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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 fourth quarter and full year 2022 financial and operating results

SouthGobi Resources Ltd. (the "**Company**" or "**SouthGobi**") today announces its financial and operating results for the quarter and the year ended December 31, 2022.

Please see the attached announcement for more details. The information per 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, March 31, 2023
Hong Kong, March 31, 2023

As at the date of this announcement, the executive Directors are Mr. Dong Wang, Ms. Chonglin Zhu and Mr. Chen Shen; the independent non-executive Directors are Mr. Yingbin Ian He, Mr. Mao Sun and Ms. Jin Lan Quan; and the non-executive Directors are Mr. Zhu Gao and Mr. Gang Li.

* *For identification purpose only*

March 31, 2023

SouthGobi announces fourth quarter and full year 2022 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 quarter and the year ended December 31, 2022. All figures are in U.S. dollars (“USD”) unless otherwise stated.

The Board of Directors (the “Board”) wish to inform that the Company’s independent auditors, BDO Limited (“BDO”), have completed their audit of the consolidated financial statements of the Company for the year ended December 31, 2022 in accordance with Canadian generally accepted auditing standards and would like to announce the audited annual results of the Company for the year ended December 31, 2022 together with the comparative figures for the previous year and the respective notes in this announcement.

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company’s significant events and highlights for the year ended December 31, 2022 and the subsequent period to March 31, 2023 are as follows:

- ***Operating Results*** – In response to the increase in the number of the Coronavirus Disease 2019 (“COVID-19”) case in Ejinaqi, a region in China’s Inner Mongolia Autonomous Region where the custom and border crossing are located, reported in late October 2021, the local government authorities imposed stringent preventive measures throughout the region, including the temporary closure of the Ceke Port of Entry located at the border of Mongolia and China. Accordingly, the Company’s coal exports into China were suspended from November 2021 to May 2022. Following the reopening of the Ceke Port of Entry for coal export on May 25, 2022, coal sales increased from 0.9 million tonnes in 2021 to 1.1 million tonnes in 2022.

  Since May 25, 2022, the number of trucks permitted to cross the Chinese-Mongolian border, as well as the volume of coal exports, have increased. As a result, the Company has gradually resumed mining operations beginning on July 15, 2022. The Company’s major mining operations, including coal mining, have resumed and the Company expects to increase the volume of coal production in a gradual manner, while coal washing shall remain suspended for the time being. In response to the market situation, the Company has been mixing some higher ash content product with the semi-soft coking coal product and sold to the market as processed coal in 2022.

The Company experienced an increase in the average selling price of coal from $46.0 per tonne in 2021 to $65.7 per tonne in 2022, due to improved market conditions in China.

- ***Financial Results*** – The Company recorded a $13.6 million profit from operations in 2022 compared to a $4.4 million profit from operations in 2021. The financial results for 2022 were impacted by a foreign exchange gain of $4.6 million and the increased sales experienced by the Company following the reopening of the Ceke Port of Entry during the second quarter of 2022.

- ***Completion of Sale by China Investment Corporation (together with its wholly-owned subsidiaries and affiliates, "CIC") of its Interests in the Company*** – The Company announced that, as disclosed in the press releases issued by CIC and JD Zhixing Fund L.P. (the "JDZF") respectively on August 30, 2022, the sale (the "CIC Sale Transaction") by CIC of all of its interests in the Company, including its 64,766,591 common shares of the Company and the convertible debenture (the "Convertible Debenture"), to JDZF was successfully completed on August 30, 2022. Following the completion of the CIC Sale Transaction, the respective rights and obligations of CIC under (i) the Convertible Debenture and related security documents; (ii) the amended and restated mutual cooperation agreement signed on April 23, 2019 (the "Amended and Restated Cooperation Agreement") and related documents; (iii) the deferral agreements between CIC, the Company and certain of its subsidiaries in connection with the deferral of interest payments and other outstanding fees under the Convertible Debenture and the Amended and Restated Cooperation Agreement; and (iv) the security holders agreement between the Company, CIC and a former shareholder of the Company, were assigned to JDZF. In connection with the completion of the CIC Sale Transaction, JDZF agreed to reduce the service fee payable by the Company under the Amended and Restated Cooperation Agreement from 2.5% to 1.5% of all net revenues realised by the Company and all of its subsidiaries derived from sales into China.

- ***Deferral Agreements*** – On November 11, 2022, the Company and JDZF entered into an agreement (the "2022 November Deferral Agreement") pursuant to which JDZF agreed to grant the Company a deferral of: (i) semi-annual cash interest payments of $7.1 million payable to JDZF on November 19, 2022 under the Convertible Debenture; (ii) $1.1 million in payment-in-kind interest ("PIK Interest") shares issuable to JDZF on November 19, 2022 under the Convertible Debenture (collectively, the "2022 November Deferred Interest"); and (iii) the management fees payable to JDZF on November 15, 2022, February 15, 2023, May 16, 2023 and August 15, 2023 under the Amended and Restated Cooperation Agreement (the "2022 November Deferred Management Fees").

  The principal terms of the 2022 November Deferral Agreement are as follows:

  - Payment of the 2022 November Deferred Interest and the 2022 November Deferred Management Fees will be deferred until November 19, 2023.

  - As consideration for the deferral of the 2022 November Deferred Interest, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the 2022 November Deferred Interest payable under the Convertible Debenture, commencing on November 19, 2022.

- As consideration for the deferral of the 2022 November Deferred Management Fees, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of the 2022 Deferred Management Fees payable under the Amended and Restated Cooperation Agreement, commencing on the date on which each such 2022 November Deferred Management Fees would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- If at any time before the 2022 November Deferred Interest and the 2022 November Deferred Management Fees 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, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

- The Company agreed to comply with all of its obligations under the prior deferral agreements assigned to JDZF.

- The Company and JDZF agreed that nothing in the 2022 November Deferral Agreement prejudices JDZF's rights to pursue any of its remedies at any time pursuant to the prior deferral agreements.

On March 24, 2023, the Company and JDZF entered into an agreement (the "2023 March Deferral Agreement") pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash interest payment of approximately $7.9 million (the "2023 May Cash Interest") which will be due and payable on May 19, 2023 under the Convertible Debenture; (ii) the cash interest, management fees, and related deferral fees of approximately $8.7 million (the "2022 May Deferred Amounts") which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated May 13, 2022; (iii) the cash and PIK Interest, and related deferral fees of approximately $13.5 million (the "2021 July Deferred Amounts") which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated July 30, 2021; and (iv) the cash and PIK Interest, management fees, and related deferral fees of approximately $110.4 million (the "2020 November Deferred Amounts", and together with the 2023 May Cash Interest, the 2022 May Deferred Amounts and the 2021 July Deferred Amounts, the "2023 March Deferred Amounts") which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated November 19, 2020.

The effectiveness of the 2023 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2023 March Deferral Agreement are subject to the approvals from the TSX and the shareholders of the Company in accordance with the requirements of Section 501(c) of the TSX Company Manual and the HKEX listing rules.

The principal terms of the 2023 March Deferral Agreement are as follows:

- Payment of the 2023 March Deferred Amounts will be deferred until August 31, 2024 (the "Deferral Date").

- As consideration for the deferral of the 2023 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2023 March Deferred Amounts, commencing on the date on which each such 2023 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.

- As consideration for the deferral of the 2023 March Deferred Amounts which relate to payment obligations arising from Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2023 March Deferred Amounts commencing on the date on which each such 2023 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- The 2023 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2023 March Deferred Amounts or related deferral fees. Instead, the 2023 March Deferral Agreement requires the Company to use its best efforts to pay the 2023 March Deferred Amounts and related deferral fees due and payable under the 2023 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2023 March Deferral Agreement and ending as of the Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2023 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, 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.

- If at any time before the 2023 March Deferred 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, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

- The Company is convening a special meeting of Shareholders in the second quarter of 2023 to seek disinterested Shareholder approval of the 2023 March Deferral Agreement.

- ***Issuance of PIK Interest shares*** – In November 2022, the Company issued 20,947,603 Common Shares to JDZF in accordance with the terms of the Convertible Debenture at an issuance price of CA$0.185 per Common Share as settlement of $2.9 million in outstanding PIK Interest owing by the Company to JDZF under the Convertible Debenture and related deferral agreements.

- ***Application for New Listing on the TSX Venture Exchange (the "TSX-V") and Primary Listing on the Hong Kong Stock Exchange*** – On April 20, 2022, the Company announced that it would be making an application (the "Listing Application") to the TSX-V to list its common shares on the TSX-V. In conjunction with the foregoing, the Company would also apply for voluntary delisting of its common shares from the TSX (the "Delisting"), subject to the Company receiving approval from the TSX-V of the Listing Application. Pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), the Company announced it intends to submit a written notification to the HKEX stating, among other things, that it will be able to fully comply with the applicable Listing Rules in connection with the approval of the Listing Application and the Listing Application becoming effective, and such that its current secondary listing on the HKEX will be converted to a primary listing.

  On July 28, 2022, the Company received an acknowledgment from the HKEX in respect of the Delisting issued pursuant to paragraph 3.34 of the HKEX's Guidance Letter (HKEX-GL-112-22), which informed the Company that, upon the effective date of the Delisting, the Hong Kong Stock Exchange will regard the Company as having a primary (rather than secondary) listing status on the HKEX pursuant to Rule 19C.13A of the HKEX Listing Rules and the dis-application of the stock marker "S" from the Company's trading symbol on the HKEX will take effect.

