SouthGobi Resources Ltd.
Condensed Consolidated Interim Financial Statements

March 31, 2022
(Expressed in U.S. Dollars)
(Unaudited)

TABLE OF CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statement of Comprehensive Income

(Unaudited)

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

		Three months ended March 31,	
	Notes	2022	2021
Revenue	4	**$ -**	$ 28,064
Cost of sales	6	**(1,005)**	(18,347)
Gross profit/(loss)		**(1,005)**	9,717
Other operating income/(expenses)	7	**2,058**	(335)
Administration expenses		**(1,206)**	(1,781)
Evaluation and exploration expenses		**(24)**	(65)
Profit/(loss) from operations		**(177)**	7,536
Finance costs	8	**(10,036)**	(14,637)
Finance income	8	**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	9	**(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	10	**$ (0.04)**	$ 0.05
Diluted earnings/(loss) per share	10	**$ (0.04)**	$ 0.02

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statement of Financial Position

(Unaudited)

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

	Notes	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	11	**147**	141
Inventories	12	**49,800**	51,606
Prepaid expenses		**1,597**	1,571
Total current assets		**54,294**	55,300
Non-current assets			
Property, plant and equipment	13	**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	14	**$ 65,663**	$ 67,327
Deferred revenue		**29,286**	26,477
Interest-bearing borrowing	15	**52**	53
Lease liabilities		**299**	296
Income tax payable		**3,381**	3,682
Total current liabilities		**98,681**	97,835
Non-current liabilities			
Lease liabilities		**493**	585
Convertible debenture	16	**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

Corporate information and going concern (Note 1) and commitments for expenditure (Note 19)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

APPROVED BY THE BOARD:

"Mao Sun"
Director

"Dalanguerban"
Director

SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares/units in thousands)

	Number of shares/units	Share capital	Share option reserve	Capital reserve	Exchange fluctuation reserve	Accumulated deficit	Total
Balances, January 1, 2021	272,703	$ 1,098,634	$ 52,702	$ 396	$ (30,271)	$ (1,197,698)	$ (76,237)
Net profit for the period	-	-	-	-	-	13,054	13,054
Exchange differences on translation of foreign operations	-	-	-	-	(318)	-	(318)
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	(318)	13,054	12,736
Shares issued for:							
Exercise of stock options	74	10	(2)	-	-	-	8
Share-based compensation credited to operations	-	-	(8)	-	-	-	(8)
Balances, March 31, 2021	272,777	$ 1,098,644	$ 52,692	$ 396	$ (30,589)	$ (1,184,644)	$ (63,501)
Balances, January 1, 2022	**274,116**	**$ 1,098,835**	**$ 52,858**	**$ 396**	**$ (30,468)**	**$ (1,212,071)**	**$ (90,450)**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(10,772)**	**(10,772)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**(4,732)**	**-**	**(4,732)**
Total comprehensive loss attributable to equity holders of the Company	**-**	**-**	**-**	**-**	**(4,732)**	**(10,772)**	**(15,504)**
Shares issued for:							
Employee share purchase plan	**64**	**13**	**-**	**-**	**-**	**-**	**13**
Share-based compensation charged to operations	**-**	**-**	**47**	**-**	**-**	**-**	**47**
Balances, March 31, 2022	**274,180**	**$ 1,098,848**	**$ 52,905**	**$ 396**	**$ (35,200)**	**$ (1,222,843)**	**$ (105,894)**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statement of Cash Flows

(Unaudited)
(Expressed in thousands of U.S. Dollars)

