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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)

Execution of new deferral agreement with CIC

This announcement is made by SouthGobi Resources Ltd. (**HK: 1878, TSX: SGQ**) (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Reference is made to the Company’s announcement relating to the interest obligations with CIC dated December 20, 2016. The Company today announces the execution of a new deferral agreement (“**December 2016 Deferral Agreement**”) with China Investment Corporation (“**CIC**”) for a revised repayment schedule of US\$20.7 million of cash interest and associated costs originally due on December 19, 2016 (“**December 2016 Deferral Amounts**”). The key terms of the December 2016 Deferral Agreement include the below:

- (i) the Company will repay US\$1.4 million of cash interest and associated costs monthly on average during the period from December 2016 to April 2017;
- (ii) the Company will repay US\$14.3 million of cash interest and associated costs on May 19, 2017;
- (iii) the Company will pay a deferral fee at a rate of 6.4% per annum as a consideration for deferral; and

* For identification purposes only

- (iv) at any time before the December 2016 Deferral Amounts are fully repaid, the Company is required to consult with and obtain written consent from CIC prior to effecting a replacement or termination of either or both of its Chief Executive Officer and its Chief Financial Officer; otherwise this will constitute an event of default for the convertible debenture between CIC and the Company signed in November 2009. Such consent shall not be unreasonably withheld to affect the exercise of fiduciary duties of the board of directors of the Company.

By order of the Board
SouthGobi Resources Ltd.
Mr. Ningqiao Li
Chairman

Hong Kong, December 29, 2016

As at the date of this announcement, the executive directors of the Company are Messrs. Ningqiao Li, Aminbuhe and Yulan Guo; the independent non-executive directors are Messrs. Zhu Liu, Mao Sun, Joseph Belan and Ms. Jin Lan Quan; the non-executive director is Mr. Huiyi Wang.



December 29, 2016

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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 and exploration 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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