

Update on interest payment obligations to CIC

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VANCOUVER, British Columbia, May 22, 2018 (GLOBE NEWSWIRE) -- [SouthGobi Resources Ltd.](#) (TSX:SGQ) (HK:1878) ("SouthGobi" or the "Company") announces today that pursuant to the convertible debenture between China Investment Corporation ("CIC") and the Company signed in November 2009 (the "Convertible Debenture") and the deferral agreement between CIC and the Company executed on June 12, 2017 (the "June 2017 Deferral Agreement"), total interest payments and associated fees which were due and payable to CIC on May 19, 2018 amounted to US\$30.3 million ("Outstanding Interest Payable"). The Outstanding Interest Payable consists of:

1. cash interest payments and associated fees in the aggregate amount of US\$26.3 million ("Outstanding Cash Interest Payable"); and
2. US\$4.0 million worth of PIK interest shares ("PIK Interest Shares") which the Company is obliged to issue to CIC pursuant to the Convertible Debenture.

As of the date of this announcement, the Company has neither paid the Outstanding Cash Interest Payable nor issued the PIK Interest Shares to CIC as provided for under the Convertible Debenture, and has not agreed upon a repayment plan for such amounts with CIC. Consequently, the Company is in default under the Convertible Debenture and the June 2017 Deferral Agreement.

Pursuant to the terms of the Convertible Debenture and the June 2017 Deferral Agreement, CIC may, at its discretion, provide notice to the Company and declare all principal, interest and other amounts owing under the Convertible Debenture and the June 2017 Deferral Agreement immediately due and payable, and take steps to enforce payment thereof, which would have a material adverse effect on the business and operations of the Company and may negatively affect the price and volatility of the Common Shares and any investment in such shares could suffer a significant decline or total loss in value.

As of the date of this press release, the Company has received no indication from CIC of any intention to deliver a notice of default under the Convertible Debenture and the June 2017 Deferral Agreement or to accelerate the amounts outstanding under the Convertible Debenture and the June 2017 Deferral Agreement.

The Company is in discussions with CIC in relation to a repayment plan for the Outstanding Interest Payable. While the Company believes that an agreement will be reached, there is no assurance that an agreement will be concluded on terms favourable to the Company or at all. In such event, the value of the Company's Common Shares could be materially and negatively affected. As a result, shareholders of the Company and potential investors are advised to exercise extra caution when dealing in securities of the Company.

The Company will provide further updates of the status of the interest payment obligations and discussions with CIC as appropriate.

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.

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