

SOUTHGOBI RESOURCES SECURITIES CLASS ACTION
TSX: SGQ; SEHK: 1878; CUSIP: 844375105; ISIN: CA8443751059

NOTICE OF CERTIFICATION (AUTHORIZATION)
Read this notice carefully as it may affect your legal rights

WHO THIS NOTICE IS FOR

This notice is directed to all persons and entities, wherever they may reside or be domiciled, who acquired securities of SouthGobi Resources Ltd. (“**SouthGobi**”) during the period **March 30, 2011 through November 7, 2013** (“**Class Period**”) and continued to hold some or all of those securities on November 8, 2013, other than certain excluded persons, described below. Persons who fit the above description are referred to as “**Class Members**” or the “**Class**” in this Notice.

BACKGROUND

In January 2014, a proposed class proceeding titled *Rahimi v SouthGobi Resources Ltd.*, Court File No. CV-14-495869-00CP, was commenced in the Ontario Superior Court of Justice for the Toronto Region (“**Action**” and “**Court**”).

On behalf of the Class, the Plaintiff seeks to recover damages for alleged misrepresentations contained in SouthGobi’s financial statements for 2011, 2012 and Q1 and Q2 2013. It is alleged that these financial statements misrepresented SouthGobi’s financial performance for those periods and misrepresented their preparation in accordance with International Financial Reporting Standards and International Accounting Standards.

The Action, as commenced, sought findings of liability against SouthGobi, Alexander Molyneux, Terry Krepiakovich, Matthew O’Kane, Andre Deepwell, Pierre Lebel and Gordon Lancaster (collectively, “**Officers and Directors**”) and Deloitte LLP, SouthGobi’s former auditor.

In October 2015, the Plaintiff and Deloitte LLP agreed to settle the claims made in the Action against it for \$200,000.00 CAD (the “**Deloitte Settlement**”). Deloitte LLP made no admission of liability. Further information about this settlement is provided below. The Court approved the Deloitte Settlement as fair and reasonable and in the best interests of the Class on July 9, 2016.

In November 2015, the Court granted the Plaintiff leave to commence an action under section 138.3(1) of the Ontario *Securities Act* against SouthGobi. However, the Court denied leave to do so as against the Officers and Directors. Obtaining leave is a requirement under the Ontario *Securities Act* and is a preliminary procedural matter.

Both the Plaintiff and SouthGobi appealed the Court’s November 2015 decision and in September 2017, the Court of Appeal for Ontario granted the Plaintiff’s appeal and denied SouthGobi’s appeal.

SouthGobi and the Officers and Directors applied for leave to appeal the September 2017 decision of the Court of Appeal for Ontario to the Supreme Court of Canada. In May 2018, SouthGobi and the Officers and Directors application for leave was dismissed with costs.

The hearing of the Plaintiff’s request for certification under the Ontario *Class Proceedings Act* was postponed while the appeals to the Court of Appeal for Ontario were heard and determined, and while SouthGobi and the Officers and Directors application for leave to appeal to the

Supreme Court of Canada was determined. Certification is also a procedural matter.

DISCONTINUANCE - OFFICERS AND DIRECTORS

On December 20, 2018, the Plaintiff was granted permission to discontinue his claims against the Officers and Directors, without costs. The discontinuance of the Action as against the Officers and Directors is intended to streamline the Action without compromising any recovery that might be obtained for the Class.

Notwithstanding the discontinuance of claims against the Officers and Directors, they remain subject to discovery in the Action, as though they remain parties to the Action.

The remaining defendant is SouthGobi.

CERTIFICATION ORDER

On July 9, 2016, the Court certified the Action as a class proceeding against Deloitte solely for the purpose of implementing the Deloitte Settlement.

On December 20, 2018, the Court certified the Action as a class proceeding against SouthGobi.

In granting certification, Siskinds LLP was appointed Class Counsel and Mr. Rahimi was appointed as the Representative Plaintiff of the following class:

All persons and entities, wherever they may reside or be domiciled, who acquired SouthGobi’s securities during the Class Period and continued to hold some or all of those securities as of November 8, 2013.

