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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)
(Hong Kong Stock Code: 1878)
(Toronto Stock Code: SGQ)

SouthGobi announces second quarter 2021 financial and operating results

SouthGobi Resources Ltd. (the "**Company**" or "**SouthGobi**") today announces its financial and operating results for the three and six months ended June 30, 2021.

Please see the attached announcement for more details. The information included in the attached announcement is available on the SEDAR website at www.sedar.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

By order of the Board
SouthGobi Resources Ltd.
Mao Sun
Lead Director

Vancouver, August 13, 2021
Hong Kong, August 13, 2021

As at the date of this announcement, the executive director of the Company is Mr. Dalanguerban; the independent non-executive directors are Messrs. Yingbin Ian He, Mao Sun and Ms. Jin Lan Quan; and the non-executive directors are Messrs. Jianmin Bao, Zhiwei Chen, Ben Niu and Ms. Ka Lee Ku.

* *For identification purpose only*

August 13, 2021

SOUTHGOBI RESOURCES ANNOUNCES SECOND QUARTER 2021 FINANCIAL AND OPERATING RESULTS

HONG KONG – SouthGobi Resources Ltd. **(Toronto Stock Exchange ("TSX"): SGQ, Hong Kong Stock Exchange ("HKEX"): 1878)** (the "Company" or "SouthGobi") today announces its financial and operating results for the three and six months ended June 30, 2021. All figures are in U.S. dollars ("USD") unless otherwise stated.

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company's significant events and highlights for the three months ended June 30, 2021 and the subsequent period up to August 13, 2021 are as follows:

- ***Operating Results*** – In response to the increase in Coronavirus Disease 2019 ("COVID-19") case numbers in Mongolia in the second quarter of 2021, the Chinese authorities has been restricting the number of trucks permitted to cross the Ceke port of entry, and such restriction has severely impacted the sales volume of the Company in the second quarter of 2021. As a result, the Company's sales volume decreased from 0.5 million tonnes in the second quarter of 2020 to 0.1 million tonnes in the second quarter of 2021.

  In response to the restrictions on the number of trucks crossing the Mongolian border into China, the Company temporarily suspended its major mining operations (including coal mining) in the second quarter of 2021 in order to control the inventory level and preserve the Company's working capital. Such suspension remains in effect as of the date of this press release. Management expects that mining operations (including coal mining) will resume in the third quarter of 2021.

  The Company experienced an increase in the average selling price of coal from $31.7 per tonne in the second quarter of 2020 to $47.9 per tonne in the second quarter of 2021, as a result of improved market conditions in China and an improvement of the overall product mix.

- ***Financial Results*** – The Company recorded a $1.0 million loss from operations in the second quarter of 2021 compared to a $1.9 million loss from operations in the second quarter of 2020. The financial results for the second quarter of 2021 were impacted by the decreased sales resulting from the export volume limitations and a provision for commercial arbitration of $4.6 million recorded for the second quarter of 2020 in connection with the settlement agreement entered into with First Concept Industrial Group Limited ("First Concept").

- ***Impact of the COVID-19 Pandemic*** – Since the onset of the COVID-19 pandemic in early 2020, the Mongolian local authorities have taken certain precautionary steps to minimize further transmission of COVID-19 in Mongolia and announced several lockdown measures in Ulaanbaatar. During the second quarter of 2021, additional precautionary measures were imposed by the Chinese authorities at the Ceke port of entry in response to the increase of COVID-19 case numbers in Mongolia, which included restricting the number of trucks crossing the Mongolian border into China. These restrictions on trucking volume have had an adverse impact on the Company's ability to import its coal products into China in the second quarter of 2021. In response, the Company has temporarily suspended its major mining operations (including coal mining) in the second quarter of 2021 in order to control the inventory level and preserve the Company's working capital. Such suspension remains in effect as of the date of this press release. Although the export of coal from Mongolia to China continues as of the date hereof, there can be no guarantee that the Company will be able to continue exporting coal to China, or that the border crossings would not be the subject of closures as a result of COVID-19 or any variants thereof in the future. The Company will continue to closely monitor the development of the COVID-19 pandemic and the impact it has on coal exports to China and will react promptly to preserve the working capital of the Company and mitigate any negative impacts on the business and operations of the Company.

  In the event that the Company's ability to export coal into the Chinese market becomes restricted or limited again as a result of any future restrictions which may be implemented at the Mongolia-China border crossing, this is expected to have a material adverse effect on the business and operations of the Company and may negatively affect the price and volatility of the Common Shares and any investment in such shares could suffer a significant decline or total loss in value.

- ***China Investment Corporation ("CIC") Convertible Debenture ("CIC Convertible Debenture")*** – On July 30, 2021, the Company and CIC entered into an agreement (the "2021 July Deferral Agreement") pursuant to which CIC agreed to grant the Company a deferral of: (i) semi-annual cash interest payments of $8.1 million payable to CIC on November 19, 2021; and (ii) $4.0 million worth of payment in kind interest ("PIK Interest") shares (collectively, the "2021 Deferral Amounts") issuable to CIC on November 19, 2021 under the CIC Convertible Debenture.

  The principal terms of the 2021 July Deferral Agreement are as follows:

  - Payment of the 2021 Deferral Amounts will be deferred until August 31, 2023.

  - As consideration for the deferral of the 2021 Deferral Amounts, the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2021 Deferral Amounts payable under the CIC Convertible Debenture, commencing on November 19, 2021.

- ***Going Concern*** – Several adverse conditions and material uncertainties relating to the Company cast significant doubt upon the going concern assumption which includes the deficiencies in assets and working capital.

  See section "Liquidity and Capital Resources" of this press release for details.

OVERVIEW OF OPERATIONAL DATA AND FINANCIAL RESULTS

Summary of Operational Data

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Sales Volumes, Prices and Costs				
Premium semi-soft coking coal				
Coal sales *(millions of tonnes)*	**0.08**	0.21	**0.48**	0.28
Average realized selling price *(per tonne)*	**$ 52.11**	$ 28.69	**$ 48.56**	$ 28.63
Standard semi-soft coking coal/premium thermal coal				
Coal sales *(millions of tonnes)*	**0.03**	0.26	**0.26**	0.39
Average realized selling price *(per tonne)*	**$ 36.71**	$ 33.12	**$ 35.35**	$ 32.98
Standard thermal coal				
Coal sales *(millions of tonnes)*	**–**	–	**–**	–
Average realized selling price *(per tonne)*	**$ –**	$ –	**$ –**	$ –
Washed coal				
Coal sales *(millions of tonnes)*	**–**	0.02	**0.01**	0.02
Average realized selling price *(per tonne)*	**$ –**	$ 43.26	**$ 49.75**	$ 43.26
Total				
Coal sales *(millions of tonnes)*	**0.11**	0.49	**0.75**	0.69
Average realized selling price *(per tonne)*	**$ 47.93**	$ 31.66	**$ 44.10**	$ 31.52
Raw coal production *(millions of tonnes)*	**–**	–	**1.04**	0.01
Cost of sales of product sold *(per tonne)*	**$ 41.38**	$ 21.16	**$ 30.53**	$ 23.82
Direct cash costs of product sold *(per tonne)* [(i)]	**$ 16.39**	$ 9.90	**$ 17.89**	$ 10.42
Mine administration cash costs of product sold *(per tonne)* [(i)]	**$ 4.26**	$ 1.70	**$ 1.51**	$ 1.93
Total cash costs of product sold *(per tonne)* [(i)]	**$ 20.65**	$ 11.60	**$ 19.40**	$ 12.35
Other Operational Data				
Production waste material moved *(millions of bank cubic meters)*	**–**	–	**5.04**	0.57
Strip ratio *(bank cubic meters of waste material per tonne of coal produced)*	**–**	–	**4.83**	85.08
Lost time injury frequency rate [(ii)]	**0.00**	0.04	**0.00**	0.06

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

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

Overview of Operational Data

For the three months ended June 30, 2021

The Company experienced an increase in the average selling price of coal from $31.7 per tonne in the second quarter of 2020 to $47.9 per tonne in the second quarter of 2021, as a result of improved market conditions in China and an improvement of the overall product mix. The product mix for the second quarter of 2021 consisted of approximately 73% premium semi-soft coking coal and 27% semi-soft coking coal/premium thermal coal compared to approximately 43% premium semi-soft coking coal, 53% semi-soft coking coal/premium thermal coal and 4% washed coal in the second quarter of 2020.

In response to the increase in COVID-19 case numbers in Mongolia in the second quarter of 2021, the Chinese authorities has been restricting the number of trucks permitted to cross the Ceke port of entry, and such restriction has severely impacted the sales volume of the Company in the second quarter of 2021. As a result, the Company's sales volume decreased from 0.5 million tonnes in the second quarter of 2020 to 0.1 million tonnes in the second quarter of 2021.

