SouthGobi Announces Inside Information And Announcement Pursuant to Rule 13.09 of the Listing Rules in Relation to Listing Application in Canada

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Overseas Delisting, Migration and Primary Listing on the Main Board of the Hong Kong Stock Exchange

VANCOUVER, April 4, 2023 - SouthGobi Resources Ltd. (TSX:SGQ, HK:1878) ("SouthGobi" or the "Company") The announcement is made by the Company pursuant to Rules 13.09 and 13.51(1) of the Listing Rules on the Hong Kong Stock Exchange, paragraphs 3.21 and 3.43 of the Guidance Letter and the inside information provisions under Part XIVA of the SFO.

Reference is made to the announcements of the Company dated April 21, 2022, July 29, 2022 ("July 29 Announcement"), September 15, 2022, November 23, 2022, December 30, 2022, January 31, 2023, February 28, 2023, March 6, 2023 and April 2, 2023 (Hong Kong time) (collectively, "Announcements"). Unless otherwise specified, capitalized terms used in the Announcements shall have the same meanings when used herein.

1. OVERSEAS DELISTING, MIGRATION ON HKEX AND LISTING ON TSX-V

1.1 Introduction

The Company announced on April 2, 2023 (Hong Kong time), the Company's common shares will be delisted from the TSX on April 14, 2023 (Canadian time at the close of trading), and the Company's common shares will commence trading on the TSX-V on April 17, 2023 (Canadian time as of the opening of trade). The change of the Company's secondary listing status to primary listing on the Hong Kong Stock Exchange will occur on April 17, 2023 (Hong Kong time) (the "Effective Date"), upon which the stock marker "S" will be removed from its stock short name on the Hong Kong Stock Exchange. The Company's common shares will be listed for trading on the TSX-V under its existing ticker symbol "SGQ". For the avoidance of doubt, the Migration Grace Period will end on the Effective Date.

1.2 Obligations of the Company to Comply with All Applicable Listing Rules

Upon the Effective Date, the Company has to comply with all the relevant Listing Rules applicable to a primary listed issuer, including those provisions subject to the Existing Waivers, unless otherwise being exempted or waived by the Hong Kong Stock Exchange pursuant to the Waivers as further elaborated below. The Existing Waivers will be withdrawn or will be no longer applicable upon the Effective Date. The Existing Waivers include the following specific waivers and exemptions granted by the Hong Kong Stock Exchange and the exemption and ruling granted by the SFC, on an individual basis:

Rules	Subject matter
Rule 13.09(2) of the Listing Rules	General obliga
Rules 13.11 to 13.22 of the Listing Rules	Advances to e
Rule 13.28(7) of the Listing Rules	Disclosure of i
Rule 13.38 of the Listing Rules	Notice of a me

Rule 13.39(4) to (5) of the Listing Rules	Voting by poll
Rule 13.44 of the Listing Rules	Voting by direc
Rules 13.46(2) and 13.48 of the Listing Rules	Distribution of
Chapter 14 and Chapter 14A of the Listing Rules	Notifiable and
Chapter 17 of the Listing Rules	Share option s
Appendix 3 to the Listing Rules (the requirements under Appendix 3 to the Listing Rules were replaced by Core Shareholder Protection Standards effective on January 1, 2022)	Articles require
Part XV of the SFO	Disclosure of i

Details of the aforementioned Existing Waivers are set out in the prospectus of the Company dated January 15, 2010.

The Company has made the necessary arrangements to comply with the relevant provisions of the Listing Rules and the SFO applicable to a primary listed issuer upon the Effective Date. In the event that the Company failed to comply with the Listing Rules applicable to a primary listed issuer in time (where no waiver has been granted by the Hong Kong Stock Exchange) upon the Effective Date, the Company would be in potential breach of the Listing Rules, and would potentially be subject to, depending on the nature and seriousness of the possible breach and the circumstances and the manner in which the conduct is giving rise to such possible breach, disciplinary action by the Hong Kong Stock Exchange. The Company may also be directed to carry out possible remedial and enhancement actions such as internal control review and directors' training on regulatory and legal topics including compliance with the Listing Rules.

