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## **SOUTHGOBI RESOURCES LTD.**

**南戈壁資源有限公司\***

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

(Hong Kong Stock Code: 1878)

(Toronto Stock Code: SGQ)

### **Overseas Regulatory Announcement**

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

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

By order of the Board

**SouthGobi Resources Ltd.**

**Mao Sun**

*Interim Independent Lead Director*

Vancouver, December 27, 2018

Hong Kong, December 27, 2018

*As at the date of this announcement, the executive director of the Company is Mr. Shougao Wang; the independent non-executive directors are Messrs. Yingbin Ian He, Mao Sun and Ms. Jin Lan Quan; and the non-executive directors are Messrs. Wen Yao, Zhiwei Chen, Xiaoxiao Li and Ms. Lan Cheng.*

\* *For identification purposes only*

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**1. NAME AND ADDRESS OF COMPANY**

SouthGobi Resources Ltd. (the “**Company**”)  
20th Floor, 250 Howe Street  
Vancouver, B.C. Canada V6C 3R8

**2. DATE OF MATERIAL CHANGE**

December 15, 2018 and December 17, 2018

**3. NEWS RELEASE**

The press releases were issued on December 15, 2018 and December 17, 2018, respectively, and were disseminated through the facilities of recognized newswire services. Copies of the press releases were filed on SEDAR.

**4. SUMMARY OF MATERIAL CHANGE**

On December 15, 2018, the Company announced that it has learned of certain information relating to past conduct engaged in by former senior executive officers and employees of the Company (“**Former Management and Employees**”) which raises suspicions of serious fraud, misappropriation of Company assets and other criminal acts by the Former Management and Employees relating to prior transactions (“**Suspicious Transactions**”) between 2016 and the first half of 2018 involving the Company, Inner Mongolia SouthGobi Energy Co., Ltd. (a subsidiary of the Company) and certain coal trading and transportation companies, some of which are allegedly related to or controlled by the Former Management and Employees or their related persons. The Board of Directors of the Company has expanded the mandate of the special committee of independent non-executive directors of the Company, which was formed on November 16, 2017 to conduct a formal internal investigation into the arrest of, and charges against, the Company’s former Chief Executive Officer, to also include a formal investigation of the conduct of the Suspicious Transactions, the implicated Former Management and Employees, and their impact, if any, on the business and affairs of the Company.

On December 17, 2018, the Company announced that, further to its press release dated December 15, 2018, the Toronto Stock Exchange has suspended trading of the Company’s common shares effective as of 10:19 a.m. (Toronto time) on December 17, 2018 and trading will remain suspended until clarification regarding the business and affairs of the Company is announced. Trading in the Company’s common shares has also been halted on the Hong Kong Stock Exchange effective as of 9:15 a.m. (Hong Kong time) on December 17, 2018 pending the publication of an insider information announcement.

**5. FULL DESCRIPTION OF MATERIAL CHANGE**

Please see copies of the press releases dated December 15, 2018 and December 18, 2018 attached as Schedule "A" hereto.

**6. RELIANCE ON SUBSECTION 7.1(2) OR (3) OF NATIONAL INSTRUMENT 51-102**

Not applicable.

**7. OMITTED INFORMATION**

No information has been intentionally omitted from this form.

**8. EXECUTIVE OFFICER**

The name and business number of an officer of the Company through whom an executive officer who is knowledgeable about the material change and this report may be contacted is:

Allison Snetsinger  
Corporate Secretary

Telephone: 604-762-6783

**9. DATE OF REPORT**

DATED at Vancouver, British Columbia this 24<sup>th</sup> day of December, 2018.

**Schedule "A"**

See attached.