The Class excludes SouthGobi, its controlling shareholders, past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors, and assigns, and China Investment Corporation, a sovereign wealth fund of the People’s Republic of China.

CERTIFICATION
- WHAT DOES THIS MEAN?

Certification means that the Court has permitted the Action to proceed to trial as a class action. Certification is a procedural matter that defines the form of the litigation, allowing it to be pursued on behalf of a defined group of people. The certification of the Action as a class proceeding means that the claims of Class Members will be determined in the Action, unless they exercise their right to opt out of the Class, as described below.

The allegations made in the Action have not been decided by the Court; and, SouthGobi denies that the allegations will be proven at all.

THE NATURE OF THE CLAIMS BEING PURSUED

The claims of all Class Members against SouthGobi are being pursued through the secondary market liability provisions of the Ontario *Securities Act*. Those provisions permit a person who acquires a security after the making of a misrepresentation to recover damages without proof of reliance, subject to certain defences which may be asserted in this case by SouthGobi.

The claims are subject to liability limits that cap the amount that can be recovered from a defendant. The total amount of the Class' damages, if any, has not been determined at this stage. However, it is unlikely that damages in this case would exceed SouthGobi's statutory liability limits under the Ontario *Securities Act*.

The Plaintiff is only pursuing the *Securities Act* claim described above against SouthGobi. He will not be pursuing any other statutory or common law claims, including the claim in negligent misrepresentation originally asserted in the Action. The discontinuance of the negligent misrepresentation claim, which has been approved by the Court, will be effective on the Opt-Out Deadline, defined below.

If you wish to pursue any claims under the Ontario *Securities Act* or other claims independently against SouthGobi and/or the Officers and Directors and/or Deloitte LLP, you should immediately seek independent legal advice. *A Class Member wishing to bring his or her own claims in respect of his/her/its acquisition of SouthGobi securities during the Class Period may need to opt out of the Action*, as described below.

A Class Member who wishes to opt out and pursue an individual proceeding must do so prior to the Opt-Out Deadline, defined below, to avoid the possible expiry of limitation periods that may be applicable and which may occur on or after that date. Such persons will have to retain their own lawyer or represent themselves to prove their claims in any such proceeding.

SETTLEMENT WITH DELOITTE

A settlement is when a defendant agrees to pay money to the members of the class in exchange for being released from the lawsuit.

In October 2015, Deloitte LLP agreed to pay \$200,000.00 CAD ("**Settlement Funds**") to settle the Action, in exchange for a full release of the claims made and that could have been made against it in the Action. Deloitte LLP made no admission of liability.

On July 19, 2016, the Court approved the settlement with Deloitte LLP.

The Settlement Funds have been applied to Class Counsel's disbursements and will, in the event of a final accounting, be credited as having been so applied. This has the effect of reducing the amount that would otherwise be payable later by the Class.

YOU DO NOT NEED TO DO ANYTHING TO REMAIN IN THE CLASS

Class Members who wish to participate in the Action are automatically included in the Class. You do not need to take further action at this time.

YOU MUST OPT OUT IF YOU DO NOT WANT TO BE BOUND BY THE OUTCOME OF THE ACTION, INCLUDING THE DELOITTE SETTLEMENT

A Class Member who wishes to pursue his, her or its own action or does not want to be bound by the outcome of the Action must opt-out

of the Action. Class Members who opt out of the Action will not be entitled to assert individual claims in the Action or to participate in the distribution of any further settlement or judgment obtained in the Action.

If you wish to opt-out, you must submit an election to do so, together with required supporting documentation or suitable alternative documentation ("**Opt-Out Election**"), to Class Counsel.

An Opt-Out Election may be electronic and must consist of: (a) a statement of intention to opt out of the Action, by the Class Member or a person authorized to bind the Class Member; (b) a listing of all purchases and sales of SouthGobi securities between March 30, 2011 and November 7, 2013, (c) supporting documents to evidence such transactions, in the form of trade confirmations, brokerage statements, other transaction records or suitable alternative documentation; and (d) contact information for the Class Member, including name, address, telephone number and email address.