In response to the restrictions on the number of trucks crossing the Mongolian border into China, the Company temporarily suspended its major mining operations (including coal mining) in the second quarter of 2021 in order to control the inventory level and preserve the Company's working capital. Such suspension remains in effect as of the date of this press release. Management expects that mining operations (including coal mining) will resume in the third quarter of 2021.

The Company's unit cost of sales of product sold increased from $21.2 per tonne in the second quarter of 2020 to $41.4 per tonne in the second quarter of 2021. The increase was mainly driven by the diseconomies of scale due to decreased sales as well as the increase in the effective royalty rate.

For the six months ended June 30, 2021

The Company sold 0.8 million tonnes for the first six months of 2021 as compared to 0.7 million tonnes for the first six months of 2020. The average selling price increased from $31.5 per tonne for the first six months of 2020 to $44.1 per tonne for the first six months of 2021, as a result of improved market conditions in China and an improvement of the overall product mix.

The Company's production in the first six months of 2021 was higher than the first six months of 2020 as a result of the temporary suspension of the Company's major mining operations (including coal mining) which took effect in 2020 for the purpose of mitigating the financial impact of the border closures and preserving the Company's working capital.

The Company's unit cost of sales of product sold increased from $23.8 per tonne for the first six months of 2020 to $30.5 per tonne in the first six months of 2021. The increase was mainly driven by the increase in the effective royalty rate.

Summary of Financial Results

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
$ in thousands, except per share information				
Revenue [(i)]	**$ 5,191**	$ 14,975	**$ 33,255**	$ 21,112
Cost of sales [(i)]	**(4,552)**	(10,366)	**(22,899)**	(16,437)
Gross profit excluding idled mine asset costs	**1,565**	6,286	**11,793**	7,748
Gross profit	**639**	4,609	**10,356**	4,675
Other operating expenses	**(113)**	(5,150)	**(448)**	(4,680)
Administration expenses	**(1,484)**	(1,291)	**(3,266)**	(3,062)
Evaluation and exploration expenses	**(47)**	(52)	**(112)**	(108)
Profit/(loss) from operations	**(1,005)**	(1,884)	**6,530**	(3,175)
Finance costs	**(8,870)**	(7,258)	**(21,027)**	(14,365)
Finance income	**2,494**	2	**21,015**	17
Share of earnings/(loss) of a joint venture	**(35)**	268	**239**	222
Current income tax credit/(expense)	**139**	(900)	**(981)**	(1,632)
Net profit/(loss) attributable to equity holders of the Company	**(7,277)**	(9,772)	**5,776**	(18,933)
Basic earnings/(loss) per share	**$ (0.03)**	$ (0.04)	**$ 0.02**	$ (0.07)
Diluted earnings/(loss) per share	**$ (0.03)**	$ (0.04)	**$ 0.01**	$ (0.07)

[(i)] *Revenue and cost of sales relate to the Company's Ovoot Tolgoi Mine within the Coal Division operating segment. Refer to note 3 of the condensed consolidated interim financial statements for further analysis regarding the Company's reportable operating segments.*

Overview of Financial Results

For the three months ended June 30, 2021

The Company recorded a $1.0 million loss from operations in the second quarter of 2021 compared to a $1.9 million loss from operations in the second quarter of 2020. The financial results for the second quarter of 2021 were impacted by the decreased sales resulting from the export volume limitations and a provision for commercial arbitration of $4.6 million recorded for the second quarter of 2020 in connection with the settlement agreement entered into with First Concept.

Revenue was $5.2 million in the second quarter of 2021 compared to $15.0 million in the second quarter of 2020. The Company's effective royalty rate for the second quarter of 2021, based on the Company's average realized selling price of $47.9 per tonne, was 21.9% or $10.5 per tonne, compared to 11.1% or $3.5 per tonne in the second quarter of 2020 (based on the average realized selling price of $31.7 per tonne).

Royalty regime in Mongolia

The royalty regime in Mongolia is evolving and has been subject to change since 2012.

On September 4, 2019, the Government of Mongolia issued a further resolution in connection with the royalty regime. From September 1, 2019 onwards, in the event that the contract sales price is less than the reference price as determined by the Government of Mongolia by more than 30%, then the royalty payable will be calculated based on the Mongolian Government's reference price instead of the contract sales price.

Cost of sales was $4.6 million in the second quarter of 2021 compared to $10.4 million in the second quarter of 2020. The decrease in cost of sales was mainly due to the decreased sales during the quarter. Cost of sales consists of operating expenses, share-based compensation expense, equipment depreciation, depletion of mineral properties, royalties 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 section "Non-IFRS financial measure" for further analysis) during the quarter.

	Three months ended June 30,	
$ in thousands	**2021**	2020
Operating expenses	**$ 2,271**	$ 5,684
Share-based compensation expense	**1**	17
Depreciation and depletion	**219**	1,288
Royalties	**1,135**	1,700
Cost of sales from mine operations	**3,626**	8,689
Cost of sales related to idled mine assets	**926**	1,677
Cost of sales	**$ 4,552**	$ 10,366

Operating expenses in cost of sales were $2.3 million in the second quarter of 2021 compared to $5.7 million in the second quarter of 2020. The overall decrease in operating expenses was primarily due to the decreased sales volume from 0.5 million tonnes in the second quarter of 2020 to 0.1 million tonnes in the second quarter of 2021.

Cost of sales related to idled mine assets in the second quarter of 2021 included $0.9 million related to depreciation expenses for idled equipment (second quarter of 2020: $1.7 million).

Other operating expenses were $0.1 million in the second quarter of 2021 (second quarter of 2020: $5.2 million). A provision for commercial arbitration of $4.6 million recorded for the second quarter of 2020 in connection with the settlement agreement entered into with First Concept.

	Three months ended June 30,	
$ in thousands	**2021**	2020
CIC management fee	**$ 120**	$ 413
Provision for doubtful trade and other receivables	**29**	144
Foreign exchange loss, net	**189**	20
Discount on settlement of trade payables	**(225)**	–
Loss on disposal of items of property, plant and equipment, net	**–**	20
Provision for commercial arbitration	**–**	4,553
Other operating expenses	**$ 113**	$ 5,150

Administration expenses were $1.5 million in the second quarter of 2021 compared to $1.3 million in the second quarter of 2020 as follows:

	Three months ended June 30,	
$ in thousands	**2021**	2020
Corporate administration	**$ 533**	$ 143
Legal and professional fees	**16**	162
Salaries and benefits	**765**	757
Share-based compensation expense	**2**	57
Depreciation	**168**	172
Administration expenses	**$ 1,484**	$ 1,291

The Company continued to minimize evaluation and exploration expenditures in the second quarter of 2021 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in the second quarter of 2021 were limited to ensuring that the Company met the Mongolian Minerals Law requirements in respect of its mining licenses.

Finance costs were $8.9 million and $7.3 million in the second quarter of 2021 and 2020 respectively, which primarily consisted of interest expense on the $250.0 million CIC Convertible Debenture.

For the six months ended June 30, 2021

The Company recorded a $6.5 million profit from operations in the first six months of 2021 compared to a $3.2 million loss from operations in the first six months of 2020. The financial results were impacted by (i) the higher selling price achieved by the Company; and (ii) a provision for commercial arbitration of $4.6 million recorded for the first six months of 2020 in connection with the settlement agreement entered into with First Concept.

Revenue was $33.3 million in the first six months of 2021 compared to $21.1 million in the first six months of 2020. The Company's effective royalty rate for the first six months of 2021, based on the Company's average realized selling price of $44.1 per tonne, was 16.0% or $7.1 per tonne, compared to 13.7% or $4.3 per tonne in the first six months of 2020 (based on the average realized selling price of $31.5 per tonne).

Cost of sales were $22.9 million in the first six months of 2021 compared to $16.4 million in the first six months of 2020 as follows:

$ in thousands	**Six months ended June 30, 2021**	2020
Operating expenses	**$ 14,551**	$ 8,522
Share-based compensation expense/(recovery)	**(1)**	19
Depreciation and depletion	**1,577**	1,866
Royalties	**5,335**	2,957
Cost of sales from mine operations	**21,462**	13,364
Cost of sales related to idled mine assets	**1,437**	3,073
Cost of sales	**$ 22,899**	$ 16,437

Operating expenses in cost of sales were $14.6 million in the first six months of 2021 compared to $8.5 million in the first six months of 2020. The overall increase in operating expenses was primarily due to the increased sales volume.

Cost of sales related to idled mine assets in the first six months of 2021 included $1.4 million related to depreciation expenses for idled equipment (first six months of 2020: $3.1 million).

Other operating expenses were $0.4 million in the first six months of 2021 (first six months of 2020: $4.7 million). A provision for commercial arbitration of $4.6 million recorded for the first six months of 2020 in connection with the settlement agreement entered into with First Concept.