	Notes	Three months ended March 31, 2022	2021
Operating activities			
Profit/(loss) before tax		**$ (10,352)**	$ 14,174
Adjustments for:			
Depreciation and depletion		**606**	1,879
Share-based compensation		**47**	(8)
Interest expense on convertible debenture	8	**9,170**	10,461
Interest expense on borrowings	8	**1**	61
Interest elements on leased assets	8	**25**	23
Accretion of decommissioning liability	8	**280**	84
Fair value loss on embedded derivatives in convertible debenture	8	**44**	3,305
Interest income	8	**(13)**	(31)
Share of loss/(earnings) of a joint venture		**152**	(274)
Gain on disposal of items of property, plant and equipment, net	7	**(33)**	(270)
Provision/(reversal of provision) for doubtful trade and other receivables	11	**(305)**	191
Reversal of impairment on materials and supplies inventories	7	**-**	(25)
Discount on settlement of trade payables	7	**-**	(156)
Written off of other payables	7	**(1,249)**	-
Gain on extinguishment of convertible debenture	8	**-**	(20,970)
Operating cash flows before changes in working capital items		**(1,627)**	8,444
Net change in working capital items	18	**4,671**	(6,291)
Cash generated from operating activities		**3,044**	2,153
Interest paid		**(1)**	(48)
Income tax paid		**(129)**	(370)
Net cash flows from operating activities		**2,914**	1,735
Investing activities			
Expenditures on property, plant and equipment		**(36)**	(5,278)
Proceeds from disposal of property, plant and equipment		**33**	270
Interest received	8	**13**	31
Dividend from a joint venture		**-**	294
Net cash flows from/(used in) investing activities		**10**	(4,683)
Financing activities			
Repayment of interest-bearing loan	15	**-**	(2,800)
Capital elements of lease rental paid		**(71)**	(489)
Interest elements of lease rentals paid		**(25)**	-
Proceed from issued shares for employee share purchase plan		**13**	-
Net cash flows used in financing activities		**(83)**	(3,289)
Effect of foreign exchange rate changes on cash and cash equivalents		**(1,760)**	(262)
Increase/(decrease) in cash and cash equivalents		**1,081**	(6,499)
Cash and cash equivalents, beginning of period		**723**	20,121
Cash and cash equivalents, end of period		**$ 1,804**	$ 13,622

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. CORPORATE INFORMATION AND GOING CONCERN

SouthGobi Resources Ltd. is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia and its shares are listed for trading on the Toronto Stock Exchange (“TSX”) (Symbol: SGQ) and Hong Kong Stock Exchange (“HKEX”) (Symbol: 1878). The company, together with its subsidiaries (collectively referred to as the “Company”), is an integrated coal mining, development and exploration company. At March 31, 2022, to the Company’s best knowledge, Land Breeze II S.à.r.l., a wholly-owned subsidiary of China Investment Corporation (together with its wholly-owned subsidiaries and affiliates, “CIC”) owned approximately 23.6% of the outstanding common shares of the Company. Novel Sunrise Investments Limited ("Novel Sunrise"), a wholly-owned subsidiary of China Cinda (HK) Investments Management Company Limited (“Cinda”), and Voyage Wisdom Limited owned approximately 16.9% and 9.4% of the outstanding common shares of the Company, respectively.

The Company owns the following coal projects in Mongolia: the Ovoot Tolgoi open pit producing coal mine (“Ovoot Tolgoi Mine”), the Soumber Deposit, the Zag Suuj Deposit and the Ovoot Tolgoi Underground Deposit. These projects are located in the Umnugobi Aimag (South Gobi Province) of Mongolia, within 150 kilometers of each other and in close proximity to the Mongolia-China border. The Company owns a 100% interest in these coal projects.

The registered and records office of the Company is located at 20th Floor, 250 Howe Street, Vancouver, British Columbia, Canada, V6C 3R8. The principal place of business of the Company is located at Unit 1208-10, Tower One, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong.

Impact of the Coronavirus Disease 2019 (“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.

1. CORPORATE INFORMATION AND GOING CONCERN (CONTINUED)

Going concern assumption

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 condensed consolidated interim financial statements. The Company incurred a loss attributable to equity holders of the Company of $10,772 for the period ended March 31, 2022 (compared to a profit attributable to equity holders of the Company of $13,054 for the period ended March 31, 2021), and as of that date, had a deficiency in assets of $105,894 as at March 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 $44,387 as at March 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 March 31, 2022 are significant obligations, represented by trade and other payables of $65,663, which includes $22,455 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 financial statement, no such lawsuits or proceedings were pending as at June 6, 2022.

