SouthGobi announces the update on issuing 2019 Financial Statements and the publication and dispatch of the 2019 Annual Report

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VANCOUVER, May 17, 2020 - SouthGobi Resources Ltd. (TSX: SGQ, HK: 1878) (“SouthGobi” or the “Company”) announces an update on issuing its 2019 Financial Statements and the publication and dispatch of the 2019 Annual Report.

Reference is made to the Company’s announcements dated April 27 and May 12, 2020 (collectively, the “Announcements”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same respective meanings as defined in the Announcements.

As disclosed in the announcement dated May 12, 2020, the Company has been advised by its Auditors that they have not been able to render an unmodified opinion on the 2019 Financial Statements prior to the filing deadline of May 14, 2020, as they have not had sufficient evidence to support management’s going concern assumptions due in part to the impact of the COVID-19 pandemic. In addition, the State Emergency Commission of Mongolia imposed travel restriction of non-Mongolian passengers to enter Mongolia since February 2020. On April 28, 2020, the State Emergency Commission of Mongolia decided to extend the suspension of international passenger flights till the end of May 2020. As a result, the Company was not able to file the 2019 Financial Statements by the filing deadline of May 14, 2020.

On May 13, 2020 the Company made an application to the BCSC, the Company’s principal securities regulator in Canada, requesting that a MCTO be granted in respect of the late filing of the 2019 Annual Filings and 2020 Interim Filings. On May 15, 2020, the BCSC granted the Company a MCTO which will be effective until June 15, 2020. Pursuant to the MCTO, the Chief Executive Officer and the Chief Financial Officer of the Company will not be permitted to trade any securities of the Company unless and until such time as the Company files the 2019 Annual Filings and 2020 Interim Filings. While the MCTO is in effect, the Company expects that shareholders of the Company will continue to be able to trade the Company’s common shares on the TSX. Until the 2019 Annual Filings and 2020 Interim Filings are filed, the Company will be required to comply with the provisions of the alternative information guidelines specified in NP 12-203 by issuing bi-weekly default status reports in the form of press releases for so long as the MCTO remains in effect.

Meanwhile, an application was made by the Company to the Hong Kong Stock Exchange for further extension of time for the publication of the 2019 Annual Report (the “Further Extension”) as provided for under the Further Guidance on Joint Statement in relation to Results Announcements in light of the COVID-19 Pandemic issued by the Securities and Future Commission in Hong Kong and the Hong Kong Stock Exchange on March 16, 2020. The Company anticipates trading of the Company’s common shares on the Hong Kong Stock Exchange will be permitted to continue if the Further Extension is granted by Hong Kong Stock Exchange.

During the effective period of MCTO, and if the Further Extension is granted, the Company will use the additional time so granted to obtain relevant evidence so as to support management’s going concern assumptions, and to obtain an unmodified opinion from the Auditors on the 2019 Financial Statements or pursue another appropriate resolution to this matter. If the Company is successful in obtaining an unmodified opinion from the Auditors on the 2019 Financial Statements, the Company will file the 2019 Financial Statements and 2019 Annual Report as soon as possible following the receipt thereof. There can be no assurance, however, that the Company will be able to provide sufficient evidence to the Auditors and obtain an unmodified opinion on the 2019 Financial Statements prior to the expiry of the MCTO or Further Extension. If 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. The Company anticipates that the CTO 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.

The Company will make further announcement(s) in relation to the updates on status of the Further Extension application with the Hong Kong Stock Exchange, the 2019 Financial Statements, and the publication and the dispatch of the 2019 Annual Report as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

About SouthGobi

SouthGobi, listed on the Toronto and Hong Kong stock exchanges, owns and operates its flagship Ovoot Tolgoi coal mine in Mongolia. SouthGobi produces and sells coal to customers in China.

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