
CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

The Company was incorporated in British Columbia, Canada on February 14, 2002 under the name 5119 Investments Ltd. The Company changed its name to MX Capital Corp. on March 28, 2002, and was then continued under the Canada Business Corporations Act on November 4, 2002. On October 2, 2003, the Company changed its name to Asia Gold Corp. On December 15, 2003, the Company began trading on the TSX-V under the symbol ASG. On May 29, 2007, the Company was continued under the BCBCA, changed its name to SouthGobi Energy Resources Ltd., reorganised its authorised capital to create a class of shares separate from the Shares, consisting of an unlimited number of Preferred Shares, and changed its trading symbol on the TSX-V to SGQ. On December 3, 2009, the Company graduated from the TSX-V and its Shares began trading on the TSX under its existing trading symbol “SGQ”.

For further information, refer to “Appendix VII — Statutory and General Information — Further Information about the Company” of this prospectus.

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Key Milestones of the Company

The Company's key milestones are set out below:

Timeline	Milestones	
	Company	Coal Assets (prior to acquisition by Company)
2002	<ul style="list-style-type: none"> ▪ incorporated as 5119 Investments Ltd. ▪ completed its initial public offering, raising gross proceeds of approximately C\$14.2 million and commenced trading on the TSX-V under the symbol ASG ▪ acquired 29 exploration licences in Mongolia ▪ reached an agreement in principle with Ivanhoe to acquire Ivanhoe's coal division; the transaction was approved by the Company's minority Shareholders ▪ entered into the First Funding Agreement with Ivanhoe 	<ul style="list-style-type: none"> ▪ Ivanhoe initiated coal exploration in the Ovoot Tolgoi area in October 2004 ▪ Ivanhoe's coal division carried out extensive drilling on the Ovoot Tolgoi Complex and Norwest completed an initial independent resource estimate on the Ovoot Tolgoi Mine ▪ Ivanhoe's coal division continued its programme of mine planning and infrastructure development on the Ovoot Tolgoi Mine and additional drilling on the Tsagaan Tolgoi Deposit ▪ Norwest completed an updated resource estimate for the Ovoot Tolgoi Mine
2006		
2007	<ul style="list-style-type: none"> ▪ acquired Ivanhoe's coal division after the Mongolian Government completed the transfer of the Ivanhoe coal division's exploration licences; Norwest completed an updated resource estimate for the Ovoot Tolgoi Mine ▪ changed its name to SouthGobi Energy Resources Ltd, was continued under the BCBCA and changed its trading symbol on the TSX-V to SGQ ▪ granted a 30-year mining licence by the Mongolian Government for its Ovoot Tolgoi Mine ▪ entered into the Second Funding Agreement with Ivanhoe ▪ received an approval to mine for the Ovoot Tolgoi Mine ▪ began deliveries of coal from its Ovoot Tolgoi Mine in Mongolia to customers in China ▪ appointed Alexander Alan Molyneux as President ▪ Shivee Khuren-Ceke designated as a permanent border crossing by the Mongolian and Chinese Governments, thereby facilitating coal exports to China ▪ received a mining licence for the Tsagaan Tolgoi Deposit ▪ appointed Gavin Peter May as Chief Operating Officer ▪ Norwest completed Soumber Technical Expert Report ▪ Norwest completed a pre-feasibility report delineating reserves at the Ovoot Tolgoi Mine ▪ entered into an agreement with CIC for a US\$500 million, 30 year convertible debenture ▪ Shares commenced trading on the TSX 	
December 2009		

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CHANGES IN SHAREHOLDING STRUCTURE

The authorised share capital of the Company consists of an unlimited number of Shares without par value and an unlimited number of Preferred Shares without par value. As at the Latest Practicable Date, there were 134,523,562 Shares and no Preferred Shares issued and outstanding.

Share issues

From 2002 to the present, there have been a number of changes in the shareholding structure of the Company as a result of the issue of Shares.

