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*(a company continued under the laws of British Columbia, Canada with limited liability)
(Stock Code: 1878)*

SouthGobi Resources announces restated financial and operating results for 2011 and 2012 and filing of audited restated financial statements

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) (the “Company”). Reference is made to the announcements of the Company dated November 8, 2013, November 11, 2013 and November 14, 2013 in relation to the decision by the Company’s board of directors to approve the restatement of the Company’s consolidated financial statements for 2011 and 2012.

The Company today announced its restated financial and operating results for the years ended December 31, 2011 and 2012.

Please see the attached announcement for more details.

By order of the Board
SouthGobi Resources Ltd.

Ms. Kay Priestly
Chairperson

Hong Kong, December 12, 2013

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

* For identification purposes only



December 12, 2013

SOUTHGOBI RESOURCES ANNOUNCES RESTATED FINANCIAL AND OPERATING RESULTS FOR 2011 AND 2012 AND FILING OF AUDITED RESTATED FINANCIAL STATEMENTS

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) (the “Company”). Reference is made to the announcements of the Company dated November 8, 2013, November 11, 2013 and November 14, 2013 in relation to the decision by the Company’s board of directors (the “Board”) to approve the restatement of the Company’s consolidated financial statements for 2011 and 2012.

The Company today announced its restated financial and operating results for the years ended December 31, 2011 and 2012. All figures are in U.S. Dollars unless otherwise stated.

FINANCIAL STATEMENT RESTATEMENT

RESTATED FINANCIAL STATEMENT AND MD&A PRESENTATION

In the consolidated financial statements for the year ended December 31, 2012, the Company has restated the financial position at December 31, 2012, December 31, 2011 and January 1, 2011, the results of operations for the years ended December 31, 2012 and December 31, 2011 and the statement of changes in equity and statement of cash flows for the years ended December 31, 2012 and December 31, 2011. The financial information and other affected information presented in the restated 2012 Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), including financial information pertaining to selected quarterly data of 2012 and 2011, have been restated to give effect to the correction in the point of revenue recognition.

The Company has updated the disclosure presented in the restated consolidated financial statements and restated MD&A to reflect events occurring subsequent to the original filing.

In consultation with its auditor PricewaterhouseCoopers LLP (“PwC”), the Company has included extensive disclosure regarding the periods affected by the restatement in the MD&A and this announcement, therefore, the Company has not amended and does not intend to amend the annual filings made for the years ended December 31, 2011 or 2010 or the interim filings of the affected years prior to the interim filing for the three and nine months ended September 30, 2013, although restated balances will be presented as comparatives in future filings where appropriate. Accordingly, the restated MD&A should be

read in conjunction with the Company's filings that have been filed on or after November 14, 2013, the effective date of the interim filing for the three and nine months ended September 30, 2013.

As a result of the material effects of the restatement on the Company's consolidated financial statements, the consolidated financial statements, auditors' reports and related financial information for the affected periods contained in the Company's filings filed prior to November 14, 2013 should no longer be relied upon.

SUMMARY OF KEY IMPACTS OF RESTATEMENT

	Year ended December 31, 2012			Year ended December 31, 2011		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
Raw coal production (<i>millions of tonnes</i>)	1.33	–	1.33	4.57	–	4.57
Coal sales (<i>millions of tonnes</i>)	1.33	0.65	1.98	4.02	(0.93)	3.09
Average realized selling price (<i>per tonne</i>)	\$ 47.76	\$ (0.27)	\$ 47.49	\$ 54.03	\$ (3.39)	\$ 50.64
Revenue	\$ 53,116	\$ 24,945	\$ 78,061	\$ 179,049	\$ (48,293)	\$ 130,756
Cost of sales	(97,118)	(30,289)	(127,407)	(127,343)	35,165	(92,178)
Other operating expenses	(54,345)	12,700	(41,645)	(29,189)	872	(28,317)
Net income/(loss)	(103,019)	5,517	(97,502)	57,745	(9,192)	48,552
Basic income/(loss) per share	\$ (0.57)	\$ 0.03	\$ (0.54)	\$ 0.32	\$ (0.05)	\$ 0.27*

* Amount revised to \$0.27 from \$0.24 as previously reported in the announcements dated November 11, 2013 and November 14, 2013

	December 31, 2012			December 31, 2011		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
Trade and other receivables	\$ 17,430	\$ (14,138)	\$ 3,292	\$ 80,285	\$ (64,051)	\$ 16,234
Inventories	53,661	6,074	59,735	52,443	52,418	104,861
Deferred revenue	–	8,181	8,181	–	17,653	17,653

	Year ended December 31, 2010		
	As previously reported	Adjustment	Restated
Raw coal production (<i>millions of tonnes</i>)	2.79	–	2.79
Coal sales (<i>millions of tonnes</i>)	2.54	(0.81)	1.73
Average realized selling price (<i>per tonne</i>)	\$ 34.61	\$ 3.63	\$ 38.24
Revenue	\$ 79,777	\$ (19,365)	\$ 60,412
Cost of sales	(69,904)	17,253	(52,651)
Other operating expenses	(12,643)	218	(12,425)
Net income/(loss)	(116,195)	(1,421)	(117,616)
Basic income/(loss) per share	\$ (0.66)	\$ (0.01)	\$ (0.67)

	December 31, 2010		
	As previously reported	Adjustment	Restated
Trade and other receivables	\$ 30,246	\$ (10,911)	\$ 19,335
Inventories	26,160	17,253	43,413
Deferred revenue	–	10,827	10,827

Following the correction in the Company's point of revenue recognition, revenues from affected coal sales contracts are recognized in later periods than previously reported and some revenue has been reported after December 31, 2012 as not all contracted coal has been collected by customers. This change results in lower revenues and cost of sales in 2010 and 2011 followed by higher revenues and cost of sales in 2012.

The adjustments to other operating expenses in each applicable period primarily result from the reversal of provisions for doubtful trade and other receivables in those periods.

The impact on the net income/(loss) for the restated periods follows from the restated revenues, net of cost of sales and adjustments to other operating expenses. The net loss for the year 2010 increases, the net income for the year 2011 decreases and the net loss for the year 2012 decreases.

During the periods from 2010 to December 31, 2012, trade and other receivables have been adjusted lower and deferred revenue recognized to reflect revenue being recorded in later periods than previously reported. The inventory balance increased over the same period to reflect higher coal inventory stockpile balances. Prepaid expenses also increased, with a corresponding decrease in trade and other payables, as coal sales royalty expenses were recognized in later periods than previously reported. Further information on these adjustments and a reconciliation of amounts previously reported is contained in Note 2 of the restated consolidated financial statements.

