SouthGobi Resources Ltd.
Condensed Consolidated Interim Financial Statements

March 31, 2025
(Expressed in U.S. dollars)
(Unaudited)

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SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited)

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

		Three months ended March 31,	
	Notes	**2025**	**2024**
Revenue	4	**$ 122,867**	$ 82,169
Cost of sales	6	**(133,689)**	(45,533)
Gross profit/(loss)		**(10,822)**	36,636
Other operating expenses, net	7	**(1,571)**	(1,053)
Administration expenses		**(3,249)**	(3,413)
Evaluation and exploration expenses		**(32)**	(22)
Profit/(loss) from operations		**(15,674)**	32,148
Finance costs	9	**(8,812)**	(11,021)
Finance income	9	**21**	73
Share of earnings of joint ventures		**613**	833
Share of earnings/(loss) of associates		**(187)**	10
Profit/(loss) before tax		**(24,039)**	22,043
Current income tax expenses	10	**(2,166)**	(9,791)
Net profit/(loss) attributable to equity holders of the Company		**(26,205)**	12,252
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Exchange difference on translation of foreign operation		**(4,228)**	2,202
Net comprehensive income/(loss) attributable to equity holders of the Company		**$ (30,433)**	$ 14,454
Basic and diluted earnings/(loss) per share	11	**$ (0.088)**	$ 0.041

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

SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statements of Financial Position

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

	Notes	As at March 31, 2025	As at December 31, 2024
Assets			
Current assets			
Cash and cash equivalents		**$ 5,385**	$ 8,590
Restricted cash		**836**	274
Trade and other receivables	12	**20,963**	31,486
Inventories	13	**121,640**	107,246
Prepaid expenses		**4,985**	6,083
Total current assets		**153,809**	153,679
Non-current assets			
Property, plant and equipment	14	**246,613**	243,564
Investments in joint ventures		**12,581**	12,400
Investments in associates		**19,650**	20,210
Total non-current assets		**278,844**	276,174
Total assets		**$ 432,653**	$ 429,853
Equity and liabilities			
Current liabilities			
Trade and other payables	15	**$ 190,610**	$ 169,281
Additional tax and tax penalty	8	**42,239**	43,790
Deferred revenue		**35,584**	34,350
Lease liabilities		**1,078**	850
Income tax payable		**13,697**	12,891
Convertible debenture	16	**124,003**	120,651
Total current liabilities		**407,211**	381,813
Non-current liabilities			
Lease liabilities		**1,121**	1,342
Convertible debenture	16	**89,521**	84,267
Decommissioning liability		**15,043**	12,245
Long service payment liabilities	17	**33**	29
Total non-current liabilities		**105,718**	97,883
Total liabilities		**512,929**	479,696
Equity			
Common shares		**1,102,053**	1,102,053
Share option reserve		**52,998**	52,998
Capital reserve		**533**	533
Exchange fluctuation reserve		**(60,433)**	(56,205)
Accumulated deficit		**(1,175,427)**	(1,149,222)
Total deficiency in assets		**(80,276)**	(49,843)
Total equity and liabilities		**$ 432,653**	$ 429,853
Net current liabilities		**$ (253,402)**	$ (228,134)
Total assets less current liabilities		**$ 25,442**	$ 48,040

Corporate information and going concern (Note 1) and commitments for expenditure (Note 20)

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

APPROVED BY THE BOARD:

"Yingbin Ian He" — Director

"Ruibin Xu" — Director

SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited)

(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, 2024	295,278	$ 1,101,771	$ 53,030	$ 499	$ (54,947)	$ (1,241,685)	$ (141,332)
Net profit for the period	-	-	-	-	-	12,252	12,252
Exchange differences on translation of foreign operations	-	-	-	-	2,202	-	2,202
Total comprehensive income attributable to equity holders of the Company	-	-	-	-	2,202	12,252	14,454
Shares issued for:							
Exercise of stock options	491	59	(17)	-	-	-	42
Share-based compensation credited to operations	-	-	1	-	-	-	1
Balances, March 31, 2024	295,769	$ 1,101,830	$ 53,014	$ 499	$ (52,745)	$ (1,229,433)	$ (126,835)
Balances, January 1, 2025	**296,705**	**$ 1,102,053**	**$ 52,998**	**$ 533**	**$ (56,205)**	**$ (1,149,222)**	**$ (49,843)**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(26,205)**	**(26,205)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**(4,228)**	**-**	**(4,228)**
Balances, March 31, 2025	**296,705**	**$ 1,102,053**	**$ 52,998**	**$ 533**	**$ (60,433)**	**$ (1,175,427)**	**$ (80,276)**