	Six months ended June 30,	
$ in thousands	**2021**	2020
CIC management fee	**$ 733**	$ 535
Provision for doubtful trade and other receivables	**220**	282
Foreign exchange loss/(gain), net	**171**	(752)
Gain on disposal of items of property, plant and equipment, net	**(270)**	(19)
Discount on settlement of trade payables	**(381)**	–
Reversal of impairment on materials and supplies inventories	**(25)**	–
Provision for commercial arbitration	**–**	4,634
Other operating expenses	**$ 448**	$ 4,680

Administration expenses were $3.3 million in the first six months of 2021 compared to $3.1 million in the first six months of 2020, as follows:

	Six months ended June 30,	
$ in thousands	**2021**	2020
Corporate administration	**$ 949**	$ 448
Legal and professional fees	**559**	549
Salaries and benefits	**1,398**	1,667
Share-based compensation expense/(recovery)	**(4)**	69
Depreciation	**364**	329
Administration expenses	**$ 3,266**	$ 3,062

The Company continued to minimize evaluation and exploration expenditures in the first six months of 2021 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in the first six months of 2021 were limited to ensuring that the Company met the Mongolian Minerals Law requirements in respect of its mining licenses.

Finance costs were $21.0 million and $14.4 million in the first six months of 2021 and 2020 respectively, which primarily consisted of interest expense on the $250.0 million CIC Convertible Debenture. The increase was mainly due to the associated increase in interest expenses following the recording of a gain on extinguishment of the CIC Convertible Debenture.

Summary of Quarterly Operational Data

	2021			2020				2019
Quarter Ended	**30-Jun**	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Sales Volumes, Prices and Costs								
Premium semi-soft coking coal								
Coal sales *(millions of tonnes)*	**0.08**	0.40	0.38	0.35	0.21	0.07	0.39	0.05
Average realized selling price *(per tonne)*	**$ 52.11**	$ 47.88	$ 39.34	$ 30.17	$ 28.69	$ 28.46	$ 29.18	$ 31.49
Standard semi-soft coking coal/premium thermal coal								
Coal sales *(millions of tonnes)*	**0.03**	0.23	0.50	0.54	0.26	0.13	0.40	0.51
Average realized selling price *(per tonne)*	**$ 36.71**	$ 35.17	$ 31.66	$ 30.80	$ 33.12	$ 32.71	$ 31.88	$ 31.67
Standard thermal coal								
Coal sales *(millions of tonnes)*	**–**	–	–	–	–	–	–	–
Average realized selling price *(per tonne)*	**$ –**	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Washed coal								
Coal sales *(millions of tonnes)*	**–**	0.01	0.07	0.10	0.02	–	0.20	0.25
Average realized selling price *(per tonne)*	**$ –**	$ 49.62	$ 42.51	$ 41.30	$ 43.26	$ –	$ 42.95	$ 42.37
Total								
Coal sales *(millions of tonnes)*	**0.11**	0.64	0.95	0.99	0.49	0.20	0.99	0.81
Average realized selling price *(per tonne)*	**$ 47.93**	$ 43.46	$ 35.53	$ 31.63	$ 31.66	$ 31.18	$ 33.04	$ 34.98
Raw coal production *(millions of tonnes)*	**–**	1.04	0.96	0.52	–	0.01	1.48	1.21
Cost of sales of product sold *(per tonne)*	**$ 41.38**	$ 28.67	$ 23.36	$ 20.23	$ 21.16	$ 30.36	$ 23.68	$ 19.16
Direct cash costs of product sold *(per tonne)* (i)	**$ 16.39**	$ 18.15	$ 14.78	$ 12.38	$ 9.90	$ 11.69	$ 13.61	$ 18.03
Mine administration cash costs of product sold *(per tonne)* (i)	**$ 4.26**	$ 1.04	$ 1.07	$ 1.15	$ 1.70	$ 2.50	$ 1.29	$ 1.09
Total cash costs of product sold *(per tonne)* (i)	**$ 20.65**	$ 19.19	$ 15.85	$ 13.53	$ 11.60	$ 14.19	$ 14.90	$ 19.12
Other Operational Data								
Production waste material moved *(millions of bank cubic meters)*	**–**	5.04	3.10	1.67	–	0.57	3.61	4.36
Strip ratio *(bank cubic meters of waste material per tonne of coal produced)*	**–**	4.83	3.24	3.20	–	85.08	2.44	3.61
Lost time injury frequency rate (ii)	**0.00**	0.00	0.00	0.00	0.04	0.09	0.08	0.08

(i) *A Non-IFRS financial measure. Refer to "Non-IFRS Financial Measures" section. Cash costs of product sold exclude idled mine asset cash costs.*

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

Summary of Quarterly Financial Results

The Company's consolidated financial statements are reported under IFRS issued by the International Accounting Standards Board (the "IASB"). The following table provides highlights, extracted from the Company's annual and interim consolidated financial statements, of quarterly results for the past eight quarters:

$ in thousands, except per share information	**2021**		2020				2019	
Quarter Ended	**30-Jun**	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Financial Results								
Revenue [(i)]	**$ 5,191**	$ 28,064	$ 33,879	$ 30,960	$ 14,975	$ 6,137	$ 32,113	$ 28,309
Cost of sales [(i)]	**(4,552)**	(18,347)	(22,193)	(20,027)	(10,366)	(6,071)	(23,446)	(15,518)
Gross profit excluding idled mine asset costs	**1,565**	10,228	12,610	11,789	6,286	1,462	9,971	13,664
Gross profit including idled mine asset costs	**639**	9,717	11,686	10,933	4,609	66	8,667	12,791
Other operating income/(expenses)	**(113)**	(335)	434	(575)	(5,150)	470	(1,589)	(1,245)
Administration expenses	**(1,484)**	(1,781)	(2,120)	(1,789)	(1,291)	(1,771)	(1,386)	(2,074)
Evaluation and exploration expenses	**(47)**	(65)	(55)	(63)	(52)	(56)	(382)	(22)
Profit/(loss) from operations	**(1,005)**	7,536	9,945	8,506	(1,884)	(1,291)	5,310	9,450
Finance costs	**(8,870)**	(14,637)	(7,442)	(9,885)	(7,258)	(7,135)	(7,095)	(7,184)
Finance income	**2,494**	21,001	13	2,583	2	43	36	68
Share of earnings/(loss) of a joint venture	**(35)**	274	431	660	268	(46)	225	277
Current income tax credit/(expense)	**139**	(1,120)	(5,174)	(793)	(900)	(732)	(659)	(468)
Net profit/(loss)	**(7,277)**	13,054	(2,227)	1,071	(9,772)	(9,161)	(2,183)	2,143
Basic earnings/(loss) per share	**$ (0.03)**	$ 0.05	$ (0.01)	$ –	$ (0.04)	$ (0.03)	$ (0.01)	$ 0.01
Diluted earnings/(loss) per share	**$ (0.03)**	$ 0.02	$ (0.01)	$ –	$ (0.04)	$ (0.03)	$ (0.01)	$ 0.01

(i) *Revenue and cost of sales relate to the Company's Ovoot Tolgoi Mine within the Coal Division operating segment. Refer to note 3 of the condensed consolidated interim financial statements for further analysis regarding the Company's reportable operating segments.*

LIQUIDITY AND CAPITAL RESOURCES

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.

Costs reimbursable to Turquoise Hill Resources Limited ("Turquoise Hill")

Prior to the completion of a private placement with Novel Sunrise Investments Limited ("Novel Sunrise") on April 23, 2015, Rio Tinto plc ("Rio Tinto") was the Company's ultimate parent company. In the past, Rio Tinto sought reimbursement from the Company for the salaries and benefits of certain Rio Tinto employees who were assigned by Rio Tinto to work for the Company, as well as certain legal and professional fees incurred by Rio Tinto in relation to the Company's prior internal investigation and Rio Tinto's participation in the tripartite committee. Subsequently, Rio Tinto transferred and assigned to Turquoise Hill its right to seek reimbursement for these costs and fees from the Company.

As at December 31, 2020, the amount of reimbursable costs and fees claimed by Turquoise Hill (the "TRQ Reimbursable Amount") amounted to $8.1 million (such amount is included in the trade and other payables).

On January 20, 2021, the Company and Turquoise Hill entered into a settlement agreement, whereby Turquoise Hill agreed to a repayment schedule in settlement of certain secondment costs in the amount of $2.8 million (representing a portion of the TRQ Reimbursable Amount) pursuant to which the Company agreed to make monthly payments to Turquoise Hill in the amount of $0.1 million per month from January 2021 to June 2022. The Company is contesting the validity of the remaining balance of the TRQ Reimbursable Amount claimed by Turquoise Hill.

