



SouthGobi Resources Ltd.

Consolidated Financial Statements

December 31, 2024
(Expressed in U.S. dollars)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SouthGobi Resources Ltd.

Opinion

We have audited the consolidated financial statements of SouthGobi Resources Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 7 to 72 which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group had a deficiency in assets of US\$49.8 million while the working capital deficiency reached US\$228.1 million as at December 31, 2024. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of property, plant and equipment ***(Refer to note 3.19(b) and 19 to the consolidation financial statements)***

We have identified the impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements of the Group and the Group's assessment of impairment of property, plant and equipment is a judgmental process which requires estimates concerning the forecast future cash flows associated with the assets in determining the recoverable amount.

The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact.

How the matter was addressed in our audit

Our procedures in relation to the impairment assessment of property, plant and equipment included:

- Assessing the appropriateness of the Group's identification of individual cash generating unit;
- Evaluating the competence, capabilities and objectivity of the independent external consultant engaged by the Group ("Management's Expert");
- With the assistance from our internal valuation experts, evaluating the appropriateness of the valuation methodology in the context of the relevant accounting standards, the data and technical information and the reasonableness of significant assumptions used by the Group and the Management's Expert in the valuation models against information of independent source, our knowledge of the Group and its industry; and
- Evaluating the adequacy of the sensitivity analysis on significant assumptions in the valuation models for risk assessments.



Other Information

Management is responsible for the other information. The other information comprises all of the information included in the 2024 annual report of the Company (the “annual report”) other than the consolidated financial statements and our auditor’s report thereon. We obtained Management’s Discussion and Analysis of Financial Condition and Results of Operations prior to the date of this auditor’s report. The remaining other information, including Message from the CEO, Board of Directors and Senior Management, Directors’ Report, Corporate Governance Report, Environmental, Social and Governance Report, Corporate Information and the other sections (if any) to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s consolidated financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - Continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants
Lee, Alfred
Practising Certificate Number P04960

Hong Kong, March 28, 2025

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SOUTHGOBI RESOURCES LTD.

Consolidated Statements of Comprehensive Income

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

	Notes	Year ended December 31,	
		2024	2023
Revenue	5	\$ 493,378	\$ 331,506
Cost of sales	7	(360,588)	(158,195)
Gross profit		132,790	173,311
Other operating expenses, net	8	(3,698)	(870)
Administration expenses	10	(13,454)	(10,437)
Evaluation and exploration expenses		(1,362)	(991)
Reversal of/(provision for) additional tax and tax penalty	9	39,666	(85,143)
Profit from operations		153,942	75,870
Finance costs	11	(37,766)	(49,072)
Finance income	11	3,626	5,084
Share of earnings of joint ventures	20	3,227	2,840
Share of earnings of associates	21	587	4
Profit before tax		123,616	34,726
Current income tax expenses	12	(31,119)	(33,818)
Net profit attributable to equity holders of the Company		92,497	908
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Exchange difference on translation of foreign operation		(1,258)	265
Net comprehensive income attributable to equity holders of the Company		\$ 91,239	\$ 1,173
Basic earnings per share	14	\$ 0.312	\$ 0.003
Diluted earnings per share	14	\$ 0.311	\$ 0.003

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

SOUTHGOBI RESOURCES LTD.

Consolidated Statements of Financial Position

(Expressed in thousands of U.S. dollars)

		As at December 31,	
	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents	15	\$ 8,590	\$ 47,993
Restricted cash		274	423
Trade and other receivables	16	31,486	7,541
Inventories	17	107,246	52,927
Prepaid expenses	18	6,083	6,471
Total current assets		153,679	115,355
Non-current assets			
Property, plant and equipment	19	243,564	157,119
Investments in joint ventures	20	12,400	15,178
Investments in associates	21	20,210	8,086
Total non-current assets		276,174	180,383
Total assets		\$ 429,853	\$ 295,738
Equity and liabilities			
Current liabilities			
Trade and other payables	22	\$ 169,281	\$ 60,192
Additional tax and tax penalty	9	43,790	83,897
Deferred revenue	23	34,350	65,670
Lease liabilities	24	850	1,206
Income tax payable		12,891	20,055
Convertible debenture	25	120,651	103,150
Total current liabilities		381,813	334,170
Non-current liabilities			
Lease liabilities	24	1,342	1,785
Convertible debenture	25	84,267	91,150
Decommissioning liability	26	12,245	9,939
Provision for long service payments	27	29	26
Total non-current liabilities		97,883	102,900
Total liabilities		479,696	437,070
Equity			
Common shares	28	1,102,053	1,101,771
Share option reserve	30	52,998	53,030
Capital reserve	30	533	499
Exchange fluctuation reserve	28	(56,205)	(54,947)
Accumulated deficit	28	(1,149,222)	(1,241,685)
Total deficiency in assets		(49,843)	(141,332)
Total equity and liabilities		\$ 429,853	\$ 295,738
Net current liabilities		\$ (228,134)	\$ (218,815)
Total assets less current liabilities		\$ 48,040	\$ (38,432)

Corporate information and going concern (Note 1), commitments for expenditure (Note 35) and contingencies (Note 36)

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

APPROVED BY THE BOARD:

"Yingbin lan He"
Director

"Ruibin Xu"
Director

SOUTHGOBI RESOURCES LTD.

Consolidated Statements of Changes in Equity

(Expressed in thousands of U.S. dollars and shares in thousands)

	Number of shares/units	Share capital	Share option reserve	Capital reserve	Exchange fluctuation reserve	Accumulated deficit	Total
Balances, January 1, 2023	295,227	\$ 1,101,764	\$ 53,018	\$ 396	\$ (55,212)	\$ (1,242,490)	\$ (142,524)
Net profit for the year	-	-	-	-	-	908	908
Exchange differences on translation of foreign operations	-	-	-	-	265	-	265
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	265	908	1,173
Shares issued for:							
Exercise of stock options	51	7	(2)	-	-	-	5
Share-based compensation charged to operations	-	-	14	-	-	-	14
Appropriation to capital reserve	-	-	-	103	-	103	-
Balances, December 31, 2023	295,278	\$ 1,101,771	\$ 53,030	\$ 499	\$ (54,947)	\$ (1,241,685)	\$ (141,332)
Balances, January 1, 2024	295,278	\$ 1,101,771	\$ 53,030	\$ 499	\$ (54,947)	\$ (1,241,685)	\$ (141,332)
Net profit for the year	-	-	-	-	-	92,497	92,497
Exchange differences on translation of foreign operations	-	-	-	-	(1,258)	-	(1,258)
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	(1,258)	92,497	91,239
Shares issued for:							
Exercise of stock options	1,427	282	(95)	-	-	-	187
Share-based compensation charged to operations	-	-	63	-	-	-	63
Appropriation to capital reserve	-	-	-	34	-	(34)	-
Balances, December 31, 2024	296,705	\$ 1,102,053	\$ 52,998	\$ 533	\$ (56,205)	\$ (1,149,222)	\$ (49,843)

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

SOUTHGOBI RESOURCES LTD.

Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

		Year ended December 31,	
	Notes	2024	2023
Operating activities			
Profit before tax		\$ 123,616	\$ 34,726
Adjustments for:			
Depreciation and depletion	6	20,890	5,833
Share-based compensation	6	63	14
Provision for long service payment	6	8	26
Impairment/(reversal of impairment) on materials and supplies inventories	6	231	(4,988)
Provision for doubtful trade and other receivables	6	10	59
Gain on disposal of items of property, plant and equipment, net	6	(261)	-
Gain on contract offsetting arrangement	6	(3,046)	(668)
Penalty on late settlement of trade payables	6	-	454
Provision for/(reversal of) additional tax and tax penalty	9	(39,666)	85,143
Interest expense on convertible debenture	11	37,103	46,337
Interest elements on leased assets	11	292	133
Accretion of decommissioning liability	11	371	384
Fair value loss/(gain) on embedded derivatives in convertible debenture	11	(298)	292
Gain on modification of convertible debenture	11	(3,187)	(4,850)
Interest income	11	(141)	(234)
Share of earnings of joint ventures	20	(3,227)	(2,840)
Share of earnings of associates	21	(587)	(4)
Operating cash flows before changes in working capital items		132,171	159,817
Net change in working capital items	34.2	5,323	13,383
Cash generated from operating activities		137,494	173,200
Income tax paid		(29,578)	(12,361)
Net cash flows from operating activities		107,916	160,839
Investing activities			
Expenditures on property, plant and equipment		(118,618)	(44,524)
Proceeds from disposal of items of property, plant and equipment		1,038	45
Interest received	11	141	234
Investment in a joint venture		-	(986)
Investment in an associate		(8,299)	(7,939)
Dividend from a joint venture	20	2,623	3,226
Net cash flows used in investing activities		(123,115)	(49,944)
Financing activities			
Interest payment on convertible debenture	25	(23,000)	(72,132)
Proceeds from exercise of share options		187	5
Capital elements of lease rental paid		(716)	(327)
Interest elements of lease rentals paid		(292)	(133)
Net cash flows used in financing activities		(23,821)	(72,587)
Effect of foreign exchange rate changes, net		(383)	430
Increase/(decrease) in cash and cash equivalents		(39,403)	38,738
Cash and cash equivalents, beginning of year		47,993	9,255
Cash and cash equivalents, end of year		\$ 8,590	\$ 47,993

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

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

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 Hong Kong Stock Exchange ("HKEX") (Symbol: 1878) and TSX Venture Exchange ("TSX-V") (Symbol: SGQ). The company, together with its subsidiaries (collectively referred to as the "Company"), is an integrated coal mining, development and exploration company. At December 31, 2024, to the Company's best knowledge, JD Zhixing Fund L.P. ("JDZF") owned approximately 28.9% of the outstanding common shares of the Company. Land Grand International Holding Limited ("Land Grand") and Voyage Wisdom Limited owned approximately 15.6% and 8.7% 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.

Going concern assumption

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least December 31, 2025 and will be able to realise its assets and discharge its liabilities in the normal course of operations as they come due. However, in order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with sufficient liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the going concern assumption used in the preparation of the Company's consolidated financial statements. The Company had a deficiency in assets of \$49,843 as at December 31, 2024 as compared to a deficiency in assets of \$141,332 as at December 31, 2023 while the working capital deficiency (excess current liabilities over current assets) reached \$228,134 as at December 31, 2024 as compared to a working capital deficiency of \$218,815 as at December 31, 2023.

Included in the working capital deficiency as at December 31, 2024 are significant obligations, represented by trade and other payables of \$169,281 and an additional tax and tax penalty of \$43,790.

The Company may not be able to settle all trade and other payables on a timely basis, and as a result any continuing postponement in settling of certain trade and other payables owed to suppliers and creditors may result in potential lawsuits and/or bankruptcy proceedings being filed against the Company. Except as disclosed elsewhere in these consolidated financial statements, no such lawsuits or proceedings were pending as at March 28, 2025. 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.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

1. CORPORATE INFORMATION AND GOING CONCERN (CONTINUED)

Going concern assumption (Continued)

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

For the purpose of assessing the appropriateness of the use of the going concern basis to prepare the financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from December 31, 2024. The cash flow projection has considered the anticipated cash flows to be generated from the Company's business during the period under projection including cost saving measures. In particular, the Company has taken into account the following measures for improvement of the Company's liquidity and financial position, which include: (a) entering into the 2025 March Deferral Agreement (as defined in Note 25.5) on March 20, 2025 for a deferral of the 2025 March Deferred Amounts (as defined in Note 25.5); (b) communicating with vendors in agreeing repayment plans of the outstanding payable; and (c) obtaining an avenue of financial support from an affiliate of the Company's major shareholder for a maximum amount of \$127.0 million (equivalent to RMB 900 million) during the period covered in the cash flow projection. Regarding these plans and measures, there is no guarantee that the suppliers would agree the settlement plan as communicated by the Company. Nevertheless, after considering the above, the directors of the Company believe that there will be sufficient financial resources to continue its operations and to meet its financial obligations as and when they fall due in the next 12 months from December 31, 2024 and therefore are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Significant uncertainties exist regarding the Company's management's ability to achieve its plans as described above. The continued operation of the Company as a going concern depends on a key factor: the Company's prompt drawdown of the loan from the credit facility to settle payables, including the tax penalty payable and provision for additional late tax penalty, in a timely manner.

The outcome of this factor will have a significant impact on the Company's ability to continue operating as a going concern. It is crucial to closely monitor and address these uncertainties to ensure the Company's stability and long-term viability.