  On March 6, 2023, the Company announced that it received a conditional acceptance letter from the TSX-V (the "TSX-V Conditional Approval Letter") confirming that the TSX-V Listing Application had been approved subject to the satisfaction of certain listing conditions of the TSX-V. The Company is targeting a tentative date for the listing of the Company's common shares on the TSX-V and the date of Delisting from TSX (i.e., the Effective Date) of April 17, 2023. The Company expects that the listing conditions of the TSX-V can be fulfilled by the Company before the Effective Date.

- ***Completion of Sale by China Cinda (HK) Asset Management Co., Limited (together with its wholly-owned subsidiaries and affiliates, "CCAM") of its Interests in the Company*** – The Company announced that, as disclosed in the press releases issued by CCAM and Land Grand International Holding Limited ("Land Grand") respectively on November 28, 2022, the sale (the "Cinda Sale Transaction") by CCAM of all of its interests in the Company, including its 46,358,978 common shares of the Company to Land Grand was successfully completed. In connection with the Cinda Sale Transaction, CCAM assigned to Land Grand certain rights in and obligations under the subscription agreement between the Company and Novel Sunrise Investments Limited ("Novel Sunrise") dated February 24, 2015, including Novel Sunrise's right to nominate a certain number of individual(s) for appointment or election to the board of directors of the Company while its beneficial interests in the Company's issued and outstanding common shares exceed 10%.

- ***Revolving Credit Facility*** – On March 2, 2023, an indirect wholly-owned subsidiary of the Company (the "Borrower") entered into an unsecured revolving credit facility (the "Credit Facility") with a related party of JDZF, the Company's largest shareholder, which makes available to the Company up to a maximum principal sum of RMB90 million with a maturity date of three months after the agreement was signed. The Company has obtained the requisite acceptance from the TSX for the Credit Facility in accordance with the requirements of the TSX Company Manual, subject to certain standard conditions.

The principal terms of the Credit Facility are as follows:

- All obligations under the Credit Facility are due and payable on the maturity date.

- The Credit Facility is a revolving facility, pursuant to which the Borrower will be entitled, but not obligated, to request advances ("Advances") under the Credit Facility from time to time, provided that the aggregate amount of the outstanding Advances under the Credit Facility does not exceed the maximum loan amount at any time. The Borrower is entitled to repay all or any portion of the outstanding Advances under the Credit Facility from time to time without bonus or penalty.

- Advances under the Credit Facility will not accrue interest if the Borrower repays any Advance in full within fifteen (15) days following the date of drawdown (the "Interest-Free Period"). If the Borrower fails to repay in full the amount of the Advance prior to the end of the Interest-Free Period, then the Borrower will pay to the Lender interest on the outstanding amount of such Advance, beginning on the day immediately following the last day of the Interest-Free Period (the "Interest Trigger Date") and ending on but excluding the day on which such Advance is repaid or satisfied in full. Interest on the outstanding amount of each Advance from the Interest Trigger Date is calculated at a rate per annum equal to 5%, determined daily and calculated and payable on the date on which the relevant Advance is repaid in full.

- The Company intends to use the proceeds of the Credit Facility for general corporate purposes.

- ***Changes in Management***

  Mr. Jianmin Bao: Mr. Bao resigned as a non-executive director on August 31, 2022.

  Mr. Ben Niu: Mr. Niu resigned as a non-executive director on August 31, 2022.

  Mr. Tao Zhang: Mr. Zhang resigned as Vice President of Sales on September 2, 2022.

  Mr. Dalanguerban: Mr. Dalanguerban was re-designated from Chief Executive Officer to President on September 8, 2022 and resigned as an executive director on December 6, 2022.

  Mr. Dong Wang: Mr. Wang was appointed as Chief Executive Officer and an executive director on September 8, 2022.

  Mr. Alan Ho: Mr. Ho was appointed as Chief Financial Officer (formerly, the acting Chief Financial Officer) on September 8, 2022.

  Ms. Chonglin Zhu: Ms. Zhu was appointed as Senior Vice President of Finance and an executive director on September 8, 2022.

  Mr. Zhiwei Chen: Mr. Chen resigned as a non-executive director on December 6, 2022.

Ms. Ka Lee Ku: Ms. Ku resigned as a non-executive director on December 6, 2022.

Mr. Zhu Gao: Mr. Gao was appointed as a non-executive director on December 6, 2022.

Mr. Gang Li: Mr. Li was appointed as a non-executive director on December 6, 2022.

Mr. Chen Shen: Mr. Shen was appointed as a non-executive director on December 6, 2022 and re-designated to an executive director on February 17, 2023.

- ***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 Annual Operational Data

	Year ended December 31, 2022	2021
Sales Volumes, Prices and Costs		
Premium semi-soft coking coal		
Coal sales *(millions of tonnes)*	**0.27**	0.60
Average realised selling price *(per tonne)*	**$ 73.49**	$ 51.80
Standard semi-soft coking coal/ premium thermal coal		
Coal sales *(millions of tonnes)*	**0.08**	0.33
Average realised selling price *(per tonne)*	**$ 39.85**	$ 35.01
Processed coal		
Coal sales *(millions of tonnes)*	**0.76**	0.01
Average realised selling price *(per tonne)*	**$ 65.43**	$ 48.53
Total		
Coal sales *(millions of tonnes)*	**1.11**	0.94
Average realised selling price *(per tonne)*	**$ 65.69**	$ 46.02
Raw coal production *(millions of tonnes)*	**0.69**	1.36
Cost of sales of product sold *(per tonne)*	**$ 52.04**	$ 33.30
Direct cash costs of product sold *(per tonne)* (i)	**$ 34.52**	$ 17.81
Mine administration cash costs of product sold *(per tonne)* (i)	**$ 1.62**	$ 1.53
Total cash costs of product sold *(per tonne)* (i)	**$ 36.14**	$ 19.34
Other Operational Data		
Production waste material moved *(millions of bank cubic meters)*	**3.59**	5.94
Strip ratio *(bank cubic meters of waste material per tonne of coal produced)*	**5.14**	4.36
Lost time injury frequency rate (ii)	**0.00**	0.00

(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 Annual Operational Data

The Company ended 2022 and 2021 without a lost time injury.

The Company experienced an increase in the average selling price of coal from $46.0 per tonne for 2021 to $65.7 per tonne for 2022, as a result of improved market conditions in China. The product mix for 2022 consisted of approximately 25% of premium semi-soft coking coal, 6% of standard semi-soft coking coal/premium thermal coal and 69% of processed coal compared to approximately 64% of premium semi-soft coking coal, 34% of standard semi-soft coking coal/premium thermal coal and 2% of processed coal in 2021.

In response to the increase in the number of COVID-19 cases in Ejinaqi, a region in China's Inner Mongolia Autonomous Region where the custom and border crossing are located, reported in late October 2021, the local government authorities imposed stringent preventive measures throughout the region, including the temporary closure of the Ceke Port of Entry located at the border of Mongolia and China. Accordingly, the Company's coal exports into China were suspended from November 2021 to May 2022. Following the reopening of the Ceke Port of Entry for coal export on May 25, 2022, coal sales increased from 0.9 million tonnes in 2021 to 1.1 million tonnes in 2022.

Since May 25, 2022, the number of trucks permitted to cross the Chinese-Mongolian border, as well as the volume of coal exports, have increased. As a result, the Company has gradually resumed mining operations beginning on July 15, 2022, yielding 0.7 million tonnes for 2022 as compared to 1.4 million tonnes for 2021. In response to the market situation, the Company has been mixing some higher ash content product with the semi-soft coking coal product and sold to the market as processed coal in 2022.

The Company's unit cost of sales of product sold increased from $33.3 per tonne in 2021 to $52.0 per tonne in 2022. The increase was mainly driven by (i) the change in the product mix and processed coal having a relatively higher unit cost of sales as compared to the Company's other coal products; and (ii) the increase in the effective royalty rate.

Summary of Annual Financial Results

$ in thousands, except per share information		**Year ended December 31, 2022**		2021
Revenue [i]	**$**	**73,084**	$	43,398
Cost of sales [i]		**(57,762)**		(31,304)
Gross profit excluding idled mine asset costs [ii]		**16,252**		15,011
Gross profit		**15,322**		12,094
Other operating income/(expenses), net		**5,316**		(1,426)
Administration expenses		**(6,919)**		(6,068)
Evaluation and exploration expenses		**(147)**		(223)
Profit from operations		**13,572**		4,377
Finance costs		**(42,219)**		(39,118)
Finance income		**2,777**		23,165
Share of earnings/(loss) of joint ventures		**119**		(159)
Current income tax expenses		**(4,668)**		(2,638)
Net loss attributable to equity holders of the Company		**(30,419)**		(14,373)
Basic and diluted loss per share	**$**	**(0.11)**	$	(0.05)

(i) *Revenue and cost of sales related to the Company's Ovoot Tolgoi Mine within the Coal Division operating segment. Refer to note 2 of the selected information from the notes to the consolidated financial statements for further analysis regarding the Company's reportable operating segments.*

(ii) *A Non-IFRS financial measure. Refer to "Non-IFRS Financial Measures" section. Idled mine asset costs represents the depreciation expense relates to the Company's idled plant and equipment.*

Overview of Annual Financial Results

The Company recorded a $13.6 million profit from operations in 2022 compared to a $4.4 million profit from operations in 2021. The financial results were impacted by (i) the higher selling price achieved by the Company; and (ii) increased sales experienced by the Company following the reopening of the Ceke Port of Entry during the second quarter of 2022.

Revenue was $73.1 million in 2022 compared to $43.4 million in 2021. The Company's effective royalty rate for 2022, based on the Company's average realised selling price of $65.7 per tonne, was 19.4% or $12.8 per tonne, compared to 18.7% or $8.6 per tonne in 2021 (based on the average realised selling price of $46.0 per tonne).

