

**TECHNICAL REPORT
COAL GEOLOGY AND
RESOURCES
TSAGAAN TOLGOI
PROPERTY
OMNOGOBI AIMAG, MONGOLIA**

Submitted to:
SouthGobi Energy Resources Ltd.

March 25, 2008

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October 21, 2009

File No. 4349

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Subject: Cover Letter to Tsagaan Tolgoi Technical Report Stating Resources

Dear Sirs:

This report summarizes the Norwest Corporation's (Norwest) findings of a study to determine coal resources at SouthGobi Energy Resource's (SGER) Tsagaan Tolgoi deposit, located in the Omnogovi Aimag (South Gobi province) of Mongolia. Norwest notes that this report has been used as the basis of disclosure to the Toronto Stock Exchange (TSX) and the Securities Commissions of various Canadian provinces. In addition, Norwest understands this report will be used as part of SGER's efforts to place an Initial Public Offering (IPO) with the Hong Kong Exchange (HKEx).

The Technical Report "*Coal Geology and Resources, Tsagaan Tolgoi Property, Omnogobi Aimag, Mongolia*" dated March 25, 2008, is a summary of Norwest's estimates of coal resources at the Tsagaan Tolgoi deposit. Except for the receipt of a mining licence, it represents the current status of the Tsagaan Tolgoi Deposit given that there have been no material advancements to the project since the date of this report. In conducting this work, Norwest has relied upon information gathered through various exploration programs in 2006 and 2008, in which Norwest was directly involved. Norwest has also relied upon its prior experience with similar studies on coal resources within Mongolia. In addition, a Norwest Qualified Person (QP) has made a personal, current, inspection of the project site and has gathered relevant data. Finally, SGER has provided data used in the estimate of resources.

This Technical Report was prepared in accordance with Canada's National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, and meeting the criteria set forth in Form 43-101(F1).

Yours sincerely,

NORWEST CORPORATION

Alister Horn
Project Manager

Enclosures: None

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3 SUMMARY

Ivanhoe Mines Ltd. (Ivanhoe) and its wholly owned subsidiary, Ivanhoe Mines Mongolia, Inc. (IMMI) began exploration activities at Tsagaan Tolgoi in 2004. Norwest Corporation (Norwest) was commissioned to plan, manage and provide technical supervision to the project commencing in December, 2003. Field exploration activities commenced in May, 2004, and completed 46 exploration boreholes during that summer.

Ownership of the Tsagaan Tolgoi property was transferred to Southgobi sands LLC (Southgobi sands), a wholly owned subsidiary of Ivanhoe, during 2007. Subsequent to the transfer, Ivanhoe had sold its coal division to SouthGobi Energy Resources Ltd. (SGER, formerly Asia Gold Corp), including the Southgobi sands subsidiary.

Norwest designed and managed the continuation of exploration activities in 2006 under the direction of Ivanhoe. This program saw the completion of an additional 65 exploration boreholes, a hydrologic characterization program, and a geotechnical characterization program. The level of knowledge available for SGER-controlled Tsagaan Tolgoi resource area is now sufficient for the estimation of the resource values presented in this report.

The current report is inclusive of exploration activities through the end of 2006. Norwest has previously provided a Technical Report on this property in accordance with National Instrument 43-101. The July 28, 2006, Technical Report described the 2004 exploration efforts and the geology of the Tsagaan Tolgoi deposit. As there was insufficient geologic data at that time, no resource estimate was made or reported.

The Tsagaan Tolgoi coal deposit is located in the Omnogobi Aimag (South Gobi Province) of Mongolia. The deposit is within the administrative unit of Nomgon Soum, 113 km southeast of the provincial capital of Dalanzadgad and 570 km south of the nation's capital Ulaanbaatar (Figure 4.1). It is anticipated that coal production from the Tsagaan Tolgoi deposit could provide fuel for power requirements of the nearby proposed Oyu Tolgoi copper/gold project currently being developed.

The coals at Tsagaan Tolgoi are thought to be Permo-Carboniferous in age and are in a similar setting to the Upper Permian coals found at Tavan Tolgoi. Eight coal seams and series have been identified at Tsagaan Tolgoi (Figure 9.1). The coals encountered through exploration have been found to be of sufficient thickness and continuity to be modeled and considered as part of a potential resource.

The coal seams at Tsagaan Tolgoi display rapid fluctuations in seam thickness and in the number and size of in-seam rock partings. This is likely due to the tectonic nature of the basin, which likely resulted in periods of rapid fluctuations in sediment supply and water depth within the basin.

The purpose of both the 2004 and 2006 exploration programs were to identify sufficient resources (approximately 25Mt) to support power generation for the Oyu Tolgoi copper/gold project. Estimated resources for this area are as shown in Table 3.1. The resources identified through the current exploration program have been determined to be suitable for surface mining to a maximum depth of 150m.

Resource Area	ASTM Coal Rank	Resources at Tsagaan Tolgoi (150m Depth)		
		Measured (million tonnes)	Indicated (million tonnes)	Inferred (million tonnes)
Tsagaan Tolgoi	hvBb and hvCb	23.4	13.0	9.0
Total		36.4		9.0

Norwest has estimated resources using a geologic model developed with MineSight® software from Mintec Inc. Volumes were converted to tonnages by the application of representative density values. This coal is of high volatile bituminous B to C in rank based on ASTM D 388, and is suitable for use as a thermal coal.

In accordance with National Instrument 43-101, Norwest has used the referenced document, the Canadian Institute of Mining, Metallurgy and Petroleum's CIM "Definition Standards on Mineral Resources and Reserves" adopted by CIM Council and last modified on December 11, 2005 and referenced the Geological Survey of Canada Paper 88-21 "A Standardized Coal Resource/Reserve Reporting System for Canada" (GSC Paper 88-21) during the classification, estimation and reporting of coal resources for the Tsagaan Tolgoi Property.

The accuracy of resource estimates is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data available at the time this report was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that additional data and analysis available subsequent to the date of the estimates may necessitate revision. These revisions may be material. There is no guarantee that all or any part of the estimated coal resources will be recoverable.