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

As at December 31, 2024 and December 31, 2023, the Company was not subject to any externally imposed capital requirements.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards and International Accounting Standards ("IAS Standards") issued by the International Accounting Standards Board ("IASB") and Interpretations (collectively "IFRS Accounting Standards") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2.2 Basis of presentation

The consolidated financial statements of the Company for the year ended December 31, 2024 were approved and authorised for issue by the Board of Directors of the Company (the "Board") on March 28, 2025.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities which are measured at fair value. The Company's financial instruments are further disclosed in Note 32.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of SouthGobi Resources Ltd. and its major controlled subsidiaries (Note 33).

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

2.4 Adoption of new and revised standards and interpretations

The following new IFRS Accounting Standards and interpretations were adopted by the Company on January 1, 2024.

Amendments to IAS 1	Presentation of Financial Statements and Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease liabilities in a Sale and Leaseback
Int 5 (Revised)	Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment On Demand Clause

There have been no new IFRS Accounting Standards or IFRIC interpretations that have a material impact on the Company's results and financial position for the year ended December 31, 2024. The Company has not early applied any new or amended IFRS Accounting Standards that is not yet effective for the year ended December 31, 2024.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

2. BASIS OF PREPARATION (CONTINUED)

2.5 Standard issued but not yet effective

The following new and revised IFRS Accounting Standards, potentially relevant to the Company's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Company.

IFRS 18	Presentation and Disclosure in Financial Statements ⁴
IFRS 19	Subsidiaries without Public Accountability: Disclosures ⁴
Amendments to IAS 21	Lack of Exchangeability ²
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

The Company is currently assessing the effect of these new accounting standards and amendments.

IFRS 18 *Presentation and Disclosures in Financial Statements*

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures. The Company is currently evaluating the full impact of IFRS 18 on its financial statement presentation and disclosures. Further updates will be provided as the assessment progresses.

IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The adoption of IFRS 19 is optional. IFRS 19 specifies the disclosure requirements that the Company is permitted to apply to substitute the disclosure requirements in other IFRS Accounting Standards. The Company's shares are listed and traded on HKEX and TSX-V. Therefore, it has public accountability according to IFRS 19 and does not qualify for electing to apply the standard to prepare its financial statements.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Foreign currencies

The consolidated financial statements are presented in the U.S. dollar, which is the functional currency of SouthGobi Resources Ltd. Each entity in the Company has its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the U.S. dollar rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the U.S. dollar rate of exchange ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

At the end of the reporting period, the assets and liabilities of an entity with the functional currency in a foreign currency are translated into the U.S. dollar at the exchange rates prevailing at the end of the reporting period and the profit or loss is translated into the U.S. dollar at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3.2 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are expensed and included in profit or loss.

3.3 Inventories

Coal stockpile inventories are measured at the lower of production cost and net realisable value. Production cost is determined by the weighted average cost method and includes direct and indirect labor, operating materials and supplies, processing costs, transportation costs and an appropriate portion of fixed and variable overhead expenses. Fixed and variable overhead expenses include depreciation and depletion. Net realisable value represents the future estimated selling price of the product, less estimated costs to complete production and costs necessary to bring the product to sale.

Materials and supplies inventory consists of consumable parts and supplies which are valued at the lower of weighted average cost and net realisable value, less allowances for obsolescence. Replacement cost is used as the best available measure of net realisable value. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.4 Property, plant and equipment

Property, plant and equipment includes the Company's operating equipment and infrastructure, construction in progress and mineral properties. Property, plant and equipment is stated at cost less accumulated depreciation and depletion and accumulated impairment losses.

Initial recognition

The cost of an item of operating equipment and infrastructure consists of the purchase price or construction cost, including vendor prepayments, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the decommissioning liability and capitalised borrowing costs.

Construction in progress is classified to the appropriate category of property, plant and equipment when it is completed and is ready for its intended use.

All direct costs related to the acquisition of mineral property interests are capitalised on a property by property basis. The cost of mineral properties also includes mineral property development costs (Note 3.5), certain production stripping costs (Note 3.6) and decommissioning liabilities related to the reclamation of the Company's mineral properties (Note 3.7).

Depreciation and depletion

Depreciation and depletion are recorded based on the cost of an item of property, plant and equipment, less its estimated residual value, using the straight-line method or unit-of-production method over the following estimated useful lives:

Mobile equipment	5 to 7 years
Other operating equipment	1 to 10 years
Buildings and roads	5 to 20 years
Construction in progress	not depreciated
Mineral properties	unit-of-production basis based on proven and probable reserves

Upon disposal, reclassification to assets held for sale or when no future economic benefits are expected to arise from the continued use of an asset the original cost and related accumulated depreciation is removed from property, plant and equipment. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss.

The Company conducts an annual assessment of the residual balances, estimated useful lives and depreciation methods being used for property, plant and equipment and any changes arising from the assessment are applied by the Company prospectively.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.5 Mineral properties

Evaluation and exploration expenses

Evaluation and exploration expenses are charged to profit or loss in the period incurred until such time as it has been determined that a mineral property has technical feasibility and commercial viability.

Production phase

Upon a mine development being ready for its intended use it enters the production phase and depletion of the mineral property is recorded on a unit-of-production basis, using the estimated resources that are expected to be mined in the mine plan as the depletion base. Management's determination of when an asset is ready for its intended use is based on several qualitative and quantitative factors including, but not limited to, the following:

- the elevation or bench where the coal to be mined has been reached; and
- the commissioning of major operating equipment and infrastructure is completed.

3.6 Development and production stripping costs

Once a property is determined to have reached technical feasibility and commercial viability, the Company's subsequent exploration and evaluation and development expenses are capitalised as mineral property costs within property, plant and equipment.

Production stripping activity assets are recognised when the following three criteria are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

If not all of the criteria are met, the stripping activity costs are included in the cost of inventory produced during the period incurred.

3.7 Decommissioning, restoration and similar liabilities

The Company recognises provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognised as its present value in the period in which it is incurred. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortised as an expense over the estimated useful life of the asset using the unit-of-production method. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the discount rate and the amount or timing of the underlying cash flows required to settle the obligation. The discount rate used is a credit adjusted risk free rate.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.8 Investments in associates and joint ventures

An associate is an entity in which the Company has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require the unanimous consent of the parties sharing control.

The Company's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Company's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Company's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and its associates or joint ventures are eliminated to the extent of the Company's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

Goodwill arising from the acquisition of associates or joint ventures is included as part of the Company's investments in associates or joint ventures.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.9 Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and the value of some or all of the goods or services received by the entity as consideration cannot be measured reliably, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.9 Share-based payments (Continued)

Equity-settled transactions

The cost of equity-settled transactions with employees are measured by reference to the fair value at the date on which the awards are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled and end on the date on which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification.

3.10 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share is calculated by adjusting the profit or loss attributable to equity holders of the Company divided by the weighted average number of shares outstanding for the effects of all dilutive share equivalents. The Company's dilutive share equivalents include stock options.

3.11 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.11 Taxation (Continued)

Deferred income tax (Continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.12 Financial instruments

(a) Financial assets

All financial assets are initially recorded at fair value and categorised upon inception into one of the following categories: those to be measured subsequently at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL"), and those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of cash flows.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.12 Financial instruments (Continued)

(a) Financial assets (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity investments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as other operating expenses in the consolidated statements of comprehensive income.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as other operating expenses in the consolidated statements of comprehensive income.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Financial liabilities

Financial liabilities are categorised, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable costs.

Financial liabilities categorised as financial liabilities measured at amortised cost are initially recognised at fair value less directly attributable transaction costs. After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.12 Financial instruments (Continued)

(b) Financial liabilities (Continued)

Financial liabilities categorised as FVTPL include financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities classified as FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. For liabilities designated at FVTPL, changes due to credit risk are recognised in other comprehensive income.

3.13 Impairment of financial assets

The Company's trade and other receivables are subject to IFRS 9's expected credit loss ("ECL") model.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade and other receivables. The Company's definition of a default scenario is if receivables from a customer are over six months past due, or if there is reasonable and supportable evidence that a customer will no longer be able to settle its receivables with the Company.

3.14 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, recent market transactions are taken into account. The Company also considers the results of an appropriate valuation model which would generally be determined based on the present value of estimated future cash flows arising from the continued use and eventual disposal of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at banks and short term money market instruments with original maturities of three months or less.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.16 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Company's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Company performs; or
- does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sales of mining coal

Income from sales of mining coal is recognised at a point in time when the goods are delivered to customers and title has passed.

Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Deferred revenue

Deferred revenue represents the Company's obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.17 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

3.18 Related party transactions

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the Company if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.19 Significant accounting judgments and estimates

Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

(a) Going concern assumption

The directors of the Company have prepared the consolidated financial statements on the assumption that the Company will be able to operate as a going concern in the foreseeable future, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors about the future outcome of events or conditions which are inherently uncertain. The directors consider that, after taking into account of all major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption as set out in Note 1 to the consolidated financial statements, the Company has the capability to continue as a going concern.

(b) 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 indicators of impairment existed for its Ovoot Tolgoi Mine cash generating unit as at December 31, 2024. The impairment indicator was the uncertainty of future coal price in China.

Therefore, the Company conducted an impairment test whereby the carrying value of the Company's Ovoot Tolgoi Mine cash generating unit was compared to the recoverable amount (being the "fair value less costs of disposal") using a discounted future cash flow valuation model. The Company's cash flow valuation model takes into consideration the latest available information to the Company, including but not limited to, sales prices, sales volumes, washing production, operating costs and life of mine coal production estimates as at December 31, 2024. The carrying value of the Company's Ovoot Tolgoi Mine cash generating unit was \$243,564 as at December 31, 2024.

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

- Coal resources and reserves as estimated by an independent third party engineering firm;
- Sales price estimates from an independent market consulting firm;
- Forecasted sales volumes in line with production levels as reference to the mine plan;
- Life-of-mine coal production, strip ratio, capital costs and operating costs; and
- A post-tax discount rate of 16% based on an analysis of the market, country and asset specific factors.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.19 Significant accounting judgments and estimates (Continued)

(b) Review of carrying value of assets and impairment charges (Continued)

Key sensitivities in the valuation model are as follows:

- For each 1% increase/(decrease) in the long term price estimates, the calculated fair value of the cash generating unit increases/(decreases) by approximately \$17,300/(17,400);
- For each 1% increase/(decrease) in the post-tax discount rate, the calculated fair value of the cash generating unit (decreases)/increases by approximately \$(15,200)/16,100;
- For each 1% increase/(decrease) in the cash mining cost estimates, the calculated fair value of the cash generating unit (decreases)/increases by approximately \$(9,900)/9,800; and
- For each 1% increase/(decrease) in Mongolian inflation rate, the calculated fair value of the cash generating unit (decreases)/increases by approximately \$(32,800)/31,000.

The impairment analysis did not result in the identification of an impairment loss or an impairment reversal and no charge or reversal was required as at December 31, 2024. A decline of 2% (2023: 5%) in the long-term price estimates, an increase of more than 3% (2023: 8%) in the post-tax discount rate, an increase of 4% (2023: 10%) in the cash mining cost estimates or an increase of 24% (2023: 41%) in Mongolian inflation rate may trigger an impairment charge on the cash generating unit. The Company believes that the estimates and assumptions incorporated in the impairment analysis are reasonable; however, the estimates and assumptions are subject to significant uncertainties and judgments.

(c) 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 \$22,348 (2023: \$22,487) as at December 31, 2024.

(d) 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 amortisation charges.

(e) 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.

SOUTHGOBI RESOURCES LTD.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.19 Significant accounting judgments and estimates (Continued)

(e) Estimated recoverable reserves (Continued)

The independent technical report (dated December 2, 2024) was prepared by BAW Mineral Partners Limited (the “BAW report”) during the year, in accordance with the requirements of National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) under applicable Canadian securities laws, in respect of Ovoot Tolgoi Coal Mine. The primary objective of the BAW reports aims to provide an updated estimation of mineral reserves for the Ovoot Tolgoi Coal Mine.

An updated proven and probable reserve estimates of 82.26 million tonnes for Ovoot Tolgoi Coal Mine was reported in the technical reports, which was mainly due to the change in remaining mine life and extraction plans prepared by the Company. The updated reserve estimation was adopted prospectively in accordance with IAS 8.

(f) 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 realise 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. As at December 31, 2024, none of the F-grade coal products was classified as non-current (December 31, 2023: \$nil).

