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)
(Stock Code: 1878)

OVERSEAS REGULATORY ANNOUNCEMENT

SouthGobi Resources Ltd. (TSX: SGQ, HK: 1878) has filed the attached material change report in Vancouver, Canada on June 2, 2014 on SEDAR in Canada (www.sedar.com).

By order of the Board
SouthGobi Resources Ltd.

Ms. Kay Priestly
Chairperson

Hong Kong, June 3, 2014

As of the date of this announcement, the executive Director is Mr. Kenneth Ross Tromans, the non-executive Directors are Ms. Kay Priestly, Mr. Bold Baatar, and Mr. Kelly Sanders, and the independent non-executive Directors are Mr. Pierre Bruno Lebel, Mr. Andre Henry Deepwell, and Mr. William Gordon Lancaster.

* *For identification purposes only*

Form 51-102F3
Material Change Report

1. **REPORTING ISSUER**

SouthGobi Resources Ltd. (the "**Company**")
354 – 200 Granville Street
Vancouver, British Columbia
V6C 1S4

2. **DATE OF MATERIAL CHANGE**

May 23, 2014

3. **PRESS RELEASE**

The press release was issued on May 25, 2014, and was disseminated through the facilities of recognized newswire services. A copy of the press release was filed on SEDAR.

4. **SUMMARY OF MATERIAL CHANGE**

The Company has entered into a revolving credit facility agreement (the "**Credit Agreement**") in the principal amount of U.S.$10 million (the "**Credit Facility**") with its majority shareholder Turquoise Hill Resources Ltd. (the "**Lender**" or "**TRQ**"). In connection with the Credit Facility, the Company's two wholly-owned subsidiaries, SouthGobi Sands LLC ("**SGS**") and SGQ Coal Investment PTE Ltd ("**SGQ**" and together with SGS, the "**Borrowers**" and collectively with the Company, the "**Obligors**"), will act as joint and several borrowers.

The Credit Agreement and the transactions contemplated thereby are hereinafter referred to as the "**Transaction**".

5. **FULL DESCRIPTION OF MATERIAL CHANGE**

I. Credit Agreement

On May 23, 2014, the Company entered into the Credit Agreement with TRQ. The material terms of the Credit Agreement are listed below. The following summary is not intended to and does not constitute an exhaustive summary of all of the terms, conditions and other material provisions of the Credit Agreement, a copy of which is being filed concurrently with this material change report on SEDAR at www.SEDAR.com.

Credit Facility Amount

The Lender will make up to U.S.$10 million available to the Borrowers for drawdown under the Credit Facility, subject to the prior fulfillment or waiver of certain conditions.

The Credit Facility is available on a revolving basis such that, subject to all the terms and conditions of the Credit Agreement, the Borrowers may re-borrow the whole or any part of any advances previously repaid to the extent of then undrawn principal amount under the Credit Facility.

Funding Date

The Credit Facility is available for drawdown from the date of the Credit Agreement until the earlier of: (i) the date immediately preceding August 30, 2014; and (ii) the date the obligations otherwise become due and payable in accordance with the terms of the Credit Agreement ((i) and (ii), the "**Maturity Date**"). After such time, the Credit Facility will terminate and all amounts outstanding thereunder will be due and payable.

Conditions to Drawdowns

Under the terms of the Credit Agreement, prior to the initial and subsequent drawdowns on the Credit Facility, the Obligors must satisfy a number of conditions precedent and other requirements, including matters relating to budgets, cash flow forecasts, use of proceeds, regulatory and other conditions. For the full list of conditions precedent and other requirements applicable to drawdowns, see the copy of the Credit Agreement filed concurrently with this material change report on SEDAR at www.SEDAR.com.

Interest and Fees

As per the terms of the Credit Agreement, a front end fee of U.S.$100,000 was required to be paid by the Borrowers on the date of the Credit Agreement. While the Credit Facility is in effect, the Obligors are required to pay: (i) interest, on the amounts borrowed under the Credit Facility, in the amount of one month U.S. dollar LIBOR rate then in effect plus an 11% margin per annum (the "**Margin**"); and (ii) a commitment fee of 35% of the Margin payable quarterly in arrears on the daily average of the undrawn principal amount of the Credit Facility.

Repayment

Subject to the Lender's rights to demand earlier repayment in certain circumstances, the outstanding principal amount and all accrued and unpaid interest (the "**Facility Indebtedness**") will be repayable in full on the Maturity Date. The Lender has the right, at its sole discretion and upon giving written notice to the Borrowers not later than thirty (30) business days before the Maturity Date, to demand repayment of the Facility Indebtedness not in cash amounts but instead require the Borrowers to deliver to the Lender, at the mine gate (or as otherwise agreed between the parties), of the required number of tons of Coal B (typically mined from the Sunrise and Sunset pit) free from any encumbrances having a market value (determined by the Lender acting reasonably) as being the prevailing arm's length market price for such product on the delivery date equal to such Facility Indebtedness.

