

*Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 ANNOUNCES THIRD 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 nine months ended September 30, 2010.

Please see the attached announcement for more details.

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

Hong Kong, 10 November 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



November 10, 2010

## **SOUTHGOBI RESOURCES ANNOUNCES THIRD 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 nine months ended September 30, 2010. All figures are in US dollars unless otherwise stated.

### **HIGHLIGHTS**

The Company’s highlights for the quarter ended September 30, 2010 and subsequent weeks:

- **Signed a special coal sales agreement for 1.2 million tonnes.**
- **Entered into a contract for \$48 million to design and construct a paved coal-haul highway.**
- **Third mining fleet commissioned ahead of schedule.**
- **Total sales for the three months ended September 30, 2010 were 194,000 tonnes and contracted sales for the month of October 2010 were 527,000 tonnes.**
- **Direct mining cash costs were \$18.59 per tonne, a reduction of 13% compared to the quarter ended June 30, 2010.**
- **Average realized selling price for the third quarter of 2010 was \$37 per tonne compared to \$28 per tonne for the third quarter of 2009.**
- **Strategic investment in Aspire Mining Limited.**

### **MINING FLEETS**

The Company continues to ramp up production at the Ovoot Tolgoi Mine. The Company’s second mining fleet, including the larger Liebherr 996 hydraulic shovel, four 218 tonne Terex haul trucks and various auxiliary equipment, was delivered throughout the fourth quarter of 2009 and early 2010 and was fully commissioned in June 2010. The Company’s third mining fleet, including a second Liebherr 996 hydraulic excavator and five additional 218 tonne Terex haul trucks, was originally expected to commence mining activities in January 2011 but was fully commissioned in October 2010. Additional fourth and fifth fleets of equipment have been ordered for delivery in 2011. Furthermore, in 2011 the Company intends to upgrade its first mining fleet by replacing the Liebherr 994 hydraulic shovel with a newer, more productive Liebherr R9250 hydraulic excavator that will work with the continued operation of the Terex TR100 (91 tonne capacity) truck fleet from the first fleet.

## **COAL SALES AGREEMENT**

On October 19, 2010, the Company announced it had signed a special agreement for the purchase of the Company's entire outstanding inventory of Sunset Pit No. 8/9/10 seam coal and a proportion of additional Sunset Pit No. 8/9/10 seam coal to be mined for the rest of the fourth quarter in the amount of 1,000,000 tonnes. The customer has also contracted to purchase an additional 200,000 tonnes of Sunset Pit No. 5 seam semi-soft coking coal. Both SouthGobi and its customers are engaged in continuing dialogue regarding potential longer-term contracts.

## **REGIONAL INFRASTRUCTURE**

On October 25, 2010, the Company announced it had awarded a \$48 million contract to design and construct a coal-haul highway. The 45 kilometre highway will link 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 consist of four fully-paved lanes and will provide capacity well in excess of 20 million tonnes of coal per year. The new highway is scheduled to be completed by the end of 2012. It will be constructed with a concession granted by the Mongolian Government as per the country's recently passed Concession Law.

## **INVESTMENT IN ASPIRE**

On October 26, 2010, the Company announced that it had entered into an agreement with Aspire Mining Limited to acquire 105,726,650 common shares of Aspire in a private placement at a price of A\$0.19 per share, for an aggregate of approximately A\$20.1 million. On completion of the private placement, the Company will hold approximately 19.9% of Aspire. Closing of the transaction is expected to be on or before January 31, 2011 and is subject to the approval of the Australian Stock Exchange and the Foreign Investment Review Board.

Aspire is a coal resource company which owns 100% of the Ovoot Coking Coal Project in Mongolia along with the Nurant and Shanagan Coal Projects. In addition, Aspire owns a 49% interest in the Windy Knob gold and base metals project located in Western Australia.

## **COMMON SHARE REPURCHASE PROGRAM**

On June 8, 2010, the Company announced that its Board of Directors authorized a share repurchase program to purchase up to 2.5 million common shares of the Company on each or either of the Toronto Stock Exchange and the Hong Kong Stock Exchange, in aggregate representing up to 5 million common shares of the Company. As of November 15, 2010, the Company had repurchased 140,250 shares on the Hong Kong Stock Exchange and 120,500 shares on the Toronto Stock Exchange for a total of 260,750 common shares at a total cost of approximately \$2.6 million. As of November 15, 2010, the Company has cancelled all shares repurchased.