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 condensed consolidated interim financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Company's assets to their realizable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the condensed consolidated interim financial statements. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

1. CORPORATE INFORMATION AND GOING CONCERN (CONTINUED)

Going concern assumption (continued)

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 $75,194 which were due and payable to CIC on or before September 14, 2020, under the 2020 June Deferral Agreement; (ii) semi-annual cash interest payments in the aggregate amount of $16,000 payable to CIC on November 19, 2020 and May 19, 2021; (iii) $4,000 worth of payment in kind interest ("PIK Interest") shares issuable to CIC on November 19, 2020 under the CIC 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 (i) semi-annual cash interest payments of $8,065 payable to CIC on November 19, 2021; and (ii) $4,000 in PIK Interest shares (collectively, the "2021 Deferral Amounts") and on May 13, 2022 (the "2022 May Deferral Agreement") for a deferral of semi-annual cash interest payments of $7,934 payable to CIC (the "Deferred Amounts") on May 19, 2022 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 $73,000 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 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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The condensed consolidated interim financial statements of the Company for the period ended March 31, 2022 were approved and authorized for issue by the Board of Directors of the Company (the "Board") on June 6, 2022.

2.2 Basis of presentation

These condensed consolidated interim financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the Company's December 31, 2021 consolidated annual financial statements. These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2021.

2.3 Significant accounting judgments and estimates

Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the Company's condensed consolidated interim financial statements are included in Note 3.23 to the Company's December 31, 2021 consolidated annual financial statements. The significant accounting judgments and estimates remain substantially unchanged from December 31, 2021.

Review of carrying value of assets and impairment charges

In the determination of carrying values and impairment charges, management of the Company reviews the recoverable amount (the higher of the fair value less costs of disposal or the value in use) in the case of non-financial assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Changes in these assumptions may alter the results of non-financial asset and financial asset impairment testing, impairment charges recognised in profit or loss and the resulting carrying amounts of assets.

Ovoot Tolgoi Mine cash generating unit

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.

2. BASIS OF PREPARATION (CONTINUED)

2.3 Significant accounting judgments and estimates (continued)

Expected credit losses for trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses on its trade receivables and estimates expected credit loss based on the possible default events on its trade and other receivables. The Company has determined that the loss allowance on its trade and other receivables was $23,578 as at March 31, 2022 (December 31, 2021: $23,841).

Estimated resources

The Company estimates its mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. Changes in resource estimates may impact the carrying value of mining interests, mine restoration provisions, recognition of deferred tax assets, and depreciation and amortization charges.

Estimated recoverable reserves

Reserve estimates involve expressions of judgment based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including estimates and assumptions with respect to coal prices, operating costs, mine plan and life, coal quality and recovery, foreign currency exchange rates and inflation rates. Reserve estimates are made by qualified persons, but will be impacted by changes in the above estimates and assumptions.

Estimated recoverable reserves are used to determine the depletion of mineral properties, in accounting for deferred production stripping costs, in performing impairment testing and for forecasting the timing of the payment of decommissioning, restoration and similar costs. Therefore, changes in the estimates and assumptions used to determine recoverable reserves could impact the carrying value of assets, depletion expense and impairment charges recognised in profit or loss and the carrying value of the decommissioning, restoration and similar liabilities.

Long term F-grade coal inventory

As a result of import restrictions established by Chinese authorities at the Ceke border, the Company has been barred from transporting its F-grade coal products into China for sale since December 15, 2018. The Company intends to realize the value of the F-grade coal inventory upon the coal washing and coal blending in order to meet the import standards from Chinese authorities.

Useful lives and depreciation rates for property, plant and equipment

Depreciation expense is allocated based on estimated property, plant and equipment useful lives and depreciation rates except the mineral properties are depreciated on unit-of production basis based on proven and probable reserves. Therefore, changes in the useful life or depreciation rates from the initial estimate could impact the carrying value of property, plant and equipment and an adjustment would be recognised in profit or loss.

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

3. SEGMENTED 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 three months ended March 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 three months ended March 31, 2022 and 2021.

3.1 Information about major customers

During the three months ended March 31, 2022, the Coal Division had no active customer since the border was closed.

During the three months ended March 31, 2021, the Coal Division had sixteen active customers. Two customers with respective revenues contributed over 10% of the total revenue during the three months ended March 31, 2021, with the largest customer accounting for 39% of revenues and the second largest customer accounting for 17% of revenues.

