

SouthGobi Resources Ltd.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

to be held on June 28, 2018

and

MANAGEMENT PROXY CIRCULAR

DATED: May 14, 2018

TAKE ACTION AND VOTE TODAY

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

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

If you have any questions or require assistance with voting, please contact our proxy solicitation agent:

Laurel Hill Advisory Group:
North American Toll-Free Number: 1-877-452-7184
Collect Calls Outside North America: 416-304-0211
Email: assistance@laurehill.com

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SOUTHGOBI RESOURCES LTD.

**Notice of the annual meeting of Shareholders
to be held on June 28, 2018**

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of **SOUTHGOBI RESOURCES LTD.** (the “**Company**”) will be held at the offices of Dentons Canada LLP, 20th floor – 250 Howe Street, Vancouver, British Columbia, on Thursday, June 28, 2018 at 4:00 p.m. (Pacific daylight time) (the “**Meeting**”) for the following purposes:

1. to receive the report of the Board of Directors (the “**Board**”);
2. to receive the Company’s audited financial statements for the financial year ended December 31, 2017 and the auditors’ report thereon;
3. to appoint auditors for the Company for the ensuing year and to authorize the Board to fix the auditors’ remuneration;
4. to consider, and if thought advisable, to pass an ordinary resolution fixing the number of directors to be elected at the Meeting at seven (7);
5. to elect directors for the ensuing year; and
6. to consider, and if thought advisable, to pass an ordinary resolution reconfirming and approving all unallocated options, rights or other entitlements under the Company’s Employees’ and Directors’ Equity Incentive Plan (the “**Equity Incentive Plan**”) as required under the rules of the Toronto Stock Exchange and approving the maximum number of common shares issuable under the Equity Incentive Plan as required under the rules of The Stock Exchange of Hong Kong Limited, as more particularly described in the accompanying Management Proxy Circular dated May 14, 2018 (the “**Management Proxy Circular**”).

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

The Board has fixed April 30, 2018 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Meeting and at any adjournment thereof.

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

Notice-and-Access

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

Website Where Meeting Materials are Posted

The Notice-and-Access Provisions are a set of rules that allows reporting issuers to post electronic versions of proxy-related materials and annual financial statements (including the Management Proxy Circular) on-line, via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and one (1) other website, rather than mailing paper copies of such materials to shareholders. Electronic copies of the Management Proxy Circular, the annual audited consolidated financial statements of the Company for the year ended December 31, 2017 (the “**Financial Statements**”) and management’s discussion and analysis of the Company’s results of operations and financial condition for the year ended December 31, 2017 (the “**MD&A**”) may be found on the Company’s SEDAR profile at www.sedar.com and the Company’s website at www.southgobi.com. In relation to the Meeting, the notice package for all shareholders will include the Form of Proxy, this notice of the annual general meeting of shareholders and a supplemental return card (collectively, the “**Meeting Materials**”). The Meeting Materials for those shareholders with existing instructions on their account to receive printed materials and those shareholders with addresses outside of Canada and the United States will also include a printed copy of the Management Proxy Circular. All other shareholders will receive only the required notification documentation under the Notice-and-Access Provisions, which will not include a paper copy of the Management Proxy Circular.

Obtaining Paper Copies of Materials

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

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

A request for paper copies which are required in advance of the Meeting should be sent so that the request is received by the Company or the Transfer Agent, as applicable, by 4:00 p.m. (Pacific daylight time) on Tuesday, June 19, 2018 in order to allow sufficient time for shareholders to receive the paper copies and to return their proxies or voting instruction forms to intermediaries not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) prior to the time set for the Meeting or any adjournments or postponements thereof.

Voting

A Form of Proxy is enclosed herewith. Registered shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the enclosed Form of Proxy to AST Trust Company (Canada) in accordance with the instructions set out on the Form of Proxy and in the Management Proxy Circular. If you are voting your shares by proxy, AST Trust Company (Canada) must receive your completed Form of Proxy by 4:00 p.m. (Pacific daylight time) on Tuesday, June 26, 2018 (which is 7:00 a.m. (Hong Kong time) on Wednesday,

June 27, 2018), or 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) before any adjournment(s) or postponement(s) of the Meeting.

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

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

If you have any questions or require assistance in voting your proxy, please contact our proxy solicitation agent, Laurel Hill Advisory Group, at 1-877-452-7184 toll free in North America, or call collect outside North America at 416-304-0211, or by email at assistance@laurelhill.com.

DATED at Vancouver, British Columbia, Canada this 14th day of May, 2018.

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

"Allison Snetsinger"

Allison Snetsinger
Corporate Secretary

PLEASE VOTE PRIOR TO 4:00 P.M. (PDT) ON TUESDAY, JUNE 26, 2018

**Vote using the following methods
prior to the deadline.**



Email

Registered Shareholders
*Shares held in own name and
represented by a physical certificate.*

proxyvote@astfinancial.com
(English)

votezprocuracion@astfinancial.com
(French)

Non Registered Shareholders
*Shares held with a broker, bank or
other intermediary.*

Vote online at:
www.proxyvote.com



Telephone

North American Toll Free:
1-888-489-7352

Outside North America:
416-682-3860

Vote by telephone using the
number listed on voting
instruction form.



Mail

Return the proxy in the
enclosed envelope.

Return the voting instruction
form in the enclosed
envelope.

**QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO THE PROXY
SOLICITOR:**



NORTH AMERICAN TOLL-FREE: 1-877-452-7184
OUTSIDE NORTH AMERICA: 416-304-0211 (collect)
EMAIL: assistance@laurelhill.com

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Telephone: 604-762-6783

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is furnished to the holders (“**shareholders**”) of common shares (“**Common Shares**”) of SouthGobi Resources Ltd. (the “**Company**”) (TSX:SGQ) (HKEx:1878) by the Company’s management in connection with the solicitation of proxies to be voted at the annual meeting of shareholders (the “**Meeting**”) to be held at 4:00 p.m. (Pacific daylight time) on Thursday, June 28, 2018, at the offices of Dentons Canada LLP, 20th floor – 250 Howe Street, Vancouver, British Columbia, for the purposes set forth in the Notice of Meeting that accompanies this Management Proxy Circular. Unless otherwise stated, this Management Proxy Circular contains information current as of May 11, 2018, the last business day preceding the date of this Management Proxy Circular.

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

SOLICITATION OF PROXIES

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

This Management Proxy Circular, the accompanying notice of meeting dated May 14, 2018 (the “**Notice of Meeting**”) and the enclosed form of proxy solicited by management of the Company for the Meeting (the “**Form of Proxy**”) (collectively, the “**Meeting Materials**”) are being sent to shareholders using the notice-and-access provisions of National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”). The Meeting Materials for those shareholders with existing instructions on their account to receive paper copies and those shareholders with addresses outside of Canada and the United States will include a printed copy of this Management Proxy Circular. The Meeting Materials for all other shareholders will not include a printed copy of this Management Proxy Circular. The Meeting Materials are to be mailed to those shareholders on or about May 28, 2018.

All expenses incurred in connection with the preparation, printing and mailing of this Management Proxy Circular and the solicitation of proxies for use at the Meeting will be borne by the Company. In addition to solicitation by mail, the Company has also retained Laurel Hill Advisory Group (“**Laurel Hill**”) to provide the following services in connection with the Meeting:

developing and implementing shareholder communication and engagement strategies; solicitation of Shareholder proxies including contacting shareholders at by telephone; liaising with proxy advisory firms; providing input on this Circular, media releases and other forms of shareholder communication; recommending corporate governance best practices where applicable; and advising with respect to the Meeting and proxy protocol; and reporting and reviewing the tabulation of shareholder proxies. In connection with these services, Laurel Hill is expected to receive a fee of approximately Cdn\$30,000 plus taxes and reasonable out-of-pocket expenses. Shareholders with any questions or concerns regarding the information contained in this Management Proxy Circular are encouraged to contact Laurel Hill toll-free in North America at 1-877-452-7184 (outside of North America at 416-304-0211 collect) or by email at assistance@laurelhill.com.

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

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

VOTING OF PROXIES

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

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

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

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

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

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Most Intermediaries delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in the United States and in Canada. Broadridge typically mails a scannable Voting Instruction Form (“**VIF**”) instead of a Form of Proxy. Non-Registered Shareholders are asked to complete the VIF and return it to Broadridge by mail or facsimile. Alternatively, Non-Registered Shareholders may submit their votes by telephone or via the internet at www.proxyvote.com. The various voting methods will be set out by Broadridge on the VIF. In addition, the Company may utilize Broadridge’s QuickVote™ service to assist Non-Registered Shareholders with voting their Common Shares. Non-Registered Shareholders who have not objected to the Company knowing who they are (non-objecting beneficial owners), may be contacted by Laurel Hill Advisory Group to conveniently obtain a vote directly over the telephone.

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

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

The Meeting Materials are being sent to both registered shareholders and Non-Registered Shareholders. There are two (2) kinds of Non-Registered Shareholders: those who object to their names being made known to the Company, referred to as objecting beneficial owners (“**OBOs**”), and those who do not object to the Company knowing who they are, referred to as non-objecting beneficial owners (“**NOBOs**”).

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

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

APPOINTMENT AND REVOCATION OF PROXIES

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

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

- a) by facsimile to 1-416-368-2502 or 1-866-781-3111;
- b) by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1 Attn: Proxy Department;
- c) by hand to The Oceanic Plaza, Suite 1600 - 1066 Hastings Street, Vancouver, British Columbia, V6E 3X1 or Suite 1200 - 1 Toronto Street, Toronto, Ontario, M5C 2V6; or
- d) by email to: proxyvote@astfinancial.com (for proxy appointments in English) or votezprocuration@astfinancial.com (for proxy appointments in French),

and in each case must be received by the Transfer Agent by no later than 4:00 p.m. (Pacific daylight time) on Tuesday, June 26, 2018 (which is 7:00 a.m. (Hong Kong time) on Wednesday, June 27, 2018), or 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, British Columbia, Canada) before the Meeting or any postponement(s) or adjournment(s) thereof at which the instrument of proxy is to be used.

In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it:

- a) by depositing an instrument in writing executed by the shareholder or by the shareholder’s attorney authorized in writing:
 - i) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting or any postponement(s) or adjournment(s) thereof at which the proxy is to be used; or
 - ii) with the Chair of the Meeting on the day of the Meeting or any postponement(s) or adjournment(s) thereof.

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

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

VOTING SHARES AND RECORD DATE

Voting Shares

The Company has an authorized share capital consisting of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value (“**Preferred Shares**”). As of the close of business on April 30, 2018 (the “**Record Date**”), 272,648,738 Common Shares were issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding. Each outstanding Common Share is entitled to one (1) vote on each item of business to be considered at the Meeting.

Record Date

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

VOTES NECESSARY TO PASS RESOLUTIONS

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

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

Holders of Common Shares are entitled, and will be asked, to elect directors and appoint auditors of the Company for the ensuing year. If there are more nominees for election as directors or for appointment as the Company’s auditors than there are vacancies to fill such positions, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation, subject to the Company’s Majority Voting Policy (see the heading entitled “*Majority Voting Policy*” below).

PRINCIPAL HOLDERS OF VOTING SHARES

The following table sets forth information as of May 11, 2018, with respect to:

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

Name or Group and Municipality of Residence	Type of Ownership	Number of Issued Shares Owned ⁽¹⁾	% of Shares Outstanding
China Investment Corporation ⁽²⁾ Beijing, China	Indirect	64,766,591	23.75%
China Cinda Asset Management Co., Limited ⁽³⁾ Beijing, China	Indirect	46,358,978	17.00%
Voyage Wisdom Limited ⁽⁴⁾ British Virgin Islands	Direct	25,768,162	9.45%
Directors & executive officers as a group	Indirect	25,768,162 ⁽⁵⁾	9.45%

Notes:

- (1) The information as to Common Shares beneficially owned or controlled or directed that is not within the knowledge of the Company, its Directors or its officers has been furnished by the applicable shareholders or has been extracted from public filings.
- (2) China Investment Corporation (“**CIC**”) holds its Common Shares through Land Breeze II S.à.r.l. (“**CIC Subco**”). Pursuant to the terms of a convertible debenture issued by the Company to CIC on October 26, 2009 and subsequently assigned by CIC to CIC Subco (the “**Convertible Debenture**”), and, subject to certain exceptions, while the Convertible Debenture is outstanding or while CIC Subco beneficially owns directly or indirectly 15% of the outstanding Common Shares, CIC Subco has a pre-emptive right to subscribe for any new Common Shares offered by the Company (on a pro rata basis).
- (3) China Cinda Asset Management Co., Limited holds its Common Shares through Novel Sunrise Investments Limited (“**Novel Sunrise**”). Subject to certain exceptions, for as long as Novel Sunrise and its affiliates own, directly or indirectly, 10% or more of the outstanding Common Shares, Novel Sunrise has a pre-emptive right to subscribe for any Common Shares, equity securities of the Company or securities convertible into Common Shares or equity securities of the Company, offered by the Company (on a pro rata basis).
- (4) Voyage Wisdom Limited (“**Voyage**”) is a private company owned by Messrs. Aminbuhe, Yulan Guo and Ningqiao Li, of whom, Mr. Guo is a current Director and executive officer of the Company, Mr. Aminbuhe is a current Director of the Company and Mr. Li is the former Executive Chairman and Director of the Company. Messrs. Aminbuhe and Guo will not be standing for re-election as management nominees at the Meeting. Voyage acquired approximately 25.8 million Common Shares from Novel Sunrise effective as of December 31, 2016 by exercising a call right under an option agreement dated April 15, 2016 for a total purchase price of US\$24 million.
- (5) The number of Common Shares held by directors and executive officers as a group is comprised exclusively of the Common Shares acquired by Voyage as described in footnote 4 above. Common Shares held by the Directors and executive officers as a group do not include the 1,750,000 Common Shares issuable upon the exercise of incentive stock options held, in aggregate, by the Directors and executive officers.

