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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)

(Toronto Stock Code: SGQ)

Dismissal of the lawsuit against SGS based on arbitration clause in fuel supply agreement

This announcement is made by SouthGobi Resources Ltd. (the "**Company**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the 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 Company's announcement dated January 20, 2017 in relation to the receipt of lawsuit notice from a fuel supplier. The Company announces that the Khan-Uul District Civil Court of First Instance in Mongolia (the "**Court**") has dismissed the litigation raised by Magnai Trade LLC ("**MT**") against SouthGobi Sands LLC ("**SGS**"), a subsidiary of the Company, in relation to a claim of MNT 22.2 billion (approximately US\$ 8.9 million) on the basis that if the dispute cannot be amicably resolved, it must be settled by arbitration in Mongolia, rather than litigation, in accordance with the express provisions of the fuel supply agreement between SGS and MT.

The Company values its business relationship with MT and will continue to resolve the dispute with MT through continuing business discussions, or through arbitration if a resolution cannot be reached.

* For identification purposes only

By order of the Board
SouthGobi Resources Ltd.
Mr. Ningqiao Li
Chairman

Hong Kong, January 25, 2017

As at the date of this announcement, the executive directors of the Company are Messrs. Ningqiao Li, Aminbuhe and Yulan Guo; the independent non-executive directors are Messrs. Zhu Liu, Mao Sun, Joseph Belan and Ms. Jin Lan Quan; and the non-executive director is Mr. Huiyi Wang.



January 25, 2017

Dismissal of the lawsuit against SGS based on arbitration clause in fuel supply agreement

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) (“**SouthGobi**” or the “**Company**”) announces that the Khan-Uul District Civil Court of First Instance in Mongolia (the “**Court**”) has dismissed the litigation raised by Magnai Trade LLC (“**MT**”) against SouthGobi Sands LLC (“**SGS**”), a subsidiary of the Company, in relation to a claim of MNT 22.2 billion (approximately US\$ 8.9 million) on the basis that if the dispute cannot be amicably resolved, it must be settled by arbitration in Mongolia, rather than litigation, in accordance with the express provisions of the fuel supply agreement between SGS and MT.

The Company values its business relationship with MT and will continue to resolve the dispute with MT through continuing business discussions, or through arbitration if a resolution cannot be reached.

About SouthGobi

SouthGobi, listed on the Toronto and Hong Kong stock exchanges, owns and operates its flagship Ovoot Tolgoi coal mine in Mongolia. It also holds the mining and exploration 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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