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 first quarter 2022 financial and operating results

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

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

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

Vancouver, June 6, 2022
Hong Kong, June 6, 2022

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

* *For identification purpose only*

June 6, 2022

SOUTHGOBI ANNOUNCES FIRST QUARTER 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 three months ended March 31, 2022. All figures are in U.S. dollars ("USD") unless otherwise stated.

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company's significant events and highlights for the three months ended March 31, 2022 and the subsequent period to June 6, 2022 are as follows:

- ***Operating Results*** – In response to the increase in the number of the Coronavirus Disease 2019 ("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 have 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. In order to control the inventory level and preserve the Company's working capital, the Company temporarily suspended mining operations (including coal mining) beginning in early November 2021.

- ***Financial Results*** – The Company recorded a $0.2 million loss from operations in the first quarter of 2022 compared to a $7.5 million profit in the first quarter of 2021. The financial results were impacted by the decreased sales resulting from the temporary closure of the Ceke Port of Entry experienced by the Company during the quarter.

- ***Impact of the COVID-19 Pandemic*** – 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. The Company has been proactively adjusting its sales strategy in response and exploring opportunities to expand its sales accordingly. 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. The Company anticipates that its revenue, liquidity and profitability will continue to be adversely impacted until such time as the coal exports into China are allowed to resume at normal levels.

The Company will continue to closely monitor the situation at the Ceke Port of Entry, including the number of trucks that are permitted to cross the border and the impact on the operations and financials of the Company, and will evaluate the most suitable time for the resumption of its mining operation.

In the event that the Company's ability to export coal into the Chinese market continues to be restricted or limited, this is expected to have a material adverse effect on the business and operations of the Company and may negatively affect the price and volatility of the Common Shares and any investment in such shares could suffer a significant decline or total loss in value.

- ***China Investment Corporation ("CIC") convertible debenture ("Convertible Debenture")*** – On May 13, 2022, the Company and CIC entered into an agreement (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, 2021 (the "Deferred Management Fee") under the Amended and Restated Cooperation Agreement (collectively, the "2022 Deferral Amounts") under the Convertible Debenture.

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

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

  - As consideration for the deferral of the 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 Deferral 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.

- ***Management Cease Trade Order ("MCTO")*** – On March 11, 2022, the Company announced that it was advised by its external auditors that they would not be in a position to render an unmodified opinion on the Company's annual consolidated financial statements for the year ended December 31, 2021 (the "2021 Financial Statements") prior to the filing deadline of March 31, 2022 because they were not able to obtain sufficient evidence to support management's going concern assumptions. As a result, the Company was unable to file: (i) the 2021 Financial Statements, accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and chief executive officer and chief financial officer certificates prior to the filing deadline of March 31, 2022; and (ii) the Annual Information Form for the financial year ended December 31, 2021 prior to the filing deadline of March 31, 2022 (collectively, the "2022 Required Filings"). The Company was also unable to file its 2021 Annual Report prior to the filing deadline of March 31, 2022 as required under applicable HKEX listing rules.

  On March 17, 2022, the Company applied for a management cease trade order with the applicable Canadian securities regulators in connection with the anticipated delayed filing of the 2022 Required Filings. A MCTO was issued by the British Columbia Securities Commission (the "BCSC"), the Company's principal securities regulator in Canada, on April 1, 2022.

  On May 30, 2022, the Company completed the filing of its annual consolidated financial statements for the year ended December 31, 2021 and accompanying MD&A and chief executive officer and chief financial officer certifications, and its Annual Information Form for the year ended December 31, 2021. Together with the filing today of the Company's interim financial statements for the quarter ended March 31, 2022 and accompanying MD&A and chief executive officer and chief financial officer certifications, the Company expects the management cease trade order issued on April 1, 2022 by the BCSC pursuant to National Policy 12-203 – Cease Trade Orders for Continuous Disclosure Defaults will be revoked in the near future.