1.3 Application for Waivers from Strict Compliance with the Listing Rules in connection with the Delisting

In connection with the Delisting, the Company has sought, and the Hong Kong Stock Exchange has granted, the following Waivers from strict compliance with the following provisions of the Listing Rules:

Rules	Subject matter
Rule 13.38 of the Listing Rules	"Two-way" voting
Rules 14A.36 and 14A.53 of the Listing Rules	Certain continuing connected transaction requirements under Chapter 1

In the event of withdrawal of any of the aforementioned Waivers, the Company would have to fully comply with such Listing Rules.

1.3.1 Waiver from Listing Rules on "Two-way" Voting

Requirements under the Listing Rules

Rule 13.38 of the Listing Rules requires that the Company sends, with the notice convening a meeting of holders of listed securities to all persons entitled to vote at the meeting, proxy forms with provision for "two-way" voting, i.e., the Shareholders are provided with options to vote "for" or "against" the resolutions, on all resolutions intended to be proposed at a meeting.

Reasons for applying the waiver

Pursuant to applicable British Columbia corporate laws, the election of Directors or the appointment of the Auditors are conducted through "plurality voting" method, i.e., Shareholders are only able either to vote for the resolution or to withhold from voting. Shareholders are not provided the opportunity to vote against the resolution, and the "withheld" votes are not counted in the tally of votes, meaning that, for example, a resolution can be passed if only one vote is cast "for" such resolution, even where the majority of Shareholders have withheld from voting. As such, the proxy forms will state that the Shareholder is only able either to vote for the resolution or withhold from voting. The Company is prohibited under the applicable law to amend the Articles and override the relevant statutory provisions, and this precludes the use of "two-way" voting for the election of Directors and the appointment of Auditors. Therefore, the Company would conflict with applicable British Columbia corporate laws to strictly comply with Rule 13.38 of the Listing Rules.

Given the preclusion of the use of "two-way" voting for the election of directors under the British Columbia corporate laws and as a requirement for TSX-listed company, the Company has adopted the Majority Voting Policy in respect of uncontested meetings (i.e., the number of nominees for election is equal to the number of Directors to be elected as set out in the Company's management information circular for the particular meeting) for the election of the Directors. Pursuant to the Majority Voting Policy, each Director must be elected individually (rather than as a slate) by a majority (50% plus one vote) of the votes cast (i.e., more votes "for" than votes "withheld") with respect to his or her election. They are required to deliver a pre-executed resignation to the Company, which would be used immediately if a Director nominee is not elected by at least a majority of the votes cast with respect to his or her election, effectively tendering his or her resignation to the Board. The Majority Voting Policy is intended to provide shareholders of TSX-listed companies with an ability to vote "against" a Director nominee.

On the other hand, the Majority Voting Policy adopted by the Company for election of the Directors does not apply to appointment of Auditors. The reason is that if the Majority Voting Policy applies to the appointment of Auditors, a newly elected auditor whose appointment is not approved by a majority vote (i.e., the "for" votes are less than the "withheld" votes) will be forced to resign and a vacancy will thus be created. Furthermore, under the applicable British Columbia corporate laws, the Majority Voting Policy cannot bind outside parties like the Auditors and the Auditors are under no obligations to abide to the Majority Voting Policy implemented by the Company.

Waiver application

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 13.38 of the Listing Rules, subject to the Delisting becoming effective and to the Hong Kong Stock Exchange's approval on the following bases:

(i) the Company has already established the Audit Committee (all members of which are independent non-executive Directors) and the Nominating and Corporate Governance Committee (all members of which are independent non-executive Directors) which will determine and make recommendations on, with delegated responsibilities and in compliance with the requirements of the Listing Rules and on an annual basis, the appointment of Auditors and the nomination of Directors. Each of the independent non-executive Directors is also subject to re-election by the Shareholders in each annual meeting of the Shareholders;

(ii) under the British Columbia corporate laws, it is not possible to amend the Articles to achieve the same effect of the Majority Voting Policy. The Company undertakes that, upon the Delisting, it will continue to voluntarily adopt the Majority Voting Policy in uncontested elections of Directors, which is consistent with the standard practice for TSX-listed companies in Canada. The Company will also extend the applicability of the Majority Voting Policy to contested elections of Directors, which is permitted under Canadian corporate law;