December 15, 2018

## SouthGobi announces expansion of Special Committee Mandate

**VANCOUVER** – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) (“**SouthGobi**” or the “**Company**”) announces that the Company has learned of certain information relating to past conduct engaged in by former senior executive officers and employees of the Company (“**Former Management and Employees**”) which raises suspicions of serious fraud, misappropriation of Company assets and other criminal acts by the Former Management and Employees relating to prior transactions (“**Suspicious Transactions**”) between 2016 and the first half of 2018 involving the Company, Inner Mongolia SouthGobi Energy Co., Ltd. (a subsidiary of the Company) and certain coal trading and transportation companies, some of which are allegedly related to or controlled by the Former Management and Employees or their related persons. The Company has filed a report with local police authorities in China in respect of certain of the Suspicious Transactions.

The Board of Directors of the Company (the “**Board**”) has expanded the mandate of the special committee of independent non-executive directors of the Company (the “**Special Committee**”) which was formed on November 16, 2017 to conduct a formal internal investigation into the arrest of, and charges against, the Company’s former Chief Executive Officer, to also include a formal investigation of the conduct of the Suspicious Transactions, the implicated Former Management and Employees, and their impact, if any, on the business and affairs of the Company.

The Board has directed the Special Committee to engage such qualified independent and professional advisors as it deems necessary to assist in the formal investigation, including but not limited to forensic accounting experts and Blake, Cassels & Graydon LLP as independent Canadian legal counsel. The full extent and true nature of the Suspicious Transactions, the relationships between Former Management and Employees and the coal trading and transportation companies, and their potential impact on the Company will not be known until the formal investigation has been completed. The Special Committee intends to work expeditiously with its advisors to complete the investigation and will report to the Board on a timely basis with respect to the progress and status of its investigation. The Company will make additional announcements when and if there are further material developments in relation to the investigation.

## **Forward-Looking Statements**

Certain information included in this news release that is not current or historical factual information constitutes forward-looking statements or information within the meaning of applicable securities laws (collectively, "forward-looking statements"), including information about the allegations of fraud, misappropriation of Company assets and criminal activity involving Former Management and Employees, the engagement of forensic experts and other independent advisors to assist the Special Committee in the formal investigation, the results of the formal investigation and timing on the announcement of the results of the formal investigation. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "could", "should", "seek", "likely", "estimate" and other similar words or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on certain factors and assumptions including, among other things, the Special Committee's ability to conclude the formal investigation in a timely manner, the final results of the formal investigation and other similar factors that may cause actual results to differ materially from what the Company currently expects. Actual results may vary from the forward-looking statements. Readers are cautioned not to place undue importance on forward-looking statements, which speaks only as of the date of this disclosure, and should not rely upon this information as of any other date. While the Company may elect to, it is under no obligation and does not undertake to, update or revise any forward-looking statements, whether as a result of new information, further events or otherwise at any particular time, except as required by law. Additional information concerning factors that may cause actual results to materially differ from those in such forward-looking statements is contained in the Company's filings with Canadian securities regulatory authorities and can be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **About SouthGobi**

SouthGobi, listed on the Toronto and Hong Kong stock exchanges, owns and operates its flagship Ovoot Tolgoi coal mine in Mongolia. It also holds the mining licences of its other metallurgical and thermal coal deposits in South Gobi Region of Mongolia. SouthGobi produces and sells coal to customers in China.

## **Contact:**

### **Investor Relations**

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**Website:** [www.southgobi.com](http://www.southgobi.com)



December 17, 2018

## **SouthGobi announces trading suspension on TSX and trading halt on Hong Kong Stock Exchange**

**VANCOUVER** – SouthGobi Resources Ltd. (TSX: **SGQ**, HK: **1878**) (“**SouthGobi**” or the “**Company**”) announces that, further to its press release dated December 15, 2018, the Toronto Stock Exchange (“**TSX**”) has suspended trading of the Company’s common shares effective as of 10:19 a.m. (Toronto time) on December 17, 2018 and trading will remain suspended until clarification regarding the business and affairs of the Company is announced. Trading in the Company’s common shares has also been halted on the Hong Kong Stock Exchange effective as of 9:15 a.m. (Hong Kong time) on December 17, 2018 pending the publication of an insider information announcement.

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