ELECTION OF DIRECTORS

Fixing the Number of Directors

The Articles provide that the number of Directors is the greater of three (3) and the number fixed by ordinary resolution. At the Meeting, the Company’s board of Directors (the “**Board**”) is requesting that shareholders pass an ordinary resolution fixing the number of Directors at seven (7).

Term of Office

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

Majority Voting Policy

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

Contractual Director Nomination Rights

Novel Sunrise

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

CIC

In connection with the issuance of the Convertible Debenture, the Company, Turquoise Hill Resources Ltd. ("**Turquoise Hill**") and CIC also entered into a securityholders' agreement (the "**Securityholders' Agreement**"), pursuant to which CIC is entitled, but not obligated, to

nominate one (1) individual for appointment or election to the Board for as long as the Convertible Debenture remains outstanding or CIC beneficially owns directly or indirectly 15% of the outstanding Common Shares. Pursuant to the Securityholders' Agreement, CIC has nominated Mr. Wen Yao as its nominee for election as a Director at this Meeting. See "*Election of Directors – Director Nominees*" below.

Director Nominees

The following tables set out the names of management's, Novel Sunrise's and CIC's nominees for election as Directors, their ages, all major offices and positions with the Company each nominee now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a Director, the number of Common Shares beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at May 11, 2018, and the number of options to purchase Common Shares held by each as at May 11, 2018.

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

<p>Zhiwei Chen Hong Kong, China Age: 34</p> <p>Director Since: April 2018</p> <p>Areas of Expertise: Managing/Leading Growth International CEO/Senior Officer Compensation Governance/Board Financial Acumen Diversity Marketing Environmental/Safety/Corporate Responsibility Legal</p>	<p>Mr. Chen joined the Board on April 13, 2018. Mr. Chen has over 10 years' of investment and research experience in the finance industry. Mr. Chen is the Assistant General Manager and Managing Director of the investment department for China Cinda (HK) Asset Management Company ("Cinda HK"), responsible for managing its investment and financing businesses. Prior to joining Cinda HK in 2010, Mr. Chen was the Executive Assistant to the Chairman of TIG Group in Singapore between 2007 and 2010 and was responsible for TIG Group's private equity investment business in the Greater China region.</p> <p>Mr. Chen graduated from Tsinghua University with a Bachelor's degree in Economics in 2004. In 2009, Mr. Chen obtained his Master's degree in Science (Estate Management) from the National University of Singapore. Between 2005 and 2007, Mr. Chen was a research scholar at the National University of Singapore.</p> <p>Mr. Chen is a member of the Canadian Institute of Corporate Directors.</p>			
<p>Principal Occupation, Business or Employment⁽¹⁾</p>				
<p>Assistant General Manager and Managing Director of Cinda HK (January 2010 – present).</p>				
<p>Director Status: Non-Independent⁽³⁾</p>		<p>2017 Attendance:</p>		
<p>Board/Committee Membership:⁽⁶⁾</p>		<p>Other Public Company Board Membership:</p>		
<p>Board of Directors</p>	<p>n/a</p>	<p>n/a</p>	<p>Modern Land (China) Co., Limited (HKEx)</p>	<p>2016</p>
<p></p>	<p></p>	<p></p>	<p>China Fortune Financial Group (HKEx)</p>	<p>2018</p>
<p>Common Shares Beneficially Owned, Controlled or Directed: ^{(1)/(2)}</p>				
<p>Year</p>	<p>Common Shares</p>	<p>Total Market Value of Common Shares ⁽⁴⁾</p>	<p>Common Shares ⁽⁴⁾</p>	<p>Unexercised Options ⁽⁵⁾</p>
<p>2018</p>	<p>Nil</p>	<p>Nil</p>	<p>Nil</p>	<p>Nil</p>
<p>2017</p>	<p>Nil</p>	<p>Nil</p>	<p>Nil</p>	<p>Nil</p>
<p>Options Held:</p>				
<p>Date Granted</p>	<p>Expiry Date</p>	<p>Number Granted</p>	<p>Vested/Unvested</p>	<p>Cdn\$ Exercise Price</p>
<p>n/a</p>	<p>n/a</p>	<p>n/a</p>	<p>n/a</p>	<p>n/a</p>
<p>Total Unexercised</p>			<p>Value of Unexercised Options ⁽⁵⁾</p>	
<p>n/a</p>			<p>n/a</p>	

<p>Lan Cheng Beijing, China Age: 37</p> <p>Director Since: N/A</p> <p>Areas of Experience: Managing/Leading Growth International Exploration Compensation Financial Acumen Diversity Marketing Environmental/Safety/Corporate Responsibility Legal Technical Mining Expertise</p>	<p>Ms. Cheng is currently a Vice President of CIC Capital Corporation ("CIC Capital"), a wholly owned subsidiary of China Investment Corporation ("CIC") and is responsible for evaluating investment opportunities in the metals and mining industry and management of CIC Capital's existing portfolio assets in the same sector. Prior to joining CIC Capital in 2015, Ms. Cheng was a Senior Commercial Specialist at Chinalco Rio Tinto Exploration Company and responsible for sourcing, evaluating and negotiating investment opportunities in the mining sector. Ms. Cheng has almost 10 years' experience working for various mining companies including Centerra Gold Inc., Sino Gold Mining Ltd. and Gold Fields Limited. In these companies, Ms. Cheng successfully sourced key opportunities for those companies and gained experience in evaluating opportunities from both technical and economic aspects.</p> <p>Ms. Cheng graduated from China University of Geosciences (Beijing), majoring in Economic Geology.</p>															
<p>Principal Occupation, Business or Employment⁽¹⁾</p>																
<p>Vice President of CIC Capital (2015 – present).</p>																
<p>Director Status: Non-Independent⁽³⁾ Board/Committee Memberships:⁽⁷⁾</p>	<p>2017 Attendance:</p> <table border="1"> <tr> <td data-bbox="722 1342 762 1572">Board of Directors</td> <td data-bbox="722 1135 762 1342">n/a</td> <td data-bbox="722 928 762 1135">n/a</td> <td data-bbox="722 721 762 928">n/a</td> </tr> </table>	Board of Directors	n/a	n/a	n/a											
Board of Directors	n/a	n/a	n/a													
<p>Other Public Company Board Memberships:</p> <table border="1"> <tr> <td data-bbox="810 1342 850 1572"></td> <td data-bbox="810 1135 850 1342"></td> <td data-bbox="810 928 850 1135">Company:</td> <td data-bbox="810 721 850 928">Since:</td> </tr> </table>				Company:	Since:											
		Company:	Since:													
<p>Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾</p>																
<p>Year</p>	<table border="1"> <tr> <td data-bbox="890 1342 927 1572">Common Shares</td> <td data-bbox="890 1135 927 1342">Total Market Value of Common Shares ⁽⁴⁾</td> <td data-bbox="890 928 927 1135">Common Shares ⁽⁴⁾</td> <td data-bbox="890 721 927 928">Unexercised Options ⁽⁵⁾</td> <td data-bbox="890 513 927 721">Total</td> </tr> <tr> <td data-bbox="890 306 927 513">2018</td> <td data-bbox="890 149 927 306">Nil</td> <td data-bbox="890 513 927 721">Nil</td> <td data-bbox="890 721 927 928">Nil</td> <td data-bbox="890 928 927 1135">Nil</td> </tr> <tr> <td data-bbox="890 306 927 513">2017</td> <td data-bbox="890 149 927 306">Nil</td> <td data-bbox="890 513 927 721">Nil</td> <td data-bbox="890 721 927 928">Nil</td> <td data-bbox="890 928 927 1135">Nil</td> </tr> </table>	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total	2018	Nil	Nil	Nil	Nil	2017	Nil	Nil	Nil	Nil
Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total												
2018	Nil	Nil	Nil	Nil												
2017	Nil	Nil	Nil	Nil												
<p>Options Held:</p> <table border="1"> <tr> <td data-bbox="927 1342 967 1572">Date Granted</td> <td data-bbox="927 1135 967 1342">Expiry Date</td> <td data-bbox="927 928 967 1135">Number Granted</td> <td data-bbox="927 721 967 928">Vested/Unvested</td> <td data-bbox="927 513 967 721">Cdn\$ Exercise Price</td> <td data-bbox="927 306 967 513">Total Unexercised</td> <td data-bbox="927 149 967 306">Value of Unexercised Options ⁽⁶⁾</td> </tr> <tr> <td data-bbox="927 1135 967 1342">n/a</td> <td data-bbox="927 928 967 1135">n/a</td> <td data-bbox="927 721 967 928">n/a</td> <td data-bbox="927 513 967 721">n/a</td> <td data-bbox="927 306 967 513">n/a</td> <td data-bbox="927 149 967 306">n/a</td> <td data-bbox="927 149 967 306">n/a</td> </tr> </table>		Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁶⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁶⁾										
n/a	n/a	n/a	n/a	n/a	n/a	n/a										

<p>Yingbin Ian He North Vancouver, Canada Age: 56</p> <p>Director Since: May 2017</p> <p>Areas of Experience: Managing/Leading Growth International CEO/Senior Officer Exploration Compensation Governance/Board Financial Acumen Diversity Marketing Environmental/Safety/Corporate Responsibility Technical Mining Expertise Mongolia Coal Mining Industry</p>	<p>Mr. He joined the Board on May 16, 2017 as an Independent Non-Executive Director.</p> <p>Mr. He has had a long career in the mining industry spanning over 30 years, with extensive senior executive and board experience. Mr. He is an independent non-executive director of China Gold International Resources Corp. Ltd., a company dually listed on the Toronto and Hong Kong stock exchanges, the non-executive Chairman of Vatakoula Gold Mines Plc which was previously listed on the AIM of the London Stock Exchange, a director and President of Tri-River Ventures Inc., which is listed on the TSX Venture Exchange, and a director of Zhongrun Resources Investment Corporation, a resources investment company listed on Shenzhen Stock Exchange. In his early career, Mr. He worked as a mineral process engineer and coal preparation engineer in Canadian mining companies and an engineering consulting company.</p> <p>Mr. He obtained his Doctoral and Master degrees in Mineral Process Engineering from the University of British Columbia and his Bachelor degree in Coal Preparation from Heilongjiang Institute of Mining and Technology (now known as the Heilongjiang University of Technology) in China. Mr. He is a member of the Canadian Institute of Mining, Metallurgy and Petroleum and the Canadian Institute of Corporate Directors.</p>		
<p>Principal Occupation, Business or Employment⁽¹⁾</p>			
<p>President of Tri-River Ventures Inc. (2007 - present).</p>			
<p>Director Status: Independent⁽³⁾</p>		<p>Other Public Company Board Membership:</p>	
<p>Board/Committee Memberships:⁽⁶⁾</p>	<p>2017 Attendance:</p>	<p>Company:</p>	<p>Since:</p>
<p>Board of Directors</p>	<p>6 of 9</p>	<p>China Gold International Resources Corp. (TSX and HKEx)</p>	<p>2000</p>
<p>Audit</p>	<p>2 of 2</p>	<p>Tri-River Ventures Inc. (TSX Venture Exchange)</p>	<p>2006</p>
<p>Compensation & Benefits</p>	<p>2 of 2</p>	<p>Zhongrun Resources Investment Corporation (Shenzhen Stock Exchange)</p>	<p>2011</p>
<p>Nominating & Corporate Governance (Chair)</p>	<p>4 of 5</p>		
<p>Special Committee</p>	<p>2 of 2</p>		
<p>Total:</p>	<p>16 of 20</p>		
<p>Common Shares Beneficially Owned, Controlled or Directed:⁽¹⁾⁽²⁾</p>			
<p>Year</p>	<p>Common Shares</p>	<p>Total Market Value of Common Shares⁽⁴⁾</p>	<p>Value of Equity at Risk:</p>
<p>2018</p>	<p>Nil</p>	<p>Nil</p>	<p>Common Shares⁽⁴⁾</p>
<p>2017</p>	<p>Nil</p>	<p>Nil</p>	<p>Unexercised Options⁽⁵⁾</p>
<p>Options Held:</p>	<p>Number Granted</p>	<p>Vested/Unvested</p>	<p>Total Unexercised</p>
<p>Date Granted</p>	<p>Expiry Date</p>	<p>Cdn\$ Exercise Price</p>	<p>Value of Unexercised Options⁽⁵⁾</p>
<p>June 5, 2017</p>	<p>June 5, 2022</p>	<p>0.39</p>	<p>Nil</p>
<p>June 30, 2017</p>	<p>June 30, 2022</p>	<p>0.33</p>	<p>Nil</p>