Going concern considerations

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue operating until at least June 30, 2022 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 flow, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with additional liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's condensed consolidated interim financial statements. The Company had a deficiency in assets of $70.6 million as at June 30, 2021 as compared to a deficiency in assets of $76.2 million as at December 31, 2020 while the working capital deficiency (excess current liabilities over current assets) was $35.3 million as at June 30, 2021 compared to a working capital deficiency of $217.6 million as at December 31, 2020.

Included in the working capital deficiency as at June 30, 2021 are significant obligations, mainly comprising of trade and other payables of $68.8 million, which includes the unpaid taxes of $24.1 million that are repayable on demand to the Mongolian Tax Authority ("MTA").

The Company may not be able to settle all trade and other payables on a timely basis, while continuing postponement in settling certain trade payables owed to suppliers and creditors may impact the mining operations of the Company and may result in potential lawsuits and/or bankruptcy proceedings being filed against the Company. Except as disclosed elsewhere in this press release, no such lawsuits or proceedings are pending as at August 13, 2021. However, there can be no assurance that no such lawsuits or proceedings will be filed by the Company's creditors in the future and the Company's suppliers and contractors will continue to supply and provide services to the Company uninterrupted.

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the condensed consolidated interim financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Company's assets to their realizable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the condensed consolidated interim financial statements. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

Management of the Company has prepared a cash flow projection covering a period of 12 months from June 30, 2021. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (1) entering into two deferral agreements with CIC on November 19, 2020 (the "2020 November Deferral Agreement") for a deferral of (i) deferred cash interest and deferral fees of approximately $75.2 million which were due and payable to CIC on or before September 14, 2020, under the deferral agreement signed on June 19, 2020 (the "2020 June Deferral Agreement"); (ii) semi-annual cash interest payments in the aggregate amount of $16.0 million payable to CIC on November 19, 2020 and May 19, 2021; (iii) $4.0 million worth of PIK Interest shares issuable to CIC on November 19, 2020 under the CIC Convertible Debenture; and (iv) the management fee that were due and payable to CIC on November 14, 2020 and February 14, 2021, and that will be due and payable to CIC on May 15, 2021, August 14, 2021 and November 14, 2021 under the amended and restated mutual cooperation agreement signed on November 19, 2009 ("Amended and Restated Cooperation Agreement") (collectively, the "2020 November Deferral Amounts") and the 2021 July Deferral Agreement for a deferral of the 2021 Deferral Amounts respectively until August 31, 2023; (2) agreeing to deferral arrangements and improved payment terms with certain vendors; (3) reducing the outstanding tax payable by making monthly payments to the MTA beginning as of June 2020; and (4) reducing the inventory of low quality coal by wet washing. After considering the above, the directors of the Company believe that there will be sufficient financial resources to continue its operations and to meet its financial obligations as and when they fall due in the next 12 months from June 30, 2021 and therefore are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

Factors that impact the Company's liquidity are being closely monitored and include, but are not limited to: impact of the COVID-19 pandemic, restrictions on the Company's ability to import its coal products for sale in China, China's economic growth, market prices of coal, production levels, operating cash costs, capital costs, exchange rates of currencies of countries where the Company operates and exploration and discretionary expenditures.

As at June 30, 2021 and December 31, 2020, the Company was not subject to any externally imposed capital requirements.

Impact of the COVID-19 Pandemic

Since the onset of the COVID-19 pandemic in early 2020, the Mongolian local authorities have taken certain precautionary steps to minimize further transmission of COVID-19 in Mongolia and announced several lockdown measures in Ulaanbaatar. During the second quarter of 2021, additional precautionary measures were imposed by the Chinese authorities at the Ceke port of entry in response to the increase of COVID-19 case numbers in Mongolia, which included restricting the number of trucks crossing the Mongolian border into China. These restrictions on trucking volume have had an adverse impact on the Company's ability to import its coal products into China in the second quarter of 2021. In response, the Company temporarily suspended its major mining operations (including coal mining) in the second quarter of 2021 in order to control the inventory level and preserve the Company's working capital. Such suspension remains in effect as of the date of this press release. Although the export of coal from Mongolia to China continues as of the date hereof, there can be no guarantee that the Company will be able to continue exporting coal to China, or that the border crossings would not be the subject of closures as a result of COVID-19 or any variants thereof in the future. The Company will continue to closely monitor the development of the COVID-19 pandemic and the impact it has on coal exports to China and will react promptly to preserve the working capital of the Company and mitigate any negative impacts on the business and operations of the Company.

CIC Convertible Debenture

In November 2009, the Company entered into a financing agreement with CIC for $500 million in the form of a secured, convertible debenture bearing interest at 8.0% (6.4% payable semi-annually in cash and 1.6% payable annually in the Company's shares) with a maximum term of 30 years. The CIC Convertible Debenture is secured by a first ranking charge over the Company's assets and certain subsidiaries. The financing was used primarily to support the accelerated investment program in Mongolia and for working capital, repayment of debts, general and administrative expenses and other general corporate purposes.

On March 29, 2010, the Company exercised its right to call for the conversion of up to $250.0 million of the CIC Convertible Debenture into approximately 21.5 million shares at a conversion price of $11.64 (CAD$11.88). As at June 30, 2021, CIC owned approximately 23.7% of the issued and outstanding Common Shares of the Company.

On November 19, 2020, the Company and CIC entered into the 2020 November Deferral Agreement pursuant to which CIC agreed to grant the Company a deferral of the 2020 November Deferral Amounts. The 2020 November Deferral Agreement became effective on January 21, 2021, being the date on which the 2020 November Deferral Agreement was approved by shareholders at the Company's annual and special meeting of shareholders.

The principal terms of the 2020 November Deferral Agreement are as follows:

- Payment of the 2020 November Deferral Amounts will be deferred until August 31, 2023.

- CIC agreed to waive its rights arising from any default or event of default under the CIC Convertible Debenture as a result of trading in the Common Shares being halted on the TSX beginning as of June 19, 2020 and suspended on the HKEX beginning as of August 17, 2020, in each case for a period of more than five trading days.

- As consideration for the deferral of the 2020 November Deferral Amounts, the Company agreed to pay CIC: (i) a deferral fee equal to 6.4% per annum on the 2020 November Deferral Amounts payable under the CIC Convertible Debenture and the 2020 June Deferral Agreement, commencing on the date on which each such 2020 November Deferral Amounts would otherwise have been due and payable under the CIC Convertible Debenture or the 2020 June Deferral Agreement, as applicable; and (ii) a deferral fee equal to 2.5% per annum on the 2020 November Deferral Amounts payable under the Amended and Restated Cooperation Agreement, commencing on the date on which the management fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- The 2020 November Deferral Agreement does not contemplate a fixed repayment schedule for the 2020 November Deferral Amounts and related deferral fees. Instead, the Company and CIC would agree to assess in good faith the Company's financial condition and working capital position on a monthly basis and determine the amount, if any, of the 2020 November Deferral Amounts and related deferral fees that the Company is able to repay under the CIC Convertible Debenture, the 2020 June Deferral Agreement or the Amended and Restated Cooperation Agreement, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.

- Commencing as of November 19, 2020 and until such time as the November 2020 PIK Interest is fully repaid, CIC reserves the right to require the Company to pay and satisfy the amount of the November 2020 PIK Interest, either in full or in part, by way of issuing and delivering PIK interest shares in accordance with the CIC Convertible Debenture provided that, on the date of issuance of such shares, the Common Shares are listed and trading on at least one stock exchange.

- If at any time before the 2020 November Deferral Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its Chief Executive Officer, its Chief Financial Officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, then the Company must first consult with, and obtain written consent from CIC prior to effecting such appointment, replacement or termination.

On July 30, 2021, the Company and CIC entered into the 2021 July Deferral Agreement pursuant to which CIC agreed to grant the Company a deferral of: (i) semi-annual cash interest payments of $8.1 million payable to CIC on November 19, 2021; and (ii) $4.0 million worth of PIK Interest issuable to CIC on November 19, 2021 under the CIC Convertible Debenture. The effectiveness of the 2021 July Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2021 July Deferral Agreement are subject to the Company obtaining the requisite approval of the 2021 July Deferral Agreement from the TSX in accordance with applicable TSX rules.

The principal terms of the 2021 July Deferral Agreement are as follows:

- Payment of the 2021 Deferral Amounts will be deferred until August 31, 2023.

- As consideration for the deferral of the 2021 Deferral Amounts, the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2021 Deferral Amounts payable under the CIC Convertible Debenture, commencing on November 19, 2021.

REGULATORY ISSUES AND CONTINGENCIES

Class Action Lawsuit

In January 2014, Siskinds LLP, a Canadian law firm, filed a class action (the “Class Action”) against the Company, certain of its former senior officers and directors, and its former auditors (the “Former Auditors”), in the Ontario Court in relation to the Company’s restatement of certain financial statements previously disclosed in the Company’s public fillings (the “Restatement”).

