mine	4.51	5.02	4.39	5.08	4.93	4.17	5.48	7.27
Lost time injury frequency rate ⁽ⁱⁱ⁾								
– Run-of-mine	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

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

Summary of Quarterly Financial Results

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

\$ in thousands, except per share information Quarter Ended	2026		2025			2024		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Financial Results								
Revenue ⁽ⁱ⁾	\$ 169,365	\$ 171,861	\$ 148,802	\$ 155,289	\$ 122,867	\$ 174,640	\$ 143,748	\$ 92,821
Cost of sales ⁽ⁱ⁾	(160,109)	(162,036)	(143,542)	(159,452)	(133,689)	(130,119)	(111,354)	(73,582)
Gross profit/(loss) excluding idled mine asset costs ⁽ⁱⁱ⁾	9,828	10,135	5,627	(3,852)	(10,571)	44,757	32,544	19,303
Gross profit/(loss) including idled mine asset costs	9,256	9,825	5,260	(4,163)	(10,822)	44,521	32,394	19,239
Other operating income/(expenses), net	(1,476)	(2,027)	(699)	5,335	(1,571)	(1,194)	(294)	(1,157)
Administration expenses	(3,171)	(5,074)	(3,273)	(3,128)	(3,249)	(3,627)	(3,400)	(3,014)
Evaluation and exploration expenses	(21)	(49)	(234)	(22)	(32)	(314)	(1,003)	(23)
Impairment loss on coal stockpiles	-	(64,986)	-	(12,348)	-	-	-	-
Impairment loss on items of property, plant and equipment	-	(41,960)	-	-	-	-	-	-
Reversal of additional tax and tax penalty	-	-	-	-	-	39,666	-	-
Profit/(loss) from operations	4,588	(104,271)	1,054	(14,326)	(15,674)	79,052	27,697	15,045
Finance costs	(10,502)	(10,471)	(9,422)	(9,140)	(8,812)	(6,893)	(10,679)	(10,322)
Finance income	22	19	1,908	53	21	3,247	733	722
Share of earning of a joint venture	1,337	1,258	1,100	1,011	613	1,206	133	1,055
Share of earnings/(losses) of associates	8	606	257	(120)	(187)	578	(1)	-
Current income tax credit/(expenses)	(3,489)	147	(1,940)	(284)	(2,166)	(4,899)	(7,844)	(8,585)
Net profit/(loss)	(8,036)	(112,712)	(7,043)	(22,806)	(26,205)	72,291	10,039	(2,085)
Basic earnings/(loss) per share	\$ (0.027)	\$ (0.380)	\$ (0.024)	\$ (0.077)	\$ (0.088)	\$ 0.244	\$ 0.034	\$ (0.007)
Diluted earnings/(loss) per share	\$ (0.027)	\$ (0.380)	\$ (0.024)	\$ (0.077)	\$ (0.088)	\$ 0.228	\$ 0.034	\$ (0.007)

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

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Management

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

Bank Loan

On October 7, 2025, SGS obtained a bank loan (the "2025 Bank Loan") in a principal amount of up to RMB235 million (equivalent to approximately \$33.1 million) from Khan Bank JSC (the "Bank") with the key commercial terms as follows:

- Maturity date set at 18 months from drawdown;
- Interest rate of 10% per annum on the outstanding principal and interest is calculated on a 365-day year basis;
- Loan repayments will consist of interest-only payments during the initial 12 months of the term, followed by principal amortisation payments during months 13 to 18 of the term;
- Certain items of property, plant and equipment with a carrying amount of \$1.9 million, land-use rights and intangible assets were pledged as security for the 2025 Bank Loan; and
- The Company intends to use the proceeds of the 2025 Bank Loan to support working capital, operating expenses, taxes and the settlement of accounts payable of SGS.

Additional tax and tax penalty imposed by the MTA

On July 18, 2023, SGS received the Notice 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 was imposing a tax penalty against SGS in the amount of approximately \$75.0 million. Subsequently, the Company filed an appeal letter in relation to the Audit with the MTA on August 17, 2023.

On February 8, 2024, SGS received notice from the TDRC which stated that, following the TDRC's review, the TDRC ordered that the audit assessments set forth in the Notice be returned 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.

