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)

SouthGobi Resources announces fourth quarter and full year 2014 financial and operating results

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) ("SouthGobi" or the "Company"). The Company today announced its financial and operating results for the quarter and the year ended December 31, 2014.

Please see the attached announcement for more details.

By order of the Board
SouthGobi Resources Ltd.
Mr. Gordon Lancaster
Interim Chair

Hong Kong, March 30, 2015

As of the date of this announcement, the executive Director is Mr. Ted Chan, the non-executive Directors are Mr. Bold Baatar and Mr. Kelly Sanders, and the independent non-executive Directors are Mr. Pierre Bruno Lebel, Mr. André Henry Deepwell and Mr. William Gordon Lancaster.

* *For identification purposes only*

SouthGobi Resources

March 30, 2015

SOUTHGOBI RESOURCES ANNOUNCES FOURTH QUARTER AND FULL YEAR 2014 FINANCIAL AND OPERATING RESULTS

HONG KONG – SouthGobi Resources Ltd. **(TSX: SGQ, HK: 1878)** ("SouthGobi" or the "Company"). The Company today announced its financial and operating results for the quarter and the year ended December 31, 2014. All figures are in U.S. Dollars unless otherwise stated.

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company's significant events and highlights for the year ended December 31, 2014 and subsequent period to March 30, 2015 are as follows:

- **The Company continues to operate under difficult market conditions resulting from strong seaborne and domestic supply coupled with soft demand in China. Chinese coking coal imports fell by 17.2% in 2014 and 12.6% in the fourth quarter of 2014 compared to the same periods last year. Coal prices in China stablilized in the fourth quarter of 2014, mainly due to winter restocking from end users, after hitting seven year lows in the third quarter. However, the gains made in the fourth quarter of 2014 have been erased since the beginning of 2015 due to sluggish demand, which has continued beyond the Chinese New Year holiday. The Company's sales volumes and revenues are expected to remain under pressure through 2015 as Chinese coal import volume and prices continue to decline.**

- **Production of raw coal by the Company remained low at 0.21 million tonnes in the fourth quarter of 2014 compared to 1.73 million tonnes in the fourth quarter of 2013. This lower production level is due to the Company's decision in June, in response to market conditions, to reduce its production and place approximately half of its workforce on furlough. This furlough is anticipated to remain in place until market conditions improve.**

- **On January 7, 2014, the Company reported the public announcement regarding the Ontario Action against certain of the Company's current and former senior officers and directors, and its former auditors, in relation to the Company's restatement of financial statements, as disclosed on November 8, 2013, November 11, 2013, November 14, 2013 and December 12, 2013.**

- **Messrs. Lindsay Dove and Sean Hinton did not stand for re-election at the Annual General Meeting held on May 6, 2014 and ceased to be directors at that date.**

- **On May 25, 2014, the Company announced that Turquoise Hill Resources Ltd. ("Turquoise Hill") had agreed to provide a $10 million shareholder loan facility (the "Turquoise Hill Loan Facility").**

- **On June 20, 2014, the Company announced that the exemption granted to the Company in relation to its secondary listing status on the HKEX in 2010 by the Hong Kong Securities and Futures Commission pertaining to Takeovers, Mergers and Share Repurchases (the "Takeovers Code") had been withdrawn and that the Company would be considered a public company in Hong Kong for matters relating to the Takeovers Code.**

- **On July 30, 2014, the Company reported that Turquoise Hill had entered into a share purchase agreement ("SPA") with National Resources Holdings Limited ("NUR") to sell Common Shares representing 29.95% of the Company's total issued and outstanding Common Shares.**

- **On August 26, 2014, the Court of Justice in Mongolia returned the tax investigation case against the Company's subsidiary SouthGobi Sands LLC ("SGS") and three of its former employees to the Prosecutor General for further investigations.**

- **On August 31, 2014, the Company announced that Turquoise Hill had agreed to a limited deferral of repayment of all funds owing and due by the Company under the Turquoise Hill Loan Facility.**

- **On September 28, 2014, the Company announced the completion of the construction of a paved coal highway to the Shivee Khuren Border Crossing.**

- **On November 12, 2014, the Company announced the December 1, 2014, retirement of Ms. Kay Priestly as Chair, the appointment of current independent director Mr. Gordon Lancaster to the position of interim Chair and the appointment of Mr. Jeffery Tygesen as a non-executive director.**

- **On November 20, 2014, the Company announced that it was delaying the payment of the November 2014 installment of cash interest due to the China Investment Corporation ("CIC") under the terms of the Convertible Debenture (the "November CIC Payment").**

- **On December 1, 2014, the Company announced that it had entered into private placement and CIC had agreed to extend the cure period agreed for the November CIC Payment to December 4, 2014.**

- **On December 2, 2014, NUR signed an amendment agreement ("Amendment Agreement") to the previously announced and signed Sale and Purchase agreement dated July 29, 2014 with Turquoise Hill in respect of the sale of 56,102,000 Common Shares of the Company held by Turquoise Hill. In respect of the transaction contemplate, the Amendment Agreement provides, among other matters, for an extension to the closing date from November 30, 2014 to April 30, 2015.**

- **On December 3, 2014, the Company successfully completed private placements for the issue of 24,360,773 Common Shares for gross proceeds of US$9.0 million (US$8.9 million net after fees) at CAD $0.42 per share.**

- **On December 4, 2014 Turquoise Hill agreed on a limited deferral of repayment on the $3.8 million principal owing under the Turquoise Hill Loan Facility. The Turquoise Hill Loan Facility matured on August 30, 2014 and is no longer available for further drawdowns by the Company. This limited deferral is subject to certain conditions and limitations, including the completion by April 30, 2015 of the transaction contemplated by the Sale and Purchase Agreement and the Amendment Agreement between Turquoise Hill and NUR.**

- **On December 12, 2014 the Company announced the stepping down of the President and Chief Executive Officer Ross Tromans, and appointment of Enkh-Amgalan Sengee as President and Chief Executive Officer. Mr. Tromans remained with the Company and on the Board of Directors (the "Board") until December 31, 2014.**

- **On December 30, 2014 the Company was notified that the Capital City Prosecutor (head of the Capital Prosecutor's Office, Ulaanbaatar, Mongolia) had decided to dismiss the allegations for money laundering against the Company's three former employees. This was consistent with the report issued by the experts appointed by the State Investigations Agency ("SIA") on June 30, 2013 and again in January 2014.**

- **In respect of the ongoing tax investigation case in Mongolia, on January 30, 2015 the panel of appointed judges from the Second District Criminal Court of Justice found the Company's three former employees guilty of tax evasion and gave sentences ranging from 5 years and 6 months to 5 years and 10 months of imprisonment in the correctional facilities of strict regimen in Mongolia. Although SGS was not a party to the criminal proceedings, the court declared it to be financial liable as a "civil defendant" for a penalty of MNT 35.3 billion**

(approximately US$18.2 million on February 1, 2015). The Company strongly believes it has not committed tax evasion, firmly rejects the Court's verdict and what have been gross violations of Mongolian law through the investigations and the Court process. Therefore the Company filed an appeal of the Second District Criminal Court of Justice's verdict on February 18, 2015. On February 26, 2015 the President of Mongolia issued a decree of pardon to the three former employees and following the pardon they were released from imprisonment and departed Mongolia. On March 25, 2015, the hearing of the appeal of the Tax Verdict took place. The Tax Verdict was upheld and the appeal by the Company was dismissed. It is the view of the Company that there is a lack of evidence to support both the Tax Verdict and the Appeal Verdict and, accordingly, the Company will continue to defend itself through all available legal means including a final appeal. The tax penalty would only be payable after a final appeal.

- **On February 24, 2015 the Company announced it had entered into a private placement for proceeds of up to US$7.5 million with Novel Sunrise Investments Limited ("Novel Sunrise") as a proposed new significant investor and strategic partner. The completion of the private placement and related transactions was subject to acceptance of notice of the placement by the Toronto Stock Exchange ("TSX") pursuant to the financial hardship provisions of the TSX Company Manual. As a result of relying on the financial hardship provisions, the Company was placed on remedial delisting review as of February 25, 2015. A meeting of the TSX Continued Listing Committee to consider this matter has been scheduled for May 19, 2015.**

- **On February 24, 2015 the Company was advised by Turquoise Hill that they had entered into a Sale and Purchase Agreement ("Novel SPA") with Novel Sunrise for the purchase of 48,705,155 Common Shares currently held by Turquoise Hill. The closing of the Novel SPA is subject to certain terms and closing conditions.**

- **On March 3, 2015 following the successful closing of the first tranche of the Novel Sunrise private placement, including the receipt of US$3.5 million, the Company issued 10,131,113 Mandatory Convertible Units to Novel Sunrise and in accordance with the terms of the agreement Mr. Ted Chan was appointed as the Executive Director of the Company.**

- **On March 13, 2015, Mr. Enkh-Amgalan Sengee, tendered his resignation as President and Chief Executive Officer. Mr. Ted Chan, assumed the duties formerly handled by Mr. Sengee until further notice.**

- **On March 18, 2015, the Company announced that Mr. Jeffery Tygesen resigned as a non-executive director.**

- **As at the date hereof, the Company, together with the new strategic partner, Novel Sunrise, has developed a funding plan in order to pay the interest due under the CIC Convertible Debenture, meet the Company's obligations as they fall due and achieve its business objectives in 2015 and beyond. However, there is no guarantee that the Company will be able to implement this funding plan or secure other sources of financing. See section "Liquidity and Capital Resources" for details. As at March 30, 2015, the Company had cash of $4.2 million.**

OVERVIEW OF OPERATIONAL DATA AND FINANCIAL RESULTS

Summary of Annual Operational Data

	Year ended December 31, **2014**	2013
Sales Volumes, Prices and Costs		
Premium semi-soft coking coal		
Coal sales *(millions of tonnes)*	**0.02**	0.54
Average realized selling price *(per tonne)* [(i)]	**$ 26.77**	$ 36.61
Standard semi-soft coking coal		
Coal sales *(millions of tonnes)*	**0.86**	2.27
Average realized selling price *(per tonne)* [(i)]	**$ 19.52**	$ 23.41
Thermal coal		
Coal sales *(millions of tonnes)*	**1.16**	0.45
Average realized selling price *(per tonne)* [(i)]	**$ 10.99**	$ 13.43
Total		
Coal sales *(millions of tonnes)*	**2.04**	3.26
Average realized selling price *(per tonne)* [(i)]	**$ 14.76**	$ 24.25
Raw coal production *(millions of tonnes)*	**1.57**	3.06
Direct cash costs of product sold *(per tonne)* [(ii)]	**$ 8.33**	$ 10.58
Mine administration cash costs of product sold *(per tonne)* [(ii)]	**$ 2.69**	$ 2.23
Total cash costs of product sold *(per tonne)* [(ii)]	**$ 11.02**	$ 12.81
Other Operational Data		
Production waste material moved *(millions of bank cubic meters)*	**5.47**	8.45
Strip ratio *(bank cubic meters of waste material per tonne of coal produced)*	**3.51**	2.76
Lost time injury frequency rate [(iii)]	**0.21**	0.00

(i) Average realized selling price is presented before deduction of royalties and selling fees.

(ii) A non-International Financial Reporting Standards ("IFRS") financial measure, refer to "Non-IFRS Financial Measures" section. Cash costs of product sold exclude idled mine asset cash costs.

(iii) Per 200,000 man hours and calculated based on a rolling 12 month average.

Overview of Annual Operational Data

The Company has operated under difficult market conditions throughout 2014 which have affected the Company's results in respect of sales prices, mix and volumes. In 2014, the Company sold 2.04 million tonnes of coal compared to 3.26 million in 2013.

The Company's production in 2014 was lower than 2013, at 1.57 million tonnes compared to 3.06 million tonnes. During 2014, the Company paced its production to market demand and focused on reducing its stockpiles. As a result the Company operated significantly below its operating capacity through-out 2014. Following a review of operations the Company placed approximately half of its workforce on furlough in mid June 2014 which is currently ongoing and is expected to last until market conditions improve. The results for 2013 were impacted by reduced operating levels as the operations at the Ovoot Tolgoi Mine recommenced on March 22, 2013 after a period of full curtailment since the end of the second quarter of 2012.

The Company maintained a strong safety record throughout 2014. As at December 31, 2014, the Company has a lost injury time frequency rate of 0.21 per 200,000 man hours based on a rolling 12 month average.