The restatements do not result in a change in cash at the end of any period. The statement of cash flows as reported does not change except for the reclassification of various items within operating activities. Financing activities, investing activities, change in cash, cash at the beginning of period and cash at the end of period remain unchanged from previously filed financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In conjunction with the matter described above, the Company's management has identified a material weakness in the Company's internal controls over financial reporting as of December 31, 2012 and December 31, 2011, resulting in the failure to properly account for revenues in complex transactions. Specifically, the Company did not ensure that all aspects of sales arrangements were considered in the determination of the appropriate accounting for contracts in which the specified location of transfer of title in the contracts is the customer's stockpile in a stockyard located within the SouthGobi Ovoot Tolgoi mining license area. As a result of the material weakness, the Company's Chief Executive Officer and Chief Financial Officer have concluded that internal controls over financial reporting were not effective as of December 31, 2012 and December 31, 2011.

Management has been enhancing internal controls over financial reporting by developing a more thorough review process in evaluating complex sales arrangements in each reporting period. The remedial controls that have now been implemented must operate for a sufficient period of time before management can conclude, through testing, that these controls are effective. Management expects this to be achieved by December 31, 2013.

OPERATING UPDATE

On November 19, 2013, the Company paid \$8.1 million in cash to the China Investment Corporation ("CIC") in accordance with the convertible debenture agreement. The amount related to the 6.4% per annum cash interest payment and is payable semi-annually. Further, on November 21, 2013, the Company issued 3.5 million common shares to the CIC. The common share issuance related to the annual 1.6% common share interest payment, where the number of common shares issued was based on the 50-day volume-weighted average share price on November 19, 2013 of Cdn\$1.21.

Except as noted above, the Company's Outlook and other operating information from the Company's filing on November 14, 2013, the effective date of the interim filing for the three and nine months ended September 30, 2013 remain unchanged.

REVIEW OF QUARTERLY OPERATING RESULTS

The Company's restated quarterly operating results for the years ended December 31, 2011 and 2012 and the fourth quarter of 2010 are summarized in the table below:

QUARTER ENDED	2012 ⁽ⁱ⁾				2011 ⁽ⁱ⁾				2010 ⁽ⁱ⁾
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Raw coal production (millions of tonnes)	-	-	0.27	1.07	1.34	1.25	0.87	1.11	1.38
Sales volumes and prices ⁽ⁱⁱ⁾									
SouthGobi premium semi-soft coking coal									
Coal sales (millions of tonnes)	0.03	-	0.42	0.33	0.26	0.56	0.39	0.34	0.35
Average realized selling price (per tonne) ⁽ⁱⁱⁱ⁾	\$ 47.86	\$ -	\$ 67.46	\$ 67.58	\$ 66.91	\$ 66.73	\$ 65.83	\$ 56.50	\$ 47.08
SouthGobi standard semi-soft coking coal									
Coal sales (millions of tonnes)	-	0.01	0.36	0.10	0.26	0.20	-	-	-
Average realized selling price (per tonne) ⁽ⁱⁱⁱ⁾	\$ -	\$ 49.91	\$ 49.74	\$ 49.43	\$ 48.48	\$ 48.17	\$ -	\$ -	\$ -
SouthGobi thermal coal									
Coal sales (millions of tonnes)	-	0.31	0.28	0.15	0.37	0.41	0.17	0.13	0.31
Average realized selling price (per tonne) ⁽ⁱⁱⁱ⁾	\$ -	\$ 15.87	\$ 34.10	\$ 30.29	\$ 29.92	\$ 35.49	\$ 29.00	\$ 31.10	\$ 26.24
Total									
Coal sales (millions of tonnes)	0.03	0.32	1.06	0.58	0.89	1.17	0.56	0.47	0.65
Average realized selling price (per tonne) ⁽ⁱⁱⁱ⁾	\$ 47.86	\$ 16.98	\$ 52.86	\$ 54.60	\$ 46.18	\$ 52.55	\$ 54.66	\$ 49.49	\$ 37.31
Costs									
Direct cash costs of product sold excluding idle mine costs (per tonne) ^(iv)	\$ 11.67	\$ 9.56	\$ 16.52	\$ 22.09	\$ 24.70	\$ 21.69	\$ 22.01	\$ 16.79	\$ 8.58
Total cash costs of product sold excluding idle mine costs (per tonne) ^(iv)	\$ 16.75	\$ 13.31	\$ 17.85	\$ 28.25	\$ 25.92	\$ 22.31	\$ 23.57	\$ 18.43	\$ 10.20
Waste movement and stripping ratio									
Production waste material moved (millions of bank cubic meters)	-	-	1.16	2.20	4.58	4.10	4.08	3.85	3.56
Strip ratio (bank cubic meters of waste material per tonne of coal produced)	-	-	4.31	2.07	3.42	3.28	4.74	3.47	2.58
Pre-production waste material moved (millions of bank cubic meters)	-	-	-	-	-	0.39	0.80	0.49	0.73
Other operating capacity statistics									
Capacity									
Number of mining shovels/excavators available at period end	5	4	4	3	3	3	4	3	3
Total combined stated mining shovel/excavator capacity at period end (cubic meters)	113	98	98	64	64	64	98	83	82
Number of haul trucks available at period end	27	27	27	27	25	16	16	16	15
Total combined stated haul truck capacity at period end (tonnes)	4,743	4,743	4,743	4,743	4,561	2,599	2,599	2,599	2,254
Employees and safety									
Employees at period end	465	644	693	720	720	695	658	600	544
Lost time injury frequency rate ^(v)	0.1	0.2	0.2	0.3	0.2	0.2	0.1	0.1	0.2

- (i) Restated. Reference is made to the announcements of the Company dated November 8, 2013, November 11, 2013 and November 14, 2013 in relation to the decision by the Company's Board to restate the consolidated financial statements of the Company for 2011 and 2012.
- (ii) The sales volumes previously disclosed as raw semi-soft coking coal, raw medium-ash coal and raw higher-ash coal have now been reclassified as SouthGobi premium semi-soft coking coal, SouthGobi standard semi-soft coking coal and SouthGobi thermal coal, respectively, to reflect the Company's new product strategy.
- (iii) Average realized selling price excludes royalties and selling fees.
- (iv) A non-International Financial Reporting Standards ("IFRS") financial measure, see Non-IFRS Financial Measures section.
- (v) Per 200,000 man hours.

For the year ended December 31, 2012

Mining activities at the Ovoot Tolgoi Mine were curtailed to varying degrees in the second quarter of 2012, with mining activities fully curtailed at the end of the second quarter, to manage coal inventories and to maintain efficient working capital levels. Mining activities remained fully curtailed for the remainder of 2012; however, operations at the Ovoot Tolgoi Mine resumed on March 22, 2013.

In 2012, the Company produced 1.33 million tonnes of raw coal with a strip ratio of 2.52 compared to production of 4.57 million tonnes of raw coal with a strip ratio of 3.63 in 2011. The decrease in production primarily related to the curtailment of the Company's mining operations in the last three quarters of the year; whereas, the decrease in the strip ratio primarily related to the below-trend strip ratio in the first quarter of 2012 which will be normalized over the life-of-mine.