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

SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

(Expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31, 2025	Three months ended March 31, 2024
Operating activities			
Profit/(loss) before tax		**$ (24,039)**	$ 22,043
Adjustments for:			
Depreciation and depletion	5	**9,124**	2,388
Share-based compensation	5	**-**	1
Interest expense on convertible debenture	9	**8,621**	9,243
Interest elements on leased assets	9	**56**	85
Accretion of decommissioning liability	9	**135**	86
Fair value loss/(gain) on embedded derivatives in convertible debenture	9	**(15)**	1,149
Interest income	9	**(6)**	(73)
Share of earnings of joint ventures		**(613)**	(833)
Share of earnings/(loss) of associates		**187**	(10)
Reversal of provision for doubtful trade and other receivables	7	**(56)**	(19)
Reversal of impairment loss on materials and supplies inventories	7	**(30)**	(7)
Gain on contract offsetting arrangement	7	**-**	(237)
Provision for long service payment	17	**4**	2
Operating cash flows before changes in working capital items		**(6,632)**	33,818
Net change in working capital items	19	**26,031**	(14,785)
Cash generated from operating activities		**19,399**	19,033
Income tax and additional tax penalty paid		**(2,224)**	(18,790)
Net cash flows from operating activities		**17,175**	243
Investing activities			
Expenditures on property, plant and equipment		**(19,581)**	(28,891)
Interest received	9	**6**	73
Investment in an associate		**-**	(1,800)
Dividend from a joint venture		**194**	688
Net cash flows used in investing activities		**(19,381)**	(29,930)
Financing activities			
Interest payment of convertible debenture	16	**-**	(3,000)
Proceeds from exercise of share options		**-**	42
Capital elements of lease rentals paid		**(151)**	(152)
Interest elements of lease rentals paid		**(56)**	(85)
Net cash flows used in financing activities		**(207)**	(3,195)
Effect of foreign exchange rate changes, net		**(792)**	257
Decrease in cash and cash equivalents		**(3,205)**	(32,625)
Cash and cash equivalents, beginning of period		**8,590**	47,993
Cash and cash equivalents, end of period		**$ 5,385**	$ 15,368

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

1. CORPORATE INFORMATION AND GOING CONCERN

SouthGobi Resources Ltd. is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia and its shares are listed for trading on the 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 March 31, 2025, 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 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 condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate until at least March 31, 2026 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 condensed consolidated interim financial statements. The Company had a deficiency in assets of $80,276 as at March 31, 2025 as compared to a deficiency in assets of $49,843 as at December 31, 2024 while the working capital deficiency (excess current liabilities over current assets) reached $253,402 as at March 31, 2025 as compared to a working capital deficiency of $228,134 as at December 31, 2024.

Included in the working capital deficiency as at March 31, 2025 are significant obligations, represented by trade and other payables of $190,610 and an additional tax and tax penalty of $42,239.

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 condensed consolidated interim financial statements, no such lawsuits or proceedings were pending as at May 15, 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.

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 condensed consolidated interim financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Company's assets to their 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 condensed consolidated interim financial statements. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

For the purpose of assessing the appropriateness of the use of the going concern basis to prepare the financial statements, management of the Company has prepared a cash flow projection covering a period of 12 months from March 31, 2025. 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 16.5) on March 20, 2025 for a deferral of the 2025 March Deferred Amounts (as defined in Note 16.5); (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 March 31, 2025 and therefore are satisfied that it is appropriate to prepare the condensed consolidated interim 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 utilisation of the financial support from an affiliate of the Company's major shareholder 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 March 31, 2025 and December 31, 2024, the Company was not subject to any externally imposed capital requirements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The condensed consolidated interim financial statements of the Company for the three months ended March 31, 2025 were approved and authorised for issue by the Board of Directors of the Company (the "Board") on May 15, 2025.