## **REVIEW OF RESULTS – THREE MONTHS ENDED SEPTEMBER 30, 2010**

In the three months ended September 30, 2010, 0.57 million tonnes of raw coal was produced with a strip ratio of 5.09 compared to production of 0.62 million tonnes with a strip ratio of 2.79 in the three months ended June 30, 2010 and production of 0.36 million tonnes with a strip ratio of 2.98 in the three months ended September 30, 2009.

In the three months ended September 30, 2010, the Company shipped approximately 0.19 million tonnes of coal at an average realized selling price of approximately \$37 per tonne. This compares to 0.46 million tonnes of coal shipped in the three months ended September 30, 2009 at an average realized selling price of \$28 per tonne. The decreased sales volume in the third quarter of 2010 was due to the low availability of Sunset Pit No. 5 seam semi-soft coking coal in the short-term mine plan and the limited screening capacity for the Sunset Pit No. 8/9/10 seams higher ash higher sulphur coal.

The Company earned income from continuing operations of \$27.5 million for the three months ended September 30, 2010 compared to income of \$2.2 million in the same period of 2009. The income from continuing operations is impacted by the loss from mine operations, administration expenses, exploration expenses, finance income and finance costs, which are discussed below.

### **Loss from Mine Operations**

The Company's loss from mine operations is composed of revenue and cost of sales and relates solely to the Mongolian Coal Division. In the third quarter of 2010, the Company had a loss from mine operations of \$6.7 million. This compares to income from mine operations of \$4.4 million in the second quarter of 2010, and \$3.2 million in the third quarter of 2009.

Revenues decreased to \$6.6 million in the third quarter of 2010 from \$17.7 million in the second quarter of 2010 and from \$11.9 million in the third quarter of 2009. Revenues have decreased compared to the second quarter of 2010 due to both lower sales volumes and lower realized sales prices.

Cost of sales was \$13.3 million in the three months ended September 30, 2010, compared to \$8.6 million for the three months ended September 30, 2009. Cost of sales is comprised of three main components, direct cash costs of products sold, mine administration costs and non-cash items. Non-cash items include depreciation, depletion of stripping costs, impairments and share-based compensation. Cost of sales will vary depending on sales volume, production and unit costs which directly affects income from mine operations.

Non-cash costs in the third quarter of 2010 included an inventory impairment of \$5.2 million on the Company's raw higher ash coal stockpiles. In addition, the Company recorded a \$1.8 million impairment on the Liebherr 994 hydraulic shovel and related maintenance inventory as the Company has made arrangements for the Liebherr 994 shovel to be replaced by the more productive Liebherr R9250 hydraulic excavator in 2011.

Direct cash costs of product sold were \$18.59 per tonne in the three months ended September 30, 2010 compared to \$11.16 per tonne for the same period in 2009. The increase in direct cash costs primarily reflects the increased strip ratio of 5.09 compared to a strip ratio of 2.98 for the same period in 2009. The increase in direct costs was also impacted by the prices of diesel fuel, approximately 24% of the Company's direct cash cost, which were 16% higher in the three months ended September 30, 2010 compared to the three months ended September 30, 2009.

### **Administration Expenses**

Administration expenses for the three months ended September 30, 2010 were \$8.0 million compared to \$6.1 million for the three months ended September 30, 2009. The increase in Administration expenses is impacted by the items discussed below.

Corporate administration costs were \$2.2 million for the three months ended September 30, 2010 as compared to \$0.7 million for the same period in 2009. This increase relates to additional costs incurred as the Company continues to expand its management team which has resulted in higher travel and administration support costs. Salaries and benefits for the three months ended September 30, 2010 were \$4.1 million compared to \$2.9 million for the same period in 2009. Salaries and benefits for the three months ended September 30, 2010, include approximately \$3.1 million of share-based compensation compared to approximately \$2.2 million for the three months ended September 30, 2009. Public infrastructure costs were \$1.3 million for the three months ended September 30, 2010 as compared to \$nil for the same period in 2009. These costs relate to the maintenance and upgrading of public infrastructure used to transport coal from the Ovoot Tolgoi mine to the Chinese border.