(g) 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.

(h) Taxes

The Company is subject to tax in several jurisdictions and significant judgement is required in determining the tax position and estimates and assumptions in relation to the provision for taxes related to transfer pricing, royalty, air-pollution fee and unpaid tax payables, having regard to the nature. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. The above-mentioned tax matters exist in Mongolia which is currently subject to re-assessment by the Mongolian Tax Authority (“MTA”) and Tax Dispute Resolution Council (“TDRC”) which belongs to the Ministry of Justice and works under its supervision.

The Company recognises this tax liabilities based on an official tax act letter issued by the MTA. The Company filed an appeal letter in relation to the tax penalty with the MTA in accordance with the Mongolian laws. This re-assessment relies on estimates and assumptions and may involve a series of complex judgments about final decisions of the MTA. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the future financial period in which such determination is made.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.20 Long service payment (“LSP”) liabilities

In June 2022, the Government of Hong Kong SAR (the “Government”) enacted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will be effective from May 1, 2025 (the “Transition Date”). Under the Amendment Ordinance, any accrued benefits attributable to the employer’s mandatory contributions under mandatory provident fund scheme (the “MPF Scheme”) of the Company would no longer be eligible to offset against its obligations on LSP for the portion of the LSP accrued on or after the Transition Date.

The Company has accounted for the offsetting mechanism and its abolition. The Company has determined that the Amendment Ordinance primarily impacts the Company’s LSP liability with respect to Hong Kong employees. The Amendment Ordinance has no material impact on the Company’s LSP liability.

4. SEGMENT INFORMATION

The Company’s Chief Executive Officer (chief operating decision maker) reviews the financial information in order to make decisions about resources to be allocated to the segment and to assess its performance. No operating segment identified by the Board has been aggregated in arriving at the reporting segments of the Company. For management’s purpose, the Company has only one reportable operating segment, which is the coal division. The division is principally engaged in coal mining, development and exploration in Mongolia, and logistics and trading of coal in Mongolia and China for the years ended December 31, 2024 and 2023.

The Company’s resources are integrated and as a result, no discrete operating segment financial information is available. Since this is the only reportable and operating segment of the Company, no further analysis thereof is presented. All the revenue of the Company is generated from trading of coal for the years ended December 31, 2024 and 2023.

Information about major customers

During the years ended December 31, 2024 and 2023, the Coal Division had 78 and 84 active customers, respectively. 1 and 3 customers with respective revenue contributed over 10% of the total revenue during the years ended December 31, 2024 and 2023, with the largest customer accounting for 15% of revenue (2023: 17%), the second largest customer accounting for 7% of revenue (2023: 14%) and the third largest customer accounting for 5% of revenue (2023: 13%).

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

	Mongolia	Hong Kong	China	Consolidated Total
Revenue ⁽ⁱ⁾				
For the year ended December 31, 2024	\$ 1,309	\$ -	\$ 492,069	\$ 493,378
For the year ended December 31, 2023	-	-	331,506	331,506
Non-current assets				
As at December 31, 2024	\$ 274,372	\$ 467	\$ 1,335	\$ 276,174
As at December 31, 2023	178,644	135	1,604	180,383

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

SOUTHGOBI RESOURCES LTD.

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5. REVENUE

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

6. EXPENSES BY NATURE

The Company's profit before tax is arrived at after charging/(crediting):

	Year ended December 31,	
	2024	2023
Depreciation	\$ 20,890	\$ 5,833
Auditors' remuneration	877	851
Employee benefit expense (including directors' remuneration)		
Wages and salaries	\$ 14,958	\$ 9,583
Equity-settled share option expense (Note 29)	63	14
Pension scheme contributions	2,102	1,359
Provision for long service payment (Note 27)	8	26
	\$ 17,131	\$ 10,982
Short term lease payments under operating leases	\$ 508	\$ 283
Foreign exchange loss, net (Note 8)	134	1,202
Impairment/(reversal of impairment) on materials and supplies inventories (Note 17)	231	(4,988)
Royalties (Note 7)	51,377	38,504
Management fee (Note 33)	6,630	4,879
Provision for doubtful trade and other receivables (Note 16)	10	59
Gain on disposal of items of property, plant and equipment, net	(261)	-
Gain on contract offsetting arrangement (Note 8)	(3,046)	(668)
Penalty on late settlement of trade payables (Note 8)	-	454
Rental income from short term leases (Note 8)	-	(68)
Provision for/(reversal of) additional tax and tax penalty (Note 9)		
Provision for additional late tax penalty	\$ 8,797	\$ 10,153
Provision for/(reversal of) additional tax penalty	(48,463)	74,990
	\$ (39,666)	\$ 85,143
Mine operating costs and others	\$ 284,621	\$ 113,170
Total operating expenses	\$ 339,436	\$ 255,636

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7. COST OF SALES

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

	Year ended December 31,	
	2024	2023
Operating expenses	\$ 288,773	\$ 114,346
Share-based compensation expense (Note 29)	18	4
Depreciation and depletion	19,924	5,165
Royalties	51,377	38,504
Cost of sales from mine operations	360,092	158,019
Cost of sales related to idled mine assets ⁽ⁱ⁾	496	176
Cost of sales	\$ 360,588	\$ 158,195

(i) Cost of sales related to idled mine assets for the year ended December 31, 2024 includes \$496 of depreciation expense (2023: \$176). The depreciation expense relates to the Company's idled plant and equipment.

Cost of inventories recognised as expense in cost of sales for the year ended December 31, 2024 totaled \$231,543 (2023: \$92,482).

8. OTHER OPERATING EXPENSES, NET

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

	Year ended December 31,	
	2024	2023
Management fee (Note 33)	\$ 6,630	\$ 4,879
Provision for doubtful trade and other receivables (Note 16)	10	59
Foreign exchange loss, net	134	1,202
Gain on disposal of items of property, plant and equipment, net	(261)	-
Impairment/(reversal of impairment) on materials and supplies inventories (Note 17)	231	(4,988)
Rental income from short term leases	-	(68)
Penalty on late settlement of trade payables	-	454
Gain on contract offsetting arrangement	(3,046)	(668)
Other operating expenses, net	\$ 3,698	\$ 870

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Notes to the Consolidated Financial Statements

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9. REVERSAL OF/(PROVISION FOR) ADDITIONAL TAX AND TAX PENALTY

On July 18, 2023, SouthGobi Sands LLC (“SGS”) a wholly-owned subsidiary of the Company, received an official notice (the “Notice”) issued by the MTA stating that the MTA had completed a periodic tax audit (the “Audit”) on the financial information of SGS for the tax assessment years between 2017 and 2020, including transfer pricing, royalty, air-pollution fee and unpaid tax payables. As a result of the Audit, the MTA has notified SGS that it is imposing a tax penalty against SGS in the amount of approximately \$74,990. The penalty mainly relates to the different view on the interpretation of tax law between the Company and the MTA. Under Mongolian law, the Company had a period of 30 days from the date of receipt of the Notice to file an appeal in relation to the Audit. Subsequently the Company engaged an independent tax consultant in Mongolia to provide tax advice and support to the Company and filed an appeal letter in relation to the Audit with the MTA in accordance with Mongolian laws on August 17, 2023.

On February 8, 2024, SGS received notice from the TDRC which stated that, after the TDRC’s review, the TDRC issued a decision in relation to SGS’ appeal of the Audit, and ordered that the audit assessments set forth in the Notice of July 18, 2023 be sent back to the MTA for review and re-assessment.

On February 22, 2024, SGS received another notice from the MTA stating that the MTA anticipates commencing the re-assessment process on or about March 7, 2024 and the duration of such process will be approximately 45 working days.

On May 15, 2024, SGS received a notice (the “Revised Notice”) from the MTA regarding the re-assessment result on the Audit (the “Re-assessment Result”). The re-assessed amount of the tax penalty is approximately \$80,000. In accordance with applicable Mongolian laws, SGS is entitled to file an appeal to the TDRC regarding the Re-assessment Result within a 30-day period from the date of receiving the Revised Notice.

On June 12, 2024, following consultation with its independent tax consultant in Mongolia, SGS has submitted an appeal letter to the TDRC regarding the Re-assessment Result, in accordance with applicable Mongolian laws.

On January 10, 2025, SGS received a resolution dated December 19, 2024 (the “Resolution”) from the TDRC in response to the appeal letter sent by SGS to the TDRC on June 12, 2024, relating to the Re-assessment Result. As set forth in the Resolution, the TDRC has determined to reduce the re-assessed amount of tax penalty against SGS from approximately \$80,000 to approximately \$26,500 (the “Revised Re-assessment Result”). In accordance with the applicable Mongolian laws, SGS is entitled to file an appeal to the Administrative Court in Ulaanbaatar, Mongolia (“Administrative Court”) regarding the Revised Re-assessment Result within a 30-day period from the date of receiving the Resolution. After careful consideration and consultation with the Company’s independent tax consultant in Mongolia, the Company has determined not to pursue a further appeal of the Revised Re-assessment Result with the Administrative Court.

As at December 31, 2024, the Company has recorded an additional tax and tax penalty in the amount of \$45,477 (2023: \$85,143), which consists of a tax penalty payable of \$26,527 (2023: \$74,990) and a provision for additional late tax penalty of \$18,950 (2023: \$10,153). As a result of the Revised Re-assessment Result, the Company recorded a reversal of additional tax and tax penalty of \$48,463 in 2024 (2023: \$nil). To date, the Company has paid the MTA an aggregate of \$1,687 in relation to the aforementioned tax penalty. The Company anticipates paying down the outstanding amount of the tax and tax penalty from cash generated from operations in the normal course. According to Mongolian tax law, the Mongolian tax authority has a legal authority to demand payment of the outstanding amount of the Revised Re-assessment Result from the Company at its discretion.

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10. ADMINISTRATION EXPENSES

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

	Year ended December 31,	
	2024	2023
Corporate administration	\$ 3,688	\$ 2,673
Legal and professional fees	2,836	2,483
Salaries and benefits	6,415	4,779
Share-based compensation expense (Note 29)	45	10
Depreciation	470	492
Administration expenses	\$ 13,454	\$ 10,437

11. FINANCE COSTS AND INCOME

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

	Year ended December 31,	
	2024	2023
Interest expense on convertible debenture (Note 25.4)	\$ 37,103	\$ 46,337
Fair value loss on embedded derivatives in convertible debenture (Note 25.4)	-	292
Value added tax on interest from intercompany loan	-	1,926
Interest elements on leased assets	292	133
Accretion of decommissioning liability	371	384
Finance costs	\$ 37,766	\$ 49,072

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

	Year ended December 31,	
	2024	2023
Fair value gain on embedded derivatives in convertible debenture (Note 25.4)	\$ 298	\$ -
Gain on modification of convertible debenture (Note 25.4)	3,187	4,850
Interest income	141	234
Finance income	\$ 3,626	\$ 5,084

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12. TAXES

12.1 Income tax recognised in profit or loss

	Year ended December 31,	
	2024	2023
Current tax:		
PRC Enterprise Income Tax ("EIT")	\$ 1,031	\$ 6,159
Mongolian corporate income tax	30,088	27,659
Income tax expenses	\$ 31,119	\$ 33,818

No provision for Hong Kong Profits Tax, Canadian Corporation Income Tax, Singapore Corporate Income Tax has been made in the financial statements as the Company has no assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% on the estimated assessable profits.

Mongolian corporate income tax was calculated at 10% to the first MNT 6 billion of annual taxable income and 25% on the remaining annual taxable income for both years.

The Canadian statutory tax rate was 27% (2023: 27%). A reconciliation between the Company's tax expense and the product of the Company's loss before tax multiplied by the Company's domestic tax rate is as follows:

	Year ended December 31,	
	2024	2023
Profit before tax	\$ 123,616	\$ 34,726
Statutory tax rate	27%	27%
Income tax expenses based on combined Canadian federal and provincial statutory rates	33,376	9,376
Tax effect of higher effective tax rate in foreign jurisdictions	(1,953)	(2,543)
Overprovision of income tax in prior year	(9,890)	-
Tax effect of tax losses and temporary differences not recognised	9,382	10,787
Tax effect of withholding tax on intercompany interest	1,814	3,168
Tax effect of profit attributable to a joint venture	(807)	(606)
Tax effect of income not subject to tax	(6,029)	(5,322)
Tax effect of non-deductible expenses	5,226	18,958
Income tax expenses	\$ 31,119	\$ 33,818

SOUTHGOBI RESOURCES LTD.

