SouthGobi Resources Ltd.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 (Restated)
(Expressed in U.S. Dollars)

December 12, 2013

Independent Auditor's Report

To the Shareholders of SouthGobi Resources Ltd.:

We have audited the accompanying consolidated financial statements (restated) of SouthGobi Resources Ltd. ("SouthGobi" or the "Company"), which comprise the consolidated statement of financial position (restated) as at December 31, 2012 and the consolidated statements of comprehensive income (restated), cash flows (restated) and changes in equity (restated) for the year then ended, and the related notes (restated), which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements (restated) in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements (restated) based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements (restated) are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements (restated).

Opinion

In our opinion, the consolidated financial statements (restated) present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and its financial performance and its cash flows for the year ended December 31, 2012 in accordance with International Financial Reporting Standards.

We have also audited the adjustments to the 2011 consolidated financial statements (restated), comprised of the consolidated statement of financial position (restated) as at December 31, 2011 and the consolidated statements of comprehensive income (restated), cash flows (restated) and changes in equity (restated) for the year ended December 31, 2011 arising from the correction of the errors described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 consolidated financial statements (restated) of SouthGobi Resources Ltd. other than with respect to the adjustments described above and, accordingly, we do not express an opinion or any other form of assurance on the 2011 consolidated financial statements (restated) taken as a whole.

We have also audited the adjustments to the consolidated statement of financial position (restated) as at January 1, 2011 arising from the correction of the errors described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated statement of financial position (restated) as at January 1, 2011 of SouthGobi Resources Ltd. other than with respect to the adjustments described above and, accordingly, we do not express an opinion or any other form of assurance on the consolidated statement of financial position (restated) as at January 1, 2011.

Emphasis of matter
As discussed in Note 2 of the consolidated financial statements (restated), the 2012 consolidated financial statements have been restated to correct errors.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, Canada
December 12, 2013

Independent Auditor's Report

To the Shareholders of SouthGobi Resources Ltd.:

We have audited, before the effects of adjustments to reflect the correction of errors described in Note 2, the accompanying consolidated financial statements of SouthGobi Resources Ltd., which comprise the consolidated statement of financial position as at December 31, 2011 and January 1, 2011, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year ended December 31, 2011, and a summary of significant accounting policies and other explanatory information (the 2011 consolidated financial statements before the effects of the adjustments described in Note 2 to the consolidated financial statements are not presented herein).

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, such 2011 consolidated financial statements, except for the effects of adjustments to reflect the correction of errors, described in Note 2 to the consolidated financial statements, present fairly, in all material respects, the financial position of SouthGobi Resources Ltd. as at December 31, 2011 and January 1, 2011 and its financial performance and its cash flows for the year ended December 31, 2011 in accordance with International Financial Reporting Standards.

We were not engaged to audit, review, or apply any procedures to the adjustments to reflect the correction of errors to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Deloitte LLP

Chartered Accountants
March 19, 2012
Vancouver, Canada

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS (RESTATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (RESTATED)

Additional stock exchange information (RESTATED)

SOUTHGOBI RESOURCES LTD.

Consolidated Statements of Comprehensive Income (Restated)

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

	Notes	Year ended December 31, 2012	2011 (Restated - Note 2)
Revenue	2	**$ 78,061**	$ 130,756
Cost of sales	2, 6	**(127,407)**	(92,178)
Gross profit/(loss)		**(49,346)**	38,578
Other operating expenses	2, 7	**(41,645)**	(28,317)
Administration expenses	8	**(24,637)**	(28,749)
Evaluation and exploration expenses	9	**(8,598)**	(31,769)
Loss from operations		**(124,226)**	(50,257)
Finance costs	10	**(15,385)**	(12,765)
Finance income	10	**39,942**	107,732
Share of earnings of joint venture	14	**635**	-
Income/(loss) before tax		**(99,034)**	44,710
Current income tax expense	11	**(354)**	(7,340)
Deferred income tax recovery	2, 11	**1,886**	11,182
Net income/(loss) attributable to equity holders of the Company		**(97,502)**	48,552
OTHER COMPREHENSIVE LOSS			
Loss on available-for-sale financial asset, net of tax		**-**	(11,202)
Reclassification of gain on available-for-sale financial asset, net of tax		**(16,559)**	-
Net comprehensive income/(loss) attributable to equity holders of the Company		**$(114,061)**	$ 37,350
BASIC INCOME/(LOSS) PER SHARE	2, 12	**$ (0.54)**	$ 0.27
DILUTED LOSS PER SHARE	2, 12	**$ (0.60)**	$ (0.24)

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

SOUTHGOBI RESOURCES LTD.

Consolidated Statements of Financial Position (Restated)

(Expressed in thousands of U.S. Dollars)

	Notes	As at December 31, 2012 (Restated - Note 2)	As at December 31, 2011 (Restated - Note 2)	As at January 1, 2011 (Restated - Note 2)
ASSETS				
Current assets				
Cash		**$ 19,674**	$ 123,567	$ 492,038
Trade and other receivables	2, 13	**3,292**	16,234	19,335
Short term investments	14	**15,000**	-	17,529
Inventories	2, 15	**59,735**	104,861	43,413
Prepaid expenses and deposits	2, 16	**47,432**	44,760	10,026
Total current assets		**145,133**	289,422	582,341
Non-current assets				
Prepaid expenses and deposits	16	**16,778**	8,389	238
Property, plant and equipment	17	**521,473**	498,533	266,771
Long term investments	14	**24,084**	99,238	107,416
Deferred income tax assets	2, 11	**24,984**	23,098	11,915
Total non-current assets		**587,319**	629,258	386,340
Total assets		**$ 732,452**	$ 918,680	$ 968,682
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	2, 18	**$ 10,216**	$ 43,552	$ 21,546
Deferred revenue	2	**8,181**	17,653	10,827
Current portion of convertible debenture	20	**6,301**	6,301	6,312
Total current liabilities		**24,698**	67,506	38,685
Non-current liabilities				
Convertible debenture	20	**99,667**	139,085	245,498
Deferred income tax liabilities	11	**-**	2,366	3,966
Decommissioning liability	21	**4,104**	4,156	3,063
Total non-current liabilities		**103,771**	145,607	252,527
Total liabilities		**128,469**	213,113	291,212
Equity				
Common shares		**1,059,710**	1,054,298	1,061,560
Share option reserve	24	**51,303**	44,143	32,360
Investment revaluation reserve	24	**-**	16,559	27,761
Accumulated deficit	2, 22	**(507,030)**	(409,433)	(444,211)
Total equity		**603,983**	705,567	677,470
Total equity and liabilities		**$ 732,452**	$ 918,680	$ 968,682
Net current assets		**$ 120,435**	$ 221,916	$ 543,656
Total assets less current liabilities		**$ 707,754**	$ 851,174	$ 929,997

Commitments for expenditure (Note 29) and contingencies (Note 30)

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

APPROVED BY THE BOARD:

"Andre Deepwell"
Director

"Pierre Lebel"
Director

SOUTHGOBI RESOURCES LTD.

Consolidated Statements of Changes in Equity (Restated)

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

	Number of shares	Common shares	Share option reserve	Investment revaluation reserve	Accumulated deficit	Total
Balances, January 1, 2011 (Restated - Note 2)	183,485	$ 1,061,560	$ 32,360	$ 27,761	$ (444,211)	$ 677,470
Shares issued for:						
Interest settlement on convertible debenture	375	4,011	-	-	-	4,011
Exercise of stock options, net of redemptions	743	7,819	(2,627)	-	-	5,192
Employee share purchase plan	17	187	-	-	-	187
Share-based compensation charged to operations	-	-	14,410	-	-	14,410
Common shares repurchased and cancelled	(3,300)	(19,167)	-	-	(13,774)	(32,941)
Common share repurchase costs	-	(112)	-	-	-	(112)
Net income for the year	-	-	-	-	48,552	48,552
Other comprehensive loss for the year	-	-	-	(11,202)	-	(11,202)
Balances, December 31, 2011 (Restated - Note 2)	181,320	$ 1,054,298	$ 44,143	$ 16,559	$ (409,433)	$ 705,567
Balances, January 1, 2012 (Restated - Note 2)	**181,320**	**$1,054,298**	**$ 44,143**	**$ 16,559**	**$ (409,433)**	**$ 705,567**
Shares issued for:						
Interest settlement on convertible debenture	**522**	**4,000**	**-**	**-**	**-**	**4,000**
Exercise of stock options, net of redemptions	**163**	**1,882**	**(1,368)**	**-**	**-**	**514**
Employee share purchase plan	**71**	**395**	**-**	**-**	**-**	**395**
Share-based compensation charged to operations	**-**	**-**	**8,528**	**-**	**-**	**8,528**
Common shares repurchased and cancelled	**(148)**	**(860)**	**-**	**-**	**(95)**	**(955)**
Common share repurchase costs	**-**	**(5)**	**-**	**-**	**-**	**(5)**
Net loss for the year	**-**	**-**	**-**	**-**	**(97,502)**	**(97,502)**
Reclassification of gain on available-for-sale financial asset, net of tax	**-**	**-**	**-**	**(16,559)**	**-**	**(16,559)**
Balances, December 31, 2012 (Restated - Note 2)	**181,928**	**$1,059,710**	**$ 51,303**	**$ -**	**$ (507,030)**	**$ 603,983**

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

SOUTHGOBI RESOURCES LTD.

Consolidated Statements of Cash Flows (Restated)

(Expressed in thousands of U.S. Dollars)

	Notes	Year ended December 31, 2012	2011
OPERATING ACTIVITIES		**(Restated - Note 2)**	
Income/(loss) before tax		**$ (99,034)**	$ 44,710
Adjustments for:		**-**	-
Depreciation and depletion		**46,495**	18,431
Share-based compensation	23	**8,528**	14,410
Finance costs	10	**15,385**	12,765
Finance income	10	**(39,942)**	(107,732)
Share of earnings of joint venture	14	**(635)**	-
Interest paid		**(16,322)**	(16,352)
Income taxes paid		**(2,349)**	(7,970)
Unrealized foreign exchange gain		**467**	(1,465)
Loss on disposal of property, plant and equipment		**720**	3,005
Provision for doubtful trade and other receivables	13	**1,032**	1,892
Impairment loss on available-for-sale financial asset	14	**19,184**	-
Impairment of inventories	15	**20,531**	2,396
Impairment of property, plant and equipment	17	**15,245**	16,605
Other adjustments		**-**	104
Operating cash flows before changes in non-cash working capital items		**(30,695)**	(19,201)
Net change in non-cash working capital items	28	**4,412**	(50,822)
Cash used in operating activities		**(26,283)**	(70,023)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(97,388)**	(282,967)
Proceeds from disposal of property, plant and equipment		**1,030**	1,285
Interest received		**400**	1,356
Proceeds from maturity or disposal of long term investments		**31,485**	62,532
Purchase of long term investments		**-**	(52,635)
Investment in joint venture		**(13,264)**	(3)
Cash used in investing activities		**(77,737)**	(270,432)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares and exercise of stock options, net of issue costs		**909**	5,379
Repurchase of common shares, including transaction costs		**(960)**	(33,053)
Drawings under line of credit facility		**26,753**	131,500
Repayments of line of credit facility		**(26,753)**	(131,400)
Cash used in financing activities		**$ (51)**	$ (27,574)
Effect of foreign exchange rate changes on cash		**178**	(442)
Decrease in cash		**(103,893)**	(368,471)
Cash, beginning of year		**123,567**	492,038
Cash, end of year		**$ 19,674**	$ 123,567

Supplemental cash flow information (Note 28)

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

1. CORPORATE INFORMATION AND LIQUIDITY

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 on the Toronto Stock Exchange (Symbol: SGQ) and Hong Kong Stock Exchange (Symbol: 1878). The company, together with its subsidiaries (collectively referred to as the "Company"), is an integrated coal mining, development and exploration company. The Company owns the following significant coal projects in Mongolia: the Ovoot Tolgoi open pit producing coal mine ("Ovoot Tolgoi Mine") and three development projects, the Soumber Deposit, the Zag Suuj Deposit and the Ovoot Tolgoi Underground Deposit.

