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SOUTHGOBI RESOURCES LTD.

南戈壁資源有限公司*

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

(Stock Code: 1878)

**SouthGobi Resources to construct a paved highway in
Southern Mongolia to accelerate delivery of coal from
Ovoot Tolgoi Coal Mine to Chinese buyers**

ULAANBAATAR, MONGOLIA – Alexander Molyneux, President and CEO of SouthGobi Resources Ltd. (TSX: SGQ, HK: 1878), announced today that the company has awarded a US\$48 million contract to build a paved highway.

Please see the attached announcement for more details.

By order of the Board
SouthGobi Resources Ltd.
Mr. Peter Graham Meredith
Chairman

Hong Kong, 25 October 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 and Mr. John Anthony Macken and the independent non-executive Directors are Mr. Pierre Bruno Lebel, Mr. Robert William Hanson, Mr. Andre Henry Deepwell, Mr. Gordon Lancaster, Mr. Raymond Edward Flood Jr. and Mr. Robert Stuart Angus.

* *For identification purposes only*



October 25, 2010

SouthGobi Resources to construct a paved highway in Southern Mongolia to accelerate delivery of coal from Ovoot Tolgoi Coal Mine to Chinese buyers

ULAANBAATAR, MONGOLIA – Alexander Molyneux, President and CEO of SouthGobi Resources Ltd. (TSX: SGQ, HK: 1878), announced today that the company has awarded a US\$48 million contract to build a paved highway dedicated to the delivery of export shipments from SouthGobi’s Ovoot Tolgoi coal mine to the Mongolia-China border crossing at Shivee Khuren-Ceke.

The contract was awarded to Leighton Asia, a division of Australia-based contracting giant Leighton Group, in a joint venture with Monnis International, a leading Mongolian resource, construction and transportation conglomerate.

Work will include the design and construction of the 45-kilometre highway linking the Ovoot Tolgoi coal mine with Ceke, a major coal terminal on the China side of the border with rail connections to key coal markets in China.

The new coal-hauling highway will be 17 metres wide and will consist of four fully-paved lanes with a one-metre central median in order to provide capacity well in excess of 20 million tonnes of coal per year. It will be constructed with a concession granted by the Government of Mongolia as per the country’s recently passed Concession Law. Upon completion, the road will accommodate heavy axle loads of fully loaded coal trucks and set new standards for haul road infrastructure in Mongolia.

“We are very pleased to work with Leighton Asia and Monnis International on this significant infrastructure project in southern Mongolia,” said Mr. Molyneux. “The new coal highway will improve safety for coal transporters, will greatly reduce the environmental impacts of the unpaved road – and will facilitate further aggressive growth of our mining business.”

The new highway is scheduled to be completed by the end of 2012.

ABOUT LEIGHTON ASIA

Leighton Asia is part of the Leighton Group, Australia’s largest project development and contracting group with annual revenues exceeding US\$16.5 billion.

ABOUT MONNIS INTERNATIONAL

Monnis International is a Mongolian company established in 1998 with interests in the fields of geology, mining, energy, construction, international freight forwarding, foreign trade, automotive service, communication, banking and air industry, with over 700 employees and eight subsidiaries.

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.

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Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to, scheduled completion of coal road, the ability of the coal road to handle in excess of 20 million tonnes per year, 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 June 30, 2010 which are available at www.sedar.com.