4 INTRODUCTION AND TERMS OF REFERENCE

Norwest has prepared this Technical Report at the request of SouthGobi Energy Resources Ltd. Previous work by Norwest at Tsagaan Tolgoi was done at the request of Ivanhoe Mines Ltd. The coal division of Ivanhoe and the exploration licenses at Tsagaan Tolgoi were sold to SouthGobi Energy Resources Ltd (formerly Asia Gold Corp) in May, 2007. Southgobi sands LLC (Southgobi sands), an indirect wholly owned subsidiary of SouthGobi Energy Resources Ltd. (SGER), is a Mongolian-registered company created to be the operating company which holds the licenses and permits. Unless otherwise specified and except in cases where relevant, the term 'SGER' will be used in this report to denote any company owned by SouthGobi Energy Resources Ltd, that controls exploration and mining leases concerning the Tsagaan Tolgoi project.

This Technical Report has been prepared in accordance with National Instrument 43-101. This Technical Report utilizes data collected at Tsagaan Tolgoi by Norwest as well as SGER and Ivanhoe Mines Mongolia, Inc. (IMMI). Minor additional data has been gathered from previous Soviet-Mongolian government studies at Tsagaan Tolgoi.

The Tsagaan Tolgoi coal deposit is located in Omnogobi Aimag (South Gobi Province) of Mongolia and covers an area of about 10 km². The property is located 114.5 km west of Oyu Tolgoi, 90 km south of the Tavan Tolgoi mines, 113 km southeast of the provincial capital of Dalanzadgad, and 570 km south of the nation's capital Ulaanbaatar (Figure 4.1).

The Tsagaan Tolgoi coal deposit is contained within two SGER-controlled Exploration Licenses that cover approximately 88 km² (Figure 4.2).

The 2006 exploration program at Tsagaan Tolgoi was designed to bring the level of knowledge for the identified resource areas on SGER holdings to that required for mine planning. In addition to resource definition drilling, the program included investigation of hydrologic conditions, geotechnical engineering rock properties, and coal quality analyses.

Norwest has provided on-site management during the 2004 exploration and technical assistance throughout the 2004 and 2006 exploration programs. The Qualified Person (QP) responsible for this report has personally inspected the Tsagaan Tolgoi property several times between December 2003 and July 2004 and was on-site for over 60 days during the 2004 exploration program between April and July 2004. The QP has been involved in the design and implementation of all described exploration activities, the processing and interpretation of data and in the preparation of this report. The QP also served as the Norwest project manager during the 2006 exploration efforts.

The accuracy of resource estimates is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data available at the time this report was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that additional data and analysis available subsequent to the date of the estimates may necessitate revision. These revisions may be material. There is no guarantee that all or any part of the estimated coal resources will be recoverable.

5 RELIANCE ON OTHER EXPERTS

Norwest has prepared this report specifically for SGER. The findings and conclusions are based on information developed by IMMI, SGER and Norwest from data collected through exploration programs conducted in 2004 and 2006.

Guidance, on-site management and data validation was provided by Norwest. The author of this report has not relied on other experts in the preparation of this report. The author has relied on SGER for verification that the exploration leases are in fact held by SGER and are current in all respects. In addition, the author has relied on other professionals, such as certified laboratories for coal analyses, geophysical logging companies for providing down hole geophysics and experts providing borehole and topographic surveys.

6 PROPERTY DESCRIPTION AND LOCATION

The Tsagaan Tolgoi coal deposit is located in the south-central area of Omnogobi Aimag (South Gobi Province) of Mongolia at latitude 42°53' N and longitude 105°27' E. The property is located 114.5 km west of Oyu Tolgoi, 113 km southeast of the provincial capital of Dalanzadgad and 570 km south of Ulaanbaatar.

Coal is found in a sedimentary basin of approximately 4 by 20 km in size. Coal showings have been found along the margins of the greater basin. The most promising seams have been found on the southwest flank of the basin. The resource area of interest covers an area of approximately 2.5 km² on the southwest flank of the basin.

No mining activities are known to occur at Tsagaan Tolgoi. The property is undeveloped and as such does not have any liabilities related to previous mining activities. Reclamation of exploration activities is complete and has been performed in accordance with the requirements set forth in the exploration licenses.

The SGER property is controlled through two contiguous exploration licenses that cover an area of 8,820 ha. The exploration tenements are listed in Table 6.1 and shown in Figure 4.2. License 5029X was originally granted to L. Ariuntsetseg by the Mongolian government in 2002. The license was transferred to IMMI on 20 January, 2005, and is now controlled by SGER. The location of the Tsagaan Tolgoi coalfield relative to the exploration leases is shown on Figure 4.2. Norwest is not aware of the location of property boundaries in the field or if a legal survey has been conducted on the property.

Exploration licenses are granted by the Mongolian government for a period of three years with the right to extend the period twice for three additional years each. Following a successful exploration program, an exploration license holder can apply for a mining lease to any portion of the exploration license. A mining lease is granted for a period of 30 years, with the right to extend the period twice for 20 additional years with each extension. Under the Mineral Laws of Mongolia (Article 21) an exploration license holder has various rights to access the license area through public or private property (with approvals), to conduct exploration and construct temporary structures, to extend the license term twice for a period of three years each, and to obtain a mining lease for any part of the exploration license area. The terms of the two licenses shown on Table 6.1 have both been extended and are currently valid until October, 2010 and September, 2009 for licenses 5029X and 6360X, respectively.

Exploration licenses were initially granted in October, 2002 and September, 2003, for licenses 5029X and 6360X respectively. Pursuant to the revised Mineral Laws of Mongolia current at the time of this report, (official translation 30/10/2006), in years 4 through 6 exploration license fees of \$1/ha shall be payable on exploration license 6360X. In addition, the license holder is obliged to incur reconnaissance and exploration expenses of no less than \$1/ha on each exploration license. The renewal fees and minimum exploration requirements increase from \$1/ha/yr to \$1.50/ha/year beginning in year seven of the license as with license 5029X. Exploration license holders are also subject to various environmental protection obligations. Within 30 days of receipt of a license, the holder must prepare an environmental protection plan. Once approved, the holder of an exploration license shall deposit funds equal to 50% of its environmental protection budget for that particular year in a bank account established by the governing authority of that district. Norwest is not aware of any license fees or expenses to which any company (other than the current license holder, Southgobi sands) might be subject. In addition, Norwest is not aware of any environmental liabilities to which the Tsagaan Tolgoi project would be subject, arising from the exploration licenses.