### **Exploration Expenses**

Exploration expenses for the three months ended September 30, 2010, were \$6.3 million as compared to \$2.2 million for the same period in 2009. Increased exploration expenses in 2010 relate to a more active exploration program in 2010 including substantially more drilling. The Company's 2010 drilling program for the Soumber Deposit is complete, though results from coal laboratory analysis are still pending. The 2010 exploration expenditures also included continued exploration on greenfield targets in Mongolia.

### **Finance Income & Finance Costs**

The Company earned finance income for the three months ended September 30, 2010 of \$50.4 million compared to \$72.9 million in the second quarter of 2010. The finance income in the third quarter of 2010 relates primarily to the \$49.8 million gain on the fair value change of embedded derivatives in the CIC convertible debenture. The Company incurred finance costs for the three months ended September 30, 2010 of \$3.3 million compared to \$9.6 million for the three months ended June 30, 2010.

The large fluctuations in finance income and finance costs in 2010 are due primarily to fluctuations in the Company's share price which impact the carrying value of the CIC convertible debenture.

## **REVIEW OF RESULTS – NINE MONTHS ENDED SEPTEMBER 30, 2010**

In the nine months ended September 30, 2010, 1.41 million tonnes of raw coal was produced with a strip ratio of 4.35 compared to production of 0.51 million tonnes with a strip ratio of 2.74 in the nine months ended September 30, 2009. The Company's initiative to realign the open-pit at Ovoot Tolgoi Mine announced in December 2009 is reflected in the higher strip ratio.

In the nine month period ended September 30, 2010, the Company shipped approximately 1.07 million tonnes at an average realized selling price of approximately \$39 per tonne compared to 0.97 million tonnes at an average realized selling price of approximately \$29 per tonne in the nine month period ended September 30, 2009. The average realized selling price has increased due to increased prices of individual contracts in 2010.

The Company incurred a loss from continuing operations of \$87.5 million for the nine months ended September 30, 2010 compared to a loss of \$9.5 million in the same period of 2009. The loss from continuing operations is impacted by the loss from mine operations, administration expenses, exploration expenses, finance income and finance costs, which are discussed below.

### **Loss from Mine Operations**

The Company incurred a loss from mine operations of \$1.1 million for the nine months ended September 30, 2010 compared to income from mine operations of \$5.1 million in the same period of 2009. The Company's loss from mine operations is composed of revenue and cost of sales.

Revenues for the nine months ended September 30, 2010 was \$38.2 million compared to \$26.1 million for the same period in 2009. Revenues have increased due to both higher sales volumes and higher realized sales prices.

Cost of sales was \$39.3 million in the nine months ended September 30, 2010 compared to \$21.0 million for the same period in 2009. Cost of sales includes the direct cash cost of products sold, mine administration costs, equipment depreciation, depletion of stripping costs, impairment of inventory and fixed assets and share-based compensation. The increase in cost of sales for the nine months ended September 30, 2010 is due to the higher sales volumes, higher unit costs and the impairment of the raw higher ash coal stockpiles and the Liebherr 994 shovel and related maintenance inventory. The impairment included in cost of sales for the third quarter of 2010 was \$7.0 million.

Direct cash costs of product sold were \$21.22 per tonne for the nine months ended September 30, 2010 compared to \$13.75 per tonne for the same period in 2009. The increase in direct cash costs is due primarily to the realignment of the open-pit which began in December 2009 and the fleet issues in 2010.

## **Administration Expenses**

Administration expenses for the nine months ended September 30, 2010 were \$22.4 million compared to \$16.8 million for the nine months ended September 30, 2009. The increase in Administration expenses is impacted by the items discussed below.

Corporate administration costs for the nine months ended September 30, 2010 were \$5.1 million compared to \$1.7 million for the same period 2009. The increase relates to additional administration costs as the Company continues to expand its employee base, higher filing and regulatory and filing fees, investor relations costs, travel costs and administration support costs. Salaries and benefits for the nine months ended September 30, 2010 were \$10.7 million compared to \$9.7 million for the same period in 2009. The increase in 2010 relates to additional staff employed by the Company. Salaries and benefits for the nine months ended September 30, 2010, include \$7.9 million of stock based compensation compared to \$8.1 million for the nine months ended September 30, 2009. Public infrastructure costs were \$3.4 million in the nine months ended September 30, 2010 compared to \$nil in the nine months ended September 30, 2009.

## **Exploration Expenses**

Exploration expenses for the nine months ended September 30, 2010 were \$14.6 million compared to \$4.7 million for the same period in 2009. Increased exploration expense in 2010 relates to a more active exploration program including substantially increased drilling at the Company's Soumber deposit and other greenfield targets.

