SOUTHGOBI RESOURCES LTD.
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)
(TSX Venture Exchange Stock Symbol: SGQ)

DISCLOSEABLE TRANSACTION
ENTERING INTO A BUILD-OPERATE-TRANSFER AGREEMENT IN RELATION TO THE DRY COAL SEPARATION SYSTEM

INTRODUCTION

The Board hereby announces that on July 15, 2024, the Company's wholly-owned Mongolian subsidiary, Southgobi Sands LLC ("**SGS**"), entered into a Build-Operate-Transfer agreement (the "**BOT Agreement**") with Tangshan Shenzhou Manufacturing Group Co., Ltd (唐山神州機械集團有限公司) ("**Tangshan Shenzhou**"), pursuant to which Tangshan Shenzhou is responsible for the construction, operation, and quality management of a new dry coal separation system, including the key equipment of CZM1000 超級乾選主機 and IDS2400A 智能乾選機, which, for transliteration purpose only, mean super dry selection machine and intelligent dry selection machine, respectively (collectively, the "**Dry Coal Separation System**") at the Company's Ovoot Tolgoi Mine in Mongolia, which will be a stand-alone plant separate from the Company's existing dry processing plant. Tangshan Shenzhou is also responsible for the construction of all related facilities for the Dry Coal Separation System (the "**Related Facilities**"). Under the BOT Agreement, SGS has the right to supervise and manage the overall work of coal quality assurance and operation, including, but not limited to, the supervision and management of operational safety, production planning, and operations management.

** For identification purposes only*

The total consideration payable by the Company over the term of the BOT Agreement is approximately RMB79.0 million (equivalent to approximately HK$84.9 million or USD$10.9 million) (the "**Consideration**"), together with certain additional processing volume-based fees (as more particularly described below). Subject to the terms as set out therein, the BOT Agreement is effective from July 15, 2024 until October 1, 2029.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the transactions contemplated under the BOT Agreement is/are more than 5% but less than 25%, the entering into of the BOT Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is thus subject to the reporting and announcement requirements. None of the Directors has any material interest in the BOT Agreement or is required to abstain from voting on the board resolutions approving the BOT Agreement.

INTRODUCTION

The Board hereby announces that on July 15, 2024, the Company's wholly-owned Mongolian subsidiary, SGS, entered into a BOT Agreement with Tangshan Shenzhou, pursuant to which Tangshan Shenzhou is responsible for the construction, operation, and quality management of the Dry Coal Separation System at the Company's Ovoot Tolgoi Mine in Mongolia. Tangshan Shenzhou is also responsible for the construction of all Related Facilities. Under the BOT Agreement, SGS has the right to supervise and manage the overall work of coal quality assurance and operation, including, but not limited to, the supervision and management of operational safety, production planning, and operations management.

The total Consideration payable by the Company over the term of the BOT Agreement is approximately RMB79.0 million (equivalent to approximately HK$84.9 million or USD$10.9 million). Subject to the terms as set out therein, the BOT Agreement is effective from July 15, 2024 until October 1, 2029.

PRINCIPAL TERMS OF THE BOT AGREEMENT

Date

July 15, 2024

Parties

(1) Southgobi Sands LLC; and

(2) Tangshan Shenzhou Manufacturing Group Co., Ltd.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Tangshan Shenzhou and its respective ultimate beneficial owner(s) are Independent Third Parties and are at arm's length to the Company.

Scope of Work

Pursuant to the terms of the BOT Agreement, the key responsibilities of Tangshan Shenzhou include:

i. engineering survey, design, construction, equipment supply, transportation and installation of the Dry Coal Separation System and the Related Facilities;
ii. commissioning, debugging and technology services for the Dry Coal Separation System;
iii. operation, maintenance, quality management and safety protection of the Dry Coal Separation System; and
iv. establishment of a Mongolian operating entity and personnel according to the requirements of SGS, deployment of production personnel, and submission of the organizational structure to SGS for record, supervision and inspection

(altogether the "**Agreed Project**").