- ***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, 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.

- ***Sale by CIC of its Interests in the Company*** – On May 27, 2022, the Company announced that as disclosed in the press release issued by CIC on May 26, 2022 (the "CIC Press Release"), CIC has entered into an agreement to sell (the "CIC Sale Transaction") all of its interests in the Company, including its 64,766,591 common shares of the Company and the Convertible Debenture, to JD Zhixing Fund L.P. (the "Buyer"). The Company has been advised that the Buyer is an exempted limited partnership formed under the laws of Cayman Islands. The Buyer's general partner is JD Dingxing Limited, a corporation formed under the laws of the Cayman Islands. The Buyer's limited partner is Inner Mongolia Tianyu Trading Limited, a corporation formed under the laws of Hong Kong. As disclosed in the CIC Press Release, completion of the Sale Transaction is subject to the satisfaction of certain conditions precedent.

  In connection with the CIC Sale Transaction, CIC has agreed to assign (the "Assignment") to the Buyer all of CIC's rights in and obligations 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 (the "Deferral Agreements"); and (iv) the Securityholders Agreement.

  Subject to completion of the CIC Sale Transaction and related Assignment, the Buyer has agreed, effective as of July 1, 2022, 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 realized by the Company and all of its subsidiaries derived from sales into China.

  Upon the completion of the Sale Transaction and related Assignment:

  - while the Convertible Debenture is outstanding, or while the Buyer has a minimum 15% direct or indirect stake in the Company, the Buyer will have the right to nominate one director to the Board pursuant to the board nomination rights contained in the Securityholders Agreement;

  - the buyer also will have the right to nominate two additional directors to the Board if it and its affiliates have a minimum 20% direct or indirect stake in Company, or one additional director to the Board if it and its affiliate have a minimum 10% direct or indirect stake in Company, pursuant to the board nomination rights contained in the Deferral Agreements; and

  - while the Convertible Debenture is outstanding, or while the buyer has a minimum 15% direct or indirect stake in Company, the buyer will have certain pre-emption rights on a pro-rata basis to subscribe for any new shares to be allotted and issued by Company. The pre-emption rights do not apply to new shares issued pursuant to pro-rata public equity offerings made to all shareholders, exercise of stock options and shares issued to achieve a 25% public float.

- ***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.

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

OVERVIEW OF OPERATIONAL DATA AND FINANCIAL RESULTS

Summary of Operational Data

	Three months ended March 31,			
		2022		2021
Sales Volumes, Prices and Costs				
Premium semi-soft coking coal				
Coal sales *(millions of tonnes)*		**–**		0.40
Average realized selling price *(per tonne)*	**$**	**–**	$	47.88
Standard semi-soft coking coal/premium thermal coal				
Coal sales *(millions of tonnes)*		**–**		0.23
Average realized selling price *(per tonne)*	**$**	**–**	$	35.17
Washed coal				
Coal sales *(millions of tonnes)*		**–**		0.01
Average realized selling price *(per tonne)*	**$**	**–**	$	49.62
Total				
Coal sales *(millions of tonnes)*		**–**		0.64
Average realized selling price *(per tonne)*	**$**	**–**	$	43.46
Raw coal production *(millions of tonnes)*		**–**		1.04
Cost of sales of product sold *(per tonne)*		***(iii)***	$	28.67
Direct cash costs of product sold *(per tonne)* [(i)]			$	18.15
Mine administration cash costs of product sold *(per tonne)* [(i)]			$	1.04
Total cash costs of product sold *(per tonne)* [(i)]			$	19.19
Other Operational Data				
Production waste material moved *(millions of bank cubic meters)*		**–**		5.04
Strip ratio *(bank cubic meters of waste material per tonne of coal produced)*		**–**		4.83
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.*

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

Overview of Operational Data

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

In response to the increase in the number of COVID-19 cases in Ejinaqi, the Ceke Port of Entry was closed in October 2021. Accordingly, the Company's coal exports into China were suspended from November 2021 to May 2022. As a result, the Company's sales volume decreased from 0.6 million tonnes in the first quarter of 2021 to nil in the first quarter of 2022.

