

# SouthGobi Announces Deferral of CIC Payment Obligations and Business Update

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VANCOUVER, Feb. 19, 2020 - [SouthGobi Resources Ltd.](#) (TSX: SGQ, HK: 1878) (&ldquo;SouthGobi&rdquo; or the &ldquo;Company&rdquo;) announces the following updates:

## Update of CIC payment obligations

On February 19, 2020, the Company and China Investment Corporation (China Investment Corporation, together with its wholly-owned subsidiaries and affiliates, &ldquo;CIC&rdquo;) (the &ldquo;2020 February Deferral Agreement&rdquo;) entered into an agreement pursuant to which CIC agreed to grant the Company a deferral of: (i) deferred cash interest and deferral fees of \$1.3 million and \$2.0 million (collectively, the &ldquo;2020 Deferral Amounts&rdquo;) which were due and payable to CIC on January 19, 2020 and February 19, 2020, respectively, under the deferral agreement dated April 23, 2019 between the Company and CIC (the &ldquo;2019 Deferral Agreement&rdquo;); and (ii) approximately \$0.7 million of management fee (the &ldquo;Management Fee&rdquo;) which was due and payable on February 14, 2020 to CIC under the amended and restated cooperation agreement dated April 23, 2019 between the Company and CIC (the &ldquo;Amended and Restated Cooperation Agreement&rdquo;). The effectiveness of the 2020 February Deferral Agreement and the respective obligations, covenants and agreements of each party under the 2020 February Deferral Agreement is subject to the Company obtaining the requisite acceptance thereof from the Toronto Stock Exchange.

The principal terms of the 2020 February Deferral Agreement are as follows:

- Payment of the 2020 Deferral Amounts will be deferred until June 20, 2020, while the Management Fee will be deferred until they are repaid by the Company.
- As consideration for the deferral of these amounts, the Company agreed to pay CIC: (i) a deferral fee equal to 6.4% per annum on the 2020 Deferral Amounts, commencing on the date on which each such 2020 Deferral Amount would otherwise have been due and payable under the 2019 Deferral Agreement; and (ii) a deferral fee equal to 2.5% per annum on the Management Fee, commencing on the date on which the Managements Fees would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The Company agreed to provide CIC with monthly updates regarding its operational and financial affairs.
- As the Company anticipates that a deferral will likely be required in respect of the monthly payments due and payable in the period between March 2020 and June 2020 under the 2019 Deferral Agreement and Amended and Restated Cooperation Agreement, the Company and CIC have agreed to discuss in good faith a deferral of these payments on a monthly basis as they become due. There can be no assurance, however, that a favourable outcome will be reached either at all or on favourable terms. The Company will make further announcements with respect to these discussions as and when appropriate.
- The Company agreed to comply with all of its obligations under the 2019 Deferral Agreement and the Amended and Restated Cooperation Agreement, as amended by the 2020 February Deferral Agreement.
- The Company and CIC agreed that nothing in the 2020 February Deferral Agreement prejudices CIC&rsquo;s rights to pursue any of its remedies at any time pursuant to the 2019 Deferral Agreement and Amended and Restated Cooperation Agreement, respectively.

## Impact of the novel coronavirus outbreak

The Company was informed that effective as of February 11, 2020, the Mongolian State Emergency Commission has closed Mongolia&rsquo;s southern border with China in order to prevent the spread of the coronavirus and that such closure will be in effect until March 2, 2020. Accordingly, the Company&rsquo;s coal exports to China have been suspended since February 11, 2020. The Company anticipates the border closure will have an adverse impact on the Company&rsquo;s sales and cash flows until such time as coal

exports to China are allowed to resume. In order to mitigate the financial impact of the border closures and preserve its working capital, the Company decided to reduce production in February 2020. The Company anticipates that its existing coal inventories are sufficient to satisfy expected sales demand for a period of at least 2 months following the resumption of coal exports to China. The Company will continue to closely monitor the development of the coronavirus outbreak and status of the border closures and will make further announcement(s) in due course as and when appropriate.

#### Bank account frozen in Mongolia

SouthGobi Sands LLC ("SGS"), the Company's subsidiary in Mongolia, was informed by its Mongolia banks on February 7, 2020 that they received a request from the Court Decision Implementing Agency of Mongolia to freeze the respective bank accounts of SGS in Mongolia in relation to the enforcement of an arbitration award related to a coal supply agreement between SGS and First Concept Industrial Group Limited, as more particularly disclosed in the Company's announcements dated January 11, 2018 and November 16, 2018. Approximately USD 0.8 million is being frozen by the banks. The Company expects that the freezing of bank accounts in Mongolia will have an adverse impact on its ability to make payment transactions to carry out operations and business affairs in Mongolia in the ordinary course. The Company is liaising with First Concept Industrial Group Limited to resolve the issue. There can be no assurance, however, that any resolution can be successfully reached either at all or on favourable terms.

#### 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 about discussions with CIC regarding a deferral of certain payments under the 2019 Deferral Agreement and Amended and Restated Cooperation Agreement and the Company's current coal inventory being sufficient to meet the expected sales demand for a period of 2 months after the resumption of coal exports to China. 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 Company's ability to successfully negotiate a revised repayment schedule in respect of certain payments under the 2019 Deferral Agreement and Amended and Restated Cooperation Agreement, management's future sales expectations and Toronto Stock Exchange accepting the Company's notice application in respect of the 2020 Deferral Agreement 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](http://www.sedar.com).

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

#### 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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