- 2003 • On December 15, 2003, the Company was listed on the TSX-V after raising approximately C\$14.175 million through its initial public offering of 5,000,000 Shares. Upon closing of the Company's initial public offering; Ivanhoe's shareholding of approximately 7,470,000 Shares, represented approximately 51.1% of the then issued and outstanding 14,622,349 Shares.
- 2005 • On July 28, 2005, the Company, through a private placement, issued 1,153,998 units at a price of C\$1.0695 per unit to BHP Billiton World Exploration Inc. The units consisted of 1,153,998 fully paid Shares and 1,153,998 warrants. Each warrant entitled BHP Billiton World Exploration Inc. to purchase one-half of an additional Share during the period of 24 months from the date of issue, at an exercise price of C\$1.395 per Share. After this placement, but prior to the exercise of any warrants, the Shares issued to BHP Billiton World Exploration Inc. represented approximately 7.31% of the Company's then issued and outstanding Shares.
- In September, 2005, the Company entered into an earn-in agreement with Solomon Resources Ltd. The Company issued 100,000 Shares at a deemed price of US\$0.784 per Share to Solomon Resources Limited in connection with the earn-in agreement related to four projects in the Gobi region of southern Mongolia and on October 5, 2006, the Company issued a further 95,821 Shares at a deemed price of US\$2.087 per Share to Solomon Resources Limited pursuant to this earn-in agreement, which has expired.
- 2006 • On June 27, 2006, BHP Billiton World Exploration Inc. exercised 1,153,998 warrants and were issued 576,999 Shares at a price of C\$1.395 per Share for total gross proceeds of C\$804,914 (US\$715,797).
- 2007 • On May 29, 2007, the Company issued 57,000,000 Shares at a deemed price of US\$0.164 per Share, representing 76.8% of the Company's then outstanding Shares, and 25,576,383 Preferred Shares at a deemed price of US\$0.164 per Preferred Share, representing 100% of the Company's then outstanding Preferred Shares, to Ivanhoe as consideration for the Coal Transaction.
- On August 15, 2007, the Company issued 3,060 Shares to Gallant at a deemed price of C\$6.88 per Share pursuant to an earn-in agreement dated April 20, 2007, which has expired.
- 2008 • On January 23, 2008, Ivanhoe converted all of its 25,576,383 Preferred Shares into Shares and converted US\$29,963,354 of outstanding indebtedness under the First Funding Agreement into 14,709,071 Shares.
- On January 24, 2008, the Company also announced the closing of an equity private placement of 10,000,000 Shares at C\$8.00 per Share and a second equity private placement of 3.5 million Shares at C\$9.00 per Share to institutional investors, for total gross proceeds of C\$111.5 million (US\$108.4 million).
 - On February 18, 2008, the Company announced an additional equity private placement to an institutional investor in Hong Kong of 711,111 Shares at C\$9.00 per Share for total gross proceeds of C\$6.4 million (US\$6.5 million).
 - On May 30, 2008 the Company completed an equity private placement to Monnis of 2,000,000 Shares at C\$12.45 per Share, for total gross proceeds of C\$24.9 million (US\$24.8 million).
 - On August 15, 2008 the Company issued 1,818 Shares to Gallant at a deemed price of C\$17.62 per Share pursuant to an earn-in agreement dated April 20, 2007, which has expired.

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- On September 5, 2008 the Company announced it had elected to increase its ownership in the Mamahak Deposit from 56% to 85% by paying Score Resources US\$13.2 million, comprised of US\$8,013,800 cash and 320,000 Shares at a deemed value of US\$16.15 per share.
- 2009
- On October 26, 2009, the Company entered into an agreement with CIC for a US\$500 million, 30 year convertible debenture.
 - The Company and CIC each have rights to require conversion of the debenture into common shares. CIC has the right to convert the debenture, in whole or in part, 12 months after the date of issue. The Company has the right to require the conversion of up to US\$250 million of the debenture on the earlier of 24 months after the issue date, if the market price of its common shares is greater than C\$10.66, or upon the Company achieving a public float of 25% of its common shares under certain agreed circumstances. See “CIC Investment” for further details.

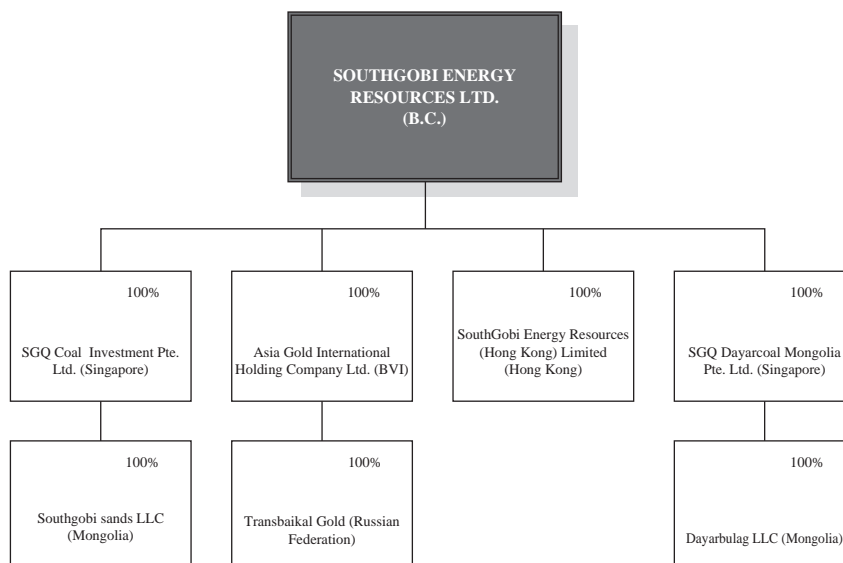
For details in relation to the changes in shareholding structure of the subsidiaries, please refer to “Appendix VII — Statutory and General Information — Change in Share Capital of Subsidiaries” in this prospectus.