In 2012, the Company sold 1.98 million tonnes of coal at an average realized selling price of \$47.49 per tonne compared to sales of 3.09 million tonnes of coal at an average realized selling price of \$50.64 per tonne in 2011. The Company's average realized selling price was negatively impacted by the softening of the inland China coking coal markets closest to SouthGobi's operations throughout 2012. The Company's higher-ash coals were impacted more substantially than its other products.

Direct cash costs of product sold excluding idled mine costs (a non-IFRS financial measure, see Non-IFRS Financial Measures section) were \$16.86 per tonne in 2012 compared to \$22.81 per tonne in 2011. Direct cash costs of product sold excluding idled mine costs primarily decreased due to a lower strip ratio and reduced fuel prices.

For the three months ended December 31, 2012

For the three months ended December 31, 2012, the Company's mining activities remained fully curtailed; however, the Company generated revenue through the sale of existing coal stockpiles.

For the three months ended December 31, 2012, the Company sold 0.03 million tonnes of coal at an average realized selling price of \$47.86 per tonne compared to sales of 0.89 million tonnes of coal at an average realized selling price of \$46.18 per tonne in 2011. For the three months ended December 31, 2012, the Company's sales volumes and average realized selling price continued to be negatively impacted by the softening of the inland China coking coal markets closest to SouthGobi's operations.

Direct cash costs of product sold excluding idled mine costs (a non-IFRS financial measure, see Non-IFRS Financial Measures section) were \$11.67 per tonne for the three months ended December 31, 2012 compared to \$24.70 for the three months ended December 31, 2011.

REVIEW OF QUARTERLY FINANCIAL RESULTS

The Company's restated quarterly financial results for the years ended December 31, 2011 and 2012 and the fourth quarter of 2010 are summarized in the table below:

(\$ in thousands, except for per share information, unless otherwise indicated)

QUARTER ENDED	2012 ⁽ⁱ⁾				2011 ⁽ⁱ⁾				2010 ⁽ⁱ⁾
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenue	\$ 1,186	\$ 3,804	\$ 46,575	\$ 26,497	\$ 33,626	\$ 50,616	\$ 25,966	\$ 20,547	\$ 22,230
Gross profit/(loss) excluding idled mine costs	(12,601)	(8,719)	20,277	4,657	4,639	16,129	8,769	9,040	\$ 1,838
Gross profit margin excluding idled mine costs	-1063%	-229%	44%	18%	14%	32%	34%	44%	8%
Gross profit/(loss) including idled mine costs	(31,043)	(27,650)	4,690	4,657	4,639	16,129	8,769	9,040	1,838
Other operating expenses	(19,282)	(18,315)	(1,344)	(2,702)	(24,426)	80	(2,806)	(1,165)	(1,903)
Administration expenses	(6,080)	(5,178)	(7,497)	(5,882)	(8,612)	(7,993)	(6,808)	(5,336)	(6,599)
Evaluation and exploration expenses	(508)	(958)	(2,099)	(5,033)	(14,513)	(10,908)	(4,356)	(1,991)	(4,144)
Income/(loss) from operations	(56,913)	(52,101)	(6,250)	(8,961)	(42,912)	(2,692)	(5,201)	548	(10,808)
Net income/(loss)	(56,564)	(46,413)	15,955	(10,480)	(27,732)	54,955	66,755	(45,426)	(30,140)
Basic income/(loss) per share	(0.31)	(0.26)	0.09	(0.06)	(0.16)	0.29	0.36	(0.25)	(0.17)
Diluted income/(loss) per share	(0.31)	(0.26)	(0.04)	(0.06)	(0.18)	(0.03)	(0.01)	(0.25)	(0.17)

QUARTER ENDED	2012 ⁽ⁱ⁾				2011 ⁽ⁱ⁾				2010 ⁽ⁱ⁾
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Net income/(loss)	\$ (56,564)	\$ (46,413)	\$ 15,955	\$ (10,480)	\$ (27,732)	\$ 54,955	\$ 66,755	\$ (45,426)	\$ (30,140)
Income/(loss) adjustments, net of tax									
Idled mine costs	14,474	13,572	10,966	-	-	-	-	-	-
Share-based compensation expense/(recovery)	(1,144)	1,490	4,383	3,799	4,050	4,296	3,349	2,715	3,840
Net impairment loss/(recovery) on assets	25,375	23,258	-	-	23,818	(2,925)	-	-	574
Unrealized foreign exchange losses/(gains)	906	335	(355)	(794)	(184)	(115)	45	(1,211)	(1,837)
Unrealized loss/(gain) on embedded derivatives									
in CIC debenture	(662)	(12,856)	(26,770)	776	(10,790)	(62,058)	(70,422)	36,780	19,995
Realized loss/(gain) on disposal of FVTPL investments ⁽ⁱⁱ⁾	15	-	46	(85)	-	-	-	-	-
Unrealized loss/(gain) on FVTPL investments	664	1,197	2,282	339	155	2,449	(3,629)	4,116	(4,375)
Adjusted net income/(loss) ⁽ⁱⁱⁱ⁾	(16,935)	(19,418)	6,507	(6,446)	(10,683)	(3,398)	(3,902)	(3,026)	(11,943)

(i) Restated. Reference is made to the announcements of the Company dated November 8, 2013, November 11, 2013 and November 14, 2013 in relation to the decision by the Company's Board to restate the consolidated financial statements of the Company for 2011 and 2012.

(ii) FVTPL is defined as "fair value through profit or loss".

(iii) A non-IFRS financial measure, see Non-IFRS Financial Measures section.

For the year ended December 31, 2012

The Company recorded a net loss of \$97.5 million for the year ended December 31, 2012 compared to a net income of \$48.6 million for the year ended December 31, 2011.

Gross Profit/(Loss):

The Company's gross profit/(loss) is composed of revenue (which is presented net of royalties and selling fees) and cost of sales and relates solely to the Mongolian Coal Division. In 2012, the Company's gross profit/(loss) was negatively impacted by \$53.0 million of idled mine costs, resulting in a gross loss of \$49.3 million. The Company recorded a gross profit excluding idled mine costs of \$3.7 million in 2012 compared to a gross profit excluding idled mine costs of \$38.6 million in 2011. Gross profit will vary by year depending on sales volumes, sales prices and unit costs.

In 2012, SouthGobi recorded revenue of \$78.1 million compared to \$130.8 million in 2011. In the last three quarters of 2012, customers were reluctant to enter into new sales contracts primarily due to the following:

- Customers' ability to export coal through the Shivee Khuren Border Crossing for the first half of 2012 was significantly below their projections due to: a) the delayed opening of the expanded border crossing infrastructure at the Shivee Khuren Border Crossing; b) the extended closure of the Shivee Khuren Border Crossing for the Chinese New Year and Mongolian Tsagaan Sar public holidays in the first quarter of 2012; c) the closure of the existing gravel road used to transport coal from the Ovoot Tolgoi Mine and neighboring mines to the Shivee Khuren Border Crossing for over four weeks in the second quarter of 2012;
- The uncertainty with respect to whether SouthGobi would receive a formal request from the Mineral Resources Authority of Mongolia to suspend mining activities on its Ovoot Tolgoi mining license, which caused customers concern that they would be unable to collect and export additional coal purchased from the Ovoot Tolgoi Mine in the second and third quarters of 2012; and
- The softening of inland China coking coal markets closest to SouthGobi's operations throughout the last three quarters of 2012.