3.2 Geographical information

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

	Mongolia	Hong Kong	China	Consolidated Total
Revenue [i]				
For the three months ended March 31, 2022	**$ -**	**$ -**	**$ -**	**$ -**
For the three months ended March 31, 2021	-	-	28,064	28,064
Non-current assets				
As at March 31, 2022	**$ 145,789**	**$ 381**	**$ 258**	**$ 146,428**
As at December 31, 2021	150,136	430	247	150,813

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

4. REVENUE

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

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

5. EXPENSES BY NATURE

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

	Three months ended March 31, 2022	2021
Depreciation	**$ 606**	$ 1,879
Auditors' remuneration	**36**	31
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**$ 1,124**	$ 1,589
Equity-settled share option expense/(recovery)	**47**	(8)
Pension scheme contributions	**111**	224
	$ 1,282	$ 1,805
Lease payments under operating leases	**$ 21**	$ 21
Foreign exchange gain, net	**(481)**	(18)
Reversal of impairment on materials and supplies inventories (Note 7)	**-**	(25)
Royalties (Note 6)	**-**	4,200
CIC management fee (Note 17)	**24**	613
Provision/(reversal of provision) for doubtful trade and other receivables (Note 11)	**(305)**	191
Gain on disposal of items of property, plant and equipment, net (Note 7)	**(33)**	(270)
Rental income from short term leases (Note 7)	**(14)**	-
Discount on settlement of trade payables (Note 7)	**-**	(156)
Written off of other payables (Note 7)	**(1,249)**	-
Mine operating costs and others	**290**	12,257
Total operating expenses	**$ 177**	$ 20,528

6. COST OF SALES

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

	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 [(i)]	**444**	511
Cost of sales	**$ 1,005**	$ 18,347

(i) Cost of sales related to idled mine assets for the period ended March 31, 2022 includes $444 of depreciation expense (2021: includes $511 of depreciation expense). The depreciation expense relates to the Company's idled plant and equipment.

Cost of inventories recognized as expense in cost of sales for the three months ended March 31, 2022 totaled $18 (2021: $11,800), including depreciation and depletion totaled $502 (2021: $2,140).

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

7. OTHER OPERATING EXPENSES/(INCOME), NET

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
CIC management fee (Note 17)	**$ 24**	$ 613
Provision/(reversal of provision) for doubtful trade and other receivables (Note 11)	**(305)**	191
Foreign exchange gain, net	**(481)**	(18)
Gain on disposal of items of property, plant and equipment, net (Note 13)	**(33)**	(270)
Reversal of impairment on materials and supplies inventories (Note 12)	**-**	(25)
Rental income from short term leases	**(14)**	-
Discount on settlement of trade payables	**-**	(156)
Written off of other payables (i)	**(1,249)**	-
Other operating expenses/(income), net	**$ (2,058)**	$ 335

(i) The Company has determined that the written off of a significant vendor payable of $1,249 which the contractual claim limitation period is expired as of the end of the reporting period pursuant to the relevant laws and regulations.

8. FINANCE COSTS AND INCOME

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

	Three months ended, March 31, 2022	Three months ended, March 31, 2021
Interest expense on convertible debenture (Note 16.4)	**$ 9,170**	$ 10,461
Fair value loss on embedded derivatives in convertible debenture (Note 16.4)	**44**	3,305
Value added tax on interest from intercompany loan	**516**	703
Interest expense on borrowing	**1**	61
Interest elements on leased assets	**25**	23
Accretion of decommissioning liability	**280**	84
Finance costs	**$ 10,036**	$ 14,637

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

	Three months ended, March 31, 2022	Three months ended, March 31, 2021
Gain on extinguishment of convertible debenture (Note 16.4)	**$ -**	$ 20,970
Interest income	**13**	31
Finance income	**$ 13**	$ 21,001

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

9. TAXES

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:

	Three months ended, March 31, 2022	Three months ended, March 31, 2021
Current - Canada		
Charge for the period	**$ -**	$ -
Current - elsewhere		
Charge for the period	**420**	1,120
Total tax charge for the period	**$ 420**	$ 1,120