To commence and proceed with the Class Action, the plaintiff was required to seek leave of the Court under the Ontario Securities Act (“Leave Motion”) and certify the action as a class proceeding under the Ontario Class Proceedings Act. The Ontario Court rendered its decision on the Leave Motion on November 5, 2015, dismissing the action against the former senior officers and directors and allowing the action to proceed against the Company in respect of alleged misrepresentation affecting trades in the secondary market for the Company’s securities arising from the Restatement. The action against the Former Auditors was settled by the plaintiff on the eve of the Leave Motion.

Both the plaintiff and the Company appealed the Leave Motion decision to the Ontario Court of Appeal. On September 18, 2017, the Ontario Court of Appeal dismissed the Company’s appeal of the Leave Motion to permit the plaintiff to commence and proceed with the Class Action. Concurrently, the Ontario Court of Appeal granted leave for the plaintiff to proceed with their action against the former senior officers and directors in relation to the Restatement.

The Company filed an application for leave to appeal to the Supreme Court of Canada in November 2017, but the leave to appeal to the Supreme Court of Canada was dismissed in June 2018.

In December 2018, the parties agreed to a consent Certification Order, whereby the action against the former senior officers and directors was withdrawn and the Class Action would only proceed against the Company.

Counsel for the plaintiff and defence have agreed on and the case management judge has ordered a trial to commence in December 2022 (subject to Court availability). To accomplish all steps necessary for trial preparation, counsels have agreed to the following proposed schedule under the case management of the judge: (i) document production and pleading amendments by October 31, 2021; (ii) oral examinations for discovery ending by December 31, 2022; (iii) expert reports of plaintiff by March 31, 2022 and by defendants July 31, 2022; and (iv) pre-trial filings and motions by August 31, 2022. The Company has urged a trial as early as possible.

The Company firmly believes that it has a strong defense on the merits and will continue to vigorously defend itself against the Class Action through independent Canadian litigation counsel retained by the Company for this purpose. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Class Action or determine the amount of potential losses, if any. However, the Company has determined that a provision for this matter as at June 30, 2021 was not required.

Toll Wash Plant Agreement with Ejin Jinda

In 2011, the Company entered into an agreement with Ejin Jinda, a subsidiary of China Mongolia Coal Co. Ltd., to toll-wash coal from the Ovoot Tolgoi Mine. The agreement had a duration of five years from the commencement of the contract and provided for an annual washing capacity of approximately 3.5 million tonnes of input coal.

Under the agreement with Ejin Jinda, which required the commercial operation of the wet washing facility to commence on October 1, 2011, the additional fees payable by the Company under the wet washing contract would have been $18.5 million. At each reporting date, the Company assesses the agreement with Ejin Jinda and has determined it is not probable that this $18.5 million will be required to be paid. Accordingly, the Company has determined that a provision for this matter as at June 30, 2021 was not required.

Special Needs Territory in Umnugobi

On February 13, 2015, the Soumber mining licenses (MV-016869, MV-020436 and MV-020451) (the “License Areas”) were included into a special protected area (to be further referred as Special Needs Territory, the “SNT”) newly set up by the Umnugobi Aimag’s Civil Representatives Khural (the “CRKh”) to establish a strict regime on the protection of natural environment and prohibit mining activities in the territory of the SNT.

On July 8, 2015, SouthGobi Sands LLC ("SGS") and the chairman of the CRKh, in his capacity as the respondent's representative, reached an agreement (the "Amicable Resolution Agreement") to exclude the License Areas from the territory of the SNT in full, subject to confirmation of the Amicable Resolution Agreement by the session of the CRKh. The parties formally submitted the Amicable Resolution Agreement to the appointed judge of the Administrative Court for her approval and requested a dismissal of the case in accordance with the Law of Mongolia on Administrative Court Procedure. On July 10, 2015, the judge issued her order approving the Amicable Resolution Agreement and dismissing the case, while reaffirming the obligation of CRKh to take necessary actions at its next session to exclude the License Areas from the SNT and register the new map of the SNT with the relevant authorities. Mining activities at the Soumber property cannot proceed unless and until the Company obtains a court order restoring the Soumber mining licenses and until the License Areas are removed from the SNT.

On July 24, 2021, SGS was notified by the Implementing Agency of Mongolian Government that the license area covered by two mining licenses (MV-016869 and MV-020451) are no longer overlapping with the SNT. The Company will continue to work with the Mongolian authorities regarding the license area covered by the mining license (MV-020436).

Mongolian Royalties

On September 4, 2019, the Government of Mongolia issued a further resolution in connection with the royalty regime. From September 1, 2019 onwards, in the event that the contract sales price is less than the reference price as determined by the Government of Mongolia by more than 30%, then the royalty payable will be calculated based on the Mongolian Government's reference price instead of the contract sales price.

Importing F-Grade Coal into China

As a result of import coal quality standards established by Chinese authorities, the Company has not been able to export its F-grade coal products into China since December 15, 2018 as the F-grade coal products do not meet the quality requirement.

TRANSPORTATION INFRASTRUCTURE

On August 2, 2011, the State Property Committee of Mongolia awarded the tender to construct a paved highway from the Ovoot Tolgoi Mine to the Shivee Khuren Border Crossing (the "Paved Highway") to consortium partners NTB LLC and SGS (together referred to as "RDCC LLC") with an exclusive right of ownership of the Paved Highway for 30 years. The Company has an indirect 40% interest in RDCC LLC through its Mongolian subsidiary SGS. The toll rate is MNT 1,500 per tonne.

The Paved Highway has a carrying capacity in excess of 20 million tonnes of coal per year.

For the three and six months ended June 30, 2021, RDCC LLC recognized toll fee revenue of $1.3 million (2020: $1.2 million) and $1.6 million (2020: $1.6 million), respectively.

PLEDGE OF ASSETS

There was no pledge of assets as at June 30, 2021 ($0.1 million of the Company's property, plant and equipment were pledged as security for a bank loan granted to the Company as at December 31, 2020).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities during the six months ended June 30, 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE

The Company has, throughout the six months ended June 30, 2021, applied the principles and complied with the requirements of its corporate governance practices as defined by the board of directors ("Board") and all applicable statutory, regulatory and stock exchange listings standards, which include the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the HKEX (the "Hong Kong Listing Rules"), except for the following:

Pursuant to code provision A.2.7 of the Corporate Governance Code, the chairman of the Board ("Chairman") should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company has not had a Chairman since the conclusion of the annual general meeting held on June 30, 2017. During the period of January 1, 2021 to June 30, 2021 there was one meeting between the Independent Lead Director, who is fulfilling the duties of the Chairman, and the non-executive directors without the presence of the executive director. The opportunity for such communication channel is offered at the end of each Board meeting.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted policies regarding directors' securities transactions in its Corporate Disclosure, Confidentiality and Securities Trading Policy that have terms that are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules ("Model Code").

In response to a specific enquiry made by the Company on each of the directors, all directors confirmed that they had complied with the required standards as set out in the Model Code and the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the six months ended June 30, 2021.

OUTLOOK

The COVID-19 pandemic has caused unprecedented challenges around the world and adversely impacted the global economy. The Company has adopted and will continue to implement strict COVID-19 precautionary measures at the mine site as well as in all of its offices in order to maintain operations in the normal course, while also complying with the advice or orders of local public health authorities.

As a result of the restrictions on trucking volume crossing the Mongolian border into China imposed by Chinese authorities at the Ceke port of entry, the Company anticipates that it will continue to be negatively impacted by the COVID-19 pandemic for the foreseeable future, which will have an adverse effect on the Company's sales, production, logistics and financials. In particular, the restriction of the number of trucks for crossing the Mongolian border into China by the Chinese authorities will limit the Company's ability to increase revenue despite the improved market conditions in China. The Company will continue to closely monitor the development of the COVID-19 pandemic and the impact it has on coal exports to China and will react promptly to preserve the working capital of the Company and mitigate any negative impacts on the business and operations of the Company.

The Company remains cautiously optimistic regarding the Chinese coal market, as coal is still considered to be the primary energy source which China will continue to rely on in the foreseeable future. Coal supply and coal import in China are expected to be limited due to increasingly stringent requirements relating to environmental protection and safety production, which may result in volatile coal prices in China. The Company will continue to monitor and react proactively to the dynamic market.

In the medium term, the Company will continue to adopt various strategies to enhance its product mix in order to maximize revenue, expand its customer base and sales network, improve logistics, optimize its operational cost structure and, most importantly, operate in a safe and socially responsible manner.

The Company's objectives for the medium term are as follows:

- ***Enhance product mix –*** The Company will focus on improving the product mix and increasing the production of higher quality coal by: (i) improving mining operations; (ii) washing lower quality coal in the Company's coal wash plant and partnering with other nearby coal wash plant(s); (iii) resuming the construction and operation of the Company's dry coal processing plant; and (iv) trading and blending different types of coal to produce blended coal products that are economical to the Company.