The Company's immediate parent company is Turquoise Hill Resources Ltd. (formerly Ivanhoe Mines Ltd.) ("Turquoise Hill") and at December 31, 2012, Turquoise Hill owned approximately 58% of the outstanding common shares of the Company (Note 27). Turquoise Hill is controlled by Rio Tinto plc ("Rio Tinto").

The head office, principal address and registered and records office of the Company is located at 354 – 200 Granville Street, Vancouver, British Columbia, Canada, V6C 1S4.

The Company curtailed its mining activities at the Ovoot Tolgoi Mine during the three months ended June 30, 2012 to varying degrees to manage coal inventories and to maintain efficient working capital levels. As at June 30, 2012, mining activities had been fully curtailed. The Company's mining activities remained fully curtailed until March 22, 2013, when the Company recommenced mining activities at the Ovoot Tolgoi Mine.

The Company had cash and short term investments of $34,674 and working capital of $120,435 at December 31, 2012. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue operating until at least December 31, 2013 and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

The Company expects to have sufficient liquidity and capital resources to be able to continue as a going concern until at least December 31, 2013 based on existing capital resources and estimated cash flows from mining operations.

Estimated cash flows from mining operations are subject to a number of external market factors including supply and demand and pricing in the coal industry. The Company continues to minimize uncommitted capital expenditures and exploration expenditures in order to preserve the Company's financial resources.

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

2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to the original issuance of the Company's annual consolidated financial statements, the Company determined that certain revenue transactions were previously recognized in the Company's consolidated financial statements prior to meeting relevant revenue recognition criteria. These transactions relate to coal that had been delivered to the customer's stockpile in a stockyard located within the Ovoot Tolgoi mining license area ("the Stockyard"), the location at which title transferred, but from which the coal had not been collected by the customers. The restatement of the Company's consolidated financial statements reflects a correction in the point of revenue recognition from: (A) the delivery of coal to the customer stockpiles within the Stockyard to (B) the loading of coal onto the customer's trucks at the time of collection.

The following tables reflect the correction in the point of revenue recognition on the affected line items in the previously issued financial statements as of and for the years ended December 31, 2012 and 2011 and the statement of financial position as at January 1, 2011.

Effect on consolidated statements of comprehensive income

	Year ended December 31, 2012			Year ended December 31, 2011		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
Revenue	$ 53,116	$ 24,945	$ 78,061	$ 179,049	$ (48,293)	$ 130,756
Cost of sales	(97,118)	(30,289)	(127,407)	(127,343)	35,165	(92,178)
Gross profit/(loss)	(44,002)	(5,344)	(49,346)	51,706	(13,128)	38,578
Other operating expenses	(54,345)	12,700	(41,645)	(29,189)	872	(28,317)
Administration expenses	(24,637)	-	(24,637)	(28,749)	-	(28,749)
Evaluation and exploration expenses	(8,598)	-	(8,598)	(31,768)	-	(31,768)
Loss from operations	(131,582)	7,356	(124,226)	(38,000)	(12,256)	(50,257)
Finance costs	(15,385)	-	(15,385)	(12,765)	-	(12,765)
Finance income	39,942	-	39,942	107,732	-	107,732
Share of earnings/(loss) of joint venture	635	-	635	-	-	-
Income/ (loss) before tax	(106,390)	7,356	(99,034)	56,967	(12,256)	44,710
Current income tax expense	(354)	-	(354)	(7,340)	-	(7,340)
Deferred income tax recovery/(expense)	3,725	(1,839)	1,886	8,118	3,064	11,182
Net income/(loss) attributable to equity holders of the Company	(103,019)	5,517	(97,502)	57,745	(9,192)	48,552
Other comprehensive income/(loss)	(16,559)	-	(16,559)	(11,202)	-	(11,202)
Net comprehensive income/(loss) attributable to equity holders of the Company	$ (119,578)	$ 5,517	$ (114,061)	$ 46,543	$ (9,192)	$ 37,350
Basic income/(loss) per share	$ (0.57)	$ 0.03	$ (0.54)	$ 0.32	$ (0.05)	$ 0.27
Diluted income/(loss) per share	$ (0.63)	$ 0.03	$ (0.60)	$ (0.19)	$ (0.05)	$ (0.24)

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

2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)

Effect on consolidated statements of comprehensive income (Continued)

	Year ended December 31, 2010		
	As previously reported	Adjustment	Restated
Revenue	$ 79,777	$ (19,365)	$ 60,412
Cost of sales	(69,904)	17,253	(52,651)
Gross profit/(loss)	9,873	(2,112)	7,761
Other operating expenses	(12,643)	218	(12,425)
Administration expenses	(25,438)	-	(25,438)
Evaluation and exploration expenses	(18,769)	-	(18,769)
Loss from operations	(46,977)	(1,894)	(48,871)
Finance costs	(175,855)	-	(175,855)
Finance income	103,948	-	103,948
Share of earnings/(loss) of joint venture	-	-	-
Income/ (loss) before tax	(118,884)	(1,894)	(120,778)
Current income tax expense	(1,806)	-	(1,806)
Deferred income tax recovery/(expense)	4,495	473	4,968
Net income/(loss) attributable to equity holders of the Company	(116,195)	(1,421)	(117,616)
Other comprehensive income/(loss)	27,761	-	27,761
Net comprehensive income/(loss) attributable to equity holders of the Company	$ (88,434)	$ (1,421)	$ (89,855)
Basic income/(loss) per share	$ (0.66)	$ (0.01)	$ (0.67)
Diluted income/(loss) per share	$ (0.66)	$ (0.01)	$ (0.67)

Effect on consolidated statements of financial position

	As at December 31, 2012			As at December 31, 2011			As at January 1, 2011		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
ASSETS									
Current assets									
Trade and other receivables	$ 17,430	$ (14,138)	$ 3,292	$ 80,285	$ (64,051)	$ 16,234	$ 30,246	$ (10,911)	$ 19,335
Inventories	53,661	6,074	59,735	52,443	52,418	104,861	26,160	17,253	43,413
Prepaid expenses and deposits	37,982	9,450	47,432	38,308	6,452	44,760	10,026	-	10,026
Total current assets	143,747	1,386	145,133	294,603	(5,181)	289,422	576,237	6,104	582,341
Non-current assets									
Deferred income tax assets	23,285	1,699	24,984	19,560	3,538	23,098	11,442	473	11,915
Total non-current assets	585,620	1,699	587,319	625,720	3,538	629,258	385,867	473	386,340
Total assets	$ 729,367	$ 3,085	$ 732,452	$ 920,323	$ (1,643)	$ 918,680	$ 961,866	$ 6,816	$ 968,682
EQUITY AND LIABILITIES									
Current liabilities									
Trade and other payables	$ 10,216	$ -	$ 10,216	$ 52,235	$ (8,683)	$ 43,552	$ 24,137	$ (2,591)	$ 21,546
Deferred revenue	-	8,181	8,181	-	17,653	17,653	-	10,827	10,827
Total current liabilities	16,517	8,181	24,698	58,536	8,970	67,506	30,449	8,236	38,685
Total non-current liabilities	103,771	-	103,771	145,607	-	145,607	252,527	-	252,527
Total liabilities	120,288	8,181	128,469	204,143	8,970	213,113	282,976	8,236	291,212
Equity									
Accumulated deficit	(501,934)	(5,096)	(507,030)	(398,820)	(10,613)	(409,433)	(442,791)	(1,421)	(444,211)
Total equity	609,079	(5,096)	603,983	716,180	(10,613)	705,567	678,890	(1,421)	677,470
Total equity and liabilities	$ 729,367	$ 3,085	$ 732,452	$ 920,323	$ (1,643)	$ 918,680	$ 961,866	$ 6,816	$ 968,682
Net current assets	$ 127,230	$ (6,795)	$ 120,435	$ 236,067	$ (14,151)	$ 221,916	$ 545,788	$ (2,132)	$ 543,656
Total assets less current liabilities	$ 712,850	$ (5,096)	$ 707,754	$ 861,787	$ (10,613)	$ 851,174	$ 931,417	$ (1,421)	$ 929,997

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

2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)

Effect on consolidated statements of changes in equity

	Year ended December 31, 2012			Year ended December 31, 2011		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
Accumulated deficit						
Beginning balance	$ (398,820)	(10,613)	$ (409,433)	$ (442,791)	(1,421)	$ (444,211)
Net income/(loss) for the year	(103,019)	5,517	(97,502)	57,745	(9,192)	48,552
Closing balance	(501,934)	(5,096)	(507,030)	(398,820)	(10,613)	(409,433)
Total equity						
Beginning balance	$ 716,180	(10,613)	$ 705,567	$ 678,890	(1,421)	$ 677,470
Net income/(loss) for the year	(103,019)	5,517	(97,502)	57,745	(9,192)	48,552
Closing balance	609,079	(5,096)	603,983	716,180	(10,613)	705,567

The impact on opening accumulated deficit at January 1, 2011 reflects the impact on net loss attributable to equity holders of the Company for the year ended 2010 of $1,421 arising from the reversal of $19,365 of revenue, $17,253 of associated costs of sales, $218 of other operating expenses and $473 of income taxes expenses.

Effect on consolidated statements of cash flows

	Year ended December 31, 2012			Year ended December 31, 2011		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
Income/loss before tax	$ (106,390)	7,356	$ (99,034)	$ 56,967	(12,257)	$ 44,710
Operating cash flows before changes in non-cash working capital items	(34,547)	3,852	(30,695)	3,549	(22,750)	(19,201)
Net change in non-cash working capital items	8,264	(3,852)	4,412	(73,572)	22,750	(50,822)

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements of the Company for the year ended December 31, 2012 (Restated – Note 2) were approved and authorized for issue by the Board of Directors of the Company on December 12, 2013. The previously issued consolidated financial statements of the Company for the year ended December 31, 2012 were approved and authorized for issue by the Board of Directors of the Company on March 25, 2013. The restated consolidated financial statements have been updated for the effects of events up to December 12, 2013.

3.2 Basis of presentation

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 26.

The Company's reporting currency and the functional currency of all of its operations is the U.S. Dollar as this is the principal currency of the economic environment in which the Company operates.

3. BASIS OF PREPARATION (Continued)

3.3 Adoption of new and revised standards and interpretations

The IASB issued the following new and revised standards and interpretations which were effective for annual periods beginning on or after January 1, 2013. The Company has performed an assessment of these new and revised standards and interpretations to determine the impact on the consolidated financial statements.