The Company is subject to a 5% royalty on all coal sales exported out of Mongolia based on a set reference price per tonne published monthly by the Government of Mongolia. Effective January 1, 2011, the Company is also subject to a sliding scale additional royalty of up to 5% on coal sales exported out of Mongolia based on the set reference price. Based on the 2012 reference prices, the Company was subject to an average 8% royalty based on a weighted average reference price of \$88.07 per tonne. The Company's effective royalty rate for 2012, based on the Company's average realized selling price of \$47.49 per tonne, was 15%.

SouthGobi, together with other Mongolian mining companies impacted by the escalation of effective royalty rates, opened a dialog with the appropriate Government of Mongolia authorities with a view of moving to a more equitable process for setting reference prices. Effective October 1, 2012 (for a six month trial period), the royalty was determined using the contracted sales price per tonne, not the reference price per tonne published by the Government of Mongolia. As a result, the Company's effective royalty rate was reduced significantly over the six month trial period. Despite SouthGobi, together with other Mongolian mining companies, engaging the appropriate Government of Mongolia authorities, the six month trial period was not extended and effective April 1, 2013, the royalty on all coal sales exported out of Mongolia was once again based on a set reference price per tonne published monthly by the Government of Mongolia. In the fourth quarter of 2012 (a full quarter under the trial period), the Company's effective royalty rate was 6%, a significant reduction from prior quarters in 2012.

Cost of sales was \$127.4 million in 2012 compared to \$92.2 million in 2011. Cost of sales comprise the direct cash costs of product sold, mine administration cash costs of product sold, idled mine costs, inventory impairments, equipment depreciation, depletion of mineral properties and share-based compensation expense. Of the \$127.4 million recorded as cost of sales in 2012, \$74.4 million related to mine operations and \$53.0 million related to idled mine costs. Cost of sales related to mine operations decreased in 2012 compared to 2011 primarily due to lower sales volumes and lower unit costs, partially offset by coal stockpile impairments totaling \$20.5 million. Cost of sales related to idled mine costs primarily consist of period costs, which are expensed as incurred and depreciation expense. The depreciation expense relates to the Company's idled plant and equipment.

Other Operating Expenses:

Other operating expenses in 2012 increased to \$41.6 million compared to \$28.3 million in 2011. The increase in other operating expenses primarily relates to an impairment loss on available-for-sale financial assets, partially offset by reduced public infrastructure costs.

In 2012, the Company recorded \$35.5 million of provisions and impairments in other operating expenses related to the following:

- Trade and other receivables – the Company recorded a loss provision of \$1.0 million in 2012. The loss provision relates to a reduction in expected insurance proceeds of \$1.0 million.
- Available-for-sale financial asset – in 2012, the Company determined that objective evidence of impairment in the Company's investment in Aspire Mining Limited ("Aspire") existed. Therefore, an impairment loss of \$19.2 million was recognized in other operating expenses.
- Property, plant and equipment – the Company recorded \$15.2 million of impairment charges to reduce various items of property, plant and equipment to their recoverable amounts. The impairment charges consist of a \$14.1 million impairment pertaining to non-refundable prepayments made on cancelled mobile equipment orders to preserve the Company's financial resources and a \$1.1 million impairment of construction in progress expenditures that were not expected to be recovered.

Public infrastructure costs decreased in 2012 compared to 2011 due to reduced maintenance costs on transportation infrastructure from the Ovoot Tolgoi Mine to the Shivee Khuren Border Crossing and reduced works on the expanded border crossing infrastructure at the Shivee Khuren Border Crossing.

In 2011, other operating expenses primarily consisted of a \$16.6 million impairment charge on various capitalized construction projects and \$8.1 million of public infrastructure costs.

Administration Expenses:

Administration expenses in 2012 were \$24.6 million compared to \$28.7 million in 2011. The decrease in administration expenses primarily related to reduced corporate administration and share-based compensation expense, partially offset by increased legal and professional fees.

Evaluation and Exploration Expenses:

Exploration expenses in 2012 were \$8.6 million compared to \$31.8 million in 2011. Exploration expenses will vary period to period depending on the number of projects and the related seasonality of the exploration programs. The 2012 exploration program was suspended in the second quarter of 2012 in order to preserve the Company's financial resources while mining operations at the Ovoot Tolgoi Mine were curtailed, with the exception of certain water exploration activities and minimum exploration activities required on exploration licenses held by the Company.

Finance Income & Finance Costs:

The Company incurred finance costs for the year ended December 31, 2012 of \$15.4 million compared to \$12.8 million for the year ended December 31, 2011. Finance costs for the year ended December 31, 2012 primarily consisted of \$10.5 million of interest expense on the CIC convertible debenture and a \$4.5 million unrealized loss on FVTPL investments; whereas, finance costs for the year ended December 31, 2011 primarily consisted of \$9.1 million of interest expense on the CIC convertible debenture and a \$3.1 million unrealized loss on FVTPL investments.

The Company recorded finance income for the year ended December 31, 2012 of \$39.9 million compared to \$107.7 million for the year ended December 31, 2011. For the year ended December 31, 2012, finance income primarily consisted of a \$39.5 million unrealized gain on the fair value change of the embedded derivatives in the CIC convertible debenture; whereas, in the year ended December 31, 2011, finance income primarily consisted of a \$106.5 million unrealized gain on the fair value change of the embedded derivatives in the CIC convertible debenture.

The Company's investment in Aspire continues to be classified as an available-for-sale financial asset. In the third quarter of 2012, the Company determined that objective evidence of impairment in the Company's investment in Aspire existed. Therefore, an impairment loss of \$19.2 million was recognized in other operating expenses. Other comprehensive income for the year ended December 31, 2011 consists of an unrealized loss (net of tax) of \$11.2 million related to the Company's investment in Aspire.

Taxes:

For the year ended December 31, 2012, the Company recorded a current income tax expense of \$0.4 million related to its Mongolian operations compared to a current income tax expense of \$7.3 million for the year ended December 31, 2011. The Company has recorded a deferred income tax recovery related to deductible temporary differences of \$1.9 million for the year ended December 31, 2012 compared to a deferred income tax recovery of \$11.2 million for the year ended December 31, 2011.

For the three months ended December 31, 2012

The Company recorded a net loss of \$56.6 million for the three months ended December 31, 2012 compared to a net loss of \$27.7 million for the three months ended December 31, 2011.