Summary of Annual Financial Results

	Year ended December 31,	
$ in thousands, except per share information	**2014**	2013
Revenue [(i),(ii)]	**$ 24,494**	$ 58,636
Cost of sales [(ii)]	**(82,132)**	(112,627)
Gross loss excluding idled mine asset costs	**(21,698)**	(23,552)
Gross loss including idled mine asset costs	**(57,638)**	(53,991)
Other operating expenses	**(14,840)**	(126,040)
Administration expenses	**(8,944)**	(15,629)
Evaluation and exploration expenses	**(1,312)**	(1,169)
Loss from operations	**(82,734)**	(196,829)
Finance costs	**(21,848)**	(21,162)
Finance income	**1,586**	5,566
Share of losses of joint venture	**(101)**	(53)
Income tax expense	**(586)**	(24,983)
Net loss	**(103,683)**	(237,464)
Basic loss per share	**$ (0.55)**	$ (1.30)
Diluted loss per share	**$ (0.55)**	$ (1.30)

(i) Revenue is presented after deduction of royalties and selling fees.

(ii) Revenue and cost of sales relate to the Company's Ovoot Tolgoi Mine within the Mongolian Coal Division operating segment. Refer to note 4 of the consolidated financial statements for further analysis regarding the Company's reportable operating segments.

Royalty regime in Mongolia

The royalty regime in Mongolia is evolving and has been subject to change since 2012. The Government of Mongolia implemented a trial period from October 1, 2012 to March 31, 2013, during which the royalty imposed on coal sales was determined using the actual contracted sales price per tonne. Subsequently, from April 1, 2013 to March 31, 2014, the royalty on all coal sales exported out of Mongolia was based on a set reference price per tonne published monthly by the Government of Mongolia.

The Government of Mongolia implemented a new royalty regime effective April 1, 2014, referred to as the "flexible tariff" royalty regime. From April 1, 2014, the royalty per tonne for export coal sales has been calculated based on the actual contracted sales price per tonne, whereby the contracted sales price includes the costs of transporting the coal to the Mongolia-China border. If transportation costs are not included in the contracted sales price between a buyer and seller, the following costs are required to be included in the contracted sales price for purposes of calculating the royalty per tonne: transportation costs and costs associated with transportation such as customs documentation fees, insurance, loading and unloading costs. In the event the actual contracted sales price calculated as described above differs by more than 10% from the contracted sales price of coal products with the same classification and quality being exported by other legal entities in Mongolia through the same border crossing, the calculated contracted sales price is deemed non-market under Mongolian tax law and the royalty per tonne is calculated based on a reference price that will be determined by the Government of Mongolia.

The Company currently sells coal from the Ovoot Tolgoi Mine ex mine gate and the coal is exported through the Shivee Khuren Border Crossing. The Company's average realized selling price excludes transportation costs.

On July 4, 2014, the Government of Mongolia made further amendments to the royalty regime. From July 4, 2014 onwards, the royalty is to be initially calculated and paid monthly based on the Government reference price. On a quarterly basis the royalty amount is to be adjusted to reflect the contracted sales price and additional documentation needs to be submitted to the Mongolian Tax Authority. Once the quarterly statement has been approved by the Mongolian Tax Authority, any adjustments between the monthly payments for the quarter and the quarterly submission are adjusted in the next months' royalty calculation.

On January 1 2015, this "flexible tariff" royalty regime ended and royalty payments have reverted to the previous regime which is based on a set reference price per tonne published monthly by the Government of Mongolia. The Company and other Mongolian coal producers are actively engaging the Mongolian authorities to seek the continuation of the "flexible tariff" regime.

Overview of Annual Financial Results

The Company recorded an $82.7 million loss from operations in 2014 compared to a $196.8 million loss from operations in 2013. The 2014 operations were impacted by continuing difficult market conditions which resulted in lower sales volumes and prices compared to 2013. This reduction in prices was offset by lower royalty expenses, lower administration expenses and lower impairment losses in 2014.

Revenue was $24.5 million in 2014 compared to $58.6 million in 2013. The Company sold 2.04 million tonnes of coal at an average realized selling price of $14.76 per tonne in 2014 compared to sales of 3.26 million tonnes at an average realized selling price of $24.25 per tonne in 2013. The reduction in the average realized selling price resulted from continuous difficult market conditions as well as differences in product mix in 2014 compared to 2013. The product mix in 2014 consisted of approximately 43% of Standard semi-soft coking coal with minimal sales of Premium semi-soft coking coal compared to approximately 86% of sales consisting of either Premium or Standard semi-soft coking coal in 2013.

The Company's revenue is presented after deduction of royalties and selling fees. Following the change in the royalty regime in Mongolia on April 1, 2014, the Company's effective royalty rate for 2014, based on the Company's average realized selling price of $14.76 per tonne, was 12.5% or $1.85 per tonne compared to 19.1% or $4.53 per tonne based on the average realized selling price of $24.25 per tonne in 2013.

Cost of sales was $82.1 million in 2014 compared to $112.6 million in 2013. Cost of sales comprises operating expenses, share-based compensation expense, equipment depreciation, depletion of mineral properties, coal stockpile inventory impairments and idled mine asset costs. Operating expenses in cost of sales reflect the total cash costs of product sold (a non-IFRS financial measure, see Non-IFRS Financial Measures section for further analysis) during the period.

	Year ended December 31,	
$ in thousands	**2014**	2013
Operating expenses	**$ 22,472**	$ 41,746
Share-based compensation expense	**230**	(293)
Depreciation and depletion	**7,235**	20,000
Impairment of coal stockpile inventories	**16,256**	20,735
Cost of sales from mine operations	**46,193**	82,188
Cost of sales related to idled mine assets	**35,939**	30,439
Cost of sales	**$ 82,132**	$ 112,627

Operating expenses in cost of sales were $22.5 million in 2014 compared to $41.7 million in 2013. The overall decrease in operating expenses is the result of both (i) the lower variable costs which are linked to production levels which are down to 1.57 million tonnes in 2014 compared to 3.06 million tonnes in 2013; and (ii) the continued focus on cost saving initiatives, including the furlough which commenced in mid-June 2014. The total cash cost of product sold decreased from $12.81 per tonne in 2013 to $11.02 per tonne in 2014.

Cost of sales in 2014 and 2013 included coal stockpile impairments of $16.3 million and $20.7 million, respectively, to reduce the carrying value of the Company's coal stockpiles to their net realizable value. The coal stockpile impairments recorded in both 2014 and 2013 reflect the challenging coal market conditions and primarily related to the Company's higher-ash products.

Cost of sales related to idled mine asset costs primarily consisted of period costs, which were expensed as incurred and included mainly depreciation expense. Cost of sales related to idled mine assets in 2014 included $30.3 million related to depreciation expenses for idled equipment (2013: $25.1 million).

Other operating expenses were $14.8 million in 2014 compared to $126.0 million in 2013.

	Year ended December 31,	
$ in thousands	**2014**	2013
Public infrastructure	**$ –**	$ 7
Sustainability and community relations	**253**	235
Foreign exchange loss/(gain)	**(1,151)**	1,659
Provision for doubtful trade and other receivables	**567**	200
Impairment loss on available-for-sale financial asset	**1,766**	3,067
Loss on disposal of property, plant and equipment	**–**	895
Impairment of property, plant and equipment	**8,879**	72,669
Impairment of prepaid expenses and deposits	**3,780**	30,152
Impairment of materials and supplies inventories	**2,981**	14,962
Gain on disposal of mining licenses	**(2,235)**	–
Other	**–**	2,194
Other operating expenses	**$ 14,840**	$ 126,040

Compared to 2013, the decrease in other operating expenses is primarily related to lower impairment charges in 2014.

The Company recognized an impairment loss of $1.8 million in 2014 related to its investment in Aspire compared to an impairment loss of $3.1 million in 2013. The Company's investment in Aspire is accounted for as an available-for-sale financial asset and carried at its fair value. The Company disposed all its investment in Aspire during 2014 and did not hold any Aspire shares as at December 31, 2014.

In 2014, the Company recognized an impairment loss of $3.4 million related to prepaid toll washing fees under the Ejin Jinda contract. The impairment charge, which was recorded in the second quarter of 2014, was a result of the continued delay in starting the commercial operations at the wet washing facility and the continued soft coal market in China. The Company also recognized in 2014 an impairment charge of $3.0 million in respect of surplus materials and supplies inventories as the Company continued to operate below capacity in 2014. In comparison, in 2013, the Company recognized a total of $15.0 million in impairment in respect of material and supplies inventory.

Given the difficult market conditions and the associated delays in projects and the commissioning of equipment, the Company recorded $8.9 million of impairment charges to reduce various items of property, plant and equipment to their recoverable amounts for the year ended December 31, 2014 (2013: $72.7 million).

A gain of $2.2 million was recorded from the disposal of mining licenses in 2014. In the second quarter of 2014, $1.8 million was recorded after the Company completed the sale of the Tsagaan Tolgoi mining license. A further $0.4 million was recorded in the fourth quarter of 2014 after the partial sale of exploration license 9449X.

Administration expenses were $8.9 million in 2014 compared to $15.6 million in 2013.

	Year ended December 31,	
$ in thousands	**2014**	2013
Corporate administration	**$ 2,591**	$ 3,269
Legal and professional fees	**2,680**	8,252
Salaries and benefits	**2,955**	3,748
Share-based compensation expense	**590**	167
Depreciation	**128**	193
Administration expenses	**$ 8,944**	$ 15,629

Administration expenses were lower in 2014 compared to 2013 primarily due to lower professional fees during the year. Professional fees in 2013 included $4.3 million of fees related to the internal investigations led by a tripartite committee referred to in section "Regulatory Issues and Contingencies". The tripartite committee substantially completed the investigative phase of its activities during 2013; therefore no substantial additional professional fees incurred in 2014.

Corporate administration costs were also lower in 2014 compared to 2013 reflecting the Company's cost reduction initiatives.

Evaluation and exploration expenses $1.3 million in 2014 compared to $1.2 million in 2013. The Company continued to minimize evaluation and exploration expenditures in 2014 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in 2014 were limited to ensuring that the Company met the Mongolian Minerals Law requirements in respect of its mining and exploration licenses.

Finance costs were $21.8 million and $21.2 million in 2014 and 2013 respectively which primarily consisted of interest expense on the $250.0 million CIC Convertible Debenture.

Finance income was $1.6 million in 2014 compared to $5.6 million in 2013 primarily relating to unrealized gains on the change in fair value of the embedded derivatives in the CIC Convertible Debenture ($1.6 million and $5.5 million respectively for 2014 and 2013). The fair value of the embedded derivatives in the CIC Convertible Debenture is driven by many factors including: the Company's common share price, U.S. Dollar and Canadian Dollar exchange rates and share price volatility.

Income tax expense was $0.6 million in 2014 compared to an expense of $25.0 million in 2013. In 2014 $0.5 million relates to taxes paid in respect of the sale of the Tsagaan Tolgoi mining license. The $25.0 million expense for 2013 related to deductible temporary differences and adjustments to the amount of loss carry-forwards recognized. No corresponding amounts in respect of deferred tax balances were recorded in 2014.