## **Finance Income & Finance Costs**

The Company earned finance income for the nine months ended September 30, 2010 of \$122.5 million compared to \$6 thousand for the same period last year. The finance income in 2010 relates primarily to the \$120.6 million gain on the fair value change of embedded derivatives in the CIC convertible debenture. The Company incurred finance costs for the nine months ended September 30, 2010 of \$174.5 million compared to \$1.1 million for the same period last year. The finance costs in the nine months ended September 30, 2010 contain a \$151.4 million loss on partial conversion of the CIC convertible debenture, \$19.6 million in interest expense and \$3.5 million in mark to market losses on investments.



## **FINANCIAL POSITION AND LIQUIDITY**

The Company's total assets at September 30, 2010 were \$938.2 million compared with \$951.4 million at June 30, 2010. The decrease in total assets relates primarily to cash used in operating activities. At September 30, 2010 the Company had \$691.0 million in cash and cash equivalents and money market investments compared to \$744.4 million at June 30, 2010.

The Company's long term liabilities at September 30, 2010 were \$226.7 million compared with \$276.2 million at June 30, 2010. The decrease in long term liabilities relates to the decrease in the fair value of the CIC convertible debenture.

## **OUTLOOK**

It is difficult to reliably forecast commodity prices and customer demand for the Company's products; however the Company's sales and marketing efforts continue to provide positive results. There is informal evidence that suggests Mongolia will set a new record for coal shipments to China in 2010 and become a significant supplier of China's coal needs.

In the results for the quarter ended June 30, 2010 the Company highlighted two issues which had the potential to impact the second half of 2010. Firstly, that the near-term mine plan included proportionately less of the better quality raw semi-soft coking coal coming from the Sunset Pit No. 5 seam. Secondly, the Company is currently experiencing areas of higher sulphur than originally anticipated in mine plans and studies. The Company went further to indicate that some of the higher sulphur coal would potentially not be attractive to customers in its current form and may need to be stockpiled until appropriate processing is in place or blending opportunities arise.

The quarter ended September 30, 2010 was impacted by those issues while the Company worked on various projects to mitigate them. Some progress has subsequently been made and on October 19, 2010, the Company announced increased sales volume guidance for the second half of 2010 of approximately 1.5 million tonnes. The Company continues to expect to achieve or exceed this guidance. Physical coal shipments are running at record levels in terms of average daily customer truck movements. October contracted sales of 527,000 tonnes exceeded the previous monthly record of 232,000 tonnes set in June 2009. The Company now anticipates finishing 2010 with a substantial reduction in unsold coal in its inventory.

Pricing of individual products for the fourth quarter of 2010 remains broadly the same as for the third quarter of 2010. However, overall average selling price will likely be substantially reduced to reflect the fact that a large proportion of sales are of the higher ash coal that remained in the stockpile at the end of the third quarter 2010. The current selling price of the screened Sunset Pit No. 8/9/10 seams higher ash higher sulphur coal is approximately \$26 per tonne.



With the full commissioning of the third mining fleet in mid-October, capacity to move material in the fourth quarter will be much higher than for the third quarter of 2010. Average capacity for the months of November and December are expected to be 50% higher than for the average monthly capacity in the third quarter of 2010.

SouthGobi has undertaken a number of initiatives to further enhance the value of its operations. Disclosure regarding such initiatives is included in a detailed operating update being made at the same date as these results for the period ended September 30, 2010. The operating update provides analysis regarding the extent of the sulphur issue observed and disclosed in the second quarter 2010 results together with information regarding medium and longer term plans for coal processing and mining fleet development.