Substantial shareholders

British Columbia law requires disclosure by Shareholders who hold a beneficial interest in or control or direction over, 10% or more of the Shares of the Company. Details of all Shareholders who held a beneficial interest in or control or direction over, 10% or more of the Shares of the Company as at the Latest Practicable Date are set out in the section headed “Substantial Shareholders” in this prospectus. The Company has applied for, and the SFC has granted, a partial exemption under section 309(2) from the provisions of Part XV of the SFO to prepare registers, maintain records and file disclosures of interest reports, on the condition that the disclosures of interest filed in British Columbia are also filed with the Stock Exchange, which will then publish such disclosure in the same manner as disclosures made under Part XV of the SFO.

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Set out below is a chart reflecting the corporate structure of the Group.



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Set out below is a table providing certain information about each of the Company's subsidiaries.

Name	Established	Principal business	Equity interests
<i>BVI</i>			
Asia Gold International Holding Company Ltd.	November 30, 2004	Investment holding	The Company (100% beneficial)
<i>Mongolia</i>			
Dayarbulag LLC	December 21, 2004	Investment holding	SGQ Dayarcoal Mongolia Pte. Ltd. (100%)
Southgobi sands LLC ⁽¹⁾ . .	August 24, 2006	Exploration and development of mineral properties in Mongolia	SGQ Coal Investment Pte. Ltd. (100%)
<i>Hong Kong</i>			
SouthGobi Energy Resources (Hong Kong) Ltd.	February 14, 2008	Business services	The Company (100%)
<i>Singapore</i>			
SGQ Coal Investment Pte. Ltd.	July 9, 2007	Investment holding	The Company (100%)
SGQ Dayarcoal Mongolia Pte. Ltd.	July 6, 2007	Investment holding	The Company (100%)
<i>Russian Federation</i>			
Transbaikal Gold LLC . . .	May 18, 2005	Research, exploration and extraction of minerals	Asia Gold International Holding Company Ltd. (100%)

Note:

(1) In 2006, SGS was registered with the Mongolian Foreign Investment and Foreign Trade Agency ("FIFTA") as a business entity with foreign investment ("BEFI") - as defined in the Foreign Investment Law ("FIL") of Mongolia. As of that time, FIFTA's rules required minimum paid-in capital of a BEFI was US\$10,000 (or its equivalent in MNT. The Company's initial paid-in capital was US\$10,000.

Effective as of May 25, 2009, the FIL was amended to provide that the minimum paid-in capital of a BEFI is US\$100,000 (or its equivalent in MNT). At or about the same time, the organisational structure of the government of Mongolia was revised. FIFTA was renamed as the Foreign Investment Department ("FID") and became a subordinate agency of the reorganised Ministry of Foreign Affairs and Trade.

In addition to revising the BEFI minimum capital requirements, the FIL amendments expanded the powers of the FID in respect of monitoring the activities of BEFIs. More specifically, if an inspector of the Specialized State Inspection Agency ("SSIA") determines that a BEFI is not in compliance with the following requirements, the FID may temporarily suspend or permanently terminate the BEFI's activities.

The general requirements are:

- that the BEFI must be operating in compliance with the laws of Mongolia;
- that such operations do not have an adverse impact of the environment;
- that such operations are in compliance with applicable safety and hygiene standards; and/or
- that such operations are utilising and implementing appropriate technological equipment and processes.

SGS believes that it has met, and will continue to meet, all of the above-mentioned requirements.

With respect to the revised minimum capital requirements, the usual practice of the FID has been to require pre-FIL amendment BEFIs to increase their paid-in capital whenever they are required to apply to the FID for renewal of their BEFI certification. We will increase the paid-in capital of SGS prior to seeking renewal of its BEFI status with the FID. The Company's BEFI certificate is due for renewal on September 19, 2010. It was recently renewed on September 19, 2009.

For further information about each of the subsidiaries, refer to "Appendix VII — Statutory and General Information — Further Information about the Company — Subsidiaries" in this prospectus.