Summary of Quarterly Operational Data

	2014				2013			
Quarter Ended	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	31-Dec	30-Sep	30-Jun	31-Mar
Sales Volumes, Prices and Costs								
Premium semi-soft coking coal								
Coal sales *(millions of tonnes)*	**0.02**	**–**	**–**	**–**	0.21	0.04	0.21	0.08
Average realized selling price *(per tonne)* [(i)]	**$ 26.77**	**$ –**	**$ –**	**$ –**	$ 37.54	$ 37.50	$ 32.46	$ 45.81
Standard semi-soft coking coal								
Coal sales *(millions of tonnes)*	**0.14**	**0.31**	**0.12**	**0.29**	1.40	0.87	–	–
Average realized selling price *(per tonne)* [(i)]	**$ 18.32**	**$ 17.41**	**$ 20.33**	**$ 22.00**	$ 24.49	$ 21.67	$ –	$ –
Thermal coal								
Coal sales *(millions of tonnes)*	**0.21**	**0.34**	**0.51**	**0.10**	0.11	0.03	0.11	0.20
Average realized selling price *(per tonne)* [(i)]	**$ 11.69**	**$ 10.66**	**$ 10.72**	**$ 12.07**	$ 12.60	$ 13.07	$ 13.98	$ 13.67
Total								
Coal sales *(millions of tonnes)*	**0.37**	**0.65**	**0.63**	**0.39**	1.72	0.94	0.32	0.28
Average realized selling price *(per tonne)* [(i)]	**$ 15.04**	**$ 13.87**	**$ 12.52**	**$ 19.54**	$ 25.30	$ 22.05	$ 26.26	$ 22.75
Raw coal production *(millions of tonnes)*	**0.21**	**0.17**	**0.55**	**0.64**	1.73	1.13	0.17	0.02
Direct cash costs of product sold *(per tonne)* [(ii)]	**$ 8.09**	**$ 7.38**	**$ 8.23**	**$ 10.43**	$ 11.13	$ 9.41	$ 11.49	$ 10.22
Mine administration cash costs of product sold *(per tonne)* [(ii)]	**$ 2.44**	**$ 2.30**	**$ 2.49**	**$ 3.80**	$ 1.39	$ 2.20	$ 7.14	$ 1.46
Total cash costs of product sold *(per tonne)* [(ii)]	**$ 10.53**	**$ 9.68**	**$ 10.72**	**$ 14.23**	$ 12.52	$ 11.61	$ 18.63	$ 11.68
Other Operational Data								
Production waste material moved *(millions of bank cubic meters)*	**0.55**	**0.20**	**2.17**	**2.55**	3.77	1.57	2.71	0.40
Strip ratio *(bank cubic meters of waste material per tonne of coal produced)*	**2.61**	**1.20**	**3.97**	**4.02**	2.18	1.39	15.55	26.21
Lost time injury frequency rate [(iii)]	**0.21**	**0.17**	**0.15**	**0.00**	0.00	0.00	0.00	0.00

(i) Average realized selling price is presented before deduction of royalties and selling fees.

(ii) A non-IFRS financial measure, refer to "Non-IFRS Financial Measures" section. Cash costs of product sold exclude idled mine asset cash costs.

(iii) Per 200,000 man hours and calculated based on a rolling 12 month average.

Overview of Quarterly Operational Data

Due to difficult market conditions, the Company has paced production with demand for its coal products. Although a seasonally strong period, the fourth quarter of 2014 remained anemic with only a modest increase in coal prices. As a result, the Company operated significantly below capacity during the quarter and its production increased only slightly from 0.17 million tonnes in the third quarter of 2014 to 0.21 million tonnes in the fourth quarter of 2014. Since mid-June 2014 following a review of operations, the Company further reduced its production and placed approximately half of its workforce on furlough. This furlough is expected to continue until market conditions improve for the Company.

The Company maintained a strong safety record and completed the fourth quarter of 2014 without a lost time injury. As at December 31, 2014, the Company has a lost injury time frequency rate of 0.21 per 200,000 man hours based on a rolling 12 month average while the Company ended 2013 without a lost time injury.

Summary of Quarterly Financial Results

$ in thousands, except per share information	**2014**				2013			
Quarter Ended	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	31-Dec	30-Sep	30-Jun	31-Mar
Financial Results								
Revenue (i), (ii)	**$ 5,054**	**$ 7,611**	**$ 6,691**	**$ 5,137**	$ 32,457	$ 15,652	$ 6,129	$ 4,398
Cost of sales (ii)	**(19,757)**	**(23,922)**	**(20,086)**	**(18,366)**	(40,359)	(33,486)	(17,477)	(21,305)
Gross loss excluding idled mine asset costs	**(821)**	**(2,178)**	**(8,497)**	**(10,202)**	(4,141)	(13,323)	(5,593)	(494)
Gross loss including idled mine asset costs	**(14,703)**	**(16,311)**	**(13,395)**	**(13,229)**	(7,900)	(17,834)	(11,348)	(16,907)
Other operating expenses	**(11,989)**	**(2)**	**(1,776)**	**(1,073)**	(109,682)	(1,003)	(14,925)	(431)
Administration expenses	**(1,924)**	**(2,530)**	**(2,253)**	**(2,237)**	(3,668)	(4,204)	(4,024)	(3,733)
Evaluation and exploration expenses	**(911)**	**(122)**	**(107)**	**(172)**	(489)	(186)	(221)	(273)
Loss from operations	**(29,527)**	**(18,965)**	**(17,531)**	**(16,711)**	(121,740)	(23,227)	(30,518)	(21,344)
Finance costs	**(6,351)**	**(5,257)**	**(5,215)**	**(5,025)**	(5,167)	(5,382)	(5,617)	(4,996)
Finance income	**317**	**135**	**127**	**1,007**	1,301	124	3,366	775
Share of earnings/(losses) of joint venture	**(40)**	**(32)**	**(3)**	**(26)**	(15)	(66)	44	(17)
Income tax recovery/(expense)	**(40)**	**-**	**(546)**	**-**	(13,109)	(13,377)	(416)	1,916
Net loss	**(35,641)**	**(24,119)**	**(23,168)**	**(20,755)**	(138,730)	(41,928)	(33,141)	(23,666)
Basic loss per share	**$ (0.19)**	**$ (0.13)**	**$ (0.12)**	**$ (0.11)**	$ (0.75)	$ (0.23)	$ (0.18)	$ (0.13)
Diluted loss per share	**$ (0.19)**	**$ (0.13)**	**$ (0.12)**	**$ (0.11)**	$ (0.75)	$ (0.23)	$ (0.18)	$ (0.13)

(i) Revenue is presented after deduction of royalties and selling fees.

(ii) Revenue and cost of sales relate to the Company's Ovoot Tolgoi Mine within the Mongolian Coal Division operating segment. Refer to note 4 of the consolidated financial statements for further analysis regarding the Company's reportable operating segments.

Overview of Quarterly Financial Results

The Company recorded a $29.5 million loss from operations in the fourth quarter of 2014 compared to a $121.7 million loss from operations in the fourth quarter of 2013. Continuing difficult market conditions resulted in lower sales prices and volumes in the fourth quarter of 2014 compared to the fourth quarter of 2013. This reduction in prices and volumes was offset by a lower royalty rate, lower administration expenses and lower impairment charges in the fourth quarter of 2014 compared to the fourth quarter of 2013.

Revenue was $5.1 million in the fourth quarter of 2014 compared to $32.5 million in the fourth quarter of 2013. The Company sold 0.37 million tonnes of coal at an average realized selling price of $15.04 per tonne in the fourth quarter of 2014 compared to sales of 1.72 million tonnes at an average realized selling price of $25.30 per tonne in the fourth quarter of 2013. Revenue decreased in the fourth quarter of 2014 compared to the fourth quarter of 2013 as a result of the combination of lower sales volumes and lower sales prices. The average realized selling price in the fourth quarter of 2014 compared to the fourth quarter of 2013 was also impacted by differences in product mix. The majority of the Company's sales in the fourth quarter of 2014 were of Thermal coal product while Standard semi-soft coking coal comprised the majority of sales in the fourth quarter of 2013.

The Company's revenue is presented after deduction of royalties and selling fees. Following the change in the Mongolia's royalty regime starting April 1, 2014, the Company's effective royalty rate for the fourth quarter of 2014, based on the Company's average realized selling price of $15.04 per tonne, was 8.1% or $1.22 per tonne. In the fourth quarter of 2013, the Company was subject to an average 7% royalty based on a weighted average reference price of $69.17 per tonne. As a result, the Company's effective royalty rate was 19.1% or $4.84 per tonne based on the average realized selling price of $25.30 per tonne in the fourth quarter of 2013.

Cost of sales was $19.8 million in the fourth quarter of 2014 compared to $40.4 million in the fourth quarter of 2013. Cost of sales comprises operating expenses, share-based compensation expense, equipment depreciation, depletion of mineral properties, coal stockpile inventory impairments and idled mine asset costs. Operating expenses in cost of sales reflect the total cash costs of product sold (a non-IFRS financial measure, see Non-IFRS Financial Measures section for further analysis) during the period.

	Three months ended December 31,	
$ in thousands	**2014**	2013
Operating expenses	**$ 3,895**	$ 21,537
Share-based compensation expense	**(3)**	28
Depreciation and depletion	**953**	10,096
Impairment of coal stockpile inventories	**1,030**	4,938
Cost of sales from mine operations	**5,875**	36,599
Cost of sales related to idled mine assets	**13,882**	3,760
Cost of sales	**$ 19,757**	$ 40,359

Operating expenses included in cost of sales were $3.9 million in the fourth quarter of 2014 compared to $21.5 million in the fourth quarter of 2013. The overall decrease in operating expenses is the result of the lower variable costs which are linked to production levels which are down to 0.21 million tonnes in the fourth quarter of 2014 compared to 1.73 million tonnes in the fourth quarter of 2013 and the continued focus on cost saving initiatives, including the furlough which commenced in mid-June 2014. The total cash cost of product sold decreased from $12.52 per tonne in the fourth quarter of 2013 to $10.53 per tonne in the fourth quarter of 2014.

Cost of sales in the fourth quarter of 2014 and the fourth quarter of 2013 included coal stockpile impairments of $1.0 million and $4.9 million, respectively, to reduce the carrying value of the Company’s coal stockpiles to their net realizable value. The coal stockpile impairments recorded in both 2014 and 2013 reflect the challenging coal market conditions and primarily related to the Company’s higher-ash products.

Idled mine asset costs included in cost of sales increased in the fourth quarter of 2014 compared to the fourth quarter of 2013 as a result of the mining operations’ slowdown which commenced in June 2014. Idled mine asset costs in the fourth quarter of 2014 included $11.6 million related to depreciation expense for idled mine equipment (2013: $3.7 million).

Other operating expenses were $12.0 million in the fourth quarter of 2014 (2013: $109.7 million).

$ in thousands	Three months ended December 31, 2014	2013
Public infrastructure	**$ –**	$ 1
Sustainability and community relations	**42**	117
Foreign exchange loss/(gain)	**(163)**	631
Provision for doubtful trade and other receivables	**567**	200
Impairment of property, plant and equipment	**8,603**	68,370
Impairment of prepaid expenses and deposits	**375**	30,152
Impairment of materials and supplies inventories	**2,981**	8,032
Gain on disposal of mining license	**(416)**	–
Other	**–**	2,179
Other operating expenses	**$ 11,989**	$ 109,682

The Company's other operating expenses were significantly lower in the fourth quarter of 2014 compared to the fourth quarter of 2013 primarily due to reduced impairment charges totaling $12.0 million in the fourth quarter of 2014 compared to $106.6 million in the fourth quarter of 2013.

Given the difficult market condition and delay in commissioning of the equipment, the Company recorded $8.6 million of impairment charges to reduce various items of property, plant and equipment to their recoverable amounts in the fourth quarter of 2014.

The Company recorded $68.4 million of impairment charges in the fourth quarter of 2013 to reduce various items of PP&E to their recoverable amounts. The impairment charges in 2013 included $66.4 million related to the dry coal handling facility ("DCHF") (refer to "Processing Infrastructure – Dry Coal Processing" for further analysis).

An impairment of prepaid expenses and deposit of $30.2 million was included in other operating expenses in the fourth quarter of 2013 related to prepaid toll washing fees under the Ejin Jinda contract (refer to "Processing Infrastructure – Wet Washing Facility" for further analysis of the impairment charge).

Furthermore, following the results of a review of the Company's mining fleet in the fourth quarter of 2013, $7.5 million of additional surplus materials and supplies inventories were identified. A corresponding review performed in the fourth quarter of 2014 with an impairment charge of $3.0 million identified as the Company continued to operate below capacity. The impairment charge in the fourth quarter of 2013 also included $0.5 million of materials and supplies related to the DCHF for which there was no corresponding impairment in the fourth quarter of 2014.

Administration expenses were $1.9 million in the fourth quarter of 2014 compared to $3.7 million in the fourth quarter of 2013.

	Three months ended December 31,	
$ in thousands	**2014**	2013
Corporate administration	**$ 865**	$ 1,052
Legal and professional fees	**243**	2,075
Salaries and benefits	**774**	780
Share-based compensation expenses	**10**	(275)
Depreciation	**32**	36
Administration expenses	**$ 1,924**	$ 3,668

Administration expenses decreased in the fourth quarter of 2014 compared to the fourth quarter of 2013 due to lower professional fees and overhead cost reduction initiatives. Legal and professional fees in the fourth quarter of 2013 included $1.8 million of fees related to the internal investigations led by a tripartite committee referred to in section "Regulatory Issues and Contingencies". The tripartite committee substantially completed the investigative phase of its activities during 2013. Therefore, additional professional fees were not incurred in the fourth quarter of 2014.