Any coal extracted and sold during exploration is subject to a royalty rate of 2.5% and 5% of the sales value for domestic and international sales, respectively.

License Number	Licensee	Inception Date	Expiry Date	License Coordinates			Area (ha)	Mineral Interest
				Corner	Easting	Northing		
5029X	Southgobi sands, LLC	23-Oct-02	23-Oct-10	1	105°27'00"	42°53'40"	3760	100%
				2	105°33'00"	42°53'40"		
				3	105°33'00"	42°53'25"		
				4	105°34'00"	42°53'25"		
				5	105°34'00"	42°51'30"		
				6	105°27'00"	42°51'30"		
6360X	Southgobi sands, LLC	30-Sep-03	30-Sep-09	1	105°15'00"	42°53'40"	5042	100%
				2	105°27'00"	42°53'40"		
				3	105°27'00"	42°52'00"		
				4	105°15'00"	42°52'00"		

7 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The Tsagaan Tolgoi coal field is located in south-central Mongolia, within Omnogobi Aimag (South Gobi) province. The property is approximately 570 km south of Ulaanbaatar and 113 km southeast of the provincial capital of Dalanzadgad (Figure 7.1).

Access to the property is by unimproved roads or cross-country trails. Routes exist from Oyu Tolgoi and Dalanzadgad that can be travelled in four-wheel drive vehicles and are suitable for some larger trucks and equipment. The low-lying terrain is suitable for helicopter landing. The nearest in-country rail line is the Trans-Mongolia Railway that runs northwest to southeast and connects Ulaanbaatar to Beijing. The nearest point on this line is approximately 400 km to the east at the Chinese border. A border crossing exists at Gants Mod 130 km to the southeast, which is being used to move coal from Tavan Tolgoi into China as well as move materials from China to Oyu Tolgoi. The location of the Tsagaan Tolgoi coal field in relation to regional infrastructure (road, rail, etc) is illustrated on Figure 7.1.

Tsagaan Tolgoi lies 90 km south of the mines at Tavan Tolgoi and approximately 100 km north of the Chinese border. The Omnogobi Aimag is one of the least populated areas of Mongolia and the population level is negligible in the Tsagaan Tolgoi area, primarily concentrated in the small village and administrative center of Nomgon Soum, 27 km to the west-southwest. The property is approximately 200km south of the nearest extent of the Mongolian power grid and 100km from the local power station supplying Dalanzadgad city. The regional soums are typically powered by small diesel generators. Power supply for full-scale mining operations will likely come from power generation projects proposed for the Tavan Tolgoi coalfield or from the Oyu Tolgoi project.

The terrain of the project area consists of a gently south-sloping pediment surface with elevations of 1,460 m to 1,530 m above sea level. The desert vegetation is sparse throughout the area, where low scrub and grass patches are predominant. The mean daily high temperature is near 5°C. Temperatures range from lows of -38°C in winter to highs of 36°C in summer. Average annual precipitation is approximately 150 mm, occurring primarily during the period of June to September. Though the property is accessible throughout the year, exploration and fieldwork are usually accomplished between the months of March and November due to cold weather and lack of permanent infrastructure. Mining activities could theoretically be conducted year-round.

The physiography of the resource area does not impose any significant impediments to the development of mining activities at the site. Adequate groundwater resources to support mine development have been located in the alluvial basin immediately south of the resource area. There is sufficient area for the storage of mine waste and the location of mine infrastructure without neutralizing any of the coal resource.

Very limited infrastructure exists at Tsagaan Tolgoi and will need to be developed prior to mining operations. Personnel trained in mining operations are currently limited in Mongolia. Creation of infrastructure in the South Gobi Province will likely be in conjunction with the development of other mining projects at Oyu Tolgoi and Tavan Tolgoi.

8 HISTORY

The first geological reconnaissance work was conducted in 1982 by P. Khosbayar, who mapped the area and compiled the first 1:50,000 scale geological map of the Tsagaan Tolgoi coal deposit. During 1986, the first four boreholes were drilled by the State Central Expedition Crew to define coal quality of the deposit.

On October 23, 2002, the Mongolian government issued coal exploration license 5029X to Mongolian citizen L. Ariuntsteg. On January 20, 2005, the license was transferred to Ivanhoe Mines Mongolia, Inc (IMMI). Southgobi sands now controls 100% of the 5029X exploration license.

On September 30, 2003, exploration license 6360X was granted initially to Ivanhoe Mines Mongolia, Inc. Ownership of the exploration license was transferred to Southgobi sands on February 22, 2007, who currently controls 100%.

Norwest completed a geological exploration program during the summer of 2004 on behalf of IMMI, including trenching and the completion of 46 drill holes. The program confirmed the quantity and suitability of Tsagaan Tolgoi coal resources for power generation related to development at Oyu Tolgoi. Norwest presented the results of this program in 2006 (Technical Report, Tsagaan Tolgoi Property, Omnogobi Aimag, Nomgon Soum, Mongolia, July 28, 2006) and used the data to create a detailed exploration plan.

Norwest completed a second exploration program during the summer of 2006 at the direction of Ivanhoe with an additional 68 drill holes. The resource estimates developed from the 2006 exploration are presented in this report.

The closest active coal mines are Tavan Tolgoi 90 km to the north and MAK-Nariin Sukhait 415km to the west. A small local mine is located at Huree Del 110 km to the west, but is reported to have stopped operations in 2003.

No production has yet occurred on SGER holdings at Tsagaan Tolgoi.

9 GEOLOGICAL SETTING

Coal-bearing rocks at Tsagaan Tolgoi are found in a synclinal basin and are Upper Permian in age. Coal was locally deposited along the margins of tectonically active continental basins. The region has subsequently undergone Basin and Range style extensional tectonics followed by a period of compressional folding and faulting.