The construction period for the Agreed Project is anticipated to be three (3) months, the completion of which will be determined by SGS through a quality inspection. Only after a written acceptance document has been signed by both parties can Tangshan Shenzhou start formal production and operation.

The production and operation period ("**Production and Operation Period**") shall be five (5) years from the date of initial production and operation.

Consideration

The Consideration was agreed to be RMB79.0 million, which consists of:

i. RMB13.0 million as prepayment (equivalent to approximately HK$14.0 million or USD$1.8 million) (the "**Prepayment**") according to the following schedule:
    a. RMB3.0 million to be paid on the date of signing;
    b. RMB4.0 million to be paid within ten (10) days of signing;
    c. RMB3.0 million to be paid within ten (10) days after the main equipment arrives in Mongolia; and
    d. RMB3.0 million to be paid within ten (10) days after the completion and installation of all equipment and facilities are approved by SGS.

ii. RMB66.0 million as fixed fees (equivalent to approximately HK$70.9 million or USD$9.0 million), decreasing each year, will be paid as follows:
    a. year one: RMB14.8 million (equivalent to approximately HK$15.9 million or USD$2.0 million);
    b. year two: RMB14.0 million (equivalent to approximately HK$15.0 million or USD$1.9 million);
    c. year three: RMB13.2 million (equivalent to approximately HK$14.2 million or USD$1.8 million);
    d. year four: RMB12.4 million (equivalent to approximately HK$13.3 million or USD$1.7 million); and
    e. year five: RMB11.6 million (equivalent to approximately HK$12.5 million or USD$1.6 million).

Commencing from the fourth year of operation (from the 37th month), the Prepayment can be used to offset the fees calculated on the basis of processed tonnage (the “**Volume-Based Fees**”) at RMB1.0 million per month until the Prepayment is fully offset;

Volume-Based Fees are calculated based on Tangshan Shenzhou's operation of the Dry Coal Separation System, including all associated costs such as wages, insurance, management fees, and materials. They are measured by the run-of-mine coal belt scale and settled monthly at RMB 12.3/tonne (excluding VAT). Adjustments are made annually at the following tiered rates:

a. ≤1.5 million tonnes/year: RMB 13.0/tonne;
b. >1.5 to ≤3 million tonnes/year: RMB 12.5/tonne;
c. >3 to ≤4.5 million tonness/year: RMB 12.0/tonne; and

d. >4.5 million tonness/year: RMB 11.5/tonne.

Basis for determining the Consideration

The Consideration was determined after assessing (i) the previous experience of Tangshan Shenzhou in working with the Company on the existing dry coal processing plant; (ii) the experience, competency and market position of Tangshan Shenzhou in dry coal processing, which is suitable for the Company's business; and (iii) the expected scope, complexity and quality of the Agreed Project based on the agreement terms with Tangshan Shenzhou for carrying out similar construction works of comparable scale and complexity as the new Dry Coal Separation System.

Therefore, the Company determined the Consideration is on normal commercial terms and on arm's length basis. The Directors consider the Consideration to be issued are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on Tangshan Shenzhou

Tangshan Shenzhou is headquartered in Tangshan City, Hebei Province, PRC. It is principally engaged in the research, development, manufacturing, construction and installation of dry coal preparation equipment. It is owned 66.7% and 33.3% by Mr. Li Gongmin (李功民) and Ms. Li Shan (李姗), respectively.

Founded in 2001, Tangshan Shenzhou has a registered capital of RMB90 million and has various experience in manufacturing and construction of advanced large-scale machinery and manufacturing equipment. Tangshan Shenzhou is designated as a national high-tech enterprise with operations covering (i) new process of dry coal beneficiation technology; (ii) research and development of new equipment; (iii) coal preparation engineering design and consulting; and (iv) coal preparation equipment manufacturing. Tangshan Shenzhou has obtained more than 100 authorised patents, including invention patents and international patents for its products, including but not limited to "a kind of high-efficiency automated dry coal separator for coal mines" (一種煤礦用高效率自動化乾法選煤機), "a kind of dry coal beneficiation screening equipment and its use method" (一種乾式選煤篩分設備及其使用方法) and "a kind of mobile dry coal separating and de-dusting machine"(一種移動式乾式選煤除塵機).