Evaluation and exploration expenses were $0.9 million in the fourth quarter of 2014 compared to $0.5 million in the fourth quarter of 2013. The Company continued to minimize evaluation and exploration expenditures in the fourth quarter of 2014 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in the fourth quarter of 2014 were limited to ensuring that the Company met the Mongolian Minerals Law requirements in respect of its mining and exploration licenses.

Finance costs were $6.4 million and $5.2 million in the fourth quarters of 2014 and 2013 which primarily consisted of interest expense on the $250.0 million CIC Convertible Debenture. Further, $1.1 million of realized loss was recorded in relations to the disposal of Aspire shares in the fourth quarter of 2014.

Finance income was $0.3 million in the fourth quarter of 2014 compared to $1.3 million in the fourth quarter of 2013 and primarily consisting of unrealized gains on the fair value change of the embedded derivatives in the CIC Convertible Debenture ($0.3 million in the fourth quarter of 2014 and $1.6 million in the fourth quarter of 2013). The fair value of the embedded derivatives in the CIC Convertible Debenture is driven by many factors including: the Company's common share price, U.S. Dollar and Canadian Dollar exchange rates and share price volatility.

Income tax expense was nil in the fourth quarter of 2014 compared to an expense of $13.1 million in the fourth quarter of 2013. The $13.1 million expense in the fourth quarter of 2013 related to deductible temporary differences and adjustments to the amount of loss carry-forwards being recognized. No corresponding amounts in respect of deferred tax balances were recorded in the fourth quarter of 2014.

FINANCIAL POSITION AND LIQUIDITY

Liquidity and Capital Management

The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans.

Turquoise Hill Loan Facility

On May 25, 2014, the Company announced it had obtained a $10 million revolving credit facility from Turquoise Hill to meet its short term working capital requirements. The terms and conditions of this facility were filed on SEDAR (www.sedar.com) on June 2, 2014. The key commercial terms of the facility were as follows:

- original maturity date of August 30, 2014 (subsequently extended);
- interest rate of one month US dollar LIBOR Rate in effect plus 11% margin per annum;
- commitment fee of 35% of interest rate payable quarterly in arrears on undrawn principal amount of facility;
- front end fee of $0.1 million;
- draws subject to customary closing conditions and the Company's cash requirements in the ordinary course of business;
- facility is subject to certain mandatory prepayment and termination provisions; and
- the Company to continue to seek other funding alternatives.

On August 30, 2014, subject to certain conditions and limitations, Turquoise Hill agreed to grant a deferral of payment of $3.8 million plus accrued interest thereon owing by the Company under the Turquoise Hill Loan Facility and reduced the revolving credit facility to the same $3.8 million. This deferral of payment and repayment is granted to the Company without prejudice to Turquoise Hill's right and ability to assert and re-assert at any point in time to demand payment and repayment of all amounts owing to Turquoise Hill under the Turquoise Hill Loan Facility.

Subsequently, on December 4, 2014 as a result of unavoidable delays in closing the NUR SPA, Turquoise Hill agreed to a further limited deferral of repayment on the $3.8 million principal and accrued interest owing on the Turquoise Hill Loan Facility as follows:

(i) $1.9 million in principal and all interest that has accrued on and under the Turquoise Hill Loan Facility up to and including May 30, 2015 shall become due and payable on May 30, 2015; and

(ii) $1.9 million in principal and all interest that has accrued on and under the Turquoise Hill Loan Facility from June 1, 2015 up to and including August 31, 2015 shall become due and payable on August 31, 2015.

This limited deferral is subject to certain conditions and limitations, including the completion by April 30, 2015 of the transaction contemplated by the NUR SPA, as amended by an agreement dated December 2, 2014.

As at December 31, 2014 the Company had drawn $3.8 million and owed accrued interest of $0.1 million under this facility (December 31, 2013: nil).

Private placements

December 2014 private placements

On December 3, 2014, the Company announced the successful completion of private placements with independent investors. The total gross proceeds from the private placements were US$9.0 million (US$8.9 million net after fees) through the issue of 24,360,773 Common Shares at CAD$0.42 per share.

The placing price of CAD$0.42 represented a discount of approximately 17.8% to the volume-weighted average price per Common Share of approximately CAD$0.51 as quoted on the TSX for the last five consecutive trading days immediately prior to December 3, 2014.

Novel Sunrise private placement

On February 24, 2015, the Company announced it has entered into a private placement agreement with Novel Sunrise providing for the initial subscription of 10,131,113 Mandatory Convertible Units for approximately US$3.5 million, and, upon the closing of the Novel SPA, described in further detail below, for the subscription of up to 11,618,887 Common Shares for additional gross proceeds of approximately US$4.0 million.

The initial tranche of the private placement consisting of approximately US$3.5 million of Mandatory Convertible Units closed on March 3, 2015 having been subject to regulatory approvals and other customary closing conditions. Each Mandatory Convertible Unit is convertible on a one for one basis into a Common Share, resulting in a deemed issue price of CAD$0.432 per Common Share ("Placing Price"). The Mandatory Convertible Units mandatorily convert into Common Shares upon either the closing of the Novel SPA or the termination thereof. The Mandatory Convertible Units do not have any voting rights until converted into Common Shares in accordance with their terms.

After the initial subscription and upon completion of the Novel SPA, Novel Sunrise has agreed to subscribe for up to an additional approximate US$4.0 million of Common Shares at the Placing Price (the "Subsequent Tranche") over a maximum period of 45 days from February 24, 2015, subject to regulatory approvals and other customary closing conditions. Assuming issuance of the full amount of Common Shares issuable under the Subsequent Tranche, the total gross proceeds of the placement will be approximately US$7.5 million. The proceeds from the private placement will be applied towards general working capital.

The Placing Price of CAD$0.432 represented a discount of approximately 20% to the 5-day volume-weighted average price per Common Share of approximately CAD$0.54, as of the date the Company received price protection from the TSX for the private placement. The Placing Price was determined with reference to the prevailing market price of the Common Shares and was negotiated on an arm's length basis between the Company's independent directors and Novel Sunrise.

The closing of the private placement and related transactions was subject to acceptance of notice of the placement by the TSX pursuant to the financial hardship provisions of the TSX Company Manual and the delisting review (For more information on the delisting review, refer to the heading "TSX Financial Hardship Exemption Application and Status of Listing on TSX").

Under the private placement agreement, the Company has also agreed to grant Novel Sunrise the following additional rights:

- Mr. Ted Chan to join the Board contemporaneous with the closing of the initial tranche of the private placement as an Executive Director, subject to TSX approval;

- Two more nominees of Novel Sunrise to join the Board, plus additions to the Company's management team, upon closing of the Novel SPA;

- Novel Sunrise to have pro rata participation rights in future financings; and

- Novel Sunrise to have registration rights under Canadian provincial securities laws in connection with its shareholdings.

Mr. Chan was appointed as an Executive Director on March 3, 2015 and brings with him over 20 years of enterprise management experience. He has played a key role in the management of Novel Sunrise and its affiliated companies in China, particularly through establishing and managing client relationships. Mr. Chan holds a bachelor degree from Communication University of China.

Novel SPA

On February 24, 2015, the Company was advised by Novel Sunrise and Turquoise Hill that they had entered into a Sale and Purchase Agreement for the purchase by Novel Sunrise of 48,705,155 Common Shares currently held by Turquoise Hill. The closing of the Novel SPA is subject to certain terms and closing conditions including the approval of the TSX, obtaining clearance from the Hong Kong Securities and Futures Commission that the transactions contemplated by the proposed private placement and the Novel SPA will not trigger a mandatory general offer to the shareholders of the Company, and other customary conditions.

Assuming the Novel SPA and the private placement are completed, Novel Sunrise will hold 70,455,155 Common Shares, representing 29.3% of the expanded share capital of the Company, assuming full completion of the Novel Sunrise private placement and the issuance of 21,750,000 new Common Shares.

Cash Position and Liquidity

As at December 31, 2014, the Company had cash of $3.8 million compared to cash of $21.8 million as at December 31, 2013. Working capital (excess current assets over current liabilities) was $3.4 million as at December 31, 2014 compared to $41.7 million as at December 31, 2013. As at March 30, 2015, the Company had cash of $4.2 million.

As at December 31, 2014, the Company's gearing ratio was 0.23 (December 31, 2013: 0.19), which was calculated based on the Company's long term liabilities to total assets. As at December 31, 2014, the Company is not subject to any externally imposed capital requirements.

Proposed Funding Plan

The Company has entered into the transaction with Novel Sunrise as a new significant shareholder and strategic partner intending to bring its operational and marketing expertise to the Company. Novel Sunrise, together with its affiliated companies in China, is a leading private enterprise in the real estate, logistics and supply chain management industries. In this connection, Novel Sunrise has agreed to assist the Company in the implementation of a funding plan intended to improve cash flow for the Company and support its business strategy and operations in a difficult market, with the goal of positioning the Company with a strong future as a coal producer. The proposed plan includes introducing potential customers in China to the Company to allow the Company to expand its customer base further inland in China, and helping the Company to secure longer-term coal offtake arrangements, thereby allowing the Company to ramp up production to capacity. Novel Sunrise has also advised the Company as part of the financing plan that it intends to help the Company to establish relationships with commercial banks in China and Hong Kong to help the Company to secure short term bridge loans, trading credit facilities and other types of financing.

While it is the Company's intention to proceed to implement the new funding plan with Novel Sunrise's assistance as soon as possible, the proposed plan is indicative only and the Company's ability to implement it successfully is dependent on a number of factors beyond its control, including but not limited to, China's economic growth and coal demand growth, market prices of coal, the availability of credit and market interest rates, and exchange rates of currencies of countries where the Company operates, and there can be no assurance that the Company will be able to do so, or that it will be able to do so in sufficient time to continue as a going concern. In such event, the Company is likely to be unable to meet its obligations, which could result in voluntary or involuntary insolvency proceedings involving the Company as discussed under the heading "Risk Factors" in the Management Discussion and Analysis issued on March 30, 2015 and available on SEDAR at www.sedar.com.

TSX Financial Hardship Exemption Application and Status of Listing on TSX

As Novel Sunrise are expected to hold greater than 20% of the Common Shares after the completion of the Novel SPA and the private placement – and, assuming China Investment Corporation does not elect to employ its pre-emptive or conversion rights under the $250 million debenture issued to it by the Company, Novel Sunrise would become the largest shareholder of the Company – the TSX has advised the Company that it takes the view that the private placement and the Novel SPA must be considered as one transaction, having a material effect on control of the Company, which normally would require the approval of a majority of disinterested shareholders under the provisions of the TSX Company Manual.

On the basis that the Company is in serious financial difficulty and does not have sufficient time to obtain shareholder approval in a timely manner prior to the completion of the private placement and the Novel SPA, the Company applied to the TSX pursuant to the "financial hardship" provisions of section 604(e) of the TSX Company Manual for an exemption from the requirement to obtain shareholder approval for the private placement, the Novel SPA and the associated potential material effect on control.

On February 25, 2015, the TSX confirmed that the Company had been placed on remedial delisting review in connection with its reliance on the financial hardship exemption from approval by its shareholders of the private placement and advised the Company that its financial and operating results may not warrant that its securities continue to be listed on the TSX. A delisting review is customary practice under TSX policies when a listed company relies on the financial hardship exemption. SouthGobi has 90 days to comply with all requirements of the TSX for continued listing and a meeting of the TSX Continued Listing Committee to consider this matter has been scheduled for May 19, 2015. The Company believes the proceeds of the private placement will allow it to meet its short term financing needs and that it will be compliant with the continued listing requirements of the TSX within the 90 day compliance period following full completion of the private placement; however, no assurance can be provided as to the outcome of the remedial delisting review and the Company may become subject to delisting from the TSX.

Mongolian IAAC Investigation

In the first quarter of 2013, the Company was subject to orders imposed by Mongolia's Independent Authority against Corruption (the "IAAC") which placed restrictions on certain of the Company's Mongolian assets. The orders were imposed on the Company in connection with the IAAC's investigation of the Company. The SIA also continues to enforce the orders on the Company.