9.1 Regional Stratigraphy and Geologic Setting

The South Gobi region of Mongolia reflects a complex geologic history of continental accretion followed by Basin and Range style crustal extension. Elongate, east-west trending fault-block mountain ranges and intervening basins characterize the region. The mountain ranges are dominated by crystalline and metamorphic basement rock. The intervening basins are filled mostly with sediments of Jurassic to Late Cretaceous age, but locally contain bituminous, coal-bearing sequences of Permian age. The boundaries of the mountain blocks are usually intermediate to high-angle faults that often show evidence for both compressional and extensional movement.

The flanks of the mountain ranges typically exhibit extensive pediment surfaces of eroded bedrock overlain by thin Quaternary gravel and aeolian deposits. Permian sediments are most commonly exposed beneath these pediments, but are more deeply buried beneath the younger sediments toward the centre of most of the basins.

The Upper Permian coal bearing sequences are believed to have been deposited in continental basins related to folding and thrust faulting following the closure of a paleo-asian ocean and docking of a Carboniferous island arc complex. Coal deposits formed in favourable locations along the margins of some of these basins. The presence of high-energy sediments such as conglomerate indicates that the basins were tectonically active. The coal deposits appear to be localized, and characteristics can change rapidly. Though similar in age, Upper Permian coal deposits cannot be directly correlated between basins within Mongolia.

9.2 Coal Occurrences

The coal-bearing rocks at Tsagaan Tolgoi are found within an elongate, east-west trending synclinal basin that measures over 20 km long, and 2 to 4 km wide. Exploration has revealed coal occurrences on both limbs of the syncline around the margins of the basin. To date, only the southwest margin of the basin has been found to contain coal of exploitable thickness and extent.

Coal seams of importance at Tsagaan Tolgoi are found within a sedimentary sequence of intercalated claystones, shales, siltstones, sandstones, and conglomerates. A layer of felsic volcanic ash is found locally beneath the coal, is prominent on aerial photographs, and appears to form the base of the Upper Permian sedimentary sequence. This unit gives the property its name of Tsagaan Tolgoi or “white hill” where it is prominently exposed on a hill immediately east of the resource area. Overlying the coal sequence are brown conglomeratic sandstones thought to be Jurassic in age.

Eight coal zones have been identified at Tsagaan Tolgoi, as summarized in Figure 9.1. As a result of the recent exploration program, the previously-named Seams 1 through 4 are now observed to have multiple splits. In order to simplify data organization and geologic modeling, the seam nomenclature has been revised to a numeric series. Figure 9.1 shows the previously used nomenclature, with the revised numeric series number in parentheses.

The bulk of the resources are within the thick seams of the 100 Zone. This was previously described as the Seam 1 Upper split and the Seam 1 Lower split (1L and 1U)¹. These two splits are observed to coalesce in some parts of the property, and in particular near the western limit of the currently defined resource area. An additional lower seam, Zone 90, is observed locally but is not continuous.

What was previously recognized as Seam 3 and Seam 3 Rider are now recognized as having up to 6 splits within the 300 Zone. Likewise, Zone 400 has been found to have up to 4 splits, as opposed to the previously recognized Seam 4L and Seam 4U. Zones 500, 600, and 700 are typically single seams

9.3 Structural Geology

The structural geology in and around the Tsagaan Tolgoi coalfield has been previously described by Norwest. An exploration geology map showing drilling activity to date and coal outcrop lines projected from the current geologic model are shown in Figure 9.2.

The recent exploration at Tsagaan Tolgoi has shown that the deposit is a broad, regional eastward plunging syncline feature modified by several levels of smaller-scale folding. The synclinal axis is slightly sinuous and trends east-west, mirroring the regional structural trend. The flanks of the syncline are steep, and the limbs are overturned on both the north and south margins of the property. The resource area discussed in this report has been modeled as a northeast dipping homocline. A representative cross-section of the resource area is presented in Figure 9.3.

¹ Norwest Corporation, July 28, 2006, Technical Report, Tsagaan Tolgoi Property, Omnogobi Aimak, Nomgon soum, Mongolia, Submitted to Asia Gold Corp.

10 DEPOSIT TYPES

The definition of “Deposit Type” for coal properties is different from that applied to other types of geologic deposits. Criteria applied to coal deposits for the purposes of determination of coal resources and reserves include both “Geology Type” as well as “Deposit Type”. For coal deposits this is an important concept because the classification of a coal deposit as a particular type determines the range limiting criteria that may be applied during estimation of Reserves and Resources.

“Geology Type” for coal deposits is a parameter that is specified in Geological Survey of Canada (GSC) Paper 88-21, which is a reference for coal deposits as specified in NI 43-101. Geology Type is a definition of the amount of geological complexity, usually imposed by the structural complexity of the area, and the classification of a coal deposit by Geology Type determines the approach to be used for the resource/reserve estimation procedures and the limits to be applied to certain key estimation criteria. The identification of a particular Geology Type for a coal property defines the confidence that can be placed in the extrapolation of data values away from a particular point of reference such as a drill hole.

The classification scheme of GSC Paper 88-21 is similar to many other international coal reserve classification systems but it has one significant difference. This system is designed to accommodate differences in the degree of tectonic deformation of different coal deposits in Canada. Four classes are provided for that range.

Norwest has applied the classification scheme of GSC Paper 88-21 to the Tsagaan Tolgoi coal deposit. As in many Canadian coal deposits, the Tsagaan Tolgoi deposit has been subjected to a relatively high degree of tectonic deformation. The deposit is situated in what appears to be a broad east-west trending syncline plunging to the east. Both limbs to the syncline are steeply dipping and overturned on the outer flanks. Coal seams show thickness variation, but do maintain spatial continuity. While there is field evidence of some faulting and secondary folding within the syncline, exploration to date does not indicate significant structural deformation.

The Geology Type for the Tsagaan Tolgoi deposit is considered to be “Complex” based on current information.

“Deposit Type” as defined in GSC Paper 88-21 refers to the extraction method most suited to the coal deposit. There are four categories, which are:

1. Surface
2. Underground
3. Non-conventional
4. Sterilized.

The Tsagaan Tolgoi deposit is considered to be a “Surface” mineable deposit.