(iii) where the number of the "withheld" votes exceeds that of the "for" votes of the elected Auditors which gives rise to concerns of the Directors regarding the appropriateness of such Auditors' appointment, the Directors will, upon consulting the Audit Committee, call a special meeting of the Shareholders and propose ordinary resolutions to the Shareholders to consider removing the elected Auditors and appointing replacement Auditors in its stead for the remainder of its term. The Company considers that this arrangement will allow the Shareholders to express their objection to the appointment of the Auditors, and at the same time ensure that the Company will not be bereft of Auditors; and

(iv)Shareholders who hold in aggregate not less than 1/20 (5%) of the issued voting shares of the Company

may requisition a general meeting of Shareholders. Upon receiving a valid requisition, the Board must call a general meeting within four months after the date of requisition to transact the business stated in the requisition. Directors and Auditors can be removed by ordinary resolutions at a meeting of Shareholders in favour of such removal, where Shareholders will have the option to vote ''for'' or ''against'' such a resolution to remove a director or an auditor at such meeting. If the Directors do not, within 21 days after the date on which the requisition is received by the Company, send notice of a general meeting, the requisitioning Shareholders, or any one or more of them holding, in the aggregate, more than 1/40 of the issued Shares that carry the right to vote at general meetings, may send notice of a general meeting to be held to transact the business stated in the requisition.

1.3.2 Waiver from certain continuing connected transaction requirements under Chapter 14A of the Listing Rules

Background of the continuing connected transactions

The Convertible Debenture and the Cooperation Agreement

Prior to the secondary listing of the Company on the Hong Kong Stock Exchange, the Company, upon the approval by the Shareholders, issued the Convertible Debenture to Land Breeze, a wholly-owned subsidiary of CIC (the then single largest Shareholder immediately before Completion, holding approximately 23.62% of the total share capital of the Company immediately before Completion), on November 19, 2009 to provide necessary financing to support the Company's expansion plans in Mongolia, repayment of debt due, and other general corporate purposes. As negotiated and entered into in conjunction with, and as a condition to the CIC's subscription of the Convertible Debenture, the Company and CIC (through Fullbloom, its wholly-owned subsidiary) also executed the Cooperation Agreement on the same date, pursuant to which both parties agreed to use their best endeavours to improve cross-border commerce in order to facilitate improved access to the China market for Mongolian commerce, and vice versa.

The key terms of the Convertible Debenture and the relevant accounting treatment and policies were set out in the prospectus of the Company dated January 15, 2010.

Amended and Restated Cooperation Agreement

On April 23, 2019, the Company and CIC (through Land Breeze) entered into the 2019 Deferral Agreement pursuant to which Land Breeze agreed to the Deferral. On the same day, the Company amended and restated the Cooperation Agreement (i.e., the Amended and Restated Cooperation Agreement) with CIC (through Fullbloom) to clarify the original intent of the parties for calculating service fee payable by the Company under the Cooperation Agreement, pursuant to which a service fee would be calculated based on Net Revenues (rather than the net revenues realised by the Company and its Mongolian subsidiaries). Such amendment to the Cooperation Agreement was minimal and did not trigger Shareholders' approval requirement at the time.

The 2019 Deferral Agreement and the Amended and Restated Cooperation Agreement were disclosed in the Disclosure Documents, and the 2019 Deferral Agreement and the Deferral were approved at the general meeting of Shareholders on May 30, 2019.

Sale Transaction

On May 27, 2022, the Company announced that CIC has entered into the Sale Transaction to sell the Sale Shares to the Fund. In connection with the Sale Transaction, the Fund would be assigned with all of CIC's rights in and obligations under, among the others: (i) the Convertible Debenture; (ii) the Amended and Restated Cooperation Agreement; and (iii) the deferral agreements (including the 2019 Deferral Agreement) between CIC, the Company and certain of its subsidiaries in connection with the deferral of interest payments and other outstanding fees under the Convertible Debenture and the Amended and Restated Cooperation Agreement. Assignment of rights and obligations under the Amended and Restated Cooperation Agreement by CIC to the Fund required consent from the Company (which consent shall not be unreasonably withheld), and the Company provided such consent.