Class Counsel must receive your Opt-Out Election no later **5:00 pm EST on Wednesday, December 4, 2019** ("**Opt-Out Deadline**"). Opt-Out Elections may be sent electronically or by mail or courier to:

Nicholas Baker
Siskinds LLP
680 Waterloo Street
London, ON, CANADA N6A 3V8
Tel: 1.800.461.6166 ext. 7868 (toll free)
Email: nicholas.baker@siskinds.com

An Opt-Out Election that does not contain all of the required information or suitable alternative documentation will not be valid. A sample Opt-Out Election is available on Class Counsel's website: <https://www.siskinds.com/southgobi-resources/>

Each Class Member who does not opt-out of the class action, will be bound by the terms of any further judgment or settlement, whether favourable or not, and will not be allowed to prosecute an independent proceeding against SouthGobi and/or Deloitte LLP regarding any of the factual matters raised in the class action.

Class Members who do not opt-out may be entitled to share in the amount of any award or settlement recovered. In order to determine if you are entitled to share in the award or settlement and the amount, if any, of your share, it may be necessary to conduct an individual determination. You will be informed of the implications of and will have the opportunity to decide if you wish to proceed with, your individual determination in advance.

A minor or a mentally incapable Class Member cannot opt-out of the Class without permission of the court. The Children's Lawyer and/or the Public Guardian and Trustee or an equivalent in a jurisdiction outside of Canada, as applicable, must receive notice of this request.

A class member other than the Plaintiff or an intervener cannot be ordered to pay SouthGobi's costs of the Action. In addition, a class member other than a representative plaintiff bears no responsibility for paying the expenses incurred in the prosecution of the Action.

The Courts may permit or require a Class Member to participate in the class action if such participation is useful to the Class or if there are issues which require individual resolution. A participating Class Member may be bound to submit to examination for discovery at the request of SouthGobi. A Class Member who does not intervene in

the class action can only be required to submit to an examination on discovery if the Court considers it useful.

CLASS COUNSEL AND LEGAL FEES

The Class is represented by Siskinds LLP (“Class Counsel”).

Class Counsel is acting on a contingent fee basis, meaning that they are not being paid their legal fees or disbursements as the matter proceeds and are only paid their legal fees, disbursements and applicable taxes in the event that a recovery is obtained in the Action.

In the event a recovery additional to the Settlement Funds is obtained, Class Counsel’s fees and expenses will, subject to Court approval, be paid out of any such settlement or judgment obtained, taking into account the credit to disbursements already applied from the Settlement Funds.

If a further recovery is obtained, Class Counsel will make a motion to the Court to have their fees and disbursements approved. Advance notice will be provided to the Class of the pendency of any such motion.

Other than as set out above, Class Members will not be asked to pay Class Counsel’s fees, disbursements or related taxes.

ADDITIONAL INFORMATION

This notice was approved by the Ontario Superior Court of Justice. The court office cannot answer any questions about the matters in this notice. The current iteration of the Class’ claim, called the Fresh as Amended Statement of Claim, Orders of the court and other information are available on Class Counsel’s website: <https://www.siskinds.com/southgobi-resources/>

Questions relating to the Action should be directed by email or telephone to Siskinds LLP.

Nicholas Baker
Siskinds LLP
680 Waterloo Street
London, ON N6A 3V4
Tel: 1.800.461.6166 ext. 7868 (toll free)
Email: nicholas.baker@siskinds.com

NOTICE TO BROKERAGE FIRMS

Please deliver this notice, no later than Friday, November 1, 2019 by email to your clients who purchased SouthGobi securities during the Class Period and for whom you have valid email addresses.

Brokerage firms may cumulatively request up to \$10,000 reimbursement for expenses incurred relating to the distribution of this notice to client Class Members. If the cumulative amount requested exceeds \$10,000, each individual brokerage firm’s request shall be reduced on a *pro rata* basis. Brokerage firms must submit an invoice to RicePoint Administration Inc. by November 15, 2019 to be eligible for reimbursement.

***Publication of this notice was authorized by the
Ontario Superior Court of Justice***