Cost of sales was $57.8 million in 2022 compared to $31.3 million in 2021. The increase in cost of sales in 2022 was mainly due to the effect of increased sales volume as well as the change in product mix. 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, refer to section "Non-IFRS Financial Measures" for further analysis) during the year.

$ in thousands	Year ended December 31, 2022	2021
Operating expenses	**$ 40,114**	$ 18,176
Share-based compensation expense	**36**	52
Depreciation and depletion	**2,486**	2,034
Royalties	**14,196**	8,125
Cost of sales from mine operations	**56,832**	28,387
Cost of sales related to idled mine assets	**930**	2,917
Cost of sales	**$ 57,762**	$ 31,304

Operating expenses in cost of sales were $40.1 million in 2022 compared to $18.2 million in 2021. Cost of sales related to idled mine assets in 2022 included $0.9 million related to depreciation expenses for idled equipment (2021: $2.9 million).

Other operating income was $5.3 million in 2022 (2021: other operating expenses of $1.4 million). A foreign exchange gain of $4.6 million and write-off of other payables of $3.3 million were recorded in 2022, respectively. (2021: foreign exchange loss of $0.3 million and write-off of other payables of $0.7 million).

$ in thousands	Year ended December 31, 2022	2021
Management fee	**$ 1,201**	$ 967
Provision/(reversal of provision) for doubtful trade and other receivables	**(784)**	191
Foreign exchange loss/(gain), net	**(4,639)**	325
Gain on disposal of items of property, plant and equipment, net	**(195)**	(299)
Impairment on materials and supplies inventories	**1,510**	2,411
Impairment of prepaid expenses	**145**	–
Rental income from short term leases	**(150)**	(587)
Discount on settlement of trade payables	**(191)**	(891)
Written off of other payables	**(3,287)**	(691)
Gain on contract offsetting arrangement	**(786)**	–
Penalty on late settlement of trade payables	**1,860**	–
Other operating expenses/(income), net	**$ (5,316)**	$ 1,426

Administration expenses were $6.9 million in 2022 as compared to $6.1 million in 2021, as follows:

	Year ended December 31,	
$ in thousands	**2022**	2021
Corporate administration	**$ 1,146**	$ 1,312
Legal and professional fees	**1,830**	1,098
Salaries and benefits	**3,391**	2,847
Share-based compensation expense	**125**	151
Depreciation	**427**	660
Administration expenses	**$ 6,919**	$ 6,068

Administration expenses were higher for 2022 compared to 2021 primarily due to increase in salaries and benefits incurred during the year following the resumption of mining operations in the third quarter of the year.

The Company continued to minimise evaluation and exploration expenditures in 2022 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in 2022 were limited to ensuring that the Company met the Mongolian Minerals Law requirements in respect of its mining licenses.

Finance costs were $42.2 million and $39.1 million in 2022 and 2021, respectively, which primarily consisted of interest expense on the $250.0 million Convertible Debenture.

Summary of Quarterly Operational Data

	2022				2021			
Quarter Ended	**31-Dec**	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Sales Volumes, Prices and Costs								
Premium semi-soft coking coal								
Coal sales *(millions of tonnes)*	**0.06**	0.17	0.04	–	0.01	0.11	0.08	0.40
Average realised selling price *(per tonne)*	**$ 65.82**	$ 71.01	$ 92.87	$ –	$ 69.73	$ 64.25	$ 52.11	$ 47.88
Standard semi-soft coking coal/ premium thermal coal								
Coal sales *(millions of tonnes)*	**0.01**	0.03	0.04	–	0.01	0.06	0.03	0.23
Average realised selling price *(per tonne)*	**$ 64.69**	$ 43.34	$ 30.41	$ –	$ 34.84	$ 33.56	$ 36.71	$ 35.17
Processed coal								
Coal sales *(millions of tonnes)*	**0.40**	0.35	0.01	–	–	–	–	0.01
Average realised selling price *(per tonne)*	**$ 65.94**	$ 64.57	$ 79.02	$ –	$ –	$ –	$ –	$ 49.62
Total								
Coal sales *(millions of tonnes)*	**0.47**	0.55	0.09	–	0.02	0.17	0.11	0.64
Average realised selling price *(per tonne)*	**$ 65.90**	$ 65.37	$ 66.55	$ –	$ 55.44	$ 53.52	$ 47.93	$ 43.46
Raw coal production *(millions of tonnes)*	**0.57**	0.12	–	–	0.06	0.26	–	1.04
Cost of sales of product sold *(per tonne)*	**$ 41.81**	$ 58.25	$ 56.32		$ 76.95	$ 40.39	$ 41.38	$ 28.67
Direct cash costs of product sold *(per tonne)* [i]	**$ 25.65**	$ 41.44	$ 33.10	*(iii)*	$ 17.47	$ 17.50	$ 16.39	$ 18.15
Mine administration cash costs of product sold *(per tonne)* [i]	**$ 1.86**	$ 1.47	$ 1.20		$ 1.23	$ 1.62	$ 4.26	$ 1.04
Total cash costs of product sold *(per tonne)* [i]	**$ 27.51**	$ 42.91	$ 34.30		$ 18.70	$ 19.12	$ 20.65	$ 19.19
Other Operational Data								
Production waste material moved *(millions of bank cubic meters)*	**2.68**	0.91	–	–	0.31	0.59	–	5.04
Strip ratio *(bank cubic meters of waste material per tonne of coal produced)*	**4.67**	7.33	–	–	5.61	2.23	–	4.83
Lost time injury frequency rate [ii]	**0.00**	0.00	0.00	0.00	0.00	0.00	0.00	0.00

(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.*

(iii) *Not presented as nil sales was noted for the quarter.*

Overview of Quarterly Operational Data

The Company ended the fourth quarter of 2022 without a lost time injury.

The Company experienced an increase in the average selling price of coal from $55.4 per tonne in the fourth quarter of 2021 to $65.9 per tonne in the fourth quarter of 2022, as a result of improved market conditions in China. The product mix for the fourth quarter of 2022 consisted of approximately 13% premium semi-soft coking coal, 1% standard semi-soft coking coal/premium thermal coal and 86% of processed coal compared to approximately 59% premium semi-soft coking coal and 41% standard semi-soft coking coal/premium thermal coal in the fourth quarter of 2021.

The Company sold 0.5 million tonnes for the fourth quarter of 2022, compared to less than 0.1 million tonnes for the fourth quarter of 2021.

The Company's unit cost of sales of product sold decreased from $77.0 per tonne in the fourth quarter of 2021 to $41.8 per tonne in the fourth quarter of 2022. The decrease was mainly driven by the economies of scale due to increased sales as well as the decrease in the effective royalty rate.

Summary of Quarterly Financial Results

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

$ in thousands, except per share information	2022				2021			
Quarter Ended	**31-Dec**	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Financial Results								
Revenue [(i)]	**$ 30,487**	$ 36,807	$ 5,790	$ –	$ 848	$ 9,295	$ 5,191	$ 28,064
Cost of sales [(i)]	**(19,652)**	(32,036)	(5,069)	(1,005)	(1,539)	(6,866)	(4,552)	(18,347)
Gross profit/(loss) excluding idled mine asset costs	**10,891**	4,982	940	(561)	(51)	3,269	1,565	10,228
Gross profit/(loss) including idled mine asset costs	**10,835**	4,771	721	(1,005)	(691)	2,429	639	9,717
Other operating income/(expenses), net	**(1,066)**	546	3,778	2,058	(1,078)	100	(113)	(335)
Administration expenses	**(2,111)**	(1,830)	(1,772)	(1,206)	(1,336)	(1,467)	(1,484)	(1,781)
Evaluation and exploration expenses	**(26)**	(31)	(66)	(24)	(75)	(36)	(47)	(65)
Profit/(loss) from operations	**7,632**	3,456	2,661	(177)	(3,180)	1,026	(1,005)	7,536
Finance costs	**(11,190)**	(10,800)	(10,247)	(10,036)	(9,702)	(11,457)	(8,870)	(14,637)
Finance income	**1,589**	69	1,160	13	3,178	2,040	2,494	21,001
Share of earnings/(loss) of joint ventures	**143**	237	(109)	(152)	(137)	(261)	(35)	274
Current income tax credit/(expenses)	**(2,751)**	(979)	(518)	(420)	(1,579)	(78)	139	(1,120)
Net profit/(loss)	**(4,577)**	(8,017)	(7,053)	(10,772)	(11,420)	(8,730)	(7,277)	13,054
Basic earnings/(loss) per share	**$ (0.02)**	$ (0.03)	$ (0.03)	$ (0.04)	$ (0.04)	$ (0.03)	$ (0.03)	$ 0.05
Diluted earnings/(loss) per share	**$ (0.02)**	$ (0.03)	$ (0.03)	$ (0.04)	$ (0.04)	$ (0.03)	$ (0.03)	$ 0.02

[(i)] *Revenue and cost of sales relate to the Company's Ovoot Tolgoi Mine within the Mongolian Coal Division operating segment. Refer to note 2 of the selected information from the notes to the consolidated financial statements for further analysis regarding the Company's reportable operating segments.*

Overview of Quarterly Financial Results

The Company recorded a $7.6 million profit from operations in the fourth quarter of 2022 compared to a $3.2 million loss from operations in the fourth quarter of 2021. The financial results for the fourth quarter of 2022 were impacted by (i) the higher selling price achieved by the Company; and (ii) increased sales experienced by the Company following the reopening of the Ceke Port of Entry during the second quarter of 2022.

Revenue was $30.5 million in the fourth quarter of 2022 compared to $0.8 million in the fourth quarter of 2021. The Company's effective royalty rate for the fourth quarter of 2022, based on the Company's average realised selling price of $65.9 per tonne, was 18.9% or $12.5 per tonne, compared to 49.4% or $27.4 per tonne in the fourth quarter of 2021 (based on the average realised selling price of $55.4 per tonne).