The orders placing restrictions on certain of the Company's Mongolian assets could ultimately result in an event of default of the Company's CIC Convertible Debenture. Following a review by the Company and its advisers, it is the Company's view that this does not result in an event of default as defined under the CIC Convertible Debenture terms. However, if an event of default of the CIC Convertible Debenture occurs that remains uncured for ten business days, the principal amount owing and all accrued and unpaid interest will become immediately due and payable upon notice to the Company by CIC.

The orders relate to certain items of operating equipment and infrastructure and the Company's Mongolian bank accounts. The orders related to the operating equipment and infrastructure restricts the sale of these items; however, the orders do not restrict the use of these items in the Company's mining activities. The orders related to the Company's Mongolian bank accounts restrict the use of in-country funds. While the orders restrict the use of in-country funds pending outcome of the investigation, they are not expected to have any material impact on the Company's activities.

Ovoot Tolgoi Mine Impairment Analysis

Unchanged from the assessment made as at December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014 respectively, the Company determined that an indicator of impairment existed for its Ovoot Tolgoi Mine cash generating unit as at December 31, 2014. The impairment indicator was the continued weakness in the Company's share price during the fourth quarter of 2014 and the fact that the market capitalization of the Company, as at December 31, 2014, was less than the carrying value of its net assets.

Therefore, the Company conducted an impairment test whereby the carrying value of the Company's Ovoot Tolgoi Mine cash generating unit was compared to its "value in use" using a discounted future cash flow valuation model. The Company's cash flow valuation model has been updated to take into consideration the latest available information to the Company, including but not limited to, sales price, sales volumes and washing assumptions, operating cost assumptions and life of mine coal production assumptions as at December 31, 2014. The Company's Ovoot Tolgoi Mine cash generating unit carrying value was $358.6 million as at December 31, 2014.

Key estimates and assumptions incorporated in the valuation model included the following:

- Long term price estimates from an independent market consulting firm;
- Forecasted sales volumes in line with production levels as per the updated mine plan;
- Updated life-of-mine coal production, strip ratio, capital costs and operating costs;
- A pre-tax discount rate of 16.0% based on an analysis of market, country and the Company specific factors; and
- Coal processing yield of 75%.

Key sensitivities in the valuation model are as follows:

- For each 1% increase/(decrease) in the long term price estimates, the calculated fair value of the cash generating unit increases/(decreases) by approximately $19.3/($19.3) million;
- For each 1% increase/(decrease) in the discount rate, the calculated fair value of the cash generating unit (decreases)/increases by approximately ($25.0)/$27.5 million; and
- For each 1% increase/(decrease) in the cash mining cost estimates, the calculated fair value of the cash generating unit (decreases)/increases by approximately ($10.8)/$10.8 million.

The impairment analysis did not result in the identification of an impairment loss and no charge was required as at December 31, 2014. A decline of more than 1% in the long term price estimates, an increase of more than 1% in the pre-tax discount rate or an increase of more than 2% in the cash mining cost estimates may trigger an impairment charge on the cash generating unit. The Company believes that the estimates and assumptions incorporated in the impairment analysis are reasonable; however, the estimates and assumptions are subject to significant uncertainties and judgments.

The Company is currently reviewing its mine plan for the Ovoot Tolgoi project. Changes to the mine plan may have an impact on the quantities of measured and/or indicated resources and reserves of the Ovoot Tolgoi project.

REGULATORY ISSUES AND CONTINGENCIES

Regulatory Issues

Governmental and Regulatory Investigations

The Company was subject to investigations by IAAC regarding allegations of breaches of Mongolia's anti-corruption laws (the "Anti-Corruption Case"), tax evasion and money laundering (the "Tax Evasion Case"). On March 18, 2013 the Prosecutor's Office decided to split the Tax Evasion Case from the Anti-Corruption Case and on April 12, 2013, the Public Prosecutor of Capital city Prosecutor's Office issued a resolution that the jurisdiction to conduct the investigation on Tax Evasion Case was with the SIA and not the IAAC, and the Tax Evasion Case was transferred to SIA.

While the IAAC has not made any formal accusations against any current or former employee of the Company or the Company under the Anti-Corruption Case, administrative penalties were imposed on certain of the Company's Mongolian assets in connection with the investigation, including a restriction of the use of US$1.2 million (the "Restricted Funds") held in bank accounts in Mongolia to spending in Mongolia. The Company has been informed that the Anti-Corruption Case has been suspended; however, it has not received formal notice that the investigation is completed and the restriction on the Restricted Funds remains in place. The Restricted Funds are included within the prepaid expenses and deposits balance in the Company's financial statements. This restriction may have a material impact on the Company's activities in light of the tax penalty.

Investigations under the Tax Evasion Case included investigations of three of the Company's former employees (the "Former Employees"). On December 30, 2014, the Capital City Prosecutor's Office (Ulaanbaatar, Mongolia) dismissed the allegations of money laundering as not having been proven during the investigation. The Former Employees were indicted for tax evasion by the Prosecutor General on March 14, 2014. The case was sent to the First Instance Second District Criminal Court of Justice (the "District Court").

The Company was advised on May 12, 2014 that the appointed judge of the District Court concluded that the investigation of the Tax Evasion Case initiated by IAAC and continued by SIA was incomplete and ordered the case to be returned to the Prosecutor General for additional investigation. The additional investigation was subsequently completed and the case was sent to the District Court again on June 4, 2014. The trial took place on August 25 and 26, 2014. A panel of three judges appointed to the case returned the case to the Prosecutor General once again for further investigation due to insufficient evidence presented by the prosecutor.

On October 7, 2014, based on the District Court verdict, the SIA ordered a re-investigation (the "Fourth Investigation") into allegations of violations of Mongolian tax laws by the Former Employees. Following the completion of the Fourth Investigation, the Former Employees were indicted again and on December 31, 2014 the Former Employees were tried in the District Court. On January 30, 2015, the panel of appointed judges from the District Court found the Former Employees guilty of tax evasion and imposed sentences on the Former Employees ranging from 5 years and 6 months to 5 years and 10 months of imprisonment in the correctional facilities of strict regimen in Mongolia. The Former Employees were immediately imprisoned. The Company was informed that, following the receipt of the written verdict (the "Tax Verdict"), the Former Employees requested pardons from the President of Mongolia and waived their right of appeal. On February 26, 2015 the President of Mongolia issued a decree to pardon to the Former Employees. The Former Employees were released from imprisonment following the decree and departed Mongolia.

The Tax Verdict declared SGS to be financially liable as a "civil defendant" for a penalty (the "Tax Penalty") of MNT35.3 billion (approximately US$18.2 million on February 1, 2015). The Company firmly rejects this conclusion. On February 18, 2015, the Company appealed the Tax Verdict (the "Tax Verdict Appeal") on the grounds that it has prepared its financial statements, including those of SGS, in compliance with IFRS, and lodged all its tax returns in the required format under Mongolian tax law. The hearing of the Tax Penalty Appeal took place on March 25, 2015 at the 10th Appeal Court for Criminal Case of Mongolia (the "Court of Appeal") and a panel of three appointed judges decided to uphold the Tax Verdict and dismissed the Tax Verdict Appeal by the Company. As of the date of this announcement, the Court of Appeal has not provided any explanation of its reasoning to uphold the Tax Verdict and the Company is awaiting a written version of the Appeal Court's verdict ("Appeal Verdict"). It is the view of the Company that there is a lack of evidence to support both the Tax Verdict and the Appeal Verdict.

The Company has been advised that it can appeal further to the Supreme Court of Mongolia. However there is no assurance that the Supreme Court of Mongolia will agree to hear the appeal. The Tax Penalty would only be payable after a final appeal. The Company will continue to defend itself through all available legal means including a final appeal.

The consequences for the Company of the Tax Verdict and the Appeal Verdict are uncertain. If the Tax Verdict is not reversed on final appeal, or if the amount of the Tax Penalty is not reduced upon exhaustion of the foregoing appeal process, the Company may not be able to pay the Tax Penalty or the final assessed amount, which could result in voluntary or involuntary insolvency proceedings involving the Company.

Internal Investigations

Through its Audit Committee (comprised solely of independent directors), the Company has conducted an internal investigation into possible breaches of law, internal corporate policies and codes of conduct arising from the allegations which have been raised through the investigations in Mongolia. The Chair of the Audit Committee has also participated in a tripartite committee, comprised of the Audit Committee Chairs of the Company and Turquoise Hill and a representative of Rio Tinto, which focused on the investigation of a number of those allegations, including possible violations of anti-corruption laws. The tripartite committee substantially completed the investigative phase of its activities during the third quarter of 2013. There have been no significant developments in respect of the internal investigations since the completion of the investigative phase during the third quarter of 2013.

The investigations referred to above could result in one or more Mongolian, Canadian, United States or other governmental or regulatory agencies taking civil or criminal action against the Company, its affiliates or its current or former employees. The likelihood or consequences of such an outcome are unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on the Company. Refer to the Company's MD&A for the year ended December 31, 2013, which is available on SEDAR at www.sedar.com, section 14 risk factors, "the Company is subject to continuing governmental, regulatory and internal investigations, the outcome of which is unclear at this time but could have a material adverse effect on the Company".

Mining Prohibition in Specified Areas Law

Pursuant to the Mining Prohibition in Specified Areas Law, the Government of Mongolia has defined the boundaries of certain areas in which exploration and mining is purportedly prohibited. A list of licenses has been prepared that overlap with the prohibited areas described in the law based on information submitted by water authority agencies, forest authority agencies and local authorities for submission to the Government of Mongolia.

Portions of the Company's Ovoot Tolgoi mining license and exploration licenses pertaining to the Zag Suuj Deposit and the South Biluut and Jargalant Fields within the Soumber Deposit are included on the list of licenses published by the Government of Mongolia, potentially affecting the status of those licenses under the Mining Prohibition in Specified Areas Law.

In regard to the Ovoot Tolgoi mining license, the potential area which may be affected is a relatively small area which represents approximately 3% of the entire area of the mining license and does not contain any of the Company's NI 43-101 reserves or resources or immovable assets. Accordingly, the loss of the potentially affected area would not materially and adversely affect the existing operations.

Activities historically carried out on the other licenses referred to above include drilling, trenching and geological reconnaissance. The Company has no immovable assets located in any of the potentially affected areas of these licenses and the loss of any or all of these potentially affected properties would not materially and adversely affect the existing operations.

The Company understands that as such the amendment will be effective as of March 17, 2015. However, the status of the Mining Prohibition in Specified Areas Law and its potential impact on the Company's licenses is unclear. An amendment to the Implementation Policy on the Mining Prohibition in Specified Areas Law was made on February 18, 2015. The Company will ensure that it follows the necessary steps in the Implementation Policy to secure its operations and licenses and is fully compliant with Mongolian law.

Contingencies

Class Action Lawsuit

On or about January 6, 2014, Siskinds LLP, a Canadian law firm, filed a proposed securities class action (the "Ontario Action") against the Company, certain of its former senior officers and current directors, and its former auditors, Deloitte LLP, in the Ontario Superior Court of Justice in relation to the Company's restatement of financial statements as previously disclosed in the Company's public filings.

There have been no significant developments in respect of the class action lawsuit since the first quarter ended March 31, 2014. For more details, refer to the Company's Management Discussion and Analysis for the quarter ended March 31, 2014 available on SEDAR at www.sedar.com, and, in particular, the sub-section on "Contingencies – Class Action Lawsuit of the section 6 on "Regulatory Issues and Contingencies".

The Company disputes and will vigorously defend itself against these claims through independent Canadian litigation counsel retained by the Company and the other defendants for this purpose. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Ontario Action or determine the amount of any potential losses, if any. However, the Company has judged a provision for this matter at December 31, 2014 is not required.

PROCESSING INFRASTRUCTURE

Dry Coal Processing

Following an extensive review that commenced in the fourth quarter of 2013, the Company concluded that it did not plan to either complete or use the DCHF at the Ovoot Tolgoi Mine in the foreseeable future. As a result of the review and subsequent impairment assessment, the Company recorded a $66.9 million non-cash impairment charge in the fourth quarter of 2013 to reduce the carrying value of the DCHF to its recoverable amount. The DCHF had a carrying value of $11.2 million at December 31, 2014. The Company continues to use mobile screens for initial dry processing of its higher-ash coals. The use of mobile screens at stockpile areas closer to the pits has enabled the Company to realize a cost benefit compared to hauling the coal to the central DCHF and operating the rotary breaker. This provides a lower cost solution without adversely impacting the coal quality of the coal planned to be mined over the next year.