The Completion took place on August 30, 2022.

Listing Rules implications

Prior to Completion and at the date of the July 29 Announcement, CIC held the Sale Shares, representing approximately 23.62% of the total share capital of the Company. Accordingly, the Fund (and its associates) became connected persons of the Company following Completion and upon Delisting. As such, pursuant to Chapter 14A of the Listing Rules, the continuing transactions under the Amended and Restated Cooperation Agreement shall constitute continuing connected transactions of the Company upon Delisting.

Pursuant to paragraph 1.2 under Appendix to the Guidance Letter HKEX-GL-112-22, since the Company had already entered into continuing transactions under the Amended and Restated Cooperation Agreement which remained subsisting as at the date of the Notification, and such transactions are expected to continue after the Delisting becomes effective, the Company is required to fully comply with the applicable Listing Rules on such transactions.

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the service fee payable under the Amended and Restated Cooperation Agreement may exceed 5% during the remainder of the Term. As such, the Amended and Restated Cooperation Agreement, unless otherwise exempted, will be subject to the reporting, annual review, announcement, circular, independent financial advice, and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver application

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with (i) the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules in respect of the transactions under the Amended and Restated Cooperation Agreement; and (ii) the requirement under Rule 14A.53 of the Listing Rules to set an annual cap expressed in monetary terms for the fees payable by the Company under the Amended and Restated Cooperation Agreement. The Directors consider that it would be unduly burdensome and impracticable if the continuing connected transactions under the Amended and Restated Cooperation Agreement are subject these requirements for the following reasons:

A. The Amended and Restated Cooperation Agreement is an agreement for a fixed period with fixed terms

The key terms of the Amended and Restated Cooperation Agreement are as follows:

(i) CIC would provide, among others, the Services;

(ii) CIC would receive a customary commercial payment for such Services in an amount equal to 2.5% of all Net Revenues, which would be calculated and paid by the Company in quarterly instalments; and

(iii) coterminous with the Convertible Debenture, the Amended and Restated Cooperation Agreement has the Term of 30 years from November 19, 2009 subject to earlier termination with both of the following conditions fulfilled:

a. the Convertible Debenture is fully converted into Shares or otherwise fully repaid; and

b. following such conversion or repayment, CIC holds less than 15% of the total issued and outstanding Shares.

Effective upon Completion, the Fund has agreed to the Fee Waiver, effectively reducing the service fee payable from 2.5% to 1.5% of all Net Revenues. Having discussed with the Fund, save for the Fee Waiver, both the Company and the Fund have a mutual understanding that they have no plan or intention to vary the

terms of the Amended and Restated Cooperation Agreement in the foreseeable future.

The Amended and Restated Cooperation Agreement, combined with the Fee Waiver, remain an agreement for a fixed period with fixed terms. Despite the Sale Transaction which triggered the assignment of the Amended and Restated Cooperation Agreement, there has been no change to the scope of the Services and the Term of the Amended and Restated Cooperation Agreement. The Company will continue to benefit from the provision of Services by the counterparty (i.e., CIC, and following Completion, the Fund) throughout the Term of the agreement at a fixed service fee rate of Net Revenues. No separate agreement is required to be entered into between the Company and the Fund for the Amended and Restated Cooperation Agreement to take effect.

B. Continuation of the Amended and Restated Cooperation Agreement is fundamental to the Company's business operations

(i) Relationship between the Cooperation Agreement and the Convertible Debenture

The Convertible Debenture and the Cooperation Agreement are coterminous with each other. The Cooperation Agreement stipulates that it was entered into "in connection with" the issuance of the Convertible Debenture. In addition, both agreements were approved by the Board as well as the Shareholders at the same time prior to their respective execution.

In furtherance of the above, any breach of the Company's payment obligation under the Cooperation Agreement may constitute an event of default under the Convertible Debenture, accelerating repayment obligation of the Convertible Debenture. Also, the Company has no definitive right to terminate the Cooperation Agreement (and hence the Amended and Restated Cooperation Agreement) before the expiration of the Term unless the Convertible Debenture is repaid. It would be impracticable for the Company, and not in the best interest of the Company and its Shareholders as a whole, to repay the above outstanding amount before the expiry of the Term and to terminate the Amended and Restated Cooperation Agreement.