Cost of sales was $19.7 million in the fourth quarter of 2022 compared to $1.5 million in the fourth quarter of 2021. The increase in cost of sales in the fourth quarter of 2021 was mainly due to the effect of increased sales volume.

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, refer to section "Non-IFRS Financial Measures" for further analysis) during the quarter.

	Three months ended December 31,	
$ in thousands	**2022**	2021
Operating expenses	**$ 12,929**	$ 374
Share-based compensation expense	**7**	15
Depreciation and depletion	**794**	91
Royalties	**5,866**	419
Cost of sales from mine operations	**19,596**	899
Cost of sales related to idled mine assets	**56**	640
Cost of sales	**$ 19,652**	$ 1,539

Cost of sales related to idled mine assets in the fourth quarter of 2022 included $0.1 million related to depreciation expenses for idled equipment (fourth quarter of 2021: $0.6 million).

Other operating expenses was $1.1 million in the fourth quarter of 2022 (fourth quarter of 2021: $1.1 million). A foreign exchange gain of $0.5 million and impairment on materials and supplies inventories of $1.5 million were recorded in the fourth quarter of 2022. (fourth quarter of 2021: foreign exchange loss of $0.1 million and impairment on materials and supplies inventories of $2.4 million).

$ in thousands	Three months ended December 31, **2022**	2021
Management fee	**$ 380**	$ 35
Reversal of provision for doubtful trade and other receivables	**(166)**	(13)
Foreign exchange loss/(gain), net	**(545)**	141
Gain on disposal of items of property, plant and equipment, net	**–**	(29)
Impairment on materials and supplies inventories	**1,520**	2,435
Impairment of prepaid expenses	**145**	–
Rental income from short term leases	**(85)**	(587)
Discount on settlement of trade payables	**(64)**	(383)
Written off of other payables	**–**	(521)
Gain on contract offsetting arrangement	**(119)**	-
Other operating expenses, net	**$ 1,066**	$ 1,078

Administration expenses increased from $1.3 million in the fourth quarter of 2021 to $2.1 million in the fourth quarter of 2022, primarily due to increase in salaries and benefits incurred during the quarter following the resumption of mining operations in the third quarter of the year.

$ in thousands	Three months ended December 31, **2022**	2021
Corporate administration	**$ 366**	$ 176
Legal and professional fees	**295**	246
Salaries and benefits	**1,315**	765
Share-based compensation expense	**30**	18
Depreciation	**105**	131
Administration expenses	**$ 2,111**	$ 1,336

The Company continued to minimise evaluation and exploration expenditures in the fourth quarter of 2022 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in the fourth quarter of 2022 were limited to ensuring that the Company met the Mongolian Minerals Law requirements in respect of its mining licenses.

Finance costs were $11.2 million in the fourth quarter of 2022 compared to $9.7 million in the fourth quarter of 2021, which primarily consisted of interest expense on the $250.0 million Convertible Debenture.

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 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.

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.

As at December 31, 2022, the amount of reimbursable costs and fees claimed by Turquoise Hill (the "TRQ Reimbursable Amount") amounted to $6.3 million (such amount is included in the trade and other payables).

Revolving Credit Facility

On March 2, 2023, an indirect wholly-owned subsidiary of the Company entered into a Credit Facility with a related party of JDZF, the Company's largest shareholder, which makes available to the Company up to a maximum principal sum of RMB90 million with a maturity date of three months after the agreement was signed. The Company has obtained the requisite acceptance from the TSX for the Credit Facility in accordance with the requirements of the TSX Company Manual, subject to certain standard conditions.

The principal terms of the Credit Facility are as follows:

- All obligations under the Credit Facility are due and payable on the maturity date.

- The Credit Facility is a revolving facility, pursuant to which the Borrower will be entitled, but not obligated, to request Advances under the Credit Facility from time to time, provided that the aggregate amount of the outstanding Advances under the Credit Facility does not exceed the maximum loan amount at any time. The Borrower is entitled to repay all or any portion of the outstanding Advances under the Credit Facility from time to time without bonus or penalty.

- Advances under the Credit Facility will not accrue interest if the Borrower repays any Advance in full within the Interest-Free Period. If the Borrower fails to repay in full the amount of the Advance prior to the end of the Interest-Free Period, then the Borrower will pay to the Lender interest on the outstanding amount of such Advance, beginning on the day immediately following the Interest Trigger Date and ending on but excluding the day on which such Advance is repaid or satisfied in full. Interest on the outstanding amount of each Advance from the Interest Trigger Date is calculated at a rate per annum equal to 5%, determined daily and calculated and payable on the date on which the relevant Advance is repaid in full.

- The Company intends to use the proceeds of the Credit Facility for general corporate purposes.

Going concern considerations

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least December 31, 2023 and will be able to realise 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 sufficient 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 consolidated financial statements. The Company incurred a net loss attributable to equity holders of the Company of $30.4 million for 2022 (compared to a net loss attributable to equity holders of the Company of $14.4 million for 2021), and had a deficiency in assets of $142.5 million as at December 31, 2022 as compared to a deficiency in assets of $90.5 million as at December 31, 2021 while the working capital deficiency (excess current liabilities over current assets) reached $184.7 million as at December 31, 2022 compared to a working capital deficiency of $42.5 million as at December 31, 2021.

Included in the working capital deficiency as at December 31, 2022 are significant obligations, represented by trade and other payables of $59.7 million, which includes $22.5 million in unpaid taxes 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, and as a result any continuing postponement in settling of certain trade and other payables owed to suppliers and creditors 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 were pending as at March 31, 2023. 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.

As disclosed in the section "Impact of the COVID-19 pandemic" below, the Chinese-Mongolian border was re-opened for coal export on a trial basis on May 25, 2022 but there can be no guarantee that the Company will be able to continue exporting coal to China, or the Chinese-Mongolian border crossings would not be the subject of additional closure as a result of COVID-19 or any variants thereof in the future. The Company has been proactively adjusting its sales strategy and exploring opportunities to expand its sales. In early 2023, China fully reopened its borders and relaxed the export restrictions associated with COVID-19. The Company anticipates that its revenue, liquidity and profitability will improve following the coal exports volume resuming to normal levels.

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 realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the consolidated 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 realisable 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 consolidated 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.

For the purpose of assessing the appropriateness of the use of the going concern basis to prepare the financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from December 31, 2022. 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: (a) entering into the 2023 March Deferral Agreement with JDZF on March 24, 2023 for a deferral of (i) the 2023 May Cash Interest which will be due and payable to JDZF on May 19, 2023 under the Convertible Debenture; (ii) the 2022 May Deferred Amounts which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated May 13, 2022; (iii) the 2021 July Deferred Amounts which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated July 30, 2021; and (iv) the 2020 November Deferred Amounts which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated November 19, 2020, in each case until August 31, 2024. The Company expects to convene a special meeting of shareholders in the second quarter of 2023 to seek disinterested shareholder approval of the 2023 March Deferral Agreement; (b) communicating with vendors in agreeing repayment plans of the outstanding payable; (c) continuously assessing through communication with MTA its acceptability to a prolonged settlement schedule of the outstanding tax payable and making settlement based on that assessment and the liquidity position of the Company; and (d) obtaining an avenue of financial support from an affiliate of the Company's major shareholder for a maximum amount of $73.0 million during the period covered in the cash flow projection. Regarding these plans and measures, there is no guarantee that the suppliers and MTA would agree the settlement plan as communicated by the Company. Nevertheless, 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 December 31, 2022 and therefore are satisfied that it is appropriate to prepare the consolidated 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, the impact of the COVID-19 pandemic, restrictions on the Company's ability to import its coal products for sale in China, Chinese 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.

Impact of the COVID-19 Pandemic

In response to the increase in the number of COVID-19 cases in Ejinaqi, a region in China's Inner Mongolia Autonomous Region, reported in late October 2021, the local government authorities imposed stringent preventive measures throughout the region, including the temporary closure of the Ceke Port of Entry located at the border of Mongolia and China. Accordingly, the Company's coal exports into China were suspended from November 2021 to May 2022.

On May 25, 2022, the Ceke Port of Entry re-opened for coal export on a trial basis, with a limited number of trucks permitted to cross the border during the trial period.

Since May 25, 2022, the number of trucks permitted to cross the Chinese-Mongolian border, as well as the volume of coal exports, have increased. As a result, the Company has gradually resumed mining operations beginning on July 15, 2022.

The Company has been proactively adjusting its sales strategy and exploring opportunities to expand its sales. Although the export of coal from Mongolia to China has resumed as of the date hereof, there can be no guarantee that the Company will be able to continue exporting coal to China, or the Chinese-Mongolian border crossings would not be the subject of additional closure as a result of COVID-19 or any variants thereof in the future.

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 Common Shares) with a maximum term of 30 years. The Convertible Debenture is secured by a first ranking charge over the Company's assets, including shares of its material 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 Convertible Debenture into approximately 21.5 million shares at a conversion price of $11.64 (CA$11.88).

On July 30, 2021, the Company and CIC entered into the 2021 July Deferral Agreement which became effective on that day, pursuant to which CIC agreed to grant the Company a deferral of the 2021 Deferred Amounts payable to CIC on November 19, 2021 under the Convertible Debenture.