11 MINERALIZATION

The coals at Tsagaan Tolgoi are thought to be Upper Permian in age and are found in a similar geologic setting as the Upper Permian coals found at Tavan Tolgoi. Eight coal zones are now recognized at Tsagaan Tolgoi. Rock types surrounding the identified coal seams include claystones, shales, siltstones, sandstones, and conglomerates.

During correlation and modeling, coal seams were named and organized into distinct zones as shown in Table 11.1. Thicknesses values represent apparent thickness as recorded from borehole intercepts.

Zone	Seam	Thickness¹ Range (m)	Mean Thickness¹ (m)
700	S7	2.12 to 13.32	7.87
600	S6	2.08 to 13.59	7.69
500	S5	1.34 to 10.24	5.61
400	S4R	0.91 to 10.44	6.40
	S4U	2.54 to 9.46	5.20
	S4L	4.37 to 20.18	7.46
	S4A	0.88 to 12.24	3.41
300	S3M	0.11 to 2.95	1.24
	S3RU	1.56 to 4.60	2.62
	S3RL	0.71 to 4.46	2.39
	S3U	0.78 to 4.22	2.15
	S3	2.17 to 6.09	3.75
	S3L	0.53 to 6.42	1.56
200	S2D	2.72 to 4.21	3.44
	S2C	1.51 to 7.32	2.67
	S2B	0.56 to 2.16	1.41
100	S1U	0.67 to 39.79	24.51
	S1L	18.58 to 36.44	24.66
90	S0	9.06 to 22.2	13.95
¹ Apparent thickness from borehole data			

12 EXPLORATION

Initial exploration work included the drilling of 4 exploration holes by a Mongolian Government exploration program in 1986. Norwest has subsequently planned and managed exploration programs at Tsagaan Tolgoi in 2004 and 2006.

The 2004 exploration program was executed by Norwest at the request of IMMI. Activities included the identification of the most promising areas at Tsagaan Tolgoi, and the identification of coal outcrops. Coal outcrops were mapped with the aid of hand held GPS units. Characterization work on the coal was then done with trenching and drilling. Drilling consisted of both dual-wall reverse-circulation drilling and core drilling on approximately 400 m centres. Activities included 2,365 m of trenching, and 5,113 m of drilling. The drilling included 30 reverse-circulation holes totaling 3,853 m of drilling, and 16 core holes with 1,260 m of coring. Two water supply wells were drilled, one of which was used for drilling water.

A second exploration program was designed and implemented by Norwest in 2006 at the request of Ivanhoe. The objective of this program was to bring the drill hole density to NI 43-101 compliant levels for the estimation of coal resources, and to collect adequate geotechnical and hydrological data to allow for mine planning. An additional 3,158 m of trenching and 9,295 m of delineation drilling was completed. The drilling included an additional 56 reverse-circulation holes totaling 7,747 m, and 12 core holes with 1,548 m of coring. An additional program for hydrologic testing was completed and saw the completion of eight wells. Four of the wells were used to test dewatering potential of the resource area, and four wells were completed in a search for additional water supplies.

Drill holes from both exploration programs were logged for gamma and neutron density. Field geologic activities were performed primarily by Sapphire Geo Ltd. Drilling was performed by Major's Drilling Mongolia Inc. Norwest provided direct on-site supervision of both programs. All exploration activities have been reclaimed in accordance with the conditions set forth in the exploration license.

13 DRILLING

Norwest-supervised drilling to date on SGER Tsagaan Tolgoi holdings includes a total of 114 exploration holes completed for a total of 14,408m drilled. Drilling methods include dual-wall reverse-circulation and modern triple-tube coring equipment. Several holes were advanced with PCD-rotary bits, and are included with the reverse-circulation drilling totals. A drilling summary is presented in Table 13.1.

Year	Reverse Circulation and Rotary		Core		Total	
	No. Holes	Meters Drilled	No. Holes	Meters Cored	No. Holes	Meters
2004	30	3,853	16	1,260	46	5,113
IMMI						
2006	56	7,747	12	1,548	68	9,295
Ivanhoe						
Totals	86	11,600	28	2,808	114	14,408

All holes have been geophysically logged except in a small number of cases where holes had caved. Depending on the data available, logs were either interpreted manually or with the aid of software developed by Norwest. Coal seam intercepts were incorporated into the geologic database and ultimately into the digital model.

As the coal seams at Tsagaan Tolgoi are observed to have steep dips, the majority of drill holes were drilled at an angle to maximize efficiency of the drill program. In the 2004 program the majority of the holes were drilled at a minus 65° angle from horizontal, one hole at minus 60° angle from horizontal and two holes were drilled vertically. For the 2006 program, a uniform orientation of a minus 65° angle from horizontal and a 220° azimuth was used. Coal seam thickness values in this report are presented as apparent thickness derived from the borehole intercepts.

14 SAMPLING METHOD AND APPROACH

All core holes drilled on the Norwest supervised exploration programs were sampled and the coal submitted for analyses. Reverse circulation and rotary samples were commonly analyzed but have not been used for characterization of coal quality.

The core drilling at Tsagaan Tolgoi has been done with wireline drilling systems and modern, triple-tube core barrels. This equipment was used to maximize core recovery and ensure core integrity. Core logging and sample handling was performed by Sapphire Geo Ltd. under Norwest supervision.

Core was retrieved, logged and sealed according to Norwest conventions. Each core run was measured for core cut and recovered. Photographs were taken at 0.5m intervals. Coal showing distinct lithologic variation was sampled separately, as were partings over 0.05m. Otherwise, coal intervals with a uniform appearance were bagged in 0.6m sample increments as per the capacity of the core box length. When zones of core loss greater than 0.1m were encountered, separate samples were collected both above and below the zone.

Representative rock samples were collected from the core holes during the 2006 program and submitted for geotechnical laboratory analyses.

Intervals of core loss were observed during the drill program. Core loss was within acceptable limits. Reverse circulation and rotary drill cuttings samples are subject to mixing and are not reliable for accurate quality data or locating contact depths.