2.2 Basis of presentation

These condensed consolidated interim financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the Company's December 31, 2024 consolidated annual financial statements, except as disclosed below. These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2024.

2.3 Significant accounting judgments and estimates

Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the Company's condensed consolidated interim financial statements are included in Note 3.19 to the Company's December 31, 2024 consolidated annual financial statements. The significant accounting judgments and estimates remain substantially unchanged from December 31, 2024.

Review of carrying value of assets and impairment charges

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

Ovoot Tolgoi Mine cash generating unit

The Company determined that an indicator of impairment existed for its Ovoot Tolgoi Mine cash generating unit as at March 31, 2025. The impairment indicator was the uncertainty of future coal price in China. Since the recoverable amount was higher than carrying value of the Ovoot Tolgoi Mine cash generating unit, there was no impairment of non-financial asset recognised during the three months ended March 31, 2025.

2. BASIS OF PREPARATION (CONTINUED)

2.3 Significant accounting judgments and estimates (Continued)

Expected credit losses for trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses on its trade receivables and estimates expected credit loss based on the possible default events on its trade and other receivables. The Company has determined that the loss allowance on its trade and other receivables was $21,912 as at March 31, 2025 (December 31, 2024: $22,348).

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.

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.

Useful lives and depreciation rates for property, plant and equipment

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

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

3. 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 three months ended March 31, 2025 and 2024.

The Company's resources are integrated and as a result, no discrete operating segment financial information is available. Since this is the only reportable and operating segment of the Company, no further analysis thereof is presented. All the revenue of the Company is generated from trading of coal for the three months ended March 31, 2025 and 2024.

3.1 Information about major customers

During the three months ended March 31, 2025 and 2024, the Coal Division had 44 and 23 active customers, respectively. 3 and 2 customers with respective revenue contributed over 10% of the total revenue during the three months ended March 31, 2025 and 2024, with the largest customer accounting for 24% of revenue (March 31, 2024: 16%), the second largest customer accounting for 13% of revenue (March 31, 2024: 16%), and the third largest customer accounting for 10% of revenue (March 31, 2024: 8%).

3.2 Geographical information

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

	Mongolia	Hong Kong	China	Consolidated Total
Revenue (i)				
For the three months ended March 31, 2025	**$ 4**	**$ -**	**$ 122,863**	**$ 122,867**
For the three months ended March 31, 2024	-	-	82,169	82,169
Non-current assets				
As at March 31, 2025	**$ 277,138**	**$ 412**	**$ 1,294**	**$ 278,844**
As at December 31, 2024	274,372	467	1,335	276,174

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

4. REVENUE

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

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

5. EXPENSES BY NATURE

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

	Three months ended March 31,	
	2025	**2024**
Depreciation	**$ 9,124**	$ 2,388
Auditors' remuneration	**20**	20
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**$ 4,708**	$ 3,889
Share-based compensation	**-**	1
Pension scheme contributions	**706**	492
Provision for long service payment (Note 17)	**4**	2
	$ 5,418	$ 4,384
Short term lease payments under operating leases	**$ 155**	$ 123
Foreign exchange loss/(gain), net (Note 7)	**(31)**	200
Reversal of impairment on materials and supplies inventories (Note 7)	**(30)**	(7)
Royalties (Note 6)	**9,981**	9,906
Management fee (Note 7)	**1,688**	1,116
Reversal of provision for doubtful trade and other receivables (Note 7)	**(56)**	(19)
Mine operating costs and others	**$ 112,272**	$ 31,910
Total operating expenses	**$ 138,541**	$ 50,021

6. COST OF SALES

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

	Three months ended March 31,	
	2025	**2024**
Operating expenses	**$ 114,682**	$ 33,371
Depreciation and depletion	**8,775**	2,210
Royalties	**9,981**	9,906
Cost of sales from mine operations	**133,438**	45,487
Cost of sales related to idled mine assets (i)	**251**	46
Cost of sales	**$ 133,689**	$ 45,533

(i) Cost of sales related to idled mine assets for the three months ended March 31, 2025 includes $251 of depreciation expense (March 31, 2024: $46). The depreciation expense relates to the Company's idled plant and equipment.