In order to control the inventory level and preserve the Company's working capital, the Company temporarily suspended mining operations (including coal mining) beginning in early November 2021. See "Significant Events and Highlights – Impact of the COVID-19 Pandemic" above.

Summary of Financial Results

	Three months ended March 31,	
$ in thousands, except per share information	**2022**	2021
Revenue [(i)]	**$ –**	$ 28,064
Cost of sales [(i)]	**(1,005)**	(18,347)
Gross profit/(loss) excluding idled mine asset costs [(ii)]	**(561)**	10,228
Gross profit/(loss)	**(1,005)**	9,717
Other operating income/(expenses), net	**2,058**	(335)
Administration expenses	**(1,206)**	(1,781)
Evaluation and exploration expenses	**(24)**	(65)
Profit/(loss) from operations	**(177)**	7,536
Finance costs	**(10,036)**	(14,637)
Finance income	**13**	21,001
Share of earnings/(loss) of a joint venture	**(152)**	274
Current income tax expenses	**(420)**	(1,120)
Net profit/(loss) attributable to equity holders of the Company	**(10,772)**	13,054
Basic earnings/(loss) per share	**$ (0.04)**	$ 0.05
Diluted earnings/(loss) per share	**$ (0.04)**	$ 0.02

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

(ii) A non-IFRS financial measure, idled mine asset costs represents the depreciation expense relates to the Company's idled plant and equipment.

Overview of Financial Results

The Company recorded a $0.2 million loss from operations in the first quarter of 2022 compared to a $7.5 million profit from operations in the first quarter of 2021. The financial results for the first quarter of 2022 were impacted by the decreased sales resulting from the border closure experienced by the Company during the quarter.

Royalty regime in Mongolia

On June 23, 2021, the Government of Mongolia issued a new resolution in connection with the royalty regime. From July 1, 2021 onwards, the royalty payable is to be calculated based on the reference price as determined by the Government of Mongolia, and the reference to the contract sales price will be removed.

Cost of sales was $1.0 million in the first quarter of 2022 compared to $18.3 million in the first quarter of 2021. The decrease in cost of sales was mainly due to the decreased sales during the quarter. Cost of sales consists of operating expenses, share-based compensation expense/recovery, 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" of this press release for further analysis) during the quarter.

$ in thousands	**Three months ended March 31, 2022**	2021
Operating expenses	**$ 499**	$ 12,280
Share-based compensation expense/(recovery)	**11**	(2)
Depreciation and depletion	**51**	1,358
Royalties	**–**	4,200
Cost of sales from mine operations	**561**	17,836
Cost of sales related to idled mine assets	**444**	511
Cost of sales	**$ 1,005**	$ 18,347

Operating expenses in cost of sales were $0.5 million in the first quarter of 2022 compared to $12.3 million in the first quarter of 2021. The overall decrease in operating expenses was primarily due to the decreased sales volume.

Cost of sales related to idled mine assets in the first quarter of 2022 included $0.4 million related to depreciation expenses for idled equipment (first quarter of 2021: $0.5 million).

Other operating income were $2.1 million in the first quarter of 2022 (first quarter of 2021: other operating expenses of $0.3 million).