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12. TAXES (CONTINUED)

12.2 Unrecognised deductible temporary differences and unused tax losses

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

	As at December 31,	
	2024	2023
Non-capital losses	\$ 205,660	\$ 202,465
Capital losses	30,049	30,049
Foreign exchange and others	320,975	361,968
Total unrecognised amounts	\$ 556,684	\$ 594,482

12.3 Expiry dates

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

	As at December 31, 2024	
	U.S. Dollar Equivalent	Expiry dates
Non-capital losses		
Canada	\$ 201,141	2042 - 2044
China	4,519	2029
	\$ 205,660	
Capital losses		
Canada	\$ 30,049	Indefinite

	As at December 31, 2023	
	U.S. Dollar Equivalent	Expiry dates
Non-capital losses		
Canada	\$ 197,772	2041 - 2043
China	4,693	2028
	\$ 202,465	
Capital losses		
Canada	\$ 30,049	Indefinite

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13. DIRECTOR AND EMPLOYEE EMOLUMENTS

Directors' emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, the Company's directors' emoluments consist of the following amounts:

	Year ended December 31,	
	2024	2023
Directors' fees	\$ 281	\$ 358
Other emoluments for executive and non-executive directors		
Salaries and other benefits	1,113	1,122
Retirement Scheme Contributions	68	41
Directors' emoluments	\$ 1,462	\$ 1,521

Year ended December 31, 2024

Name of director	Directors' fees	Salaries and other benefits	Share-based compensation	Pension and social insurance contributions	Total
Executive directors					
Ruibin Xu	\$ -	\$ 371	\$ -	\$ 18	\$ 389
Chonglin Zhu	-	371	-	22	393
Chen Shen	-	371	-	22	393
	\$ -	\$ 1,113	\$ -	\$ 62	\$ 1,175
Non-executive directors					
Fan Keung Vic Choi ⁽ⁱ⁾	\$ 41	\$ -	\$ -	\$ -	\$ 41
Zhu Gao	-	-	-	-	-
Yingbin Ian He	103	-	-	3	106
Jin Lan Quan	86	-	-	-	86
Mao Sun ⁽ⁱⁱ⁾	51	-	-	3	54
Zaixiang Wen	-	-	-	-	-
	\$ 281	\$ -	\$ -	\$ 6	\$ 287
Directors' emoluments	\$ 281	\$ 1,113	\$ -	\$ 68	\$ 1,462

(i) Appointed to the Board during the year ended December 31, 2024.

(ii) Ceased to be a non-executive director upon conclusion of the Company's annual general meeting held on June 27, 2024.

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13. DIRECTOR AND EMPLOYEE EMOLUMENTS (CONTINUED)

Year ended December 31, 2023

Name of director	Directors' fees	Salaries and other benefits	Share-based compensation	Pension and social insurance contributions	Total
Executive directors					
Ruibin Xu ⁽ⁱ⁾	\$ -	\$ 283	\$ -	\$ 8	\$ 291
Chonglin Zhu	-	350	-	11	361
Chen Shen	-	327	-	11	338
Dong Wang ⁽ⁱⁱ⁾	-	162	-	5	167
	\$ -	\$ 1,122	\$ -	\$ 35	\$ 1,157
Non-executive directors					
Zhu Gao	\$ -	\$ -	\$ -	\$ -	\$ -
Yingbin Ian He	120	-	-	3	123
Gang Li ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Jin Lan Quan	106	-	-	-	106
Mao Sun	132	-	-	3	135
Zaixiang Wen ⁽ⁱ⁾	-	-	-	-	-
	\$ 358	\$ -	\$ -	\$ 6	\$ 364
Directors' emoluments	\$ 358	\$ 1,122	\$ -	\$ 41	\$ 1,521

(i) Appointed to the Board during the year ended December 31, 2023.

(ii) Redesignated from an executive director to a non-executive director on May 15, 2023, and ceased to be a non-executive director upon conclusion of the Company's annual general meeting held on June 20, 2023.

(iii) Resigned from the Board during the year ended December 31, 2023.

Five highest paid individuals

The five highest paid individuals included three directors of the Company for the year ended December 31, 2024 (2023: three directors). The emoluments of the five highest paid individuals are as follows:

	Year ended December 31,	
	2024	2023
Salaries and other benefits	\$ 1,560	\$ 1,470
Share-based compensation	63	-
Total emoluments	\$ 1,623	\$ 1,470

The emoluments for the five highest paid individuals were within the following bands:

	Year ended December 31,	
	2024	2023
HK\$ 1,500,001 to HK\$ 2,000,000	2	1
HK\$ 2,000,001 to HK\$ 2,500,000	-	2
HK\$ 2,500,001 to HK\$ 3,000,000	-	2
HK\$ 3,000,001 to HK\$ 3,500,000	3	-
	5	5

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14. EARNINGS PER SHARE

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

	Year ended December 31,	
	2024	2023
Net profit	\$ 92,497	\$ 908
Weighted average number of shares	296,618	295,252
Basic earnings per share	\$ 0.312	\$ 0.003
Earnings		
Profit for the purposes of diluted earnings per share	\$ 92,497	\$ 908
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	296,618	295,252
Effect of dilutive potential ordinary shares:		
- Share options	1,278	470
Weighted average number of ordinary shares for the purposes of diluted earnings per share	297,896	295,722
Diluted earnings per share	\$ 0.311	\$ 0.003

Potentially dilutive items not included in the calculation of diluted earnings per share for the year ended December 31, 2024 include the underlying shares comprised in the convertible debenture (Note 25) that were anti-dilutive.

15. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2024	2023
Cash and bank balances	\$ 8,864	\$ 48,416
Less: Restricted cash ⁽ⁱ⁾	(274)	(423)
Cash and cash equivalents	\$ 8,590	\$ 47,993

(i) Pursuant to relevant regulations in Mainland China, the Company is required to place certain amounts at designated bank accounts as guaranteed deposits for issuance of guarantee letter as requested by China Customs.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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15. CASH AND CASH EQUIVALENTS (CONTINUED)

The Company's cash is denominated in the following currencies:

	As at December 31,	
	2024	2023
Denominated in U.S. Dollars	\$ 99	\$ 1,511
Denominated in Chinese Renminbi	6,271	37,555
Denominated in Mongolian Tugriks	1,962	8,221
Denominated in Canadian Dollars	25	95
Denominated in Hong Kong Dollars	233	611
Cash	\$ 8,590	\$ 47,993

16. TRADE AND OTHER RECEIVABLES

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

	As at December 31,	
	2024	2023
Trade receivables	\$ 25,418	\$ -
Other receivables	6,068	7,541
Total trade and other receivables	\$ 31,486	\$ 7,541

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

	As at December 31,	
	2024	2023
Less than 1 month	\$ 28,630	\$ 2,182
1 to 3 months	2,856	5,359
Total trade and other receivables	\$ 31,486	\$ 7,541

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

The Company has determined that the loss allowance on its trade and other receivables was \$22,348 (December 31, 2023: \$22,487) as at December 31, 2024, based upon an expected loss rate of 10% for trade and other receivables 90 days past due and 100% for trade and other receivables 180 days past due.

The closing allowances for trade and other receivables as at December 31, 2024 reconcile to the opening loss allowances as follows:

Loss allowance for trade and other receivables

Opening loss allowance as at January 1, 2024	\$ 22,487
Increase in loss allowance recognised in profit or loss during the year (Note 8)	10
Exchange realignment	(149)
Closing loss allowance as at December 31, 2024	\$ 22,348
Opening loss allowance as at January 1, 2023	\$ 22,599
Increase in loss allowance recognised in profit or loss during the year (Note 8)	59
Exchange realignment	(171)
Closing loss allowance as at December 31, 2023	\$ 22,487

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17. INVENTORIES

The Company's inventories consist of the following amounts:

	As at December 31,	
	2024	2023
Current inventories		
Coal stockpiles	\$ 90,390	\$ 37,754
Materials and supplies	16,856	15,173
Total inventories	\$ 107,246	\$ 52,927

Other operating expenses for the year ended December 31, 2024 includes an impairment loss of \$231 (2023: reversal of impairment loss of \$4,988). This reversal is specifically related to the Company's materials and supplies inventories due to the reuse of certain items that were previously impaired for certain mining equipment repair and maintenance purposes.

18. PREPAID EXPENSES

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

	As at December 31,	
	2024	2023
Vendor prepayments	\$ 4,644	\$ 5,363
Other prepaid expenses	1,439	1,108
Total prepaid expenses	\$ 6,083	\$ 6,471

For the year ended December 31, 2024, the Company did not record any impairment on vendor prepayments (2023: \$nil).

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19. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment consist of the following amounts:

	Mobile equipment	Other operating equipment	Buildings and roads	Right-of-use assets	Mineral properties	Non-depreciable assets	Total
Cost							
As at January 1, 2024	\$ 207,947	\$ 21,794	\$ 64,107	\$ 5,226	\$ 245,533	\$ 1,404	\$ 546,011
Additions	12,128	1,367	543	639	91,246	12,695	118,618
Disposals	(2,116)	(63)	(10)	-	-	-	(2,189)
Exchange realignment	1,609	73	203	16	716	5	2,622
As at December 31, 2024	\$ 219,568	\$ 23,171	\$ 64,843	\$ 5,881	\$ 337,495	\$ 14,104	\$ 665,062

Accumulated depreciation and impairment charges

As at January 1, 2024	\$ (202,796)	\$ (20,360)	\$ (56,739)	\$ (1,536)	\$ (107,461)	\$ -	\$ (388,892)
Depreciation for the year	(2,129)	(675)	(1,153)	(1,230)	(27,036)	-	(32,223)
Eliminated on disposals	1,339	63	10	-	-	-	1,412
Exchange realignment	(1,177)	(36)	(137)	(5)	(440)	-	(1,795)
As at December 31, 2024	\$ (204,763)	\$ (21,008)	\$ (58,019)	\$ (2,771)	\$ (134,937)	\$ -	\$ (421,498)

Carrying amount

As at January 1, 2024	\$ 5,151	\$ 1,434	\$ 7,368	\$ 3,690	\$ 138,072	\$ 1,404	\$ 157,119
As at December 31, 2024	\$ 14,805	\$ 2,163	\$ 6,824	\$ 3,110	\$ 202,558	\$ 14,104	\$ 243,564

	Mobile equipment	Other operating equipment	Buildings and roads	Right-of-use assets	Mineral properties	Non-depreciable assets	Total
Cost							
As at January 1, 2023	\$ 203,761	\$ 21,610	\$ 63,359	\$ 1,268	\$ 206,165	\$ 1,340	\$ 497,503
Additions	2,710	774	27	3,944	37,069	-	44,524
Disposals	(745)	(819)	-	-	-	-	(1,564)
Exchange realignment	2,221	229	721	14	2,299	64	5,548
As at December 31, 2023	\$ 207,947	\$ 21,794	\$ 64,107	\$ 5,226	\$ 245,533	\$ 1,404	\$ 546,011

Accumulated depreciation and impairment charges

As at January 1, 2023	\$ (200,206)	\$ (20,332)	\$ (54,914)	\$ (964)	\$ (101,741)	\$ -	\$ (378,157)
Depreciation for the year	(1,227)	(631)	(1,308)	(562)	(4,615)	-	(8,343)
Eliminated on disposals	700	819	-	-	-	-	1,519
Exchange realignment	(2,063)	(216)	(517)	(10)	(1,105)	-	(3,911)
As at December 31, 2023	\$ (202,796)	\$ (20,360)	\$ (56,739)	\$ (1,536)	\$ (107,461)	\$ -	\$ (388,892)

Carrying amount

As at January 1, 2023	\$ 3,555	\$ 1,278	\$ 8,445	\$ 304	\$ 104,424	\$ 1,340	\$ 119,346
As at December 31, 2023	\$ 5,151	\$ 1,434	\$ 7,368	\$ 3,690	\$ 138,072	\$ 1,404	\$ 157,119

19.1 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.

19.2 Pledge on items of property, plant and equipment

As at December 31, 2024, most of the Company's mobile equipment and other operating equipment with carrying value of \$11,350 (2023: \$3,183) were pledged as security of convertible debenture.

19.3 Right-of-use assets

The right-of-use assets relate to the buildings, plant and equipment as at December 31, 2024 and 2023.

19.4 Impairment charges

No impairment nor reversal of impairment was made during the year ended December 31, 2024 (2023: \$nil).

