SOUTHGOBI RESOURCES LTD.

南戈壁能源有限公司*

(a company continued under the laws of British Columbia, Canada with limited liability)

(Stock Code: 1878)

SOUTHGOBI RESOURCES ANNOUNCES FIRST QUARTER 2010 FINANCIAL AND OPERATING RESULTS

HONG KONG –SouthGobi Resources Ltd. **(TSX: SGQ, HK: 1878),** (the "Company" or "SouthGobi") today announced its financial results for the quarter ended March 31, 2010. Please refer to the attached announcement for more details.

By order of the Board
SouthGobi Resources Ltd.

Mr. Peter Graham Meredith
Chairman

Hong Kong, 14 May 2010

As of the date of this announcement, the executive Director is Mr. Alexander Alan Molyneux, the non-executive Directors are Mr. Peter Graham Meredith, Mr. John Anthony Macken and Mr. Raymond Edward Jr. Flood and the independent non-executive Directors are Mr. Pierre Bruno Lebel, Mr. Robert William Hanson, Mr. Andre Henry Deepwell, Mr. Gordon Lancaster and Mr. Robert Stuart Angus.

** For identification purposes only*

May 14, 2010

SOUTHGOBI RESOURCES ANNOUNCES FIRST QUARTER 2010 FINANCIAL AND OPERATING RESULTS

HONG KONG –SouthGobi Resources Ltd. **(TSX: SGQ, HK: 1878),** (the "Company" or "SouthGobi") today announced its financial results for the quarter ended March 31, 2010. All figures are in US dollars unless otherwise stated.

Highlights for the quarter:

- **Total shipments for the quarter ended March 31, 2010 were 426,000 tonnes.**
- **Average realized selling price was $36 per tonne, approximately 24% higher than Q1 2009 average realized selling price.**
- **Significant focus on realignment of Ovoot Tolgoi open- pit.**
- **In January 2010, SouthGobi completed a global equity offering of 27 million common shares at a price of Cdn$17.00 per share for gross proceeds of Cdn$459 million. The shares commenced trading on the Main Board of the Hong Kong Stock Exchange on January 29, 2010, under stock code "1878".**
- **On March 29, 2010 the Company completed the conversion of $250 million of the $500 million convertible debenture issued to China Investment Corporation ("CIC") into 21,471,045 common shares of the Company. Following the conversion CIC, through its indirect wholly owned subsidiary, owns approximately 13% of the Company.**

Ovoot Tolgoi Complex

The Company continues to ramp up production at the Ovoot Tolgoi Mine. The additional equipment for the second mining fleet including the larger Liebherr 996 shovel, four 218 tonne Terex haul trucks and various auxiliary equipment has been delivered throughout the fourth quarter of 2009 and early 2010 and is being progressively commissioned. The Company expects that the third mining fleet, already ordered, will be commissioned in late 2010.

To further enhance the value of the Company's products, the Company has approved the construction of a basic coal handling facility for Ovoot Tolgoi coals. The initial design has been completed and engineering details for the major components are well advanced.

Soumber Deposit

In March 2010, drilling re-commenced at the Soumber deposit to expand and better define the resource. Preparatory work for a formal mining license application continues.

Review of Quarterly Results

In the three months ended March 31, 2010, 0.22 million tonnes of coal was produced with a strip ratio of 6.79 compared to 0.16 million tonnes produced in the three months ended March 31, 2009 with a strip ratio of 2.19. In 2010, production was impacted by an initiative to realign the open-pit at Ovoot Tolgoi Mine which began in December 2009 and this is reflected in the higher strip ratio.

The Company incurred a net loss for the three months ended March 31, 2010 of $168.3 million compared to a net loss of $10.0 million for the three months ended March 31, 2009. The increase in the loss is due primarily to the loss on partial conversion of the CIC convertible debenture, the interest expense on the CIC convertible debenture and the fair value change of the embedded derivatives in the CIC convertible debenture, which together contributed $162.3 million.

Revenue and cost of sales relate to the Company's operations in Mongolia. In the three months ended March 31, 2010, the Company shipped approximately 0.43 million tonnes of coal at an average realized selling price of approximately $36 per tonne. This compares to 0.13 million tonnes of coal shipped in the three months ended March 31, 2009 at an average realized selling price of $29 per tonne. Revenues increased to $13.9 million in the first quarter of 2010 from $3.5 million in the first quarter in 2009.

The Company incurred an operating loss from continuing operations for the three months ended March 31, 2010 of $6.5 million compared to a $6.6 million loss in the same period in 2009. The operating loss is impacted by the factors discussed below.

Cost of sales was $12.7 million in the three months ended March 31, 2010, compared to $3.2 million for the three months ended March 31, 2009. The increase in cost of sales relates to the higher sales volume and higher costs in 2010. During the quarter ended March 31, 2010, the Company continued to realign the open-pit resulting in higher costs. Additional mobile equipment also resulted in higher depreciation in the quarter ended March 31, 2010. Cost of sales is comprised of three main components, direct cash costs, mine administration cost and non-cash items. Non-cash items include depreciation, depletion and stock-based compensation. Cost of sales will vary depending on sales volume, production and unit costs which directly affects income from mine operations.