$ in thousands		Three months ended March 31, **2022**		2021
CIC management fee	**$**	**24**	$	613
Provision/(reversal of provision) for doubtful trade and other receivables		**(305)**		191
Foreign exchange gain, net		**(481)**		(18)
Gain on disposal of items of property, plant and equipment, net		**(33)**		(270)
Reversal of impairment on materials and supplies inventories		**–**		(25)
Rental income from short term leases		**(14)**		–
Discount on settlement of trade payables		**–**		(156)
Written off of other payables		**(1,249)**		–
Other operating expenses/(income), net	**$**	**(2,058)**	$	335

Administration expenses were $1.2 million in the first quarter of 2022 as compared to $1.8 million in the first quarter of 2021, as follows:

$ in thousands		Three months ended March 31, **2022**		2021
Corporate administration	**$**	**170**	$	415
Legal and professional fees		**261**		543
Salaries and benefits		**627**		633
Share-based compensation expense/(recovery)		**37**		(6)
Depreciation		**111**		196
Administration expenses	**$**	**1,206**	$	1,781

The Company continued to minimize evaluation and exploration expenditures in the first quarter of 2022 in order to preserve the Company's financial resources. Evaluation and exploration activities and expenditures in the first 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 $10.0 million and $14.6 million in the first quarter of 2022 and 2021 respectively, which primarily consisted of interest expense on the $250.0 million Convertible Debenture. The decrease was mainly due to the Company recording a loss of $3.3 million on the fair value of the embedded derivatives relating to the Convertible Debenture and the associated increase in interest expenses following the recording of gain on extinguishment of Convertible Debenture in the first quarter of 2021.

Summary of Quarterly Operational Data

Quarter Ended	**2022** **31-Mar**	2021 31-Dec	30-Sep	30-Jun	31-Mar	2020 31-Dec	30-Sep	30-Jun
Sales Volumes, Prices and Costs								
Premium semi-soft coking coal								
Coal sales *(millions of tonnes)*	**–**	0.01	0.11	0.08	0.40	0.38	0.35	0.21
Average realized selling price *(per tonne)*	**$ –**	$ 69.73	$ 64.25	$ 52.11	$ 47.88	$ 39.34	$ 30.17	$ 28.69
Standard semi-soft coking coal/premium thermal coal								
Coal sales *(millions of tonnes)*	**–**	0.01	0.06	0.03	0.23	0.50	0.54	0.26
Average realized selling price *(per tonne)*	**$ –**	$ 34.84	$ 33.56	$ 36.71	$ 35.17	$ 31.66	$ 30.80	$ 33.12
Washed coal								
Coal sales *(millions of tonnes)*	**–**	–	–	–	0.01	0.07	0.10	0.02
Average realized selling price *(per tonne)*	**$ –**	$ –	$ –	$ –	$ 49.62	$ 42.51	$ 41.30	$ 43.26
Total								
Coal sales *(millions of tonnes)*	**–**	0.02	0.17	0.11	0.64	0.95	0.99	0.49
Average realized selling price *(per tonne)*	**$ –**	$ 55.44	$ 53.52	$ 47.93	$ 43.46	$ 35.53	$ 31.63	$ 31.66
Raw coal production *(millions of tonnes)*	**–**	0.06	0.26	–	1.04	0.96	0.52	–
Cost of sales of product sold *(per tonne)*	***(iii)***	$ 76.95	$ 40.39	$ 41.38	$ 28.67	$ 23.36	$ 20.23	$ 21.16
Direct cash costs of product sold *(per tonne)* [(i)]		$ 17.47	$ 17.50	$ 16.39	$ 18.15	$ 14.78	$ 12.38	$ 9.90
Mine administration cash costs of product sold *(per tonne)* [(i)]		$ 1.23	$ 1.62	$ 4.26	$ 1.04	$ 1.07	$ 1.15	$ 1.70
Total cash costs of product sold *(per tonne)* [(i)]		$ 18.70	$ 19.12	$ 20.65	$ 19.19	$ 15.85	$ 13.53	$ 11.60
Other Operational Data								
Production waste material moved *(millions of bank cubic meters)*	**–**	0.31	0.59	–	5.04	3.10	1.67	–
Strip ratio *(bank cubic meters of waste material per tonne of coal produced)*	**–**	5.61	2.23	–	4.83	3.24	3.20	–
Lost time injury frequency rate [(ii)]	**0.00**	0.00	0.00	0.00	0.00	0.00	0.00	0.04