- IFRS 10 — New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities. No significant impact resulted on the consolidated financial statements.
- IFRS 11 — New standard to account for the rights and obligations in accordance with a joint arrangement. No significant impact resulted on the consolidated financial statements.
- IFRS 12 — New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39. No significant impact resulted on the consolidated financial statements.
- IFRS 13 — New standard on the measurement and disclosure of fair value. No significant impact resulted on the consolidated financial statements.
- IAS 1 (Amendment) — Revised standard for the presentation of other comprehensive income. No significant impact resulted on the consolidated financial statements.
- IAS 19 (Amendment) — Revised guidance on the recognition and measurement of post-employment benefits. No significant impact resulted on the consolidated financial statements.
- IAS 28 (Amendment) — New standard issued that supercedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures. No significant impact resulted on the consolidated financial statements.
- IFRIC 20 — IFRIC 20 provides guidance on the accounting for the costs of stripping activities during the production phase of a surface mine. Under IFRIC 20, stripping activity assets are recognized 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 costs of inventory produced during the period incurred.

    The Company assessed its open-pit mining operations at the Ovoot Tolgoi Mine and concluded that as at January 1, 2012 there are identifiable coal seams with which the predecessor stripping activity related to. Therefore, no adjustment to the consolidated financial statements was required upon initial transition to IFRIC 20.

3. BASIS OF PREPARATION (Continued)

3.3 Adoption of new and revised standards and interpretations (Continued)

The adoption of IFRIC 20 did not result in a change in the Company's capitalization of stripping activity costs, and therefore no adjustment was required to the Company's consolidated financial statements in the current or prior periods presented.

The following new standard has been issued. The Company will assess the impact of this new standard closer to its implementation date.

- IFRS 9 — The IASB has suspended the originally planned effective date of January 1, 2015 for IFRS 9 "Financial Instruments". The IASB issued IFRS 9 as the first step in its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The Company will commence assessing the impact of this new standard upon the announcement of its new effective date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of SouthGobi Resources Ltd. and its subsidiaries (Note 27).

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 in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Total comprehensive income of the Company's subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. The Company did not have any non-controlling interests in the net assets of consolidated subsidiaries during the years presented.

4.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. At the acquisition date, the identifiable assets acquired and the liabilities assumed are, with limited exceptions, recognized at their fair value. Acquisition-related costs are expensed and included in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Business combinations (Continued)

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss or as a change in other comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the business acquired, the difference is recognized in profit or loss.

4.3 Foreign currencies

The functional currency of all of the Company's operations is the U.S. Dollar as this is the principal currency of the economic environment in which the Company operates. 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.

4.4 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 capitalized as part of the cost of those assets. All other borrowing costs are expensed and included in profit or loss.

4.5 Inventories

Coal stockpile inventories are measured at the lower of production cost and net realizable 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 realizable 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Inventories (Continued)

Materials and supplies inventory consists of consumable parts and supplies which are valued at the lower of weighted average cost and net realizable 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.

4.6 Property, plant and equipment ("PPE")

PPE includes the Company's operating equipment and infrastructure, construction in progress and mineral properties. PPE 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 capitalized borrowing costs (Note 4.4).

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

All direct costs related to the acquisition of mineral property interests are capitalized on a property by property basis. The cost of mineral properties also includes mineral property development costs (Note 4.7), certain production stripping costs (Note 4.8) and decommissioning liabilities related to the reclamation of the Company's mineral properties.

Depreciation and depletion

Depreciation and depletion are recorded based on the cost of an item of PPE, 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 (Note 4.7)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) (Continued)

4.6 Property, plant and equipment ("PPE") (Continued)

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. 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 recognized in profit or loss.

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

4.7 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 proven and probable reserves and management has determined that the mineral property will be developed.

Commencement of commercial production

On the commencement of commercial production, depletion of each mineral property is recorded on a unit-of-production basis using proven and probable reserves as the depletion base. Management's determination of when commercial production commences 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
- the commissioning of major operating equipment and infrastructure is completed

4.8 Development and production stripping costs

Stripping costs incurred during the development phase of a mine are added to PPE as mineral property costs. Stripping costs incurred during the commercial production phase are variable production costs that are included in the costs of inventory produced during the period incurred, unless the stripping activity can be shown to give rise to future benefits, in which case the stripping costs are added to the cost of mineral properties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Decommissioning, restoration and similar liabilities

The Company recognizes 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 recognized 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 amortized as an expense over the estimated useful life of the asset using either the unit-of-production method or the straight-line method, as appropriate. 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.

4.10 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control. Joint control occurs when the strategic financial and operating policy decisions relating to the activities of the joint venture require unanimous consent of the parties sharing control.

Jointly controlled assets

A jointly controlled asset involves joint control and often joint ownership by the Company and other venturers of assets contributed to, or acquired for the purposes of, the joint venture, without the formation of a corporation, partnership or other entity.

Where the Company’s activities are conducted through jointly controlled assets, the Company recognizes its proportionate share of the jointly controlled assets and liabilities it has incurred, its share of liabilities incurred jointly with the other venturers and related revenue and operating costs in the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Interests in joint ventures (Continued)

Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each venturer holds an interest.

The Company accounts for its interests in jointly controlled entities under the equity method. The Company's investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of the net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The profit or loss reflects the Company's share of the results of operations of the joint venture. Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

4.11 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.

Equity-settled transactions

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

The costs of equity-settled transactions are recognized, 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 recognized 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 recognized for awards that do not ultimately vest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Share-based payments (Continued)

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized 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.

4.12 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 and the weighted average number of shares outstanding for the effects of all dilutive share equivalents. The Company's dilutive share equivalents include stock options and convertible debt.

4.13 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Taxation (Continued)

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.

Deferred income tax liabilities are recognized 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 recognized 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 utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition 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 deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Taxation (Continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized 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 recognized directly in equity is recognized 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 realize 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.

4.14 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Financial assets (Continued)

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except when there is objective evidence that the financial asset is impaired. Impairment losses on available-for-sale financial assets are recognized in profit or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

4.15 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized 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.

Financial liabilities classified 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 recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

A significant or prolonged decline in the fair value of an available-for-sale financial asset below its cost provides objective evidence that the asset is impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.18 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 recognized immediately in the statement of comprehensive income.

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 recognized for the asset (or cash-generating unit) in prior periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 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.

4.20 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates or duties. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership pass to the buyer, collection is reasonably assured and the selling price is reasonably determinable.

Revenue from the sale of coal is recognized when the significant risks and rewards of ownership and effective control of the coal are transferred to the buyer and the selling prices are known or can be reasonably estimated. Revenue recognition occurs when the coal is loaded into customer trucks at mine-gate.

Revenue is presented net of royalties and selling fees.

4.21 Provisions

Provisions are recognized 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 passage of time is recognized as a finance cost.

4.22 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control; related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.23 Significant accounting judgments and estimates

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

Valuation of embedded derivatives

The embedded derivatives in the Company's convertible debenture are valued 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. The key inputs used by the Company in its Monte Carlo simulation are further disclosed in Note 20.2 and Note 20.3. Changes in the inputs to the valuation model could impact the carrying value of the embedded derivatives in the convertible debenture and the amount of unrealized gains or losses recognized in profit or loss. The carrying value of the embedded derivatives in the Company's convertible debenture as at December 31, 2012 was a liability of $8,876 (December 31, 2011: $48,389).

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 to sell or the value in use) in the case of non-financial assets and objective evidence indicating impairment in the case of 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 recognized in profit or loss and the resulting carrying amounts of assets.

As at December 31, 2012, the Company determined that the decline in the Company's common share price and continued curtailment of mining activities at the Ovoot Tolgoi Mine constituted impairment indicators. Therefore, the Company conducted an impairment test whereby the carrying value of the Company's Ovoot Tolgoi Mine cash generating unit was compared to its "value-in-use" using a discounted future cash flow valuation model as at December 31, 2012. The Company's Ovoot Tolgoi Mine cash generating unit carrying value was $588,534 as at December 31, 2012.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.23 Significant accounting judgments and estimates (Continued)

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

- Inland Chinese coking coal market coal prices;
- Life-of-mine coal production and operating costs; and
- A discount rate based on an analysis of market, country and company specific factors

The impairment analysis did not result in the identification of an impairment loss and no charge was required as at December 31, 2012. 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.

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 recognized 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. 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 recognized in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.23 Significant accounting judgments and estimates (Continued)

Income taxes and recoverability of deferred tax assets

Actual amounts of income tax expense are not final until tax returns are filed and accepted by the taxation authorities. Therefore, profit or loss in future reporting periods will be affected by the amount that income tax expense estimates differ from the final tax returns.

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management of the Company to assess the likelihood that the Company will generate sufficient taxable profit in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable profit are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable profit differ from estimates, the ability of the Company to realize the deferred tax assets recorded on the statement of financial position could be impacted. The carrying value of the Company's deferred income tax assets as at December 31, 2012 was $24,984 (December 31, 2011: $23,098).

5. SEGMENTED INFORMATION (Restated)

The Company's one reportable operating segment is its Mongolian Coal Division. The Company's Chief Executive Officer (chief operating decision maker) reviews the Mongolian Coal Division's discrete financial information in order to make decisions about resources to be allocated to the segment and to assess its performance. The division is principally engaged in coal mining, development and exploration in Mongolia. The Company's Corporate Division does not earn revenues and therefore does not meet the definition of an operating segment.

During the year ended December 31, 2012, the Mongolian Coal Division had 6 active customers with the largest customer accounting for 30% of revenues, the second largest customer accounting for 29% of revenue, third largest customer accounting for 18% of revenue and the other customers accounting for the remaining 23% of revenue.

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

5. SEGMENTED INFORMATION (Restated) (Continued)

The carrying amounts of the Company's assets, liabilities, reported income or loss and revenues analyzed by operating segment are as follows:

	Mongolian Coal Division	Unallocated (i)	Consolidated Total
Segment assets			
As at December 31, 2012	**$ 676,981**	**$ 55,471**	**$ 732,452**
As at December 31, 2011	695,089	223,591	918,680
As at January 1, 2011	349,407	619,275	968,682
Segment liabilities			
As at December 31, 2012	**$ 19,496**	**$ 108,973**	**$ 128,469**
As at December 31, 2011	60,226	152,887	213,113
As at January 1, 2011	33,644	257,568	291,212
Segment income/(loss)			
For the year ended December 31, 2012	**$ (84,992)**	**$ (12,510)**	**$ (97,502)**
For the year ended December 31, 2011	(23,236)	71,788	48,552
Segment revenues			
For the year ended December 31, 2012	**$ 78,061**	**$ -**	**$ 78,061**
For the year ended December 31, 2011	130,756	-	130,756
Impairment charge on assets (ii), (iii)			
For the year ended December 31, 2012	**$ 36,808**	**$ 19,184**	**$ 55,992**
For the year ended December 31, 2011	20,893	-	20,893

(i) The unallocated amount contains all amounts associated with the Corporate Division.
(ii) The impairment charge on assets for the year ended December 31, 2012 relates to trade and other receivables (Note 13), investments (Note 14), inventories (Note 15) and property, plant and equipment (Note 17).
(iii) The impairment charge on assets for the year ended December 31, 2011 relates to trade and other receivables (Note 13), inventories (Note 15) and property, plant and equipment (Note 17).