On May 15, 2024, SGS received the Revised Notice from the MTA regarding the Re-assessment Result, which amounted to a tax penalty of approximately \$80.0 million.

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

On January 10, 2025, SGS received the Resolution from the TDRC in response to the appeal letter sent by SGS to the TDRC on June 12, 2024. As set forth in the Resolution, the TDRC reduced the Re-assessment Result from approximately \$80.0 million to approximately \$26.5 million. The Company decided not to pursue a further appeal of the Revised Re-assessment Result.

On March 19, 2025, SGS received correspondence from the Administrative Court of First Instance requesting supplemental information regarding a court proceeding initiated by the MTA Officials against the TDRC. SGS obtained a copy of an order dated March 7, 2025 issued by the Administrative Court of First Instance regarding commencement of court proceedings brought by the MTA Officials. The MTA Officials petitioned the court to overturn the Revised Re-assessment Result.

On April 25, 2025, SGS obtained the Latest Court Order dismissing the Proposed Case. The Company understood that the MTA Officials subsequently filed an appeal.

On June 9, 2025, SGS obtained the Appellate Court Judgement issued by the Appellate Court, pursuant to which the Appellate Court upheld the Latest Court Order. As a result, the Proposed Case was dismissed and rejected. According to applicable Mongolian law, the Appellate Court Judgement is not subject to further appeal.

In the prior year, the Company recorded an additional tax and tax penalty in the amount of \$45.5 million, which consists of a tax penalty payable of \$26.5 million and a provision for additional late tax penalty of \$19.0 million. As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48.5 million in 2024. To date, the Company has fully settled the aforementioned tax penalty in February 2026. The provision for additional late tax penalty of \$18.5 million refers to potential penalty chargeable by the MTA for future tax audit periods. It is an estimated amount which will be adjusted when the tax audit is finalised.

Going concern considerations

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least March 31, 2027 and will be able to realise its assets and discharge its liabilities in the normal course of operations as they come due. However, in order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with sufficient liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's condensed consolidated interim financial statements. The Company had a deficiency in assets of \$236.7 million as at March 31, 2026 as compared to a deficiency in assets of \$227.2 million as at December 31, 2025 while the working capital deficiency (excess current liabilities over current assets) reached \$353.0 million as at March 31, 2026 as compared to a working capital deficiency of \$337.0 million as at December 31, 2025.

Included in the working capital deficiency as at March 31, 2026 are significant obligations, represented by trade and other payables of \$206.9 million, provision for additional late tax penalty of \$18.5 million and interest-bearing borrowing of \$28.3 million.

The Company may not be able to settle all trade and other payables on a timely basis, and as a result any continuing postponement in settling of certain trade and other payables owed to suppliers and creditors may result in potential lawsuits and/or bankruptcy proceedings being filed against the Company. Except as disclosed elsewhere in this press release, no such lawsuits or proceedings were pending as at May 14, 2026. However, there can be no assurance that no such lawsuits or proceedings will be filed by the Company's creditors in the future and the Company's suppliers and contractors will continue to supply and provide services to the Company uninterrupted.

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

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

For the purpose of assessing the appropriateness of the use of the going concern basis to prepare the condensed consolidated interim financial statements, the management of the Company has prepared a cash flow projection covering a period of 12 months from March 31, 2026. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (a) entering into the 2026 March Deferral Agreement on March 23, 2026 for a deferral of the 2026 March Deferred Amounts; (b) communicating with vendors in agreeing repayment plans of the outstanding payable; (c) considering geopolitical tensions, specifically the Iran-US conflict, which is expected to create a favourable pricing environment during the forecast period; and (d) obtaining financial support from an affiliate of the Company's major shareholder. With respect to these plans and measures, there is no guarantee that the suppliers will agree to the settlement plan as proposed by the Company. Nevertheless, after considering the above, the directors of the Company believe that there will be sufficient financial resources to continue its operations and to meet its financial obligations as and when they come due during the 12 months following March 31, 2026 and are therefore satisfied that the condensed consolidated interim financial statements may be prepared on a going concern basis.