Cost of inventories recognised as expense in cost of sales for the three months ended March 31, 2025 totaled $101,824 (March 31, 2024: $24,171).

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

7. OTHER OPERATING EXPENSES, NET

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Management fee (Note 18)	**$ 1,688**	$ 1,116
Reversal of provision for doubtful trade and other receivables (Note 12)	**(56)**	(19)
Foreign exchange loss/(gain), net	**(31)**	200
Reversal of impairment on materials and supplies inventories (Note 13)	**(30)**	(7)
Gain on contract offsetting arrangement	**-**	(237)
Other operating expenses, net	**$ 1,571**	$ 1,053

8. 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 Mongolian Tax Authority ("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.

8. ADDITIONAL TAX AND TAX PENALTY (CONTINUED)

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 applicable Mongolian laws, SGS is entitled to file an appeal to the Administrative Court of First Instance in Ulaanbaatar, Mongolia (the “Administrative Court of First Instance”) 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 of First Instance.

On March 19, 2025, SGS received correspondence from the Administrative Court of First Instance 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 of First Instance 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 $80.0 million to approximately $26.5 million (“Proposed Case”).

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.

On April 25, 2025, SGS obtained a copy of an order dated April 15, 2025 (the “Latest Court Order”) issued by the Administrative Court of First Instance refusing to accept the Proposed Case. According to the Latest Court Order, the Proposed Case has been dismissed by the Administrative Court of First Instance. According to applicable Mongolian laws, the plaintiff is entitled to file an appeal to the appellate court, and the Company understands that the MTA Officials, as plaintiff in the Proposed Case, has filed an appeal.

As at March 31, 2025, the Company has recorded an additional tax and tax penalty in the amount of $45,477 (December 31, 2024: $45,477), which consists of a tax penalty payable of $26,527 (December 31, 2024: $26,527) and a provision for additional late tax penalty of $18,950 (December 31, 2024: $18,950). 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. To date, the Company has paid the MTA an aggregate of $3,238 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.

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

9. FINANCE COSTS AND INCOME

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Interest expense on convertible debenture (Note 16.4)	**$ 8,621**	$ 9,243
Fair value loss on embedded derivatives in convertible debenture (Note 16.4)	**-**	1,149
Value added tax on interest from intercompany loan	**-**	458
Interest elements on leased assets	**56**	85
Accretion of decommissioning liability	**135**	86
Finance costs	**$ 8,812**	$ 11,021

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Fair value gain on embedded derivatives in convertible debenture (Note 16.4)	**$ 15**	$ -
Interest income	**6**	73
Finance income	**$ 21**	$ 73

10. TAXES

The Canadian statutory tax rate was 27% (2024: 27%). The Company's tax expense is as follows:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Current - Canada		
Charge for the period	**$ -**	$ -
Current - elsewhere		
Charge for the period	**2,166**	9,791
Total tax charge for the period	**$ 2,166**	$ 9,791

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

11. EARNINGS/(LOSS) PER SHARE

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Net profit/(loss)	**$ (26,205)**	$ 12,252
Weighted average number of shares	**296,705**	295,650
Basic earnings/(loss) per share	**$ (0.088)**	$ 0.041
Earnings/(loss)		
Profit/(loss) for the purposes of basic earnings/(loss) per share	**$ (26,205)**	$ 12,252
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**296,705**	295,650
Effect of dilutive potential ordinary shares:		
- Share options	**-**	1,999
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**296,705**	297,649
Diluted earnings/(loss) per share	**$ (0.088)**	$ 0.041

Potentially dilutive items not included in the calculation of diluted earnings/(loss) per share for the three months ended March 31, 2025 include the underlying shares comprised in the convertible debenture (Note 16) and stock options that were anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

