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SOUTHGobi RESOURCES LTD.

南戈壁能源有限公司*

(a company continued under the laws of British Columbia, Canada with limited liability)
(Stock Code: 1878)

SOUTHGobi RESOURCES ANNOUNCES SECOND QUARTER 2010 FINANCIAL AND OPERATING RESULTS

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**), today announced its financial results for the six months ended June 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, 11 August 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*



August 11, 2010

SOUTHGOBI RESOURCES ANNOUNCES SECOND 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 six months ended June 30, 2010. All figures are in US dollars unless otherwise stated.

HIGHLIGHTS

The Company’s highlights for the quarter ended June 30, 2010 are:

- **Total shipments for the three months ended June 30, 2010 were 449,000 tonnes.**
- **Average realized selling price was \$43 per tonne, approximately 19% higher than the average realized selling price in the first quarter of 2010.**
- **Income from mine operations for the quarter ended June 30, 2010 was \$4.4 million as compared to \$1.2 million for the quarter ended March 31, 2010.**
- **Commenced construction of a basic coal-handling facility at Ovoot Tolgoi Complex.**
- **Board of Directors authorized a share repurchase program.**
- **Operations were impacted by delayed commissioning of final second mining fleet Terex MT4400 haul trucks and low availability of Terex TR100 haul trucks from first mining fleet.**
- **Direct mining cash costs reduced compared to the quarter ended March 31, 2010 but remained high at \$21.37 per tonne**

OVOOT TOLGOI COMPLEX

The Company continues to ramp up production at the Ovoot Tolgoi Mine. The additional equipment for the second mining fleet, including the larger Liebherr 996 shovel, four 218 tonne Terex haul trucks and various auxiliary equipment, was delivered throughout the fourth quarter of 2009 and early 2010 and full commissioning was completed in June 2010. The Company expects that the third mining fleet, already ordered, will be commissioned in late 2010. An additional fourth fleet of equipment has been ordered for delivery in 2011.

COAL-HANDLING FACILITY

To further enhance product value, the Company commenced construction of a basic coal-handling facility in June 2010. The coal-handling facility will allow the Company to remove ash (waste rock) and enable the blending of coal from different seams to create higher-value products.

Expected to be operational in early 2011, the coal-handling facility will include a 300-tonne-capacity dump hopper, which will receive run-of-mine coal from the Ovoot Tolgoi Mine and feed a coal rotary breaker that will size coal to a maximum of 50 millimeters and reject oversize ash. A radial stacker will facilitate loading of the sized coal into customers' trucks.

The coal-handling facility will be located between Ovoot Tolgoi's Sunset and Sunrise open-pits and is expected to initially operate on one 12-hour shift per day, six days per week. Annual capacity on that basis will be up to six million tonnes of coal, and can be adjusted upwards as mining capacity increases.

COMMON SHARE REPURCHASE PROGRAM

On June 8, 2010 the 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 August 11, 2010, the Company had not repurchased any common shares.

REVIEW OF RESULTS

Review of results for the three months ended June 30, 2010

In the three months ended June 30, 2010, 0.62 million tonnes of coal was produced with a strip ratio of 2.79 compared to production of 0.22 million tonnes with a strip ratio of 6.79 in the three months ended March 31, 2010.

In December 2009, the Company commenced realigning the Sunset open-pit for a north-south entry. Waste removal at Ovoot Tolgoi was originally along the seam's strike-length, i.e. east-west. This allowed for better utilization of capital when financing was more constrained. Strip ratio and waste movements were lower and customer trucks were allowed to enter directly in the shallow pit for loading. However, such alignment is not beneficial for the longer-term because it becomes less efficient as the pit depth increases. The Sunset open-pit realignment has been completed but continued to impact cost per tonne sold in the second quarter and direct cash cost per tonne produced started decreasing towards the end of the second quarter.