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

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

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

On May 13, 2022, the Company and CIC entered into the 2022 May Deferral Agreement, pursuant to which CIC agreed to grant the Company a deferral of (i) semi-annual cash interest payments of $7.9 million payable to CIC on May 19, 2022 (the "Deferred Amounts"); and (ii) the management fee which payable to CIC on February 14, 2022 and August 14, 2022 (the "Deferred Management Fee") under the Amended and Restated Cooperation Agreement (collectively, the "2022 Deferred Amounts") under the Convertible Debenture.

The principal terms of the 2022 May Deferral Agreement are as follows:

- Payment of the 2022 Deferred Amounts will be deferred until August 31, 2023.

- As consideration for the deferral of the 2022 Deferred Amounts, the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the Deferred Amounts payable under the Convertible Debenture, commencing on May 19, 2022.

- As consideration for the deferral of the Deferred Management Fees, the Company agreed to pay CIC a deferral fee equal to 2.5% per annum on the outstanding balance of the Deferred Management Fees payable under the Amended and Restated Cooperation Agreement, commencing on the date on which each such 2022 May Deferred Management Fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- The Company agreed to provide CIC with monthly updates regarding its operational and financial affairs.

- If at any time before the 2022 Deferred Amounts and related deferral fee 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, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from CIC prior to effecting such appointment, replacement or termination.

- The Company and CIC agreed that nothing in the 2022 May Deferral Agreement prejudices CIC's rights to pursue any of its remedies at any time pursuant to the prior deferral agreements.

Following the completion of the CIC Sale Transaction on August 30, 2022, the respective rights and obligations of CIC under (i) the Convertible Debenture and related security documents; (ii) the Amended and Restated Cooperation Agreement and related documents; (iii) the deferral agreements between CIC, the Company and certain of its subsidiaries in connection with the deferral of interest payments and other outstanding fees under the Convertible Debenture and the Amended and Restated Cooperation Agreement; and (iv) the security holders agreement between the Company, CIC and a former shareholder of the Company, were assigned to JDZF.

On November 11, 2022, the Company and JDZF entered into the 2022 November Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of: (i) semi-annual cash interest payments of $7.1 million payable to JDZF on November 19, 2022; (ii) $1.1 million in PIK Interest shares issuable to JDZF on November 19, 2022 under the Convertible Debenture; and (iii) the management fees payable to JDZF on November 15, 2022, February 15, 2023, May 16, 2023 and August 15, 2023 under the Amended and Restated Cooperation Agreement.

The principal terms of the 2022 November Deferral Agreement are as follows:

- Payment of the 2022 November Deferred Interest and the 2022 November Deferred Management Fees will be deferred until November 19, 2023.

- As consideration for the deferral of the 2022 November Deferred Interest, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the 2022 November Deferred Interest payable under the Convertible Debenture, commencing on November 19, 2022.

- As consideration for the deferral of the 2022 November Deferred Management Fees, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of the 2022 Deferred Management Fees payable under the Amended and Restated Cooperation Agreement, commencing on the date on which each such 2022 November Deferred Management Fees would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- If at any time before the 2022 November Deferred Interest and the 2022 November Deferred Management Fees 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, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

- The Company agreed to comply with all of its obligations under the prior deferral agreements assigned to JDZF.

- The Company and JDZF agreed that nothing in the 2022 November Deferral Agreement prejudices JDZF's rights to pursue any of its remedies at any time pursuant to the prior deferral agreements.

On March 24, 2023, the Company and JDZF entered into the 2023 March Deferral Agreement pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash interest payment of approximately $7.9 million which will be due and payable on May 19, 2023 under the Convertible Debenture; (ii) the cash interest, management fees, and related deferral fees of approximately $8.7 million which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated May 13, 2022; (iii) the cash and PIK Interest, and related deferral fees of approximately $13.5 million which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated July 30, 2021; and (iv) the cash and PIK Interest, management fees, and related deferral fees of approximately $110.4 million which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated November 19, 2020.

The effectiveness of the 2023 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2023 March Deferral Agreement are subject to the approvals from the TSX and the shareholders of the Company in accordance with the requirements of Section 501(c) of the TSX Company Manual and the HKEX listing rules.

The principal terms of the 2023 March Deferral Agreement are as follows:

- Payment of the 2023 March Deferred Amounts will be deferred until August 31, 2024.

- As consideration for the deferral of the 2023 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2023 March Deferred Amounts, commencing on the date on which each such 2023 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.

- As consideration for the deferral of the 2023 March Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2023 March Deferred Amounts commencing on the date on which each such 2023 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.

- The 2023 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2023 March Deferred Amounts or related deferral fees. Instead, the 2023 March Deferral Agreement requires the Company to use its best efforts to pay the 2023 March Deferred Amounts and related deferral fees due and payable under the March 2023 Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2023 March Deferral Agreement and ending as of the Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2023 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, 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.

- If at any time before the 2023 March Deferred 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, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

The Company is convening a special meeting of Shareholders in the second quarter of 2023 to seek disinterested Shareholder approval of the 2023 March Deferral Agreement.

In November 2022, the Company issued 20,947,603 Common Shares to JDZF in accordance with the terms of the Convertible Debenture at an issuance price of CA$0.185 per Common Share as settlement of $2.9 million in outstanding PIK Interest owing by the Company to JDZF under the Convertible Debenture and related deferral agreements.

Ovoot Tolgoi Mine Impairment Analysis

The Company determined that an indicator of impairment existed for its Ovoot Tolgoi Mine cash generating unit as at December 31, 2022. The impairment indicator was the fact that the Company suffered loss for the year.

Therefore, the Company conducted an impairment test whereby the carrying value of the Company's Ovoot Tolgoi Mine cash generating unit was compared to the recoverable amount (being the "fair value less costs of disposal") using a discounted future cash flow valuation model. The Company's cash flow valuation model takes into consideration the latest available information to the Company, including but not limited to, sales prices, sales volumes, washing production, operating costs and life of mine coal production estimates as at December 31, 2022. The carrying value of the Company's Ovoot Tolgoi Mine cash generating unit was $119.3 million as at December 31, 2022.

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

- Coal resources and reserves as estimated by an independent third party engineering firm;
- Sales price estimates from an independent market consulting firm;
- Forecasted sales volumes in line with production levels as reference to the mine plan;
- Life-of-mine coal production, strip ratio, capital costs and operating costs; and
- A post-tax discount rate of 19% based on an analysis of the market, country and asset specific factors.

Key sensitivities in the valuation model are as follows:

- For each 1% increase/(decrease) in the long term price estimates, the calculated fair value of the cash generating unit increases/(decreases) by approximately $10.6/(10.5) million;
- For each 1% increase/(decrease) in the post-tax discount rate, the calculated fair value of the cash generating unit (decreases)/increases by approximately $(12.9)/13.8 million;
- For each 1% increase/(decrease) in the cash mining cost estimates, the calculated fair value of the cash generating unit (decreases)/increases by approximately $(5.8)/5.9 million; and
- For each 1% increase/(decrease) in Mongolian inflation rate, the calculated fair value of the cash generating unit (decreases)/increases by approximately $(31.2)/27.9 million.

The impairment analysis did not result in the identification of an impairment loss or an impairment reversal and no charge or reversal was required as at December 31, 2022. A decline of 18% (2021: 15%) in the long-term price estimates, an increase of more than 26% (2021: 19%) in the post-tax discount rate, an increase of 33% (2021: 27%) in the cash mining cost estimates or an increase of 95% (2021: 62%) in Mongolian inflation rate may trigger an impairment charge on the cash generating unit. The Company believes that the estimates and assumptions incorporated in the impairment analysis are reasonable; however, the estimates and assumptions are subject to significant uncertainties and judgments.

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 defendants 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 July 31, 2022 and by defendants, on damages and liability in early May 2023, respectively; and (iv) pre-trial agreements, filings and motions by September 2023. 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 December 31, 2022 and 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 December 31, 2022 and 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, a wholly owned subsidiary of the Company ("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).

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 because 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 1,800 per tonne.

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

For the three months ended and the year ended December 31, 2022, RDCC LLC recognised toll fee revenue of $1.2 million (2021: $0.1 million) and $2.5 million (2021: $2.1 million), respectively.

PLEDGE OF ASSETS

As at December 31, 2022, most of the Company's mobile equipment and other operating equipment with carrying value of $2.3 million (2021: $2.9 million) were pledged as security of Convertible Debenture.

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 year ended December 31, 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE

The Company has, throughout the year ended December 31, 2022, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and complied with 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 Hong Kong Listing Rules, except for the following:

- Pursuant to Section C.2 under Part 2 of the Corporate Governance Code, the chairman of the Board ("Chairman") should be responsible for the overall management of the Board. The Company has not had a Chairman since November 2017. The Board has appointed an Independent Lead Director, who is fulfilling the duties of the Chairman; and

- Pursuant to code provision F.2.2 under Part 2 of the Corporate Governance Code, the Chairman of the Board should attend the annual general meeting. Mr. Mao Sun, an independent non-executive director ("INED") and the Independent Lead Director, attended and acted as Chairman of the Company's annual general and special meeting held on July 21, 2022 to ensure effective communication with shareholders of the Company (the "Shareholders").

Pursuant to provision C.2.7 under Part 2 of the Corporate Governance Code, the Chairman of the Board should at least annually hold meetings with the non-executive directors (including INEDs) without executive directors present. During 2022, there were two meetings between the Independent Lead Director, who is fulfilling the duties of the Chairman, and the non-executive Directors. The opportunity for such communication channel is available 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, which contain 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.

Having made specific enquiry of all Directors, the Company received written confirmation from its directors that all directors had received, reviewed and abided by the terms of the Company's Corporate Disclosure, Confidentiality and Securities Trading Policy throughout the year ended December 31, 2022.