Direct cash costs were $22.25 per tonne in the three months ended March 31, 2010 compared to $14.29 for the same period in 2009. The increase in direct cash costs is primarily due to the realignment of the open-pit in the first quarter of 2010, which resulted in a higher ratio of waste removal per tonne of coal produced. In December 2009 the Company commenced realigning the open-pit for a north-south entry. Waste removal at Ovoot Tolgoi was originally along the seam's strike-length, ie east-west. This allowed for better cost controls when financing was more constrained by reducing the strip ratio and waste movements and allowing customer trucks to enter directly in the shallow pit for loading. However, such alignment is not beneficial for the longer-term because it becomes less efficient as the pit depth increases. Realigning for a north-south entry is expected to provide the following long-term benefits:

- allow for longer mining faces to be exposed for larger shovels (eg 996) to access;
- enable mining of the thinner 8, 9 and 10 seams 'face on' as opposed to 'along strike' enabling cleaner mining and a lower ash higher value product; and
- allow more efficient access for haul trucks as the pit deepens.

Realigning the pit has impacted operations because the process requires substantial above-trend waste removal. The open-pit realignment is the primary cause of the strip ratio increase to 6.79 in the first quarter of 2010 and the resulting increase in direct cash costs of production and a constrained availability of coal. The Company expects the open-pit realignment to be completed late in the second quarter of 2010.

Once the open-pit realignment is complete, coal production levels are expected to be higher with improved control of product quality.

Mine administration costs per tonne decreased to $1.07 per tonne for the three months ended March 31, 2010, compared to $4.22 per tonne for the three months ended March 31, 2009. The decrease per tonne is due to the higher sales volume in 2010.

Exploration expenses for the three months ended March 31, 2010, were $0.9 million higher than the three months ended March 31, 2009. Increased exploration expense in 2010 relates to increased drilling at the Soumber deposit. Substantive physical exploration for 2010 commenced in March. As at the end of April, $3.5 million has been spent, including 19.8m^3 of trenching and over 29,000 metres of drilling (both core and reverse circulation). Key targets so far have been the fields surrounding the Soumber Deposit and a target approximately six kilometers to the south-west of Ovoot Tolgoi Complex known as the SW target.

Administration expenses for the three months ended March 31, 2010 were $6.0 million compared to $6.1 million for the three months ended March 31, 2009. Administration expenses for the three months ended March 31, 2010, includes approximately $2.5 million of stock-based compensation compared to approximately $3.3 million for the three months ended March 31, 2009.

Finance costs for the three months ended March 31, 2010 were $163.0 million compared to $0.06 million in the first quarter of 2009. The significant increase in finance costs in the first quarter of 2010 is due to the loss on partial conversion of the CIC convertible debenture.

Financial Position and Liquidity

The Company's total assets at March 31, 2010 were $974.4 million compared with $560.7 million at December 31, 2009. At March 31, 2010, the Company had $723.4 million in cash and $86.4 million in long term investments compared to cash of $357.3 million, short term investments of $15.0 million and long term investments of $57.1 million at December 31, 2009. The long term investments include money market investments and the Company's investment of $9.2 million in Kangaroo Resources Ltd. The increase in cash and money market investments relate to the global equity financing completed in the March 2010 quarter. The increase in total assets relates to the global equity financing and the continuing development of the Mongolian Coal Division.

The Company's long term liabilities as at March 31, 2010 were $348.4 million compared with $543.1 million as at December 31, 2009. The decrease in long term liabilities relates to the conversion of $250 million of the CIC convertible debenture.

Outlook

The Company expects demand for its coal from China will increase. It is difficult to reliably forecast commodity prices and customer demand for the Company's products; however the Company's sales and marketing efforts are providing positive results. Anecdotal evidence suggests Mongolia will set a new record for coal shipments to China in 2010 and become a significant supplier of China's coal needs. During the year the market has continued to advance.

For the month of April 2010, the Company sold in excess of 200,000 tonnes of coal at approximately $44 per tonne (22% higher than first quarter 2010 pricing).

From an operating perspective, the Company expects the open-pit realignment process to continue through the second quarter of 2010 and impact costs for that quarter. Furthermore, fuel costs continue to be approximately 18% above those costs estimated in the Norwest Study.

Five additional Terex MT4400 (218 tonne) haul trucks have been delivered on site as the first components of the third mining fleet and will be constructed to meet the timing of delivery, of the second Liebherr 996 shovel for commissioning by the end of 2010.

The success to date and potential for future growth can be attributed to a combination of the Company's competitive strengths, including the following:

- Projects are strategically located close to China, especially to the fast growing Gansu and Inner Mongolia regions;
- Substantial and growing resources and reserves;
- Produce premium quality coals;
- Low cost structure due to favorable geographic and geological conditions;
- Strong financial profile after the financings in late 2009 and early 2010;
- Established production with strong growth potential through future expansion of existing mine capacity and development of the Company's priority assets; and
- Experienced management team with strong skills in mining, exploration and marketing are able to leverage the expertise, experience and relationships of its principal shareholder, Ivanhoe.