Gross Profit/(Loss):

The Company's gross profit/(loss) is composed of revenue and cost of sales and relates solely to the Mongolian Coal Division. For the three months ended December 31, 2012, gross profit was negatively impacted by \$18.4 million of idled mine costs, contributing to a gross loss of \$31.0 million. The Company recorded a gross loss excluding idled mine costs of \$12.6 million in the fourth quarter of 2012 compared to a gross profit of \$4.6 million in the fourth quarter of 2011. Gross profit will vary by quarter depending on sales volumes, sales prices and unit costs.

The Company recognized revenue of \$1.2 million in the fourth quarter of 2012 compared \$33.6 million in the fourth quarter of 2011. The significant decrease in revenue for the three months ended December 31, 2012 compared to the three months ended December 31, 2011 can be attributed to decreased sales volume.

SouthGobi's effective royalty rate in the fourth quarter of 2012 was 6%, a significant reduction from prior quarters in 2012. Effective October 1, 2012 (for a six month trial period) the royalty rate was determined using the contracted sales price per tonne, not the reference price per tonne published by the Government of Mongolia. Despite SouthGobi, together with other Mongolian mining companies, engaging the appropriate Government of Mongolia authorities, the six month trial period was not extended and effective April 1, 2013, the royalty on all coal sales exported out of Mongolia was once again based on a set reference price per tonne published monthly by the Government of Mongolia. Although discussions have not been successful to date, SouthGobi, together with other Mongolian mining companies, continue the dialog with the appropriate Government of Mongolia authorities with the goal of moving to a more equitable process for setting reference prices.

Cost of sales was \$32.2 million for the three months ended December 31, 2012 compared to \$29.0 million for the three months ended December 31, 2011. Cost of sales comprise the direct cash costs of product sold, mine administration cash costs of product sold, idled mine costs, inventory impairments, equipment depreciation, depletion of mineral properties and share-based compensation expense. Of the \$32.2 million recorded as cost of sales for the three months ended December 31, 2012, \$13.8 million related to mine operations and \$18.4 million related to idled mine costs. Cost of sales related to mine operations decreased for the three months ended December 31, 2012 compared to the three months ended December 31, 2011 primarily due to lower sales volumes, partially offset by a coal stockpile impairments totaling \$15.8 million. For the three months ended December 31, 2012, the Company recorded a coal stockpile impairment of \$15.8 million to reduce the carrying value to its net realizable value.

Other Operating Expenses:

Other operating expenses for the three months ended December 31, 2012 decreased to \$19.3 million compared to \$24.4 million for the three months ended December 31, 2011. The decrease in other operating expenses compared to the three months ended December 31, 2011 primarily relates to recognizing a smaller impairment of property, plant and equipment.

For the three months ended December 31, 2012, the Company recorded \$17.2 million of provisions and impairments in other operating expenses related to the following:

- Trade and other receivables – the Company recorded a reduction in the expected insurance proceeds of \$1.0 million.
- Available-for-sale financial asset – in the third quarter of 2012, the Company determined that objective evidence of impairment in the Company's investment in Aspire existed. Therefore, a further impairment loss of \$3.1 million was recognized in other operating expenses.
- Property, plant and equipment – the Company recorded \$13.0 million of impairment charges to reduce non-refundable prepayments made on cancelled mobile equipment orders to their recoverable amounts. The mobile equipment orders were cancelled to preserve the Company's financial resources.

Administration Expenses:

Administration expenses for the three months ended December 31, 2012 were \$6.1 million compared to \$8.6 million for the three months ended December 31, 2011. Administration expenses decreased for the three months ended December 31, 2012 compared to the three months ended December 31, 2011 primarily due to decreased salaries and benefits and share-based compensation expenses, partially offset by increased legal and professional fees.

Evaluation and Exploration Expenses:

Exploration expenses for the three months ended December 31, 2012 were \$0.5 million compared to \$14.5 million for the three months ended December 31, 2011. Exploration expenses will vary from quarter to quarter depending on the number of projects and the related seasonality of the exploration programs. The Company curtailed exploration activities in the fourth and third quarters of 2012 to preserve financial resources. The majority of the exploration activities in the fourth quarter of 2012 related to water exploration activities. Exploration expenses in the fourth quarter of 2011 included a higher proportion of the 2011 exploration program expenses due to delays in receiving required government approvals in the first half of 2011.

Finance Income & Finance Costs:

Finance costs for the three months ended December 31, 2012 were \$5.6 million compared to \$1.1 million for the three months ended December 31, 2011. Finance costs for the three months ended December 31, 2012 primarily consisted of \$4.8 million of interest expense on the CIC convertible debenture and a \$0.7 million unrealized loss on FVTPL investments; whereas, finance costs for the three months ended December 31, 2011 primarily consisted of \$0.9 million of interest expense on the CIC convertible debenture.

Finance income for the three months ended December 31, 2012 was \$0.7 million compared to \$11.0 million for the three months ended December 31, 2011. For the three months ended December 31, 2012, finance income primarily consisted of a \$0.7 million unrealized gain on the fair value change of the embedded derivatives in the CIC convertible debenture; whereas, for the three months ended December 31, 2011, finance income primarily consisted of a \$10.8 million unrealized gain on the fair value change of the embedded derivatives in the CIC convertible debenture.

The Company's investment in Aspire continues to be classified as an available-for-sale financial asset. In the third quarter of 2012, the Company determined that objective evidence of impairment in the Company's investment in Aspire existed. Therefore, in the fourth quarter of 2012, a further impairment loss of \$3.1 million was recognized in other operating expenses. Other comprehensive income for the three months ended December 31, 2011 consists of an unrealized loss (net of tax) of \$6.5 million related to the Company's investment in Aspire.

Taxes:

For the three months ended December 31, 2012, the Company recorded a current income tax expense of \$0.1 million related to its Mongolian operations compared to a current income tax recovery of \$0.4 million for the three months ended December 31, 2011. The Company has recorded a deferred income tax recovery related to deductible temporary differences of \$5.1 million for the three months ended December 31, 2012 compared to a deferred income tax recovery of \$5.0 million for the three months ended December 31, 2011.

FINANCIAL POSITION AND LIQUIDITY

Cash Position and Liquidity

As at December 31, 2012, the Company had cash of \$19.7 million and short term money market investments of \$15.0 million for a total of \$34.7 million in cash and money market investments compared to cash of \$123.6 million and long term money market investments of \$45.0 million for a total of \$168.6 million in cash and money market investments as at December 31, 2011. Working capital (excess current assets over current liabilities) was \$120.4 million as at December 31, 2012 compared to \$221.9 million as at December 31, 2011.

The Company's total assets as at December 31, 2012 were \$732.5 million compared with \$918.7 million as at December 31, 2011. The Company's non-current liabilities as at December 31, 2012 were \$103.8 million compared with \$145.6 million as at December 31, 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company, throughout the year ended December 31, 2012, 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 (old Corporate Governance Code from January 1, 2012 to March 31, 2012 and new Corporate Governance Code from April 1, 2012 to December 31, 2012).

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, 2012.

