



**SOUTHGOBI RESOURCES LTD.
BOARD MANDATE**

The Board of Directors (the “Board”) of SouthGobi Resources Ltd. (the “Company”) shall have the oversight responsibility, authority and specific duties described below.

Under the *Business Corporations Act* (British Columbia), the directors of the Company are required to manage, or supervise the management of, 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. This 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, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

The Board needs to be satisfied that the Company’s senior management will manage the affairs of the Company in the best interest of the shareholders, and that the arrangements made for the management of the Company’s business and affairs are consistent with the Board’s duties described above. The Board is responsible for protecting shareholder interests and ensuring that the interests of the shareholders and 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 this responsibility, the Board 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 Board meeting per year is to be devoted substantially to a review of strategic plans proposed by management.

The Board reviews the principal risks inherent in the Company’s business, including financial risks, through periodic reports from management of such risks. This review takes place in conjunction with the Board’s review of operations and risk issues at each Board meeting, at which time the Board assesses the systems established to manage those risks. Directly and through the

Audit Committee, the Board also assesses the integrity of the internal financial control and management information systems.

In addition to those matters that must, by law, be approved by the Board, the Board is required 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 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 efficiently implement its strategic plans for the Company, 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 external advisor at the expense of the Company provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.

The roles of each of the Chair and the Chief Executive Officer will be as set forth in position statements as may be established by the Board from time to time.

This Mandate will be reviewed periodically by the Board and supplemented as required from time to time.

The Roles of the Board of Directors

The Board fulfills its mandate through direct oversight, setting policy, appointing committees and appointing management. Specific responsibilities include the following:

1. Approving the issuance of any securities of the Company.
2. Approving the incurrence of any debt by the Company outside the ordinary course of business.
3. Reviewing and approving the annual and quarterly capital and operating budgets.
4. Reviewing and approving major deviations from the capital and operating budgets.

5. Approving the annual financial statements and quarterly financial statements (including management's discussion and analysis related thereto), information circulars, annual information forms, annual reports, offering memorandums and prospectuses.
6. Approving material investments, dispositions and joint ventures, and approving any other major initiatives outside the scope of approved budgets.
7. Reviewing and approving, on at least an annual basis, the Company's strategic plans (which takes into account, among other things, the opportunities and risks of the Company's business), adopting a strategic planning process and monitoring the Company's performance as against the adopted plans.
8. Reviewing and approving the Company's incentive compensation plans.
9. Determining the composition, structure, processes, and characteristics of the Board and the terms of reference of committees of the Board, and establishing a process for monitoring the Board and its directors on an ongoing basis.
10. Appointing a Nominating and Corporate Governance Committee, an Audit Committee, a Compensation and Benefits Committee and other Board committees and delegating to any such committees powers of the Board as appropriate and legally permissible.
11. Nominating the candidates for the Board to shareholders, based on recommendations from the Nominating and Corporate Governance Committee.
12. Ensuring an appropriate orientation and education program for new directors is provided.
13. Determining whether individual directors meet the requirements for independence under applicable securities laws, rules and regulations, stock exchange rules and policies, and any other regulatory requirements.
14. Monitoring the ethical conduct of the Company and ensuring that it complies with applicable legal and regulatory requirements, as well as the Company's written code of business conduct and ethics ("*The Way We Work*"). Any waivers from the code that are granted in respect of a director or executive officer of the Company shall be granted only by the Board or one of its committees.
15. Satisfying itself as to the integrity of the chief executive officer and other executive officers of the Company, and that the chief executive officer and other executive officers of the Company are creating and fostering a culture of integrity throughout the organization.
16. Ensuring that the directors that are independent of management have the opportunity to meet regularly.
17. Reviewing this Mandate and other Board policies and terms of reference for committees in place from time to time and proposing modifications as applicable.