OUTLOOK

The re-opening of the Ceke Port of Entry in May 2022 and the subsequent gradual increase of coal export volumes into China resulted in significant improvements in the Company's cash flows for the year ended December 31, 2022. The Company expects that planned investments from multiple coal mining companies in 2023 to enhance the infrastructure and technologies which support cross-border exports at the Chinese-Mongolian border, will result in export volumes continuing to increase in 2023.

With assistance and support from JDZF, the Company will focus on expanding its market reach and customer base in China to improve the profit margin earned on its coal products.

In 2023, the Company expects to continue to ramp up its mining operations and capacity to capitalise on the anticipated increase in sales volume. The Company will revisit the possibility of resuming coal processing at a later date.

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 maximise revenue, broaden its customer base and sales network, improve logistics, optimise 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 by: (i) improving mining operations; (ii) consider resuming the operation of the Company's wet coal processing plant; (iii) exploring the possibility of a dry coal processing operation; and (iv) trading and blending different types of coal to produce blended coal products that are economical to the Company.

- **Expand market reach and customer base** – The Company will endeavor 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 maximise profit while maintaining sustainable long-term business relationships with customers.

- **Increase production and optimise cost structure** – The Company will aim to increase coal production volume to take advantage of economies of scale. The Company will also focus to reduce its production costs and optimise its cost structure through engaging sizable 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.

In the long term, the Company will continue to focus on creating and maximising 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 90 million tonnes.

- **Several growth options** – The Company has several growth options including the Soumber Deposit and Zag Suuj Deposit, located approximately 20km east and approximately 150km east of the Ovoot Tolgoi Mine, respectively.

- **Bridge between Mongolia and China** – The Company is well-positioned to capture the resulting business opportunities between China and Mongolia. The Company will seek assistance and support from its two largest shareholders, which are both experienced coal mining enterprises in China, and have a strong operational record for the past decade 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 utilised in the mining industry.

The following table provides a reconciliation of the cash costs of product sold disclosed for the three months and year ended December 31, 2022 and December 31, 2021. The cash costs of product sold presented below may differ from cash costs of product produced depending on the timing of coal stockpile inventory turnover and impairment of coal stockpile inventories from prior periods.

	Three months ended December 31,		**Year ended December 31,**	
$ in thousands, except per tonne information	**2022**	2021	**2022**	2021
Cash costs				
Cost of sales determined in accordance with IFRS	**$ 19,652**	$ 1,539	**$ 57,762**	$ 31,304
Less royalties	**(5,866)**	(419)	**(14,196)**	(8,125)
Less non-cash expenses	**(801)**	(106)	**(2,522)**	(2,086)
Less non-cash idled mine asset costs	**(56)**	(640)	**(930)**	(2,917)
Total cash costs	**12,929**	374	**40,114**	18,176
Less idled mine asset cash costs	**–**	–	**–**	–
Total cash costs excluding idled mine asset cash costs	**12,929**	374	**40,114**	18,176
Coal sales *(millions of tonnes)*	**0.47**	0.02	**1.11**	0.94
Total cash costs of product sold *(per tonne)*	**$ 27.51**	$ 18.70	**$ 36.14**	$ 19.34

	Three months ended December 31,		**Year ended December 31,**	
$ in thousands, except per tonne information	**2022**	2021	**2022**	2021
Cash costs				
Direct cash costs of product sold *(per tonne)*	**$ 25.65**	$ 17.47	**$ 34.52**	$ 17.81
Mine administration cash costs of product sold *(per tonne)*	**1.86**	1.23	**1.62**	1.53
Total cash costs of product sold *(per tonne)*	**$ 27.51**	$ 18.70	**$ 36.14**	$ 19.34

The cash cost of product sold per tonne was $36.1 for 2022, which has increased from $19.3 per tonne for 2021. The reasons for the increase were primarily related to (i) change in product mix and processed coal having a relatively higher unit cost of product sold as compared to the Company's other coal products; and (ii) higher logistic costs incurred by the Company in response to the re-opening of the Ceke Port of Entry for coal export in May 2022.

Idle Mine Asset Costs

The Company uses idle mine asset costs to describe the cost incurred during idle mine period. Idle mine asset costs 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 gross profit internally and believes this measure provides investors and analysts with useful information about the Company's underlying gross profit. 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. This performance measure is commonly utilised in the mining industry.

The following table provides a reconciliation of the gross profit/(loss) disclosed for the three months and year ended December 31, 2022 and December 31, 2021.

	Three months ended December 31,		**Year ended December 31,**	
$ in thousands, except per tonne information	**2022**	2021	**2022**	2021
Idled mine asset costs				
Gross profit/(loss) excluding idled mine asset costs	**$ 10,891**	$ (51)	**$ 16,252**	$ 15,011
Less non-cash idled mine asset costs	**$ (56)**	$ (640)	**$ (930)**	$ (2,917)
Gross profit/(loss) including idled mine asset costs	**$ 10,835**	$ (691)	**$ 15,322**	$ 12,094

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in thousands of USD, except for share and per share amounts)

	Year ended December 31, 2022	2021
Revenue	**$ 73,084**	$ 43,398
Cost of sales	**(57,762)**	(31,304)
Gross profit	**15,322**	12,094
Other operating income/(expenses), net	**5,316**	(1,426)
Administration expenses	**(6,919)**	(6,068)
Evaluation and exploration expenses	**(147)**	(223)
Profit from operations	**13,572**	4,377
Finance costs	**(42,219)**	(39,118)
Finance income	**2,777**	23,165
Share of earnings/(loss) of joint ventures	**119**	(159)
Loss before tax	**(25,751)**	(11,735)
Current income tax expenses	**(4,668)**	(2,638)
Net loss attributable to equity holders of the Company	**(30,419)**	(14,373)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Exchange difference on translation of foreign operation	**(24,744)**	(197)
Net comprehensive loss attributable to equity holders of the Company	**$ (55,163)**	$ (14,570)
Basic and diluted loss per share	**$ (0.11)**	$ (0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of USD)

	As at December 31, 2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ **9,255**	$ 723
Restricted cash	**725**	1,259
Trade and other receivables	**1,199**	141
Inventories	**34,830**	51,606
Prepaid expenses	**1,486**	1,571
Total current assets	**47,495**	55,300
Non-current assets		
Property, plant and equipment	**119,346**	135,145
Investments in joint ventures	**14,518**	15,668
Total non-current assets	**133,864**	150,813
Total assets	$ **181,359**	$ 206,113
Equity and liabilities		
Current liabilities		
Trade and other payables	$ **59,730**	$ 67,327
Deferred revenue	**30,282**	26,477
Interest-bearing borrowing	**–**	53
Lease liabilities	**298**	296
Income tax payable	**1,066**	3,682
Convertible debenture	**140,784**	–
Total current liabilities	**232,160**	97,835
Non-current liabilities		
Lease liabilities	**204**	585
Convertible debenture	**83,869**	191,626
Decommissioning liability	**7,650**	6,517
Total non-current liabilities	**91,723**	198,728
Total liabilities	**323,883**	296,563

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
(Expressed in thousands of USD)

	As at December 31, 2022	2021
Equity		
Common shares	**1,101,764**	1,098,835
Share option reserve	**53,018**	52,858
Capital reserve	**396**	396
Exchange fluctuation reserve	**(55,212)**	(30,468)
Accumulated deficit	**(1,242,490)**	(1,212,071)
Total deficiency in assets	**(142,524)**	(90,450)
Total equity and liabilities	**$ 181,359**	$ 206,113
Net current liabilities	**$ (184,665)**	$ (42,535)
Total assets less current liabilities	**$ (50,801)**	$ 108,278

SELECTED INFORMATION FROM THE NOTES TO THE 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 and options in thousands, unless otherwise indicated.

1. BASIS OF PREPARATION

1.1 Corporate information and liquidity

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least December 31, 2023 and will be able to realise 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 sufficient 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 consolidated financial statements. The Company incurred a net loss attributable to equity holders of the Company of $30,419 for 2022 (compared to a net loss attributable to equity holders of the Company of $14,373 for 2021), and as of that date, had a deficiency in assets of $142,524 as at December 31, 2022 as compared to a deficiency in assets of $90,450 as at December 31, 2021 while the working capital deficiency (excess current liabilities over current assets) reached $184,665 as at December 31, 2022 as compared to a working capital deficiency of $42,535 as at December 31, 2021.

Included in the working capital deficiency as at December 31, 2022 are significant obligations, represented by trade and other payables of $59,730, which includes $22,542 in unpaid taxes 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 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 were pending as at March 31, 2023.

The Chinese-Mongolian border was re-opened for coal export on a trial basis on May 25, 2022 but there can be no guarantee that the Company will be able to continue exporting coal to China, or the Chinese-Mongolian border crossings would not be the subject of additional closure as a result of COVID-19 or any variants thereof in the future. The Company has been proactively adjusting its sales strategy and exploring opportunities to expand its sales. In early 2023, China fully reopened its borders and relaxed the export restrictions associated with COVID-19. The Company anticipates that its revenue, liquidity and profitability will improve following the coal exports volume resuming to normal levels.

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 realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the consolidated 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 realisable 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 consolidated 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.