(i) *A non-IFRS financial measure. Refer to section “Non-IFRS Financial Measures”. 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.*

Summary of Quarterly Financial Results

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

$ in thousands, except per share information	2022		2021				2020	
Quarter Ended	**31-Mar**	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Financial Results								
Revenue [i]	**$ –**	$ 848	$ 9,295	$ 5,191	$ 28,064	$ 33,879	$ 30,960	$ 14,975
Cost of sales [i]	**(1,005)**	(1,539)	(6,866)	(4,552)	(18,347)	(22,193)	(20,027)	(10,366)
Gross profit/(loss) excluding idled mine asset costs	**(561)**	(51)	3,269	1,565	10,228	12,610	11,789	6,286
Gross profit/(loss) including idled mine asset costs	**(1,005)**	(691)	2,429	639	9,717	11,686	10,933	4,609
Other operating income/(expenses), net	**2,058**	(1,078)	100	(113)	(335)	434	(575)	(5,150)
Administration expenses	**(1,206)**	(1,336)	(1,467)	(1,484)	(1,781)	(2,120)	(1,789)	(1,291)
Evaluation and exploration expenses	**(24)**	(75)	(36)	(47)	(65)	(55)	(63)	(52)
Profit/(loss) from operations	**(177)**	(3,180)	1,026	(1,005)	7,536	9,945	8,506	(1,884)
Finance costs	**(10,036)**	(9,702)	(11,457)	(8,870)	(14,637)	(7,442)	(9,885)	(7,258)
Finance income	**13**	3,178	2,040	2,494	21,001	13	2,583	2
Share of earnings/(loss) of a joint venture	**(152)**	(137)	(261)	(35)	274	431	660	268
Current income tax credit/(expenses)	**(420)**	(1,579)	(78)	139	(1,120)	(5,174)	(793)	(900)
Net profit/(loss)	**(10,772)**	(11,420)	(8,730)	(7,277)	13,054	(2,227)	1,071	(9,772)
Basic earnings/(loss) per share	**$ (0.04)**	$ (0.04)	$ (0.03)	$ (0.03)	$ 0.05	$ (0.01)	$ –	$ (0.04)
Diluted earnings/(loss) per share	**$ (0.04)**	$ (0.04)	$ (0.03)	$ (0.03)	$ 0.02	$ (0.01)	$ –	$ (0.04)

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Management

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

Bank Loan

In February 2021, $2.8 million was repaid to a Mongolian bank by the Company in full settlement of the outstanding principal balance of the bank loan of $2.8 million obtained in 2018 and the accrued interest of $0.1 million.

On December 30, 2021, SouthGobi Sands LLC, a wholly owned subsidiary of the Company ("SGS"), obtained a bank loan (the "2021 Bank Loan") in the principal amount of $0.1 million from a Mongolian bank with the key commercial terms as follows:

- Maturity date set at 3 months from drawdown (subsequently extended for 3 months on March 30, 2022);
- Interest rate of 16.8% per annum and interest is payable monthly; and
- One item of property, plant and equipment was pledged as security for the 2021 Bank Loan. As at December 31, 2021, the net book value of the pledged item of property, plant and equipment was $nil.

As at March 31, 2022, the outstanding principal balance for the 2021 Bank Loan was $0.1 million and the Company owed accrued interest of $nil.

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

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

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 March 31, 2022, the amount of reimbursable costs and fees claimed by Turquoise Hill (the "TRQ Reimbursable Amount") amounted to $6.8 million (such amount is included in the trade and other payables).

