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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)

## **INSIDE INFORMATION UPDATE ON MONGOLIA TAX AUDIT**

This announcement is made by SouthGobi Resources Ltd. (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). Reference is made to the announcements of the Company dated July 31, 2023 and August 18, 2023 (the “**Announcements**”) in relation to the Mongolia tax audit.

As previously disclosed in the Company’s Announcement, on July 18, 2023, the Company’s wholly owned subsidiary in Mongolia, SouthGobi Sands LLC (“**SGS**”), received a notice (the “**Notice**”) from the Mongolian Tax Authority (the “**MTA**”) relating to a periodic tax audit on certain of SGS’s financial information between 2017 and 2020, including transfer pricing, royalty, air pollution fee and unpaid tax payables (the “**Audit**”). The MTA notified SGS that they are imposing a tax penalty against SGS in the amount of approximately US\$75.0 million as a result of the Audit. On August 17, 2023, SGS filed an appeal letter in relation to the Audit with the MTA in accordance with Mongolian laws.

On February 8, 2024, SGS received notice from the Tax Dispute Resolution Council (“**TDRC**”) of the MTA which stated that, after the TDRC’s review, the TDRC issued a decision in relation to SGS’s appeal of the Audit, and ordered that the audit assessments set forth in the Notice of July 18, 2023 be suspended and sent back to the MTA for review and re-assessment.

On February 22, 2024, SGS received another notice from the MTA that the MTA anticipates commencing the re-assessment process on or about March 7, 2024 and the duration of such process will be approximately 45 working days.

\* For identification purposes only

The Company's management is assessing the implications of the notices received from the TDR. Any decision of the MTA following the re-assessment process may not be conclusive as the Company retains the right to appeal such decision under Mongolian laws. Therefore, the actual time to resolve the Audit may be extended. 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.**

By order of the Board  
**SouthGobi Resources Ltd.**

**Mao Sun**  
*Lead Director*

Vancouver, February 26, 2024

Hong Kong, February 26, 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.*