(ii) Support and services provided to the Company under the Amended and Restated Cooperation Agreement

The Company is a prominent coal producer in Mongolia, focusing on mining and exploration of coking coal and thermal coal. The Company's flagship mine is located approximately 40 kilometres from the China-Mongolia border. Due to the strategic location of its mine, the Company sells almost all its coal products to customers in China as part of its business model. The success of the Company's business model was and continues to be dependable on the growth of its target customers, which are all within China.

CIC is a wholly state-owned company and mainly engaged in foreign exchange investment management businesses. As set out in the Cooperation Agreement (as amended and restated by the Amended and Restated Cooperation Agreement), the service provided by CIC during the term of the Cooperation Agreement includes, among others, (i) marketing of products, including identification of, and introduction to, potential new customers for the products of the Company; (ii) procurement of transportation and logistics services within the PRC; and (iii) procurement of goods and services within the PRC for the mining projects of the Company, including identification of, and introduction to, potential new suppliers and service providers. Other benefits brought to the Company by the Cooperation Agreement and the Amended and Restated Cooperation Agreement include:

(i) CIC has been advising the Company on its operations since 2009, including the setting up of the mine site, wash plant and purchasing of mining equipment; and

(ii) The Company's sales channel was initially limited to local areas. Over the years, CIC assisted with reconfiguring the Company's sales, marketing and procurement strategies and the establishment of certain subsidiaries under the Company in China, which enabled the Company to sell its coal products directly to local customers in China at higher prices thereby improving the Company's gross profit margin as a whole.

On the other hand, the Fund is an exempted limited partnership formed under the laws of the Cayman

Islands. The Fund's general partner and limited partner are JD Dingxing Limited and Inner Mongolia Tianyu Trading Limited, respectively. To the Company's best knowledge and belief, the ultimate beneficial owner of the limited partner is Mr. An Yong (??) and that of the general partner is Ms. Zhu Chonglin (???). Mr. An Yong is the founder and Chairman of Tianyu Group, and he has been conducting business in Inner Mongolia since 1998. Ms. Zhu Chonglin is responsible for managing the Fund, and was also the CFO of Tianyu Group. Tianyu Group was established in 2010 and it is based in Wuhai City, which is known to be one of the major sales hubs for the coal market in Inner Mongolia. To the best of the Directors' knowledge, Tianyu Group is a leading enterprise group with integrated coal mining, coal washing and coking, kaolinite mining, research and development, real estate, warehousing, logistics, investment, and other industries, with high-efficiency production and operation capabilities.

The Fund has been providing the Services under the Amended and Restated Cooperation Agreement following Completion. The Company believes that the Fund is resourceful in the PRC and has strong synergetic value to provide the Company with the Services under the Amended and Restated Cooperation Agreement. The Company expects to benefit from the Fund's well-established connections, sales and supply chain network as well as sector experience, that they will help improve the profit margin of the Company by referring new customers in China to the Company and enhancing the efficiency of the Company's logistics network to further its customer reach.

Based on the above, the Directors are of the view that the continuation of the Amended and Restated Cooperation Agreement is fundamental to the Company's business operations. Given such essentiality to the Company, it was and remains to be in the interest of the Company to secure such long-term business collaboration relationship. Upon Delisting, the Company will continue to utilize the Services provided by the Fund under the Amended and Restated Cooperation Agreement, which are essential to the Company's ordinary and usual course of conducting its mining business.

C. Relevant transactions were approval by independent Shareholders and disclosed in public documents

The Cooperation Agreements were entered into and was approved by the Shareholders in 2009 which is prior to the initial listing of the Company's shares on the Hong Kong Stock Exchange. The adoption of the Amended and Restated Cooperation Agreement and the key terms thereof were disclosed in the Disclosure Documents. The 2019 Deferral Agreement was also approved by the Shareholders at the general meeting of the Shareholders dated May 30, 2019. Accordingly, the Directors believe that the investors should be well aware of such terms, and it would be unduly burdensome and impracticable if the continuing connected transactions under the Amended and Restated Cooperation Agreement are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the requirement to obtain approval from the independent Shareholders and the requirement to set an annual cap expressed in monetary terms pursuant to Chapter 14A the Listing Rules.

