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(A company continued under the laws of British Columbia, Canada with limited liability)
(Hong Kong Stock Code: 1878)
(Toronto Stock Code: SGQ)

Delay of filings and application for a management cease trade order

SouthGobi Resources Ltd. (the “**Company**” or “**SouthGobi**”) announces that it has been advised by its external auditors (the “**Auditors**”) that they will not be in a position to render an unmodified opinion on the Company’s annual consolidated financial statements for the year ended December 31, 2019 (the “**2019 Financial Statements**”) prior to the extended filing deadline of May 14, 2020 (the “**Annual Filing Deadline**”) because they have not been able to obtain sufficient evidence to support management’s going concern assumptions. As a result, the Company will not be able to file: (i) the 2019 Financial Statements, accompanying Management Discussion & Analysis and the Annual Information Form (collectively, the “**2019 Annual Filings**”) prior to the Annual Filing Deadline as required under applicable Canadian securities laws; (ii) its interim consolidated financial statements for the three month period ended March 31, 2020 and accompanying Management Discussion & Analysis (collectively, the “**2020 Interim Filings**”) prior to May 15, 2020 as required under applicable Canadian securities laws, and (iii) its 2019 Annual Report prior to May 15, 2020 as required under applicable HKEX listing rules. Accordingly, subsequent to the Annual Filing Deadline, the Company will be in default of its continuous disclosure obligations under applicable Canadian securities laws and placed on the defaulting issuers list of British Columbia Securities Commission (“**BCSC**”). If the Company does not file its 2019 Annual Report on or before May 15, 2020 that trading in the Company’s common shares on the HKEX will be suspended after May 15, 2020 as pursuant to applicable HKEX listing rules.

The Company also announces that it will be making an application to BCSC, the Company’s principal securities regulator in Canada, under National Policy 12-203 of the Canadian Securities

** For identification purposes only*

Administrators (“**NP 12-203**”) requesting that a management cease trade order (“**MCTO**”) be granted in respect of the late filing of the 2019 Annual Filings and 2020 Interim Filings. There is no guarantee that a MCTO will be granted. However, if a MCTO is granted, the Company will attempt to obtain and provide to the Auditors sufficient evidence to support management’s going concern assumptions, and will attempt to obtain an unmodified opinion from the Auditors on the 2019 Financial Statements prior to the expiry of the MCTO or pursue another appropriate resolution to this matter. Further, if a MCTO is granted, the Company’s directors and senior officers and other insiders will not be able to trade the Company’s securities while the MCTO is in effect, and the Company will be required to comply with the provisions of the alternative information guidelines as set out in NP 12-203 for so long as the MCTO remains in effect, including the issuance of bi-weekly default status reports by way of press releases. The Company is not currently subject to any insolvency proceedings. If the Company provides any material information to any of its creditors during the period in which the MCTO is in effect, the Company will also be required to file a material change report under its profile on SEDAR (www.sedar.com) containing such information.

The Company is, and has for some time been, taking active steps to address the going concern issues raised by the Auditors, which have been exasperated by the impact of the COVID-19 pandemic, including consultations with the Government of Mongolia regarding the status of the Mongolian-Chinese border and the restrictions on coal exports into China implemented due to the impact of the COVID-19 pandemic, continued discussions with its two largest shareholders with respect to the possibility of extending financial support and negotiations with existing creditors regarding repayment arrangements. There can be no assurance, however, that any or all of the foregoing steps will provide a basis for the Auditors to render an unmodified opinion on the 2019 Financials Statements.

Unless and until such time as the Company files the 2019 Annual Filings, the 2020 Interim Filings and its Annual Report, shareholders and potential investors of the Company are urged to exercise extreme caution when dealing in the securities of the Company. If a MCTO is granted but the Company is unable to file the 2019 Annual Filings and 2020 Interim Filings prior to the expiry of the MCTO, it is anticipated that the BCSC will issue a general “failure to file” cease trade order (“**CTO**”) prohibiting the trading by any person of any securities of the Company, including trades in the Company’s common shares made through the TSX, which would take effect shortly after the expiry of the MCTO and would remain in place until such time as the 2019 Annual Filings and 2020 Interim Filings have been filed. Trading prices and volatility of the Company’s securities may be negatively affected and any investment in such securities could suffer a significant decline or total loss in value.

The Company will make further announcements with respect to the status of the 2019 Annual Filings as and when appropriate.

If there is any inconsistency or discrepancy between the English version and the Chinese version, the English version shall prevail.

By order of the Board
SouthGobi Resources Ltd.

Mao Sun
Lead Director

Vancouver, May 12, 2020

Hong Kong, May 12, 2020

As at the date of this announcement, the executive director of the Company is Mr. Dalanguerban; the independent non-executive directors are Messrs. Yingbin Ian He, Mao Sun and Ms. Jin Lan Quan; and the non-executive directors are Messrs. Jianmin Bao, Zhiwei Chen, Xiaoxiao Li and Ben Niu.

Forward-Looking Statements

Certain information included in this press 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 regarding that the Auditors will not be able to render an unmodified opinion on the 2019 Financials Statements prior to the Annual Filing Deadline, the Company will not be able to file the 2019 Annual Filings, the 2020 Interim Filings and its Annual Report prior to the applicable filing deadlines, the Company's application for a MCTO with the BCSC, the HKEX will suspend trading in the Company's common shares if the Company does not file its Annual Report on or before May 15, 2020, the Company's current coal inventory being sufficient to meet expected sales demand for a period of two months from the date hereof, the anticipated duration of time the Company's mining operations will remain curtailed and the steps that the board of directors of the Company and the senior management team are also taking to address the issues and concerns raised by the Auditors. 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 decision of the BCSC to grant a MCTO, the ability of the Company to obtain and provide to the Auditors sufficient evidence to support management's going concern assumptions, and obtain an unmodified opinion from the Auditors on the 2019 Financial Statements prior to the expiry of the MCTO or arrive at another appropriate resolution to the matter, the status of the Mongolian-Chinese border crossing, the ability of the Company to successfully negotiate with its two largest shareholders, creditors and suppliers, management's future sales expectations 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 not to 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.