Significant uncertainties exist regarding the Company's management's ability to achieve its plans as described above. The continued operation of the Company as a going concern depends on a key factor: the fluctuations in international coal prices, which are subject to the developments in geopolitical tensions, and the financial ability of an affiliate of the Company's major shareholder to provide financial support to the Company in a timely manner.

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

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

As at March 31, 2026, the Company was not subject to any externally imposed capital requirements.

Convertible Debenture

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

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

Deferral Agreements

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

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

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

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

Ovoot Tolgoi Mine Impairment Analysis

The Company determined that an indicator of impairment exists for its Ovoot Tolgoi Mine cash generating unit ("CGU") as at March 31, 2026. The impairment indicator was the uncertainty of future coal price in China. In 2025, the CGU was impacted from the decline of coal selling price, which had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment loss of \$42.0 million on the CGU. The Company will continue to monitor and assess whether any subsequent event may impact the amount of the impairment loss, in which case an adjustment would be recognised in profit or loss, and the carrying amount of the CGU shall be adjusted.

REGULATORY ISSUES AND CONTINGENCIES

Special Needs Territory in Umnugobi

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

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

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

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

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

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

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

Tax Legislation

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

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

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

The Company has recorded a provision for additional late tax penalty of \$18.5 million in respect of potential penalty chargeable by the MTA for future tax audit periods. It is an estimated amount which will be adjusted when the tax audit is finalised.

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

OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

NON-IFRS FINANCIAL MEASURES

Cash Costs

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*(Expressed in thousands of USD, except for per share amounts)*

	Three months ended	
	March 31,	
	2026	2025
Revenue	\$ 169,365	\$ 122,867
Cost of sales	<u>(160,109)</u>	<u>(133,689)</u>
Gross profit/(loss)	9,256	(10,822)
Other operating expenses, net	(1,476)	(1,571)
Administration expenses	(3,171)	(3,249)
Evaluation and exploration expenses	<u>(21)</u>	<u>(32)</u>
Profit/(loss) from operations	4,588	(15,674)
Finance costs	(10,502)	(8,812)
Finance income	22	21
Share of earning of a joint venture	1,337	613
Share of earnings/(losses) of associates	<u>8</u>	<u>(187)</u>
Loss before tax	(4,547)	(24,039)
Current income tax expenses	<u>(3,489)</u>	<u>(2,166)</u>
Net loss attributable to equity holders of the Company	<u>(8,036)</u>	<u>(26,205)</u>
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Exchange difference on translation of foreign operation	<u>(1,491)</u>	<u>(4,228)</u>
Net comprehensive loss attributable to equity holders of the Company	<u>\$ (9,527)</u>	<u>\$ (30,433)</u>
Basic and diluted loss per share	\$ (0.027)	\$ (0.088)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of USD)

	As at	
	March 31, 2026	December 31, 2025
Assets		
Current assets		
Cash and cash equivalents	\$ 11,304	\$ 12,375
Restricted cash	578	853
Trade and other receivables	29,036	24,141
Inventories	75,004	68,600
Prepaid expenses	8,001	5,741
Total current assets	123,923	111,710
Non-current assets		
Property, plant and equipment	207,467	206,883
Investment in a joint venture	16,918	15,632
Investments in associates	21,303	21,352
Total non-current assets	245,688	243,867
Total assets	\$ 369,611	\$ 355,577
Equity and liabilities		
Current liabilities		
Trade and other payables	\$ 206,938	\$ 218,167
Additional tax and tax penalty	18,505	23,276
Deferred revenue	72,853	52,583
Interest-bearing borrowing	28,341	11,136
Lease liabilities	2,668	819
Income tax payable	5,425	2,362
Convertible debenture	142,200	140,328
Total current liabilities	476,930	448,671

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

	As at	
	March 31, 2026	December 31, 2025
Non-current liabilities		
Interest-bearing borrowing	5,656	22,269
Lease liabilities	6,538	888
Convertible debenture	99,112	93,379
Decommissioning liability	18,056	17,568
Long service payment liabilities	40	37
	<hr/>	<hr/>
Total non-current liabilities	129,402	134,141
	<hr/>	<hr/>
Total liabilities	606,332	582,812
	<hr/>	<hr/>
Equity		
Common shares	1,102,116	1,102,053
Share option reserve	52,977	52,998
Capital reserve	572	536
Exchange fluctuation reserve	(66,322)	(64,831)
Accumulated deficit	(1,326,064)	(1,317,991)
	<hr/>	<hr/>
Total deficiency in assets	(236,721)	(227,235)
	<hr/>	<hr/>
Total equity and liabilities	\$ 369,611	\$ 355,577
	<hr/> <hr/>	<hr/> <hr/>
Net current liabilities	\$ (353,007)	\$ (336,961)
Total assets less current liabilities	\$ (107,319)	\$ (93,094)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in thousands of USD)