D.The Amended and Restated Cooperation Agreement is on normal commercial terms or better

The Company engaged DL Securities (HK) Limited to act as the Independent Financial Adviser to advise the Board in connection with the Cooperation Agreement and the Amended and Restated Cooperation Agreement. In order to provide its opinion and recommendation, the Independent Financial Adviser has, amongst other things, conducted the following:

(i) reviewed the Cooperation Agreement, the Amended Restated Cooperation Agreement and other related documents which the Independent Financial Adviser deemed necessary;

(ii) reviewed the Convertible Debenture issued by the Company dated November 19, 2009;

(iii) reviewed relevant extract of the transaction documents in relation to the Sale Transaction;

(iv) the financial statements of the Company for the year ended 31 December 2021;

(v) reviewed the prospectus of the Company dated January 15, 2010; and

(vi) reviewed certain continuing connected transactions announced by companies listed on the Hong Kong Stock Exchange which are comparable to the transactions contemplated under the Cooperation Agreement (as amended and restated by the Amended and Restated Cooperation Agreement) and identified similar agency arrangement, long term sales arrangement and cooperation arrangement entered into between companies listed on the Hong Kong Stock Exchange with their connected persons.

Having thoroughly considered the opinion and recommendation made by the Independent Financial Adviser to the Board, the Board (including the independent non-executive Directors) are of the view that the Amended and Restated Cooperation Agreement is on normal commercial terms or better, which are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, based on the following:

(i) the nature of the Amended and Restated Cooperation Agreement is closely related with the Convertible Debenture. Consideration was given to the large-scale fundraising of the Convertible Debenture vis-à-vis the financial performance and operational scale of the Company, both at the time of the initial subscription of the Convertible Debenture and at present; as well as the fact that the continuation of the Amended and Restated Cooperation Agreement is fundamental to the Company's business operations as explained above;

(ii) the Directors also believe the scope of "Net Revenues" was carefully crafted to exclude extraordinary items, such as certain permissible deductions which include royalties that had been paid or accrued during the period. the service fee payable under the Amended and Restated Cooperation Agreement, calculated and paid by the Company in quarterly instalments (where Company is required to make payment within 45 days after the end of each quarter), is a realistic financial commitment for the Company in its ordinary course of business. Further, the Directors are of the view that, among others, (a) the previous 2.5% service fee rate (prior to Completion) does not significantly deviate from the comparable transactions of relevant listed companies, (b) the lowering of the service fee rate from 2.5% to 1.5% (effective upon Completion) represents a more favourable commercial term for the Company, (c) the service fee only accounts for a relatively small portion as compared to the increment in gross profit margin on the sales revenue, and (d) it is expected that the Fund will utilize the comprehensive sales network of Tianyu Group in Inner Mongolia which would assist the expansion of the Company's customers base.

(iii) the Cooperation Agreement shares similarities with offtake arrangements which are common for mining companies. Under offtake arrangements, mining companies receive financial support from the off-takers through financing or investment in the mining operation as well as operational support from the off-takers, such as in the form of joint venture and/or jointly operate the mining projects. These offtake arrangements usually cover the life of the corresponding joint venture and/or the useful life of the mine. Hence, it is normal business practice for agreements in the nature of cooperation agreements to have a long duration with a fixed term to provide stability to the Company's business in achieving its long-term goals. Due to the size and caliber of the counterparty to the Cooperation Agreement, the Directors consider significant synergetic value from a long-term strategic cooperation with CIC and following Completion of the Sales Transaction, the Fund. With such long Term of 30 years from the date of entering into the Cooperation Agreement, it would be impracticable for the Company to estimate the annual caps expressed in monetary terms for the remainder of the Term;

(iv) the maximum aggregate annual value of the agreement, which was set at a pre-determined percentage of Net Revenues (instead of setting an annual cap expressed in monetary terms), is consistent with normal industry practice; and

(v) going forward, the Company shall comply with all applicable annual reporting requirements under Chapter 14A of the Listing Rules in relation to the Amended and Restated Cooperation Agreement. In addition, the Company shall comply with all applicable reporting and shareholders' approval requirements under Chapter 14A of the Listing Rules in the event of any renewal or amendment of material terms of the Amended and Restated Cooperation Agreement.