Consolidated Financial Statements

Condensed Consolidated Interim Statement of Comprehensive Income
(Unaudited)
(Expressed in thousands of U.S. Dollars, except for share and per share amounts)

	Three months ended March 31, 2010	Three months ended March 31, 2009
CONTINUING OPERATIONS		
Revenue	**$ 13,917**	$ 3,541
Cost of sales	**(12,730)**	(3,213)
Income from mine operations	**1,187**	328
Administration expenses	**(6,034)**	(6,119)
Evaluation and exploration expenses	**(1,651)**	(768)
Operating loss from continuing operations	**(6,498)**	(6,559)
Finance costs	**(163,009)**	(62)
Finance income	**575**	5
Loss before tax	**(168,932)**	(6,616)
Current income tax expense	**(10)**	-
Deferred income tax recovery	**671**	-
Loss from continuing operations	**(168,271)**	(6,616)
Loss from discontinued operations	**-**	(3,344)
Net loss and comprehensive loss attributable to equity holders of the Company	**$ (168,271)**	$ (9,960)
BASIC AND DILUTED LOSS PER SHARE FROM:		
Continuing operations	**(1.09)**	(0.05)
Discontinued operations	**-**	(0.03)
Continuing and discontinued operations	**(1.09)**	(0.08)
Weighted average number of basic and diluted shares outstanding ('000s)	**153,968**	133,263

Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
(Expressed in thousands of U.S. Dollars)

	As at	
	March 31, 2010	**December 31, 2009**
ASSETS		
Current assets		
Cash and cash equivalents	**$ 723,415**	$ 357,342
Trade and other receivables	**18,210**	12,328
Short term investments	**-**	14,999
Inventories	**18,297**	16,384
Prepaid expenses and deposits	**6,679**	8,119
Total current assets	**766,601**	409,172
Non-current assets		
Property, plant and equipment	**113,512**	82,705
Deferred listing costs	**-**	4,565
Deferred income tax assets	**7,618**	6,947
Long term investments	**86,384**	57,070
Other receivables	**238**	225
Total non-current assets	**207,752**	151,512
Total assets	**$ 974,353**	$ 560,684
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	**$ 13,279**	$ 12,669
Amounts due under line of credit facility	**3,010**	3,009
Current portion of convertible debenture	**13,030**	4,712
Total current liabilities	**29,319**	20,390
Non-current liabilities		
Convertible debenture	**347,460**	542,351
Asset retirement obligation	**940**	735
Total non-current liabilities	**348,400**	543,086
Total liabilities	**377,719**	563,476
Shareholders' equity/(deficiency)		
Common shares	**1,062,279**	296,419
Share option reserve	**24,137**	22,300
Accumulated deficit	**(489,782)**	(321,511)
Total shareholders' equity/(deficiency)	**596,634**	(2,792)
Total shareholders' equity and liabilities	**$ 974,353**	$ 560,684
Net current assets	**$ 737,282**	$ 388,782
Total assets less current liabilities	**$ 945,034**	$ 540,294

Operating Statistics

	Three months ended March 31,			
		2010		2009
Volumes, Prices and Costs				
Coal production *(millions of tonnes)*		**0.22**		0.16
Coal sales *(millions of tonnes)*		**0.43**		0.13
Average realized sales price *(per tonne)*	**$**	**35.52**	$	29.26
Total cash costs of product sold *(per tonne)*	**$**	**23.32**	$	18.51
Direct cash costs of product sold *(per tonne)*	**$**	**22.25**	$	14.29
Operating Statistics				
Total waste material moved *(millions of bank cubic metres)*		**1.50**		0.34
Strip ratio *(bank cubic metres of waste rock per tonne of clean coal produced)*		**6.79**		2.19

Disclosures of a scientific or technical nature in this release and the Company's MD&A in respect of each of SouthGobi's mineral resource properties were prepared by, or under the supervision of, Stephen Torr, P. Geo, a qualified person as defined in NI 43-101.

SouthGobi's results for the quarter ended March 31, 2010, are contained in the unaudited Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, available on the SEDAR website at www.sedar.com and SouthGobi Resources website at www.southgobi.com.

About SouthGobi Resources

SouthGobi Resources is focused on exploration and development of its Permian-age metallurgical and thermal coal deposits in Mongolia's South Gobi Region. The Company's flagship coal mine, Ovoot Tolgoi, is producing and selling coal to customers in China. The Company plans to supply a wide range of coal products to markets in Asia.

<u>Information contacts, SouthGobi Resources</u>

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Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to, Plans to grow the Ovoot Tolgoi mine, plans to improve infrastructure, plans to construct a coal handling/processing facility, Plans to supply a wide range of coal products to markets in Asia; and other statements that are not historical facts. When used in this document, the words such as "plan," "estimate," "expect," "intend," "may," and similar expressions are forward-looking statements. Although SouthGobi believes that the expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements are disclosed under the heading "Risk Factors" in SouthGobi's Management Discussion and Analysis of Financial Condition and Results of Operations for the year ended Dec. 31, 2009, and quarter ended March 31, 2010 which are available at www.sedar.com.