<p>Xiaoxiao Li Hong Kong, China Age: 29</p> <p>Director Since: April 2018</p> <p>Areas of Expertise: Managing/Leading Growth International CEO/Senior Officer Governance/Board Financial Acumen Diversity Marketing Environmental/Safety/Corporate Responsibility Legal</p>	<p>Mr. Li joined the Board on April 13, 2018. Mr. Li joined Cinda HK in 2016 as an Investment Director and is responsible for sourcing and execution of private and secondary market transactions valuing in excess of over HK\$ 1 billion. From February 2015 to July 2016, Mr. Li was an Investment Manager at Dingyi Group Investment Limited, responsible for evaluating and executing investment opportunities in both primary and secondary markets. Prior to joining Dingyi Group Investment Limited, Mr. Li was a Global Banking and Transaction Associate at Intesa Sanpaolo S.p.A. (New York Branch), responsible for execution of various corporate banking transactions on a bilateral basis or participation in syndications.</p> <p>Mr. Li is a certified public accountant in the State of New York and graduated with a Bachelor of Science in Accounting and Finance from the Marshall School of Business at the University of Southern California located in Los Angeles, California. Mr. Li is a member of the Canadian Institute of Corporate Directors.</p>			
Principal Occupation, Business or Employment⁽¹⁾				
Investment Director at Cinda HK (July 2016 – present); Investment Manager at Dingyi Group Investment Limited (February 2015 – July 2016); Global Banking and Transaction Associate at Intesa Sanpaolo S.p.A. (August 2013 – January 2015).				
<p>Director Status: Non-Independent⁽³⁾ Board/Committee Membership:⁽⁹⁾ n/a</p>	<p>2017 Attendance: n/a</p>	<p>Other Public Company Board Membership: Company: Since:</p>		
	n/a	n/a		
Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾				
Year	Total Market Value of Common Shares ⁽⁴⁾	Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾	Total
2018	Nil	Nil	Nil	Nil
2017	Nil	Nil	Nil	Nil
Options Held:				
Date Granted	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised
n/a	n/a	n/a	n/a	n/a
			Total Unexercised	Value of Unexercised Options ⁽⁶⁾
			n/a	n/a

<p>Jin Lan Quan Sydney, Australia Age: 55</p> <p>Director Since: August 2015</p> <p>Areas of Expertise: Compensation Financial Acumen Governance/Board International Business Managing/Leading Growth</p>	<p>Ms. Quan joined the Board on August 6, 2015 as an Independent Non-Executive Director.</p> <p>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 Arthur Anderson in Sydney, Australia. Ms. Quan has extensive experiences in financial consulting services with specialist skills in external auditing, internal audit structuring, corporate financing and risk management and business acquisition.</p> <p>Ms. Quan is a certified public accountant of China and a member of the Chinese Institute of Certified Public Accountants. She is also a Fellow of the Association of Chartered Certified Accountants of United Kingdom and a member of the Canadian Institute of Corporate Directors.</p>		
<p>Principal Occupation, Business or Employment⁽¹⁾</p>			
<p>Financial Planner and Business Consultant, J&Q Investments Pty Ltd. (2004 – present).</p>			
<p>Director Status: Independent⁽³⁾</p>		<p>Other Public Company Board Membership:</p>	
<p>Board/Committee Membership:⁽¹⁰⁾</p>		<p>2017 Attendance:</p>	
<p>Board of Directors</p>	<p>10 of 11</p>	<p>91%</p>	<p>n/a</p>
<p>Audit</p>	<p>4 of 4</p>	<p>100%</p>	
<p>Nominating & Corporate Governance</p>	<p>8 of 9</p>	<p>89%</p>	
<p>Compensation & Benefits</p>	<p>5 of 5</p>	<p>100%</p>	
<p>Special Committee</p>	<p>2 of 2</p>	<p>100%</p>	
<p>Total:</p>	<p>29 of 31</p>	<p>94%</p>	
<p>Common Shares Beneficially Owned, Controlled or Directed:⁽¹⁾⁽²⁾</p>			
<p>Year</p>	<p>Common Shares</p>	<p>Total Market Value of Common Shares⁽⁴⁾</p>	<p>Value of Equity at Risk:</p>
<p>2018</p>	<p>Nil</p>	<p>Nil</p>	<p>Common Shares⁽⁴⁾</p>
<p>2017</p>	<p>Nil</p>	<p>Nil</p>	<p>Unexercised Options⁽⁵⁾</p>
<p>Options Held:</p>	<p>Expiry Date</p>	<p>Number Granted</p>	<p>Cdn\$ Exercise Price</p>
<p>December 14, 2015</p>	<p>December 14, 2020</p>	<p>100,000</p>	<p>0.29</p>
<p>November 16, 2016</p>	<p>November 16, 2021</p>	<p>150,000</p>	<p>0.33</p>
<p>June 30, 2017</p>	<p>June 30, 2022</p>	<p>150,000</p>	<p>0.33</p>
<p>Total</p>	<p>Total Unexercised</p>	<p>Value of Unexercised Options⁽⁵⁾</p>	<p>Total</p>
<p>Nil</p>	<p>Nil</p>	<p>Nil</p>	<p>Nil</p>
<p>Nil</p>	<p>100,000 / Nil</p>	<p>100,000</p>	<p>Nil</p>
<p>Nil</p>	<p>75,000 / 75,000</p>	<p>150,000</p>	<p>Nil</p>
<p>Nil</p>	<p>Nil / 150,000</p>	<p>150,000</p>	<p>Nil</p>

Mao Sun
 Richmond, B.C., Canada
 Age: 41

Director Since: November 2015

Areas of Expertise:
 International Mining Industry
 Compensation
 Financial Acumen
 Governance/Board
 Managing/Leading Growth

Mr. Sun joined the Board on November 5, 2015 as an Independent Non-Executive Director and was appointed as Interim Lead Director on August 16, 2016.

Mr. Sun is the founding partner of Mao & Ying LLP, a private accounting firm offering tax, assurance and management consulting services.

Mr. Sun has over 15 years of experience in the accounting sector and has extensive knowledge of Canadian accounting standards, International Financial Reporting Standards and Canadian taxation laws. Mr. Sun has extensive experience with Canadian listed companies. Since 2014, Mr. Sun has been the chief financial officer of HFX Holding Corp and has been a director of China Minerals Mining Corporation since 2017. Mr. Sun was a director and chairman of audit committee of Yalian Steel Corporation from 2012 to 2013. Prior to founding Mao & Ying LLP, Mr. Sun was the audit manager in Vancouver office of KPMG, an internationally recognized accounting firm.

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

Principal Occupation, Business or Employment ⁽¹⁾		
Founding partner, Mao & Ying LLP (October 2009 - present).		
Director Status: Independent ⁽³⁾ Board/Committee Memberships: ⁽¹¹⁾	2017 Attendance:	Other Public Company Board Memberships:
Board of Directors (Interim Lead Director)	11 of 11	China Minerals Mining Corporation (TSX Venture Exchange)
Audit (Chair)	4 of 4	
Nominating & Corporate Governance	9 of 9	
Compensation & Benefits	5 of 5	
Special Committee	2 of 2	
Total:	31 of 31	

Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾						
Year	Common Shares	Total Market Value of Common Shares ⁽⁴⁾	Value of Equity at Risk:			
			Common Shares ⁽⁴⁾	Unexercised Options ⁽⁵⁾		
2018	Nil	Nil	Nil	Nil		
2017	Nil	Nil	Nil	Nil		
Options Held:						
Date Granted	Expiry Date	Number Granted	Vested/Unvested	Cdn\$ Exercise Price	Total Unexercised	Value of Unexercised Options ⁽⁵⁾
December 14, 2015	December 14, 2020	100,000	100,000 / Nil	0.29	100,000	Nil
November 16, 2016	November 16, 2021	200,000	100,000 / 100,000	0.33	200,000	Nil
June 30, 2017	June 30, 2022	200,000	Nil / 200,000	0.33	200,000	Nil

<p>Wen Yao Beijing, PRC Age: 48</p> <p>Director Since: May 2017</p> <p>Areas of Experience: Managing/Leading Growth International CEO/Senior Officer Compensation Governance/Board Financial Acumen Diversity Marketing Environmental/Safety/Corporate Responsibility Legal Mongolia Coal Mining Industry</p>	<p>Mr. Yao joined the Board on May 18, 2017. Mr. Yao is currently a Managing Director of CIC Capital, a wholly owned subsidiary of CIC and is responsible for CIC Capital's global investment in the metals and mining industry and management of its existing portfolio assets in the same sector. Prior to joining CIC Capital in 2015, Mr. Yao was a Managing Director of the Legal and Compliance Department at CIC. He has extensive experience and knowledge of legal matters relating to investments in public and private companies, post-investment management and compliance, risk management, corporate governance policies and various corporate matters. Preceding Mr. Yao joining CIC in 2010, he was in private practice at leading international law firms in the United States and the United Kingdom, representing public and private companies in a variety of industries, mergers and acquisitions, private equity investments and financings, venture capital financings, strategic alliance and joint venture transactions, public and private offerings, and cross-border transactions.</p> <p>Mr. Yao received his Master of Business Administration and Juris Doctor degrees from Kellogg School of Management and Pritzker School of Law of Northwestern University in the United States, respectively. Mr. Yao is a member of the Canadian Institute of Corporate Directors.</p>
<p>Principal Occupation, Business or Employment⁽¹⁾</p>	
<p>Managing Director and heading of mining of CIC Capital (2015 – present); Managing Director of the Legal and Compliance Department of CIC (2010 – 2015).</p>	
<p>Director Status: Non-Independent Board/Committee Membership:</p>	<p>2017 Attendance:</p>
<p>Board of Directors</p> <p>Total:</p>	<p>6 of 8 6 of 8</p> <p>75% 75%</p>
<p>Other Public Company Board Membership:</p>	
<p>Board of Directors</p>	<p>Company: PT Bumi Resources Tbk. (IDX)</p> <p>Since: 2017</p>
<p>Common Shares Beneficially Owned, Controlled or Directed: ⁽¹⁾⁽²⁾</p>	
<p>Year</p>	<p>Total Market Value of Common Shares ⁽⁴⁾</p>
<p>2018</p>	<p>Nil</p>
<p>2017</p>	<p>Nil</p>
<p>Options Held:</p>	
<p>Date Granted</p>	<p>Number Granted</p>
<p>n/a</p>	<p>n/a</p>
<p>Expiry Date</p>	<p>Vested/Unvested</p>
<p>n/a</p>	<p>n/a</p>
<p>Common Shares</p>	<p>Common Shares ⁽⁴⁾</p>
<p>Nil</p>	<p>Nil</p>
<p>Nil</p>	<p>Nil</p>
<p>Value of Equity at Risk:</p>	
<p>Common Shares</p>	<p>Unexercised Options ⁽⁵⁾</p>
<p>Nil</p>	<p>Nil</p>
<p>Nil</p>	<p>Nil</p>
<p>Total</p>	
<p>Value of Unexercised Options ⁽⁵⁾</p>	
<p>n/a</p>	

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned, controlled or directed by a nominee is not within the knowledge of the management of the Company and has been furnished by the nominee.
- (2) Does not include unissued Common Shares issuable upon the exercise of incentive stock options.
- (3) “Independent” refers to the standards of independence established under Canadian Securities Administrators’ National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”).
- (4) “Total Market Value” is calculated by multiplying the Canadian dollar closing price of the Common Shares on the Toronto Stock Exchange (“**TSX**”) on each of May 11, 2018 (being Cdn\$0.13 per Common Share) and May 11, 2017 (being \$0.32 per Common Share), respectively, by the number of Common Shares held by the nominee as of those dates and converted to U.S. dollars at the respective spot rates as published by the Bank of Canada.
- (5) The “Value of Unexercised Options” is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on May 11, 2018 (being Cdn\$0.13 per Common Share) and the exercise price of the options multiplied by the number of unexercised options, vested and unvested and converted to US\$ at the respective spot rates as published by the Bank of Canada.
- (6) Mr. Chen was appointed to the Board on April 13, 2018. Mr. Chen has been nominated for election as a Director of the Company at the Meeting by Novel Sunrise pursuant to a contractual nomination right granted to Novel Sunrise in connection with the Novel Sunrise Agreement (see the section entitled “*Contractual Director Nomination Rights*” in this Management Proxy Circular).
- (7) Ms. Cheng is not currently a member of the Board, but has been nominated for election as a Director of the Company at the Meeting by management.
- (8) Mr. He was appointed to the Board on May 16, 2017 and was concurrently appointed to the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee. Mr. He was appointed to the Special Committee on November 16, 2017. See “*Other Board Committees – Ad Hoc / Special Committee*” in this Management Proxy Circular.
- (9) Mr. Li was appointed to the Board on April 13, 2018. Mr. Li has been nominated for election as a Director of the Company at the Meeting by Novel Sunrise pursuant to a contractual nomination right granted to Novel Sunrise in connection with the Novel Sunrise Agreement (see the section entitled “*Contractual Director Nomination Rights*” in this Management Proxy Circular).
- (10) Ms. Quan was appointed to the Special Committee on November 16, 2017. See “*Other Board Committees – Ad Hoc / Special Committee*” in this Management Proxy Circular.
- (11) Mr. Sun was appointed to the Health, Environment, Safety and Social Responsibility Committee on April 1, 2018. Mr. Sun was appointed to the Special Committee on November 16, 2017. See “*Other Board Committees*” in this Management Proxy Circular.
- (12) Mr. Yao was appointed to the Board on May 18, 2017. Mr. Yao has been nominated for election as a Director of the Company at the Meeting by CIC pursuant to a contractual nomination right granted to CIC in connection with the Convertible Debenture (see the section entitled “*Contractual Director Nomination Rights*” in this Management Proxy Circular).

Summary of Board and Committee Meetings Held

The following table summarizes the number of Board and committee meetings held during the year ended December 31, 2017:

Board	11
Audit Committee	4
Compensation and Benefits Committee	5
Nominating and Corporate Governance Committee	9
Health, Environment, Safety and Social Responsibility Committee	2
Special Committee	2

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

In 2017, there were 10 written resolutions passed by the Directors, one (1) written resolution passed by each of the Audit and Nominating and Corporate Governance Committees, three (3) written resolutions passed by the Compensation & Benefits Committee (the “**Compensation Committee**”). No written resolutions were passed by the Health, Environment, Safety and Social Responsibility Committee (the “**HESS Committee**”) or the Special Committee in 2017. Resolutions in writing must be executed by all of the members of the Board or the committee, as applicable, entitled to vote on a matter in order to be effective.