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

	Mongolia	Hong Kong	Canada	Consolidated Total
Revenues				
For the year ended December 31, 2012	**$ 78,061**	**$ -**	**$ -**	**$ 78,061**
For the year ended December 31, 2011	130,756	-	-	130,756
Non-current assets				
As at December 31, 2012	**$ 566,629**	**$ 100**	**$ 20,590**	**$ 587,319**
As at December 31, 2011	522,541	283	106,434	629,258
As at January 1, 2011	277,912	401	108,027	386,340

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

6. COST OF SALES (Restated)

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

	Year ended December 31, 2012	2011
Operating expenses	**$ 39,671**	$ 72,127
Share-based compensation expense (Note 23)	**1,205**	1,942
Depreciation and depletion	**13,042**	18,109
Impairment of inventories (Note 15)	**20,531**	-
Cost of sales during mine operations	**74,449**	92,178
Cost of sales during idled mine period [(i)]	**52,958**	-
Cost of sales	**$ 127,407**	$ 92,178

(i) Cost of sales during idled mine period for the year ended December 31, 2012 includes $33,198 of depreciation expense and $942 of share-based compensation expense. The depreciation expense relates to the Company's idled plant and equipment.

7. OTHER OPERATING EXPENSES (Restated)

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

	Year ended December 31, 2012	2011
Public infrastructure	**$ 1,273**	$ 8,069
Sustainability and community relations	**894**	1,017
Foreign exchange (gain)/loss	**3,226**	(1,662)
Provision for doubtful trade and other receivables (Note 13)	**1,032**	1,892
Impairment loss on available-for-sale financial asset (Note 14)	**19,184**	-
Impairment of inventories (Note 15)	**-**	2,396
Impairment of property, plant and equipment (Note 17)	**15,245**	16,605
Other	**791**	-
Other operating expenses	**$ 41,645**	$ 28,317

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

8. ADMINISTRATION EXPENSES

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

	Year ended December 31,	
	2012	**2011**
Corporate administration	**$ 5,525**	$ 7,136
Legal and professional fees	**7,293**	4,279
Salaries and benefits	**5,556**	5,538
Share-based compensation expense (Note 23)	**6,048**	11,474
Depreciation	**215**	322
Administration expenses	**$ 24,637**	$ 28,749

9. EVALUATION AND EXPLORATION EXPENSES

The Company's evaluation and exploration expenses consist of the following amounts:

	Year ended December 31,	
	2012	**2011**
Drilling and trenching	**$ 3,708**	$ 21,842
Other direct expenses	**1,428**	4,801
Share-based compensation expense (Note 23)	**333**	994
Overhead and other	**3,129**	4,132
Evaluation and exploration expenses	**$ 8,598**	$ 31,769

10. FINANCE COSTS AND INCOME

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

	Year ended December 31,	
	2012	**2011**
Interest expense on convertible debenture (Note 20)	**$ 10,466**	$ 9,137
Unrealized loss on FVTPL investments	**4,482**	3,091
Interest expense on line of credit facility	**322**	351
Accretion of decommissioning liability	**115**	186
Finance costs	**$ 15,385**	$ 12,765

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

10. FINANCE COSTS AND INCOME (Continued)

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

	Year ended December 31, 2012	2011
Unrealized gain on embedded derivatives in convertible debenture (Note 20)	**$ 39,512**	$ 106,489
Interest income	**406**	1,243
Realized gain on disposal of FVTPL investments	**24**	-
Finance income	**$ 39,942**	$ 107,732

11. TAXES (Restated)

11.1 Income tax recognized in profit or loss

A reconciliation between the Company's tax recovery and the product of the Company's income or loss before tax multiplied by the Company's domestic tax rate is as follows:

	Year ended December 31, 2012	2011
(Income)/loss before tax	**$ 99,034**	$ (44,710)
Statutory tax rate	**25.00%**	26.50%
Income tax (recovery)/expense based on combined Canadian federal and provincial statutory rates	**(24,758)**	11,848
Deduct:		
Lower effective tax rate in foreign jurisdictions	**323**	502
Tax effect of tax losses and temporary differences not recognized	**15,563**	12,465
Non-taxable (income)/non-deductible expenses	**7,340**	(28,657)
Income tax recovery	**$ (1,532)**	$ (3,842)

11.2 Income tax recognized in other comprehensive income

	Year ended December 31, 2012	2011
Fair value remeasurement of available-for-sale financial asset	**$ (2,366)**	$ (1,600)
Deferred tax recovery	**$ (2,366)**	$ (1,600)

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

11. TAXES (Restated) (Continued)

11.3 Deferred tax balances

The Company's deferred tax assets/(liabilities) consist of the following amounts:

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Tax loss carryforwards	**$ 8,473**	$ -	$ -
Property, plant and equipment	**5,048**	8,647	2,880
Other assets	**11,463**	14,451	9,035
Available-for-sale financial assets	**-**	(2,366)	(3,966)
Total deferred tax balances	**$ 24,984**	$ 20,732	$ 7,949

11.4 Unrecognized deductible temporary differences and unused tax losses

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

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Non-capital losses	**$ 46,130**	$ 119,212	$ 77,076
Capital losses	**-**	63,649	25,075
Deductible temporary differences	**103,589**	120,254	30,822
Total unrecognized amounts	**$ 149,719**	$ 303,115	$ 132,973

11.5 Expiry dates

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

	As at December 31, 2012	
	U.S. Dollar equivalent	**Expiry dates**
Non-capital losses		
Canada	**$ 33,715**	2032
Mongolia	**33,892**	2016
Hong Kong	**12,302**	indefinite
Singapore	**113**	indefinite
	$ 80,022	

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

12. EARNINGS/(LOSS) PER SHARE (Restated)

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

	Year ended December 31, 2012	2011
Net income/(loss)	$ (97,502)	$ 48,552
Weighted average number of shares	181,859	182,970
Basic income/(loss) per share	$ (0.54)	$ 0.27
Income/(loss)		
Net income/(loss)	$ (97,502)	$ 48,552
Interest expense on convertible debenture	10,466	9,137
Unrealized gain on embedded derivatives in convertible debenture	(39,512)	(106,489)
Diluted net loss	$ (126,548)	$ (48,800)
Number of shares		
Weighted average number of shares	181,859	182,970
Convertible debenture	28,406	20,931
Diluted weighted average number of shares	210,265	203,901
Diluted loss per share	$ (0.60)	$ (0.24)

Potentially dilutive items not included in the calculation of diluted earnings/(loss) per share for the year ended December 31, 2012 were 7,507 stock options that were anti-dilutive.

13. TRADE AND OTHER RECEIVABLES (Restated)

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

	As at December 31, 2012	December 31, 2011	January 1, 2011
Trade receivables	$ 1,439	$ -	$ 4,386
VAT/HST receivable	86	144	14,541
Insurance proceeds receivable	500	12,913	-
Other receivables	1,267	3,177	408
Total trade and other receivables	$ 3,292	$ 16,234	$ 19,335

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

13. TRADE AND OTHER RECEIVABLES (Restated) (Continued)

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

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Less than 1 month	**$ 2,374**	$ 795	$ 4,693
1 to 3 months	**95**	93	1,869
3 to 6 months	**159**	12,919	2,600
Over 6 months	**662**	2,425	10,173
Total trade and other receivables	**$ 3,292**	$ 16,234	$ 19,335

Included in trade and other receivables are amounts due from related parties which are further disclosed in Note 27. The amounts due from related parties are unsecured, interest free and repayable upon written notice from the Company.

13.1 Impairment loss provision

For the year ended December 31, 2012, the Company recorded a $1,032 loss provision on its trade and other receivables in other operating expenses (2011: $1,892). The loss provision primarily relates to a reduction in the expected insurance proceeds of $1,011. The Company anticipates full recovery of its remaining outstanding trade and other receivables; therefore, no further loss provisions have been recorded in respect of the Company's trade and other receivables.

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

14. INVESTMENTS

The Company's investments consist of the following amounts:

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Short term investments at fair value			
Money market investments (i)	**$ 15,000**	$ -	$ 17,529
Long term investments at fair value			
Money market investments (ii)	**-**	44,967	45,173
Investment in Kangaroo Resources Limited (iii)	**1,455**	7,431	10,235
Investment in Aspire Mining Limited (iv)	**8,727**	46,837	52,008
Equity-accounted investment in joint venture			
Investment in RDCC LLC	**13,902**	3	-
	24,084	99,238	107,416
Total short and long term investments	**$ 39,084**	$ 99,238	$ 124,945

(i) Money market investments with original maturities greater than ninety days and maturing in less than one year
(ii) Money market investments with maturities greater than one year.
(iii) At December 31, 2012, the Company owned 1.2% of Kangaroo's issued and outstanding shares.
(iv) At December 31, 2012, the Company owned 19.9% of Aspire's issued and outstanding shares.

14.1 Investment in Kangaroo Resources Limited

Kangaroo Resources Limited ("Kangaroo") is a company listed on the Australian Securities Exchange. Kangaroo's primary focus is its coal projects in Indonesia. The Company classifies its investment in Kangaroo as a FVTPL financial asset with any change in value being recognized in profit or loss. During the year ended December 31, 2012, the Company disposed of 10,000 shares of Kangaroo for gross proceeds of $1,500 and realized a gain of $39. For the year ended December 31, 2012, the Company recognized an unrealized mark to market loss of $4,515 related to its investment in Kangaroo (2011: loss of $2,804).

14.2 Investment in Aspire Mining Limited

Aspire Mining Limited ("Aspire") is a company listed on the Australian Securities Exchange. Aspire's primary focus is its mineral exploration and mining licenses in Mongolia, particularly those pertaining to the Ovoot Coking Coal Project. The Company classifies its investment in Aspire as an available-for-sale financial asset.

During the year ended December 31, 2012, it was determined that objective evidence of impairment in the Company's investment in Aspire existed. Therefore, an impairment loss of $19,184 was recognized for the year ended December 31, 2012 in other operating expenses. The impairment loss represents the difference between the acquisition cost of the Company's investment in Aspire and its fair market value at December 31, 2012.

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

14. INVESTMENTS (Continued)

14.3 Investment in RDCC LLC

The Company has a 40% interest in RDCC LLC, a jointly controlled entity. RDCC LLC has signed a concession agreement with the State Property Committee of Mongolia to construct a paved highway from the Company's Ovoot Tolgoi Mine to the Mongolia-China border. The concession agreement is structured as a 17-year build, operate and transfer agreement.

RDCC LLC accounts for the concession agreement in accordance with IFRIC 12 "Service Concession Arrangements" under the intangible asset model. In accordance with IFRIC 12, infrastructure associated with the concession agreement is recorded by RDCC LLC as an intangible asset. Construction revenue is recognized during the construction phase of the concession agreement as an exchange of construction services for the intangible asset and toll revenue is recognized during the operational phase of the concession agreement.

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

	Year ended December 31,	
	2012	**2011**
Balance, beginning of year	**$ 3**	$ -
Funds advanced	**13,264**	3
Share of earnings of joint venture	**635**	-
Balance, end of year	**$ 13,902**	$ 3

Summarized financial statement information of the Company's 40% interest in RDCC LLC is as follows:

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Current assets	**$ 740**	$ 3	$ -
Non-current assets	**8,030**	-	-
Total assets	**$ 8,770**	$ 3	$ -
Current liabilities	**$ 39**	$ -	$ -
Total liabilities	**$ 39**	$ -	$ -

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

14. INVESTMENTS (Continued)

14.3 Investment in RDCC LLC (Continued)

	Year ended December 31, 2012	2011
Construction revenue	**$ 8,081**	$ -
Gross profit margin	**735**	-
Other operating and finance costs	**(99)**	-
Income before tax	**635**	-
Net income	**$ 635**	$ -

15. INVENTORIES (Restated)

The Company's inventories consist of the following amounts:

	As at December 31, 2012	December 31, 2011	January 1, 2011
Coal stockpiles	**$ 16,048**	$ 58,525	$ 19,648
Materials and supplies	**43,687**	46,336	23,765
Total inventories	**$ 59,735**	$ 104,861	$ 43,413

Cost of sales for the year ended December 31, 2012 includes an impairment loss of $20,531 related to the Company's coal stockpile inventories. As at December 31, 2012, the Company's coal stockpile inventories are carried at their net realizable value.