10. EARNINGS/(LOSS) PER SHARE

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net profit/(loss)	**$ (10,772)**	$ 13,054
Weighted average number of shares	**274,160**	272,739
Basic earnings/(loss) per share	**$ (0.04)**	$ 0.05
Earnings/(loss)		
Profit/(loss) for the purposes of basic earnings/(loss) per share	**$ (10,772)**	$ 13,054
Effect of dilutive potential ordinary shares:		
- Interest expenses on convertible debenture (Note 8)	**-**	10,461
- Fair value loss on embedded derivatives in convertible debenture (Note 8)	**-**	3,305
- Gain on extinguishment of convertible debenture (Note 8)	**-**	(20,970)
Profit/(loss) for the purposes of diluted earnings/(loss) per share	**$ (10,772)**	$ 5,850
Number of shares		
Weighted average number of shares for the purposes of basic earnings/(loss) per share	**274,160**	272,739
Effect of dilutive potential ordinary shares:		
- Convertible debenture	**-**	22,411
- Share options	**-**	5,025
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**274,160**	300,175
Diluted earnings/(loss) per share	**$ (0.04)**	$ 0.02

Potentially dilutive items not included in the calculation of diluted earnings per share for the period ended March 31, 2022 include the underlying shares comprised in the convertible debenture (Note 16) and stock options that were anti-dilutive.

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

11. TRADE AND OTHER RECEIVABLES

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

	As at			
	March 31, 2022		December 31, 2021	
Trade receivables	**$**	**-**	$	-
Other receivables		**147**		141
Total trade and other receivables	**$**	**147**	$	141

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

Less than 1 month	**$**	**135**	$	112
1 to 3 months		**4**		6
3 to 6 months		**8**		23
Over 6 months		**-**		-
Total trade and other receivables	**$**	**147**	$	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 $23,578 (December 31, 2021: $23,841) as at March 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 March 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	**$**	**23,841**
Decrease in loss allowance recognised in profit or loss during the period (Note 7)		**(305)**
Exchange realignment		**42**
Loss allowance as at March 31, 2022	**$**	**23,578**
Opening loss allowance as at January 1, 2021	$	23,055
Increase in loss allowance recognised in profit or loss during the period (Note 7)		191
Exchange realignment		355
Loss allowance as at March 31, 2021	$	23,601

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

12. INVENTORIES

The Company's inventories consist of the following amounts:

	As at	
	March 31, 2022	**December 31, 2021**
Current inventories		
Coal stockpiles	**$ 38,939**	$ 40,270
Materials and supplies	**10,861**	11,336
	$ 49,800	$ 51,606

Cost of sales for the period ended March 31, 2022 included a reversal impairment loss of $nil (2021: $25) related to the Company's coal stockpile inventories.

13. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2022, the Company acquired items of plant and equipment with a cost including mineral properties of approximately $1,506 (three months ended March 31, 2021: $7,347). Items of fully depreciated plant and equipment were disposed during the three months ended March 31, 2022 and 2021 with sales proceeds of $33 (three months ended March 31, 2021: $270), resulting in a gain on disposal of $33 (three months ended March 31, 2021: $270).

13.1 Non-depreciable assets

The non-depreciable assets mainly include the construction in progress. Depreciation on these assets will commence once they are ready for their intended use.

13.2 Pledge on items of property, plant and equipment

As at March 31, 2022, one of the Company's property, plant and equipment with a carrying value of $nil (December 31, 2021: $nil) was pledged as security for a bank loan granted to the Company (Note 15) and most of the Company's mobile equipment and other operating equipment with carrying value of $2,349 (December 31, 2021: $2,863) were pledged as security of CIC convertible debenture.

13.3 Right-of-use assets

The right-of-use assets relate to the buildings as at March 31, 2022 and December 31, 2021.

13.4 Impairment charges

No impairment nor reversal of impairment was made during the period ended March 31, 2022 (December 31, 2021: nil).

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

14. 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	
	March 31, 2022	**December 31, 2021**
Less than 1 month	**$ 2,271**	$ 17,185
1 to 3 months	**629**	8,332
3 to 6 months	**19,118**	6,791
Over 6 months	**43,645**	35,019
Total trade and other payables	**$ 65,663**	$ 67,327

The trade and other payables of $65,663 (December 31, 2021: $67,327) included other tax payables of $22,455 (December 31, 2021: $22,075).