For the purpose of assessing the appropriateness of the use of the going concern basis to prepare the financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from December 31, 2022. 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: (a) entering into the 2023 March Deferral Agreement with JDZF on March 24, 2023 for a deferral of (i) semi-annual cash interest payments of $7,934 which will be due and payable to JDZF on May 19, 2023 under the Convertible Debenture; (ii) the cash interest, management fees, and related deferral fees of approximately $8,716 which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated May 13, 2022; (iii) the cash and PIK Interest, and related deferral fees of approximately $13,460 which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated July 30, 2021; and (iv) the cash and PIK Interest, management fees, and related deferral fees of approximately $110,406 which are due and payable to JDZF on or before August 31, 2023 under the deferral agreement dated November 19, 2020, in each case until August 31, 2024. The Company expects to convene a special meeting of shareholders in the second quarter of 2023 to seek disinterested shareholder approval of the 2023 March Deferral Agreement; (b) communicating with vendors in agreeing repayment plans of the outstanding payable; (c) continuously assessing through communication with MTA its acceptability to a prolonged settlement schedule of the outstanding tax payable and making settlement based on that assessment and the liquidity position of the Company; and (d) obtaining an avenue of financial support from an affiliate of the Company's major shareholder for a maximum amount of $73,000 during the period covered in the cash flow projection. Regarding these plans and measures, there is no guarantee that the suppliers and MTA would agree the settlement plan as communicated by the Company, Nevertheless, 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 December 31, 2022 and therefore are satisfied that it is appropriate to prepare the consolidated 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, Chinese 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 December 31, 2022 and December 31, 2021, the Company was not subject to any externally imposed capital requirements.

1.2 Statement of compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with the IFRS issued by the IASB.

1.3 Basis of presentation

The consolidated financial statements of the Company for the year ended December 31, 2022 were approved and authorised for issue by the Board of the Company on March 31, 2023.

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.

1.4 Adoption of new and revised standards and interpretations

The following new IFRS standards and interpretations were adopted by the Company on January 1, 2022.

Annual Improvements Framework	Annual Improvements to IFRSs 2018-2020
Amendments to IFRS 3	Business Combination
Amendments to IAS 16	Property, Plant and Equipment
Amendments to IAS 37	Contingent Liabilities and Contingent Assets
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 2021
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

There have been no new IFRSs or IFRIC interpretations that have a material impact on the Company's results and financial position for the year ended December 31, 2022. The Company has not early applied any new or amended IFRSs that is not yet effective for the year ended December 31, 2022.

2. SEGMENT INFORMATION

The Company's Chief Executive Officer (chief operating decision maker) 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 of Directors 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 years ended December 31, 2022 and 2021.

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 years ended December 31, 2022 and 2021.

During the years ended December 31, 2022 and 2021, the Coal Division had 51 and 22 active customers, respectively. 1 and 3 customers with respective revenues contributed over 10% of the total revenue during the years ended December 31, 2022 and 2021, with the largest customer accounting for 14% of revenues (2021: 35%), the second largest customer accounting for 9% of revenues (2021: 17%) and the third largest customer accounting for 8% of revenues (2021: 10%).

3. REVENUE

Revenue represents the value of goods sold which arises from the trading of coal. The Company recognises 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 loss before tax is arrived at after charging/(crediting):

	Year ended December 31, 2022	2021
Depreciation	**$ 3,843**	$ 5,611
Auditors' remuneration	**462**	465
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**$ 5,554**	$ 5,404
Equity-settled share option expense	**161**	203
Pension scheme contributions	**528**	401
	$ 6,243	$ 6,008
Lease payments under operating leases	**$ 159**	$ 147
Foreign exchange loss/(gain), net	**(4,639)**	325
Impairment on materials and supplies inventories	**1,510**	2,411
Royalties	**14,196**	8,125
Management fee	**1,201**	967
Provision/(reversal of provision) for doubtful trade and other receivables	**(784)**	191
Impairment of prepaid expenses	**145**	–
Gain on disposal of items of property, plant and equipment, net	**(195)**	(299)
Gain on contract offsetting arrangement	**(786)**	–
Penalty on late settlement of trade payables	**1,860**	–
Rental income from short term leases	**(150)**	(587)
Discount on settlement of trade payables	**(191)**	(891)
Written off of other payables	**(3,287)**	(691)
Mine operating costs and others	**39,925**	17,239
Total operating expenses	**$ 59,512**	$ 39,021

5. COST OF SALES

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

		Year ended December 31, 2022		2021
Operating expenses	**$**	**40,114**	$	18,176
Share-based compensation expense		**36**		52
Depreciation and depletion		**2,486**		2,034
Royalties		**14,196**		8,125
Cost of sales from mine operations		**56,832**		28,387
Cost of sales related to idled mine assets (i)		**930**		2,917
Cost of sales	**$**	**57,762**	$	31,304

(i) *Cost of sales related to idled mine assets for the year ended December 31, 2022 includes $930 of depreciation expense (2021: includes $2,917 of depreciation expense). The depreciation expense relates to the Company's idled plant and equipment.*

Cost of inventories recognised as expense in cost of sales for the year ended December 31, 2022 totaled $39,129 (2021: $17,000).

6. OTHER OPERATING EXPENSES/(INCOME)

The Company's other operating expenses/(income) consist of the following amounts:

		Year ended December 31, 2022		2021
Management fee	**$**	**1,201**	$	967
Provision/(reversal of provision) for doubtful trade and other receivables		**(784)**		191
Foreign exchange loss/(gain), net		**(4,639)**		325
Gain on disposal of items of property, plant and equipment, net		**(195)**		(299)
Impairment on materials and supplies inventories		**1,510**		2,411
Impairment of prepaid expenses		**145**		–
Rental income from short term leases		**(150)**		(587)
Discount on settlement of trade payables		**(191)**		(891)
Written off of other payables (i)		**(3,287)**		(691)
Gain on contract offsetting arrangement		**(786)**		–
Penalty on late settlement of trade payables		**1,860**		–
Other operating expenses/(income), net	**$**	**(5,316)**	$	1,426

(i) *The Company has written off of a significant vendor payable of $3,287 (2021: $691) for which the contractual claim limitation period is expired as of the end of the reporting period pursuant to the relevant laws and regulations.*

7. FINANCE COSTS AND INCOME

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

	Year ended December 31, 2022	2021
Interest expense on convertible debenture	**$ 39,645**	$ 36,301
Fair value loss on embedded derivatives in convertible debenture	**16**	–
Value added tax on interest from intercompany loan	**1,940**	2,153
Interest expense on borrowing	**5**	61
Interest elements on leased assets	**82**	93
Accretion of decommissioning liability	**531**	510
Finance costs	**$ 42,219**	$ 39,118

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

	Year ended December 31, 2022	2021
Fair value gain on embedded derivatives in convertible debenture	**$ –**	$ 100
Gain on extinguishment of convertible debenture	**–**	20,970
Gain on modification of convertible debenture	**2,734**	2,016
Interest income	**43**	79
Finance income	**$ 2,777**	$ 23,165

8. TAXES

8.1 Income tax recognised in profit or loss

The Canadian statutory tax rate was 27% (2021: 27%). A reconciliation between the Company's tax expense and the product of the Company's loss before tax multiplied by the Company's domestic tax rate is as follows:

	Year ended December 31, 2022	2021
Loss before tax	**$ (25,751)**	$ (11,735)
Statutory tax rate	**27%**	27%
Income tax recovery based on combined Canadian federal and provincial statutory rates	**(6,953)**	(3,168)
Lower effective tax rate in foreign jurisdictions	**1,945**	440
Tax effect of tax losses and temporary differences not recognised	**11,042**	13,421
Withholding tax on intercompany interest	**1,940**	2,153
Profit/(loss) attributable to a joint venture	**30**	(40)
Income not subject to tax	**(5,820)**	(10,891)
Non-deductible expenses	**2,484**	723
Income tax expenses	**$ 4,668**	$ 2,638

8.2 Unrecognised deductible temporary differences and unused tax losses

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

	As at December 31, 2022	2021
Non-capital losses	**$ 176,186**	$ 165,730
Capital losses	**30,049**	30,049
Foreign exchange and others	**426,171**	446,762
Total unrecognised amounts	**$ 632,406**	$ 642,541

8.3 Expiry dates

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

	As at December 31, 2022	
	U.S. Dollars Equivalent	**Expiry dates**
Non-capital losses		
Canada	**$ 173,178**	2040 – 2042
China	**3,008**	2027
	$ 176,186	
Capital losses		
Canada	**$ 30,049**	Indefinite

	As at December 31, 2021	
	U.S. Dollar Equivalent	Expiry dates
Non-capital losses		
Canada	$ 161,113	2039 – 2041
China	4,617	2026
	$ 165,730	
Capital losses		
Canada	$ 30,049	Indefinite

9. LOSS PER SHARE

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

	Year ended December 31, 2022	2021
Net loss	**$ (30,419)**	$ (14,373)
Weighted average number of shares	**276,575**	273,380
Basic and diluted loss per share	**$ (0.11)**	$ (0.05)

Potentially dilutive items not included in the calculation of diluted loss per share for the year ended December 31, 2022 include the underlying shares comprised in the convertible debenture and stock options that were anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

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

	As at December 31, 2022	2021
Trade receivables	**$ –**	$ –
Other receivables	**1,199**	141
Total trade and other receivables	**$ 1,199**	$ 141

The aging of the Company's trade and other receivables, based on invoice date and net of provisions, is as follows:

	As at December 31, 2022	2021
Less than 1 month	**$ 1,104**	$ 112
1 to 3 months	**47**	6
3 to 6 months	**48**	23
Over 6 months	**–**	–
Total trade and other receivables	**$ 1,199**	$ 141

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 $22,599 (December 31, 2021: $23,841) as at December 31, 2022, 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 December 31, 2022 reconcile to the opening loss allowances as follows:

Loss allowance for trade and other receivables		
Opening loss allowance as at January 1, 2022	**$**	**23,841**
Decrease in loss allowance recognised in profit or loss during the year		**(784)**
Exchange realignment		**(458)**
Loss allowance as at December 31, 2022	**$**	**22,599**
Opening loss allowance as at January 1, 2021	$	23,055
Increase in loss allowance recognised in profit or loss during the year		191
Exchange realignment		595
Loss allowance as at December 31, 2021	$	23,841

11. TRADE AND OTHER PAYABLES

Trade and other payables of the Company primarily consist 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 invoice date, is as follows:

	As at December 31,			
		2022		2021
Less than 1 month	**$**	**14,402**	$	17,185
1 to 3 months		**5,886**		8,332
3 to 6 months		**3,772**		6,791
Over 6 months		**35,670**		35,019
Total trade and other payables	**$**	**59,730**	$	67,327

The trade and other payables of $59,730 (2021: $67,327) included other tax payables of $22,542 (2021: $22,075).