When coal markets improve and production from the Ovoot Tolgoi Mine increases in line with its anticipated annual capacity of 9 million tonnes run-of-mine production, the Company will review the use of the DCHF as part of its existing assets and continue developing beneficiation capabilities to maximize value from its product.

Wet Washing Facility

In 2011, the Company entered into an agreement with Ejin Jinda, a subsidiary of China Mongolia Coal Co. Ltd. to toll-wash coals from the Ovoot Tolgoi Mine. The agreement has a duration of five years from commencement of the contract and provides for an annual wet washing capacity of approximately 3.5 million tonnes of input coal. To date, commercial operations at the wet washing facility have not commenced.

In 2011, the Company made an initial payment of $33.6 million in respect of prepaid toll washing fees. The Company recorded a $30.2 million impairment loss on the $33.6 million of prepaid toll washing fees during the year ended December 31, 2013 and in the quarter ended June 30, 2014, the Company recorded an additional impairment of $3.4 million to fully impair the deposit. As at December 31, 2014 the Company has reassessed the carrying value of this prepayment and continues to believe it is appropriate for the balance to be fully impaired. This impairment continues to be recognized due to the continued delay in starting the commercial operations at the wet washing facility and the continued soft coal market in China.

Under the original agreement which required the commercial operation of the wet washing facility to commence on October 1, 2011 the additional fees payable by the Company under wet washing contract would be $18.5 million. The Company assesses on a continuous basis the agreement with Ejin Jinda and has determined it is not probable the $18.5 million will be required to be paid as part of the initial contract.

The Company's objective continues to be the implementation of an effective and profitable wet washing solution, and the Company is cooperating with Ejin Jinda in reviewing the utilization of the wet washing facility.

Transportation Infrastructure

On August 2, 2011, the State Property Committee of Mongolia awarded the tender to construct a paved highway from the Ovoot Tolgoi Complex to the Shivee Khuren Border Crossing to consortium partners NTB LLC and SGS (together referred to as "RDCC LLC"). SGS holds a 40% interest in RDCC LLC.

On October 26, 2011, RDCC LLC signed a concession agreement with the State Property Committee of Mongolia. RDCC LLC has the right to conclude a 17 year build, operate and transfer agreement under the Mongolian Law on Concessions. The Company announced the completion of the paved highway construction on September 28, 2014. The completion of the highway was one of the Company's key objectives for 2014 and will significantly increase the safety of coal transportation, reduce environmental impacts and improve the efficiency and capacity of coal transportation. The highway was commissioned in January 2015.

On September 27, 2014 a traffic opening ceremony was held in respect of a new paved highway from the Ovoot Tolgoi Deposit to the Shivee Khuren Border Crossing. This highway which the Company has an indirect 40% shareholding is expected to significantly increase the safety of coal transportation, reduce environmental impacts and improve efficiency and capacity of coal transportation. The commercial operation of this highway has been delayed and is currently expected to commence in the second quarter of 2015. The paved highway is expected to have a carrying capacity in excess of 20 million tonnes of coal per year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company has redeemed, purchased or sold any of its own listed securities during the year ended December 31, 2014, nor any of its subsidiaries purchased, or sold any of the Company's listed securities during the year ended December 31, 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended December 31, 2014, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board of Directors and all applicable statutory, regulatory and stock exchange listings standards.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted policies regarding directors' securities transactions in its Corporate Disclosure, Confidentiality and Securities Trading policy that has terms that are no less exacting than those set out in the Model Code of Appendix 10 of the rules governing the listing of securities on the Hong Kong Stock Exchange.

The Board of Directors confirms that all of the Directors of the Company have complied with the required policies in the Company's Corporate Disclosure, Confidentiality and Securities Trading policy throughout the year ended December 31, 2014.

OUTLOOK

Coal markets continued to deteriorate in 2014. China, the main market for Mongolian coal producers, suffered from overcapacity coupled with decreasing demand. China's import of thermal and coking coal fell by 1.2% and 17.2% respectively year-on-year.

Coal prices in China, which were already under pressure from excess supply, continued to decline as demand fell in 2014. Prices stabilized in the fourth quarter of 2014 after hitting seven year lows in the third quarter of 2014. However, prices remain well below the levels achieved over the last three years and the Mongolian coal industry faced strong competition from seaborne and domestic Chinese coal producers.

The Chinese government introduced quality standards for commercial coal in September 2014. The implementation started from January 1, 2015 and is applicable to both domestic and import coal. Coal import tariffs were also introduced by the Chinese government, effective from October 15, 2014. Import tariff on coking coal is 3% and thermal coal is 6%. Import tariffs put Mongolian coal exporters at a disadvantage as some of the largest coal exporters into China are exempt from the tariffs due to country-to-country trade agreements.

The outlook for Mongolian coal exports remains dependent on the Chinese economy. Demand early 2015 has been seasonally weak with Chinese coal imports hitting a 43-month low in January 2015. Prices declined again after rising slightly in the fourth quarter of 2014.

The Company anticipates that coal prices in China will remain under pressure in 2015, which will continue to impact the Company's margins and liquidity. The Company continues to strive for further cost reductions and where possible will delay expenditures. In addition, the Company entered into the transaction with Novel Sunrise as a new significant shareholder and strategic partner intending to bring its operational and marketing expertise to the Company. Novel Sunrise has agreed to assist the Company in the implementation of a funding plan intended to improve cash flow for the Company and support its business strategy and operations in a difficult market, with the goal of positioning the Company with a strong future as a coal producer. The proposed plan includes introducing potential customers in China to the Company to allow the Company to expand its customer base further inland in China, and helping the Company to secure longer-term coal offtake arrangements, thereby allowing the Company to ramp up production to capacity. Novel Sunrise has also advised the Company as part of the financing plan that it intends to help the Company to establish relationships with commercial banks in China and Hong Kong to help the Company to secure short term bridge loans, trading credit facilities and other types of financing.

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue operating until at least December 31, 2015 and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. While the Company is actively seeking additional sources of financing to continue operating and meet its objectives, there can be no assurance that such financing will be available on terms acceptable to the Company. If for any reason, the Company is unable to implement the funding plan it has developed with Novel Sunrise or is not able to secure additional sources of financing to continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's consolidated financial statements and such adjustments could be material.

A continued delay in securing additional financing could ultimately result in an event of default of the Convertible Debenture, which if not cured within applicable cure periods in accordance with the terms of such debenture, may result in the principal amount owing and all accrued and unpaid interest becoming immediately due and payable upon notice to the Company by CIC.

The Company remains well positioned, with a number of key competitive strengths, including:

- **Strategic location** – The Ovoot Tolgoi Mine is located approximately 40km from China, which represents the main coal market. The Company has an infrastructure advantage, being approximately 50km from a major Chinese coal distribution terminal with rail connections to key coal markets in China.

- **Large resource base** – The Company's aggregate coal resources include measured and indicated resources of 497 million tonnes and inferred resources of 293 million tonnes. These numbers have been aggregated from the Ovoot Tolgoi Technical Report, the Soumber Technical Report and the Zag Suuj Technical Report. The Measured and Indicated Coal Resources are inclusive of those Coal Resources modified to produce the Coal Reserves.

- **Several growth options** – The Company has several growth options including an anticipated increase to 9 million tonnes annual run-of-mine capacity at the Ovoot Tolgoi Mine as well as greenfield options with the Soumber Deposit and Zag Suuj Deposit, located approximately 20km east and approximately 150km east of the Ovoot Tolgoi Mine, respectively.

- **Flexible product offering** – Most of the Company's coal resources have coking properties, including a mixture of semi-soft coking coals and hard coking coals. The Company is currently studying options to supply washed coal to the market to further improve its market position and access to end customers.

Objectives

The Company's objectives for 2015 and the medium term are as follows.

- Execute step change improvement in Company's sales, marketing and logistics capabilities and expand the Company's customer base further inland in China – Subject to available financial resources and in cooperation with the Company's new strategic partner, Novel Sunrise, implement an effective business structure and production profile that is capable of delivering a sustainable and profitable product mix to the Chinese market.

- Drive operational excellence – The Company is focused on further improving productivity and operational efficiency in delivering production to meet market requirements.

- Progress growth options – Subject to available financial resources, the Company plans to further the development of the Soumber Deposit, while staying compliant with all government requirements in relation to its licenses and agreements.

- Operate in a socially responsible manner – The Company is focused on maintaining the highest standards in health, safety and environmental performance.

- Enhance the Company's reputation – The Company is committed to contributing to the long term development and prosperity of Mongolia and its local communities.

NON-IFRS FINANCIAL MEASURES

Cash Costs

The Company uses cash costs to describe its cash production costs. Cash costs incorporate all production costs, which include direct and indirect costs of production, with the exception of idled mine asset costs and non-cash expenses which are excluded. Non-cash expenses include share-based compensation expense, impairments of coal stockpile inventories, depreciation and depletion of mineral properties.

The Company uses this performance measure to monitor its operating cash costs internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. The Company reports cash costs on a sales basis. This performance measure is commonly utilized in the mining industry.

The cash costs of product sold may differ from cash costs of product produced depending on the timing of coal stockpile inventory turnover and impairments of coal stockpile inventories from prior periods.

Adjusted Net Income/(Loss)

Effective December 31, 2013, the Company discontinued the reporting of adjusted net income/(loss). The Company has determined that this non-IFRS measure no longer provides investors with useful information to evaluate the underlying performance of the Company.

Summarized Comprehensive Income Information
(Expressed in thousands of U.S. Dollars, except for share and per share amounts)

	Year ended December 31, 2014	2013
Revenue	**$ 24,494**	$ 58,636
Cost of sales	**(82,132)**	(112,627)
Gross loss	**(57,638)**	(53,991)
Other operating expenses	**(14,840)**	(126,040)
Administration expenses	**(8,944)**	(15,629)
Evaluation and exploration expenses	**(1,312)**	(1,169)
Loss from operations	**(82,734)**	(196,829)
Finance costs	**(21,848)**	(21,162)
Finance income	**1,586**	5,566
Share of losses of joint venture	**(101)**	(53)
Loss before tax	**(103,097)**	(212,478)
Current income tax expense	**(586)**	(3)
Deferred income tax recovery/(expense)	**–**	(24,983)
Net loss attributable to equity holders of the Company	**(103,683)**	(237,464)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Change in value of available-for-sale financial asset, net of tax	**(514)**	514
Net comprehensive loss attributable to equity holders of the Company	**$ (104,197)**	$ (236,950)
Basic loss per share	**$ (0.55)**	$ (1.30)
Diluted loss per share	**$ (0.55)**	$ (1.30)

Summarized Financial Position Information
(Expressed in thousands of U.S. Dollars)

	As at December 31, 2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	**$ 3,789**	$ 21,837
Trade and other receivables	**462**	2,578
Inventories	**31,255**	40,288
Prepaid expenses and deposits	**4,192**	11,506
Total current assets	**39,698**	76,209
Non-current assets		
Property, plant and equipment	**349,867**	399,395
Long term investments	**26,574**	30,602
Total non-current assets	**376,441**	429,997
Total assets	**$ 416,139**	$ 506,206
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	**$ 18,124**	$ 31,241
Deferred revenue	**11,898**	997
Interest-bearing borrowings	**3,945**	–
Current portion of convertible debenture	**2,301**	2,301
Total current liabilities	**36,268**	34,539
Non-current liabilities		
Convertible debenture	**92,886**	94,302
Decommissioning liability	**2,704**	2,308
Total non-current liabilities	**95,590**	96,610
Total liabilities	**131,858**	131,149
Equity		
Common shares	**1,080,417**	1,067,839
Share option reserve	**52,041**	51,198
Investment revaluation reserve	**–**	514
Accumulated deficit	**(848,177)**	(744,494)
Total equity	**284,281**	375,057
Total equity and liabilities	**$ 416,139**	$ 506,206
Net current assets	**$ 3,430**	$ 41,670
Total assets less current liabilities	**$ 379,871**	$ 471,667

SELECTED INFORMATION FROM THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Additional information required by the Hong Kong Stock Exchange and not disclosed elsewhere in this announcement is as follows. All amounts are expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated.