15. INTEREST-BEARING BORROWING

The Company's interest-bearing borrowing consists of the following amount:

	As at	
	March 31, 2022	**December 31, 2021**
Bank loan	**$ 52**	$ 53
Total interest-bearing borrowing	**$ 52**	$ 53

In February 2021, $2,826 was repaid to a Mongolian bank by the Company in full settlement of the outstanding principal balance of the bank loan of $2,800 obtained in 2018 and the accrued interest of $26.

On December 30, 2021, SouthGobi Sands LLC, a wholly owned subsidiary of the Company, obtained a bank loan (the "2021 Bank Loan") in the principal amount of $53 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 March 31, 2022, 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 $52 and the Company owed accrued interest of $nil.

16. CONVERTIBLE DEBENTURE

16.1 Key commercial terms

On November 19, 2009, the Company issued a convertible debenture to CIC for $500,000. The convertible debenture bears interest at 8.0% per annum (6.4% payable semi-annually in cash and 1.6% payable annually in the Company's common shares) and has 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. During 2010, the Company exercised a right within the debenture to call and convert $250,000 of the debenture for 21,471 common shares. Following the conversion, the outstanding principal balance was $250,000 and has remained unchanged at that balance to December 31, 2021.

The key commercial terms of the financing include:

- Interest - 8% per annum (6.4% payable semi-annually in cash and 1.6% payable annually in the Company's common shares, where the number of shares to be issued is calculated based on the 50-day volume-weighted average price ("VWAP")).
- Term - Maximum of 30 years.
- Security - First charge over the Company's assets, including shares of its material subsidiaries.
- Conversion price - The conversion price is set as the lower of CAD$11.88 or the 50-day VWAP at the date of conversion, with a floor price of CAD$8.88 per share.
- Representation on the Company's Board - While the convertible debenture is outstanding, or while CIC has a minimum 15% direct or indirect stake in the Company, CIC has the right to nominate one director to the Company's Board of Directors. As of the date hereof, the Company currently has eight Board of Directors members of which two (Mr. Ben Niu and Mr. Jianmin Bao) were nominated by CIC.
- Voting restriction - CIC has agreed that it will not have any voting rights in the Company beyond 29.9% if CIC ever acquires ownership of such a shareholder stake.
- Pre-emption rights - While the convertible debenture is outstanding, or while CIC has a 15% direct or indirect stake in the Company, CIC has certain pre-emption rights on a pro-rata basis to subscribe for any new shares to be allotted and issued by the Company for the period which the convertible debenture is outstanding. The pre-emption rights will 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.
- Registration rights - CIC has registration rights under applicable Canadian provincial securities laws in connection with the common shares issuable upon conversion of the convertible debenture.
- Event of default – CIC could demand for the principal and corresponding interest from the Company immediately when certain events, including default of interest payment, suspension of trading and delisting of its shares from the TSX and the HKEX have occurred.

16.2 Debt host and embedded derivatives

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 FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the convertible debenture.

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

16. CONVERTIBLE DEBENTURE (CONTINUED)

16.2 Debt host and embedded derivatives (continued)

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 CAD$ and U.S. dollar) and spot foreign exchange rates.

The convertible debenture is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing convertible debenture is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original convertible debenture and a recognition of a new convertible debenture, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

The terms of exchanged or modified debt as 'substantially different' if the net present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original convertible debenture.

16.3 Valuation assumptions

The specific terms and assumptions used in the Company's valuation models are as follows:

	As at	
	March 31, 2022	**December 31, 2021**
Floor conversion price	**CAD$8.88**	CAD$8.88
Ceiling conversion price	**CAD$11.88**	CAD$11.88
Common share price	**CAD$0.88**	CAD$0.88
Historical volatility	**28%**	28%
Risk free rate of return	**3.07%**	2.18%
Foreign exchange spot rate (CAD$ to U.S. Dollar)	**0.80**	0.79
Forward foreign exchange rate curve (CAD$ to U.S. Dollar)	**0.690 to 0.800**	0.741 to 0.791

16.4 Presentation

Based on the Company's valuation as at March 31, 2022, the fair value of the embedded derivatives increased by $44 (2021: $3,305) compared to December 31, 2021. The increase was recorded as finance costs for the three months ended March 31, 2022.