Geophysical logs have been used to confirm the thickness of coal bearing zones. All zones of core loss have been recorded and sample intervals have been compared to the geophysical logs and adjusted if necessary. Drill cuttings, where analyzed, have not been used to define the coal quality at Tsagaan Tolgoi due to mixing and contamination.

All zones of coal cored during the program were sampled 100% excepting zones of core loss. Samples of the immediate roof and floor rock, as well as rock partings, were collected to allow assessment of dilution factors. Examination of geophysical logs and comparisons to the coal sample results indicate the results to be representative of the coal seams as a whole.

Documentation of all samples collected is included in the Tsagaan Tolgoi database, and a summary of the quality analyses is included in Section 18. All sample data has been recorded in borehole depths. The geologic model developed accounts for true thicknesses and volumes. No drilling, sampling or recovery factors have been applied that could materially impact the accuracy and reliability of the results.

15 SAMPLE PREPARATION, ANALYSES AND SECURITY

Samples have been collected from drill core. These samples were collected and recorded by field geologists employed by Sapphire Geo Ltd. under the supervision and direction of Norwest. The collected samples were then submitted for analysis using methods that are standard for the coal industry. The specific process directed by Norwest for the Tsagaan Tolgoi drilling program is described below:

1. Recovered core is measured to determine an overall recovery (reported in percent) by comparing the recovered core length with the coring run length recorded by the driller. Recovered core is measured and compared to the coal interval thickness determined from the geophysical log suite.
2. Recovered coal intervals are sampled using the following criteria:
 - i. Coal samples are broken out based on lithologic changes. In zones of uniform coal appearance, samples are bagged about every 0.60m as per the capacity of the core boxes.
 - ii. In-seam partings, to a maximum cumulative thickness of 0.10m, are included in a coal sample, where the thickness of the adjacent coal beds above and below the parting are both a minimum of twice the parting thickness.
 - iii. A parting is sampled separately if it is
 - >0.05m thick,
 - Carbonaceous shale, bone or interbedded coal/mudstone
 - Deemed to be >50% coal.
3. Collected samples are cleaned of any mud contamination and placed in individual, core-sleeve style, plastic bags. The bags are labelled on the outside with both the core hole and sample number and sealed with plastic tape to prevent excessive moisture loss. Samples are then placed in sequence into waxed-cardboard core boxes. Boxes were sealed with tape and shipped to Ulaanbaatar, and then shipped to various SGS Group analytical laboratories. It is noted that the analytical laboratories are owned by the SGS Group, who are completely separate from Southgobi sands, LLC, who may also be referred to as SGS.
4. At the time of shipment, scanned geologic and geophysical logs, laboratory instructions and shipment manifest were forwarded to Norwest's Salt Lake City office. Laboratory instructions and the shipment manifest were forwarded to IMMI or Southgobi sands in Ulaanbaatar, and to the various SGS Group laboratories. All records were compared with contents upon arrival at the analytical laboratory. To date, there has been no loss or compromise of samples during shipment. Core samples undergo a full suite of coal quality testing including short proximate, full proximate, thermal tests, ash analysis, washability testing, and metallurgical testing.

Sample preparation and handling were supervised by Norwest. Analytical work was performed to ASTM standards by SGS Laboratories Inc. in Denver, CO USA in 2004, and by SGS Laboratories Inc. in Tianjin China in 2006. The Tianjin laboratory currently holds ISO-17025 certification, accredited by the CNAS (China National Accreditation Service for Conformity Assessment). Both laboratories are certified to ASTM and ISO standards. Sample handling and quality control measures used practices that are considered to be standard to the international

coal industry. Coal sampling and analyses were performed to a level adequate for the conclusions reached in this technical report.

As with other coal work, no special security arrangements were made for the shipping and storage of samples. Additional security methods are not commonly employed, as coal is a relatively low-value bulk commodity.

In summary, it is of the author's opinion that the sample spacing, methodology, preparation, security and analytical procedures employed during both the 2004 and 2006 programs are of sufficient quality to confidently support the conclusions of this report.

16 DATA VERIFICATION

Norwest has directly managed the exploration program from conceptual planning of exploration targets, through data collection, to interpretation and analysis. Norwest has provided on-site management throughout the entirety of the exploration project and data verification for each step.

Upon completion of a drill hole, the geologic and geophysical logs were compiled and reviewed by a Norwest geologist. Following review of the logs, the hardcopy originals were scanned into an electronic format. All geologic, geophysical, and sampling data is entered and maintained in an electronic database. All mapping is entered and maintained in electronic format on a CAD-based system. Data entry of all geologic data is managed by Norwest at the project site. All electronic data is forwarded on a routine basis to Norwest's office in Salt Lake City. Results from the coal quality testing were added into the database in the Salt Lake office.

All data collection was performed according to guidelines established by Norwest. Norwest geologists under the direction of the Qualified Person were responsible for administration of data collection procedures and were responsible for reviewing and verification of all data. As practically possible, Norwest has maintained control of all data collection throughout the exploration program.

17 ADJACENT PROPERTIES

There is no other coal exploration, development, or mining properties adjacent to or in close proximity to the Tsagaan Tolgoi deposit.

18 MINERAL PROCESSING AND METALLURGICAL TESTING

The equivalent terminology, which will be used in this report on coal at Tsagaan Tolgoi, is “Coal Quality and Processing”.

Core samples were subjected to the analyses described below:

- Proximate Analysis: Determination of moisture, ash, volatile matter and fixed carbon in a sample. The fixed carbon is determined by difference and the four components total 100%.
- Sulphur: Determination of the percent sulphur in a sample. Coal seams at Tsagaan Tolgoi have relatively low sulphur contents averaging approximately 1.0%.
- Thermal Value: A measure of the heat producing capability of coal measured in Kcal/kg or BTU/lb.
- Hardgrove Grindability index (HGI) determination has been conducted in order to describe the relative coal strength and ease with which the coal can be pulverized.
- Trace element analyses in coal expressed as parts per million (ppm) to ascertain the potential for release of deleterious elements following combustion of the coal.

18.1 Regional Quality Characteristics

Composite quality analyses performed to date on the coal measures at SGER Tsagaan Tolgoi holdings indicate the coal rank to be high volatile B and C bituminous, based on the ASTM D388 standard.