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

	As at March 31, 2025	As at December 31, 2024
Trade receivables	**$ 14,634**	$ 25,418
Other receivables	**6,329**	6,068
Total trade and other receivables	**$ 20,963**	$ 31,486

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

	As at March 31, 2025	As at December 31, 2024
Less than 1 month	**$ 18,618**	$ 28,630
1 to 3 months	**2,345**	2,856
Total trade and other receivables	**$ 20,963**	$ 31,486

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

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 $21,912 as at March 31, 2025 (December 31, 2024: $22,348), based upon an expected loss rate of 10% for trade and other receivables 90 days past due and 100% for trade and other receivables 180 days past due.

The closing allowances for trade and other receivables as at March 31, 2025 reconcile to the opening loss allowances as follows:

Loss allowance for trade and other receivables		
Opening loss allowance as at January 1, 2025	**$**	**22,348**
Decrease in loss allowance recognised in profit or loss during the period (Note 7)		**(56)**
Exchange realignment		**(380)**
Closing loss allowance as at March 31, 2025	**$**	**21,912**
Opening loss allowance as at January 1, 2024	$	22,487
Decrease in loss allowance recognised in profit or loss during the period (Note 7)		(19)
Exchange realignment		401
Closing loss allowance as at March 31, 2024	$	22,869

13. INVENTORIES

The Company's inventories consist of the following amounts:

	As at			
	March 31, 2025		**December 31, 2024**	
Current inventories				
Coal stockpiles	**$**	**105,345**	$	90,390
Materials and supplies		**16,295**		16,856
Total inventories	**$**	**121,640**	$	107,246

Other operating expenses for the three months ended March 31, 2025 includes a reversal of impairment loss of $30 (March 31, 2024: reversal of impairment loss of $7). 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.

During the three months ended March 31, 2025, the Company has been experiencing a decline in its coal price, affected by the weakened border market conditions and demand in China. As a result, the Company recorded a gross loss for this quarter. The Company reviewed the net realisable value ("NRV") of coal inventories which was higher than its carrying amount as of the reporting date. The Company will continue to closely monitor the coal price fluctuation and market condition subsequently. Based on the current assessment, no impairment loss on coal inventories has been recognised in this quarter. Should the market condition indicate a prolonged decline in coal price in the future, the Company will reassess the NRV of coal inventories and recognise an impairment loss in subsequent periods when necessary.

14. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2025, the Company acquired items of plant and equipment with a cost including mineral properties of approximately $19,581 (March 31, 2024: $28,891). Items of fully depreciated plant and equipment with costs of approximately $728 were disposed during the three months ended March 31, 2025 without any sales proceeds, resulting in no gain or loss on disposal during the three months ended March 31, 2025, while items of fully depreciated plant and equipment with costs of approximately $137 were disposed during the three months ended March 31, 2024 without any sales proceeds, resulting in no gain or loss on disposal during the three months ended March 31, 2024.

14.1 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.

14.2 Pledge on items of property, plant and equipment

As at March 31, 2025, most of the Company's mobile equipment and other operating equipment with carrying value of $11,481 (December 31, 2024: $11,350) were pledged as security of convertible debenture.

14.3 Right-of-use assets

The right-of-use assets relate to the buildings, plant and equipment as at March 31, 2025 and December 31, 2024.

14.4 Impairment charges

During the three months ended March 31, 2025, the Company has been experiencing a decline in its coal price, affected by the weakened border market conditions and demand in China. As a result, the Company recorded a gross loss for this quarter. The Company reviewed the recoverable amount of non-financial assets which was higher than its carrying amount as of the reporting date. The Company will continue to closely monitor the coal price fluctuation and market condition subsequently. Based on the current assessment, no impairment nor reversal of impairment on coal inventories was made during the three months period ended March 31, 2025 (December 31, 2024: $nil).