For the three months ended March 31, 2022, the Company recorded interest expense of $9,170 related to the convertible debenture as a finance cost (2021: $10,461). The interest expense consists of the interest at the contract rate and the accretion of the debt host component of the convertible debenture. To calculate the accretion expense, the Company uses the contract life of 30 years and an effective interest rate of 22.2%.

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

16. CONVERTIBLE DEBENTURE (CONTINUED)

16.4 Presentation (continued)

A gain on extinguishment of substantially modified terms of $20,970 was recognised in profit or loss for the year ended March 31, 2021 for the difference between the derecognition of original convertible debenture and recognition of the convertible debenture under 2020 November Deferral Agreement as defined in Note 16.5 discounted at the new effective interest rate.

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

	Three months ended March 31,	
	2022	**2021**
Balance, beginning of period	**$ 191,626**	$ 181,411
Interest expense on convertible debenture (Note 8)	**9,170**	10,461
Increase in fair value of embedded derivatives (Note 8)	**44**	3,305
Gain on extinguishment of convertible debenture (Note 8)	**-**	(20,970)
Balance, end of period	**$ 200,840**	$ 174,207

The convertible debenture balance consists of the following amounts:

	As at	
	March, 31 2022	**December, 31 2021**
Non-current convertible debenture		
Debt host and interest payable	**$ 200,743**	$ 191,573
Fair value of embedded derivatives	**97**	53
Total convertible debenture	**$ 200,840**	$ 191,626

16.5 Interest deferral and settlement

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: (i) deferred cash interest and deferral fees of $75,194 which were due and payable to CIC on or before September 14, 2020, under the 2020 June Deferral Agreement; (ii) semi-annual cash interest payments in the aggregate amount of $16,000 payable to CIC on November 19, 2020 and May 19, 2021; (iii) $4,000 worth of PIK Interest shares ("2020 November PIK Interest") issuable to CIC on November 19, 2020 under the CIC 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").

16. CONVERTIBLE DEBENTURE (CONTINUED)

16.5 Interest deferral and settlement (continued)

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

- Payment of the 2020 November Deferral Amounts will be deferred until August 31, 2023.
- CIC agreed to waive its rights arising from any default or event of default under the CIC Convertible Debenture as a result of trading in the common shares being halted on the TSX beginning as of June 19, 2020 and suspended on the HKEX beginning as of August 17, 2020, in each case for a period of more than five trading days.
- As consideration for the deferral of the 2020 November Deferral Amounts, the Company agreed to pay CIC: (i) a deferral fee equal to 6.4% per annum on the 2020 November Deferral Amounts payable under the CIC Convertible Debenture and the 2020 June Deferral Agreement, commencing on the date on which each such 2020 November Deferral Amounts would otherwise have been due and payable under the CIC Convertible Debenture or the June 2020 Deferral Agreement, as applicable; and (ii) a deferral fee equal to 2.5% per annum on the 2020 November Deferral Amounts payable under the Amended and Restated Cooperation Agreement, commencing on the date on which the Management Fee would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2020 November Deferral Agreement does not contemplate a fixed repayment schedule for the 2020 November Deferral Amounts and related deferral fees. Instead, the Company and CIC would agree to assess in good faith the Company's financial condition and working capital position on a monthly basis and determine the amount, if any, of the 2020 November Deferral Amounts and related deferral fees that the Company is able to repay under the CIC Convertible Debenture, the June 2020 Deferral Agreement or the Amended and Restated Cooperation Agreement, having regard to the working capital requirements of the Company's operations and business at such time and with the view of ensuring that the Company's operations and business would not be materially prejudiced as a result of any repayment.
- Commencing as of November 19, 2020 and until such time as the November 2020 PIK Interest is fully repaid, CIC reserves the right to require the Company to pay and satisfy the amount of the November 2020 PIK Interest, either in full or in part, by way of issuing and delivering PIK interest shares in accordance with the CIC Convertible Debenture provided that, on the date of issuance of such shares, the common shares are listed and trading on at least one stock exchange.
- If at any time before the 2020 November Deferral Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, then the Company must first consult with, and obtain written consent from CIC prior to effecting such appointment, replacement or termination.