Other operating expenses for the year ended December 31, 2011 includes an impairment loss of $2,396 related to materials and supplies inventories related to the Company's Liebherr 996 shovel and other mobile equipment derecognized during the year ended December 31, 2011.

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

16. PREPAID EXPENSES AND DEPOSITS (Restated)

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

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Vendor prepayments	**$ 11,628**	$ 5,754	$ 7,209
Ejin Jinda toll coal washing prepayment	**16,778**	25,168	-
Other prepaid expenses and deposits	**19,026**	13,838	2,817
Total short term prepaid expenses and deposits	**47,432**	44,760	10,026
Ejin Jinda toll coal washing prepayment	**16,778**	8,389	-
Other prepaid expenses and deposits	**-**	-	238
Total short and long term prepaid expenses and deposits	**$ 64,210**	$ 53,149	$ 10,264

16.1 Ejin Jinda toll coal washing prepayment

During the year ended December 31, 2011, the Company entered into an agreement with Ejinaqi Jinda Coal Industry Co. Ltd ("Ejin Jinda"), a subsidiary of China Mongolia Coal Co. Ltd., to toll wash coal from the Ovoot Tolgoi Mine. The agreement has a duration of 5-years from commencement and provides for an annual wet washing capacity of approximately 3.5 million tonnes of input raw coal.

Pursuant to the terms of the agreement, the Company prepaid $33,556 of toll coal washing fees of which $16,778 is expected to be applied against toll coal washing fees in 2013, with the remaining $16,778 to be applied against fees in 2014.

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

17. PROPERTY, PLANT AND EQUIPMENT

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

	Mobile equipment	Other operating equipment	Buildings and roads	Mineral properties	Construction in progress	Total
Cost						
As at December 31, 2011	$ 333,245	$ 10,253	$ 31,155	$ 94,641	$ 82,569	$ 551,863
Additions	**46,375**	**1,677**	**2,844**	**20,215**	**29,022**	**100,133**
Disposals	**(13,461)**	**(1,279)**	**(10)**	**-**	**-**	**(14,750)**
Reclassifications	**-**	**17,392**	**35,933**	**1,228**	**(54,553)**	**-**
As at December 31, 2012	**$366,159**	**$ 28,043**	**$ 69,922**	**$ 116,084**	**$ 57,038**	**$ 637,246**
Accumulated depreciation and impairment charges						
As at December 31, 2011	$ (41,498)	$ (3,465)	$ (4,631)	$ (3,736)	$ -	$ (53,330)
Charge for the year	**(39,509)**	**(4,873)**	**(4,677)**	**(734)**	**-**	**(49,793)**
Impairment charges	**(14,119)**	**-**	**-**	**-**	**(1,126)**	**(15,245)**
Eliminated on disposals	**1,607**	**979**	**9**	**-**	**-**	**2,595**
As at December 31, 2012	**$ (93,519)**	**$ (7,359)**	**$ (9,299)**	**$ (4,470)**	**$ (1,126)**	**$ (115,773)**
Carrying amount						
As at January 1, 2011	$ 196,518	$ 5,212	$ 11,576	$ 37,327	$ 16,138	$ 266,771
As at December 31, 2011	$ 291,747	$ 6,788	$ 26,524	$ 90,905	$ 82,569	$ 498,533
As at December 31, 2012	**$272,640**	**$ 20,684**	**$ 60,623**	**$ 111,614**	**$ 55,912**	**$ 521,473**

17.1 Borrowing costs

For the year ended December 31, 2012, the Company capitalized borrowing costs of $9,628 into construction in progress (2011: $10,939).

17.2 Prepayments on property, plant and equipment

As at December 31, 2012, the cost of the Company's property, plant and equipment includes $81,370 of prepayments to vendors (December 31, 2011: $143,377). The prepayments primarily relate to ordered but not yet delivered mobile equipment or mobile equipment delivered to the location of its intended use but not yet commissioned.

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

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

17.3 Impairment charges

For the year ended December 31, 2012, the Company recorded $15,245 of impairment charges to reduce various items of property, plant and equipment to their recoverable amounts. The impairments relate to the following items of property, plant and equipment:

- Prepayments on mobile equipment – the Company cancelled certain mobile equipment purchase contracts during the year ended December 31, 2012 to preserve the Company's financial resources. As a result of the purchase contract cancellations, the Company was required to forego $12,978 of non-refundable prepayments made to a vendor which resulted in a corresponding impairment to reduce the carrying amount of mobile equipment.
- Tires held for sale - the Company recorded an impairment provision of $1,141 on certain mobile equipment tires held for sale. The tires were sold during the year end December 31, 2012.
- Construction in progress - various capitalized construction projects were reviewed for impairment and it was determined that certain costs associated with these projects were not expected to be recovered. The Company recorded an impairment charge of $1,126 to reduce the carrying amount of these construction projects to $nil.

For the year ended December 31, 2011, the Company recorded $16,605 of impairment charges, net of insurance proceeds receivable, to reduce various items of property, plant and equipment to their recoverable amounts.

18. TRADE AND OTHER PAYABLES (Restated)

Trade and other payables of the Company primarily consists 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 is as follows:

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Less than 1 month	**$ 8,999**	$ 43,349	$ 21,415
1 to 3 months	**176**	76	33
3 to 6 months	**-**	105	72
Over 6 months	**1,041**	22	26
Total trade and other payables	**$ 10,216**	$ 43,552	$ 21,546

18. TRADE AND OTHER PAYABLES (RESTATED) (Continued)

Included in trade and other payables are amounts due to related parties which are further disclosed in Note 27.

19. LINE OF CREDIT FACILITY

As at December 31, 2012, the Company had a twelve month revolving line of credit facility with Golomt Bank in Mongolia. The maximum draw-down available was $3,500 and 8.1 billion Mongolian Tugriks (approximately $5,800) and the line of credit incurred interest at 11% for any U.S. Dollar amounts outstanding and 12% for any Mongolian Tugrik amounts outstanding. The line of credit was secured by operating equipment in Mongolia to a value of not less than 150% of the total facility amount.

The line of credit facility was used by the Company's Mongolian Coal Division as part of its working capital management. There were no amounts due under the line of credit facility at both December 31, 2012 and December 31, 2011.

Subsequent to December 31, 2012, the line of credit facility expired and was not renewed.

20. CONVERTIBLE DEBENTURE

20.1 Key commercial terms

On November 19, 2009, the Company issued a convertible debenture to a wholly owned subsidiary of the China Investment Corporation ("CIC") for $500,000. 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. An event of default on the convertible debenture can be triggered as a result of certain encumbrances on the Company's assets (refer to Note 32.1).
- Conversion price - The conversion price is set as the lower of Cdn$11.88 or the 50-day VWAP at the date of conversion, with a floor price of Cdn$8.88 per share.
- CIC's conversion right - CIC has the right to convert the convertible debenture, in whole or in part, into common shares twelve months after the date of issue.
- Company's normal conversion right – After sixty months from the issuance date, and when the conversion price is greater than Cdn$10.66, the Company is entitled to force conversion of the outstanding convertible debenture, in whole or in part, into common shares at the conversion price.

20. CONVERTIBLE DEBENTURE (Continued)

20.1 Key commercial terms (Continued)

- Representation on the Company's Board - While the convertible debenture is outstanding, or while CIC has a minimum 15% direct or indirect stake in the Company, CIC has the right to nominate one director to the Company's Board of Directors. The Company currently has nine Board of Directors members of which none were elected by CIC.
- Voting restriction - CIC has agreed that it will not have any voting rights in the Company beyond 29.9% if CIC ever acquires ownership of such a shareholder stake.
- Pre-emption rights - While the convertible debenture is outstanding, or while CIC has a 15% direct or indirect stake in the Company, CIC has certain pre-emption rights on a pro-rata basis to subscribe for any new shares to be allotted and issued by the Company for the period which the convertible debenture is outstanding. The pre-emption rights will not apply to new shares issued pursuant to pro-rata public equity offerings made to all shareholders, exercise of stock options and shares issued to achieve a 25% public float.
- Right of first offer - While a portion of the convertible debenture is outstanding, or while CIC has a 15% direct or indirect stake in the Company, CIC has the right of first offer for any direct and indirect sale of Turquoise Hill's ownership stake in the Company. At December 31, 2012, Turquoise Hill owned directly and indirectly approximately 58% of the Company's issued and outstanding shares.
- Registration rights - CIC has registration rights under applicable Canadian provincial securities laws in connection with the common shares issuable upon conversion of the convertible debenture.

The Company had the right to call for the conversion of up to $250,000 of the debenture on the earlier of twenty four months after the issue date, if the conversion price was greater than Cdn$10.66, or upon the Company achieving a public float of 25% of its common shares under certain agreed circumstances, if the conversion price was greater than Cdn$10.66. On March 29, 2010, pursuant to the debenture conversion terms, the Company exercised this conversion right and completed the conversion of $250,000 of the convertible debenture into 21,471 shares at a conversion price of $11.64 (Cdn$11.88).

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

20. CONVERTIBLE DEBENTURE (Continued)

20.2 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 amortized 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 Cdn$ and U.S. Dollar) and spot foreign exchange rates.

20.3 Valuation assumptions

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

	As at December 31,	
	2012	**2011**
Floor conversion price	**Cdn$8.88**	Cdn$8.88
Ceiling conversion price	**Cdn$11.88**	Cdn$11.88
Common share price	**Cdn$2.05**	Cdn$6.00
Historical volatility	**70%**	71%
Risk free rate of return	**2.26%**	2.41%
Foreign exchange spot rate (U.S. Dollar to Cdn$)	**1.01**	0.98
Forward foreign exchange rate curve (U.S. Dollar to Cdn$)	**0.96- 1.01**	0.96 - 1.01

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

20. CONVERTIBLE DEBENTURE (Continued)

20.4 Presentation

Based on the Company's valuation as at December 31, 2012, the fair value of the embedded derivatives decreased by $39,512 compared to December 31, 2011. The decrease was recorded as finance income for the year ended December 31, 2012.

For the year ended December 31, 2012, the Company recorded interest expense of $20,094 (2011: $20,076) related to the convertible debenture of which $9,628 was capitalized as borrowing costs and the remaining $10,466 was recorded as a finance cost. The interest expense consists of the interest at the contract rate and the accretion of the debt host component of the convertible debenture. To calculate the accretion expense, the Company uses the contract life of 30 years and an effective interest rate of 22.2%.