1. BASIS OF PREPARATION

1.1 Corporate information and liquidity

Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. The Company had limited cash of $3,789 at December 31, 2014 and anticipates that coal prices in the People's Republic of China ("China") will remain under pressure in 2015, which will continue to impact the Company's margins and liquidity. Therefore, the Company is actively seeking prepaid coal offtake agreements and other additional sources of financing to continue operating and meet its business objectives, while remaining focused on minimizing uncommitted capital expenditures and preserving the Company's growth options. The Company, together with its new strategic partner, Novel Sunrise Investments Ltd., has developed the Proposed Funding Plan in order to pay the interest due under the CIC Convertible Debenture, meet its obligations as they fall due and achieve its business objectives in 2015. These obligations may include potential penalties incurred as a consequence of the tax case in Mongolia (refer to "Regulatory Issue and Contingencies – Regulation Issues" for details). However, there is no guarantee that the Company will be able to implement the Proposed Funding Plan or secure other sources of financing. If it fails to do so, or is unable to secure additional capital or otherwise restructure or refinance its business in order to address its cash requirements through December 31, 2015, then the Company is unlikely to have sufficient capital resources or cash flows from mining operations in order to satisfy its ongoing obligations and future contractual commitments, including cash interest payments due on the CIC Convertible Debenture (approximately $7,900 on May 19, 2015 and approximately $8,000 on November 19, 2015). As a result, the Company may not be able to continue as a going concern.

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue operating until at least December 31, 2015 and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. However, in order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transaction to provide it with additional liquidity. If it fails to do so, or is unable to secure additional capital or otherwise restructure or refinance its business in order to address its cash requirements through December 31, 2015, then the Company is unlikely to have sufficient capital resources or cash flows from mining operations in order to satisfy its ongoing obligations and future contractual commitments, including cash interest payments due on the CIC Convertible Debenture. As a result, it may not be able to continue as a going concern.

If for any reason, the Company is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's consolidated financial statements and such adjustments could be material.

While the Company intends to secure additional sources of financing as soon as possible, a continued delay in securing additional financing could ultimately result in an event of default of the $250,000 CIC Convertible Debenture, which if not cured within applicable cure periods in accordance with the terms of such debenture, may result in the principal amount owing and all accrued and unpaid interest becoming immediately due and payable upon notice to the Company by CIC.

The Company is also subject to a remedial delisting review by the TSX in connection with its reliance on the financial hardship exemption from approval by its shareholders of the private placement with Novel Sunrise as announced on February 24, 2015. The TSX has advised that the Company's financial and operating results may not warrant that its securities continue to be listed on the TSX. A meeting of the TSX Continued Listing Committee to consider this matter has been scheduled for May 19, 2015. The failure by the Company to clear the TSX delisting review within 90 days from February 25, 2015 may result in the Company's delisting which would result in an event of default under the CIC Convertible Debenture. An event of default may result in the principal amount owing and all accrued and unpaid interest becoming immediately due and payable upon notice to the Company by CIC.

1.2 Statement of compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

1.3 Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities which are measured at fair value. The Company's reporting currency and the functional currency of all of its operations is the U.S. Dollar as this is the principal currency of the economic environment in which the Company operates.

1.4 Adoption of new and revised standards and interpretations

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective January 1, 2014. These changes were made in accordance with the transitional provisions outlined in the respective standards and interpretations.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Other

The IASB also amended IAS 19 “Employee benefits”, IAS 28 “Investments in Associates” (2003), IAS 36 “Impairment of Assets”, IFRS 7 “Financial Instruments” and set out amendments to a number of standards under the “Annual Improvements 2009-2011 Cycle” effective January 1, 2013. The amendments to these standards did not impact the Company’s consolidated financial statements.

2. SEGMENTED INFORMATION

The Company's one reportable operating segment is its Mongolian Coal Division. The Company's Corporate Division does not earn revenues and therefore does not meet the definition of an operating segment.

The carrying amounts of the Company's assets, liabilities, reported income or loss and revenues analyzed by operating segment are as follows:

	Mongolian Coal Division	Unallocated (i)	Consolidated Total
Segment assets			
As at December 31, 2014	$ 411,816	$ 4,323	$ 416,139
As at December 31, 2013	490,949	15,257	506,206
Segment liabilities			
As at December 31, 2014	$ 22,770	$ 109,088	$ 131,858
As at December 31, 2013	25,393	105,756	131,149
Segment loss			
For the year ended December 31, 2014	$ (76,515)	$ (27,168)	$ (103,683)
For the year ended December 31, 2013	(199,248)	(38,216)	(237,464)
Segment revenues			
For the year ended December 31, 2014	$ 24,494	$ –	$ 24,494
For the year ended December 31, 2013	58,636	–	58,636
Impairment charge on assets (ii)			
For the year ended December 31, 2014	$ 32,464	$ 1,766	$ 34,230
For the year ended December 31, 2013	138,718	3,067	141,785

(i) The unallocated amount contains all amounts associated with the Corporate Division.

(ii) The impairment charge on assets for the year ended December 31, 2014 and year ended December 31, 2013 relates to trade and other receivables, inventories, prepaid expenses and deposits, property, plant and equipment and investments.

3. COST OF SALES

The Company's cost of sales consists of the following amounts:

	Year ended December 31, 2014	2013
Operating expenses	**$ 22,472**	$ 41,746
Share-based compensation expense/(recovery)	**230**	(293)
Depreciation and depletion	**7,235**	20,000
Impairment of coal stockpile inventories	**16,256**	20,735
Cost of sales from mine operations	**46,193**	82,188
Cost of sales related to idled mine assets [(i)]	**35,939**	30,439
Cost of sales	**$ 82,132**	$ 112,627

(i) Cost of sales related to idled mine assets for the year ended December 31, 2014 includes $30,305 of depreciation expense (2013: includes $25,053 of depreciation expenses). The depreciation expense relates to the Company's idled plant and equipment.

The Company's mining activities remained fully curtailed from January 1, 2013 until March 22, 2013, when the Company recommenced mining activities at the Ovoot Tolgoi Mine. The 2013 idled mine asset depreciation expense relates to the Company's idled plant and equipment during the curtailment of its mining activities. The 2014 idled mine asset depreciation expense relates to the Company's idled plant and equipment as the production plan during the year ended December 31, 2014 did not fully utilize the Company's existing mining fleet. In Mid-June, the Company placed approximately half of its workforce on furlough and reduced its mining activities accordingly. The furlough is anticipated to remain in place subject to market conditions.

4. OTHER OPERATING EXPENSES

The Company's other operating expenses consist of the following amounts:

	Year ended December 31, 2014	2013
Public infrastructure	**$ –**	$ 7
Sustainability and community relations	**252**	235
Foreign exchange loss/(gain)	**(1,151)**	1,659
Provision for doubtful trade and other receivables	**567**	200
Mark-to-market loss on available-for-sale financial asset	**1,766**	3,067
Loss on disposal of property, plant and equipment	**–**	895
Impairment of property, plant and equipment	**8,880**	72,669
Impairment of prepaid expenses and deposits	**3,780**	30,152
Impairment of materials and supplies inventories	**2,981**	14,962
Gain on disposal of mining licenses	**(2,235)**	–
Other	**–**	2,194
Other operating expenses	**$ 14,840**	$ 126,040

5. ADMINISTRATION EXPENSES

The Company's administration expenses consist of the following amounts:

	Year ended December 31, **2014**	2013
Corporate administration	**$ 2,591**	$ 3,269
Professional fees	**2,680**	8,252
Salaries and benefits	**2,955**	3,748
Share-based compensation expense	**590**	167
Depreciation	**128**	193
Administration expenses	**$ 8,944**	$ 15,629

6. EVALUATION AND EXPLORATION EXPENSES

The Company's evaluation and exploration expenses consist of the following amounts:

	Year ended December 31, **2014**	2013
Drilling and trenching	**$ 621**	$ 243
Other direct expenses	**197**	84
License fees	**6**	657
Share-based compensation expense	**23**	21
Overhead and other	**465**	164
Evaluation and exploration expenses	**$ 1,312**	$ 1,169

7. FINANCE COSTS AND INCOME

The Company's finance costs consist of the following amounts:

	Year ended December 31, **2014**	2013
Interest expense on convertible debenture	**$ 20,165**	$ 20,290
Unrealized loss on FVTPL investments	**–**	656
Interest expense on line of credit facility	**–**	11
Interest expense on borrowing	**242**	–
Commitment fee and front end fee	**187**	–
Realized loss on disposal of AFS investment	**1,104**	–
Realized loss on disposal of FVTPL investments	**55**	91
Accretion of decommissioning liability	**95**	114
Finance costs	**$ 21,848**	$ 21,162

The Company's finance income consists of the following amounts:

	Year ended December 31, **2014**	2013
Unrealized gain on embedded derivatives in convertible debenture	**$ 1,560**	$ 5,481
Interest income	**26**	85
Finance income	**$ 1,586**	$ 5,566

8. TAXES

8.1 Income tax recognized in profit or loss

The Canadian statutory tax rate increased to 26% due to legislative changes relating to British Columbia provincial tax (2013: 25.75%). A reconciliation between the Company's tax expense and the product of the Company's loss before tax multiplied by the Company's domestic tax rate is as follows:

	Year ended December 31, 2014	2013
Loss before tax	**$ (103,097)**	$ 212,478
Statutory tax rate	**26.00%**	25.75%
Income tax recovery based on combined Canadian federal and provincial statutory rates	**(26,805)**	(54,713)
Deduct:		
Lower effective tax rate in foreign jurisdictions	**920**	1,467
Tax effect of tax losses and temporary differences not recognized	**18,199**	59,878
Non-deductible expenses	**8,272**	18,354
Income tax expenses	**$ 586**	$ 24,986

8.2 Deferred tax balances

The Company's deferred tax assets consist of the following amounts:

	As at December 31, 2014	2013
Tax loss carryforwards	**$ 11,860**	$ 322
Property, plant and equipment and other assets	**(11,860)**	(322)
Total deferred tax balances	**$ –**	$ –

(i) Deferred income tax expense for the year ended December 31 2013 includes a $17,487 expense related to the derecognition of deferred tax assets.

8.3 Unrecognized deductible temporary differences and unused tax losses

The Company's deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	As at December 31, 2014	2013
Non-capital losses	**$ 140,694**	$ 136,185
Capital losses	**50,964**	2,676
Deductible temporary differences	**276,791**	257,016
Total unrecognized amounts	**$ 468,449**	$ 395,877

8.5 Expiry dates

The expiry dates of the Company's unused tax losses are as follows:

	As at December 31, 2014 U.S. Dollar Equivalent	Expiry dates
Non-capital losses		
Canada	$ 93,242	2032 - 2034
Mongolia	79,004	2016 - 2018
Hong Kong	15,730	indefinite
Singapore	167	indefinite
	$ 188,143	
Capital losses		
Canada	50,964	indefinite

9. LOSS PER SHARE

The calculation of basic loss and diluted loss per share is based on the following data:

	Year ended December 31, 2014	2013
Net loss	**$ (103,683)**	$ (237,464)
Weighted average number of shares	**190,132**	182,883
Basic and diluted loss per share	**$ (0.55)**	$ (1.30)

Potentially dilutive items not included in the calculation of diluted loss per share for the year ended December 31, 2014 include the convertible debenture and stock options that were anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of the following amounts:

	As at December 31,	
	2014	2013
Trade receivables	**$ –**	$ 1,818
Other receivables	**462**	760
Total trade and other receivables	**$ 462**	$ 2,578

The aging of the Company's trade and other receivables is as follows:

	As at December 31,	
	2014	2013
Less than 1 month	**$ 305**	$ 396
1 to 3 months	**123**	1,321
3 to 6 months	**34**	141
Over 6 months	**–**	720
Total trade and other receivables	**$ 462**	$ 2,578

Trade receivables are normally due within 30 days from the date of billing. Customers with balances that are more than 30 days past due are normally requested to settle all outstanding balances before any further credit is granted.

For the year ended December 31, 2014, the Company recorded a $567 loss provision on its trade and other receivables in other operating expenses (2013: $200). The Company anticipates full recovery of its remaining outstanding trade and other receivables; therefore, no further loss provisions have been recorded in respect of the Company's trade and other receivables.

11. TRADE AND OTHER PAYABLES

Trade and other payables of the Company primarily consists of amounts outstanding for trade purchases relating to coal mining, development and exploration activities and mining royalties payable. The usual credit period taken for trade purchases is between 30 to 90 days.