- ***Expand customer base –*** The Company will endeavour to increase sales volume and sales price by: (i) expanding its sales network and diversifying its customer base; (ii) increasing its coal logistics capacity to resolve the bottleneck in the distribution channel; and (iii) setting and adjusting the sales price based on a more market-oriented approach in order to maximize profit while maintaining sustainable long-term business relationships with customers.

- ***Optimize cost structure –*** The Company will aim to reduce its production costs and optimize its cost structure through engaging third party contract mining companies to enhance its operation efficiency, strengthening procurement management, ongoing training and productivity enhancement.

- ***Operate in a safe and socially responsible manner –*** The Company will continue to maintain the highest standards in health, safety and environmental performance and operate in a corporate socially responsible manner, and continue to strictly implement its COVID-19 precautionary measures at the mine site and across all offices.

In the long term, the Company will continue to focus on creating and maximizing shareholders value by leveraging its key competitive strengths, including:

- ***Strategic location –*** The Ovoot Tolgoi Mine is located approximately 40km from China, which represents the Company's 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.

- ***A large reserves base –*** The Ovoot Tolgoi Deposit has mineral reserves of more than 100 million tonnes. The Company also has several development options in its Zag Suuj coal deposit and Soumber coal deposit.

- ***Bridge between Mongolia and China –*** The Company is well-positioned to capture the resulting business opportunities between China and Mongolia under the Belt and Road Initiative. The Company will seek potential strategic support from its two largest shareholders, which are both state-owned-enterprises in China, and its strong operational record for the past decade in Mongolia, being one of the largest enterprises and taxpayers in Mongolia.

NON-IFRS FINANCIAL MEASURES

Cash Costs

The Company uses cash costs to describe its cash production and associated cash costs incurred in bringing the inventories to their present locations and conditions. 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, impairment of coal stockpile inventories, depreciation and depletion of property, plant and equipment and 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.

Summarized Comprehensive Income Information

(Expressed in thousands of USD, except for share and per share amounts)

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue	**$ 5,191**	$ 14,975	**$ 33,255**	$ 21,112
Cost of sales	**(4,552)**	(10,366)	**(22,899)**	(16,437)
Gross profit	**639**	4,609	**10,356**	4,675
Other operating expenses	**(113)**	(5,150)	**(448)**	(4,680)
Administration expenses	**(1,484)**	(1,291)	**(3,266)**	(3,062)
Evaluation and exploration expenses	**(47)**	(52)	**(112)**	(108)
Profit/(loss) from operations	**(1,005)**	(1,884)	**6,530**	(3,175)
Finance costs	**(8,870)**	(7,258)	**(21,027)**	(14,365)
Finance income	**2,494**	2	**21,015**	17
Share of earnings/(loss) of a joint venture	**(35)**	268	**239**	222
Profit/(loss) before tax	**(7,416)**	(8,872)	**6,757**	(17,301)
Current income tax credit/(expenses)	**139**	(900)	**(981)**	(1,632)
Net profit/(loss) attributable to equity holders of the Company	**(7,277)**	(9,772)	**5,776**	(18,933)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods				
Exchange difference on translation of foreign operation	**94**	(2,352)	**(224)**	(4,789)
Net comprehensive income/(loss) attributable to equity holders of the Company	**$ (7,183)**	$ (12,124)	**$ 5,552**	$ (23,722)
Basic earnings/(loss) per share	**$ (0.03)**	$ (0.04)	**$ 0.02**	$ (0.07)
Diluted earnings/(loss) per share	**$ (0.03)**	$ (0.04)	**$ 0.01**	$ (0.07)

Summarized Financial Position Information
(Expressed in thousands of USD)

	As at June 30, 2021	As at December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	**$ 6,725**	$ 20,121
Restricted cash	**1,239**	918
Trade and other receivables	**237**	1,305
Inventories	**48,426**	42,383
Prepaid expenses	**2,121**	1,666
Total current assets	**58,748**	66,393
Non-current assets		
Property, plant and equipment	**135,049**	131,425
Inventories	**136**	680
Investment in a joint venture	**15,969**	16,134
Total non-current assets	**151,154**	148,239
Total assets	**$ 209,902**	$ 214,632
Equity and liabilities		
Current liabilities		
Trade and other payables	**$ 68,791**	$ 74,365
Deferred revenue	**19,997**	20,831
Interest-bearing borrowing	**–**	2,826
Lease liabilities	**249**	202
Income tax payable	**5,049**	4,365
Current portion of convertible debenture	**–**	181,411
Total current liabilities	**94,086**	284,000

	As at	
	June 30, 2021	December 31, 2020
Non-current liabilities		
Lease liabilities	**689**	424
Convertible debenture	**179,070**	–
Decommissioning liability	**6,649**	6,445
Total non-current liabilities	**186,408**	6,869
Total liabilities	**280,494**	290,869
Equity		
Common shares	**1,098,760**	1,098,634
Share option reserve	**52,669**	52,702
Capital reserve	**396**	396
Exchange reserve	**(30,495)**	(30,271)
Accumulated deficit	**(1,191,922)**	(1,197,698)
Total deficiency in assets	**(70,592)**	(76,237)
Total equity and liabilities	**$ 209,902**	$ 214,632
Net current liabilities	**$ (35,338)**	$ (217,607)
Total assets less current liabilities	**$ 115,816**	$ (69,368)

SELECTED INFORMATION FROM THE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Additional information required by the HKEX and not disclosed elsewhere in this press release is as follows. All amounts are expressed in thousands of USD and shares in thousands, unless otherwise indicated.

1. BASIS OF PREPARATION

1.1 Corporate information and going concern

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue operating until at least June 30, 2022 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 transactions to provide it with additional liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's condensed interim consolidated financial statements. The Company had a deficiency in assets of $70,592 as at June 30, 2021 as compared to a deficiency in assets of $76,237 as at December 31, 2020 while the working capital deficiency (excess current liabilities over current assets) was $35,338 as at June 30, 2021 as compared to a working capital deficiency of $217,607 as at December 31, 2020.

Included in the working capital deficiency as at June 30, 2021 are significant obligations, mainly comprising of trade and other payables of $68,791, which includes the unpaid taxes of $24,069 that are repayable on demand to the MTA.

The Company may not be able to settle all trade and other payables on a timely basis, and as a result, any continuing postponement in settling certain trade and other payables owed to suppliers and creditors may impact the mining operations of the Company and may result in potential lawsuits and/or bankruptcy proceedings being filed against the Company. Except as disclosed elsewhere in these condensed consolidated interim financial statements, no such lawsuits or proceedings were pending as at August 13, 2021.

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the condensed consolidated interim financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Company's assets to their realizable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the condensed consolidated interim financial statements. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

Management of the Company has prepared a cash flow projection covering a period of 12 months from June 30, 2021. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (i) entering into the 2020 November Deferral Agreement and the 2021 July Deferral Agreement with CIC for a deferral of the 2020 November Deferral Amounts and the 2021 Deferral Amounts until August 31, 2023; (ii) agreeing to deferral arrangements and improved payment terms with certain vendors; (iii) reducing the outstanding tax payable by making monthly payments to MTA beginning as of June 2020; and (iv) reducing the inventory of low quality coal by wet washing. After considering the above, the directors of the Company believe that there will be sufficient financial resources to continue its operations and to meet its financial obligations as and when they fall due in the next 12 months from June 30, 2021 and therefore are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

Factors that impact the Company's liquidity are being closely monitored and include, but are not limited to, impact of the COVID-19 pandemic, restrictions on the Company's ability to import its coal products for sale in China, China's economic growth, market prices of coal, production levels, operating cash costs, capital costs, exchange rates of currencies of countries where the Company operates and exploration and discretionary expenditures.

As at June 30, 2021 and December 31, 2020, the Company was not subject to any externally imposed capital requirements.

1.2 Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34 – "Interim Financial Reporting" using accounting policies in compliance with the IFRS issued by the IASB and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The condensed consolidated interim financial statements of the Company for the six months ended June 30, 2021 were approved and authorized for issue by the Board on August 13, 2021.

1.3 Basis of presentation

These condensed consolidated interim financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the Company's December 31, 2020 consolidated annual financial statements, except as disclosed below. These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2020.

1.4 Adoption of new and revised standards and interpretations

There have been no other new IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company, except those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2020.

2. SEGMENTED INFORMATION

The Chief Executive Officer (chief operating decision maker) of the Company reviews the financial information in order to make decisions about resources to be allocated to the segment and to assess its performance. No operating segment identified by the Board has been aggregated in arriving at the reporting segments of the Company. For management's purpose, the Company has only one reportable operating segment, which is the coal division. The division is principally engaged in coal mining, development and exploration in Mongolia, and logistics and trading of coal in Mongolia and China for the six months ended June 30, 2021 and 2020.