BOARD OF DIRECTORS

Directors and Officers Insurance

The Company has purchased directors’ and officers’ liability insurance with aggregate coverage in the amount of US\$10 million. The aggregate premium paid in respect of this insurance coverage in 2017 was approximately US\$33,000. The coverage has a deductible of US\$250,000.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

- a) is, as at the date of this Management Proxy Circular, or has been, within 10 years before the date of this Management Proxy Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity,
 - i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any

exemption under securities legislation, for a period of more than thirty consecutive days; or

- iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- b) has, within the 10 years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed Director; or
- c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed Director.

Mr. Yingbin Ian He, a nominee for Director at the Meeting, was previously a director of Huaxing Machinery Corp. (“**Huaxing**”) from January 2011 to January 2017. On February 26, 2015, the 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.

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

APPOINTMENT OF AUDITORS

Shareholders will be requested to appoint PricewaterhouseCoopers LLP, Chartered Accountants, Vancouver, British Columbia (“**PwC**”) as auditors of the Company to hold office until the next annual meeting of shareholders and to authorize the Directors to fix their remuneration and the terms of their engagement.

Under the BCBCA, the appointment of PwC must be approved by an ordinary resolution at the Meeting.

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

Pre-Approval Policies and Procedures

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

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

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

Pursuant to these procedures, 100% of each of the services provided by the Company's external auditors relating to the fees reported as audit, audit-related, tax and all other fees during 2017 were pre-approved by the Audit Committee or the Designated Member.

APPROVALS RELATING TO THE EQUITY INCENTIVE PLAN

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

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

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

The Board approved all unallocated options, rights or other entitlements under the Equity Incentive Plan at a meeting of the Board held on May 13, 2018.

The Equity Incentive Plan was most recently confirmed and approved by an ordinary resolution at the annual meeting of shareholders of the Company held on August 6, 2015. Accordingly, at the Meeting, shareholders will be asked to consider, and if thought advisable, approve an ordinary resolution (the “**Equity Incentive Plan Resolution**”) approving all the unallocated options, rights or other entitlements under the Equity Incentive Plan and setting the maximum number of Common Shares which may be allocated for issuance under the Equity Incentive Plan at such amount equal to 10% of the number of Common Shares issued and outstanding as of the date of the Meeting.

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

“BE IT RESOLVED that:

1. The unallocated options, rights and other entitlements under the Employee’s and Directors’ Equity Incentive Plan (the “**Equity Incentive Plan**”) of SouthGobi Resources Ltd. (the “**Company**”) are hereby reconfirmed and approved.
2. The Company shall have the ability to continue granting unallocated options, rights and other entitlements under the Equity Incentive Plan until June 28, 2021, the date that is three (3) years from the date of the shareholder meeting at which shareholder approval is being sought.
3. The maximum number of common shares in the capital of the Company which may be allocated for issuance under the Equity Incentive Plan shall be set at such number of common shares equal to 10% of the number of common shares issued and outstanding in the capital of the Company as of the date of the shareholder meeting at which shareholder approval is being sought.
4. Any officer of the Company be and is hereby authorized, for and on behalf of the Company, to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such officer the Company may consider to be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity or desirability to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions.

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

If shareholders do not approve the Equity Incentive Plan Resolution at the Meeting, (i) the Company will not be permitted to grant further options under the Equity Incentive Plan until such time as the required shareholder approval may be obtained and (ii) all options that have already been allocated and granted under the Equity Incentive Plan as of the date of the Meeting that have not yet been exercised will continue unaffected in accordance with their current terms.

If shareholders approve the Equity Incentive Plan Resolution at the Meeting, the Company will subsequently be required to seek the approval of shareholders no later than June 28, 2021 with respect to unallocated options, rights or other entitlement in existence under the Equity Incentive Plan at that time.

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

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

OTHER BUSINESS

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

STATEMENT OF EXECUTIVE COMPENSATION

In accordance with the requirements of applicable securities legislation in Canada, the following executive compensation disclosure is provided in respect of (a) each person who served as the Company's Chief Executive Officer (the "CEO") or Chief Financial Officer (the "CFO") during the 2017 fiscal year, (b) each of the three most highly compensated executive officers of the Company and its subsidiaries whose annual aggregate compensation for the 2017 fiscal year exceeded Cdn\$150,000; and (c) each individual who would be included under (b) above but for the fact such individual was not an executive officer of the Company or its subsidiaries at the end of the financial year (collectively (a), (b) and (c), the "NEOs"). For the Company's 2017 fiscal year, the Company's NEOs were:

- Mr. Yulan Guo, Executive Director and CFO of the Company;
- Mr. Bing Wang, interim CEO of the Company;
- Mr. Aminbuhe, the former Executive Chairman and CEO of the Company;
- Mr. Alan Ho, the Controller of the Company; and
- Mr. Zhai Yan, the Company's Director of Marketing.

COMPENSATION DISCUSSION AND ANALYSIS

Overview for 2017

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

- The Board, through the Compensation Committee (comprised solely of independent directors), is committed to the transparent presentation of its compensation program.
- The three principal elements that make up the compensation program are: base salary, performance bonus and long term incentives.
- In the normal course, total executive compensation for NEOs (salary, cash bonus and stock options) is targeted at between the median and the top quartile of market.

- In the normal course, annual incentive bonuses are based on achievement of short-term goals and other strategic objectives, both personal and corporate.
- Stock options have traditionally been awarded on an annual basis and grants are based on a number of factors, including individual and corporate performance, retention considerations, and performance motivation.

Compensation and Benefits Committee

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

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

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

All Compensation Committee members are independent Directors, based on the standards established under NI 58-101. The Compensation Committee met five (5) times during the fiscal 2017 year. As at the end of fiscal 2017 year, the Compensation Committee was made up of the following members, all of whom have experience in dealing with compensation matters:

Name	Experience
Zhu Liu ⁽¹⁾ (Chair)	Mr. Liu has served on the Compensation Committee since August 31, 2015 and was appointed Chair of the Compensation Committee on December 14, 2015. In his previous senior positions with China Ocean Shipping (Group) Company, Mr. Liu was involved in the planning and execution of executive compensation proposals and decisions. Mr. Liu studied in France, first at the Faculty of Arts of University of Paris from 1964 to 1967 and subsequently at the University of Grenoble. In 1987, Mr. Liu obtained the title of Senior Economist in China and in 1989 was a member of the China Strait Affairs Council.
Yingbin Ian He	Mr. He joined the Compensation Committee on May 16, 2017. Mr. He is a mining professional with over 30 years of board and senior executive experience. Over the course of his career, Mr. He has overseen the design and development of various forms of compensation policies, including salary, bonuses and stock options. Mr. He has also been involved in the recruitment of, and negotiation of compensation packages for, senior executives and expatriate senior executives. Mr. He is the Chairman of the compensation committee for China Gold International Resources Corp. Ltd., a TSX and HKEx listed public company.
Jin Lan Quan	Ms. Quan joined the Compensation Committee on June 30, 2016. As a former Managing Partner with Arthur Anderson, Ms. Quan was involved in executive compensation proposals and decisions. She is a certified public accountant and is an independent financial planner and business consultant based in Sydney, Australia.
Mao Sun	Mr. Sun joined the Compensation Committee on December 14, 2015. Mr. Sun has extensive experience working with Canadian listed companies, as both a director and chief financial officer. He is a chartered accountant and graduated from Columbia University in New York with a Master Degree of International Affairs, International Finance and Business and a Bachelor Degree in Computer Science from Nanjing University, China.

Note:

(1) Mr. Liu will not be standing for re-election as a management nominee at the Meeting.

Outside Consultants and Peer Comparator Group

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

In January 2017, Roger Gurr & Associates completed a review of the Company's compensation program for executive and senior management, which provided a framework for the development of a compensation strategy for the Company's executive and senior management (the "**Gurr Executive Report**").

The Gurr Executive Report included a review of current executive and senior management compensation at the Company, and recommended a proposed cash and equity compensation approach for each management position reviewed.

The Gurr Executive Report used a peer comparative group consisting of 14 mining companies with similar market capitalization and asset size compared to the Company. The comparator group consisted of: Amerigo Resources Ltd., Aura Minerals Inc., Corsa Coal Corp., Denison Mines Corp., Endeavour Silver Corp., Energy Fuels Inc., Golden Star Resources Ltd., Klondex Mines Ltd., Largo Resources Ltd., Mandalay Resources Corp., Orvana Minerals Corp., Sierra Metals Inc., Timmins Gold Corp. and Trevali Mining Corporation.

The Compensation Committee did not act on any of the recommendations set out in the Gurr Executive Report, other than to approve certain special annual bonus awards to the Company's senior management team, including Messrs. Aminbuhe and Guo, for the 2016 fiscal year, because the Compensation Committee intended to commission an additional report on executive and senior management compensation which would have a greater focus on comparable companies in China and wished to have the benefit of the findings from this additional report prior to making any decisions on changing the Company's executive and senior management compensation program.

In July 2017, the Compensation Committee retained Spencer Ogden Energy, a Hong Kong-based recruitment firm, to conduct an executive compensation review of mining companies with operations in Mongolia that trade primarily on either the TSX or HKEx (the "**Spencer Executive Report**").

The Spencer Executive Report used a peer comparative group consisting of the following 18 companies: Asia Coal Limited, Mongolia Energy Corporation Limited, Prophecy Development Corp., Shougang Fushan Resources Group Limited, Mongolian Mining Corporation, Asia Resources Holding Limited, China Daye Non-Ferrous Metals Mining Limited, North Asia Resources Holding Limited, East Asia Minerals Corporation, Entrée Gold, Erdene Resource Development, Kincora Copper, Turquoise Hill Resources, Altran Rio Minerals, Centerra Gold, Meritus Minerals, Khan Resources, and Denison Mines. The Spencer Executive Report included a review of the compensation structures established by the companies in the peer comparative group and how such compensation structures correlate to the maturity of the underlying business and the cultural diversity of the board of directors. The Spencer Executive Report also recommended certain "key performance indicators" for evaluating executive and

senior management performance which were commonly adopted by companies within the peer comparative group.

The Compensation Committee has acted on certain of the recommendations set out in the Spencer Executive Report, as more particular described in the section entitled “*NEO Incentive Compensation for 2017*” in this Management Proxy Circular.

Fees paid to Roger Gurr & Associates and Spencer Ogden Energy during the Company’s fiscal 2017 and fiscal 2016 were as follows:

Roger Gurr & Associates:

	Fiscal 2017 (Cdn\$)	Fiscal 2016 (Cdn\$)
Executive Compensation-Related Fees	47,900	17,000
All Other Fees	Nil	Nil
Total Fees	\$47,900	\$17,000

Spencer Ogden Energy:

	Fiscal 2017 (HK\$)	Fiscal 2016 (HK\$)
Executive Compensation-Related Fees	55,000	Nil
All Other Fees	Nil	Nil
Total Fees	\$55,000	Nil

Compensation and Benefits Philosophy and Goals

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

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

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

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

How We Make Compensation Decisions

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

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

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

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

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

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

Management of Risk

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

For a detailed explanation of the material risks applicable to the Company, see the section entitled "Risk Factors" in the Company's Annual Information Form dated March 31, 2018 (the "AIF") available under the Company's profile on SEDAR at www.sedar.com.

Compensation in 2017

Compensation for CEO and CFO

Yulan Guo

Mr. Guo was appointed as the Company's CFO effective as of September 1, 2015. In connection with his duties as CFO, Mr. Guo receives a base salary of US\$180,000 per year and is eligible to receive up to an additional US\$20,000 per month in bonus compensation based on attainment of certain performance indicators relating to the level of the Company's unrestricted cash balance, monthly coal sales volume and funds collected from coal off-take arrangements. Mr. Guo is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as CFO.

Bing Wang

Mr. Wang was appointed as the Company's interim CEO effective November 13, 2017. In connection with his duties as interim CEO, Mr. Wang received a base salary of US\$180,000 per year, which was subsequently increased by the Board in April 2018 to US\$300,000 per year with retroactive effect as of January 1, 2018. Mr. Wang is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as interim CEO.

Compensation for other NEOs

Alan Ho

Mr. Ho has been the Company's Controller since September 1, 2015. In connection with his duties as the Company's Controller, Mr. Ho receives a base salary of HK\$1,500,000 per year. Mr. Ho is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Controller.

Zhai Yan

Mr. Yan has been the Company's Director of Marketing since October 1, 2015. In connection with his duties as the Company's Director of Marketing, Mr. Yan receives a base salary of US\$180,000 per year. Mr. Yan is also eligible to receive an annual cash bonus and stock options, at the discretion of the Board, based on his annual performance as Director of Marketing.

Compensation for former NEOs

Aminbuhe

Mr. Aminbuhe was the Company's CEO from September 1, 2015 until the date of termination of his employment on November 22, 2017. In connection with his duties as CEO, Mr. Aminbuhe received a base salary of US\$240,000 per year and, effective August 1, 2017, the base salary was increased to US\$360,000 per year. Mr. Aminbuhe was eligible to receive up to an additional US\$30,000 per month in bonus compensation based on attainment of certain performance indicators relating to the level of the Company's unrestricted cash balance, monthly coal sales volume and funds collected from coal off-take arrangements.