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 costs and non-cash expenses which are excluded. Non-cash adjustments include share-based compensation expense, inventory impairments, 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 stockpile inventory turnover.

Adjusted Net Income/(Loss)

Adjusted net income/(loss) excludes idled mine costs, share-based compensation expense/(recovery), net impairment loss/(recovery) on assets, unrealized foreign exchange losses/(gains), unrealized loss/(gain) on the fair value change of the embedded derivatives in the CIC convertible debenture, the loss on the partial conversion of the CIC convertible debenture, realized losses/(gains) on the disposal of FVTPL investments and unrealized losses/(gains) on FVTPL investments. The Company excludes these items from net income/(loss) to provide a measure which allows the Company and investors to evaluate the results of the underlying core operations of the Company and its profitability from operations. The items excluded from the computation of adjusted net income/(loss), which are otherwise included in the determination of net income/(loss) prepared in accordance with IFRS, are items that the Company does not consider to be meaningful in evaluating the Company's past financial performance or the future prospects and may hinder a comparison of its period-to-period results.

CONSOLIDATED FINANCIAL STATEMENTS (RESTATED)

Consolidated Statements of Comprehensive Income (Restated)

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

		Year ended December 31,	
	Notes	2012	2011
		(Restated – Note 2)	
Revenue		\$ 78,061	\$ 130,756
Cost of sales	4	<u>(127,407)</u>	<u>(92,178)</u>
Gross profit/(loss)		(49,346)	38,578
Other operating expenses	5	(41,645)	(28,317)
Administration expenses	6	(24,637)	(28,749)
Evaluation and exploration expenses	7	<u>(8,598)</u>	<u>(31,769)</u>
Loss from operations		(124,226)	(50,257)
Finance costs	8	(15,385)	(12,765)
Finance income	8	39,942	107,732
Share of earnings of joint venture		<u>635</u>	<u>—</u>
Income/(loss) before tax		(99,034)	44,710
Current income tax expense	9	(354)	(7,340)
Deferred income tax recovery	9	<u>1,886</u>	<u>11,182</u>
Net income/(loss) attributable to equity holders of the Company		<u>(97,502)</u>	<u>48,552</u>
OTHER COMPREHENSIVE LOSS			
Loss on available-for-sale financial asset, net of tax		—	(11,202)
Reclassification of gain on available-for-sale financial asset, net of tax		<u>(16,559)</u>	<u>—</u>
Net comprehensive income/(loss) attributable to equity holders of the Company		<u>\$ (114,061)</u>	<u>\$ 37,350</u>
BASIC INCOME/(LOSS) PER SHARE	10	\$ (0.54)	\$ 0.27
DILUTED LOSS PER SHARE	10	\$ (0.60)	\$ (0.24)

Consolidated Statements of Financial Position (Restated)

(Expressed in thousands of U.S. Dollars)

	Notes	December 31, 2012 (Restated – Note 2)	As at December 31, 2011 (Restated – Note 2)	January 1, 2011 (Restated – Note 2)
ASSETS				
Current assets				
Cash		\$ 19,674	\$ 123,567	\$ 492,038
Trade and other receivables	11	3,292	16,234	19,335
Short term investments		15,000	–	17,529
Inventories		59,735	104,861	43,413
Prepaid expenses and deposits		47,432	44,760	10,026
Total current assets		145,133	289,422	582,341
Non-current assets				
Prepaid expenses and deposits		16,778	8,389	238
Property, plant and equipment		521,473	498,533	266,771
Long term investments		24,084	99,238	107,416
Deferred income tax assets	9	24,984	23,098	11,915
Total non-current assets		587,319	629,258	386,340
Total assets		\$ 732,452	\$ 918,680	\$ 968,682
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	12	\$ 10,216	\$ 43,552	\$ 21,546
Deferred revenue		8,181	17,653	10,827
Current portion of convertible debenture	13	6,301	6,301	6,312
Total current liabilities		24,698	67,506	38,685
Non-current liabilities				
Convertible debenture	13	99,667	139,085	245,498
Deferred income tax liabilities	9	–	2,366	3,966
Decommissioning liability		4,104	4,156	3,063
Total non-current liabilities		103,771	145,607	252,527
Total liabilities		128,469	213,113	291,212
Equity				
Common shares		1,059,710	1,054,298	1,061,560
Share option reserve		51,303	44,143	32,360
Investment revaluation reserve		–	16,559	27,761
Accumulated deficit	14	(507,030)	(409,433)	(444,211)
Total equity		603,983	705,567	677,470
Total equity and liabilities		\$ 732,452	\$ 918,680	\$ 968,682
Net current assets		\$ 120,435	\$ 221,916	\$ 543,656
Total assets less current liabilities		\$ 707,754	\$ 851,174	\$ 929,997

SELECTED INFORMATION FROM THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (RESTATED)

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

The Company curtailed its mining activities at the Ovoot Tolgoi Mine during the three months ended June 30, 2012 to varying degrees to manage coal inventories and to maintain efficient working capital levels. As at June 30, 2012, mining activities had been fully curtailed. The Company's mining activities remained fully curtailed until March 22, 2013, when the Company recommenced mining activities at the Ovoot Tolgoi Mine.

The Company had cash and short term investments of \$34,674 and working capital of \$120,435 at December 31, 2012. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue operating until at least December 31, 2013 and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

The Company expects to have sufficient liquidity and capital resources to be able to continue as a going concern until at least December 31, 2013 based on existing capital resources and estimated cash flows from mining operations. Estimated cash flows from mining operations are subject to a number of external market factors including supply and demand and pricing in the coal industry. The Company continues to minimize uncommitted capital expenditures and exploration expenditures in order to preserve the Company's financial resources.

1.2 Statement of compliance

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

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.

2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to the original issuance of the Company's annual consolidated financial statements, the Company determined that certain revenue transactions were previously recognized in the Company's consolidated financial statements prior to meeting relevant revenue recognition criteria. These transactions relate to coal that had been delivered to the customer's stockpile in a stockyard located within the Ovoot Tolgoi mining license area ("the Stockyard"), the location at which title transferred, but from which the coal had not been collected by the customers. The restatement of the Company's consolidated financial statements reflects a correction in the point of revenue recognition from: (A) the delivery of coal to the customer stockpiles within the Stockyard to (B) the loading of coal onto the customer's trucks at the time of collection.