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;
- 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 and 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<br>September 30,<br>2010 |                 | 2009      |                 | Nine months ended<br>September 30,<br>2010 |                 | 2009      |                 |
|--|---|-----------------|-----------|-----------------|--|-----------------|-----------|-----------------|
| <b>CONTINUING OPERATIONS</b>   |   |                 |           |                 |  |                 |           |                 |
| Revenue  | \$  | 6,597           | \$        | 11,871          | \$   | 38,182          | \$        | 26,078          |
| Cost of sales  |   | (13,271)        |           | (8,637)         |  | (39,269)        |           | (20,989)        |
| <b>Income/(loss) from mine operations</b>  |   | <b>(6,674)</b>  |           | 3,234           |  | <b>(1,087)</b>  |           | 5,089           |
| Administration expenses  |   | (7,981)         |           | (6,115)         |  | (22,351)        |           | (16,802)        |
| Evaluation and exploration expenses  |   | (6,314)         |           | (2,150)         |  | (14,625)        |           | (4,660)         |
| <b>Operating loss from continuing operations</b>   |   | <b>(20,969)</b> |           | (5,031)         |  | <b>(38,063)</b> |           | (16,373)        |
| Finance costs  |   | (3,277)         |           | (643)           |  | (174,501)       |           | (1,061)         |
| Finance income   |   | 50,399          |           | 1               |  | 122,484         |           | 6               |
| <b>Income/(loss) before tax</b>  |   | <b>26,153</b>   |           | (5,673)         |  | <b>(90,080)</b> |           | (17,428)        |
| Current income tax expense   |   | (670)           |           | (712)           |  | (1,048)         |           | (712)           |
| Deferred income tax recovery   |   | 2,012           |           | 8,609           |  | 3,655           |           | 8,609           |
| <b>Income/(loss) from continuing operations</b>  |   | <b>27,495</b>   |           | 2,224           |  | <b>(87,473)</b> |           | (9,531)         |
| Loss from discontinued operations  |   | —               |           | (26,006)        |  | —               |           | (32,122)        |
| <b>Net income/(loss) and comprehensive<br/>income/(loss) attributable to<br/>equity holders of the Company</b> | <b>\$</b>                                   | <b>27,495</b>   | <b>\$</b> | <b>(23,782)</b> | <b>\$</b>                                  | <b>(87,473)</b> | <b>\$</b> | <b>(41,653)</b> |
| <b>BASIC INCOME/(LOSS)</b>   |   |                 |           |                 |  |                 |           |                 |
| <b>PER SHARE FROM:</b>   |   |                 |           |                 |  |                 |           |                 |
| Continuing operations  | \$  | 0.15            | \$        | 0.02            | \$   | (0.50)          | \$        | (0.07)          |
| Discontinued operations  |   | —               |           | (0.19)          |  | —               |           | (0.24)          |
| Continuing and discontinued operations   | <b>\$</b>                                   | <b>0.15</b>     | <b>\$</b> | <b>(0.17)</b>   | <b>\$</b>                                  | <b>(0.50)</b>   | <b>\$</b> | <b>(0.31)</b>   |
| <b>DILUTED INCOME/(LOSS)</b>   |   |                 |           |                 |  |                 |           |                 |
| <b>PER SHARE FROM:</b>   |   |                 |           |                 |  |                 |           |                 |
| Continuing operations  | \$  | 0.15            | \$        | 0.02            | \$   | (0.50)          | \$        | (0.07)          |
| Discontinued operations  |   | —               |           | (0.19)          |  | —               |           | (0.24)          |
| Continuing and discontinued operations   | <b>\$</b>                                   | <b>0.15</b>     | <b>\$</b> | <b>(0.17)</b>   | <b>\$</b>                                  | <b>(0.50)</b>   | <b>\$</b> | <b>(0.31)</b>   |

# Condensed Consolidated Interim Statement of Financial Position

(Unaudited)

(Expressed in thousands of U.S. Dollars)