NEO Incentive Compensation for 2017

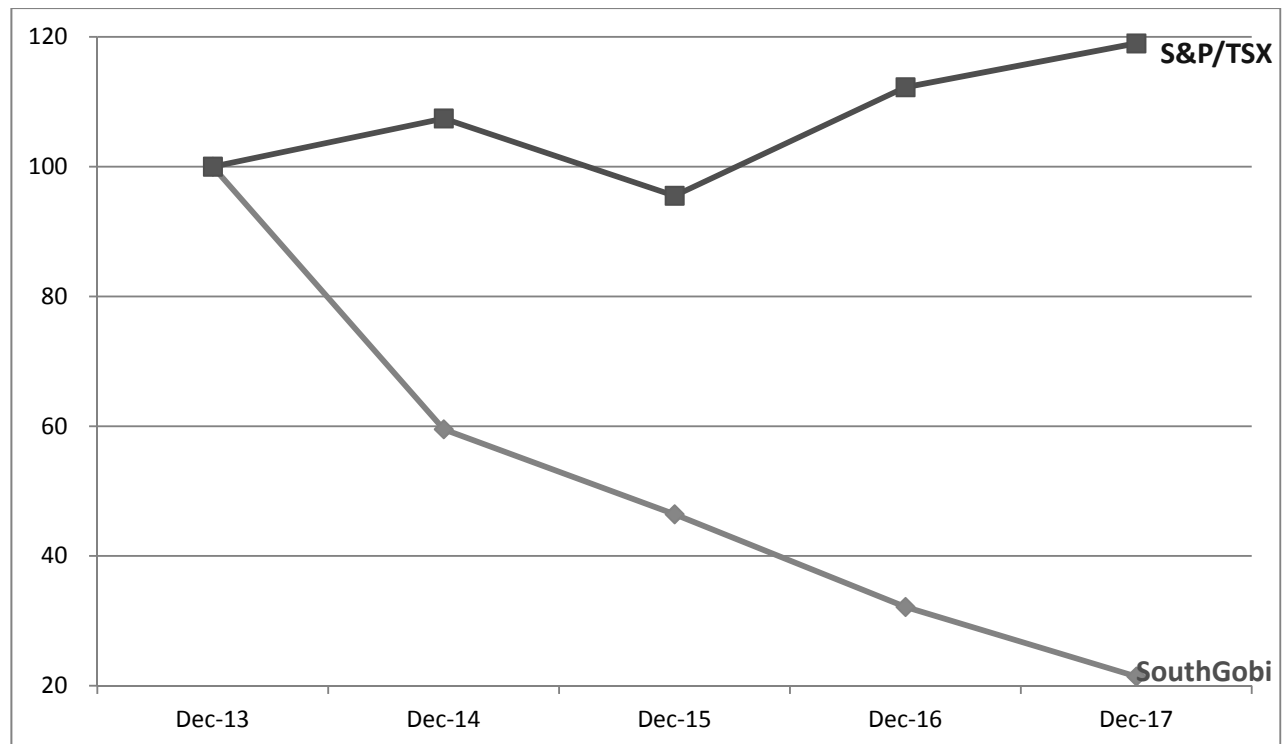
Compensation decisions for incentive awards to NEOs for 2017 performance were based on an assessment by the Compensation Committee and the Board of each NEO's contribution during 2017 and the extent to which certain agreed upon individual and corporate performance measures were achieved. In assessing whether or not a particular performance measure was achieved, the Board and the Compensation Committee retain a considerable degree of discretion. Among other matters, considerable weight is given to the small size of the Company's executive team, the significant change in the senior management structure of the Company and the multiple roles handled by the very small management team members. In recognition of their contributions during fiscal 2017, the Company awarded HKD\$3,073,927 in cash bonuses to the NEOs.

Other Compensation

The aggregate "other compensation" received by each NEO is disclosed in the Summary Compensation Table below. The Company does not provide its executive officers with a pension plan. Termination compensation in respect of NEOs whose employment ended during 2017 is disclosed under "Termination and Change of Control Benefits" below.

Performance Graph

The following graph and table compare the cumulative shareholder return on a Cdn\$100 investment in Common Shares to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from December 31, 2013 to December 31, 2017.



	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
SouthGobi Resources Ltd.	100	60	46	32	21
S&P/TSX Composite Index	100	107	96	112	119

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

Summary Compensation Table

The following executive compensation disclosure for each NEO is provided as of December 31, 2017, December 31, 2016 and December 31, 2015.

Summary Compensation Table (US\$)

Name and principal position	Year	Salary ⁽¹⁾	Share-based awards	Option-based awards ⁽²⁾	Non-equity incentive plan compensation (\$)		Pension value	All other compensation ⁽³⁾	Total compensation
					Annual incentive plans	Long-term incentive plans			
Yulan Guo CFO	2017	180,000	Nil	Nil	90,000	120,000	Nil	Nil	390,000
	2016	180,000	Nil	Nil	Nil	80,000	Nil	Nil	260,000
	2015	97,419	Nil	12,920	Nil	Nil	Nil	5,737 ⁽⁴⁾	116,076
Bing Wang ⁽⁵⁾ Interim CEO	2017	160,000	Nil	Nil	60,000	Nil	Nil	Nil	220,000
	2016	120,000	Nil	Nil	Nil	Nil	Nil	Nil	120,000
	2015	10,000	Nil	Nil	Nil	Nil	Nil	Nil	10,000
Alan Ho Controller	2017	171,159	Nil	Nil	64,342	Nil	Nil	Nil	235,501
	2016	128,826	Nil	Nil	Nil	Nil	Nil	Nil	128,826
	2015	114,507	Nil	14,673	17,071	Nil	Nil	Nil	146,251
Zhai Yan ⁽⁶⁾ Director of Marketing	2017	160,000	Nil	Nil	60,000	Nil	Nil	Nil	220,000
	2016	120,000	Nil	Nil	Nil	Nil	Nil	Nil	120,000
	2015	10,000	Nil	Nil	Nil	Nil	Nil	Nil	10,000
Aminbuhe ⁽⁷⁾ Former CEO	2017	230,000	Nil	Nil	120,000	120,000	Nil	Nil	470,000
	2016	240,000	Nil	Nil	Nil	120,000	Nil	Nil	360,000
	2015	110,000	Nil	12,920	Nil	Nil	Nil	2,586 ⁽⁸⁾	125,506

Notes:

- (1) The salaries for the NEOs are paid in U.S. and Hong Kong dollars. For the purpose of reporting, the salaries in the Summary Compensation Table above are reported in U.S. dollars (converted using the prevailing Bank of Canada exchange rate on the date an amount was paid).
- (2) The value of the stock options awarded is the estimated fair value on the date of grant calculated using the Black-Scholes option pricing model with the following assumptions: an estimated volatility equal to the historical volatility of the Common Shares over a period equal to the expected life of the option, an estimated dividend yield of \$nil, a risk free rate of return equal to the rate currently available on federal government zero-coupon bonds with a term equal to the expected life of the option and an expected life approximating the term of the option. The value of stock options with a Canadian dollar exercise price was converted to US dollars using the Bank of Canada closing exchange rate on date of grant.
- (3) For the purpose of reporting, all other compensation in the Summary Compensation Table are reported in U.S. dollars. Foreign currency amounts are converted into U.S. dollars using the prevailing Bank of Canada exchange rate on the date an amount was paid.
- (4) Other compensation for Mr. Guo relates to Directors fees earned while Mr. Guo was serving as a Director, prior to being appointed CFO.
- (5) Mr. Wang was appointed as the Company's interim CEO on November 13, 2017 and joined SouthGobi Resources (Hong Kong) Limited on December 9, 2015.
- (6) Mr. Yan joined SouthGobi Resources (Hong Kong) Limited on October 11, 2015.
- (7) Mr. Aminbuhe was the Company's CEO from September 1, 2015 to November 22, 2017.
- (8) Other compensation for Mr. Aminbuhe relates to Directors fees earned while Mr. Aminbuhe was serving as a Director, prior to being appointed CEO.

Name and principal position	Year	Option Grant	Grant Date	Conversion Rate ⁽³⁾	Grant Date Fair Value (US\$)	Grant Date Fair Value (Cdn\$)
Yulan Guo ⁽¹⁾	2017	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil
	2015	100,000	Dec. 14, 2015	1.3732	\$12,920	\$17,743
Bing Wang	2017	Nil	n/a	n/a	n/a	n/a
	2016	Nil	n/a	n/a	n/a	n/a
	2015	Nil	n/a	n/a	n/a	n/a
Alan Ho	2017	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil
	2015	45,431	April 1, 2015	1.2612	\$14,673	\$18,506
Zhai Yan	2017	Nil	n/a	n/a	n/a	n/a
	2016	Nil	n/a	n/a	n/a	n/a
	2015	Nil	n/a	n/a	n/a	n/a
Aminbuhe ⁽²⁾	2017	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil
	2015	100,000	Dec. 14, 2015	1.3732	\$12,920	\$17,743

Notes:

- (1) Mr. Guo assumed the role of Interim CEO from July 26, 2015 to August 31, 2015 and was appointed as CFO on September 1, 2015. The options granted to Mr. Guo were granted to him in his capacity as a Director and not in relation to his duties as CFO.
- (2) Mr. Aminbuhe was appointed CEO effective as of September 1, 2015. The options granted to Mr. Aminbuhe were granted to him in his capacity as a Director and not in relation to his duties as CEO.

- (3) The conversion rates used for the purpose of converting the grants to the NEOs in the Summary Compensation Chart above from Canadian dollars to U.S. dollars in 2017 and 2016 are 1.2963 and 1.3416, respectively.

Incentive Plan Awards
Outstanding share-based awards and option-based awards
as at December 31, 2017

Name and principal position	Number of securities underlying unexercised options	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (US\$) ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (US\$)
Yulan Guo ⁽²⁾	100,000	0.29	Dec. 14, 2020	Nil	Nil	Nil
Bing Wang	Nil	n/a	n/a	n/a	n/a	n/a
Alan Ho	45,431	0.92	April 1, 2020	Nil	Nil	Nil
Zhai Yan	Nil	n/a	n/a	n/a	n/a	n/a
Aminbuhe ⁽³⁾	100,000	0.29	Dec. 14, 2020	Nil	Nil	Nil

Notes:

- (1) The value of the unexercised in-the-money options, is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on December 29, 2017 (being Cdn\$0.18 per Common Share and the last trading day prior to the Company's financial year end of December 31, 2017) and the exercise price of the options. The value of the unexercised in-the-money options as of December 31, 2017, has been converted from Canadian dollars to U.S. dollars at the rate of US\$1/Cdn\$1.2545, which was the Bank of Canada noon buying rate on December 29, 2017, the last trading day of calendar 2016.
- (2) Mr. Guo was the interim CEO from July 26, 2015 to August 31, 2015 and was appointed as CFO on September 1, 2015. The options granted to Mr. Guo were granted to him in his capacity as a Director and not in relation to his duties as CFO.
- (3) Mr. Aminbuhe was appointed CEO effective as of September 1, 2015. The options granted to Mr. Aminbuhe were granted to him in his capacity as a Director and not in relation to his duties as CEO.

**Incentive Plan Awards – value vested or earned during 2017
(US\$)**

Name and principal position	Option-based awards - Value vested during the year	Share-based awards - Value vested during the year	Non-equity incentive plan compensation - Value earned during the year
Yulan Guo	Nil	n/a	Nil
Bing Wang	n/a	n/a	n/a
Alan Ho	Nil	n/a	Nil
Zhai Yan	n/a	n/a	n/a
Aminbuhe	Nil	n/a	Nil

PENSION PLAN BENEFITS

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

TERMINATION AND CHANGE OF CONTROL BENEFITS¹

Yulan Guo

Mr. Guo's employment contract with SouthGobi HK and under the secondment arrangements with the Company provide that in the case of a termination without cause, Mr. Guo is entitled to either one (1) month notice or payment equal to one (1) month's base salary. Neither Mr. Guo's employment contract with SouthGobi HK nor his secondment arrangement with the Company provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated incremental payments to Mr. Guo as at December 31, 2017 in the event of a termination without cause would have been one month's salary equal to US\$15,000.

Bing Wang

Mr. Wang's employment contract with SouthGobi HK and with the Company provide that in the case of a termination without cause, Mr. Wang is entitled to either one (1) month notice or payment equal to one (1) month's base salary. Mr. Wang's employment contract does not provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated incremental payments to Mr. Wang as at December 31, 2017 in the event of a termination without cause would have been one month's salary equal to US\$15,000.

Alan Ho

Mr. Ho's employment contract with SouthGobi HK and with the Company provide that in the case of a termination without cause, Mr. Ho is entitled to either two (2) months notice or payment equal to two (2) months' base salary. Mr. Ho's employment contract does not provide for any additional compensation in case of an involuntary termination following a change of

control of the Company. The estimated incremental payments to Mr. Ho as at December 31, 2017 in the event of a termination without cause would have been two months' salary equal to HK\$250,000.

Zhai Yan

Mr. Yan's employment contract with SouthGobi HK and with the Company provide that in the case of a termination without cause, Mr. Yan is entitled to either two (2) months notice or payment equal to two (2) months' base salary. Mr. Yan's employment contract does not provide for any additional compensation in case of an involuntary termination following a change of control of the Company. The estimated incremental payments to Mr. Yan as at December 31, 2017 in the event of a termination without cause would have been two months' salary equal to US\$30,000.

Aminbuhe

Mr. Aminbuhe's employment with the Company was terminated on November 22, 2017. In accordance with Mr. Aminbuhe's contract with SouthGobi HK and under the secondment arrangements with the Company, Mr. Aminbuhe is entitled to be paid HK\$406,205, such amount being equal to the sum of one (1) month's base salary and the remaining portion of the earned, but unpaid portion, of his base salary up to the date of termination.