18. Appointing, training and monitoring the performance of senior management, formulating succession plans for senior management and, with the advice of the Compensation and Benefits Committee, approving the compensation of senior management.
19. Ensuring policies and processes are in place for identifying principal business risks and opportunities for the Company, addressing the extent to which such risks are acceptable to the Company, and ensuring that appropriate systems are in place to manage risks.
20. Ensuring policies and processes are in place to ensure the integrity of the Company's internal control, financial reporting and management information systems.
21. Ensuring appropriate policies and processes are in place to ensure the Company's compliance with applicable laws and regulations, including timely disclosure of relevant corporate information and regulatory reporting.
22. Adopting a communication policy for the Company in respect of communications with its shareholders and maintaining a system for receiving feedback from shareholders.
23. Exercising direct control during periods of crisis.
24. Serving as a source of advice to senior management, based on directors' particular backgrounds and experience.
25. Ensuring that the directors have direct access to management and, as necessary and appropriate, independent professional advisors, at the Company's expense.
26. Ensuring evaluations of the Board and its committees are carried out at least annually.

Organization of the Board of Directors

Independence: At least one-third of the members of the Board must be independent non-executive directors. Of these independent non-executive directors, at least one of them must have past employment experience in finance or accounting of public companies, requisite professional certification in accounting, or any other comparable experience or background which results in such individual's financial sophistication (including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities).

The Company intends to monitor best practices recommendations and to fully comply with the corporate governance requirements relating to the composition and independence of Board and committee members under applicable legislation and stock exchange rules by the date of the effectiveness of such legislation and rules or earlier and, through the Nominating and Corporate Governance Committee, to identify additional qualified Board candidates where required to meet such requirements.

Fees: The Board shall establish and review, from time to time, guidelines for determining the form and amount of director compensation based upon the

recommendation of the Compensation and Benefits Committee in accordance with the policies and principles set forth in its charter and with reference to any recommendations made by the Company's compensation consultants.

Committees: The Company has an Audit Committee, a Compensation and Benefits Committee, a Nominating and Corporate Governance Committee, a Health, Environment, Safety and Social Responsibility Committee, and a Disclosure Committee. The Company will have such other committees of the Board as may be required from time to time.

Meetings

The Board shall hold regular annual and quarterly meetings. Between the quarterly meetings, the Board will meet on an ad hoc basis as required, in person or by means of telephone conferencing facilities. As part of the annual and quarterly meetings, the independent directors shall have the opportunity to meet separate from management. Management will communicate informally with members of the Board on a regular basis, and will solicit the advice of Board members falling within their specific knowledge and experience. Each director shall review all Board meeting materials in advance of each meeting and shall make all reasonable efforts to attend all Board and committee meetings, as applicable.

The Board will appoint a Secretary who will keep full minutes of all meetings. The Secretary may be the Company's Corporate Secretary or another person who does not need to be a member of the Board. Draft and final versions of the meeting minutes shall be sent to all members of the Board within a reasonable time following such meetings, which, in the case of draft meeting minutes, shall be circulated no later than 21 days following the date of the applicable meeting.

The Chair of the Board shall hold annual meetings with the non-executive directors (including independent non-executive directors) of the Board without the presence of executive directors.

Resources and Access to Information

The Board shall be provided with sufficient resources by the Company to perform its duties. The Board shall have the authority to: (i) retain, at the expense of the Company, independent legal, accounting and other advisors or consultants to advise the Board as it determines necessary to carry out its duties; and (ii) approve the terms and conditions of the arrangement (including, the fees and other retention terms) with such outside advisors.

The Board has the authority to conduct any investigation appropriate to fulfilling its responsibilities. The Board has direct and unrestricted access to any officer, employee or consultant of the Company and its subsidiaries. The Board may request any officer, employee or consultant of the Company or its subsidiaries, the Company's outside counsel or the Auditors to attend a meeting of the Board or to meet with any members of, or consultants to, the Board with or without the presence of management. In the performance of any of its duties and responsibilities, the Board shall have unrestricted access to any and all books and records of the Company and its subsidiaries necessary for the execution of the Board's obligations.

Training

New directors shall be provided with a comprehensive information package regarding the Company and its management, and are fully briefed by senior management on the Company's business and key current issues.

All directors should participate in continuous professional development to develop and refresh their knowledge and skills. Directors should provide a record of the training they received to the Company.

Amendments

At least annually, this mandate will be fully evaluated by the Nominating and Corporate Governance Committee and any appropriate updates will be recommended to the Board for consideration. The Nominating and Corporate Governance Committee shall have the authority to make minor technical amendments to this mandate from time to time as required.

Approved: May 25, 2004
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