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20. INVESTMENTS IN JOINT VENTURES

The Company's investments consist of the following amounts:

	As at December 31,	
	2024	2023
Non-current investments in joint ventures		
Investment in RDCC LLC	\$ 12,400	\$ 11,834
Investment in Shiveekhuren Terminal LLC	-	3,344
Total investments	\$ 12,400	\$ 15,178

The Company has a 40% interest in RDCC LLC, a joint venture. RDCC LLC has a concession agreement with the State Property Committee of Mongolia to construct a paved highway from the Company's Ovoot Tolgoi Mine to the Chinese-Mongolian border for the exclusive use of third party coal transport companies. In October 2012, the concession agreement was structured as a 17-year build, operate and transfer agreement. The construction was completed in 2014 and operations commenced in the second quarter of 2015. On September 17, 2015, the Invest Mongolia Agency signed an amendment to the concession agreement with RDCC LLC to extend the exclusive right of ownership to 30 years.

The movement of the Company's investment in RDCC LLC is as follows:

	As at December 31,	
	2024	2023
Balance, beginning of year	\$ 11,834	\$ 12,528
Dividend received	(2,623)	(3,226)
Share of earnings of a joint venture	3,227	2,423
Exchange realignment	(38)	109
Balance, end of year	\$ 12,400	\$ 11,834

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20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial statement information of RDCC LLC, which is a material joint venture, is as follows (presented on a 100% basis in which the Company has a 40% investment):

	As at December 31,	
	2024	2023
Current assets	\$ 11,682	\$ 5,192
Non-current assets	17,115	18,819
Total assets	\$ 28,797	\$ 24,011
Current liabilities	\$ 3,765	\$ 3,069
Total liabilities	\$ 3,765	\$ 3,069
	Year ended December 31,	
	2024	2023
Revenue	\$ 12,888	\$ 10,091
Gross profit	10,192	7,265
Other operating and finance costs	(272)	(247)
Profit before tax	9,920	7,018
Income tax expenses	(1,854)	(961)
Net profit	\$ 8,066	\$ 6,057
Other comprehensive income	\$ -	\$ -
Total comprehensive income	\$ 8,066	\$ 6,057

The movement of the Company's investment in Shiveekhuren Terminal LLC is as follows:

	As at December 31,	
	2024	2023
Balance, beginning of year	\$ 3,344	\$ 1,910
Transfer to investment in an associate	(3,344)	-
Additions, net	-	986
Share of earnings of a joint venture	-	417
Exchange realignment	-	31
Balance, end of year	\$ -	\$ 3,344

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21. INVESTMENTS IN ASSOCIATES

The Company's investments consists of the following amounts:

	As at December 31,	
	2024	2023
Non-current investments in associates		
Investment in Nariinsukhait Railway LLC	\$ 16,290	\$ 8,086
Investment in Shiveekhuren Terminal LLC	3,920	-
Total investments	\$ 20,210	\$ 8,086

The Company increased its investment in Nariinsukhait Railway LLC ("Nariinsukhait") by 20% during the first quarter of 2023, resulting in a total ownership stake of 40% in Nariinsukhait as of the year-end date. As a result of this increased ownership, the decision-making process for business activities in Nariinsukhait has changed from unanimous decision-making to majority voting. As a result, the Company has significant influence over Nariinsukhait which is classified as an associate.

The movement of the Company's investment in Nariinsukhait is as follows:

	As at December 31,	
	2024	2023
Balance, beginning of year	\$ 8,086	\$ -
Transfer from investment in a joint venture	-	80
Additions	-	17
Fund contributions	8,299	7,922
Share of earnings of an associate	3	4
Exchange realignment	(98)	63
Balance, end of year	\$ 16,290	\$ 8,086

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21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial statement information of Nariinsukhait, which is a material associate, is as follows (presented on a 100% basis in which the Company has a 40% investment):

	As at December 31,	
	2024	2023
Current assets	\$ 69,414	\$ 9,035
Non-current assets	627	27,919
Total assets	\$ 70,041	\$ 36,954
Current liabilities	\$ 5,844	\$ 7,241
Non-current liabilities	23,493	9,651
Total liabilities	\$ 29,337	\$ 16,892
	Year ended December 31,	
	2024	2023
Revenue	\$ 117	\$ -
Gross profit	-	-
Other operating and finance income	11	\$ 12
Profit before tax	11	12
Income tax expenses	(2)	(2)
Net profit	\$ 9	\$ 10
Other comprehensive income	\$ -	\$ -
Total comprehensive income	\$ 9	\$ 10

The charter of Shiveekhuren Terminal LLC ("Shiveekhuren") was updated in December 2024, the decision-making process for its business activities changed from unanimous decision-making to majority voting. As a result, the Company's investment in Shiveekhuren is reclassified from joint venture to associate.

The movement of the Company's investment in Shiveekhuren is as follows:

	As at December 31,	
	2024	2023
Balance, beginning of year	\$ -	\$ -
Transfer from investment in a joint venture	3,344	-
Share of earnings of an associate	584	-
Exchange realignment	(8)	-
Balance, end of year	\$ 3,920	\$ -

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21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial statement information of Shiveekhuren, which is a material associate, is as follows (presented on a 100% basis in which the Company has a 14.65% investment):

	As at December 31,	
	2024	2023
Current assets	\$ 9,785	\$ 6,226
Non-current assets	21,823	9,675
Total assets	\$ 31,608	\$ 15,901
Current liabilities	\$ 4,872	\$ 2,628
Total liabilities	\$ 4,872	\$ 2,628
	Year ended December 31,	
	2024	2023
Revenue	\$ 9,414	\$ 5,329
Gross profit	8,644	3,610
Other operating and finance costs	(3,350)	(323)
Profit before tax	5,294	3,287
Income tax expenses	(1,252)	(557)
Net profit	\$ 4,042	\$ 2,730
Other comprehensive income	\$ -	\$ -
Total comprehensive income	\$ 4,042	\$ 2,730

22. TRADE AND OTHER PAYABLES

Trade and other payables of the Company primarily consist of amounts outstanding for trade purchases relating to coal mining, development and exploration activities and mining royalties payable. The usual credit period taken for trade purchases is between 30 to 90 days.

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

	As at December 31,	
	2024	2023
Less than 1 month	\$ 53,646	\$ 7,466
1 to 3 months	50,936	24,862
3 to 6 months	18,205	3,041
Over 6 months	46,494	24,823
Total trade and other payables	\$ 169,281	\$ 60,192

The trade and other payables of \$169,281 (2023: \$60,192) included other tax payables of \$55,225 (2023: \$16,492).

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23. DEFERRED REVENUE

At December 31, 2024, the Company had deferred revenue of \$34,350, which represents cash prepayments from customers for future coal sales (2023: \$65,670).

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

	Year ended December 31,	
	2024	2023
Balance, beginning of year	\$ 65,670	\$ 30,282
Revenue recognised that was included in the deferred revenue balance	(65,508)	(30,190)
Repayment of trade deposits	(8,435)	(11,235)
Increase due to trade deposits received, excluding amounts recognised as revenue during the year	44,157	76,882
Exchange realignment	(1,534)	(69)
Balance, end of year	\$ 34,350	\$ 65,670

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

24. LEASE LIABILITIES

The Company leases certain of its office premises and plant for daily operations. These leases have remaining lease terms ranging from 2 to 5 years.

At December 31, 2024, the total future minimum lease payments and their present values were as follows:

	Minimum lease payments As at December 31,		Present value of minimum lease payments As at December 31,	
	2024	2023	2024	2023
Amounts payable:				
Within one year	\$ 1,213	\$ 1,486	\$ 1,023	\$ 1,206
In the second year	726	1,002	622	844
In the third to fifth year, inclusive	603	1,101	547	941
Total minimum lease payments	\$ 2,542	\$ 3,589	\$ 2,192	\$ 2,991
Future finance charges	(350)	(598)		
Total net lease payables	\$ 2,192	\$ 2,991		
Portion classified as current liabilities	(850)	(1,206)		
Non-current portion	\$ 1,342	\$ 1,785		

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25. CONVERTIBLE DEBENTURE

25.1 Key commercial terms

On November 19, 2009, the Company issued a convertible debenture to China Investment Corporation (together with its wholly-owned subsidiaries and affiliates, "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, 2023.

Following the completion of the CIC Sale Transaction on August 30, 2022, the respective rights and obligations of CIC under (i) the Convertible Debenture and related security documents; (ii) the amended and restated mutual cooperation agreement signed on April 23, 2019 (the "Amended and Restated Cooperation Agreement") and related documents; (iii) the deferral agreements between CIC, the Company and certain of its subsidiaries in connection with the deferral of interest payments and other outstanding fees under the Convertible Debenture and the Amended and Restated Cooperation Agreement; and (iv) the security holders agreement between the Company, CIC and a former shareholder of the Company, were assigned to JDZF.

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 CA\$11.88 or the 50-day VWAP at the date of conversion, with a floor price of CA\$8.88 per share.
- Representation on the Company's Board - While the convertible debenture is outstanding, or while JDZF has a minimum 15% direct or indirect stake in the Company, JDZF has the right to nominate one director to the Board. As of the date hereof, the Company currently has eight Board members of which three (Mr. Ruibin Xu, Ms. Chonglin Zhu and Mr. Chen Shen) were nominated by JDZF.
- Voting restriction - JDZF has agreed that it will not have any voting rights in the Company beyond 29.9% if JDZF ever acquires ownership of such a shareholder stake.
- Pre-emption rights - While the convertible debenture is outstanding, or while JDZF has a 15% direct or indirect stake in the Company, JDZF 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 - JDZF 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 - JDZF 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-V and the HKEX have occurred.

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25. CONVERTIBLE DEBENTURE (CONTINUED)

25.2 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.

The embedded derivatives were valued upon initial measurement and subsequent periods using a Monte Carlo simulation valuation model. A Monte Carlo simulation model is a valuation model that relies on random sampling and is often used when modeling systems with a large number of inputs and where there is significant uncertainty in the future value of inputs and where the movement of the inputs can be independent of each other. Some of the key inputs used by the Company in its Monte Carlo simulation include: the floor and ceiling conversion prices, the Company's common share price, the risk-free rate of return, expected volatility of the Company's common share price, forward foreign exchange rate curves (between the CA\$ and U.S. dollar) and spot foreign exchange rates.

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.

25.3 Valuation assumptions

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

	As at December 31,	
	2024	2023
Floor conversion price	CA\$8.88	CA\$8.88
Ceiling conversion price	CA\$11.88	CA\$11.88
Common share price	CA\$0.56	CA\$0.39
Historical volatility	25%	29%
Risk free rate of return	3.48%	3.51%
Foreign exchange spot rate (CA\$ to U.S. Dollar)	0.695	0.755
Forward foreign exchange rate curve (CA\$ to U.S. Dollar)	0.695 to 0.930	0.755 to 0.897

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25. CONVERTIBLE DEBENTURE (CONTINUED)

25.4 Presentation

Based on the Company's valuation as at December 31, 2024, the fair value of the embedded derivatives decreased by \$298 (2023: increased by \$292) compared to December 31, 2023. The decrease was recorded as finance income for the year ended December 31, 2024.

For the year ended December 31, 2024, the Company recorded interest expense of \$37,103 related to the convertible debenture as a finance cost (2023: \$46,337). 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 14.1%.

A modification gain of \$3,187 was recognised in profit or loss for the year ended December 31, 2024 (2023: \$4,850) for the difference between the original contractual cash flows and modified cash flows under the 2024 March Deferral Agreement (as defined in Note 25.5) and 2024 April Deferral Agreement (as defined in Note 25.5) discounted at the new effective interest rate.