12. DEFERRED REVENUE

At December 31, 2022, the Company had deferred revenue of $30,282, which represents cash prepayments from customers for future coal sales (2021: $26,477).

The movement of the Company's deferred revenue is as follows:

	Year ended December 31, 2022	2021
Balance, beginning of year	**$ 26,477**	$ 20,831
Revenue recognised that was included in the deferred revenue balance	**(25,242)**	(20,911)
Increase due to trade deposits received, excluding amounts recognised as revenue during the year	**30,337**	26,553
Exchange realignment	**(1,290)**	4
Balance, end of year	**$ 30,282**	$ 26,477

The performance obligation related to the revenue from customers for contracts that are unsatisfied (or partially unsatisfied) are expected to be recognised within one year after the reporting date. The Company applies the practical expedient and does not disclose information about any remaining performance obligation that is a part of contract that has original expected duration of one year or less.

13. INTEREST-BEARING BORROWING

During the year ended December 31, 2022, $53 was repaid to a Mongolian bank by the Company in full settlement of the outstanding principal balance of the bank loan obtained in 2021.

14. LEASE LIABILITIES

The Company leases certain of its office premises for daily operations. These leases have remaining lease terms ranging from 2 to 3 years.

At December 31, 2022, the total future minimum lease payments and their present values were as follows:

	Minimum lease payments As at December 31,		Present value of minimum lease payments As at December 31,	
	2022	2021	**2022**	2021
Amounts payable:				
Within one year	**$ 340**	$ 379	**$ 298**	$ 296
In the second year	**175**	379	**156**	326
In the third to fifth year, inclusive	**53**	284	**48**	259
Total minimum lease payments	**$ 568**	$ 1,042	**$ 502**	$ 881
Future finance charges	**(66)**	(161)		
Total net lease payables	**$ 502**	$ 881		
Portion classified as current liabilities	**(298)**	(296)		
Non-current portion	**$ 204**	$ 585		

15. CONVERTIBLE DEBENTURE

On November 19, 2009, the Company issued a convertible debenture to a wholly owned subsidiary of CIC 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 amortised cost using the effective interest rate method and the embedded derivatives are classified as fair value through profit or loss 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 Company's common share price, forward foreign exchange rate curves (between the CA$ and U.S. dollar) and spot foreign exchange rates.

15.1 Partial conversion

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

15.2 Presentation

Based on the Company's valuation as at December 31, 2022, the fair value of the embedded derivatives increased by $16 (2021: decreased by $100) compared to December 31, 2021. The increase was recorded as finance income for the year ended December 31, 2022.

For the year ended December 31, 2022, the Company recorded interest expense of $39,645 related to the convertible debenture as a finance cost (2021: $36,301). 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 22.1%.

A gain on extinguishment of substantially modified terms of $20,970 was recognised in profit or loss for the year ended December 31, 2021 for the difference between the derecognition of original convertible debenture and recognition of the convertible debenture under 2020 November Deferral Agreement discounted at the new effective interest rate.

A modification gain of $2,734 was recognised in profit or loss for the year ended December 31, 2022 (2021: $2,016) for the difference between the original contractual cash flows and modified cash flows under the 2022 May Deferral Agreement and 2022 November Deferral Agreement discounted at the original effective interest rate.

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

	Year ended December 31, 2022	2021
Balance, beginning of year	**$ 191,626**	$ 181,411
Interest expense on convertible debenture	**39,645**	36,301
Increase/(decrease) in fair value of embedded derivatives	**16**	(100)
Gain on extinguishment of convertible debenture	**–**	(20,970)
Gain on modification of convertible debenture	**(2,734)**	(2,016)
Interest paid	**(1,000)**	(3,000)
Shares issued for interest settlement on convertible debenture (i)	**(2,900)**	–
Balance, end of year	**$ 224,653**	$ 191,626

(i) *The Company paid $2,900 of the 2022 November PIK Interest by way of issuing 20,948 shares at approximately of CA$0.185 on November 19, 2022 in accordance with the procedures set out in convertible debenture agreement on November 19, 2009.*

The convertible debenture balance consists of the following amounts:

	As at December 31, 2022	2021
Current convertible debenture		
Interest payable	**$ 140,784**	$ –
	140,784	–
Non-current convertible debenture		
Debt host and interest payable	**83,800**	191,573
Fair value of embedded derivatives	**69**	53
	83,869	191,626
Total convertible debenture	**$ 224,653**	$ 191,626

16. ACCUMULATED DEFICIT AND DIVIDENDS

At December 31, 2022, the Company has accumulated a deficit of $1,242,490 (2021: $1,212,071). No dividend has been paid or declared by the Company since inception.

The Board did not recommend the payment of any dividend for the year ended December 31, 2022 (2021: nil).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

BDO was engaged to audit the consolidated financial statements of the Company. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Company for the years ended December 31, 2022 and 2021.

"Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards issued by International Accounting Standard Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditor's report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group's incurred a net loss attributable to equity holders of the Company of US$30.4 million for the year ended December 31, 2022, and as of that date, had a deficiency in assets of US$142.5 million while the working capital deficiency reached US$184.7 million. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

REVIEW OF RESULTS

The annual results of the Company for the year ended December 31, 2022 were reviewed by the Audit Committee of the Company and approved and authorised for issue by the Board on March 31, 2023.

The figures in respect of the Company's consolidated statements of financial position, consolidated statements of comprehensive income and the related notes thereto for the year ended December 31, 2022, as set out in this press release have been agreed by the Company's independent auditors, BDO Limited, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited on this press release.

PUBLICATION OF ANNUAL RESULTS

The Company's results for the year ended December 31, 2022 are contained in the audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), which will be available on March 31, 2023 on the SEDAR website at www.sedar.com and the Company's website at www.southgobi.com. Copies of the Company's 2022 Annual Report containing the audited consolidated financial statements and the MD&A, and the Annual Information Form will be available at www.southgobi.com. Shareholders with registered addresses in Hong Kong who have elected to receive a copy of the Company's Annual Report will receive one. Other shareholders of the Company may request a hard copy of the 2022 Annual Report free of charge by contacting our Investor Relations department by email at info@southgobi.com.

QUALIFIED PERSONS

Disclosure of a scientific or technical nature in respect of the Company's material mineral project, the Ovoot Tolgoi Mine, was prepared by or under the supervision of the individuals set out in the table below, each of whom is a "Qualified Person" as that term is defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") of the Canadian Securities Administrators:

Property	**Qualified Persons**	**Field of Expertise**	**Relationship to Company**
Ovoot Tolgoi	Dr. Weiliang Wang	Resources	Independent Consultant
Ovoot Tolgoi	Vincent Li	Reserves	Independent Consultant

Disclosure of a scientific or technical nature relating to the Ovoot Tolgoi Mine is derived from a technical report ("the Ovoot Tolgoi Technical Report") prepared in accordance with NI 43-101 on the Ovoot Tolgoi Mine dated May 15, 2017, prepared by Dr. Weiliang Wang, Mr. Vincent Li and Mr. Larry Li of Dragon Mining Consulting Limited ("DMCL"). A copy of the Ovoot Tolgoi Technical Report is available under the Company's profile on SEDAR at www.sedar.com. DMCL has not reviewed or updated the Ovoot Tolgoi Technical Report since the date of publishing.

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.

Contact:

Investor Relations
Office: +852 2156 1438 (Hong Kong)
+1 604 762 6783 (Canada)
Email: info@southgobi.com
Website: www.southgobi.com

Except for statements of fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterised 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 realise 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 consolidated 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 JDZF Convertible Debenture, the 2020 November Deferral Agreement, the Amended and Restated Cooperation Agreement, the 2021 July Deferral Agreement, the 2022 May Deferral Agreement, the 2022 November Deferral Agreement, the 2023 March Deferral Agreement and the Credit Facility, as the same become due;

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

- 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, including the resumption of coal production and coal processing at normal levels;

- 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;

- 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 of the Company 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 future demand for coal in China;

- future trends in the Chinese coal industry;

- the voluntary delisting of the Common Shares from the TSX and the listing of the Common Shares on the TSX-V pursuant to the Voluntary Delisting Application and the Listing Application, respectively;

- the conversion of the Company's listing of Common Shares on the HKEX from a secondary listing to a primary listing pursuant to the primary listing application;

- the Company's outlook and objectives for 2023 and beyond (as more particularly described under 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 2023 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 reopen for coal exports at normal levels; 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 that the import coal quality standards established by Chinese authorities will negatively impact the Company's operations; the risk that Mongolia's southern borders with China will be subject for further 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 Convertible Debenture; the risk of the Company or its subsidiaries default under its existing debt obligations, including the Convertible Debenture, the 2020 November Deferral Agreement, the Amended and Restated Cooperation Agreement, the 2021 July Deferral Agreement, the 2022 May Deferral Agreement, the 2022 November Deferral Agreement and the 2023 March Deferral Agreement; the risk of the Company failing to satisfy the listing conditions for the listing of the Common Shares from the TSX-V; the risk of the Company failing to complete the conversion of the Company's Common Shares on the HKEX from a secondary listing to a primary listing; 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 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.