COMPENSATION OF DIRECTORS

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

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

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

As the HESS Committee is chaired by an independent non-executive director, Mr. Sun is entitled to receive the Cdn\$10,000 annual retainer.

In April 2018, the remuneration for each member of the Special Committee members was approved and set at Cdn\$2,000 per month, retroactive to November 16, 2017 and the remuneration for the Chair of the Special Committee was approved and set at Cdn\$3,000, retroactive to November 16, 2017. See "*Other Board Committees*" in this Management Proxy Circular.

In April 2018, and based on the recommendations provided in the Gurr Directors Report, the remuneration for the interim Lead Director was approved at Cdn\$25,000 per annum, retroactive to November 1, 2017.

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

Upon joining the Board in May 2017, Mr. He received 100,000 incentive stock options, which expire after five (5) years, with a strike price of Cdn\$0.39 per share.

As recommended in the Gurr Directors Report, Messrs. He, Liu and Ms. Quan each received 150,000 incentive stock options, which expire after five (5) years with a strike price of Cdn\$0.33 per share. In the capacity of the interim Lead Director, Mr. Sun received 200,000 incentive stock options, which expire after five (5) years with a strike price of Cdn\$0.33 per share.

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

**Director Compensation Table for Fiscal 2017
(US\$)**

Name⁽¹⁾⁽⁹⁾	Fees Earned (\$) ⁽²⁾	Share-based awards (\$)	Option-based awards (\$)	All Other Compensation	Total (\$)
Yingbin Ian He ⁽³⁾	49,031	n/a	21,572 ⁽³⁾⁽⁴⁾	n/a	70,603
Zhu Liu	82,781	n/a	11,713 ⁽⁴⁾	n/a	94,494
Jin Lan Quan	70,460	n/a	11,713 ⁽⁴⁾	n/a	82,173
Mao Sun	88,172	n/a	11,713 ⁽⁴⁾	n/a	99,885
Wen Yao ⁽⁵⁾	n/a	n/a	n/a	n/a	nil
Joseph Belan ⁽⁶⁾	40,428	n/a	n/a	n/a	40,428
Ningqiao Li ⁽⁶⁾⁽⁷⁾	150,000 ⁽⁸⁾	n/a	n/a	n/a	150,000
Huiyi Wang ⁽⁹⁾	n/a	n/a	n/a	n/a	nil

Notes:

- (1) Additional information with respect to the compensation for Messrs. Aminbuhe and Guo has been included in the Summary Compensation Table for NEOs, and is not reported in the Director Compensation section of this Management Proxy Circular.
- (2) Messrs. Aminbuhe and Guo, while serving in their management roles, do not receive any meeting fees.
- (3) Mr. He joined the Board on May 16, 2017. Upon joining the Board, Mr. He received 100,000 incentive stock options, which expire after five (5) years, with a strike price of Cdn\$0.39 per share.
- (4) As recommended in the Gurr Directors Report, Messrs. He, Liu and Ms. Quan each received 150,000 incentive stock options, exercisable for five (5) years with a strike price of Cdn\$0.33 per share, respectively.

In his capacity as interim Lead Director, Mr. Sun received 200,000 incentive stock options, exercisable for five (5) years with a strike price of Cdn\$0.33 per share.

- (5) Mr. Yao joined the Board on May 18, 2017.
- (6) Messrs. Belan and Li did not stand for re-election at the Company's annual general meeting of shareholders held on June 30, 2017 and ceased to be Directors as of that date.
- (7) Mr. Li was the Company's Executive Chairman and an Executive Director until June 30, 2017. In connection with his duties as Executive Chairman, Mr. Li received a base salary of US\$25,000 per month and was eligible to receive up an additional US\$25,000 per month in bonus compensation based on attainment of certain performance indicators relating to the level of the Company's unrestricted cash balance, monthly coal sales volume and funds collected from coal off-take arrangements.
- (8) The fees earned by Mr. Li represent his salary earned in his capacity as the Executive Chairman of the Company.
- (9) Mr. Wang resigned as a Director on July 24, 2017.

Outstanding Share-based awards, option-based awards and non-equity incentive plan compensation as at December 31, 2017

Name ⁽¹⁾	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (US\$) ⁽²⁾⁽³⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (US\$)
Yingbin Ian He	100,000	0.39	5-Jun-22	Nil	Nil	Nil
	150,000	0.33	30-Jun-22	Nil		
Zhu Liu	100,000	0.29	14-Dec-20	Nil	Nil	Nil
	75,000	0.33	16-Nov-21	Nil		
	75,000	0.33	16-Nov-21	Nil		
	150,000	0.33	30-Jun-22	Nil		
Jin Lan Quan	100,000	0.29	14-Dec-20	Nil	Nil	Nil
	75,000	0.33	16-Nov-21	Nil		
	75,000	0.33	16-Nov-21	Nil		
	150,000	0.33	30-Jun-22	Nil		
Mao Sun	100,000	0.29	14-Dec-20	Nil	Nil	Nil
	100,000	0.33	16-Nov-21	Nil		
	100,000	0.33	16-Nov-21	Nil		
	200,000	0.33	30-Jun-22	Nil		
Wen Yao	n/a	n/a	n/a	n/a	n/a	n/a

Name ⁽¹⁾	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (US\$) ⁽²⁾⁽³⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (US\$)
Joseph Belan	100,000	0.25	30-Jun-18	Nil	Nil	Nil
	75,000	0.33	30-Jun-18	Nil		
	75,000	0.33	30-Jun-18	Nil		
Ningqiao Li	100,000	0.29	14-Dec-20	Nil	Nil	Nil
Huiyi Wang	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

- (1) Additional information with respect to the compensation for Messrs. Aminbuhe and Guo has been included in the Summary Compensation Table for NEOs, and is not reported in the Director Compensation section of this Management Proxy Circular.
- (2) The "Value of unexercised in-the-money options" is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on December 29, 2017 (being Cdn\$0.18 per Common Share and the last trading day prior to the Company's financial year end of December 31, 2017) and the exercise price of the option multiplied by the number of unexercised options, vested and unvested and converted to US\$ at the respective spot rates as published by the Bank of Canada.
- (3) The value of unexercised in-the-money options as of December 29, 2017 has been converted from Canadian dollars to U.S. dollars at a rate of US\$/CDN\$1.2545, which was the Bank of Canada noon buying rate on December 29, 2017, the last trading day of calendar 2017.

Incentive Plan Awards – value vested or earned during 2017

Name ⁽¹⁾	Option-based awards - Value vested during the year (US\$) ⁽²⁾	Share-based awards - Value vested during the year (US\$)	Non-equity incentive plan compensation - Value earned during the year (US\$)
Yingbin Ian He	n/a	n/a	n/a
Zhu Liu	Nil	n/a	n/a
Jin Lan Quan	Nil	n/a	n/a
Mao Sun	Nil	n/a	n/a
Wen Yao	n/a	n/a	n/a
Joseph Belan	Nil	n/a	n/a
Ningqiao Li	n/a	n/a	n/a
Huiyi Wang	n/a	n/a	n/a

Notes:

- (1) Additional information with respect to the compensation for Messrs. Aminbuhe and Guo has been included in the Incentive Plan table for NEOs, and is not reported in the Director Compensation section of this Management Proxy Circular.
- (2) Value vested during the year represents the aggregate dollar value that would have been realized if a Director had exercised each of their options that vested in 2017 on the date of such vesting. The value vested during the year is converted from Canadian dollars to U.S. dollars based on the Bank of Canada noon rate at the date of vesting of each option. Where the option exercise price is above the share price on the date of vesting the value assigned to the option is nil.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Summary of the Company's Equity Incentive Plan

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

As at December 31, 2017, a maximum of 27,260,730 Common Shares were issuable under the Equity Incentive Plan, representing approximately 10.00% of the Common Shares issued and outstanding. As at December 31, 2017, there remained 24,970,268 Common Shares available, in the aggregate, for issuance under the Equity Incentive Plan, representing approximately 9.16% of the Common Shares issued and outstanding. As at December 31, 2017, there were 2,290,462 stock options issued and outstanding under the Equity Incentive Plan, representing approximately 0.84% of the Common Shares issued and outstanding.

For the fiscal years ending December 31, 2015, 2016 and 2017, the Company granted awards under the Equity Incentive Plan covering 1,351,498 Common Shares, 762,381 Common Shares, and 783,886 Common Shares, respectively. In accordance with the policies of the TSX, the following table sets out the annual burn rate, calculated in accordance with Section 613(p) of the TSX Company Manual, of the Equity Incentive Plan for the Company's three most recently complete financial years:

Fiscal Year	2015	2016	2017
Options	0.48%	0.29%	0.28%
Bonus Shares	0.08%	0.00%	0.00%
Share Purchase Plan Shares	0.01%	0.00%	0.01%
Average Annual Burn Rate⁽¹⁾	0.57%	0.29%	0.29%
Three-year Average Burn Rate	0.38%		

Notes:

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

Overview

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

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

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

Share Issuance Limits

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

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

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

Option Plan

Option Grants

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

Exercise Price

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

Exercise Period and Vesting

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

Cashless Exercise

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

Financial Assistance

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

Termination or Death

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

Blackout Period

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

Bonus Plan

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

Purchase Plan

Participation Criteria

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

Contribution Limits

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

Number of Shares

Each participant receives, at the end of each calendar quarter during which he or she participates in the Purchase Plan, a number of Common Shares equal to the quotient obtained by dividing the aggregate amount of all contributions to the Purchase Plan by the participant, and by the Company on the participant's behalf, during the preceding quarter by the weighted average trading price of the Common Shares on the TSX during the quarter.

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

Termination of Employment or Death

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

Transferability

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

Amendment Procedure

The Equity Incentive Plan provides that the Board has the authority and discretion to amend, suspend or terminate the Equity Incentive Plan and awards granted thereunder in respect of any matter without shareholder approval, including changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Equity Incentive Plan, changes to the exercise price, vesting, term and termination provisions of options, changes to the cashless exercise provisions, changes to the share bonus plan provisions (other than the maximum number of Common Shares issuable under the Bonus Plan), changes to the authority and role of the Compensation Committee under the Equity Incentive Plan, changes to the acceleration and vesting of options, and any other matter relating to the Equity Incentive Plan and the options and awards granted thereunder, subject always to the following provisos:

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

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

Securities Issued and Unissued under the Equity Incentive Plan

There are 272,648,738 Common Shares issued and outstanding as at May 11, 2018. The following table summarizes the total number of Common Shares reserved or that may be reserved for issuance under the Equity Incentive Plan:

	Number of Common Shares	% of Issued and Outstanding Common Shares ⁽²⁾
Common shares reserved for future issuance pursuant to outstanding but unexercised options under the Option Plan	2,290,462	0.84
Unissued Common Shares available for future awards under the Bonus Plan	1,800,000	0.66
Unissued Common Shares available for future issuance under the Purchase Plan	240,485	0.09
Unissued Common Shares available for future option grants under the Option Plan	22,933,927	8.41
Maximum number of Common Shares available for issuance under Equity Incentive Plan shares available for future option grants under the Option Plan ⁽¹⁾	27,264,874	10.00

Notes:

- (1) Includes unissued Common Shares available for future awards under Bonus Plan and Purchase Plan.
- (2) The weighted average price of all options outstanding as of May 11, 2018 is Cdn\$0.36.

Equity Compensation Plan Information

The following table shows the equity securities authorized for issuance from the Company's treasury under the Equity Incentive Plan as at December 31, 2017, as approved by shareholders. The Company has no equity compensation plans providing for issuance of Common Shares that have not been previously approved by shareholders.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,290,462	\$0.36	24,970,268
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	2,290,462	\$0.36	24,970,268

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

CORPORATE GOVERNANCE

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

Director Independence

The Board has reviewed the independence of each Director on the basis of the definitions in section 1.4 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). A director is “independent” if he or she has no direct or indirect material relationship with the Company, including as a partner, shareholder or officer of an organization that has a relationship with the Company. A “material relationship” is one that would, or in the view of the Board could, be reasonably expected to interfere with the exercise of a Director’s independent judgment. The Board has determined, after reviewing the roles and relationships of each of the nominees proposed by management for election to the Board, that 43% (3 of 7) of such nominees are independent from the Company. The independent Director nominees are Ms. Jin Lan Quan and Messrs. Mao Sun and Yingbin Ian He. The non-independent Director nominees are Ms. Lan Cheng and Messrs. Wen Yao, Zhiwei Chen and Xiaoxiao Li.

Mr. Yao and Ms. Cheng are considered to be non-independent because they are employees of CIC Capital, a wholly owned subsidiary of CIC, the Company’s largest shareholder, which currently owns 23.75% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular.

Messrs. Chen and Li are considered to be non-independent because they are employees of China Cinda (HK) Asset Management Company, a wholly owned subsidiary of Novel Sunrise, which currently owns 17.00% of the issued and outstanding Common Shares as of the date of this Management Proxy Circular.

Messrs. Chen and Li have been nominated for election as Directors of the Company at the Meeting by Novel Sunrise pursuant to a contractual nomination right granted to Novel Sunrise under the Novel Sunrise Agreement. Mr. Yao has been nominated for election as a Director of the Company at the Meeting by CIC pursuant to a contractual nomination right granted to CIC in connection with the Convertible Debenture. See “*Election of Directors – Contractual Director Nomination Rights*” in this Management Proxy Circular.

