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(A company continued under the laws of British Columbia, Canada with limited liability)
(Hong Kong Stock Code: 1878)
(TSX Venture Exchange Stock Symbol: SGQ)

CONNECTED TRANSACTION INVOLVING AMENDMENT OF CONVERTIBLE DEBENTURE

This announcement is made by SouthGobi Resources Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) and Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Hong Kong Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company announces that, on May 13, 2024, it has entered into an amendment agreement (the “**Convertible Debenture Amendment**”) with JD Zhixing Fund L.P. (“**JDZF**”), the registered holder of the Company’s US\$250 million Convertible Debenture issued on November 19, 2009 (the “**Convertible Debenture**”) and the Company’s largest shareholder, to amend certain terms of the Convertible Debenture.

Convertible Debenture Amendment

Pursuant to the Convertible Debenture Amendment, the Company may, by resolution of the board of directors of the Company (the “**Board**”), at any time and from time to time prepay, without penalty, the whole or any part of the principal amount outstanding under the Convertible Debenture, together with accrued cash interest and PIK interest thereon to the date of prepayment, provided that:

- (i) the Company has, not later than three (3) business days prior to the proposed prepayment date, delivered to JDZF an irrevocable written notice, signed by an independent director of the Company and setting out the terms of the prepayment;

* For identification purposes only

- (ii) the amount of such prepayment reduces the then outstanding principal amount under the Convertible Debenture by an amount that is (I) not less than US\$500,000 and (II) if in excess of US\$500,000, an integral multiple of US\$500,000; and
- (iii) the proposed prepayment date falls on a business day.

The Company is not providing any additional form of consideration to JDZF in connection with the Convertible Debenture Amendment. Aside from the aforementioned amendments, the existing terms of the Convertible Debenture continue in full force and effect and unchanged.

The effectiveness of the Convertible Debenture Amendment is subject to the Company providing notice to, and obtaining acceptance (if required) from the TSX Venture Exchange (“**TSX-V**”) and the Hong Kong Stock Exchange, as well as requisite approval from disinterested shareholders of the Company in accordance with the requirements of applicable securities laws.

The aforementioned summary of the principal terms of the Convertible Debenture Amendment is not comprehensive, and is qualified in its entirety by reference to the full text of the Convertible Debenture Amendment, a copy of which has been filed on the Company’s profile on SEDAR+ at www.sedarplus.ca.

General Information of the Parties

The Group

The Company is an integrated coal mining, development and trading company. SGQ Coal Investment Pte. Ltd. is a wholly-owned subsidiary of the Company incorporated under the laws of Singapore, which is principally engaged in the investment holding business activities. Southgobi Sands LLC is a wholly-owned subsidiary of the Company incorporated under the laws of Mongolia, which is principally engaged in coal mining, development and exploration of properties in Mongolia.

JDZF

JDZF is an exempt limited partnership formed under the laws of the Cayman Islands, which is principally engaged in investment holding activities. JDZF’s general partner and limited partner are JD Dingxing Limited and Inner Mongolia Tianyu Trading Limited, respectively. To the best of the Company’s knowledge and belief, the ultimate beneficial owner of the limited partner is Mr. Yong An and the general partner is Ms. Chonglin Zhu. Mr. Yong An is the Chairman and founder of Inner Mongolia Tianyu Innovation Investment Group Co. Ltd.* (內蒙古天宇創 新投資集團有限公司)

(“**Tianyu Group**”), and has conducted business in Inner Mongolia region since 1998. Ms. Chonglin Zhu was the Chief Financial Officer of Tianyu Group from March 2015 to September 2022, and was also responsible for managing JDZF. Ms. Chonglin Zhu has served as an Executive Director of the Company since September 8, 2022. She was the Company’s Senior Vice President of Finance from September 8, 2022 to February 2, 2024, and appointed as the Company’s Chief Financial Officer on February 2, 2024.

Reasons for and Benefits of the Convertible Debenture Amendment

In evaluating the terms of the Convertible Debenture Amendment and reaching its conclusion and making its recommendation in support of the Convertible Debenture Amendment, the Board (excluding the Amendment Interested Directors (as defined below)), considered a number of factors, including the following: (i) the Convertible Debenture Amendment is designed to improve the financial position of the Company, as it provides the Company with an ability to repay the principal amount and accrued cash interest or PIK interest, without penalty, at the discretion of the Board, if doing so is in the best interests of the Company; (ii) the Convertible Debenture Amendment improves the financial flexibility of the Company, as the Company did not have a right to prepay the principal amount outstanding under the Convertible Debenture under the original terms of the Convertible Debenture; (iii) the terms of the Convertible Debenture Amendment are reasonable in the circumstances of the Company, in particular given that the Company is not providing any additional form of consideration to JDZF in connection with the Convertible Debenture Amendment; and (iv) the best interests of the Company and shareholders will be served by approving the Convertible Debenture Amendment.

Board Review and Approval

Based on the above, the Board (excluding (i) the Directors who are appointed by JDZF pursuant to contractual nomination rights contained in the securityholders agreement between the Company, JDZF and a former shareholder of the Company and certain deferral agreements between JDZF, the Company and certain of its subsidiaries relating to the Convertible Debenture, namely, Mr. Ruibin Xu, Ms. Chonglin Zhu and Mr. Chen Shen (collectively, the “**Amendment Interested Directors**”); and (ii) a special committee of the Board struck to negotiate and consider the terms of the Convertible Debenture Amendment, which consisted solely of independent non-executive Directors, whose views are to be contained in the letter from the independent board committee (the “**Independent Board Committee**”) in the Company’s management proxy circular (the “**Management Proxy Circular**”) to be despatched to the Shareholders) are of the view that the Convertible Debenture Amendment and the transaction contemplated thereunder are entered, despite not in the ordinary and usual course of business of the Group, on normal commercial terms (on arm’s length basis or terms no less favourable

to the Group than terms available from independent third parties), and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Amendment Interested Directors who have a material interest in the Convertible Debenture Amendment and the transaction contemplated thereunder were required to abstain from voting on the Board resolutions approving the same. Except for the Amendment Interested Directors, none of the Directors have any material interest in the Convertible Debenture Amendment and the transaction contemplated thereunder, and none of the Directors were required to abstain from voting on the Board resolutions approving the same.