Quality analyses undertaken by Norwest indicate the coal at Tsagaan Tolgoi to be suitable for use as a thermal coal.

18.2 Coal Quality

Drilling activities at Tsagaan Tolgoi are summarized in Section 14. A total of 114 exploration holes have been completed in the resource areas at Tsagaan Tolgoi. This total includes 28 core holes that contained samples suitable for quality analyses, as shown in Table 18.1.

Core Quality Holes			
Resource Area	Total Number of Exploration Holes	Number of Core Holes used for Quality Analysis	Percentage of Quality Holes
Tsagaan Tolgoi	114	28	25%

Exploration and modeling activities to date have defined multiple seams at the Tsagaan Tolgoi resource area. These seams have been organized into a coal series basis as discussed in Section 11. A summary of general coal quality values organized by coal series and seam is presented in Table 18.2, Summary of Drill Hole Quality Data.

Series	Seam	Count	Thickness ¹ Range (m)	Mean Thickness ¹ (m)	As Received Moisture ² %	Ash ² %	Sulphur ² %	Specific Energy ² (kCal/kg)	ASG (g/cc)
700	S7	2	2.12 to 13.32	7.87	13.56	16.94	0.92	6,284	1.41
600	S6	4	2.08 to 13.59	7.69	10.68	41.49	0.63	4,263	1.69
500	S5	3	1.34 to 10.24	5.61	11.54	30.43	0.83	5,202	1.56
400	S4R	4	0.91 to 10.44	6.40	12.42	20.22	0.47	6,033	1.46
	S4U	4	2.54 to 9.46	5.20	10.85	24.88	0.65	5,701	1.50
	S4L	4	4.37 to 20.18	7.46	12.73	10.15	0.60	6,903	1.34
	S4A	1	0.88 to 12.24	3.41	13.01	11.60	0.35	6,921	1.35
300	S3M	1	0.11 to 2.95	1.24	21.64	41.68	0.23	3,823	1.69
	S3RU	1	1.56 to 4.60	2.62	8.07	41.92	0.27	4,484	1.67
	S3RL	1	0.71 to 4.46	2.39	17.18	18.33	0.28	5,943	1.43
	S3U	2	0.78 to 4.22	2.15	16.42	27.73	0.27	5,406	1.54
	S3	2	2.17 to 6.09	3.75	11.53	15.58	0.62	6,572	1.40
	S3L	No data	0.53 to 6.42	1.56	No data				
200	S2D	3	2.72 to 4.21	3.44	9.35	29.87	0.31	5,370	1.56
	S2C	2	1.51 to 7.32	2.67	5.76	52.79	0.48	3,426	1.82
	S2B	2	0.56 to 2.16	1.41	6.76	37.45	0.44	4,850	1.64
100	S1U	9	0.67 to 39.79	24.51	9.86	34.88	0.82	4,933	1.61
	S1L	3	18.58 to 36.44	24.66	10.58	38.27	0.54	4,696	1.65
	S0	No data	9.06 to 22.2	13.95	No data				
<p>1 Based on apparent thickness from drill intercepts 2 mean raw coal qualities for incremental samples</p>									

19 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

19.1 Approach

In accordance with National Instrument 43-101, Norwest has used the referenced document, the Canadian Institute of Mining, Metallurgy and Petroleum’s “CIM Definition Standards on Mineral Resources and Reserves” adopted by the CIM Council and last modified on December 11, 2005 and referenced the Geological Survey of Canada Paper 88-21 “A Standardized Coal Resource/Reserve Reporting System for Canada” (GSC Paper 88-21) during the classification, estimation and reporting of coal resources for the Tsagaan Tolgoi Property.

19.2 Coal Resource Estimation

The term “resource” is utilized to quantify coal contained in seams occurring within specified limits of thickness and depth from surface. The resource estimations contained within are on a raw, in-place basis, i.e. as an in-situ tonnage and not adjusted for mining losses or recovery. However, minimum mineable seam thickness and maximum removable parting thickness are considered; coal intervals not meeting these criteria are not included in the resources.

The category to which a resource is assigned depends on the level of confidence in the geological information available. GSC Paper 88-21 provides guidance for categorizing various types of coal deposits by levels of assurance. These were considered by the Qualified Person during the classification of the resources.

Coal resources at Tsagaan Tolgoi are considered to be in the “Complex” category.

Resources are further classified as to the assurance of their existence into one of three categories, Measured, Indicated or Inferred. To be assigned to one of these categories, coal intercepts must meet the criteria for coals found in Geology Type “Complex” conditions, as shown in Table 19.1.

Criteria	Assurance of Existence Category		
	Measured	Indicated	Inferred
Cross-section spacing (m)	150	300	600
Minimum # data points per section	3	3	3
Mean data point spacing (m)	100	200	400
Maximum data point spacing (m)	200	400	800

Coal Resources at Tsagaan Tolgoi, as of December 31, 2007, are defined for the categories of Measured, Indicated and Inferred, as summarized in Table 19.2.

Table 19.2 Classification of Resources Geology Type: Complex				
Resource Area	ASTM Coal Rank	Resources at Tsagaan Tolgoi (150m Depth)		
		Measured (million tonnes)	Indicated (million tonnes)	Inferred (million tonnes)
Tsagaan Tolgoi	hvBb and hvCb	23.4	13.0	9.0
Total		36.4		9.0

The Aerial extent of the Tsagaan Tolgoi resource area is shown in Figure 19.1.

Resource estimates were obtained from a geologic model developed using MineSight® software developed by Mintec Inc. Volumes of coal present were estimated from modeled surfaces derived from the borehole intercepts and trench data. A bulk density of 1.6 g/cm³ was applied for tonnage estimations for all seams. This was based on applying a weight-averaged ash value for the deposit to a matrix of comparable density values, as specified in GSC Paper 88-21.

There is no known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues that would materially affect the estimated resources.

The resources presented represent those areas suitable for surface extraction down to a maximum vertical depth limit of 150 m from surface.

20 OTHER RELEVANT DATA AND INFORMATION

There are no other relevant data and information applicable to this report.