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

	Year ended December 31, 2012	Year ended December 31, 2011
Balance, beginning of year	**$ 145,386**	$ 251,810
Interest expense on convertible debenture	**20,094**	20,076
Decrease in fair value of embedded derivatives	**(39,512)**	(106,489)
Interest paid	**(20,000)**	(20,011)
Balance, end of year	**$ 105,968**	$ 145,386

The convertible debenture balance consists of the following amounts:

	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
Debt host	**$ 90,791**	$ 90,696	$ 90,621
Fair value of embedded derivatives	**8,876**	48,389	154,877
Interest payable	**6,301**	6,301	6,312
Convertible debenture	**$ 105,968**	$ 145,386	$ 251,810

20.5 Convertible debenture share interest payment and application of Mongolian Foreign Investment Law

On May 17, 2012, the Parliament of Mongolia approved a Law on Regulation of Foreign Investment in Business Entities Operating in Sectors of Strategic Importance ("Foreign Strategic Sectors Law") that regulated foreign direct investment into a number of key sectors of strategic importance, which included mineral resources.

20. CONVERTIBLE DEBENTURE (Continued)

20.5 Convertible debenture share interest payment and application of Mongolian Foreign Investment Law (Continued)

As a result of the Foreign Strategic Sectors Law, the Company expected it would require parliamentary approval for the shares to be issued for the November 19, 2012 share interest payment. As a result, subsequent to December 31, 2012, the Company settled the 1.6% share interest payment of $4,000 in cash.

Following amendments to the Foreign Strategic Sectors Law, passed in the three months ended June 30, 2013, the requirement for parliamentary approval was limited to circumstances where a state owned entity is to exceed 49% share ownership of a strategic asset, irrespective of the amount of investment. As a result, the Company is only required to give notice, rather than obtaining parliamentary or other approval, under the Foreign Strategic Sectors Law for the 1.6% share interest payment to the CIC.

On October 3, 2013 Mongolia's foreign investment environment changed again when the Parliament of Mongolia passed the Foreign Investment Law to repeal and replace the Foreign Strategic Sectors Law. The Foreign Investment Law regulates, amongst other things, investment by Foreign State Owned Entities ("FSOEs") in sectors of strategic importance, which includes mineral resources, by requiring that FSOEs obtain a permit from Mongolia's Ministry of Economic Development if they are to acquire 33% or more of the shareholding of a Mongolian entity operating in a sector of strategic importance. The Company understands that it will not be required to obtain a permit from the Ministry of Economic Development in connection with the 1.6% share interest payment to CIC, unless such share interest payment will result in CIC acquiring 33% or more of the shareholding in the Company. The Company will fully comply with the requirements of the Foreign Investment Law in connection with share interest payments.

20.6 Interest deferral and settlement

During the three months ended June 30, 2013, the Company and the CIC mutually agreed upon a three month deferral of the convertible debenture semi-annual $7,934 cash interest payment due on May 19, 2013. The Company and the CIC subsequently agreed to an additional deferral of one month, and the cash interest payment became due on September 19, 2013.

20. CONVERTIBLE DEBENTURE (Continued)

20.6 Interest deferral and settlement (Continued)

On September 19, 2013, the Company settled the $7,934 amount, plus additional accrued interest of $173, as follows:

- the Company issued 1,846 common shares to the CIC for the November 19, 2012 1.6% share interest payment, where the number of common shares was based on the 50-day volume-weighted average share price on November 19, 2012 of $2.16Cdn;
- in consideration of the common share issue, the CIC applied the $4,000 in cash already paid by the Company in the three months ended March 31, 2013 for the November 19, 2012 share interest payment against the amount due on September 19, 2013; and
- the Company paid the remaining $4,107 balance in cash.

The mutually agreed upon deferral of the cash interest payment, and subsequent settlement in cash and common shares of the Company, did not trigger an event of default and all other terms of the convertible debenture remain unchanged.

On November 21, 2013, the Company issued 3,463 common shares to settle the $4,000 November 19, 2013 share interest payment. The number of common shares was based on the 50-day volume-weighted average share price on November 19, 2013 of $1.21Cdn.

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

21. DECOMMISSIONING LIABILITY

At December 31, 2012, the decommissioning liability primarily 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 at December 31, 2012 total $23,577 (2011: $15,211). The estimated future reclamation and closure costs are discounted at 9.6% per annum (2011: 10.5% per annum) to determine the year end decommissioning liability. The settlement of the decommissioning liability will occur through to 2031.

The decommissioning liability transactions during the years ended December 31, 2012 and 2011 were as follows:

	Year ended December 31, 2012	Year ended December 31, 2011
Balance, beginning of year	**$ 4,156**	$ 3,063
Additions	**(167)**	907
Accretion	**115**	186
Balance, end of year	**$ 4,104**	$ 4,156

22. EQUITY (Restated)

22.1 Share capital

The Company has authorized an unlimited number of common and preferred shares with no par value. At December 31, 2012, the Company had 181,928 common shares outstanding (2011: 181,320) and no preferred shares outstanding (2011: nil).

During the year ended December 31, 2012, the Company repurchased 148 common shares on the Toronto Stock Exchange and Hong Kong Stock Exchange (2011: 3,300 common shares) at an average price of Cdn$6.44 per share (2011: Cdn$9.98 per share). The share repurchase program concluded on June 14, 2012. The Company cancelled all of the repurchased common shares.

The Company's volume weighted average share price for the year ended December 31, 2012 was Cdn$5.45 (2011: Cdn$11.74).

22.2 Accumulated deficit and dividends

At December 31, 2012, the Company has accumulated a deficit of $507,030 (December 31, 2011: $409,433). No dividends have been paid or declared by the Company since inception.

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

23. SHARE-BASED PAYMENTS

23.1 Stock option plan

The Company has a stock option plan which permits the Board of Directors of the Company 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 authorized 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 of Directors of the Company 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, 2012, the Company granted 2,066 stock options (2011: 3,493) to officers, employees, directors and other eligible persons at exercise prices ranging from Cdn$1.92 to Cdn$6.16 (2011: exercise prices ranging from Cdn$9.43 to Cdn$14.09) and expiry dates ranging from March 21, 2017 to December 6, 2017 (2011: expiry dates ranging from January 8, 2016 to August 15, 2016). The weighted average fair value of the options granted in the year ended December 31, 2012 was estimated at $2.28 (Cdn$2.26) (2011: $5.59, Cdn$5.47) per option at the grant date using the Black-Scholes option pricing model.

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

	Year ended December 31,	
	2012	**2011**
Risk free interest rate	**1.51%**	1.66%
Expected life	**3.4 years**	3.5 years
Expected volatility (i)	**59%**	68%
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.

A share-based compensation expense of $4,383 for the options granted in the year ended December 31, 2012 (2011: $18,218) will be amortized over the vesting period, of which $1,905 was recognized in the year ended December 31, 2012 (2011: $6,077).

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

23. SHARE-BASED PAYMENTS (Continued)

23.1 Stock option plan (Continued)

The total share-based compensation expense recognized for the year ended December 31, 2012 was $8,528 (2011: $14,410). Share-based compensation expense of $6,048 (2011: $11,474) has been allocated to administration expenses, $2,147 (2011: $1,942) has been allocated to cost of sales and $333 (2011: $994) has been allocated to evaluation and exploration expenses.

23.2 Outstanding stock options

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

	Year ended December 31, 2012		Year ended December 31, 2011	
	Number of options	Weighted average exercise price (Cdn$)	Number of options	Weighted average exercise price (Cdn$)
Balance, beginning of year	**10,768**	**$ 10.73**	9,276	$ 10.82
Options granted	**2,066**	**4.95**	3,493	10.54
Options exercised	**(433)**	**5.81**	(743)	6.89
Options forfeited	**(2,099)**	**9.92**	(1,258)	13.13
Options expired	**(2,795)**	**10.53**	-	-
Balance, end of year	**7,507**	**$ 9.72**	10,768	$ 10.73

The stock options outstanding and exercisable as at December 31, 2012 are as follows:

	Options Outstanding			Options Exercisable		
Exercise price (Cdn$)	Options outstanding	Weighted average exercise price (Cdn$)	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price (Cdn$)	Weighted average remaining contractual life (years)
$1.92 - $6.16	**1,728**	**$ 4.48**	**3.13**	**619**	**$ 5.52**	**0.50**
$7.16 - $10.79	**2,752**	**9.16**	**1.66**	**2,190**	**9.08**	**1.18**
$11.51 - $14.25	**2,562**	**12.78**	**1.69**	**2,249**	**12.80**	**1.54**
$15.07 - $18.86	**465**	**15.61**	**0.40**	**465**	**15.61**	**0.40**
	7,507	**$ 9.72**	**1.93**	**5,523**	**$ 10.75**	**1.19**

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

24. RESERVES

24.1 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 23.

The share option reserve transactions for the years ended December 31, 2012 and 2011 are as follows:

	Year ended December 31,	
	2012	**2011**
Balance, beginning of year	**$ 44,143**	$ 32,360
Share-based compensation charged to operations	**8,528**	14,410
Exercise of share options	**(1,368)**	(2,627)
Balance, end of year	**$ 51,303**	$ 44,143

24.2 Investment revaluation reserve

The Company's investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income.

The investment revaluation reserve transactions for the years ended December 31, 2012 and 2011 are as follows:

	Year ended December 31,	
	2012	**2011**
Balance, beginning of year	**$ 16,559**	$ 27,761
Loss arising on revaluation of available-for-sale financial asset	**(35,034)**	(12,802)
Deferred income tax relating to revaluation of available-for-sale financial asset	**2,366**	1,600
Reclassification of impairment loss on available-for-sale financial asset	**16,109**	-
Balance, end of year	**$ -**	$ 16,559

25. CAPITAL RISK MANAGEMENT (Restated)

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 optimizes 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 the 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 of Directors.

At December 31, 2012, the Company's capital structure consists of convertible debt (Note 20) and the equity of the Company (Note 22). The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends.

For the year ended December 31, 2012, 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, 2012, the Company had cash and short term investments of $34,674 and working capital of $120,435.

The Company expects to have sufficient liquidity and capital resources to be able to continue as a going concern until at least December 31, 2013 based on existing capital resources and estimated cash flows from mining operations (Note 1).

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

26. FINANCIAL INSTRUMENTS (Restated)

26.1 Categories of financial instruments

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

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Financial assets			
Loans-and-receivables			
Cash	**$ 19,674**	$ 123,567	$ 492,038
Trade and other receivables (Note 13)	**3,292**	16,234	19,335
Available-for-sale			
Investment in Aspire (Note 14)	**8,727**	46,837	52,008
Fair value through profit or loss			
Investment in Kangaroo (Note 14)	**1,455**	7,431	10,235
Money market investments (Note 14)	**15,000**	44,967	62,702
Total financial assets	**$ 48,148**	$ 239,036	$ 636,318
Financial liabilities			
Fair value through profit or loss			
Convertible debenture - embedded derivatives (Note 20)	**$ 8,876**	$ 48,389	$ 154,877
Other-financial-liabilities			
Trade and other payables (Note 18)	**10,216**	43,552	21,546
Convertible debenture - debt host (Note 20)	**97,092**	96,997	96,933
Total financial liabilities	**$ 116,184**	$ 188,938	$ 273,356

26. FINANCIAL INSTRUMENTS (Restated) (Continued)

26.2 Fair value

The fair value of financial assets and financial liabilities measured at amortized 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 amortized cost approximates their fair value.