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

15. TRADE AND OTHER PAYABLES

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

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

	As at	
	March 31, 2025	**December 31, 2024**
Less than 1 month	**$ 26,295**	$ 53,646
1 to 3 months	**59,580**	50,936
3 to 6 months	**40,510**	18,205
Over 6 months	**64,225**	46,494
Total trade and other payables	**$ 190,610**	$ 169,281

The trade and other payables of $190,610 (December 31, 2024: $169,281) included other tax payables of $58,663 (December 31, 2024: $55,225).

16. CONVERTIBLE DEBENTURE

16.1 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, 2024.

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.

16. CONVERTIBLE DEBENTURE (CONTINUED)

16.1 Key commercial terms (Continued)

- 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 HKEX and the TSX-V have occurred.

16.2 Debt host and embedded derivatives

The convertible debenture is presented as a liability since it contains no equity components. The convertible debenture is a hybrid instrument, containing a debt host component and three embedded derivatives - the investor's conversion option, the issuer's conversion option and the equity based interest payment provision (the 1.6% share interest payment) (the "embedded derivatives"). The debt host component is classified as other financial liabilities and is measured at amortised cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss.

The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the convertible debenture.

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.

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

16. CONVERTIBLE DEBENTURE (CONTINUED)

16.2 Debt host and embedded derivatives (Continued)

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

16.3 Valuation assumptions

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

	As at	
	March 31, 2025	**December 31, 2024**
Floor conversion price	**CA$8.88**	CA$8.88
Ceiling conversion price	**CA$11.88**	CA$11.88
Common share price	**CA$0.50**	CA$0.56
Historical volatility	**24%**	25%
Risk free rate of return	**3.30%**	3.48%
Foreign exchange spot rate (CA$ to U.S. Dollar)	**0.695**	0.695
Forward foreign exchange rate curve (CA$ to U.S. Dollar)	**0.695 to 0.916**	0.695 to 0.930

16.4 Presentation

Based on the Company's valuation as at March 31, 2025, the fair value of the embedded derivatives decreased by $15 (March 31, 2024: increased by $1,149) compared to December 31, 2024. The decrease was recorded as finance income for the three months ended March 31, 2025.

For the three months ended March 31, 2025, the Company recorded interest expense of $8,621 related to the convertible debenture as a finance cost (three months ended March 31, 2024: $9,243). 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%.

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

	Three months ended March 31,	
	2025	**2024**
Balance, beginning of period	**$ 204,918**	$ 194,300
Interest expense on convertible debenture (Note 9)	**8,621**	9,243
Increase/(decrease) in fair value of embedded derivatives (Note 9)	**(15)**	1,149
Interest paid	**-**	(3,000)
Balance, end of period	**$ 213,524**	$ 201,692

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

16. CONVERTIBLE DEBENTURE (CONTINUED)

16.4 Presentation (Continued)

The convertible debenture balance consists of the following amounts:

	As at	
	March 31, 2025	**December 31, 2024**
Current convertible debenture		
Interest payable	**$ 124,003**	$ 120,651
	124,003	120,651
Non-current convertible debenture		
Debt host and interest payable	**$ 89,473**	$ 84,204
Fair value of embedded derivatives	**48**	63
	89,521	84,267
Total convertible debenture	**$ 213,524**	$ 204,918

16.5 Interest deferral and settlement

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 deferral agreement dated March 19, 2024 and the deferral agreement dated April 30, 2024; (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

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

16. CONVERTIBLE DEBENTURE (CONTINUED)

16.5 Interest deferral and settlement (Continued)

- 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.
- 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.

17. LONG SERVICE PAYMENT LIABILITIES

The Company operates a mandatory provident fund scheme (the "MPF Scheme") for the employees in Hong Kong. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment ("LSP") if the eligibility criteria are met.

	As at	
	March 31, 2025	**December 31, 2024**
Total long service payment liabilities	**$ 33**	$ 29

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 the MPF Scheme, with an overall cap of HK$390,000 per employee.

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

17. LONG SERVICE PAYMENT LIABILITIES (CONTINUED)

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.

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 March 31, 2025, the Company employed nine permanent employees in Hong Kong that are subject to LSP consideration (December 31, 2024: 9).