Going concern considerations

The Company's condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least March 31, 2023 and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. However, in order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with 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 loss attributable to equity holders of the Company of $10.8 million for the first quarter of 2022 (compared to a profit attributable to equity holders of the Company of $13.1 million for the first quarter of 2021), and as of that date, had a deficiency in assets of $105.9 million as at March 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 $44.4 million as at March 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 March 31, 2022 are significant obligations, represented by trade and other payables of $65.7 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 impact the ability of the Company to resume its mining operations and may result in potential lawsuits and/or bankruptcy proceedings being filed against the Company. Except as disclosed elsewhere in this press release, no such lawsuits or proceedings were pending as at June 6, 2022. 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.

On May 25, 2022, the Chinese-Mongolian border was re-opened for coal export on a trial basis, with a limited number of trucks permitted to cross the border during this trial period. The Company has been proactively adjusting its sales strategy in response and exploring opportunities to expand its sales accordingly.

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the 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 realizable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the 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 March 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 three deferral agreements with CIC on November 19, 2020, (the "2020 November Deferral Agreement") for a deferral of (i) deferred cash interest and deferral fees of \$75.2 million which were due and payable to CIC on or before September 14, 2020, under the deferral agreement signed on June 19, 2020 (the "2020 June Deferral Agreement"); (ii) semi-annual cash interest payments in the aggregate amount of \$16.0 million payable to CIC on November 19, 2020 and May 19, 2021; (iii) \$4.0 million worth of PIK Interest shares ("2020 November PIK Interest") issuable to CIC on November 19, 2020 under the Convertible Debenture; and (iv) the management fee which payable to CIC on November 14, 2020, February 14, 2021, May 15, 2021, August 14, 2021 and November 14, 2021 under the Amended and Restated Cooperation Agreement (collectively, the "2020 November Deferral Amounts"), on July 30, 2021, the 2021 July Deferral Agreement for a deferral of the 2021 Deferral Amounts and on May 13, 2022, the 2022 May Deferral Agreement for a deferral of the 2022 Deferral Amounts respectively until August 31, 2023; (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; (d) In light of the uncertainty brought by the pandemic which may impact the openness of the border, management has kept the mining operations temporary suspended despite the above-mentioned re-opening of the Chinese-Mongolian border for coal export since May 25, 2022, in order to preserve the working capital that is required to resume the mining operations. The management expected that the existing inventory level on hand is sufficient to cater the demand for approximately a quarter and this provides flexibility to the Company in managing the timing of resumption of the mining operations and related sales strategy and its liquidity; and (e) obtaining an avenue of financial support from a prospective 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 March 31, 2022 and therefore are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

Factors that impact the Company's liquidity are being closely monitored and include, but are not limited to, impact of the COVID-19 pandemic, restrictions on the Company's ability to import its coal products for sale in China, 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 March 31, 2022 and December 31, 2021, the Company was not subject to any externally imposed capital requirements.

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. In order to control the inventory level and preserve the Company's working capital, the Company temporarily suspended mining operations (including coal mining) beginning in early November 2021.

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. The Company has been proactively adjusting its sales strategy in response and exploring opportunities to expand its sales accordingly. 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. The Company anticipates that its revenue, liquidity and profitability will continue to be adversely impacted until such time as the coal exports into China are allowed to resume at normal levels.

The Company will continue to closely monitor the situation at the Ceke Port of Entry, including the number of trucks that are permitted to cross the border and the impact on the operations and financials of the Company, and will evaluate the most suitable time for the resumption of its mining operation.

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 (CAD$11.88).

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

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

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

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

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

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

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

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

On July 30, 2021, the Company and CIC entered into the 2021 July Deferral Agreement pursuant to which CIC agreed to grant the Company a deferral of: (i) semi-annual cash interest payments of $8.1 million payable to CIC on November 19, 2021; and (ii) $4.0 million in PIK Interest shares issuable 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 Deferral Amounts will be deferred until August 31, 2023.

- As consideration for the deferral of the 2021 Deferral Amounts, the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2021 Deferral Amounts payable under the 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) the Deferred Amounts; and (ii) the Deferred Management Fee under the Amended and Restated Cooperation Agreement under the Convertible Debenture.

