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 **SouthGobi
Resources**
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 announces agreement to sell its thermal coal
Tsagaan Tolgoi Deposit for US\$30 million**

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) announced today that it has signed an agreement to sell its thermal coal Tsagaan Tolgoi Deposit in Mongolia for US\$30 million.

Please see the attached announcement for more details.

By order of the Board
SouthGobi Resources Ltd.

Mr. Peter Graham Meredith
Chairman

Hong Kong, 5 March 2012

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*



March 5, 2012

SouthGobi announces agreement to sell its thermal coal Tsagaan Tolgoi Deposit for US\$30 million

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) announced today an agreement to sell its thermal coal property, the Tsagaan Tolgoi Deposit to Modun Resources Limited (**ASX: MOU**) (“Modun”).

SouthGobi intends to facilitate the sale of Tsagaan Tolgoi through the transfer of a wholly-owned subsidiary holding one mining license (15041A) and one exploration license (7262X) pertaining to that deposit.

Under the transaction, SouthGobi expects to receive US\$30 million of total consideration, comprising US\$7.5 million up-front in cash, US\$12.5 million up-front in Modun shares and deferred consideration of an additional US\$10.0 million also payable in Modun shares. As a result, SouthGobi will have a significant shareholding in Modun and it will have the right to nominate one director to the board of Modun subject to SouthGobi holding an equity interest in excess of 14.9%. The transaction is subject to certain terms and conditions and is expected to be completed by June 1, 2012.

SouthGobi believes this transaction is positive for three key reasons:

- (i) Tsagaan Tolgoi Deposit has become non-core due to the location being approximately 400 kilometres to the east of the Company’s core coking coal resources;
- (ii) Modun has agreed to accelerate the development of Tsagaan Tolgoi into a mining operation, which will create employment and further the development of Mongolia; and
- (iii) SouthGobi will, through its significant shareholding in Modun, continue to have exposure to Tsagaan Tolgoi and will also gain exposure to Modun’s other attractive projects in Mongolia.

“This sale will allow SouthGobi to focus on further developing our Ovoot Khural basin holdings, including our flagship Ovoot Tolgoi Complex and the nearby Soumber Deposit, while retaining an indirect exposure to Tsagaan Tolgoi through our shareholding in Modun,” said Alexander Molyneux, President and CEO. “We also believe that Modun is well placed to be able to bring Tsagaan Tolgoi into production in a timely manner.”

Macquarie Capital (Hong Kong) Limited acted as SouthGobi's financial adviser on the transaction.

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.

About Modun Resources

ASX-listed Modun Resources is developing the 100%-owned Nuurst Project in central Mongolia. Nuurst is a thermal coal project, which encompasses a 34.5 square kilometre licence area. In late 2011, Modun Resources announced a maiden 489 million tonnes JORC compliant resource at Nuurst (417 million tonnes of Indicated resources and 72 million tonnes of Inferred resources). The Nuurst Project is located 120 kilometres south of Mongolia's capital Ulaanbaatar and six kilometres from existing rail infrastructures.

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Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to, intends to facilitate the sale of Tsagaan Tolgoi through the transfer of a wholly owned subsidiary, expects to receive US\$30 million of total consideration, expected to be completed by June 1, 2012, we believe Modun will be able to bring Tsagaan Tolgoi into production in a timely manner, 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," "likely" 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 December 31, 2010 and quarter ended September 30, 2011 which is available at www.sedar.com.