2. AMENDMENTS TO THE ARTICLES

Certain amendments had been made to the Articles in anticipation of the Delisting. Please refer to the Management Proxy Circular for a summary of the key Articles Amendments, which mainly serve the purpose of complying with Appendix 3 to the Listing Rules, and a full set of the new Articles reflecting all the Articles Amendments.

At the Shareholders Meeting, Shareholders passed a special resolution to approve the Articles Amendments. Please refer to the Poll Results Announcement for further details. The new Articles become effective upon the Effective Date, which was published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.southgobi.com) on 22 July 2022.

3. AMENDMENTS TO THE EQUITY INCENTIVE PLAN

The Company adopted the Equity Incentive Plan in 2003, which was last amended, restated, and approved by the Shareholders in June 2021. The Equity Incentive Plan has three components: (i) the Share Option Plan, which provides for the grant to eligible participants of Options exercisable to purchase Shares; (ii) the Share Bonus Plan, which provides for awards of fully paid Shares to eligible participants as and when determined by the Board to be warranted on the basis of past performance; and (iii) the Share Purchase Plan, under which eligible participants have the opportunity to purchase Shares through payroll deductions which are supplemented by additional contributions by the Company.

The EIP Amendments include: (i) amending the terms of the existing Share Option Plan to comply with the then applicable Listing Rules; (ii) removing the Share Bonus Plan component from the Equity Incentive Plan; and (iii) amending the terms of the Equity Incentive Plan generally to comply with applicable rules and policies of the TSX-V. The EIP Amendments have subsequently been approved by the Shareholders at the Shareholders Meeting, details of which are available in the Poll Results Announcement. The EIP Amendments shall become effective upon the Effective Date. The EIP Amendments were made in order to comply with then Chapter 17 of the Listing Rules effective on the date of adoption and approval of the EIP Amendments (which is prior to January 1, 2023, the effective date of the Amended Rules), the rules and policies of TSX-V, requirements regarding the Delisting and customary market practices.

The Company will operate the Equity Incentive Plan (incorporating the EIP Amendments) to the extent permitted by the Consultation Conclusions and continue to make relevant share grants utilizing the existing scheme mandate. The Company may further amend the Equity Incentive Plan to the extent necessary upon the expiry and refreshment of the existing scheme mandate for continuing operation of the Equity Incentive Plan, so as to comply with the requirements under the Amended Rules.

4. DEFINITIONS

"2019 Deferral Agreement"	the deferral agreement entered into between the Company and C
"Amended and Restated Cooperation Agreement"	the amended and restated cooperation agreement entered into b Fullbloom) on April 23, 2019
"Amended Rules"	the amendments to the Listing Rules relating to share schemes c January 1, 2023 pursuant to the consultation conclusions on the relating to share schemes of listed issuers and housekeeping rul Stock Exchange in July 2022
"Arrangements"	all necessary arrangements of the Company to comply with all th Company following the Effective Date by making
"Articles"	Articles of Continuation of the Company
"Articles Amendments"	amendments to the Articles to satisfy the Core Shareholder Prote the Shareholders at the Shareholders Meeting and shall be effec
"Audit Committee"	Audit Committee of the Board
"Auditors"	auditors of the Company
"Board"	Board of Directors
"CIC"	China Investment Corporation