Shareholders' Approval Pursuant to MI 61-101 Requirements under applicable Canadian securities laws

Pursuant to Part 5 of Multilateral Instrument 61-101 (“**MI 61-101**”) under applicable Canadian securities laws, the Company is required to seek minority shareholder approval of the Convertible Debenture Amendment, excluding the common shares beneficially owned by JDZF (as defined below) (the “**Disinterested Shareholders**” or the “**Independent Shareholders**”) because: (i) JDZF is a related party of the Company for purposes of MI 61-101 because JDZF has beneficial ownership of more than 10% of the voting rights attached to the outstanding common shares of the Company; and (ii) the Convertible Debenture Amendment is a related party transaction for purposes of MI 61-101 because the Convertible Debenture Amendment materially amends the terms of an outstanding debt or liability owed by the Company to a related party.

To the best of the Company's knowledge, as of the date hereof, 85,714,194 common shares, representing approximately 28.98% of the issued and outstanding common shares of the Company, are beneficially owned by JDZF. Accordingly, the 85,714,194 votes attached to the common shares beneficially owned, or over which control or direction is exercised by JDZF will be excluded from the vote to approve the Convertible Debenture Amendment.

There is no requirement for the Convertible Debenture Amendment to be the subject of a formal valuation by virtue of not being within the scope of related party transactions set out in Section 5.4 of MI 61 101.

Hong Kong Listing Rules implications

Pursuant to the Hong Kong Listing Rules, JDZF is a substantial shareholder of the Company holding approximately 28.98% of the Company's issued common shares and therefore a connected person

of the Company. The entering into of the Convertible Debenture Amendment constitutes a connected transaction of the Company and is subject to the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to Rule 28.05 of the Hong Kong Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Hong Kong Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Hong Kong Stock Exchange for approval for the entering into of the Convertible Debenture Amendment pursuant to Rule 28.05 of the Hong Kong Listing Rules.

The Meeting and Despatch of Management Proxy Circular

The Company will be seeking approval of the Convertible Debenture Amendment from Independent Shareholders at a special meeting of shareholders (the "Meeting") to be held on or before August 30, 2024. The Company will, among other things, propose a resolution for the Independent Shareholders to consider and, if thought fit, approve the Convertible Debenture Amendment and the transaction contemplated thereunder.

Given that JDZF is involved in and/or interested in the Convertible Debenture Amendment and the transaction contemplated thereunder, JDZF will abstain from voting at the Meeting on the resolution approving it. Accordingly, the 85,714,194 votes attached to the Common Shares beneficially owned, or over which control or direction is exercised, by JDZF will be excluded from the vote to approve the Convertible Debenture Amendment.

Save for the aforesaid and to the Board's best knowledge, information and belief and having made all reasonable enquiries, no other shareholder has a material interest in the Convertible Debenture Amendment and therefore no other shareholder is required to abstain from voting on the relevant resolution at the Meeting.

As the Convertible Debenture Amendment and the transaction contemplated thereunder are subject to the approval by the Independent Shareholders, the Independent Board Committee comprising of all the independent non-executive Directors, namely Mr. Yingbin Ian He, Mr. Mao Sun and Ms. Jin Lan Quan, has been established by the Company to advise the Independent Shareholders in respect of the above transaction. The Company has appointed an independent financial adviser (the "**Independent Financial Adviser**") to advise the Independent Board Committee and the Independent Shareholders in respect of the above transaction.

The Management Proxy Circular containing, among other things, (i) details of the Convertible Debenture Amendment; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) the recommendations from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the Meeting, will be filed under the Company's profile on SEDAR+ at www.sedarplus.ca and despatched to shareholders of the Company in accordance with applicable securities laws on or before August 30, 2024.

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

By order of the Board
SouthGobi Resources Ltd.
Mao Sun
Lead Director

Vancouver, May 13, 2024

Hong Kong, May 13, 2024

As at the date of this announcement, the executive directors of the Company are Mr. Ruibin Xu, Ms. Chonglin Zhu and Mr. Chen Shen; the independent non-executive directors of the Company are Mr. Yingbin Ian He, Mr. Mao Sun and Ms. Jin Lan Quan; and the non-executive directors of the Company are Mr. Zhu Gao and Mr. Zaixiang Wen.

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 timing with respect to the mailing of the Management Information Circular and convening of the Meeting, and approval of the Convertible Debenture Amendment by Disinterested Shareholders. 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 providing notice and successfully obtaining acceptance (if any) of the Convertible Debenture Amendment from the TSX-V and the requisite approval from Disinterested Shareholders of the Company of the Convertible Debenture Amendment in accordance with applicable Canadian securities laws and Hong Kong Stock Exchange requirements 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 the website of the Hong Kong regulatory filings and disclosures of listed issuer information. These can be found under the Company's profile on SEDAR+ and HKEXnews respectively, at www.sedarplus.ca and www.hkexnews.hk.