

Headnote

Multilateral Instrument 11-102 *Passport System* and National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* – National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, ss. 3.3(1) and 5.1 – Relief from the requirement to audit financial statements in accordance with Canadian Generally Accepted Auditing Standards – A BC and Hong Kong dual-listed issuer that is not a foreign issuer is unable to have its financial statements audited in accordance with Canadian GAAS as it is unable to find a qualified auditor that satisfies licensing requirements of Hong Kong and BC; issuer wants to audit its financial statements in accordance with International Standards on Auditing.

Applicable Legislative Provisions

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, s. 3.3(1) *Securities Act*, R.S.B.C. 1996, c. 418, s. 91

February 10, 2026

In the Matter of
the Securities Legislation of
British Columbia and Ontario
(the Jurisdictions)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
SouthGobi Resources Ltd.
(the Filer)

Decision

Background

- ¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) for an exemption from the requirement in subsection 3.3(1) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107) that its financial statements, other than acquisition statements, be audited in accordance with Canadian GAAS (the Exemption Sought).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

- (a) the British Columbia Securities Commission is the principal regulator for this application,
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Québec and Saskatchewan, and

- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

For the purposes of this decision, foreign issuer has the meaning ascribed to that term in NI 52-107.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:

Background

1. the Filer is a corporation existing under the *Business Corporations Act* (British Columbia);
2. the Filer's head office is located in Kowloon, Hong Kong and its registered and records office is located in Vancouver, British Columbia;
3. the Filer is a reporting issuer in all provinces of Canada and is not in default of securities legislation in any jurisdiction;
4. all of the Filer's principal subsidiaries are incorporated under the laws of Singapore, Hong Kong, the People's Republic of China and Mongolia;
5. the Filer is an integrated coal mining, development and exploration company and has a portfolio of mining assets, all of which are located in the Umnugobi Aimag (South Gobi Province) of Mongolia;
6. the Filer's authorized share capital consists of an unlimited number of common shares (the Common Shares) and an unlimited number of preferred shares (the Preferred Shares);
7. the Common Shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (HKEX) under stock code 1878 and the TSX Venture Exchange under the symbol SGQ; during the prior thirty-six month period, over 98% of the total trading volume for the Common Shares took place on the HKEX;
8. the Filer does not have a class of securities registered under the 1934 Act and is not required to file reports under the 1934 Act;
9. as of January 12, 2026, the Filer has the following issued and outstanding securities: 296,854,666 Common Shares and 807,000 stock options under the Filer's equity incentive plan;
10. a search of registered holders conducted as of January 12, 2026 by TSX Trust, the Filer's transfer agent, (the Transfer Agent) indicated that there were 22 registered holders of Common Shares resident in Canada holding 7,732,520 Common Shares or approximately 2.60% of the issued and outstanding Common Shares; and a search of the beneficial holders conducted as of January 14, 2026 by the Transfer Agent indicated that there were 1,109 beneficial holders resident in Canada holding 4,122,527 Common Shares or approximately 1.39% of issued and outstanding Common Shares;

11. outstanding voting securities carrying more than 50% of the votes for the election of directors of the Filer are not beneficially owned, directly or indirectly, by residents of Canada;
12. the majority of the executive officers and directors of the Filer are not residents of Canada;
13. more than 50% of the consolidated assets of the Filer are located outside of Canada;
14. the business of the Filer is administered principally outside of Canada and the Filer does not maintain an office in Canada, except a registered and records office;
15. the Filer does not meet the definition of a foreign issuer under section 1.1 of NI 52-107 because it was not incorporated or organized under the laws of a foreign jurisdiction and therefore also does not meet the definition of designated foreign issuer under section 1.1 NI 52-107;
16. the Filer meets all the elements of the definition of foreign issuer under section 1.1 of NI 52-107 except that it is incorporated in British Columbia;

Auditors and Auditing Standards

17. the Filer does not meet the definition of foreign issuer under NI 52-107 and is therefore required under subsection 3.3(1)(a) of NI 52-107 to have its financial statements audited in accordance with Canadian GAAS;
18. under subsection 3.10(1) of NI 52-107, despite subsection 3.3(1), a foreign issuer's financial statements may be audited in accordance with International Standards on Auditing and be accompanied by an auditor's report that includes certain prescribed items;
19. the financial year end of the Filer is December 31;
20. the Filer's auditor is BDO Limited, Certified Public Accountants (Practicing), Hong Kong (the Auditor);
21. the Auditor is a participating audit firm of the Canadian Public Accountability Board; the Auditor satisfies applicable licensing and registration requirements in Hong Kong and is qualified under the requirements in Hong Kong to prepare and sign-off on an auditor's report prepared in accordance with International Standards on Auditing;
22. the Filer engaged the Auditor because the Filer's head office is in Hong Kong and the Filer was unable to find an audit firm registered with the Chartered Professional Accountants of British Columbia (CPABC) willing to audit the Filer's financial statements;
23. CPABC is the regulatory body governing audit services in British Columbia and an auditor that issues a Canadian GAAS audit opinion in British Columbia must be registered and licensed with CPABC;
24. the Filer is unable to engage another auditor that can (i) sign-off on an auditor's report in accordance with Canadian GAAS for its annual financial statements and (ii) satisfy the audit registration and licensing requirements of both Hong Kong and British Columbia; and

25. the Auditor has advised the Filer that it is unable to perform an audit in accordance with Canadian GAAS because the Auditor is not registered and licensed with CPABC as it is impracticable for the Auditor to satisfy the registration and licensing requirements of CPABC because the Auditor would need an office in BC and a partner/employee that is allowed under the Auditor's internal policies (e.g. insurance, quality management) to sign-off on auditor's reports and has a Canadian CPA designation with a public practice audit licence to satisfy those requirements.

Decision

¶ 4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted provided that and for so long as:

- (a) the total number of equity securities beneficially owned by residents of Canada does not exceed 10%, on a fully-diluted basis, of the total number of equity securities of the Filer, calculated in accordance with sections 1.2 and 1.3 of NI 52-107;
- (b) the representations in sections 1 and 11 to 14 above continue to be true;
- (c) the Filer's financial statements that are required by securities legislation to be filed and audited are filed and audited in accordance with International Standards on Auditing and accompanied by an auditor's report that meets all the requirements of subsection 3.10(1) of NI 52-107;
- (d) the Filer's auditor is not required to be registered or licensed under the *Chartered Professional Accountants Act* (British Columbia);
- (e) the Filer is subject to and complies with the requirements of the HKEX and disclosure and governance requirements of Hong Kong; and
- (f) the Filer's auditor is subject to and complies with the audit licensing requirements of Hong Kong.

Gordon Johnson
Vice Chair
British Columbia Securities Commission