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

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

- As consideration for the deferral of the 2022 Deferral 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 Deferral 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.

Ovoot Tolgoi Mine Impairment Analysis

The Company determined that an indicator of impairment existed for its Ovoot Tolgoi Mine cash generating unit as at March 31, 2022. The impairment indicator was the fact that the Company suffered continuous loss for the period and potential closure of border crossings as a result of COVID-19 in the future. Since the recoverable amount was higher than carrying value of the Ovoot Tolgoi Mine cash generating unit, there was no impairment of non-financial asset recognized during the three months ended March 31, 2022.

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 complete by April 25, 2022 and expert reports of defendants complete by August 22, 2022; and (iv) pre-trial agreements, filings and motions by August 31, 2022. The Company has urged for a trial to begin 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 March 31, 2022 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 March 31, 2022 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, 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.

OUTLOOK

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

As a result of the restrictions on truck volume crossing the Mongolian border into China imposed by Chinese Authorities at the Ceke Port of Entry, the Company anticipates that it will continue to be negatively impacted by the COVID-19 pandemic for the foreseeable future until restrictions on trucking volume crossing are lifted, which will have an adverse effect on the Company's sales, production, logistics and financials. In particular, the restriction of the number of trucks crossing the Mongolian border into China implemented will limit the Company's ability to increase revenue despite the improved market conditions in China.

In order to control the inventory level and preserve the Company's working capital, the Company temporarily suspended mining operations (including coal mining) beginning in early November 2021. The Company will continue to closely monitor the COVID-19 pandemic and the impact it has on coal exports to China, and will continue to react promptly to preserve the working capital of the Company and mitigate any negative impacts on the business and operations of the Company.

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

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

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

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

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

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

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

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

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

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

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

NON-IFRS FINANCIAL MEASURES

Cash Costs

The Company uses cash costs to describe its cash production and associated cash costs incurred in bringing the inventories to their present locations and conditions. Cash costs incorporate all production costs, which include direct and indirect costs of production, with the exception of idled mine asset costs and non-cash expenses which are excluded. Non-cash expenses include share-based compensation expense, impairment of coal stockpile inventories, depreciation and depletion of property, plant and equipment and mineral properties. The Company uses this performance measure to monitor its operating cash costs internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. The Company reports cash costs on a sales basis. This performance measure is commonly utilized in the mining industry.

SUMMARIZED COMPREHENSIVE INCOME INFORMATION
(Expressed in thousands of USD, except for share and per share amounts)

	Three months ended March 31, 2022	2021
Revenue	$ –	$ 28,064
Cost of sales	**(1,005)**	(18,347)
Gross profit/(loss)	**(1,005)**	9,717
Other operating income/(expenses)	**2,058**	(335)
Administration expenses	**(1,206)**	(1,781)
Evaluation and exploration expenses	**(24)**	(65)
Profit/(loss) from operations	**(177)**	7,536
Finance costs	**(10,036)**	(14,637)
Finance income	**13**	21,001
Share of earnings/(loss) of a joint venture	**(152)**	274
Profit/(loss) before tax	**(10,352)**	14,174
Current income tax expense	**(420)**	(1,120)
Net profit/(loss) attributable to equity holders of the Company	**(10,772)**	13,054
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Exchange difference on translation of foreign operation	**(4,732)**	(318)
Net comprehensive income/(loss) attributable to equity holders of the Company	**$ (15,504)**	$ 12,736
Basic earnings/(loss) per share	**$ (0.04)**	$ 0.05
Diluted earnings/(loss) per share	**$ (0.04)**	$ 0.02

SUMMARIZED FINANCIAL POSITION INFORMATION

(Expressed in thousands of USD)