|   | As at                 |                      |
|---|-----------------------|----------------------|
|   | September 30,<br>2010 | December 31,<br>2009 |
| <b>ASSETS</b>                                     |                       |                      |
| <b>Current assets</b>                             |                       |                      |
| Cash and cash equivalents                         | \$ 613,475            | \$ 357,342           |
| Trade and other receivables                       | 20,603                | 12,328               |
| Short term investments                            | 7,505                 | 14,999               |
| Inventories                                       | 33,392                | 16,384               |
| Prepaid expenses and deposits                     | 13,111                | 8,119                |
| <b>Total current assets</b>                       | <b>688,086</b>        | <b>409,172</b>       |
| <b>Non-current assets</b>                         |                       |                      |
| Property, plant and equipment                     | 163,189               | 82,705               |
| Deferred listing costs                            | –                     | 4,565                |
| Deferred income tax assets                        | 10,602                | 6,947                |
| Long term investments                             | 76,059                | 57,070               |
| Other receivables                                 | 238                   | 225                  |
| <b>Total non-current assets</b>                   | <b>250,088</b>        | <b>151,512</b>       |
| <b>Total assets</b>                               | <b>\$ 938,174</b>     | <b>\$ 560,684</b>    |
| <b>EQUITY AND LIABILITIES</b>                     |                       |                      |
| <b>Current liabilities</b>                        |                       |                      |
| Trade and other payables                          | \$ 16,400             | \$ 12,669            |
| Amounts due under line of credit facility         | 2,406                 | 3,009                |
| Current portion of convertible debenture          | 9,337                 | 4,712                |
| <b>Total current liabilities</b>                  | <b>28,143</b>         | <b>20,390</b>        |
| <b>Non-current liabilities</b>                    |                       |                      |
| Convertible debenture                             | 225,485               | 542,351              |
| Asset retirement obligation                       | 1,228                 | 735                  |
| <b>Total non-current liabilities</b>              | <b>226,713</b>        | <b>543,086</b>       |
| <b>Total liabilities</b>                          | <b>254,856</b>        | <b>563,476</b>       |
| <b>Shareholders' equity/(deficiency)</b>          |                       |                      |
| Common shares                                     | 1,064,316             | 296,419              |
| Share option reserve                              | 29,046                | 22,300               |
| Accumulated deficit                               | (410,044)             | (321,511)            |
| <b>Total shareholders' equity/(deficiency)</b>    | <b>683,318</b>        | <b>(2,792)</b>       |
| <b>Total shareholders' equity and liabilities</b> | <b>\$ 938,174</b>     | <b>\$ 560,684</b>    |
| <b>Net current assets</b>                         | <b>\$ 659,943</b>     | <b>\$ 388,782</b>    |
| <b>Total assets less current liabilities</b>      | <b>\$ 910,031</b>     | <b>\$ 540,294</b>    |

## OPERATING STATISTICS

|  | Three months ended<br>September 30,<br>2010 |              | 2009 | Nine months ended<br>September 30,<br>2010 |             | 2009         |    |       |
|--|---|--------------|------|--|-------------|--------------|----|-------|
| <b>Volumes, Prices and Costs</b>                       |   |              |      |  |             |              |    |       |
| Raw coal production ( <i>millions of tonnes</i> )      |   | <b>0.57</b>  | 0.36 |  | <b>1.41</b> | 0.51         |    |       |
| coal sales ( <i>millions of tonnes</i> )               |   | <b>0.19</b>  | 0.46 |  | <b>1.07</b> | 0.97         |    |       |
| Average realized sales price ( <i>per tonne</i> )      | \$  | <b>37.14</b> | \$   | 27.82                                      | \$          | <b>38.80</b> | \$ | 28.76 |
| Total cash costs of product sold ( <i>per tonne</i> )  | \$  | <b>22.04</b> | \$   | 13.41                                      | \$          | <b>22.66</b> | \$ | 15.96 |
| Direct cash costs of product sold ( <i>per tonne</i> ) | \$  | <b>18.59</b> | \$   | 11.16                                      | \$          | <b>21.22</b> | \$ | 13.75 |

### Operating Statistics

#### Sunset

|   |             |      |             |      |
|---|-------------|------|-------------|------|
| Total waste material moved<br>( <i>millions of bank cubic metres</i> )                | <b>2.90</b> | 1.06 | <b>6.12</b> | 1.41 |
| Strip ratio ( <i>bank cubic metres of waste<br/>rock per tonne of coal produced</i> ) | <b>5.09</b> | 2.98 | <b>4.35</b> | 2.74 |

#### Sunrise

|  |             |   |             |   |
|--|-------------|---|-------------|---|
| Total waste material moved<br>( <i>millions of bank cubic metres</i> ) | <b>0.43</b> | — | <b>0.46</b> | — |
|--|-------------|---|-------------|---|

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.

## REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the Company for the three and nine months ended September 30, 2010, were reviewed by the Audit Committee of the Company.

SouthGobi's results for the quarter ended September 30, 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](http://www.sedar.com) and SouthGobi Resources website at [www.southgobi.com](http://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.

## **Information contacts, SouthGobi Resources**

Layton Croft, Vice President External Affairs and Corporate Citizenship (Hong Kong) +852 2156 7023  
Steven Feldman, Investor Relations Manager (Vancouver) +1 604 331 9813

Website: [www.southgobi.com](http://www.southgobi.com)

Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to, 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 September 30, 2010 which are available at [www.sedar.com](http://www.sedar.com)