The fair values of the Company's financial instruments classified as FVTPL or available-for-sale are determined as follows:

- The fair value of financial instruments that are traded on an active liquid market are determined with reference to the quoted market prices. The fair value of the Company's investment in the shares of Kangaroo, shares of Aspire and its money market investments are determined using this methodology.
- 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 20) is determined using a Monte Carlo simulation. None of the fair value change in the embedded derivatives for the year ended December 31, 2012 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 fair value of all the other financial instruments of the Company approximates their carrying value because of the demand nature or short-term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured 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, 2012, the Company does not have any Level 3 financial instruments.

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

26. FINANCIAL INSTRUMENTS (Restated) (Continued)

26.2 Fair value (Continued)

	Level 1	Level 2	Total
Financial assets at fair value			
Investment in Aspire	$ 8,727	$ -	$ 8,727
Investment in Kangaroo	1,455	-	1,455
Money market investments	15,000	-	15,000
Total financial assets at fair value	$ 25,182	$ -	$ 25,182
Financial liabilities at fair value			
Convertible debenture - embedded derivatives	$ -	$ 8,876	$ 8,876
Total financial liabilities at fair value	$ -	$ 8,876	$ 8,876

There were no transfers between Level 1, 2 and 3 for the year ended December 31, 2012.

26.3 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 and through monitoring.

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

26. FINANCIAL INSTRUMENTS (Restated) (Continued)

26.3 Financial risk management objectives and policies (Continued)

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

	As at December 31,	
	2012	**2011**
Increase / decrease in foreign exchange rate		
+5%	**$ 177**	$ 1,945
−5%	**$ (177)**	$ (1,945)

Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on its cash and short term money market investments. However, the rate of interest earned on these instruments is below 3%; therefore, the interest rate risk is not significant.

The Company's convertible debenture (Note 20) and line of credit facility (Note 19) accrue interest at fixed rates; therefore the Company is not exposed to interest rate risk on these instruments.

Credit risk

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

The Company's credit risk on cash and short term money market investments arises from default of the counterparty. The Company limits its exposure to counterparty credit risk on these assets 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 who wish to trade on credit terms are subject to credit verification procedures. In addition, the trade and other receivables balances are monitored on an ongoing basis and, if appropriate, the Company records provisions for uncollectible trade and other receivables.

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

26. FINANCIAL INSTRUMENTS (Restated) (Continued)

26.3 Financial risk management objectives and policies (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle or manage its obligations associated with financial liabilities. The Board of Directors of the Company is of the opinion that the Company has sufficient liquidity and capital resources to meet its obligations until at least December 31, 2013. The Company expects its liquidity to remain sufficient based on existing capital resources and cash flows from mining operations.

The Company's current and expected remaining contractual maturities for its financial liabilities with agreed repayment periods are as follows. Refer to Note 32.1 for details of events occurring subsequent to December 31, 2012 related to the Company's convertible debenture. 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.

	0 to 6 months	6 to 12 months	1 to 5 years	Total
As at December 31, 2012				
Trade and other payables	**$ 10,216**	**$ -**	**$ -**	**$ 10,216**
Convertible debenture - cash interest (Note 20) (i)	**8,000**	**8,000**	**16,000**	**32,000**
	$ 18,216	**$ 8,000**	**$ 16,000**	**$ 42,216**
As at December 31, 2011				
Trade and other payables	$ 43,552	$ -	$ -	$ 43,552
Convertible debenture - cash interest (Note 20) (i)	8,000	8,000	32,000	48,000
	$ 51,552	$ 8,000	$ 32,000	$ 91,552
As at January 1, 2011				
Trade and other payables	$ 21,546	$ -	$ -	$ 21,546
Convertible debenture - cash interest (Note 20) (i)	8,000	8,000	48,000	64,000
	$ 29,546	$ 8,000	$ 48,000	$ 85,546

(i) The convertible debenture cash interest payments presented assume that the convertible debenture is converted in to common shares by the Company on November 19, 2014 (refer to Note 20).

26. FINANCIAL INSTRUMENTS (Restated) (Continued)

26.3 Financial risk management objectives and policies (Continued)

Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market prices for its coal products. Coal prices are affected by numerous factors such as interest rates, exchange rates, inflation or deflation and global and regional supply and demand.

The Company enters into sales contracts with its customers to manage the risk of off-take of coal at prevailing market prices by, in most cases, entering into short term coal contracts which fix the quantity and price of the Company's coal. The Company has not entered into any coal hedging instruments to manage its exposure to fluctuations in coal prices. As coal sales are the only source of revenue for the Company, a 5% increase or decrease in coal prices will result in a corresponding increase or decrease in revenue.

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

27. RELATED PARTY TRANSACTIONS

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

		% equity interest	
	Country of	As at December 31,	
Name	**incorporation**	**2012**	**2011**
SouthGobi Resources (Hong Kong) Limited	Hong Kong	100%	100%
SouthGobi Sands LLC	Mongolia	100%	100%
SGQ Coal Investment Pte. Ltd.	Singapore	100%	100%

During the year ended December 31, 2012 and 2011, the Company had related party transactions with the following companies related by way of directors or shareholders in common:

- Turquoise Hill – Turquoise Hill is the Company's immediate parent company and at December 31, 2012 owned approximately 58% of the outstanding common shares of the Company. Turquoise Hill provides various administrative services to the Company on a cost-recovery basis. The Company also provided some office and investor relations services to Turquoise Hill in the Company's Hong Kong office and recovered the costs for those services on a cost-recovery basis. The Company's provision of office and investor relations services to Turquoise Hill ceased on June 30, 2012.
- Rio Tinto – Rio Tinto is the Company's ultimate parent company and at December 31, 2012 Rio Tinto controlled Turquoise Hill. The Company recovers administration and other costs incurred on behalf of Rio Tinto on a cost-recovery basis. Rio Tinto recovers from the Company the costs of salaries and benefits of employees assigned to work for the Company.
- Global Mining Management ("GMM") – GMM is a private company owned equally by seven companies, two of which include the Company and Turquoise Hill. GMM provides administration, accounting and other office services to the Company on a cost-recovery basis.
- Turquoise Hill Resources Singapore Pte. Ltd. ("Turquoise Hill Singapore") – Turquoise Hill Singapore (formerly I2MS.NET Pte. Ltd) is a private company 100% owned by Turquoise Hill. Turquoise Hill Singapore provides information technology and other related services to the Company on a cost-recovery basis.
- Ivanhoe Energy Inc. ("Ivanhoe Energy") – Ivanhoe Energy is a publicly listed company and previously had two directors in common with the Company. During the year ended December 31, 2012, Ivanhoe Energy ceased being a related party. The Company provided some office and investor relations services to Ivanhoe Energy in the Company's Hong Kong office and recovered the costs for those services on a cost-recovery basis. The Company's provision of office and investor relations services to Ivanhoe Energy ceased on June 30, 2012.

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

27. RELATED PARTY TRANSACTIONS (Continued)

27.1 Related party expenses

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

	Year ended December 31, 2012	Year ended December 31, 2011
Corporate administration	**$ 1,309**	$ 1,990
Salaries and benefits	**919**	1,389
Related party expenses	**$ 2,228**	$ 3,379

The Company's related party expenses relate to the following related parties:

	Year ended December 31, 2012	Year ended December 31, 2011
GMM	**$ 1,012**	$ 2,014
Turquoise Hill	**7**	94
Rio Tinto	**68**	-
Turquoise Hill Singapore	**1,141**	1,271
Related party expenses	**$ 2,228**	$ 3,379

27.2 Related party expense recoveries

The Company's expenses recovered from related parties consist of the following amounts:

	Year ended December 31, 2012	Year ended December 31, 2011
Corporate administration	**$ 589**	$ 465

The Company's related party expense recoveries relate to the following related parties:

	Year ended December 31, 2012	Year ended December 31, 2011
Turquoise Hill	**$ 479**	$ 311
Ivanhoe Energy	**77**	154
Rio Tinto	**33**	-
Related party expense recoveries	**$ 589**	$ 465

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

27. RELATED PARTY TRANSACTIONS (Continued)

27.3 Related party assets

The assets of the Company include the following amounts due from related parties:

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Amounts due from GMM	**$ 420**	$ 539	$ 238
Amounts due from Turquoise Hill	**317**	26	156
Amounts due from Ivanhoe Energy	**-**	13	38
Amounts due from Turquoise Hill Singapore	**2**	-	-
Total assets due from related parties	**$ 739**	$ 578	$ 432

27.4 Related party liabilities

The liabilities of the Company include the following amounts due to related parties:

	As at		
	December 31, 2012	**December 31, 2011**	**January 1, 2011**
Amounts payable to GMM	**$ -**	$ 255	$ 549
Amounts payable to Rio Tinto	**35**	-	1
Amounts payable to Turquoise Hill Singapore	**-**	189	367
Total liabilities due to related parties	**$ 35**	$ 444	$ 917

27.5 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,	
	2012	**2011**
Salaries, fees and other benefits	**$ 3,788**	$ 3,493
Share-based compensation	**2,132**	9,147
Total remuneration	**$ 5,920**	$ 12,640

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

28. SUPPLEMENTAL CASH FLOW INFORMATION (Restated)

28.1 Non-cash financing and investing activities

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

	Year ended December 31,	
	2012	2011
Interest settlement on convertible debenture	**$ 4,000**	$ 4,011
Transfer of share option reserve upon exercise of options	**$ 1,368**	$ 2,627

28.2 Net change in non-cash working capital items (Restated)

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

	Year ended December 31,	
	2012	2011
Decrease/(increase) in inventories	**$ 45,338**	$ (39,869)
Decrease in trade and other receivables	**12,942**	3,339
Increase in prepaid expenses and deposits	**(11,061)**	(43,124)
Increase/(decrease) in trade and other payables	**(33,336)**	22,005
Increase/(decrease) in deferred revenue	**(9,472)**	6,827
Net change in non-cash working capital items	**$ 4,412**	$ (50,822)

29. COMMITMENTS FOR EXPENDITURE

As at December 31, 2012, the Company's commitments for expenditure that have not been disclosed elsewhere in the consolidated financial statements are as follows:

	As at December 31, 2012			
	Within 1 year	2-3 years	Over 3 years	Total
Capital expenditure commitments	$ 13,105	$ 21,406	$ -	$ 34,511
Operating expenditure commitments (i)	23,226	1,820	-	25,046
Commitments	$ 36,331	$ 23,226	$ -	$ 59,557

(i) Operating expenditure commitments include $17,500 of fees related to the Company's toll wash plant agreement with Ejin Jinda. This amount reflects the minimum expenditure due under this agreement.

30. CONTINGENCIES

30.1 Governmental, regulatory and internal investigations

The Company is subject to investigations by Mongolia's Independent Authority against Corruption ("the IAAC") and the Mongolian State Investigation Office (the "SIA") regarding allegations against the Company and some of its former employees. The IAAC investigation concerns possible breaches of Mongolia's anti-corruption laws, while the SIA investigation concerns possible breaches of Mongolia's money laundering and taxation laws.

While the IAAC investigation into allegations of possible breaches of Mongolian anti-corruption laws has been suspended, the Company has not received notice that the IAAC investigation is complete. To date, four former Company employees have been named as suspects in the IAAC investigation and are subject to a continuing travel ban imposed by the IAAC. The IAAC has not formally accused any current or former Company employees of breach of Mongolia's anti-corruption laws.