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

16. CONVERTIBLE DEBENTURE (CONTINUED)

16.5 Interest deferral and settlement (Continued)

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

- Payment of the 2021 Deferral Amounts will be deferred until August 31, 2023.
- As consideration for the deferral of the 2021 Deferral Amounts, the Company agreed to pay CIC a deferral fee equal to 6.4% per annum on the 2021 Deferral Amounts payable under the CIC Convertible Debenture, commencing on November 19, 2021.

On May 15, 2022, the Company and CIC entered into the 2022 May Deferral Agreement, pursuant to which CIC agreed to grant the Company a deferral of the Deferred Amounts and 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 CIC 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 CIC 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.

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

17. RELATED PARTY TRANSACTIONS

The condensed consolidated interim financial statements include the financial statements of SouthGobi Resources Ltd. and its significant subsidiaries listed in the following table:

Name	Country of incorporation	% equity interest As at March 31, 2022	December 31, 2021
SouthGobi Resources (Hong Kong) Limited	Hong Kong	**100%**	100%
SouthGobi Sands LLC	Mongolia	**100%**	100%
SGQ Coal Investment Pte. Ltd.	Singapore	**100%**	100%
SouthGobi Trading (Beijing) Co., Ltd. (i)	China	**100%**	100%
Inner Mongolia SouthGobi Energy Co., Ltd.	China	**100%**	100%
Inner Mongolia SouthGobi Mining Development Co., Ltd.	China	**100%**	100%
Inner Mongolia SouthGobi Enterprise Co., Ltd.	China	**70%**	70%

(i) SouthGobi Trading (Beijing) Co., Ltd. was registered as a wholly-foreign-owned enterprise under law of China.

In addition to the transactions detailed elsewhere in profit or loss, the Company had related party transactions with the following company related by way of directors or shareholders in common during the three months ended March 31, 2022:

- CIC – CIC is a major shareholder of the Company, CIC holds approximately 23.6% of the issued and outstanding common shares of the Company as at March 31, 2022. The Amended and Restated Cooperation Agreement with CIC states that the Management Fee calculated based on 2.5% of the revenue shall be paid to CIC on a quarterly basis. During the three months ended March 31, 2022, $24 was recorded in profit or loss (three months ended March 31, 2021: $613).

17.1 Related party expenses

The Company's related party expenses consist of the following amounts:

	Three months ended March 31, 2022	2021
Finance costs	**$ 9,170**	$ 10,461
Management fee	**24**	613
Related party expenses	**$ 9,194**	$ 11,074

(Expressed in thousands of U.S. Dollars and shares/options in thousands, unless otherwise indicated)

18. SUPPLEMENTAL CASH FLOW INFORMATION

18.1 Non-cash financing and investing activities

The Company's non-cash investing and financing transactions are as follows:

	Three months ended March 31, 2022	2021
Amortisation of deferred stripping capitalised	**$ 544**	$ 967
Addition to decommissioning liability	**204**	43

18.2 Net change in non-cash working capital items

The net change in the Company's non-cash working capital items is as follows:

	Three months ended March 31, 2022	2021
Increase in inventories	**$ -**	$ (6,127)
Decrease in trade and other receivables	**311**	432
Increase in prepaid expenses and deposits	**(24)**	(1,620)
Increase in trade and other payables	**806**	5,262
Increase/(decrease) in deferred revenue	**3,578**	(4,238)
Net change in working capital items	**$ 4,671**	$ (6,291)

Depreciation and depletion utilized from inventories for the period ended March 31, 2022 totaled $nil (2021: capitalised in $528).

19. COMMITMENTS FOR EXPENDITURE

The Company's commitments for expenditure that have not been disclosed elsewhere in the condensed consolidated interim financial statements are as follows:

	Within 1 year	2-3 years	Over 3 years	Total
As at March 31, 2022				
Capital expenditure commitments	**$ -**	**$ -**	**$ -**	**$ -**
Operating expenditure commitments	**1,450**	**46**	**262**	**1,758**
Commitments	**$ 1,450**	**$ 46**	**$ 262**	**$ 1,758**
As at December 31, 2021				
Capital expenditure commitments	$ -	$ -	$ -	$ -
Operating expenditure commitments	1,642	47	277	1,966
Commitments	$ 1,642	$ 47	$ 277	$ 1,966

Management is currently in discussions with the third party contractor who built the wash plant to negotiate certain terms of the contract.