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

	Year ended December 31,	
	2024	2023
Balance, beginning of year	\$ 194,300	\$ 224,653
Interest expense on convertible debenture (Note 11)	37,103	46,337
Increase/(decrease) in fair value of embedded derivatives (Note 11)	(298)	292
Gain on modification of convertible debenture (Note 11)	(3,187)	(4,850)
Interest paid	(23,000)	(72,132)
Balance, end of year	\$ 204,918	\$ 194,300

The convertible debenture balance consists of the following amounts:

	As at December 31,	
	2024	2023
Current convertible debenture		
Interest payable	\$ 120,651	\$ 103,150
	120,651	103,150
Non-current convertible debenture		
Debt host and interest payable	\$ 84,204	\$ 90,789
Fair value of embedded derivatives	63	361
	84,267	91,150
Total convertible debenture	\$ 204,918	\$ 194,300

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25. CONVERTIBLE DEBENTURE (CONTINUED)

25.5 Interest deferral and settlement

On March 19, 2024, the Company and JDZF entered into an agreement (the “2024 March Deferral Agreement”) pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash and payment-in-kind interest (“PIK Interest”), management fees, and related deferral fees in the aggregate amount of approximately \$96,500 which will be due and payable to JDZF on or before August 31, 2024 pursuant to certain prior deferral agreements dated March 24, 2023 and October 13, 2023; (ii) semi-annual cash interest payment of approximately \$7,900 payable to JDZF on May 19, 2024 under the Convertible Debenture; (iii) semi-annual cash interest payments of approximately \$8,100 payable to JDZF on November 19, 2024 and the \$4,000 in PIK Interest payable to JDZF on November 19, 2024 under the Convertible Debenture; and (iv) management fees in the aggregate amount of \$2,200 payable to JDZF on November 15, 2024 and February 15, 2025, respectively, under the Amended and Restated Cooperation Agreement (collectively, the “2024 March Deferred Amounts”).

The effectiveness of the 2024 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2024 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2024 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Listing Rules. The 2024 March Deferral Agreement was approved by the Company’s disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

The principal terms of the 2024 March Deferral Agreement are as follows:

- Payment of the 2024 March Deferred Amounts are deferred until August 31, 2025 (the “2024 March Deferral Agreement Deferral Date”).
- As consideration for the deferral of the 2024 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2024 March Deferred Amounts, commencing on the date on which each such 2024 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2024 March Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2024 March Deferred Amounts commencing on the date on which each such 2024 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2024 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2024 March Deferred Amounts or related deferral fees. Instead, the 2024 March Deferral Agreement requires the Company to use its best efforts to pay the 2024 March Deferred Amounts and related deferral fees due and payable under the 2024 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2024 March Deferral Agreement and ending as of the 2024 March Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2024 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company’s operations and business at such time and with the view of ensuring that the Company’s operations and business would not be materially prejudiced as a result of any repayment.

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25. CONVERTIBLE DEBENTURE (CONTINUED)

25.5 Interest deferral and settlement (Continued)

- If at any time before the 2024 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

On April 30, 2024, the Company and JDZF entered into an agreement (the “2024 April Deferral Agreement”) pursuant to which JDZF agreed to grant the Company a deferral of the remaining \$1,100 of PIK interest which was payable on November 19, 2022 under the Convertible Debenture, the payment of which was deferred pursuant to a certain prior deferral agreement dated November 11, 2022 (the “November 2022 Deferral Agreement”) until November 19, 2023, as well as related deferral fees under the November 2022 Deferral Agreement (collectively, the “2024 April Deferred Amounts”).

The effectiveness of the 2024 April Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2024 April Deferral Agreement are subject to the Company obtaining the requisite approval of the 2024 April Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Listing Rules. The 2024 April Deferral Agreement was approved by the Company’s disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

The principal terms of the 2024 April Deferral Agreement are as follows:

- Payment of the 2024 April Deferred Amounts are deferred until August 31, 2025 (the “2024 April Deferral Agreement Deferral Date”).
- As consideration for the deferral of the 2024 April Deferred Amounts, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2024 April Deferred Amounts, commencing on the date on which each such 2024 April Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- The 2024 April Deferral Agreement does not contemplate a fixed repayment schedule for the 2024 April Deferred Amounts or related deferral fees. Instead, the 2024 April Deferral Agreement requires the Company to use its best efforts to pay the 2024 April Deferred Amounts and related deferral fees due and payable under the 2024 April Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2024 April Deferral Agreement and ending as of the 2024 April Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2024 April Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company’s operations and business at such time and with the view of ensuring that the Company’s operations and business would not be materially prejudiced as a result of any repayment.
- If at any time before the 2024 April Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

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25. CONVERTIBLE DEBENTURE (CONTINUED)

25.5 Interest deferral and settlement (Continued)

On March 20, 2025, the Company and JDZF entered into an agreement (the “2025 March Deferral Agreement”) pursuant to which JDZF agreed to grant the Company a deferral of (i) the cash and PIK Interest, management fees, and related deferral fees in the aggregate amount of approximately \$111,600 which will be due and payable to JDZF on or before August 31, 2025 pursuant to the 2024 March Deferral Agreement and the 2024 April Deferral Agreement; (ii) semi-annual cash interest payment of approximately \$7,900 payable to JDZF on May 19, 2025 under the Convertible Debenture; (iii) semi-annual cash interest payments of approximately \$8,100 payable to JDZF on November 19, 2025 and the \$4,000 in PIK Interest payable to JDZF on November 19, 2025 under the Convertible Debenture; and (iv) management fees in the aggregate amount of approximately \$6,100 payable to JDZF on May 16, 2025, August 15, 2025, November 15, 2025 and February 15, 2026, respectively, under the Amended and Restated Cooperation Agreement (collectively, the “2025 March Deferred Amounts”).

The effectiveness of the 2025 March Deferral Agreement and the respective covenants, agreements and obligations of each party under the 2025 March Deferral Agreement are subject to the Company obtaining the requisite approval of the 2025 March Deferral Agreement from shareholders in accordance with the requirements of applicable Canadian securities laws and Rule 14.33 and Rule 14A.36 of the Listing Rules. The Company will be seeking approval of the 2025 March Deferral Agreement from disinterested shareholders at the Company’s upcoming annual general meeting of shareholders, which will be held at a future date to be set by the Board.

The principal terms of the 2025 March Deferral Agreement are as follows:

- Payment of the 2025 March Deferred Amounts will be deferred until August 31, 2026 (the “2025 March Deferral Agreement Deferral Date”).
- As consideration for the deferral of the 2025 March Deferred Amounts which relate to the payment obligations arising from the Convertible Debenture, the Company agreed to pay JDZF a deferral fee equal to 6.4% per annum on the outstanding balance of such 2025 March Deferred Amounts, commencing on the date on which each such 2025 March Deferred Amounts would otherwise have been due and payable under the Convertible Debenture.
- As consideration for the deferral of the 2025 March Deferred Amounts which relate to payment obligations arising from the Amended and Restated Cooperation Agreement, the Company agreed to pay JDZF a deferral fee equal to 1.5% per annum on the outstanding balance of such 2025 March Deferred Amounts commencing on the date on which each such 2025 March Deferred Amounts would otherwise have been due and payable under the Amended and Restated Cooperation Agreement.
- The 2025 March Deferral Agreement does not contemplate a fixed repayment schedule for the 2025 March Deferred Amounts or related deferral fees. Instead, the 2025 March Deferral Agreement requires the Company to use its best efforts to pay the 2025 March Deferred Amounts and related deferral fees due and payable under the 2025 March Deferral Agreement to JDZF. During the period beginning as of the effective date of the 2025 March Deferral Agreement and ending as of the 2025 March Deferral Agreement Deferral Date, the Company will provide JDZF with monthly updates of its financial status and business operations, and the Company and JDZF will on a monthly basis discuss and assess in good faith the amount (if any) of the 2025 March Deferred Amounts and related deferral fees that the Company may be able to repay to JDZF, having regard to the working capital requirements of the Company’s operations and business at such time and with the view of ensuring that the Company’s operations and business would not be materially prejudiced as a result of any repayment.

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25. CONVERTIBLE DEBENTURE (CONTINUED)

25.5 Interest deferral and settlement (Continued)

- If at any time before the 2025 March Deferred Amounts and related deferral fees are fully repaid, the Company proposes to appoint, replace or terminate one or more of its chief executive officer, its chief financial officer or any other senior executive(s) in charge of its principal business function or its principal subsidiary, the Company will first consult with, and obtain written consent (such consent shall not be unreasonably withheld) from JDZF prior to effecting such appointment, replacement or termination.

25.6 Amendment of Convertible Debenture

On May 13, 2024, the Company and JDZF entered into the Convertible Debenture Amendment to amend certain terms of the Convertible Debenture.

Pursuant to the Convertible Debenture Amendment, the Company may, by resolution of the Board, at any time and from time to time prepay, without penalty, the whole or any part of the principal amount outstanding under the Convertible Debenture, together with accrued cash interest and PIK interest thereon to the date of prepayment, provided that:

- (i) the Company has, not later than three (3) business days prior to the proposed prepayment date, delivered to JDZF an irrevocable written notice, signed by an independent director of the Company and setting out the terms of the prepayment;
- (ii) the amount of such prepayment reduces the then outstanding principal amount under the Convertible Debenture by an amount that is (a) not less than \$500 and (b) if in excess of \$500, an integral multiple of \$500; and
- (iii) the proposed prepayment date falls on a business day.

The Company is not providing any additional form of consideration to JDZF in connection with the Convertible Debenture Amendment. Aside from the aforementioned amendments, the existing terms of the Convertible Debenture continue in full force and effect and unchanged.

The effectiveness of the Convertible Debenture Amendment is subject to the Company providing notice to, and obtaining acceptance (if required) from the TSX-V and requisite approval from disinterested shareholders of the Company in accordance with the requirements of applicable Canadian securities laws and Listing Rules. The Convertible Debenture Amendment was approved by the Company's disinterested shareholders through a special meeting of shareholders convened on August 28, 2024.

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26. DECOMMISSIONING LIABILITY

At December 31, 2024, the decommissioning liability relates to reclamation and closure costs of the Company's Ovoot Tolgoi Mine.

The Ovoot Tolgoi Mine decommissioning liability is calculated as the net present value of the estimated future reclamation and closure costs, which as at December 31, 2024 totaled \$16,313 (2023: \$12,810). The estimated future reclamation and closure costs are inflated using an estimated inflation rate of 7.5% (2023: 10.5%) and discounted at 16% per annum (2023: 17% per annum) to determine the year end decommissioning liability. The settlement of the decommissioning liability will occur through to 2038.

The movements in the decommissioning liability during the years ended December 31, 2024 and 2023 were as follows:

	Year ended December 31,	
	2024	2023
Balance, beginning of year	\$ 9,939	\$ 7,650
Adjustments	1,981	1,803
Accretion (Note 11)	371	384
Exchange realignment	(46)	102
Balance, end of year	\$ 12,245	\$ 9,939

27. LONG SERVICE PAYMENT LIABILITIES

The Company operates a MPF scheme for the employees in Hong Kong. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to LSP if the eligibility criteria are met.

	As at December 31,	
	2024	2023
Total long service payment liabilities	\$ 29	\$ 26

The Company provides LSP for its employees in respect of LSP on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance.

Hong Kong employees that have been employed continuously for at least five years are entitled to LSP in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Company's contributions to MPF scheme, with an overall cap of HK\$390,000 per employee.

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from May 1, 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

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27. LONG SERVICE PAYMENT LIABILITIES (CONTINUED)

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date. As at December 31, 2024, the Company employed 9 permanent employees in Hong Kong that is subject to LSP consideration (2023: 10).

The movements of the provision of long service payments recognised in the consolidated statement of financial position are as follows:

	Year ended December 31,	
	2024	2023
Balance, beginning of year	\$ 26	\$ -
Current service cost	8	25
Interest cost	-	1
Benefits paid	(5)	-
Balance, end of year	\$ 29	\$ 26

The principal actuarial assumptions used are as follows:

	Year ended December 31,	
	2024	2023
Discount rate	2.02% p.a.	2.02% p.a.
Expected rate of future salary increase	3%	3%

Expected contributions to the long service payment obligation by the Company for the year ended December 31, 2024 after the offset the accrued MPF account balance is approximately \$405 (2023: \$405).

28. EQUITY

28.1 Share capital

The Company has authorised an unlimited number of common and preferred shares with no par value. At December 31, 2024, the Company had 296,705 common shares outstanding (2023: 295,278) and no preferred shares outstanding (2023: nil).

	As at December 31,			
	2024		2023	
	Number of shares/units	Share capital	Number of shares/units	Share capital
Ordinary share issued at fully paid				
Balance, beginning of year	295,278	\$ 1,101,771	295,227	\$ 1,101,764
Shares issued under share options (Note 29)	1,427	282	51	7
Balance, end of year	296,705	\$ 1,102,053	295,278	\$ 1,101,771

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28. EQUITY (CONTINUED)

28.2 Exchange fluctuation reserve

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

28.3 Accumulated deficit and dividends

At December 31, 2024, the Company has accumulated a deficit of \$1,149,222 (2023: \$1,241,685). No dividend has been paid or declared by the Company since inception.