3. SEGMENTED INFORMATION (RESTATED)

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, 2012	\$ 676,981	\$ 55,471	\$ 732,452
As at December 31, 2011	695,089	223,591	918,680
As at January 1, 2011	349,407	619,275	968,682
Segment liabilities			
As at December 31, 2012	\$ 19,496	\$ 108,973	\$ 128,469
As at December 31, 2011	60,226	152,887	213,113
As at January 1, 2011	33,644	257,568	291,212
Segment income/(loss)			
For the year ended December 31, 2012	\$ (84,992)	\$ (12,510)	\$ (97,502)
For the year ended December 31, 2011	(23,236)	71,788	48,552
Segment revenues			
For the year ended December 31, 2012	\$ 78,061	\$ –	\$ 78,061
For the year ended December 31, 2011	130,756	–	130,756
Impairment charge on assets ^{(ii), (iii)}			
For the year ended December 31, 2012	\$ 36,808	\$ 19,184	\$ 55,992
For the year ended December 31, 2011	20,893	–	20,893

- (i) The unallocated amount contains all amounts associated with the Corporate Division.
- (ii) The impairment charge on assets for the year ended December 31, 2012 relates to trade and other receivables, investments, inventories and property, plant and equipment.
- (iii) The impairment charge on assets for the year ended December 31, 2011 relates to trade and other receivables, inventories and property, plant and equipment.

4. COST OF SALES (RESTATED)

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

	Year ended December 31,	
	2012	2011
Operating expenses	\$ 39,671	\$ 72,127
Share-based compensation expense	1,205	1,942
Depreciation and depletion	13,042	18,109
Impairment of inventories	20,531	—
Cost of sales during mine operations	74,449	92,178
Cost of sales during idled mine period ⁽ⁱ⁾	52,958	—
Cost of sales	\$ 127,407	\$ 92,178

- (i) Cost of sales during idled mine period for the year ended December 31, 2012 includes \$33,198 of depreciation expense and \$942 of share-based compensation expense. The depreciation expense relates to the Company's idled plant and equipment.

5. OTHER OPERATING EXPENSES (RESTATED)

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

	Year ended December 31,	
	2012	2011
Public infrastructure	\$ 1,273	\$ 8,069
Sustainability and community relations	894	1,017
Foreign exchange (gain)/loss	3,226	(1,662)
Provision for doubtful trade and other receivables	1,032	1,892
Impairment loss on available-for-sale financial asset	19,184	—
Impairment of inventories	—	2,396
Impairment of property, plant and equipment	15,245	16,605
Other	791	—
Other operating expenses	\$ 41,645	\$ 28,317

6. ADMINISTRATION EXPENSES

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

	Year ended December 31,	
	2012	2011
Corporate administration	\$ 5,525	\$ 7,136
Legal and professional fees	7,293	4,279
Salaries and benefits	5,556	5,538
Share-based compensation expense	6,048	11,474
Depreciation	215	322
Administration expenses	\$ 24,637	\$ 28,749

7. EVALUATION AND EXPLORATION EXPENSES

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

	Year ended December 31,	
	2012	2011
Drilling and trenching	\$ 3,708	\$ 21,842
Other direct expenses	1,428	4,801
Share-based compensation expense	333	994
Overhead and other	3,129	4,132
Evaluation and exploration expenses	\$ 8,598	\$ 31,769

8. FINANCE COSTS AND INCOME

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

	Year ended December 31,	
	2012	2011
Interest expense on convertible debenture	\$ 10,466	\$ 9,137
Unrealized loss on FVTPL investments	4,482	3,091
Interest expense on line of credit facility	322	351
Accretion of decommissioning liability	115	186
Finance costs	\$ 15,385	\$ 12,765

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

	Year ended December 31,	
	2012	2011
Unrealized gain on embedded derivatives in convertible debenture	\$ 39,512	\$ 106,489
Interest income	406	1,243
Realized gain on disposal of FVTPL investments	24	—
Finance income	\$ 39,942	\$ 107,732

9. TAXES (RESTATED)

9.1 Income tax recognized in profit or loss

The Company and its subsidiaries are subject to income or profits tax in the jurisdictions in which the Company operates, including Canada, Hong Kong, Singapore and Mongolia. Income or profits tax was not provided for the Company's operations in Canada, Hong Kong or Singapore as the Company had no assessable income or profit arising in or derived from these jurisdictions. The Company's tax balances reflect income tax assessed on its Mongolian operations. A reconciliation between the Company's tax recovery and the product of the Company's income or loss from operations before tax multiplied by the Company's domestic tax rate is as follows:

	Year ended December 31,	
	2012	2011
(Income)/loss before tax	\$ 99,034	\$ (44,710)
Statutory tax rate	25.00%	26.50%
Income tax (recovery)/expense based on combined Canadian federal and provincial statutory rates	(24,758)	11,848
Deduct:		
Lower effective tax rate in foreign jurisdictions	323	502
Tax effect of tax losses and temporary differences not recognized	15,563	12,465
Non-taxable (income)/non-deductible expenses	7,340	(28,657)
Income tax recovery	\$ (1,532)	\$ (3,842)

9.2 Income tax recognized in other comprehensive income

	Year ended December 31,	
	2012	2011
Fair value remeasurement of available-for-sale financial asset	\$ (2,366)	\$ (1,600)
Deferred tax recovery	\$ (2,366)	\$ (1,600)

9.3 Deferred tax balances

The Company's deferred tax assets/(liabilities) consist of the following amounts:

	December 31, 2012	As at December 31, 2011	January 1, 2011
Tax loss carryforwards	\$ 8,473	\$ —	\$ —
Property, plant and equipment	5,048	8,647	2,880
Other assets	11,463	14,451	9,035
Available-for-sale financial assets	—	(2,366)	(3,966)
Total deferred tax balances	\$ 24,984	\$ 20,732	\$ 7,949

9.4 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:

	December 31, 2012	As at December 31, 2011	January 1, 2011
Non-capital losses	\$ 46,130	\$ 119,212	\$ 77,076
Capital losses	—	63,649	25,075
Deductible temporary differences	103,589	120,254	30,822
Total unrecognized amounts	\$ 149,719	\$ 303,115	\$ 132,973

9.5 Expiry dates

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

	As at December 31, 2012	
	U.S. Dollar Equivalent	Expiry dates
Non-capital losses		
Canada	\$ 33,715	2032
Mongolia	33,892	2016
Hong Kong	12,302	indefinite
Singapore	113	indefinite
	<u>\$ 80,022</u>	

10. EARNINGS/(LOSS) PER SHARE (RESTATED)

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

	Year ended December 31,	
	2012	2011
Net income/(loss)	\$ (97,502)	\$ 48,552
Weighted average number of shares	<u>181,859</u>	<u>182,970</u>
Basic income/(loss) per share	<u>\$ (0.54)</u>	<u>\$ 0.27</u>
Income/(loss)		
Net income/(loss)	\$ (97,502)	\$ 48,552
Interest expense on convertible debenture	10,466	9,137
Unrealized gain on embedded derivatives in convertible debenture	<u>(39,512)</u>	<u>(106,489)</u>
Diluted net loss	<u>\$ (126,548)</u>	<u>\$ (48,800)</u>
Number of shares		
Weighted average number of shares	181,859	182,970
Convertible debenture	<u>28,406</u>	<u>20,931</u>
Diluted weighted average number of shares	<u>210,265</u>	<u>203,901</u>
Diluted loss per share	<u>\$ (0.60)</u>	<u>\$ (0.24)</u>

Potentially dilutive items not included in the calculation of diluted earnings/(loss) per share for the year ended December 31, 2012 were 7,507 stock options that were anti-dilutive.