	Three months ended	
	March 31,	
	2026	2025
Operating activities		
Loss before tax	\$ (4,547)	\$ (24,039)
Adjustments for:		
Depreciation and depletion	16,952	9,124
Interest expense on convertible debenture	9,604	8,621
Interest expense on interest-bearing borrowing	642	–
Interest elements on leased assets	52	56
Accretion of decommissioning liability	203	135
Fair value loss/(gain) on embedded derivatives in convertible debenture	1	(15)
Interest income	(22)	(6)
Share of earning of a joint venture	(1,337)	(613)
Share of earnings/(losses) of associates	(8)	187
Loss on disposal of items of property, plant and equipment, net	1	–
Reversal of provision for doubtful trade and other receivables	(11)	(56)
Reversal of impairment loss on materials and supplies inventories	(112)	(30)
Provision for long service payment	3	4
Operating cash flows before changes in working capital items	21,421	(6,632)
Net change in working capital items	9,305	26,031
Cash generated from operating activities	30,726	19,399
Income tax and additional tax penalty paid	(4,771)	(2,224)
Net cash flows from operating activities	25,955	17,175

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

	Three months ended	
	March 31,	
	2026	2025
Investing activities		
Expenditures on property, plant and equipment	(23,833)	(19,581)
Interest received	22	6
Investment in an associate	(5)	–
Dividend from a joint venture	–	194
	<u>–</u>	<u>194</u>
Net cash flows used in investing activities	<u>(23,816)</u>	<u>(19,381)</u>
Interest payment of convertible debenture	(2,000)	–
Interest payment of interest-bearing borrowing	(835)	–
Proceeds from exercise of share options	42	–
Capital elements of lease rentals paid	(246)	(151)
Interest elements of lease rentals paid	(52)	(56)
	<u>(3,091)</u>	<u>(207)</u>
Net cash flows used in financing activities	<u>(3,091)</u>	<u>(207)</u>
Effect of foreign exchange rate changes, net	(119)	(792)
	<u>(119)</u>	<u>(792)</u>
Decrease in cash and cash equivalents	(1,071)	(3,205)
Cash and cash equivalents, beginning of period	12,375	8,590
	<u>12,375</u>	<u>8,590</u>
Cash and cash equivalents, end of period	<u>\$ 11,304</u>	<u>\$ 5,385</u>

REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements for the Company for the three months ended March 31, 2026, which are unaudited but have been reviewed by the audit committee of the Company.

The Company's results for the quarter ended March 31, 2026, are contained in the unaudited condensed consolidated interim financial statements and Management Discussion and Analysis of Financial Condition and Results of Operations, available on the SEDAR+ website at www.sedarplus.ca and the Company's website at www.southgobi.com.

ABOUT SOUTHGObI

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

Contact:

Investor Relations

Email: info@southgobi.com

Mr. Ruibin Xu

Chief Executive Officer

Office: +852 2156 1438 (Hong Kong)

+1 604 762 6783 (Canada)