The Company's resources are integrated and as a result, no discrete operating segment financial information is available. Since this is the only reportable and operating segment of the Company, no further analysis thereof is presented. All the revenue of the Company is generated from trading of coal for the six months ended June 30, 2021 and 2020.

2.1 Information about major customers

During the six months ended June 30, 2021, the Coal Division had twenty active customers. Two customers with respective revenues contributed over 10% of the total revenue during the six months ended June 30, 2021, with the largest customer accounting for 38% of revenues and the second largest customer accounting for 17% of revenues. Five customers with respective revenues contributed over 10% of the total revenue during the six months ended June 30, 2020, with the largest customer accounting for 25% of revenues, the second largest customer accounting for 23% of revenues, the third largest customer accounting for 16% of revenues, the fourth largest customer accounting for 13% of revenues and the fifth largest customer accounting for 11% of revenues.

2.2 Geographical information

The operations of the Company are primarily located in Mongolia, Hong Kong and China.

		Mongolia		Hong Kong		China		Consolidated Total
Revenue *(i)*								
For the three months ended June 30, 2021	$	**–**	$	**–**	$	**5,191**	$	**5,191**
For the three months ended June 30, 2020		–		–		14,975		14,975
For the six months ended June 30, 2021	$	**–**	$	**–**	$	**33,255**	$	**33,255**
For the six months ended June 30, 2020		–		–		21,112		21,112
Non-current assets								
As at June 30, 2021	$	**150,322**	$	**466**	$	**366**	$	**151,154**
As at December 31, 2020		147,675		84		480		148,239

(i) *The revenue information above is based on the locations of the customers.*

3. REVENUE

Revenue represents the net invoiced value of goods sold which arises from the trading of coal. The Company recognizes all revenue from the trading of coal at a point in time when the customer obtains control of the goods or services.

4. EXPENSES BY NATURE

The Company's expenses by nature are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Depreciation	**$ 1,499**	$ 3,137	**$ 3,378**	$ 5,268
Auditors' remuneration	**148**	138	**307**	383
Employee benefit expense (including Directors' remuneration)				
Wages and salaries	**$ 1,332**	$ 1,612	**$ 2,921**	$ 3,904
Equity-settled share option expense	**3**	73	**(5)**	88
Pension scheme contributions	**127**	75	**351**	323
	$ 1,462	$ 1,760	**$ 3,267**	$ 4,315
Lease payments under operating leases	**$ 48**	$ 17	**$ 69**	$ 42
Foreign exchange loss/(gain), net	**189**	20	**171**	(752)
CIC management fee	**120**	413	**733**	535
Royalties	**1,135**	1,700	**5,335**	2,957
Provision for doubtful trade and other receivables	**29**	144	**220**	282
Loss/(gain) on disposal of items of property, plant and equipment, net	**–**	20	**(270)**	(19)
Provision for commercial arbitration	**–**	4,553	**–**	4,634
Discount on settlement of trade payables	**(225)**	–	**(381)**	–
Reversal of impairment on materials and supplies inventories	**–**	–	**(25)**	–
Mine operating costs and others	**1,791**	4,957	**13,921**	6,642
Total operating expenses	**$ 6,196**	$ 16,859	**$ 26,725**	$ 24,287

5. COST OF SALES

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

	Three months ended June 30, 2021	2020	Six months ended June 30, 2021	2020
Operating expenses	**$ 2,271**	$ 5,684	**$ 14,551**	$ 8,522
Share-based compensation expense/(recovery)	**1**	17	**(1)**	19
Depreciation and depletion	**219**	1,288	**1,577**	1,866
Royalties	**1,135**	1,700	**5,335**	2,957
Cost of sales from mine operations	**3,626**	8,689	**21,462**	13,364
Cost of sales related to idled mine assets [(i)]	**926**	1,677	**1,437**	3,073
Cost of sales	**$ 4,552**	$ 10,366	**$ 22,899**	$ 16,437

[(i)] *Cost of sales related to idled mine assets were all related to the depreciation expense for the Company's idled plant and equipment.*

Cost of inventories recognized as expense in cost of sales for the three months ended June 30, 2021 totaled $1,951 (2020: $7,228). Cost of inventories recognized as expense in cost of sales for the six months ended June 30, 2021 totaled $13,751 (2020: $9,822).

6. OTHER OPERATING EXPENSES

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

	Three months ended June 30, 2021	2020	Six months ended June 30, 2021	2020
Provision for doubtful trade and other receivables	**$ 29**	$ 144	**$ 220**	$ 282
Foreign exchange loss/(gain), net	**189**	20	**171**	(752)
CIC management fee	**120**	413	**733**	535
Provision for commercial arbitration	**–**	4,553	**–**	4,634
Reversal of impairment on materials and supplies inventories	**–**	–	**(25)**	–
Discount on settlement of trade payables	**(225)**	–	**(381)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	**–**	20	**(270)**	(19)
Other operating expenses	**$ 113**	$ 5,150	**$ 448**	$ 4,680

7. FINANCE COSTS AND INCOME

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

	Three months ended, June 30, 2021	2020	Six months ended, June 30, 2021	2020
Interest expense on convertible debenture	**$ 8,342**	$ 6,228	**$ 18,803**	$ 12,357
Fair value loss on embedded derivatives in convertible debenture	**–**	28	**826**	–
Value added tax on interest from intercompany loan	**430**	719	**1,132**	1,437
Interest expense on borrowing	**–**	93	**61**	198
Interest elements on leased assets	**11**	13	**34**	32
Accretion of decommissioning liability	**87**	177	**171**	341
Finance costs	**$ 8,870**	$ 7,258	**$ 21,027**	$ 14,365

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

	Three months ended, June 30, 2021	2020	Six months ended, June 30, 2021	2020
Fair value gain on embedded derivatives in convertible debenture	**$ 2,479**	$ –	**$ –**	$ 9
Gain on extinguishment of convertible debenture	**–**	–	**20,970**	–
Interest income	**15**	2	**45**	8
Finance income	**$ 2,494**	$ 2	**$ 21,015**	$ 17

8. TAXES

The Canadian statutory tax rate was 27% (2020: 27%) on the estimated assessable profits arising in Canada during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Company operates.

	Three months ended, June 30,		Six months ended, June 30,	
	2021	2020	**2021**	2020
Current – Canada				
Charge for the period	**$ –**	$ –	**$ –**	$ –
Current – elsewhere				
Charge for the period	**–**	736	**981**	1,468
Underprovision/(overprovision) in prior periods	**(139)**	164	**–**	164
Total tax (credit)/charge for the period	**$ (139)**	$ 900	**$ 981**	$ 1,632

9. EARNINGS/(LOSS) PER SHARE

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net profit/(loss)	**$ (7,277)**	$ (9,772)	**$ 5,776**	$ (18,933)
Weighted average number of shares	**273,289**	272,703	**273,289**	272,703
Basic earnings/(loss) per share	**$ (0.03)**	$ (0.04)	**$ 0.02**	$ (0.07)
Earnings/(loss)				
Profit/(loss) for the purposes of basic earnings/(loss) per share	**$ (7,277)**	$ (9,772)	**$ 5,776**	$ (18,933)
Effect of dilutive potential ordinary shares:				
– Interest expenses on convertible debenture	**–**	–	**18,803**	–
– Fair value loss on embedded derivatives in convertible debenture	**–**	–	**826**	–
– Gain on extinguishment of convertible debenture	**–**	–	**(20,970)**	–
Profit/(loss) for the purposes of diluted earnings/(loss) per share	**$ (7,277)**	$ (9,772)	**$ 4,435**	$ (18,933)
Number of shares				
Weighted average number of shares for the purposes of basic earnings/(loss) per share	**273,289**	272,703	**273,289**	272,703
Effect of dilutive potential ordinary shares:				
– Convertible debenture	**–**	–	**34,893**	–
– Share options	**–**	–	**6,974**	–
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**273,289**	272,703	**315,156**	272,703
Diluted earnings/(loss) per share	**$ (0.03)**	$ (0.04)	**$ 0.01**	$ (0.07)

10. TRADE AND OTHER RECEIVABLES

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

	As at June 30, 2021	As at December 31, 2020
Trade receivables	$ –	$ 995
Other receivables	237	310
Total trade and other receivables	**$ 237**	$ 1,305

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

	As at June 30, 2021	As at December 31, 2020
Less than 1 month	$ 48	$ 1,260
1 to 3 months	60	20
3 to 6 months	129	25
Over 6 months	–	–
Total trade and other receivables	**$ 237**	$ 1,305

Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade and other receivable balances.