The Board did not recommend the payment of any dividend for the year ended December 31, 2024 (2023: \$nil).

29. SHARE-BASED PAYMENTS

29.1 Stock option plan

The Company has a stock option plan which permits the Board to grant options to acquire common shares of the Company at the volume weighted average closing price for the five days preceding the date of grant. The Company is authorised to issue stock options for a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan. The stock option plan permits the Board to set the terms for each stock option grant; however, the general terms of stock options granted under the plan include a maximum exercise period of 5 years and a vesting period of 3 years with 33% of the grant vesting on the first anniversary of the grant, 33% vesting on the second anniversary of the grant and 34% vesting on the third anniversary of the grant.

For the year ended December 31, 2024, the Company did not grant any stock options to officers, employees, directors and other eligible persons (2023: nil).

The weighted average assumptions used for the Black-Scholes option pricing model were as follows:

	Year ended December 31,	
	2024	2023
Risk free interest rate	0.87%	0.87%
Expected life	3.43	3.43
Expected volatility ⁽ⁱ⁾	79%	79%
Expected dividend per share	\$nil	\$nil

(i) Expected volatility has been calculated based on historical volatility of the Company's publicly traded shares over a period equal to the expected life of the options.

The total share-based compensation expense for the year ended December 31, 2024 was \$63 (2023: \$14). Share-based compensation expense of \$45 (2023: \$10) has been allocated to administration expenses and share-based compensation expense of \$18 (2023: \$4) has been allocated to cost of sales.

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29. SHARE-BASED PAYMENTS (CONTINUED)

29.2 Outstanding stock options

The option transactions under the stock option plan are as follows:

	Year ended December 31,			
	2024		2023	
	Number of options	Weighted average exercise price (CA\$)	Number of options	Weighted average exercise price (CA\$)
Balance, beginning of year	3,213	\$ 0.19	4,993	\$ 0.18
Options exercised	(1,427)	0.17	(51)	0.13
Options forfeited	-	-	(524)	0.22
Options expired	(579)	0.14	(1,205)	0.16
Balance, end of year	1,207	\$ 0.22	3,213	\$ 0.19

The stock options outstanding and exercisable are as follows:

As at December 31, 2024						
Exercise price (HK\$)	Options Outstanding			Options Exercisable		
	Options outstanding	Weighted average exercise price (HK\$)	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price (HK\$)	Weighted average remaining contractual life (years)
\$1.41	1,207	\$ 1.41	1.49	1,207	\$ 1.41	1.49
Total	1,207		1.49	1,207		1.49

As at December 31, 2023						
Exercise price (CA\$)	Options Outstanding			Options Exercisable		
	Options outstanding	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price (CA\$)	Weighted average remaining contractual life (years)
\$0.11 - \$0.13	1,175	\$ 0.12	0.80	1,175	\$ 0.12	0.80

Exercise price (HK\$)	Options Outstanding			Options Exercisable		
	Options outstanding	Weighted average exercise price (HK\$)	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price (HK\$)	Weighted average remaining contractual life (years)
\$1.41	2,038	\$ 1.41	2.50	1,515	\$ 1.41	2.50
Total	3,213		1.88	2,690		1.76

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29. SHARE-BASED PAYMENTS (CONTINUED)

29.3 Employee Share Purchase Plan

Share purchase plan as part of a long term employee retention program equity incentive plan, which allows the Company's eligible employees to contribute up to 7% of their basic annual salary to purchase shares in the Company. The Company contributes 50% of the employee's contribution and at the end of each calendar quarter shares are purchased on behalf of the employee. At the end of each quarter, the Company's share will be issued. Upon the conversion to primary listing on the HKEX, the Company has undertaken not to issue any further shares under the Share Purchase Plan. For the years ended December 31, 2024 and 2023, eligible employees did not pay and the Company did not contribute to purchase any ordinary shares of the Company under the employee share purchase plan.

30. RESERVES

30.1 Share option reserve

The Company's share option reserve relates to stock options granted by the Company to officers, employees, directors and other eligible persons under its stock option plan. Details about the Company's share-based payments are further disclosed in Note 29.

The share option reserve transactions for the years ended December 31, 2024 and 2023 are as follows:

	Year ended December 31,	
	2024	2023
Balance, beginning of year	\$ 53,030	\$ 53,018
Exercise of stock options	(95)	(2)
Share-based compensation charged to operations	63	14
Balance, end of year	\$ 52,998	\$ 53,030

30.2 Capital reserve

Pursuant to the applicable laws and regulations of the People's Republic of China, a portion of the profits of a subsidiary has been transferred to reserve funds (i.e. capital reserve), which the Company is restricted from using.

31. CAPITAL RISK MANAGEMENT

The Company's capital risk management objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements, continue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimises the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, acquire previously issued shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to facilitate management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board.

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31. CAPITAL RISK MANAGEMENT (CONTINUED)

At December 31, 2024, the Company's capital structure consists of convertible debenture (Note 25), lease liabilities (Note 24) and the equity of the Company (Note 28). Except for disclosed elsewhere in the consolidated financial statements, the Company is not subject to any externally imposed capital requirements. In order to maximise ongoing development efforts, the Company does not pay dividends.

The net debt to equity ratio at the end of the reporting period was as follows:

	As at December 31,	
	2024	2023
Debt	\$ 479,696	\$ 437,070
Cash and cash equivalents	(8,590)	(47,993)
Net debt	\$ 471,106	\$ 389,077
Equity	\$ (49,843)	\$ (141,332)
Net debt to equity ratio	-945%	-275%

For the year ended December 31, 2024, there were no significant changes in the processes used by the Company or in the Company's objectives and policies for managing its capital. As at December 31, 2024, the Company had cash and cash equivalents of \$8,590 (December 31, 2023: \$47,993).

32. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

32.1 Categories of financial instruments

The Company's financial assets and financial liabilities are categorised as follows:

	As at December 31,	
	2024	2023
Financial assets		
At amortised cost		
Cash and cash equivalents	\$ 8,590	\$ 47,993
Restricted cash	274	423
Trade and other receivables (Note 16)	31,486	7,541
Total financial assets	\$ 40,350	\$ 55,957
Financial liabilities		
Fair value through profit or loss		
Convertible debenture - embedded derivatives (Note 25)	\$ 63	\$ 361
At amortised cost		
Trade and other payables (Note 22)	169,281	60,192
Lease liabilities (Note 24)	2,192	2,991
Convertible debenture - debt host (Note 25)	204,855	193,939
Total financial liabilities	\$ 376,391	\$ 257,483

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32. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

32.2 Fair value

The fair value of financial assets and financial liabilities measured at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities measured at amortised cost approximates their fair value, except as disclosed below.

The fair values of the Company's financial instruments classified as FVTPL are determined as follows:

- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are directly (i.e. prices) or indirectly (i.e. derived from prices) observable. The fair value of the embedded derivatives within the convertible debenture (Note 25) is determined using a Monte Carlo simulation. None of the fair value change in the embedded derivatives for the year ended December 31, 2024 is related to a change in the credit risk of the convertible debenture. All of the change in fair value is associated with changes in market conditions.

The following table provides an analysis of the Company's financial instruments that are measured and disclosed subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	As at December 31, 2024			
	Level 1	Level 2	Level 3	Total
Recurring measurements				
Financial liabilities measured at fair value				
Convertible debenture - embedded derivatives	\$ -	\$ -	\$ 63	\$ 63
Total financial liabilities measured at fair value	\$ -	\$ -	\$ 63	\$ 63

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Recurring measurements				
Financial liabilities measured at fair value				
Convertible debenture - embedded derivatives	\$ -	\$ -	\$ 361	\$ 361
Total financial liabilities measured at fair value	\$ -	\$ -	\$ 361	\$ 361

There were no transfers between Level 1, 2 and 3 for the year ended December 31, 2024 (2023: nil).

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32. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

32.3 Financial risk management objectives and policies

The financial risk arising from the Company's operations are currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Company is exposed to foreign currency risk on its sales or purchases in currencies other than the U.S. dollar. The Company manages this risk by matching receipts and payments in the same currency.

The sensitivity of the Company's loss before tax due to changes in the carrying values of monetary assets and liabilities denominated in foreign currencies is as follows. A positive number indicates a decrease in loss for the year, whereas a negative number indicates an increase in comprehensive loss for the year.

	As at December 31,	
	2024	2023
Increase/decrease in foreign exchange rate against respective functional currency		
+5%	\$ 273	\$ (183)
-5%	\$ (273)	\$ 183

Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on its cash. However, the rate of interest earned on these instruments is below 3% (2023: 3%); therefore, the interest rate risk is not significant.

The Company has not entered into any derivative instruments to manage interest rate fluctuations, however, management closely monitors interest rate exposure and the risk exposure is limited.

Credit risk

The Company is exposed to credit risk associated with its cash and trade and other receivables. The Company's maximum exposure to credit risk is equal to the carrying amount of these instruments.

The Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 2 years before December 31, 2024 or 2023 respectively and the corresponding historical credit losses experienced within this period as well as the forecast regarding the industry environment.

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32. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

32.3 Financial risk management objectives and policies (Continued)

Credit risk (Continued)

On that basis, the loss allowance as at December 31, 2024 and 2023 was determined as follows for trade and other receivables:

	Less than 1 month	1 to 3 months	3 to 6 months	Over 6 months	Total
As at December 31, 2024					
Expected loss rate	(i)	(i)	10%	100%	
Gross carrying amount - trade and other receivables	\$ 28,630	\$ 2,856	\$ -	\$ 22,348	\$ 53,834
Loss allowance	\$ -	\$ -	\$ -	\$ 22,348	\$ 22,348
As at December 31, 2023					
Expected loss rate	(i)	(i)	10%	100%	
Gross carrying amount - trade and other receivables	\$ 2,182	\$ 5,359	\$ -	\$ 22,487	\$ 30,028
Loss allowance	\$ -	\$ -	\$ -	\$ 22,487	\$ 22,487

(i) The expected credit loss rate is considered insignificant.

The Company's credit risk on cash arises from possible default of the counterparty. The Company limits its exposure to counterparty credit risk on cash by only dealing with financial institutions with high credit ratings.

The Company seeks to manage its credit risk on trade and other receivables by trading with third party customers it considers to be creditworthy. It is the Company's policy that all customers are required to prepay deposits to the Company for future purchasing from the Company, and for those who wish to trade on credit terms are subject to credit verification procedures.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle or manage its obligations associated with financial liabilities. Based on the Company's cash flow projection covering a period of 12 months from December 31, 2024, the Company is expected to have sufficient capital resources in order to satisfy its ongoing obligations and future contractual commitments. Please refer to Note 1 for further details.

The Company's current and expected remaining contractual maturities for its financial liabilities with agreed repayment periods are as follows. The table includes the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

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32. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

32.3 Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	0 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
As at December 31, 2024						
Trade and other payables	\$ 169,281	\$ -	\$ -	\$ -	\$ 169,281	\$ 169,281
Lease liabilities ⁽ⁱ⁾	607	606	1,329	-	2,542	2,192
Convertible debenture - cash interest ⁽ⁱ⁾	14,673	14,388	100,000	430,000	559,061	204,918
	\$ 184,561	\$ 14,994	\$ 101,329	\$ 430,000	\$ 730,884	\$ 376,391
As at December 31, 2023						
Trade and other payables	\$ 60,192	\$ -	\$ -	\$ -	\$ 60,192	\$ 60,192
Lease liabilities ⁽ⁱ⁾	743	743	2,108	-	3,594	2,991
Convertible debenture - cash interest ⁽ⁱ⁾	11,488	18,215	100,000	200,000	329,703	194,300
	\$ 72,423	\$ 18,958	\$ 102,108	\$ 200,000	\$ 393,489	\$ 257,483

(i) The expected undiscounted cash flows of the above noted financial liabilities include the cash interest payment on the lease liabilities and convertible debenture for the years ended December 31, 2024 and December 31, 2023. Refer to Note 24 and Note 25 for the terms of lease liabilities and convertible debenture, respectively.

33. RELATED PARTY TRANSACTIONS

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

Name	Place of incorporation	% equity interest As at December 31,	
		2024	2023
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. ⁽ⁱ⁾	China	100%	100%
Inner Mongolia SouthGobi Mining Development Co., Ltd.	China	100%	100%
Inner Mongolia SouthGobi Trading Co., Ltd.	China	100%	100%
Wuhai SouthGobi Mining Resources Co., Ltd.	China	100%	100%

(i) SouthGobi Trading (Beijing) Co., Ltd. and Inner Mongolia SouthGobi Energy Co., Ltd. were registered as a wholly-foreign-owned enterprise under law of China.