	As at March 31, 2022	As at December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	**$ 1,804**	$ 723
Restricted cash	**946**	1,259
Trade and other receivables	**147**	141
Inventories	**49,800**	51,606
Prepaid expenses	**1,597**	1,571
Total current assets	**54,294**	55,300
Non-current assets		
Property, plant and equipment	**131,421**	135,145
Investment in a joint venture	**15,007**	15,668
Total non-current assets	**146,428**	150,813
Total assets	**$ 200,722**	$ 206,113
Equity and liabilities		
Current liabilities		
Trade and other payables	**$ 65,663**	$ 67,327
Deferred revenue	**29,286**	26,477
Interest-bearing borrowing	**52**	53
Lease liabilities	**299**	296
Income tax payable	**3,381**	3,682
Total current liabilities	**98,681**	97,835

SUMMARIZED FINANCIAL POSITION INFORMATION (CONTINUED)
(Expressed in thousands of USD)

	As at	
	March 31, 2022	December 31, 2021
Non-current liabilities		
Lease liabilities	**493**	585
Convertible debenture	**200,840**	191,626
Decommissioning liability	**6,602**	6,517
Total non-current liabilities	**207,935**	198,728
Total liabilities	**306,616**	296,563
Equity		
Common shares	**1,098,848**	1,098,835
Share option reserve	**52,905**	52,858
Capital reserve	**396**	396
Exchange fluctuation reserve	**(35,200)**	(30,468)
Accumulated deficit	**(1,222,843)**	(1,212,071)
Total deficiency in assets	**(105,894)**	(90,450)
Total equity and liabilities	**$ 200,722**	$ 206,113
Net current liabilities	**$ (44,387)**	$ (42,535)
Total assets less current liabilities	**$ 102,041**	$ 108,278

REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements for the Company for the three months ended March 31, 2022, were reviewed by the audit committee of the Company.

The Company's results for the quarter ended March 31, 2022, are contained in the unaudited Condensed Consolidated Interim Financial Statements and MD&A, available on the SEDAR website at www.sedar.com and the Company's website at www.southgobi.com.

ABOUT SOUTHGOBI

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

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Except for statements of fact relating to SouthGobi Resources Ltd. and its subsidiaries (collectively, the "Company"), certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "could", "should", "seek", "likely", "estimate" and other similar words or statements that certain events or conditions "may" or "will" occur. Forward-looking statements relate to management's future outlook and anticipated events or results and are based on the opinions and estimates of management at the time the statements are made. Forward-looking statements in this press release include, but are not limited to, statements regarding:

- the Company continuing as a going concern and its ability to realize its assets and discharge its liabilities in the normal course of operations as they become due;

- adjustments to the amounts and classifications of assets and liabilities in the Company's 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 Convertible Debenture, the 2020 November Deferral Agreement, the Amended and Restated Cooperation Agreement, the 2021 July Deferral Agreement and the 2022 May Deferral Agreement 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;

- 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");

- completion of the CIC Sale Transaction;

- 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 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 future demand for coal in China;

- future trends in the Chinese coal industry;

- the impact of the Company's decision to temporarily suspend mining operations (including coal mining) beginning as of early November 2021 in order to control the Company's inventory level and preserve the Company's working capital;

- the 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 2022 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 2022 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; 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 that the CIC Sale Transaction fails to complete; the risk of the Company failing to successfully negotiate favorable repayment terms on the TRQ Reimbursable Amount (as described under section Liquidity and Capital Management of this press release under the heading entitled "Costs Reimbursable to Turquoise Hill "); the risk of the Company or its subsidiaries defaulting 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 and the 2022 May Deferral Agreement; the impact of amendments to, or the application of, the laws of Mongolia, China and other countries in which the Company carries on business; modifications to existing practices so as to comply with any future permit conditions that may be imposed by regulators; delays in obtaining approvals and lease renewals; the risk of fluctuations in coal prices and changes in China and world economic conditions; the outcome of the Class Action (as described under section Regulatory Issues and Contingencies of this press release under the heading entitled “Class Action Lawsuit ”) and any damages payable by the Company as a result; the risk that the 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.