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Balance, beginning of period	**$ 29**	$ 26
Current service cost	**4**	2
Balance, end of period	**$ 33**	$ 28

The principal actuarial assumptions used are as follows:

	Three months ended March 31, 2025	Three months ended March 31, 2024
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 period ended March 31, 2025 after the offset the accrued MPF account balance is approximately $405 (December 31, 2024: $405).

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

18. RELATED PARTY TRANSACTIONS

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

Name	Place of incorporation	% equity interest as at March 31, 2025	% equity interest as at December 31, 2024
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.

In addition to the transactions detailed elsewhere in profit or loss, the Company had related party transactions with the following company related by way of directors or shareholders in common during the three months ended March 31, 2025:

- The management fee shall be calculated based on 1.5% of the Company's revenue, after deducting royalties and to be paid to JDZF on a quarterly basis.

During the three months ended March 31, 2025, management fee of $1,688 was recorded in profit or loss (March 31, 2024: $1,116).

18.1 Related party expenses

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Finance costs	**$ 8,621**	$ 9,243
Management fee	**1,688**	1,116
Rental expenses(i)	**20**	20
Related party expenses	**$ 10,329**	$ 10,379

(i) Rental expenses payment to a related company for the three months ended March 31, 2025 were $20, 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 (three months ended March 31, 2024: $20).

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

19.1 Non-cash financing and investing activities

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Depreciation and amortisation capitalised in mineral properties	**$ 1,257**	$ 752
Increase in decommissioning liability	**2,900**	415

19.2 Net change in working capital items

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
Decrease/(increase) in trade and other receivables	**$ 12,169**	$ (4,000)
Increase in inventories	**(12,724)**	(17,887)
Decrease/(increase) in prepaid expenses and deposits	**1,239**	(4,982)
Increase in trade and other payables	**23,955**	28,438
Increase/(decrease) in deferred revenue	**1,392**	(16,354)
Net change in working capital items	**$ 26,031**	$ (14,785)

Depreciation and depletion capitalised in inventories for the three months ended March 31, 2025 totaled $2,318 (March 31, 2024: utilised from $192).

20. COMMITMENTS FOR EXPENDITURE

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

	Within 1 year	2-3 years	Over 3 years	Total
As at March 31, 2025				
Capital expenditure commitments	**$ 1,961**	**$ 3,841**	**$ 3,809**	**$ 9,611**
Operating expenditure commitments	**1,462**	**39**	**164**	**1,665**
Commitments	**$ 3,423**	**$ 3,880**	**$ 3,973**	**$ 11,276**
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

21. SUBSEQUENT EVENT DISCLOSURE

On May 8, 2025, the Company published an announcement regarding the receipt of a letter dated April 2, 2025 by SGS from a plenipotentiary representative of the Mongolian government (the "Letter"), which invited SGS to participate in negotiations in relation to determining the Mongolian state's ownership interest in SGS, being the legal entity which holds the Company's coal mining and exploration licenses in Mongolia.

In furtherance of Mongolia's National Wealth Fund Law which was passed in April 2024, the Mongolian government resolved on February 5, 2025 to appoint a plenipotentiary representative (the "Plenipotentiary Representative of the Mongolian Government") to negotiate with legal persons holding a mining license for a deposit designated by the Mongolian government as a strategically important deposit ("Mineral Deposits of Strategic Importance") in relation to determining the proportionate interest the Mongolian state has in such legal entity or whether to replace the Mongolian state's interest with a royalty interest.

Four of the Company's Mongolian mining licenses, which covering the Ovoot Tolgoi Mine and Soumber Deposit have been designated as Mineral Deposits of Strategic Importance by Mongolian government authorities. SGS initiated the preliminary discussions with the Plenipotentiary Representative of the Mongolian Government on April 24, 2025 and it is expected the discussions will continue in good faith for the purpose of arriving at a mutual and constructive understanding and agreement. The Company intends to fully cooperate with the Mongolian government and provide all necessary information to the extent permitted by applicable law.

At the ending of reporting period, the above subsequent event is still in preliminary stage and has no material financial impact to the condensed consolidated interim financial statements. The Company will continue to monitor the future development and make any necessary disclosure as required.