The SIA has not accused any current or former Company employees of money laundering. However, three former Company employees have been informed that they have each been designated as "accused" in connection with the allegations of tax evasion, and are subject to a travel ban. The Company has been designated as a "civil defendant" in connection with the tax evasion allegations, and it may potentially be held financially liable for the criminal misconduct of its former employees under Mongolian Law. The Company has shown full cooperation with the investigation by providing relevant information. The relevant authorities are yet to conclude on this information. Accordingly, the likelihood or consequences for the Company of a judgment against its former employees is unclear at this time. The SIA also continues to enforce administrative restrictions, which were initially imposed by the IAAC investigation (Note 32.1), on certain of the Company's Mongolian assets, including local bank accounts, in connection with its continuing investigation of these allegations.

Through its Audit Committee (comprised solely of independent directors), the Company is conducting an internal investigation into possible breaches of law, internal corporate policies and codes of conduct arising from the allegations that have been raised. The Audit Committee has the assistance of independent legal counsel in connection with its investigation.

30. CONTINGENCIES (Continued)

30.1 Governmental, regulatory and internal investigations (Continued)

The Chair of the Audit Committee is also participating in a tripartite committee, comprised of the Audit Committee Chairs of the Company and Turquoise Hill and a representative of Rio Tinto, which is focused on the investigation of a number of those allegations, including possible violations of anti-corruption laws. Independent legal counsel and forensic accountants have been engaged by this committee to assist it with its investigation. The tripartite committee substantially completed the investigative phase of its activities during the three months ended September 30, 2013. The Company continues to cooperate with the IAAC, SIA and with Canadian and United States government and regulatory authorities that are monitoring the Mongolian investigations. It is possible that these authorities may subsequently conduct their own review or investigation or seek further information from the Company and until all such reviews or investigations are complete the Audit Committee's and the tripartite committee's work may be considered ongoing.

The investigations referred to above could result in one or more Mongolian, Canadian, United States or other governmental or regulatory agencies taking civil or criminal action against the Company, its affiliates or its current or former employees. The likelihood or consequences of such an outcome are unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on the Company.

In the opinion of management of the Company, at December 31, 2012 a provision for this matter is not required.

31. PROPORTIONAL TAKEOVER BID

On April 2, 2012, the Company announced a cooperation agreement with the Aluminum Corporation of China Limited ("CHALCO") and received official notification of CHALCO's intention to make a proportional takeover bid for up to 60% of the issued and outstanding common shares of the Company at Cdn$8.48 per share ("Proportional Offer"). The Company was also informed by its 58% major shareholder, Turquoise Hill, that Turquoise Hill had signed a lock-up agreement with CHALCO, committing to tender all of its shares held or thereafter acquired by it during the offer period of CHALCO into the Proportional Offer. CHALCO's obligations under the cooperation agreement were to become effective upon CHALCO acquiring a shareholding in the Company.

CHALCO had stated that it expected to mail the takeover bid circular in connection with the Proportional Offer on or about July 5, 2012. On July 3, 2012, CHALCO and Turquoise Hill announced a 30 day extension for CHALCO to mail the takeover bid circular.

31. PROPORTIONAL TAKEOVER BID (Continued)

Subsequently, on August 2, 2012, an additional 30 day extension was announced by CHALCO and Turquoise Hill. CHALCO had agreed to mail the takeover bid circular on or before September 4, 2012.

On September 3, 2012, the Company was notified that CHALCO's Proportional Offer had been terminated, which also resulted in the termination of the cooperation agreement.

32. SUBSEQUENT EVENTS

32.1 Governmental, regulatory and internal investigations

Subsequent to December 31, 2012, the IAAC informed the Company that orders, placing restrictions on certain of its Mongolian assets, had been imposed in connection with its continuing investigation.

The orders placing restrictions on certain of the Company's Mongolian assets could ultimately result in an event of default of the Company's CIC convertible debenture. This matter remains under review by the Company and its advisers but to date, it is the Company's view that this would not result in an event of default as defined under the CIC convertible debenture terms. However, in the event that the orders result in an event of default of the Company's CIC convertible debenture that remains uncured for ten business days, the principal amount owing and all accrued and unpaid interest will become immediately due and payable upon notice to the Company by CIC.

The orders relate to certain items of operating equipment and infrastructure and the Company's Mongolian bank accounts. The orders related to the operating equipment and infrastructure restricts the sale of these items; however, the orders do not restrict the use of these items in the Company's mining activities. The orders related to the Company's Mongolian bank accounts restrict the use of in-country funds. While the orders restrict the use of in-country funds pending outcome of the investigation, they are not expected to have any material impact on the Company's activities.

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

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Hong Kong Stock Exchange and not shown elsewhere in this report is as follows:

A1. INCOME/(LOSS) FOR THE YEAR

Income/(loss) for the year has been arrived at after charging the following items:

	Year ended December 31, 2012	Year ended December 31, 2011
Auditor's remuneration	**$ 420**	$ 275
Loss on disposal of property, plant and equipment	**$ 720**	$ 3,005
Depreciation and depletion		
Depreciation included in administration expenses	**$ 212**	$ 322
Depreciation included in evaluation and exploration expenses	**40**	-
Depreciation and depletion included in cost of sales	**46,243**	18,109
Total depreciation and depletion	**$ 46,495**	$ 18,431
Staff costs		
Directors' emoluments - executive directors (Note A2)	**$ 1,183**	$ 2,928
Directors' emoluments - non-executive directors (Note A2)	**1,366**	1,900
Other staff costs	**9,055**	12,184
Staff costs included in administration expenses	**11,604**	17,012
Staff costs included in evaluation and exploration expenses	**437**	1,155
Total staff costs	**$ 12,041**	$ 18,167

A2. DIRECTOR AND EMPLOYEE EMOLUMENTS

Directors' emoluments

The Company's directors' emoluments consist of the following amounts:

	Year ended December 31, 2012	Year ended December 31, 2011
Directors' fees	**$ 719**	$ 421
Other emoluments for executive and non-executive directors		
Salaries and other benefits	**799**	926
Share-based compensation	**1,031**	3,481
Directors' emoluments	**$ 2,549**	$ 4,828

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

A2. DIRECTOR AND EMPLOYEE EMOLUMENTS (Continued)

Name of director	Directors' fees	Salaries and other benefits	Share-based compensation	Total
Executive directors				
K. Ross Tromans	$ -	$ 124	$ -	$ 124
Alexander Molyneux [i]	-	473	586	1,059
	$ -	$ 597	$ 586	$ 1,183
Non-executive directors				
Kay Priestly	$ 39	$ -	$ -	$ 39
Sean Hinton	29	202	37	268
Kelly Sanders	17	-	-	17
Brett Salt	13	-	-	13
Lindsay Dove	23	-	37	60
Peter Meredith [i]	18	-	70	88
John Macken [i]	-	-	41	41
Pierre Lebel	153	-	62	215
André Deepwell	128	-	62	190
R. Edward Flood [i]	69	-	41	110
R. Stuart (Tookie) Angus [i]	22	-	-	22
Robert Hanson [i]	100	-	41	141
W. Gordon Lancaster	108	-	54	162
	$ 719	$ 202	$ 445	$ 1,366
Directors' emoluments	$ 719	$ 799	$ 1,031	$ 2,549

(i) Resigned from the Board of Directors during the year ended December 31, 2012.

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

A2. DIRECTOR AND EMPLOYEE EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Name of director	Directors' fees	Salaries and other benefits	Share-based compensation	Total
Executive directors				
Alexander Molyneux	$ -	$ 926	$ 2,002	$ 2,928
Non-executive directors				
Peter Meredith	$ -	$ -	$ 286	$ 286
John Macken	-	-	167	167
Pierre Lebel	110	-	191	301
André Deepwell	88	-	167	255
R. Edward Flood	42	-	167	209
R. Stuart (Tookie) Angus	70	-	167	237
Robert Hanson	64	-	167	231
W. Gordon Lancaster	47	-	167	214
	$ 421	$ -	$ 1,479	$ 1,900
Directors' emoluments	$ 421	$ 926	$ 3,481	$ 4,828

Salaries and other benefits paid to Alexander Molyneux during the year ended December 31, 2011 includes a bonus of $425 paid in accordance with the Company's annual incentive plans.

Five highest paid individuals

The five highest paid individuals included one director of the Company for the years ended December 31, 2012 and 2011. The emoluments of the five highest paid individuals are as follows:

	Year ended December 31, 2012	2011
Salaries and other benefits	**$ 2,571**	$ 2,754
Share-based compensation	**1,743**	9,066
Compensation for loss of office	**424**	-
Total emoluments	**$ 4,738**	$ 11,820

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

A2. DIRECTOR AND EMPLOYEE EMOLUMENTS (Continued)

Five highest paid individuals (Continued)

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

	Year ended December 31, 2012	Year ended December 31, 2011
HK$ 4,500,001 to HK$ 5,000,000	**1**	-
HK$ 6,000,001 to HK$ 6,500,000	**-**	-
HK$ 6,500,001 to HK$ 7,000,000	**1**	1
HK$ 7,000,001 to HK$ 7,500,000	**1**	-
HK$ 8,000,001 to HK$ 8,500,000	**1**	-
HK$ 9,500,001 to HK$ 10,000,000	**1**	-
HK$ 15,000,001 to HK$ 15,500,000	**-**	1
HK$ 21,000,001 to HK$ 21,500,000	**-**	1
HK$ 22,500,001 to HK$ 23,000,000	**-**	1
HK$ 25,000,001 to HK$ 25,500,000	**-**	1
	5	5

A3. FIVE YEAR SUMMARY

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

	Year ended December 31, 2012 (i)	2011 (i)	2010 (i)	2009	2008
Revenue	**$ 78,061**	$ 130,756	$ 60,412	$ 36,038	$ 3,126
Gross profit/(loss)	**(49,346)**	38,578	7,761	6,613	949
Net comprehensive income/(loss) attributable to equity holders of the Company	**$ (114,061)**	$ 37,350	$ (89,854)	$ (110,805)	$ (69,576)
Basic income/(loss) per share from continuing and discontinued operations	**$ (0.54)**	$ 0.27	$ (0.67)	$ (0.83)	$ (0.54)
Diluted loss per share from continuing and discontinued operations	**$ (0.60)**	$ (0.24)	$ (0.67)	$ (0.83)	$ (0.54)

(i) Restated, refer to Note 2.

	As at December 31, 2012 (i)	2011 (i)	2010 (i)	2009	2008
Total assets	**$ 732,452**	$ 918,680	$ 968,682	$ 560,684	$ 99,948
Less: total liabilities	**(128,469)**	(213,113)	(291,212)	(563,476)	(10,984)
Total net assets/(liabilities)	**$ 603,983**	$ 705,567	$ 677,470	$ (2,792)	$ 88,964

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

A4. SHARE REPURCHASES

During the year ended December 31, 2012, the Company repurchased its own shares on the Toronto Stock Exchange and Hong Kong Stock Exchange as follows:

Month of repurchase	Shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
March 2012	**148**	**Cdn$6.58**	**Cdn$6.36**	**$ 955**

As at December 31, 2012, the Company had cancelled all of the repurchased common shares. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year ended December 31, 2012.

A5. CASH

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

	As at December 31, 2012	As at December 31, 2011
Denominated in U.S. Dollars	**$ 18,107**	$ 114,941
Denominated in Hong Kong Dollars	**396**	3,757
Denominated in Canadian Dollars	**260**	3,027
Denominated in Mongolian Tugriks	**911**	1,440
Others	**-**	402
Total cash	**$ 19,674**	$ 123,567