Website: www.southgobi.com

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

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

- the Company's expectations of sufficient liquidity and capital resources to meet its ongoing obligations and future contractual commitments, including the Company's ability to settle its trade payables, to secure additional funding and to meet its obligations under each of the JDZF Convertible Debenture, the 2026 March Deferral Agreement and the 2025 Bank Loan, as the same become due;
- the Company's discussions with the Plenipotentiary Representative of the Mongolian Government in relation to determining the Mongolian state's ownership interest in SGS;
- the Company's anticipated financing needs, operational and development plans and future production levels, including ramp up of the Company's mining operations and capacity in 2026;
- the estimates and assumptions included in the Company's impairment analysis and the possible impact of changes thereof;
- the ability of the Company to enhance the operational efficiency and output throughput of the washing facilities at Ovoot Tolgoi;
- the ability of the Company to enhance the product value by conducting coal processing and coal washing;
- the impact of the Company's activities on the environment and actions taken for the purpose of mitigation of potential environmental impacts and planned focus on health, safety and environmental performance;
- the future demand for coal in China;
- future trends in the Chinese coal industry;
- the Company's plans to scale up mining operations and enhance coal processing capabilities;
- the Company's initiatives to strengthen spare parts management to improve maintenance efficiency;
- the Company's plans to deploy advanced remote-control systems, optimise transport routes and further expand the use of electric locomotives;
- the Company's plans to develop markets for both its Premium and Standard semi-soft coking coal brands and pursuit of long-term supply offtake agreements with end users in China;
- the Company's expectations regarding the competitiveness of Mongolian coking coal in the Chinese market as a result of cross-border infrastructure improvements;
- the construction and operation of the Dry Coal Separation System at the Company's Ovoot Tolgoi Mine;
- the Company's outlook and objectives for 2026 and beyond (as more particularly described under "Outlook" of this press release); and
- other statements that are not historical facts.

Forward-looking information is based on certain factors and assumptions described below and elsewhere in this press release, including, among other things: the current mine plan for the Ovoot Tolgoi Mine; mining, production, construction and exploration activities at the Company's mineral properties; the costs relating to anticipated capital expenditures; the capacity and future toll rate of the paved highway; plans for the progress of mining license application processes; mining methods; the Company's anticipated business activities, planned expenditures and corporate strategies; the Company's ability to obtain requisite shareholder approval of the 2026 March Deferral Agreement; the construction and operation of the Dry Coal Separation System; management's business outlook, including the outlook for 2026 and beyond; currency exchange rates; operating, labour and fuel costs; the ability of the Company to raise additional financing; negotiating a constructive understanding and agreement with the Plenipotentiary Representative of the Mongolian Government; the anticipated royalties payable under Mongolia's royalty regime; the future coal market conditions in China and the related impact on the Company's margins and liquidity; geopolitical developments, including the Iran-US conflict, and their impact on energy and coal prices; supplier and contractor relationships and their willingness to continue providing services; and the anticipated demand for the Company's coal products; future coal prices, and the level of worldwide coal production. While the Company considers these assumptions to be reasonable based on the information currently available to it, they may prove to be incorrect. Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include, among other things: the uncertain nature of mining activities, actual capital and operating costs exceeding management's estimates; variations in mineral resource and mineral reserve estimates; failure of plant, equipment or processes to operate as anticipated; the possible impacts of changes in mine life, useful life or depreciation rates on depreciation expenses; risks associated with, or changes to regulatory requirements (including environmental regulations) and the ability to obtain all necessary regulatory approvals; the potential expansion of the list of licenses published by the Government of Mongolia covering areas in which exploration and mining are purportedly prohibited on certain of the Company's mining licenses; the Government of Mongolia designating any one or more of the Company's mineral projects in Mongolia as a Mineral Deposit of Strategic Importance; the Company's ability to successfully negotiate a constructive understanding and agreement with the Plenipotentiary Representative of the Mongolian Government; possible impact of changes to the inputs to the valuation model used to value the embedded derivatives in the Convertible Debenture; the risk of the Company or its subsidiaries default under its existing debt obligations, including the Convertible Debenture, the 2026 March Deferral Agreement and the 2025 Bank Loan; the impact of amendments to, or the application of, the laws of Mongolia, China and other countries in which the Company carries on business; modifications to existing practices so as to comply with any future permit conditions that may be imposed by regulators; delays in obtaining approvals and lease renewals; the risk of fluctuations in coal prices and changes in China and world economic conditions; customer credit risk; cash flow and liquidity risks; risks relating to the Company's decision to suspend activities relating to the development of the Ceke Logistics Park project, including the risk that its investment partner may initiate legal action against the Company for failing to comply with the underlying agreements governing project development; risks relating to the ability of the Company to enhance the operational efficiency and the output throughput of the washing facilities at Ovoot Tolgoi Mine and risks relating to the Company's ability to raise additional financing and to continue as a going concern. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

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

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

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