Information on SGS

SGS 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 mineral properties in Mongolia. SGS holds the mining and exploration licences in Mongolia and operates the flagship Ovoot Tolgoi Mine.

Reasons for and Benefits of Entering into the BOT Agreement

The Company is an integrated coal mining, development and trading company. SGS 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.

The BOT Agreement falls within the Company's scope of principal business of coal mining, which will be beneficial to the Company in expanding its market share through the utilizing of the dry coal separation coal in Mongolia while increasing its revenue and profit. The Dry Coal Separation System will increase the selection capacity and improve the precision of the sorting process, thereby further enhancing the quality of the processed coal. The BOT Agreement will be of great significance to the Company in increasing the influence in the local communities and expanding the overall mining capacity, in line with the development strategy of the Company. The operation of the BOT Agreement will enable the Company to fully utilize its management and technical personnel resources, enhance coal processing efficiency, optimize product quality, and improve the overall performance of the production line, thereby enhance the Company's competitiveness and sustainable development capabilities.

The terms of the BOT Agreement were determined after arm's length negotiations among the parties thereto. Having considered all of the above reasons, the Directors (including the independent non-executive Directors) believe that the BOT Agreement is in line with the overall business direction of the Company, and the terms of the BOT Agreement are on normal commercial terms and fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the transactions contemplated under the BOT Agreement is/are more than 5% but less than 25%, the entering into of the BOT Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is thus subject to the reporting and announcement requirements. None of the Directors has any material interest in the BOT Agreement or is required to abstain from voting on the board resolutions approving the BOT Agreement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

"Agreed Project"	total scope of work agreed to under the BOT Agreement terms
"Board"	the board of Directors
"BOT Agreement"	the Build-Operate-Transfer agreement between SGS and Tangshan Shenzhou on the construction, processing, safety and quality management of dry coal separation system at the Ovoot Tolgoi Mine
"Company"	SouthGobi Resources Ltd., a company continued under the laws of British Columbia, Canada with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1878) and the TSX Venture Exchange (stock symbol: SGQ)
"Consideration"	RMB79.0 million payable by SGS to Tangshan Shenzhou
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Directors"	directors of the Company
"Dry Coal Separation System"	full-scale dry beneficiation system used for coal upgrading, including key equipment of CZM1000 super dry selection machine (CZM1000 超級乾選主機) and IDS2400A intelligent dry selection machine (IDS2400A 智能乾選機)
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	party(ies) independent of and not connected with the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Ovoot Tolgoi Mine"	the Company's operating coal mine located approximately 40km from the Shivee Khuren-Ceke crossing at the Mongolia-China border and is the Company's flagship asset.
"percentage ratio(s)"	has the same meaning as ascribed to it under the Listing Rules

"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Production and Operation Period"	five years from the date of initial production and operation
"Related Facilities"	any auxiliary production systems and facilities required to support the operation of the Dry Coal Separation System
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	shares of the Company
"Shareholder(s)"	holders(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tangshan Shenzhou"	Tangshan Shenzhou Manufacturing Group Co., Ltd. (唐山神州機械集團有限公司), a company incorporated in the PRC with limited liabilities
"%"	per cent.
USD$	United States dollar(s), the lawful currency of the United States
VAT	value-added tax

By order of the Board
SouthGobi Resources Ltd.
Yingbin Ian He
Lead Director

Vancouver, July 15, 2024
Hong Kong, July 15, 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, Ms. Jin Lan Quan and Mr. Fan Keung Vic Choi; 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"), such as information relating to the BOT Agreement, including the construction period for the Agreed Project, the labour and material costs to be incurred thereunder, and Processing Fees. Forward-looking statements are frequently characterized by words such as "anticipate", "plan", "expect", "project", "intend", "believe", "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, unanticipated construction delays, availability of labour and materials, future changes in labour and material costs, the annual tonnage of coal processed through the Dry Coal Separation System, 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.