21 INTERPRETATION AND CONCLUSIONS

Exploration to date at the SGER Tsagaan Tolgoi resource area has delineated 30.4 million tonnes of coal classified as Measured and Indicated resources. The geology type at the Tsagaan Tolgoi Property has been determined to be “complex” based on criteria set forth in the Geological Survey of Canada Paper 88-21.

The coal is of high volatile bituminous B and C in rank, and is suitable as a thermal coal.

Norwest has provided direct supervision of the 2004 and 2006 exploration programs and has verified the geologic data as practically possible. Norwest has maintained control on the data collection, construction of the geologic model and resource estimation. Norwest has relied on SGER for verification that the exploration leases are in fact held by SGER and are current in all respects. In addition, the author has relied on other professionals, such as certified laboratories for coal analyses, geophysical logging companies for providing down hole geophysics and experts providing borehole and topographic surveys.

Exploration activities have met the objectives of delineating viable, surface mineable coal resources at Tsagaan Tolgoi.

Resource estimations and classification have been done in accordance with National Instrument 43-101.

22 RECOMMENDATIONS

Activities to date at Tsagaan Tolgoi are now considered to be sufficient for a pre-feasibility level study of mine planning. It is recommended that such a study be undertaken in order to define the coal reserve and economic viability of the Tsagaan Tolgoi project. Table 22.1 summarizes Norwest's recommendations for the major components of such a study, along with estimated costs.

Item	Estimated Cost (USD)
Lease/Ownership Verification	5,000
Hydrology	16,000
Geotechnical Criteria	24,000
Mine Planning	73,000
Infrastructure	29,000
Environmental	5,000
Project Development Schedule	5,000
Economic Evaluation	37,000
Risk Evaluation	9,000
Report	64,000
Total Budget Estimate	267,000

The intent of the 2006 exploration program was to identify a target area of 25Mt of coal resource. Previous exploration activities have indicated the presence of coal outside of the current resource area, but within the Southgobi sands-controlled licenses. It is recommended that further drilling of the area be completed in order to better identify potential additional resources. Table 22.2 summarizes the cost estimates for an additional drilling program.

Item	Estimated Cost (USD)
Drilling	894,500
Drilling Support	262,900
Analytical	107,500
Environmental	10,000
Resource Reporting	60,000
Camp, Catering, Communications	25,000
Professional and Site Management	232,600
Total	1,592,500

23 REFERENCES

1997 Minerals Laws of Mongolia, Chapter Two, Article 16.

Canadian Securities Administrators. 2005. National Instrument 43-101 Standards of Disclosure for Mineral Projects, Form 43-101F1, Technical Report, and Companion Policy 43-101CP.

CIM Standing Committee on Reserve Definitions. 2005. CIM Definition Standards on Mineral Resources and Reserves

Norwest Corporation, July 28, 2006, Technical Report, Tsagaan Tolgoi Property, Omnogobi Aimak, Nomgon soum, Mongolia, Submitted to Asia Gold Corp.

24 SIGNATURE AND DATE

The effective date of this Technical Report is March 25, 2008.

Dated this 25th day of March, 2008

ORIGINAL SIGNED AND SEALED BY AUTHOR

Signature of Qualified Person

Richard D. Tift III, PG

Print Name of Qualified Person

Following are signed and dated Certificates of Qualifications of the person involved in preparing this report

CERTIFICATE OF QUALIFICATIONS

I, Richard D. Tift, III, of Grand Junction, Colorado, do hereby certify that:

1. I am Vice President; Geologic Services with Norwest Corporation, 743 Horizon Court, Suite 372, Grand Junction, CO 81506 USA.
2. This certificate applies to the Technical Report entitled “Technical Report Coal Geology and Resources, Tsagaan Tolgoi Property, Omnogobi Aimag, Mongolia” dated March 25, 2008.
3. I am a licensed Professional Geologist in the state of Utah – License Number 5190241-2250.
4. I am a graduate of Utah State University (Bachelor of Science, 1978, Geology).
5. I have practiced my profession as a geologist for 26 years. I have worked on coal properties in the United States of America, Canada, India, China (PRC), and Mongolia. I have completed investigations on coal properties on behalf of private and public companies. I am a “qualified person” for the purposes of National Instrument 43-101.
6. I personally have reviewed or supervised the review of the data collected and provided by Norwest Corporation and IMMI for the Tsagaan Tolgoi property. I participated in the preparation of the Technical Report dated March 25, 2008 concerning the coal geology and coal resource tonnage for the area. I have conducted several site visits, most recently in July of 2004, and have spent a total of 60 days on site. I have personally witnessed the exploration activities at Tsagaan Tolgoi. I am responsible for all sections of this report.
7. I have no direct or indirect interest in SouthGobi Energy Resources Ltd. or any affiliates of it, nor do I expect to acquire any such interest. I am independent of the Company in accordance with the requirements of NI 43-101.
8. I have had no prior involvement with the Tsagaan Tolgoi property.
9. I have not been restricted in any way in my access to information, data or documents that I consider relevant to this report.
10. As of the date of this certificate, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
11. I have read NI43-101 and Form 43-101F1. The Technical Report has been prepared in compliance with NI43-101 and Form 43-101F1.

Dated at Grand Junction,, Colorado this 25th day of March, 2008.

ORIGINAL SIGNED AND SEALED BY AUTHOR

Richard D. Tift III, PG
Vice President Geologic Services

CONSENT OF AUTHOR

TO: Commission des Valeurs Mobilières du Québec
Ontario Securities Commission
Manitoba Securities Commission
Saskatchewan Financial Services Commission – Securities Division
Alberta Securities Commission
British Columbia Securities Commission

I, Richard D. Tift, III, do hereby consent to the public filing, of the Technical Report titled Technical Report Tsagaan Tolgoi Property, Mongolia and dated March 25, 2008 (the “Technical Report”).

Dated this 25th day of March, 2008.

ORIGINAL SIGNED AND SEALED BY AUTHOR

Signature of Qualified Person

Richard D. Tift III, PG

Print name of Qualified Person

25 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES

The Tsagaan Tolgoi Property is currently an undeveloped property with no production.

26 ILLUSTRATIONS

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