

# Inside Information - Profit Warning and Mongolia Tax Audit

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VANCOUVER, July 31, 2023 - [SouthGobi Resources Ltd.](#) (TSX-V:SGQ, HK:1878) ("SouthGobi" or the "Company") This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

## PROFIT WARNING

The Company wishes to inform its shareholders and potential investors that, based on the Company's preliminary assessment of the unaudited management accounts for the six months ended June 30, 2023 and the information currently available to the Company, it is expected that the Company would record a net loss between US\$33.0 million and US\$38.0 million for the six months ended June 30, 2023, as compared to a net loss of US\$17.8 million for the six months ended June 30, 2022. The expected net loss is primarily attributable to the provision of a tax penalty of US\$75.0 million which is expected to be recorded in the condensed consolidated interim financial statements for the six months ended June 30, 2023.

As at the date of this announcement, the Company is still preparing and finalizing its interim results for the six months ended June 30, 2023. The information contained in this announcement is based on the preliminary assessment of the information currently available to the Company and the unaudited management accounts, which are subject to adjustments. Details of the Company's financial information and performance will be disclosed in the 2023 interim results announcement which is expected to be published on August 14, 2023.

## MONGOLIA TAX AUDIT

On July 18, 2023, the Company's wholly owned subsidiary in Mongolia, SouthGobi Sands LLC ("SGS") received an official notice (the "Notice") issued by the Mongolian Tax Authority ("MTA"), stating that the MTA has recently completed a periodic tax audit (the "Audit") on the financial information of SGS between 2017 and 2020, including transfer pricing, royalty, air-pollution fee and unpaid tax payables. As a result of their Audit, the MTA has notified SGS that they are imposing a tax penalty against SGS in the amount of approximately US\$75.0 million. Under Mongolian law, the Company has a period of 30-days from the date of receipt of the Notice to file an appeal in relation to the Investigation.

The Company's management is currently reviewing the Notice and actively exploring various options to resolve the issue, including, but not limited to, negotiating with the MTA and filing an appeal for the tax penalty amount. As at the date of this announcement, the Company expects to record a provision of US\$75.0 million for the tax penalty in its condensed consolidated interim financial statements for the six months ended June 30, 2023 (the "Provision"). Based on the Company's preliminary assessment by reference to the information currently available to it but subject to any further actions to be taken by the Company, save for the Provision as mentioned above, the Notice and the Investigation do not appear to have any other material adverse effect on the Group.

The Company will make further announcement(s) to keep its shareholders and potential investors informed of any progress as and when appropriate.

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

About SouthGobi

SouthGobi, listed on the Hong Kong Stock Exchange and the TSX Venture Exchange, 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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