The following table sets out each Director nominee’s independence along with the reason for the determination of non-independence:

	Year Appointed	Committees				
		AC	C&B ⁽⁴⁾	N&CG	HESS ⁽⁵⁾	Special
Independent Board Members						
Jin Lan Quan	2015	✓	✓	✓		✓
Mao Sun	2015	Chair	✓	✓	✓	✓
Yingbin Ian He	2017	✓	✓	Chair		✓
Non-Independent						
Zhiwei Chen ⁽¹⁾	2018					
Xiaoxiao Li ⁽¹⁾	2018					
Wen Yao ⁽²⁾	2017					
Lan Cheng ⁽³⁾	N/A					

Notes:

- (1) Messrs. Chen and Li are considered non-independent because they are employees of China Cinda (HK) Asset Management Company, a wholly owned subsidiary of Novel Sunrise, one of the Company’s major shareholders. Messrs. Chen and Li have been nominated for election as Directors of the Company at the Meeting by Novel Sunrise pursuant to a contractual nomination right granted to Novel Sunrise in connection with the Novel Sunrise Agreement (see the section entitled “*Contractual Director Nomination Rights*” in this Management Proxy Circular).
- (2) Mr. Yao is considered non-independent because he is a Managing Director of CIC Capital, a wholly owned subsidiary of CIC, the Company’s largest shareholder. Mr. Yao has been nominated for election as a Director of the Company at the Meeting by CIC pursuant to a contractual nomination right granted to CIC in connection with the Convertible Debenture (see the section entitled “*Contractual Director Nomination Rights*” in this Management Proxy Circular).
- (3) Ms. Cheng is not currently a member of the Board, but has been nominated for election as a Director of the Company at the Meeting by management. Ms. Cheng is considered non-independent because she is a Vice President of CIC Capital, a wholly owned subsidiary of CIC, the Company’s largest shareholder.
- (4) As of the date hereof, Mr. Zhu Liu serves as the Chair of the Compensation Committee. Mr. Liu will not be standing for re-election as a management nominee at the Meeting.
- (5) As of the date hereof, Messrs. Zhu Liu and Yulan Guo are the other members of the HESS committee. Messrs. Liu and Guo will not be standing for re-election as management nominees at the Meeting.

As of the date hereof, half of the current Board members are independent, and, if each of the nominees put forward in this Management Proxy Circular are elected as Directors of the

Company, Messrs. Sun and He and Ms. Quan, being 43% of the Board, will be considered independent. Although the majority of the Director nominees are not independent, all of the Director nominees will be non-executive Directors and the Board has in place an independent Lead Director.

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

All Directors have or will receive a comprehensive briefing on the duties, responsibilities and liabilities of Directors. In particular, the briefings focused on the Directors' obligations to provide objective oversight of the Company on behalf of all shareholders notwithstanding other prior or current relationships. In the event the Board must consider a potential or actual conflict, such matter is referred to the Independent Directors to ensure processes are in place to receive independent scrutiny. To facilitate the exercise of their respective independent judgment each of the independent and non-executive members of the Board holds regular meetings. In 2017, the independent Directors met five (5) times (excluding any meetings of the Special Committee). Additionally, a number of the informal, ad hoc meetings were held, as not all meetings of the independent Directors are scheduled but communication among this group occurs on an ongoing basis as needs arise.

The following table discloses the attendance of the members of the Board at meetings of the Board and its committees in 2017:

Director⁽⁷⁾	Board of Directors Meetings	Audit Committee Meetings	Nominating & Corporate Governance Committee Meetings	Compensation & Benefits Committee Meeting	Health, Environment, Safety & Social Responsibility Committee Meetings	Special Committee Meetings
Aminbuhe ⁽¹⁾	5/11	n/a	n/a	n/a	1/2	n/a
Joseph Belan ⁽²⁾	2/3	2/2	3/4	3/3	n/a	n/a
Yulan Guo	11/11	n/a	n/a	n/a	1/2	n/a
Yingbin Ian He ⁽³⁾	6/9	2/2	4/5	2/2	n/a	2/2
Ningqiao Li ⁽⁴⁾	3/3	n/a	n/a	n/a	n/a	n/a
Zhu Liu	11/11	4/4	9/9	5/5	2/2	n/a
Jin Lan Quan	10/11	4/4	8/9	5/5	n/a	2/2
Mao Sun	11/11	4/4	9/9	5/5	n/a	2/2
Huiyi Wang ⁽⁵⁾	2/4	n/a	n/a	n/a	n/a	n/a

Director ⁽⁷⁾	Board of Directors Meetings	Audit Committee Meetings	Nominating & Corporate Governance Committee Meetings	Compensation & Benefits Committee Meeting	Health, Environment, Safety & Social Responsibility Committee Meetings	Special Committee Meetings
Wen Yao ⁽⁶⁾	6/8	n/a	n/a	n/a	n/a	n/a
Overall Attendance Rate	82%	100%	92%	100%	67%	100%

Notes:

- (1) On November 13, 2017, the Company announced that Mr. Aminbuhe, the Chairman and Chief Executive Officer of the Company, commenced leave from his role as the Company's Chief Executive Officer. On November 17, 2017, the Company reported that it learned that Mr. Aminbuhe was arrested on October 11, 2017 and was being detained at Rizhao City Detention Center in China as a suspect in a fraudulent loan case. The Board formed a special committee of independent non-executive Directors, comprised of Mr. Sun, Ms. Quan and Mr. He, to initiate a formal internal investigation into the charges against Mr. Aminbuhe and the connection, if any, between those charges and the Company and his conduct as Chairman and Chief Executive Officer of the Company. On November 22, 2017, the Board terminated the employment of Mr. Aminbuhe due to his incapability to fulfil his daily duties and responsibilities as the Chief Executive Officer of the Company. Mr. Aminbuhe was also removed as the Chairman of the Board, but remains on the Board as a non-executive director of the Company. Mr. Aminbuhe will not be standing for re-election to the Board at the Meeting.
- (2) Mr. Belan did not stand for re-election at the June 30, 2017 annual general meeting.
- (3) Mr. He was appointed to the Board on May 16, 2017 and was concurrently appointed to the Audit Committee, Nominating and Governance Committee and Compensation Committee.
- (4) Mr. Li did not stand for re-election at the June 30, 2017 annual general meeting.
- (5) Mr. Wang resigned from the Board on July 24, 2017.
- (6) Mr. Yao joined the Board on May 18, 2017.

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

During 2017, there were eleven (11) Board meetings, four (4) meetings of the Audit Committee, nine (9) meetings of the Nominating and Governance Committee, five (5) meetings of the Compensation Committee, two (2) meetings of the HESS Committee and two (2) meetings of the Special Committee. In addition, meetings of independent Directors, chaired by the Lead Director, are held, from time to time, to update the independent Directors on developments since the last Board meeting. The CEO and CFO are periodically invited to attend the meetings in order to brief the independent Directors on recent developments.

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

Chair of the Board

The Company does not currently have a Chairman. Mr. Sun, the Company's Interim Lead Director and an independent non-executive Director, is currently fulfilling the duties of the Chairman of the Company, and is responsible for, amongst other things, maintaining the

independence of the Board, ensuring that the Board carries out its responsibilities and chairing meetings of the Board. Mr. Sun has served as the Company's Interim Lead Director since August 2016. Mr. Sun does not serve in a similar capacity with any other company.

Directorship

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

Interlocking Directorships

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

Position Descriptions

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

Orientation and Continuing Education

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

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

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

educate and keep them informed of changes within the Company and of regulatory and industry requirements and standards.

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

Ethical Business Conduct

Throughout the financial year, the Company has applied the principles and complied with the requirements of its corporate governance practices as determined and established by the Board and as mandated by applicable statutory, regulatory and stock exchange listing rules and standards, save as disclosed in the Company's corporate governance report contain in the Company's 2017 annual report. The Company's current practices are reviewed and updated regularly to ensure that the latest developments in corporate governance are followed and observed.

In 2012, the Company adopted and implemented a revised Code of Business Conduct and Ethics (the "**Ethics Policy**") called "The Way We Work", which was subsequently amended in 2017. The Ethics Policy is applicable to all employees, consultants, officers and Directors regardless of their position in the organization, at all times and everywhere the Company does business.

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

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

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

The Nominating and Corporate Governance Committee monitors compliance with the Code of Conduct Standards and ensures the systems are in place to verify compliance with legal, regulatory, corporate governance and disclosure requirements. The Nominating and Governance Committee also 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.

The Board has not granted any waiver of the Ethics Policy and the Code of Conduct Standards in favour of a Director or executive officer. Accordingly, no material change report in respect thereof has been required or filed.

Board Diversity Policy

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

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

Representation of Women on the Board and in Executive Officer Positions

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

In accordance with the Board Diversity Policy, Ms. Jin Lan Quan joined the Board as of August 6, 2015, the Audit Committee on September 1, 2015, the Nominating and Corporate Governance Committee on December 14, 2015, the Compensation Committee on June 30, 2016 and the Special Committee on November 16, 2017. Ms. Quan has extensive experience in financial consulting services with specialist skills in external auditing, internal audit structuring, corporate financing, risk management and business acquisition. In addition, Ms. Allison Snetsinger is the Company's Corporate Secretary and has over 10 years of experience providing regulatory and corporate services to public and private companies, primarily in mining and resource development.

The Board currently consists of seven (7) men and one (1) woman, Ms. Quan, representing 12.5% of the total number of Directors.

The senior executive management of the Company currently consists of three (3) men and one (1) woman, Ms. Snetsinger, representing 25.0% of the total number of senior executives.

Shareholder Communication Policy

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

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

Nomination of Directors

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

The following changes to the composition of the Nominating and Governance Committee occurred in 2017: Mr. Belan did not stand for re-election at the annual general meeting held on June 30, 2017 and ceased to be a member and the Chair of the Nominating and Governance Committee at that date. Mr. He was appointed effective as of May 16, 2017 and became the Chair on June 30, 2017.

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

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

- examining the structure, size and diversity (including but not limited to the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board and recommending adjustments from time to time, and at least annually, to ensure that the Board is of a size and composition that facilitates effective decision making and complements the Company's strategy;

- identifying and assessing the necessary and desirable competencies and characteristics for Board membership and regularly assessing the extent to which those competencies and characteristics are represented on the Board;
- identifying individuals qualified to become Directors based on merit and against objective criteria, with due regard to the Board's diversity policy;
- recommending Director nominees to the Board for appointment, re-appointment or election;
- making recommendations to the Board with respect to membership on committees of the Board (other than the Nominating and Governance Committee);
- making recommendations with respect to potential successors to the CEO;
- ensuring that the Board has appropriate structures and procedures so that the Board can function with the proper degree of independence from management;
- assessing the independence of independent non-executive Directors;
- establishing induction programs for new Directors;
- developing and maintaining continuing education programs for Directors; and
- reviewing the practices and procedures of the Board in light of ongoing developments in regulatory requirements and industry best practices in matters of corporate governance and recommending to the Board any changes considered necessary or desirable.

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

Director	Corporate Governance	Mining Industry	General Business Management	Compensation/ Human Resources	Finance	Audit	Mongolia	Public Company	China	Mining Expertise
Zhiwei Chen	✓	✓	✓		✓				✓	
Lan Cheng		✓		✓	✓				✓	✓
Yingbin Ian He	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Xiaoxiao Li		✓			✓	✓			✓	
Jin Lan Quan	✓		✓	✓	✓	✓		✓	✓	

Director	Corporate Governance	Mining Industry	General Business Management	Compensation/ Human Resources	Finance	Audit	Mongolia	Public Company	China	Mining Expertise
Mao Sun	✓	✓	✓	✓	✓	✓		✓	✓	
Wen Yao	✓	✓	✓		✓		✓	✓	✓	

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

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

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

Director Term Limits and Other Mechanisms of Board Renewal

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

Assessments

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

The Nominating and Governance Committee has, on an annual basis, reviewed and approved a performance evaluation questionnaire forwarded to all of the members of the Board. This questionnaire covers a wide range of issues providing for quantitative ratings and subjective comments and recommendations in each area. In 2017, all Directors assessed the performance of the Board as a whole and its Committees. These evaluations showed that the Board, its Committees, the Committee Chairs, the Lead Director and individual Directors were fulfilling their responsibilities.

Mandate of the Board

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

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

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

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

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

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

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

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

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

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

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

Meetings of the Board

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

Not all meetings of independent Directors are regularly scheduled but communication among this group occurs on an ongoing basis as needs arise between regularly scheduled meetings of the Board. At least five (5) meetings of the Independent Directors took place during the fiscal year that commenced on January 1, 2017. The Board believes that adequate structures and processes are in place to facilitate the functioning of the Board with a level of independence from the Company's management.

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

AUDIT COMMITTEE

The Board maintains an Audit Committee consisting of four (4) independent Directors, being Messrs. He, Liu, Sun and Ms. Quan. Mr. Sun is the Chair of the Audit Committee. All of the members of the Audit Committee are independent, in accordance with the independence requirements of NI 52-110. If management's nominees set forth herein are elected or re-elected, as applicable at the Meeting, it is expected that the Audit Committee will be composed solely of independent Directors.

The following changes to the composition of the Audit Committee occurred in 2017: Mr. Belan did not stand for re-election at the annual general meeting held on June 30, 2017 and ceased to be a member of the Audit Committee at that date. Mr. He joined the Audit Committee on May 16, 2017.

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

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

NOMINATING AND GOVERNANCE COMMITTEE

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

COMPENSATION AND BENEFITS COMMITTEE

The Board has established the Compensation Committee and it is composed exclusively of independent Directors, being Messrs. He, Liu, Sun and Ms. Quan. Mr. Liu is the Chair of the Compensation Committee. To encourage an objective nomination process, the Board has appointed all of the independent Board members to the Compensation Committee. If management’s nominees set forth herein are elected or re-elected, as applicable at the Meeting, it is expected that the Compensation Committee will be composed solely of independent Directors.