The Company has determined that the loss allowance on its trade and other receivables was $23,740 as at June 30, 2021 (December 31, 2020: $23,055), based upon an expected loss rate of 10% for trade and other receivables 90 days past due and 100% for trade and other receivables 180 days past due. The closing allowances for trade and other receivables as at June 30, 2021 reconcile to the opening loss allowances as follows:

Loss allowance for trade and other receivables	
Opening loss allowance as at January 1, 2021	**$ 23,055**
Increase in loss allowance recognised in profit or loss during the period	**220**
Exchange realignment	**465**
Loss allowance as at June 30, 2021	**$ 23,740**
Opening loss allowance as at January 1, 2020	$ 21,976
Increase in loan allowance recognised in profit or loss during the period	282
Exchange realignment	(325)
Loss allowance as at June 30, 2020	$ 21,933

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, based on the invoice date, is as follows:

	As at	
	June 30, 2021	December 31, 2020
Less than 1 month	**$ 14,082**	$ 22,803
1 to 3 months	**2,550**	4,935
3 to 6 months	**18,518**	6,365
Over 6 months	**33,641**	40,262
Total trade and other payables	**$ 68,791**	$ 74,365

12. ACCUMULATED DEFICIT AND DIVIDENDS

At June 30, 2021, the Company has accumulated a deficit of $1,191,922 (December 31, 2020: $1,197,698). No dividends have been paid or declared by the Company since inception.

REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2021, which are unaudited but have been reviewed by the Company's independent auditor and the Audit Committee and they have been prepared in compliance with the IFRS, the Hong Kong Listing Rules, TSX Company Manual and other applicable legal requirements.

The Company's results for the three and six months ended June 30, 2021 are contained in the unaudited condensed consolidated interim financial statements and Management Discussion and Analysis of Financial Condition and Results of Operations, available on the SEDAR website at www.sedar.com and the Company's website at www.southgobi.com.

ABOUT SOUTHGOBI

SouthGobi, listed on the Toronto and Hong Kong stock exchanges, owns and operates its flagship Ovoot Tolgoi coal mine in Mongolia. It also holds the mining licences of its other metallurgical and thermal coal deposits in South Gobi Region of Mongolia. SouthGobi produces and sells coal to customers in China.

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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 relate to management's future outlook and anticipated events or results and are based on the opinions and estimates of management at the time the statements are made. Forward-looking statements in this press release include, but are not limited to, statements regarding:

- the Company continuing as a going concern and its ability to realize 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 condensed consolidated interim financial statements and the impact thereof;

- the Company's expectations of sufficient liquidity and capital resources to meet its ongoing obligations and future contractual commitments, including the Company's ability to settle its trade payables, to secure additional funding and to meet its obligations under each of the CIC Convertible Debenture, the 2020 November Deferral Agreement, the Amended and Restated Cooperation Agreement and the 2021 July Deferral Agreement, as the same become due;

- the Company's anticipated financing needs, development plans and future production levels;

- the Company entering into discussions with CIC regarding a potential debt restructuring plan with respect to the amounts owing to CIC;

- the results and impact of the Ontario class action (as described under section "Regulatory Issues and Contingencies" of this press release under the heading entitled "*Class Action Lawsuit*");

- the estimates and assumptions included in the Company's impairment analysis and the possible impact of changes thereof;

- the agreement with Ejin Jinda and the payments thereunder (as described under section "Regulatory Issues and Contingencies" of this press release under the heading entitled "*Toll Wash Plant Agreement with Ejin Jinda*");

- the ability of the Company to enhance the operational efficiency and output throughput of the washing facilities at Ovoot Tolgoi;

- the ability to enhance the product value by conducting coal processing and coal washing;

- the impact of the Company's activities on the environment and actions taken for the purpose of mitigation of potential environmental impacts and planned focus on health, safety and environmental performance;

- the impact of the restrictions on the number of trucks crossing the border at the Ceke port of entry and the import coal quality standards established by Chinese authorities on the Company's operations;

- management's expectation that mining operations (including coal mining) will resume in the third quarter of 2021;

- the impact of the COVID-19 pandemic and the potential closure of Mongolia's southern border with China on the Company's business, financial condition and operations;

- the future demand for coal in China;

- future trends in the Chinese coal industry;

- the Company's outlook and objectives for 2021 and beyond (as more particularly described under section "Outlook" of this press release); and

- other statements that are not historical facts.

Forward-looking information is based on certain factors and assumptions described below and elsewhere in this press release, including, among other things: the current mine plan for the Ovoot Tolgoi mine; mining, production, construction and exploration activities at the Company's mineral properties; the costs relating to anticipated capital expenditures; the capacity and future toll rate of the Paved Highway; plans for the progress of mining license application processes; mining methods; the Company's anticipated business activities, planned expenditures and corporate strategies; management's business outlook, including the outlook for 2021 and beyond; currency exchange rates; operating, labour and fuel costs; the ability of the Company to raise additional financing; the anticipated royalties payable under Mongolia's royalty regime; the future coal market conditions in China and the related impact on the Company's margins and liquidity; the anticipated impact of the COVID-19 pandemic; the assumption that the border crossings with China will remain open for coal exports; the anticipated demand for the Company's coal products; future coal prices, and the level of worldwide coal production. While the Company considers these assumptions to be reasonable based on the information currently available to it, they may prove to be incorrect. Forward-looking statements 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 risks and uncertainties include, among other things: the uncertain nature of mining activities, actual capital and operating costs exceeding management's estimates; variations in mineral resource and mineral reserve estimates; failure of plant, equipment or processes to operate as anticipated; the possible impacts of changes in mine life, useful life or depreciation rates on depreciation expenses; risks associated with, or changes to regulatory requirements (including environmental regulations) and the ability to obtain all necessary regulatory approvals; the potential expansion of the list of licenses published by the Government of Mongolia covering areas in which exploration and mining are purportedly prohibited on certain of the Company's mining licenses; the Government of Mongolia designating any one or more of the Company's mineral projects in Mongolia as a Mineral Deposit of Strategic Importance; the risk of continued restrictions on the number of trucks crossing the border at the Ceke port of entry; the risk of continued import coal quality standards established by Chinese authorities; the risk of restricting the numbers of trucks for border crossing by the Chinese authorities at the Ceke Port of Entry; the import coal quality restrictions established by Chinese authorities on the import of F-grade coal into China; the risk that Mongolia's southern borders with China will be subject of closure; the negative impact of the COVID-19 pandemic on the demand for coal and the economy generally in China; the risk that the COVID-19 pandemic is not effectively controlled in China and Mongolia; the risk that the Company's existing coal inventories are unable to sufficiently satisfy expected sales demand; the possible impact of changes to the inputs to the valuation model used to value the embedded derivatives in the CIC Convertible Debenture; the risk of the Company failing to successfully negotiate favorable repayment terms on the TRQ Reimbursable Amount (as described under section "Liquidity and Capital Resources" of this press release under the heading entitled "*Liquidity and Capital Management – Costs Reimbursable to Turquoise Hill*"); the risk of the Company or its subsidiaries defaulting under its existing debt obligations, including the CIC Convertible Debenture, the 2020 November Deferral Agreement, the Amended and Restated Cooperation Agreement and the 2021 July Deferral Agreement; the impact of amendments to, or the application of, the laws of Mongolia, China and other countries in which the Company carries on business; modifications to existing practices so as to comply with any future permit conditions that may be imposed by regulators; delays in obtaining approvals and lease renewals; the risk of fluctuations in coal prices and changes in China and world economic conditions; the outcome of the Class Action (as described under section "Regulatory Issues and Contingencies" of this press release under the heading entitled

"*Class Action Lawsuit*") and any damages payable by the Company as a result; the risk that the Company is unable to successfully negotiate a debt restructuring plan with respect to the amounts owing to CIC; the risk that the calculated sales price determined by the Company for the purposes of determining the amount of royalties payable to the Mongolian Government is deemed as being "non-market" under Mongolian tax law; customer credit risk; cash flow and liquidity risks; risks relating to the Company's decision to suspend activities relating to the development of the Ceke Logistics Park project, including the risk that its investment partner may initiate legal action against the Company for failing to comply with the underlying agreements governing project development; risks relating to the ability of the Company to enhance the operational efficiency and the output throughput of the washing facilities at Ovoot Tolgoi; the risk that the Company is unable to successfully negotiate an extension of the agreement with the third party contractor relating to the operation of the wash plant at the Ovoot Tolgoi mine site and risks relating to the Company's ability to raise additional financing and to continue as a going concern. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

Due to assumptions, risks and uncertainties, including the assumptions, risks and uncertainties identified above and elsewhere in this press release, actual events may differ materially from current expectations. The Company uses forward-looking statements because it believes such statements provide useful information with respect to the currently expected future operations and financial performance of the Company, and cautions readers that the information may not be appropriate for other purposes. 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 the forward-looking statements, which speak only as of the date of this press release; they should not rely upon this information as of any other date.

The English text of this press release shall prevail over the Chinese text in case of inconsistencies.