Prepayment

The Credit Facility is subject to certain mandatory repayment obligations including: (i) the Borrowers shall prepay in full all amounts outstanding under the Credit Facility following the occurrence of (A) a change of control of the Company, whereby a person or a group of person acting jointly or in concert (other than the Lender or its affiliates) acquire beneficial ownership of more than 50% of the outstanding common shares of the Company, or (B) from the initial advance of funds under a facility replacement; (ii) the applicable Obligor shall prepay the outstanding amount drawn under the Credit Facility from the net proceeds of any capital raising or rights offering by the Company, any other sale of the Company's securities or assets of the Obligors, any debt made available to the Obligors (other than under a facility replacement referred to in (i) above), or cash injected or free cash flow generated or received into the business of the Obligors from any other sources; and (iii) the applicable Obligor shall prepay from any cash balance of the Obligors at the end of any month which is in excess by more than U.S.$500,000 over the forecasted cash needs of the Obligors for the following month.

The Borrowers may, without penalty or bonus but subject to the Breakage Costs (as defined below), prepay the outstanding amounts under the Credit Facility, in whole or in part, upon giving five (5) business days' written notice to the Lender.

If the Borrowers elect to prepay the Credit Facility, they will be obligated to compensate the Lender for any loss that the Lender incurs as a result of a prepayment made prior to a payment date, with such loss measured by the spread between the interest payments due to the Lender for the applicable period under the Credit Agreement and the interest payable to the Lender for a deposit in an amount equal to the prepayment on the London interbank market (the "**Breakage Costs**").

Cancellation

Each Borrower has the right upon giving five (5) business days' written notice to the Lender to: (i) permanently cancel any undrawn principal amount available to it under the Credit Facility; and (ii) permanently cancel the whole Credit Facility available to it in the event that there are no obligations outstanding thereunder.

II. Related Party Transaction Disclosure

The Lender owns approximately 56% of the Company's issued and outstanding common shares and, therefore, the entering into the Credit Agreement and the consummation of the Transaction constitute a "related party transaction" under Canadian securities law. The following supplementary information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**").

Purpose and Business Reasons for the Transaction

Advances under the Credit Facility will be used for general corporate purposes (including payments of interest under the convertible debenture issued by the Company to China Investment Corporation) to meet short term working capital requirements in the ordinary course of business, strictly in accordance with plans and budgets to be mutually agreed by the Company and the Lender. The Credit Facility is a last resort funding mechanism that will only become available once the Obligors have exhausted all other funding alternatives.

Anticipated Effect of the Transaction on the Company's Business and Affairs

The Transaction is intended to improve the Company's short-term liquidity needs by providing access to funds and allowing it to continue to fund its operations and meet its obligations, all in accordance with the description above in the section entitled "*Purposes and Business Reasons for the Transaction*".

Description of the Interest of Interested and Related Parties in the Transaction and the Anticipated Effect of the Transaction on the Percentage of Securities Beneficially Owned or Controlled by such Parties

The Lender is considered a "related party" of the Company as it owns approximately 56% of the Company's issued and outstanding common shares. There are no securities being issued or issuable with respect to the Transaction and thus no effect on the percentage of securities beneficially owned or controlled by the Lender.

Review and Approval Process of the Company's Board of Directors

The Transaction and the Credit Agreement were unanimously approved by the Company's independent directors (the "**Independent Directors**") on May 23, 2014. The Company's non-independent directors, Bold Baatar, K. Ross Tromans, Kay Priestly and Kelly Sanders (collectively, the "**Non-Independent Directors**"), declared that they had a disclosable interest (within the meaning of Part 5, Division 3 of the *Business Corporations Act* (British Columbia)) by reason of being directors or senior officers of the Lender or its affiliates, and accordingly abstained from voting on the Transaction and the Credit Agreement.

There were no contrary views or disagreements as between the Independent Directors in respect of the approval of the Transaction or the Credit Agreement.

Prior Valuations Relevant to the Transaction

No prior valuations have been conducted in respect of the Company that relate or are otherwise relevant to the Transaction.

Filing of this Material Change Report

This Material Change Report is being filed less than 21 days before the expected date of closing of the Transaction, which is reasonable under the circumstances in that no meeting of the Company's shareholders is required in connection with the Transaction and applicable securities laws require the filing of a material change report within 10 days of the date on which the material change occurs.

Exemption from Formal Valuation and Minority Approval

The Board, excluding the Non-Independent Directors, determined that the Company can properly rely on the "25% market capitalization" exemption (as set out in subsection 5.5(a) of MI 61-101) from the "formal valuation" and "minority approval" requirements of MI 61-101, on the basis that neither the subject matter, nor the fair market value, of the consideration for the Credit Facility exceeds 25% of the Company's market capitalization.

Security Holder Request

The Company shall send a copy of this Material Change Report to any security holder upon request and without charge.

6. **RELIANCE ON SUBSECTION 7.1(2) OR (3) OF NATIONAL INSTRUMENT 51-102**

Not applicable.

7. **OMITTED INFORMATION**

No significant facts have been omitted from this Material Change Report.

8. **EXECUTIVE OFFICER**

The name and business number of the executive officer of SouthGobi who is knowledgeable of the material change and this report is:

Vincent H. Kou, General Counsel and Corporate Secretary
Suite 1501, The Center
99 Queen's Road Central
Hong Kong
Tel: +852-2156-1438

9. **DATE OF REPORT**

DATED at Vancouver, British Columbia this 2nd day of June, 2014.