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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)

## **CORPORATE UPDATE**

This announcement is made by SouthGobi Resources Ltd. (“**SouthGobi**” or the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company provides this bi-weekly default status report in relation to the management cease trade order dated May 15, 2020 (“**MCTO**”) granted by the British Columbia Securities Commission (“**BCSC**”) pursuant to National Policy 12-203 - Cease Trade Orders for Continuous Disclosure Defaults (“**NP 12-203**”).

As disclosed in its announcements dated May 12, 2020 and May 17, 2020, the Company was advised by its external auditors (the “**Auditors**”) that they were unable 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 filing deadline of May 14, 2020, as they have not obtained sufficient evidence to support management’s going concern assumptions due in part to the impact of the COVID-19 pandemic. As a result, the Company was not able to file: (i) the 2019 Financial Statements, the accompanying Management Discussion & Analysis and its 2019 Annual Information Form (collectively, the “**2019 Annual Filings**”) by the filing deadline of May 14, 2020; and (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**”) by the filing deadline of May 15, 2020.

\* For identification purposes only

The Company continues to have discussions with the Auditors and to attempt to obtain and provide them sufficient evidence to support management's going concern assumptions for the 2019 Financial Statements. The Company is also working to explore different alternatives in relation to the 2019 Financial Statements. However, the Company expects that it is unlikely that it will be able to file the 2019 Annual Filings and 2020 Interim Filings prior to the expiry of the MCTO (i.e. June 15, 2020).

If the 2019 Annual Filings and 2020 Interim Filings are not filed on or before June 15, 2020, it is anticipated that the BCSC will issue a general "failure to file" cease trade order ("**CTO**") shortly after the expiry of the MCTO to prohibit the trading by any person of any securities of the Company, including trades in the Company's common shares made through the TSX. The CTO will remain in place until such time as the 2019 Annual Filings and 2020 Interim Filings are filed by the Company. While the CTO is in effect, the TSX may elect to place the Company under remedial delisting review. If the Company is placed on remedial delisting review, there can be no assurances that the Company will be able to successfully demonstrate compliance with TSX listing requirements and maintain its listing on the TSX. **The CTO or a delisting from the TSX will have a significant adverse impact on the liquidity of the Company's common shares and shareholders of the Company may suffer a significant decline or total loss in value of its investment in the Company's common shares as a result.**

As previously disclosed in its announcement dated April 28, 2020, the Ceke Port of the Mongolian-Chinese border was reopened on March 28, 2020 for coal export on a trial basis, with a limit imposed on the total volume of coal that is permitted to be exported during the trial period. The Company's coal export from May 1 to May 28, 2020 amounted to approximately 0.17 million tonnes, an increase of approximately 70% from the same period in April 2020.

In order to preserve its working capital, the Company has suspended the coal mining operations from February 11, 2020, but in the meantime, the Company is continuing its coal blending operations. The Company anticipates that its existing coal inventories are sufficient to satisfy expected sales demand for a period of at least two months as of the date hereof. The Company has finalized a repayment agreement with one of its biggest suppliers in Mongolia and is discussing repayment agreements with other suppliers. The Company is also in the process of finalizing a one-year extension of an existing bank loan in Mongolia to May 2021.

The Company confirms that (i) there have been no material changes to the information set out in the announcement dated May 12, 2020 that has not been generally disclosed; (ii) there have been no failures by the Company in fulfilling its stated intentions with respect to satisfying the provisions of the alternative information guidelines under NP 12-203; (iii) there has been no other, or anticipated,

specified default under NP 12-203 concerning the Company; and (iv) there is no other material information concerning the affairs of the Company that has not been generally disclosed. The Company will continue to comply with the provisions of the alternative information guidelines under NP 12-203 by filing bi-weekly default status reports in the form of news releases for so long as the MCTO remains in effect.

The Company will continue to take active steps to address the going concern issues raised by the Auditors and explore available options to attempt to obtain an unmodified opinion on the 2019 Financial Statements. The Company will make further announcements with respect to the status of the 2019 Annual Filings as and when appropriate.

**SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.**

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 29, 2020

Hong Kong, May 29, 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.*