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33. RELATED PARTY TRANSACTIONS (CONTINUED)

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 years ended December 31, 2024 and 2023:

- The management fee shall be calculated based on 1.5% of the revenue of the Company and to be paid to JDZF on a quarterly basis.

During the year ended December 31, 2024, management fee of \$6,630 was recorded in profit or loss (2023: \$4,879).

33.1 Related party expenses

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

	Year ended December 31,	
	2024	2023
Finance costs	\$ 37,103	\$ 46,337
Management fee	6,630	4,879
Rental expenses ⁽ⁱ⁾	81	79
Warehouse logistics expenses ⁽ⁱⁱ⁾	-	98
Office supplies expenses ⁽ⁱⁱⁱ⁾	-	51
Related party expenses	\$ 43,814	\$ 51,444

- (i) Rental expenses payment to a related company were \$81, conducted in the normal course of business and in accordance with terms of the lease agreement entered into between the Company and the related company. The lessor is a controlled entity by the Company's largest shareholder to be classified as a related company (2023: \$79).
- (ii) Warehouse logistics expenses payment to a related company were conducted in the normal course of business and in accordance with terms of the logistics agreement entered into between the Company and the related company. The logistic company is a controlled entity by the Company's second largest shareholder to be classified as a related company in 2023. The logistic company ceased to be a related company of the Company in 2024.
- (iii) Office supplies expenses payment to related companies were conducted in the normal course of business. The office supplies companies are controlled entities by the related party of the Company's largest shareholder to be classified as related companies (2023: \$51).

33.2 Key management personnel compensation

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consists of the following amounts:

	Year ended December 31,	
	2024	2023
Salaries, fees and other benefits	\$ 1,910	\$ 2,175
Total remuneration	\$ 1,910	\$ 2,175

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

34. SUPPLEMENTAL CASH FLOW INFORMATION

34.1 Non-cash financing and investing activities

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

	Year ended December 31,	
	2024	2023
Depreciation and amortisation capitalised in mineral properties	\$ 3,287	\$ 2,350
Increase in decommissioning liability	1,981	1,803

34.2 Net change in working capital items

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

	Year ended December 31,	
	2024	2023
Increase in trade and other receivables	\$ (22,355)	\$ (5,024)
Increase in inventories	(53,351)	(13,700)
Decrease/(increase) in prepaid expenses and deposits	398	(3,884)
Increase in trade and other payables	111,794	524
Increase/(decrease) in deferred revenue	(31,163)	35,467
Net change in working capital items	\$ 5,323	\$ 13,383

Depreciation and depletion capitalised in inventories for the year ended December 31, 2024 totaled \$6,131 (2023: \$269).

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34. SUPPLEMENTAL CASH FLOW INFORMATION (CONTINUED)

34.3 Reconciliation of liabilities arising from financing activities

	Lease liabilities	Convertible debenture	Total
At January 1, 2023	\$ 502	\$ 224,653	\$ 225,155
Changes from financing cash flows:			
Interest payments	-	(72,132)	(72,132)
Capital element of lease rentals paid	(327)	-	(327)
Interest element of lease rentals paid	(133)	-	(133)
Total changes from financing cash flows	(460)	(72,132)	(72,592)
Other charges:			
Interest expenses	133	46,337	46,470
Changes in fair value of embedded derivatives	-	292	292
Gain on modification of convertible debenture	-	(4,850)	(4,850)
Increase in finance lease payable	2,789	-	2,789
	2,922	41,779	44,701
Exchange adjustments	27	-	27
At December 31, 2023 and January 1, 2024	\$ 2,991	\$ 194,300	\$ 197,291
Changes from financing cash flows:			
Interest payments	-	(23,000)	(23,000)
Capital element of lease rentals paid	(716)	-	(716)
Interest element of lease rentals paid	(292)	-	(292)
Total changes from financing cash flows	(1,008)	(23,000)	(24,008)
Other charges:			
Interest expenses	292	37,103	37,395
Changes in fair value of embedded derivatives	-	(298)	(298)
Gain on modification of convertible debenture	-	(3,187)	(3,187)
Decrease in finance lease payable	(61)	-	(61)
	231	33,618	33,849
Exchange adjustments	(22)	-	(22)
At December 31, 2024	\$ 2,192	\$ 204,918	\$ 207,110

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35. COMMITMENTS FOR EXPENDITURE

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

	Within 1 year	2-3 years	Over 3 years	Total
As at December 31, 2024				
Capital expenditure commitments	\$ 1,422	\$ 3,829	\$ 4,195	\$ 9,446
Operating expenditure commitments	1,354	39	172	1,565
Commitments	\$ 2,776	\$ 3,868	\$ 4,367	\$ 11,011
As at December 31, 2023				
Capital expenditure commitments	\$ -	\$ -	\$ -	\$ -
Operating expenditure commitments	1,359	39	192	1,590
Commitments	\$ 1,359	\$ 39	\$ 192	\$ 1,590

36. CONTINGENCIES

36.1 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 filings (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.

To date, counsel for the plaintiffs and defendant have completed (i) all document production and (ii) defence oral examinations for discovery. Counsel for the plaintiffs have served their expert reports on liability and damages.

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Notes to the Consolidated Financial Statements

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

36. CONTINGENCIES (CONTINUED)

36.1 Lawsuit (Continued)

Counsel for the plaintiffs and defendant have entered into a good faith procedural agreement (the "Procedural Agreement"). The parties have engaged the services of an experienced neutral, former Chief Justice of Ontario (the "Mediator"), to act as a mediator to assist the parties in resolving all pre-trial matters as set out in the Procedural Agreement. The parties have agreed to a pre-trial mediation before the Mediator, which was scheduled for April 2025 with an intention to have the case ready for trial by April 25, 2025. However, the mediation has been adjourned to the summer of 2025 as the parties continue to work with the Mediator to resolve outstanding procedural disputes. The Court has not yet scheduled trial dates. The Company continues to urge a trial as early as possible.

The Company firmly believes that it has a strong defense on the merits and will continue to vigorously defend itself against the Class Action through independent Canadian litigation counsel retained by the Company for this purpose. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of the Class Action or determine the amount of potential losses, if any. However, the Company has determined that a provision for this matter as at December 31, 2024 was not required.

36.2 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 \$18,500. At each reporting date, the Company assesses the agreement with Ejin Jinda and has determined it is not probable that this \$18,500 will be required to be paid. Accordingly, the Company has determined that a provision for this matter as at December 31, 2024 and 2023 was not required.

36.3 Tax Legislation

Mongolian tax, currency and customs legislation is subject to varying interpretation, and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. The MTA may take a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. The Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as VAT, withholding tax, corporate income tax, personal income tax, transfer pricing and other areas. From time to time, the Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

36. CONTINGENCIES (CONTINUED)

36.3 Tax Legislation (Continued)

Management believes that its interpretation of relevant legislation is appropriate and the Company's positions related to tax and other legislation will be sustained. However, the Company may be impacted if such unfavourable event occurs. Management regularly performs re-assessment of tax risk and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present.

As of December 31, 2024, the Company has recorded an additional tax and tax penalty in the amount of \$45,477 and the Company has paid the MTA an aggregate of \$1,687 in relation to the aforementioned tax penalty, as more particularly detailed under note 9 to the consolidated financial statements.

36.4 Tax Contingencies and Potential Legal Proceeding

Subsequent to the reporting date of December 31, 2024:

On March 19, 2025, SGS received correspondence from the Administrative Court requesting supplemental information regarding a court proceeding initiated by certain officers of the MTA ("MTA Officials") against the TDRC. Upon further enquiry, SGS obtained a copy of an order dated March 7, 2025 issued by the Administrative Court regarding commencement of court proceedings brought by the MTA Officials. The MTA Officials are petitioning the court to overturn the TDRC's ruling that reduced SGS's tax penalty from approximately \$80,000 to approximately \$26,500. The Company has recognised a reversal of additional tax and tax penalty of \$48,463 in the consolidated financial statements, reflecting the TDRC's binding decision as of the reporting date.

Based on preliminary advice from the Company's independent Mongolian legal counsel and tax consultants: (i) SGS has not been named as a third party defendant to these proceedings; (ii) The TDRC's Revised Re-assessment Result remains legally enforceable unless formally overturned by the court; and (iii) SGS's acceptance of the TDRC's decision makes the ruling final under Mongolian tax law.

Due to the inherent uncertainties surrounding legal proceedings, the ultimate resolution of this matter cannot be predicted with certainty. Should the court rule in favour of the MTA Officials, any resulting adjustments to the provision or recognition of additional liabilities would be accounted for in the period when such determination is made.

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

37. STATEMENT OF FINANCIAL POSITION OF THE INVESTMENT COMPANY

The statement of financial position of the investment company prepared on a stand-alone basis is presented below:

	As at December 31,	
	2024	2023
Assets		
Non-current assets		
Investment in subsidiaries	\$ -	\$ -
Total non-current assets	-	-
Current assets		
Cash and cash equivalents	66	1,381
Other receivables	5	7
Prepaid expenses	97	94
Total current assets	168	1,482
Total assets	\$ 168	\$ 1,482
Equity and liabilities		
Current liabilities		
Other payables	\$ 22,888	\$ 16,422
Current portion of convertible debenture	120,651	103,150
Total current liabilities	143,539	119,572
Non-current liabilities		
Convertible debenture	84,267	91,150
Total non-current liabilities	84,267	91,150
Total liabilities	227,806	210,722
Equity		
Common shares	1,102,053	1,101,771
Share option reserve	52,998	53,030
Accumulated deficit	(1,382,689)	(1,364,041)
Total deficiency in assets	(227,638)	(209,240)
Total equity and liabilities	\$ 168	\$ 1,482

APPROVED BY THE BOARD:

"Yingbin lan He"

Director

"Ruibin Xu"

Director

SOUTHGOBI RESOURCES LTD.

Notes to the Consolidated Financial Statements

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

38. RESERVE AND DEFICIT OF THE INVESTMENT COMPANY

The reserve and deficit of the investment company prepared on a stand-alone basis is presented below:

	Share option reserve	Accumulated deficit	Total
Balances, January 1, 2023	\$ 53,018	\$ (1,390,897)	\$ (1,337,879)
Net profit for the year	-	26,856	26,856
Exercise of stock options	(2)	-	(2)
Share-based compensation charged to operations	14	-	14
Balances, December 31, 2023	\$ 53,030	\$ (1,364,041)	\$ (1,311,011)
Balances, January 1, 2024	\$ 53,030	\$ (1,364,041)	\$ (1,311,011)
Net loss for the year	-	(18,648)	(18,648)
Exercise of stock options	(95)	-	(95)
Share-based compensation charged to operations	63	-	63
Balances, December 31, 2024	\$ 52,998	\$ (1,382,689)	\$ (1,329,691)

SOUTHGOBI RESOURCES LTD.

Unaudited Appendix to the Consolidated Financial Statements

(Expressed in thousands of U.S. dollars and shares in thousands, unless otherwise indicated)

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the HKEX and not shown elsewhere in this report is as follows:

A1. FIVE-YEAR SUMMARY

The following table contains a five-year summary of the Company's results, assets and liabilities:

	Year ended December 31,				
	2024	2023	2022	2021	2020
Revenue	\$ 493,378	\$ 331,506	\$ 73,084	\$ 43,398	\$ 85,951
Gross profit	132,790	173,311	15,322	12,094	27,294
Net comprehensive income/(loss) attributable to equity holders of the Company	\$ 91,239	\$ 1,173	\$ (55,163)	\$ (14,570)	\$ (27,132)
Basic earnings/(loss) per share	\$ 0.312	\$ 0.003	\$ (0.110)	\$ (0.053)	\$ (0.074)
Diluted earnings/(loss) per share	\$ 0.311	\$ 0.003	\$ (0.110)	\$ (0.053)	\$ (0.074)

	As at December 31,				
	2024	2023	2022	2021	2020
Total assets	\$ 429,853	\$ 295,738	\$ 181,359	\$ 206,113	\$ 214,632
Less: total liabilities	(479,696)	(437,070)	(323,883)	(296,563)	(290,869)
Total deficiency in assets	\$ (49,843)	\$ (141,332)	\$ (142,524)	\$ (90,450)	\$ (76,237)