The aging of the Company's trade and other payables is as follows:

	As at December 31,	
	2014	2013
Less than 1 month	**$ 6,706**	$ 28,786
1 to 3 months	**1,703**	554
3 to 6 months	**2,705**	367
Over 6 months	**7,010**	1,534
Total trade and other payables	**$ 18,124**	$ 31,241

12. DEFERRED REVENUE

At December 31, 2014, the Company has deferred revenue of $11,898, which represents prepayments for coal sales from customers (December 31, 2013: $997).

13. INTEREST-BEARING BORROWING

On May 25, 2014, the Company announced it has obtained a $10,000 revolving credit facility from Turquoise Hill to meet its short term working capital requirements (the "Turquoise Hill Loan Facility"). The key commercial terms of the facility were as follows:

- original maturity date of August 30, 2014 (subsequently extended);
- interest rate of one month US dollar LIBOR Rate in effect plus 11% margin per annum;
- commitment fee of 35% of interest rate payable quarterly in arrears on undrawn principal amount of facility;
- front end fee of $100;
- draws subject to customary closing conditions and the Company's cash requirements in the ordinary course of business;
- facility is subject to certain mandatory prepayment and termination provisions; and
- the Company to continue to seek other funding alternatives.

On August 30, 2014, subject to certain conditions and limitations, Turquoise Hill agreed to grant a deferral of payment of $3,800 plus accrued interest thereon owing by the Company under the Turquoise Hill Loan Facility and reduced the revolving credit facility to the same $3,800. This deferral of payment and repayment was granted to the Company without prejudice to Turquoise Hill's right and ability to assert and re-assert at any point in time to demand payment and repayment of all amounts owing to Turquoise Hill under the Turquoise Hill Loan Facility.

Subsequently, on December 4, 2014 as a result of unavoidable delays in closing the NUR SPA, Turquoise Hill agreed to a further limited deferral of repayment on the $3,800 principal and accrued interest owing on the Turquoise Hill Loan Facility as follows:

(i) $1,900 in principal and all interest that has accrued on and under the Turquoise Hill Loan Facility up to and including May 30, 2015 shall become due and payable on May 30, 2015; and

(ii) $1,900 in principal and all interest that has accrued on and under the Turquoise Hill Loan Facility from June 1, 2015 up to and including August 31, 2015 shall become due and payable on August 31, 2015.

This limited deferral is subject to certain conditions and limitations, including the completion by April 30, 2015 of the transaction contemplated by the NUR SPA, as amended by an agreement dated December 2, 2014.

As at December 31, 2014 the Company had drawn $3,800 and owed accrued interest of $145 under this facility (December 31, 2013: nil).

14. CONVERTIBLE DEBENTURE

On November 19, 2009, the Company issued a convertible debenture to a wholly owned subsidiary of the China Investment Corporation for $500,000.

The convertible debenture is presented as a liability since it contains no equity components. The convertible debenture is a hybrid instrument, containing a debt host component and three embedded derivatives – the investor's conversion option, the issuer's conversion option and the equity based interest payment provision (the 1.6% share interest payment) (the "embedded derivatives"). The debt host component is classified as other-financial-liabilities and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the convertible debenture.

The embedded derivatives were valued upon initial measurement and subsequent periods using a Monte Carlo simulation valuation model. A Monte Carlo simulation model is a valuation model that relies on random sampling and is often used when modeling systems with a large number of inputs and where there is significant uncertainty in the future value of inputs and where the movement of the inputs can be independent of each other. Some of the key inputs used by the Company in its Monte Carlo simulation include: the floor and ceiling conversion prices, the Company's common share price, the risk-free rate of return, expected volatility of the stock price, forward foreign exchange rate curves (between the Cdn$ and U.S. Dollar) and spot foreign exchange rates.

14.1 Partial conversion

On March 29, 2010, the Company exercised a right within the debenture to call and convert $250,000 of the debenture for 21,471 common shares.

14.2 Presentation

Based on the Company's valuation as at December 31, 2014, the fair value of the embedded derivatives decreased by $1,560 compared to December 31, 2013. The decrease was recorded as finance income for the year ended December 31, 2014.

For the year ended December 31, 2014, the Company recorded interest expense of $20,165 related to the convertible debenture as a finance cost (2013: $20,290). The interest expense consists of the interest at the contract rate and the accretion of the debt host component of the convertible debenture. To calculate the accretion expense, the Company uses the contract life of 30 years and an effective interest rate of 22.2%.

The movements of the amounts due under the convertible debenture are as follows:

	Year ended December 31,	
	2014	2013
Balance, beginning of year	**$ 96,603**	$ 105,968
Interest expense on convertible debenture	**20,165**	20,290
Decrease in fair value of embedded derivatives	**(1,560)**	(5,481)
Interest paid	**(20,021)**	(24,174)
Balance, end of year	**$ 95,187**	$ 96,603

The convertible debenture balance consists of the following amounts:

	As at December 31,	
	2014	2013
Current convertible debenture		
Interest payable	**$ 2,301**	$ 2,301
Non-current convertible debenture		
Debt host	**91,052**	90,907
Fair value of embedded derivatives	**1,834**	3,395
	92,886	94,302
Total convertible debenture	**$ 95,187**	$ 96,603

14.3 Convertible debenture share interest payment and application of Mongolian Foreign Investment Law

On October 3, 2013, the Parliament of Mongolia passed the Investment Law to repeal and replace the Law on Regulation of Foreign Investment in Business Entities Operating in Sectors of Strategic Importance ("Foreign Strategic Sectors Law"). The Investment Law regulates, amongst other things, investment by Foreign State Owned Entities ("FSOEs") in sectors of strategic importance, which includes mineral resources, by requiring that FSOEs obtain a permit from Mongolia's Ministry of Economic Development if they are to acquire 33% or more of the shareholding of a Mongolian entity operating in a sector of strategic importance. The Company understands that it will not be required to obtain a permit from the Ministry of Economic Development in connection with the 1.6% share interest payment to CIC, unless such share interest payment will result in CIC acquiring 33% or more of the shareholding in the Company. The Company will fully comply with the requirements of the Investment Law in connection with share interest payments.

On November 20, 2014, the Company issued 7,068 common shares to settle the $4,000 November 19, 2014 share interest payment. The number of common shares was based on the 50-day volume-weighted average share price on November 19, 2014 of Cdn$0.64.

15. ACCUMULATED DEFICIT AND DIVIDENDS

At December 31, 2014, the Company has accumulated a deficit of $848,177 (December 31, 2013: $744,494). No dividends have been paid or declared by the Company since inception.

REVIEW OF RESULTS AND RELEASE OF AUDITED RESULTS

The audited consolidated financial statements for the Company for the year ended December 31, 2014, were reviewed by the Audit Committee of the Company and approved and authorized for issue by the Board of Directors of the Company on March 30, 2015.

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2014, as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers LLP ("PwC"), to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

The Company's results for the year ended December 31, 2014, are contained in the audited consolidated financial statements and unaudited Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), which will be available on March 30, 2015 on the SEDAR website at www.sedar.com and the Company's website at www.southgobi.com. Copies of the Company's 2014 Annual Report, containing the audited financial statements and MD&A, and the Annual Information Form ("AIF") will be available at www.southgobi.com. Shareholders with registered addresses in Hong Kong who have elected to receive a copy of the Company's Annual Report will receive one. Other shareholders may request a hard copy of the Annual Report free of charge by contacting our Investor Relations department by phone at +86 21 6103 3550 or by email at info@southgobi.com.

ABOUT SOUTHGOBI

SouthGobi is listed on the Toronto and Hong Kong stock exchanges. SouthGobi is focused on exploration and development of its metallurgical and thermal coal deposits in Mongolia's South Gobi Region. It has a 100% shareholding in SouthGobi Sands LLC, Mongolian registered company that holds the mining and exploration licences in Mongolia and operates the flagship Ovoot Tolgoi coal mine. Ovoot Tolgoi produces and sells coal to customers in China.

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Forward-Looking Statements:

Except for statements of fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "could", "should", "seek", "likely", "estimate" and other similar words or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the times the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These statements include, but are not limited to, statements regarding: anticipated stock market conditions; future prices of the Common Shares; the future ownership of Common Shares; anticipated business activities; planned expenditures; corporate strategies, the Company's intention to develop markets for its semi-soft coking coal brands and to pursue long-term supply offtake with end users in the People's Republic of China ("China"); potential future agreements with third parties; anticipated capital expenditures; the 2015 exploration program; anticipated financing needs; development plans; future production; expected impacts of the administrative restrictions on certain of the Company's Mongolian assets and the anticipated impact on the Company's activities; the impact of future disclosure of the results of the internal investigations being conducted by the Company's Audit Committee; the results of the Ontario Action; the ability of the Company to pay the Tax Penalty; the possible consequences of the Tax Verdict and the Appeal Verdict and the effect thereof on the Company; the possibility that the Supreme Court of Mongolia would hear a final appeal of the Tax Penalty and the likelihood of success and consequences of the final appeal of the Tax Penalty and the effect thereof on the Company; the potential effect of the list of licenses published by the Government of Mongolia covering areas in which exploration and mining is purportedly prohibited on the Company's mining licenses; the Company's expectations of sufficient liquidity and capital resources to meets its ongoing obligations and future contractual commitments, including the Company's ability to secure additional funding and to meet its obligations under the CIC Convertible Debenture as the same become due; the estimates and assumptions included in the Company's impairment analysis and the possible impact of changes thereof; possible impact of changes to the inputs to valuation model used to value the embedded derivatives in the CIC Convertible Debenture; the possible impacts of changes to assumptions and determinations used by the Company to determine carrying values and impairment charges; possible impacts of changes in useful life or depreciation rates on depreciation expenses; the potential effects of a difference between future cash flows and profits from estimates; the ability of the Company to increase its market penetration in China; estimates of the Company's mineral reserves and resources; the ability for higher-ash product to be sold as a thermal coal product; the type of coal products being produced; the ability to preserve liquidity and continue on a sustainable basis; the ability of the Company to meet the targeted annual capacity of run-of-mine production; the anticipated increase of production from the Ovoot Tolgoi Mine to anticipated annual capacity of 9 million tonnes run-of-min production; the ability of the Company to successfully review the utilization of the wet washing facility and enhance the quality of its coal products through a beneficiation process based on wet washing; the Company's review of the use of the DCHF and plans regarding the use of the DCHF; the agreement with Ejin Jinda and payments thereunder; the future mining operations at the Soumber Deposit being allowed to share the existing infrastructure with the Ovoot Tolgoi Mine; plans for the progress of mining license application processes; the possibility of the CIC Convertible Debenture and all accrued and unpaid interest becoming immediately due; future coal market conditions in China and the related impact on the Company's margins and liquidity; the outcome of the issues described under the heading "REGULATORY ISSUES AND CONTINGENCIES" in the MD&A; business outlook, including the outlook for 2015; outlook for Mongolian coal exporters; whether coal prices in China will remain under pressure and whether that will continue to affect the Company; the completion of the share purchase transaction between Turquoise Hill and NUR; the completion of the sale and purchase agreement between Turquoise Hill and Novel Sunrise; the closing of the Subsequent Tranche of the private placement with Novel Sunrise; the implementation and impact of the Proposed Funding Plan and actions to be taken under the Proposed Funding Plan; the outcome and results of the TSX's remedial delisting review of the Company; the Company continuing as a going concern and its ability to realized its assets and discharge its liabilities in the normal course of operations as they become due; adjustments to the amounts and classifications of assets and liabilities in the Company's financial statements and the impact thereof; the Company's objectives for 2015 and beyond, including plans regarding the 2015 exploration program; expected production at the Ovoot Tolgoi Mine; the possible impact of the review of the geology type at the Ovoot Tolgoi Mine and the as yet uncompleted revisions to Ovoot Tolgoi mine plan on quantities of measured and/or indicated resources and reserves of the Ovoot Tolgoi project; the impact of the completion of the paved highway; the expected date of commercial operation of the paved highway; the capacity of the paved highway being in excess of 20 million tonnes of coal per year; the impact of amendments to, or the application of the laws of Mongolia and other counties in which the Company carries on business; the expected time frame that the Company's workforce will be on furlough; the impact of the Company's activities on the environment and actions taken for the purpose of mitigation of potential environmental impacts; planned focus on health, safety and environmental performance; planned relationships with stakeholders; expansion of the Company's customer base; greenfield options with the Soumber Deposit and Zag Suuj Deposit; and other statements that are not historical facts. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Except as required by law, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements are disclosed under the heading "Risk Factors" in the Company's MD&A for the year ended December 31, 2014 which is available at www.sedar.com.