The members of the Compensation Committee have diverse professional backgrounds, with prior experience in executive compensation. Mr. He is a mining professional with over 30 years of Board and senior executive experience in the mining industry. Mr. Liu is retired with a distinguished career in international business. Mr. Sun is a founding partner of a private accounting firm and Ms. Quan is a former partner of Arthur Anderson. Given that the Compensation Committee is independent, this encourages an objective process for determining compensation.

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

The following changes to the composition of the Compensation Committee occurred in 2017: Mr. Belan did not stand for re-election at the annual general meeting held on June 30, 2017 and ceased to be a member of the Compensation Committee at that date. Mr. He joined the Compensation Committee on May 16, 2017.

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

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

OTHER BOARD COMMITTEES

Health, Environment, Safety and Social Responsibility Committee

The Board maintains a HESS Committee currently consisting of Messrs. Guo, Liu and Sun. Mr. Sun was appointed to the HESS Committee and as its Chair on April 1, 2018 and Mr. Aminbuhe ceased to be a HESS Committee member at that time.

The HESS Committee is currently composed of two (2) independent Directors and one (1) executive Director.

The primary objective of the HESS Committee is to review and oversee the Company's established safety, health and environmental policies and procedures at the Company's project sites. The HESS Committee also reviews any incidents that occur and provides guidance on how to prevent recurrences.

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

Ad Hoc/Special Committees

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

In November 2017, an independent Special Committee, comprised of Messrs. Sun, He and Ms. Quan, was formed in order to initiate and oversee a formal internal investigation into the charges against Mr. Aminbuhe and the connection, if any, between those charges and the Company and his conduct as the former Chairman and CEO of the Company. The Special Committee will report to the Board from time to time with respect to the results and status of its investigation and the potential impact of these matters, if any, on the business and affairs of the Company. Mr. Sun is the Chair of the independent Special Committee. If management's nominees set forth herein are elected or re-elected, as applicable at the Meeting, it is expected that the Special Committee will be composed solely of independent Directors.

In 2016, an independent Strategic Advisory Board was established to provide non-binding strategic guidance and advice to the Board in connection with the Company's ongoing business activities and initiatives. Following the appointments of Messrs. He and Yao at the 2017 annual general meeting, the Board determined that the Strategic Advisory Board was no longer necessary and the Strategic Advisory Board was dissolved on June 30, 2017. Mr. Braam Jonker was the sole member of the Strategic Advisory Board and his contract with the Company was terminated effective from June 30, 2017.

ADDITIONAL INFORMATION

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

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

DIRECTORS' APPROVAL

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

DATED at Vancouver, British Columbia, this 14th day of May, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

"Allison Snetsinger"

Allison Snetsinger
Corporate Secretary

Schedule "A"
Equity Incentive Plan
(See attached)

**SOUTHGOBI RESOURCES LTD
EMPLOYEES' AND DIRECTORS' EQUITY INCENTIVE PLAN**

Amended and restated: August 6, 2015

PART 1 INTRODUCTION

1.1 Purpose

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

1.2 Definitions

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

- (f) "**Company**" means SouthGobi Resources Ltd., a company continued under the laws of British Columbia.
- (g) "**Committee**" has the meaning assigned to it in Section 6.1.
- (h) "**Date of Grant**" means, in respect of an Option, (i) a date not earlier than the date that the grant of the Option was approved by the Committee for recommendation to the Board, provided that the Board approves such grant; or (ii) if the Option grant was not the subject of a Committee recommendation, a date not earlier than the date such grant was approved by the Board.
- (i) "**Eligible Director**" means a director of the Company or a director of an Affiliate.
- (j) "**Eligible Employee**" means an employee or Service Provider of the Company or an employee or Service Provider of an Affiliate.
- (k) "**Exchange**" means TSX or, as the context requires, any other stock exchange or securities market on which the Shares are then listed or admitted to trading.
- (l) "**Fair Market Value**" means, with respect to a Share, the volume weighted average price of a Share on TSX for the five days on which Shares were traded immediately preceding the date in respect of which Fair Market Value is to be determined or, if the Shares are not, as at that date, listed on TSX, on such other Exchange on which the Shares are listed on that date. If the Shares are not listed and posted for trading on an Exchange on such day, the Fair Market Value will be such price per Share as the Board, acting in good faith, may determine.
- (m) "**Insider**" means a person, and an Associate or Affiliate of a person, who meets the definition of "insider" in the *Securities Act* (Ontario), as amended.
- (n) "**Option**" means an incentive stock option granted under the terms of the Share Option Plan.
- (o) "**Option Period**" means, in respect of an Option, the period commencing on the Date of Grant and ending on the date that the Option is fully exercised, expires or is otherwise terminated.
- (p) "**Optionee**" means an Eligible Employee or Eligible Director to whom an outstanding Option has been granted under the terms of the Share Option Plan.
- (q) "**Participant**" means, in respect of any Plan, an Eligible Employee or Eligible Director who is designated by the Board to participate, and participates, in such Plan.
- (r) "**Plan**" means, collectively the Share Option Plan, the Share Bonus Plan and the Share Purchase Plan and "Plan" means any such plan as the context requires.
- (s) "**Service Provider**" means any person or company engaged by the Company or an Affiliate to provide services for an initial, renewable or extended period of 12 months or more.

- (t) **"Share Bonus Plan"** means the plan established and operated pursuant to Part 3 and Part 5 hereof.
- (u) **"Share Option Plan"** means the plan established and operated pursuant to Part 2 and Part 5 hereof.
- (v) **"Share Purchase Plan"** means the plan established and operated pursuant to Part 4 and Part 5 hereof.
- (w) **"Share"** means a common share without par value in the capital of the Company.
- (x) **"TSX"** means The Toronto Stock Exchange.

PART 2 SHARE OPTION PLAN

2.1 Participation

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

2.2 Price

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

2.3 Grant of Options

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

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

2.4 Option Period

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

2.5 Vesting

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

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

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

2.6 Exercise of Options

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

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

2.7 Conditions of Exercise

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

2.8 Cashless Exercise

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

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

- (b) dividing the product obtained under subsection 2.8(a) by the Fair Market Value per Share as of the date immediately preceding the date that the Optionee elected to effect a cashless exercise.

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

2.9 Lapsed Options

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

2.10 Effect of Termination of Employment or Death

If an Optionee:

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

2.11 Exchange upon Change of Control

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

2.12 Effect of Takeover Bid

With respect to any Change of Control transaction that constitutes a takeover bid, as defined in the *Securities Act* (Ontario), as amended, the Board will cause all unvested Options to become vested and exercisable solely for the conditional purpose of enabling an Optionee to exercise the Options and tender the underlying Shares to the Change of Control transaction, provided

that, if the Optionee fails to exercise any Options for which vesting is accelerated pursuant to this Section 2.12 prior to the occurrence of the Change of Control, such Options will, subject to Section 2.11, revert to their previously unvested status upon the occurrence of the Change of Control.

2.13 Adjustments

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

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

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

2.14 Loans to Employees

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

PART 3 SHARE BONUS PLAN

3.1 Participants

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

3.2 Number of Shares

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

The Board in its absolute discretion, will have the right to reallocate any of the Shares reserved for issuance under the Share Bonus Plan for future issuance under the Share Option Plan or the Share Purchase Plan and, in the event that any Shares specifically reserved under the Share Bonus Plan are reallocated to the Share Option Plan or the Share Purchase Plan, as the case may be, the aggregate maximum number of Shares reserved under the Share Bonus Plan will

be reduced to that extent. In no event will the number of Shares allocated for issuance under the Share Bonus Plan exceed 2,000,000 Shares.

3.3 Necessary Approvals

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

PART 4 SHARE PURCHASE PLAN

4.1 Participants

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

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

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

4.3 Maximum Participant's Contribution

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

4.4 Company's Contribution

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

4.5 Issue of Shares

On March 31, June 30, September 30 and December 31 in each calendar year the Company will issue to each Participant a number of fully paid and non-assessable Shares, disregarding

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

4.6 Number of Shares

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

4.7 Delivery of Shares

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

4.8 Effect of Termination of Employment or Death

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

4.9 Effect of Takeover Bid

If a Change of Control transaction that constitutes a takeover bid, as defined in the *Securities Act* (Ontario), as amended, to which a Participant wishes to tender unissued Shares that are scheduled to be issued under Section 4.5 after the takeover bid expires, the Board will, upon the written request of the Participant given at least fifteen (15) days before the takeover bid expires, accelerate the issuance of all unissued Shares that the Participant would, as of the date of the written request, be entitled to receive under Section 4.5 in order to permit the Participant to tender the Shares to the takeover bid.

4.10 Effect of Change of Control

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

Control transaction had the Shares been issued immediately prior to the effective date of such Change of Control transaction.

PART 5 GENERAL

5.1 Number of Shares

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

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

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

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

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

5.2 Transferability

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

5.3 Employment

Nothing contained in any Plan will confer upon any Participant any right with respect to employment or continuance of employment with the Company or any, Affiliate, or interfere in

any way with the right of the Company or any Affiliate to terminate the Participant's employment at any time. Participation in any Plan by a Participant is voluntary.

5.4 Record Keeping

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

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

5.5 Necessary Approvals

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

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

5.6 Income Taxes

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

- (a) in taking any action under the Plan, or in relation to any rights or benefits hereunder, the Company and each Participant will comply with all provisions and requirements of any income tax legislation or regulations of any jurisdiction which may be applicable to the Company or Participant, as the case may be;
- (b) the Company may withhold, or cause to be withheld, and deduct, or cause to be deducted, any amount the Company is required by applicable law to withhold or deduct on account of income taxes or other deductions required by any Canadian or foreign, federal, provincial, territorial, state or local taxing authorities or other amounts required by law to be withheld in relation to the grant or exercise or surrender of any Option or any payment or benefit under the Plan;

- (c) the Company will have the right to require, in connection with exercise or surrender of any Option, payment by the Participant of any amount the Company is required to withhold or deduct as contemplated in subsection 5.6(b) in order to satisfy all tax obligations, including withholding obligations, in connection with such exercise and any payment or benefit under the Plan in respect thereof;
- (d) the Company will have the right to sell, or arrange for the sale, in the market or as the Company may determine, on behalf of any Participant, such portion of any Shares issuable to the Participant under the Plan as the Company may determine, in order to realize net cash proceeds sufficient to permit the Company to pay any amount the Company is required to withhold or deduct as contemplated in subsection 5.6(b) (the "**Tax Withholding Amount**") and will have the right to withhold, or cause to be withheld, or deduct, or cause to be deducted from such proceeds any or all of such Tax Withholding Amount. Unless the Board otherwise determines, the Participant will be responsible for paying all transaction costs, including brokerage commissions or similar fees (collectively, the "**Transaction Costs**"), in connection with such sales and the Company may authorize any investment bank or other person selling Shares on behalf of the Participant to sell Shares on behalf of the Participant in order to realize sufficient proceeds to pay such Transaction Costs and such investment bank or other person will be entitled to sell such Shares on behalf of the Participant and deduct from the proceeds of such sale such Transaction Costs. If any investment bank or other person sells any Shares on behalf of a Participant as contemplated in this subsection 5.6(d), any net amount after deduction of the Tax Withholding Amount and Transaction Costs will be paid to the Participant;
- (e) the Company may take such other action as the Board may consider advisable to enable the Company and any Participant to satisfy obligations for the payment of withholding or other tax obligations in connection with the grant or exercise or surrender of any Option, any payment required under the Plan or which may otherwise be required by any applicable laws in respect of the Plan or any benefit or amount under the Plan;
- (f) each Participant (or the Participant's legal representatives) will bear and be responsible for any and all income or other tax imposed in respect of the grant and exercise or surrender of any Option under the Plan and in respect of any amount payable to or benefit received or deemed to be received by such Participant (or legal representative) under the Plan. Each Participant will be responsible for reporting and paying all income and other taxes applicable to or payable in respect of any Option granted to the Participant, any exercise or surrender of such Option, any payment required under the Plan and any transactions involving Shares which may be issued on exercise of any Option or pursuant to another award under the Plan, and any dividends or distributions in respect thereof, or proceeds from any sale or disposition thereof, including, without limitation, any taxes payable in respect of any sale or disposition of Shares made by or on behalf of the Participant (including as contemplated in subsection 5.6(d)); and
- (g) if the Company does not withhold any amount or require payment of an amount by a Participant (or legal representative), sufficient to satisfy all income tax obligations referred to in subsection 5.6(b), the Participant (or legal representative) will forthwith make reimbursement, on demand, in cash, of any amount paid by the Company in satisfaction of any such obligation.

5.7 Amendments to Plan

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

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

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

5.8 No Representation or Warranty

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

5.9 Compliance with Applicable Law

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

PART 6 ADMINISTRATION OF THE PLAN

6.1 Administration by the Committee

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

6.2 Board Role

- (a) The Board, on the recommendation of the Committee, will determine and designate from time to time the individuals to whom awards will be made, the amounts of the awards and the other terms and conditions of the awards.
- (b) The Board may delegate any of its responsibilities or powers under the Plan to the Committee, provided that the grant of all Shares, Options or other awards under the Plan will be subject to the approval of the Board. No Option will be exercisable in whole or in part unless and until such approval is obtained.
- (c) In the event the Committee is unable or unwilling to act in respect of a matter involving the Plan, the Board will fulfill the role of the Committee provided for herein.

