

HONG KONG, CHINA--(Marketwired - May 20, 2015) - [SouthGobi Resources Ltd.](#) (TSX:SGQ)(HKSE:1878) ("SouthGobi" or the "Company") announces an update with respect to the May 2015 cash interest payment due on the China Investment Corporation ("CIC") convertible debenture ("CIC Convertible Debenture"), the refusal by the Supreme Court of Mongolia to hear SouthGobi's case on appeal and the status of the Toronto Stock Exchange ("TSX") delisting review. In addition, the Company announces that its Annual and Special Meeting of Shareholders (the "AGM") has been postponed from June 15, 2015 to July 24, 2015.

#### CIC Convertible Debenture

Approximately US\$7.9 million in cash interest was due by the Company to CIC on May 19, 2015 under the CIC Convertible Debenture subject to a three day contractual cure period until May 22, 2015.

CIC has confirmed to the Company that subject to certain conditions and limitations, it has agreed to grant deferral of payment of the May 2015 cash interest installment until July 22, 2015 to allow the Company to execute its proposed funding plan ("Proposed Funding Plan"), as discussed in the section Liquidity and Capital Resources under the heading Proposed Funding Plan in the Management Discussion and Analysis ("MD&A") issued on May 11, 2015 and available on SEDAR at [www.sedar.com](#). As consideration for the extension, the Company has agreed to pay CIC a deferral fee of 6.4% per annum on the amount of the May 2015 cash interest installment.

In all other respects, the provisions of the CIC Convertible Debenture remain in full force and effect and the deferral of the May interest payment by CIC is without prejudice to CIC's right to pursue any of its remedies at any time if an event of default occurs pursuant to the continuing terms of the CIC Convertible Debenture.

In the event the Company fails to pay the May 2015 cash interest installment when due on July 22, 2015, this would result in an event of default under the CIC Convertible Debenture and CIC would have the right to declare the full principal and accrued interest owing thereunder immediately due and payable, which could result in voluntary or involuntary proceedings involving the Company as discussed under the heading Risk Factors in the MD&A issued on March 30, 2015 and available on SEDAR at [www.sedar.com](#).

#### Refusal by the Supreme Court of Mongolia to hear SouthGobi's case on appeal

On April 22, 2015 the Company's subsidiary SouthGobi Sands LLC ("SGS") filed an appeal with the Supreme Court of Mongolia ("Supreme Court") against the decision of the Second District Criminal Court of Justice upholding the US\$18 million Tax Verdict against SGS as discussed under the heading Governmental and Regulatory Issues in the MD&A issued on March 30, 2015 and available on SEDAR at [www.sedar.com](#). In accordance with Mongolia's Criminal Procedure Law ("Criminal Procedure Law"), SGS filed the appeal through the Second District Criminal Court of Justice. On April 29, 2015, SGS was informed that the Second District Criminal Court of Justice had refused the appeal citing that SGS, as a civil defendant, does not have the right to file an appeal with the Supreme Court. On April 29, 2015, SGS sent a letter and filed an official protest to the Second District Criminal Court of Justice rejecting and challenging the legal grounds for its decision.

On May 20, 2015, SGS was informed that the Supreme Court had refused to hear the appeal and had returned the appeal to the Second Criminal Court of Justice. The Supreme Court based its decision on a restrictive reading of Article 342 of the Criminal Procedure Law of Mongolia which stipulates that "the defendant, person acquitted, the victim, and their respective defense counsel have the right to lodge a complaint to the Supreme Court". The Supreme Court concluded that the omission of a specific reference to a civil defendant in Article 342, in and of itself denies SGS, in such capacity, the right to lodge an appeal to the Supreme Court.

In its decision, the Supreme Court did not address other provisions of the Criminal Procedure Law and the Law on Courts of Mongolia, which provide that civil defendants have standing to appeal to the Supreme Court and that no judicial proceedings or decisions in Mongolia are outside of the scope of supervision by the Supreme Court.