"Codes"	The Codes on Takeovers and Mergers and Share Buy-backs
"Company"	SouthGobi Resources Ltd., a company continued under the laws whose Shares are listed for trading on the TSX under the symbol Kong Stock Exchange under the stock code symbol 1878
"Compensation and Benefits Committee"	Compensation and Benefits Committee of the Board
"Completion"	completion of the Sale Transaction
"Consultation Conclusions"	the consultation conclusions on the proposed amendments to Lis listed issuers and housekeeping rule amendment published by th
"Convertible Debenture"	the convertible debenture issued by the Company to Land Breez
"Cooperation Agreement"	the cooperation agreement entered into by the Company and CIC both parties agreed to use their best endeavours to improve cros improved access to the China market for Mongolian commerce, a
"Cooperation Agreements"	collectively, the Cooperation Agreement and the Amended and R
"Core Shareholder Protection Standards"	the core shareholder protection standards set out in Appendix 3 t
"Deferral"	a deferral and revised repayment schedule pursuant to the 2019 outstanding cash interest and payment in kind interest shares pa
"Delisting" or "Overseas Delisting"	the Company's delisting of its common shares from the TSX, a R of Rule 19C.13A of the Listing Rules
"Directors"	directors of the Company
"Disclosure Documents"	the announcement of the Company and the management proxy c
"EIP Amendments"	amendments to the Equity Incentive Plan, which were approved b Meeting and shall be effective upon the Delisting
"Equity Incentive Plan"	the employees and directors' equity incentive plan adopted by the Share Option Plan, the Share Bonus Plan and the Share Purchas 29 Announcement and this announcement
"Exchange Acknowledgement"	an acknowledgment from the Hong Kong Stock Exchange on July pursuant to paragraph 3.34 of the Guidance Letter
"Existing Waivers"	exceptions, waivers and exemptions which had been granted to t on the Hong Kong Stock Exchange, as further particularised in th announcement
"Expiry Date"	the date of expiry of the Migration Grace Period, i.e., January 20,
"Fee Waiver"	the waiver granted by the Fund to waive certain service fee payal and Restated Cooperation Agreement
"Fullbloom"	Fullbloom Investment Corporation
"Fund"	JD Zhixing Fund L.P.
"Guidance Letter"	Guidance Letter HKEX-GL-112-22 published by the Hong Kong S
"Hong Kong Stock Exchange" or "HKEX"	The Stock Exchange of Hong Kong Limited

"Independent Financial Adviser"	DL Securities (HK) Limited
"Land Breeze"	Land Breeze II S.à.r.l
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong S
"Majority Voting Policy"	a majority voting policy adopted by the Company to uncontested election is equal to the number of Directors to be elected as set o information circular for the particular meeting) for the election of t July 29 Announcement and this announcement
"Management Proxy Circular"	the management proxy circular of the Company dated June 22, 2
"Migration"	the majority of trading in the Company's common shares has mig markets on a permanent basis as more than 55% of the Compan place on such markets over the most recent financial year of the 19C.13
"Migration Exchange Notice Date"	the date on which the Company received a written notice from th decision of the Migration, i.e., January 20, 2023 (Hong Kong time
"Migration Grace Period"	a grace period of 12 months from the Migration Exchange Notice Company to comply with the applicable Listing Rules pursuant to
"Net Revenues"	net revenues derived by the Company and all of its subsidiaries w
"Notification"	the Company's written notification to the Hong Kong Stock Excha
"Nominating and Corporate Governance Committee"	Nominating and Corporate Governance Committee of the Board
"Options"	incentive stock options granted under the Share Option Plan
"Poll Results Announcement"	the poll results announcement of the Company dated July 22, 20
"Sale Shares"	64,766,591 common shares of the Company under the Sale Tran
"Sale Transaction"	the transaction entered into between CIC and the Fund on May 2
"Services"	the services provided by CIC to the Company under the Amende matters that include coal products sales, procurement of transpor coal products, procurement of goods and services, and creation o
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Ho
"Shareholders"	holders of the Company's common shares
"Shareholders Meeting"	the Company's annual general and special meeting held on July
"Term"	a term of 30 years from November 19, 2009
"TSX"	Toronto Stock Exchange
"TSX-V"	TSX Venture Exchange
"Waivers"	the waiver applications made by the Company from strict compli with the Delisting, as further particularised in the July 29 Announc

This announcement is for information purposes only and does not constitute, or form part of, any invitation or

offer to acquire, purchase or subscribe for any of our securities. Shareholders and potential investors should exercise caution when dealing in our securities.

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. 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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