11. TRADE AND OTHER RECEIVABLES (RESTATED)

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

	December 31, 2012	As at December 31, 2011	January 1, 2011
Trade receivables	\$ 1,439	\$ –	\$ 4,386
VAT/HST receivable	86	144	14,541
Insurance proceeds receivable	500	12,913	–
Other receivables	<u>1,267</u>	<u>3,177</u>	<u>408</u>
Total trade and other receivables	<u>\$ 3,292</u>	<u>\$ 16,234</u>	<u>\$ 19,335</u>

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

	December 31, 2012	As at December 31, 2011	January 1, 2011
Less than 1 month	\$ 2,374	\$ 795	\$ 4,693
1 to 3 months	95	93	1,869
3 to 6 months	159	12,919	2,600
Over 6 months	<u>662</u>	<u>2,425</u>	<u>10,173</u>
Total trade and other receivables	<u>\$ 3,292</u>	<u>\$ 16,234</u>	<u>\$ 19,335</u>

For the year ended December 31, 2012, the Company recorded a \$1,032 loss provision on its trade and other receivables (2011: \$1,892). The loss provision relates to a reduction in the expected insurance proceeds of \$1,011.

12. TRADE AND OTHER PAYABLES (RESTATED)

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:

	December 31, 2012	As at December 31, 2011	January 1, 2011
Less than 1 month	\$ 8,999	\$ 43,349	\$ 21,415
1 to 3 months	176	76	33
3 to 6 months	–	105	72
Over 6 months	<u>1,041</u>	<u>22</u>	<u>26</u>
Total trade and other payables	<u>\$ 10,216</u>	<u>\$ 43,552</u>	<u>\$ 21,546</u>

13. 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.

13.1 Partial conversion

On March 29, 2010, pursuant to the convertible debenture conversion terms, the Company exercised its conversion right and completed the conversion of \$250,000 of the convertible debenture into 21,471 shares at a conversion price of \$11.64 (Cdn\$11.88).

13.2 Presentation

Based on the Company's valuations as at December 31, 2012, the fair values of the embedded derivatives decreased by \$39,512 compared to December 31, 2011. The decrease was recorded as finance income for the year ended December 31, 2012.

For the year ended December 31, 2012, the Company recorded interest expense of \$20,094 (2011: \$20,076) related to the convertible debenture of which \$9,628 was capitalized as borrowing costs and the remaining \$10,466 was recorded as a finance cost. 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,	
	2012	2011
Balance, beginning of year	\$ 145,386	\$ 251,810
Interest expense on convertible debenture	20,094	20,076
Decrease in fair value of embedded derivatives	(39,512)	(106,489)
Interest paid	(20,000)	(20,011)
Balance, end of year	\$ 105,968	\$ 145,386

The convertible debenture balance consists of the following amounts:

	December 31, 2012	As at December 31, 2011	January 1, 2011
Debt host	\$ 90,791	\$ 90,696	\$ 90,621
Fair value of embedded derivatives	8,876	48,389	154,877
Interest payable	6,301	6,301	6,312
Convertible debenture	\$ 105,968	\$ 145,386	\$ 251,810

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

On May 17, 2012, the Parliament of Mongolia approved a Law on Regulation of Foreign Investment in Business Entities Operating in Sectors of Strategic Importance ("Foreign Strategic Sectors Law") that regulated foreign direct investment into a number of key sectors of strategic importance, which included mineral resources.

As a result of the Foreign Strategic Sectors Law, the Company expected it would require parliamentary approval for the shares to be issued for the November 19, 2012 share interest payment. As a result, subsequent to December 31, 2012, the Company settled the 1.6% share interest payment of \$4,000 in cash.

Following amendments to the Foreign Strategic Sectors Law, passed in the three months ended June 30, 2013, the requirement for parliamentary approval was limited to circumstances where a state owned entity is to exceed 49% share ownership of a strategic asset, irrespective of the amount of investment. As a result, the Company is only required to give notice, rather than obtaining parliamentary or other approval, under the Foreign Strategic Sectors Law for the 1.6% share interest payment to the CIC.

On October 3, 2013, Mongolia's foreign investment environment changed again when the Parliament of Mongolia passed the Foreign Investment Law to repeal and replace the Foreign Strategic Sectors Law. The Foreign 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 Foreign Investment Law in connection with share interest payments.

14. ACCUMULATED DEFICIT AND DIVIDENDS

At December 31, 2012, the Company has accumulated a deficit of \$507,030 (2011: \$409,433). No dividends have been paid or declared by the Company since inception.

REVIEW OF RESULTS AND RELEASE OF AUDITED RESULTS

The restated audited consolidated financial statements for the Company for the year ended December 31, 2012, were reviewed by the Audit Committee of the Company and approved and authorized for issue by the Board of Directors of the Company on December 12, 2013. The previously issued consolidated financial statements of the Company for the year ended December 31, 2012 were approved and authorized for issue by the Board of Directors of the Company on March 25, 2013.

The figures in respect of the Company's consolidated statement of financial position (restated), consolidated statement of comprehensive income (restated) and the related notes thereto (restated) as of and for the years ended December 31, 2012 and 2011 and the consolidated statement of financial position (restated) as at January 1, 2011, as set out in this announcement have been agreed by the Company's auditor, PwC, to the amounts set out in the Company's audited consolidated financial statements (restated). 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.

SouthGobi's results for the year ended December 31, 2012 (restated), are contained in the audited consolidated financial statements (restated) and MD&A (restated), which are available on the SEDAR website at www.sedar.com and SouthGobi's website at www.southgobi.com.

ABOUT SOUTHGObI RESOURCES

SouthGobi Resources is listed on the Toronto and Hong Kong stock exchanges, in which Turquoise Hill Resources Ltd., also publicly listed in Toronto and New York, has a 56% shareholding. Turquoise Hill took management control of SouthGobi in September 2012 and made changes to the board and senior management. Rio Tinto has a majority shareholding in Turquoise Hill.

SouthGobi Resources 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, the Mongolian registered company that holds the mining and exploration licenses 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: This document includes forward-looking statements. Forward-looking statements include, but are not limited to: the statement that gross profit will vary by year depending on sales volume, sales price and unit costs; statements relating to the determination of the royalty rate on coal sales exported out of Mongolia; statements regarding future variances in exploration expenses; the statement that the Company expects to have sufficient liquidity and capital resources to be able to continue as a going concern until at least December 31, 2013 based on existing capital resources and estimated cash flows from mining operations; statements regarding the supply and demand of the coking coal market; and other statements that are not historical facts. When used in this document, the words such as “plan”, “estimate”, “expect”, “intend”, “may”, and similar expressions are forward-looking statements. Although SouthGobi believes that the expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these 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 SouthGobi’s MD&A for the year ended December 31, 2012 (restated) which is available at www.sedar.com.