SGS notes that the letter from the Supreme Court was signed by one of the justices of the Supreme Court (the "Justice"). SGS believes that the letter was issued in violation of the relevant rules of the Supreme Court, which require that decisions on the refusal to hear a case on appeal be made by the Presiding Justice of the Criminal Chamber of the Supreme Court (the "Presiding Justice"). SGS intends to send an official letter of protest to the Presiding Justice and request an explanation on the Justice's decision and letter.

The Company continues to believe that there is a lack of evidence to support both the Tax Verdict and the Appeal Verdict, and that the verdicts are both substantively and procedurally in error under the laws of Mongolia. However, should the Presiding Justice uphold the decision to refuse to hear the case on appeal, such decision will exhaust the legal appeals available to the Company in Mongolia.

The refusal by the Supreme Court to hear the case on appeal will render the Tax Verdict payable. Under Mongolian law, the

verdict can then be enforced by the General Executive Agency of Court Decisions of the Mongolian government. However, the Company has not received any demand or communication from the Government of Mongolia or any agency thereof in connection with the tax penalty to date.

The Company intends to work with the relevant authorities in Mongolia to resolve the dispute giving rise to the Tax Verdict in a manner that is appropriate having regard to the Company's limited financial resources and supportive of a positive environment for foreign investment in Mongolia. In this connection, the Company is assessing a range of possibilities that could be available to achieve such a resolution with the Mongolian authorities. However, there can be no assurance that any such resolution can be successfully negotiated by the Company either at all or on favorable terms, or that the terms of any resolution to which the Government would be prepared to agree would not be materially adverse to the Company. In such case, this may result in an event of default under the CIC Convertible Debenture and CIC would have the right to declare the full principal and accrued interest owing thereunder immediately due and payable. Such an event of default under the CIC Convertible Debenture or the Company's inability to pay the penalty could result in voluntary or involuntary proceedings involving the Company as discussed under the heading Risk Factors in the MD&A issued on March 30, 2015 and available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### TSX Financial Hardship Exemption Application and Status of Listing on TSX

The Company has requested approval from the TSX for a 30 day extension of the delisting review until June 18, 2015. The request for an extension is a consequence of the delays in the closing of the share purchase agreement between [Turquoise Hill Resources Ltd.](#) and Novel Sunrise Investments Limited and the associated delays in the implementation of the Company's Proposed Funding Plan<sup>206</sup>. For additional detail, refer to the section Liquidity and Capital Resources under the heading TSX Financial Hardship Exemption Application and Status of Listing on the TSX in the MD&A issued on May 11, 2015 and available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company will announce a further update upon receipt of a response from TSX on its extension request.

#### Postponement of the Company's AGM

The Company announces that its AGM has been postponed from June 15, 2015 to July 24, 2015 in order to provide the Nominating and Corporate Governance Committee and Board of Directors with additional time to complete the Company's governance process and finalize the Director nominees to be presented at the Company's AGM.

#### About SouthGobi

SouthGobi, listed on the Toronto and Hong Kong stock exchanges, is focused on exploration and development of its metallurgical and thermal coal deposits in Mongolia's South Gobi Region. It has a 100% shareholding in SouthGobi Sands LLC, a Mongolian registered company that holds the mining and exploration licences in Mongolia and operates the <sup>258</sup>agship Ovoot Tolgoi coal mine. Ovoot Tolgoi produces and sells coal to customers in China.

#### Contact

[SouthGobi Resources Ltd.](#) - Investor Relations:

Galina Rogova

+86-21-6103-3550

[galina.rogova@southgobi.com](mailto:galina.rogova@southgobi.com)

[SouthGobi Resources Ltd.](#) - Media Relations:

Altanbagana Bayarsaikhan

+976 70070710

[altanbagana.bayarsaikhan@southgobi.com](mailto:altanbagana.bayarsaikhan@southgobi.com)