In addition to the impact of the pit-realignment, costs were adversely impacted by fleet issues. Delayed commissioning of the final two Terex MT4400 (218 tonne) haul trucks from the second mining fleet meant the Liebherr 996 shovel was not operating efficiently. Furthermore, the Company's Terex TR100 (91-tonne capacity) haul trucks from the first mining fleet have been experiencing poor equipment availability ratios (approximately 72% availability for the second quarter of 2010), leading to lower productivity and increased maintenance costs.

In the three months ended June 30, 2010, the Company shipped approximately 0.45 million tonnes of coal at an average realized selling price of approximately \$43 per tonne. This compares to 0.38 million tonnes of coal shipped in the three months ended June 30, 2009 at an average realized selling price of \$30 per tonne. The increased sales volume and average realized selling price in the second quarter of 2010 resulted in higher sales revenue compared to the second quarter of 2009. Variability in the average realized selling price relates primarily to increased prices of individual customer contracts.

The Company recorded net income for the three months ended June 30, 2010 of \$53.3 million compared to a net loss of \$168.3 million for the three months ended March 31, 2010 and a net loss of \$7.9 million for the three months ended June 30, 2009. The net income in the second quarter of 2010 is due primarily to the \$72.2 million gain on the fair value change of the embedded derivatives in the China Investment Corporation ("CIC") convertible debenture.

The income from continuing operations includes finance income for the three months ended June 30, 2010 of \$72.9 million compared to \$0.6 million for the three months ended March 31, 2010. The significant increase in finance income relates to the fair value change of embedded derivatives in the CIC convertible debenture. The Company incurred finance costs for the three months ended June 30, 2010 of \$9.6 million compared to \$171.2 million for the three months ended March 31, 2010. In the first quarter of 2010, finance costs included a \$151.4 million loss on partial conversion of the CIC convertible debenture. The large fluctuations in finance income and finance costs are due primarily to fluctuations in the Company's share price which impact the carrying value of the CIC convertible debenture.

The Company incurred an operating loss from continuing operations for the three months ended June 30, 2010 of \$10.6 million compared to a \$4.8 million loss for the three months ended June 30, 2009. The operating loss from continuing operations is impacted by the factors discussed below.

Revenue and income from mine operations relate to the Mongolian Coal Division. Revenues increased to \$17.7 million in the second quarter of 2010 from \$13.9 million in the first quarter of 2010 and from \$10.7 million in the second quarter of 2009. Revenues have increased due to both higher sales volumes and higher realized sales prices.

Income from mine operations increased to \$4.4 million in the second quarter of 2010 from \$1.2 million in the first quarter of 2010 and \$1.5 million in the second quarter of 2009. Income from mine operations in the second quarter of 2010 was higher than all previous quarters due primarily to the higher average realized sales price. Income from mine operations will vary depending on sales volume, sales price, production and unit costs.

Cost of sales was \$13.3 million in the three months ended June 30, 2010, compared to \$9.1 million for the three months ended June 30, 2009. The increase in cost of sales relates to the higher sales volume and higher production costs in 2010. Also, during the quarter ended June 30, 2010, the Company continued to realign the open-pit resulting in increased operating costs. Additional mobile equipment acquired in 2009 and 2010, resulted in higher depreciation in the quarter ended June 30, 2010. Cost of sales will vary depending on sales volume, production and unit costs which directly affects income from mine operations.

Direct cash costs of product sold were \$21.37 per tonne for the three months ended June 30, 2010 compared to \$22.25 per tonne for the three months ended March 31, 2010. The completion of the pit realignment during the second quarter of 2010 contributed to this decrease.

Administration expenses for the three months ended June 30, 2010 were \$8.3 million compared to \$4.6 million for the three months ended June 30, 2009. Administration expenses for the three months ended June 30, 2010, includes approximately \$2.3 million of stock-based compensation compared to approximately \$2.6 million for the three months ended June 30, 2009. As a result of higher sales volumes and lower mine administration costs in 2010, mine administration costs per tonne decreased to \$0.93 per tonne for the three months ended June 30, 2010, compared to \$1.50 per tonne for the three months ended June 30, 2009.

Exploration costs for the three months ended June 30, 2010, increased to \$6.7 million from \$1.7 million for the three months ended June 30, 2009, as drilling continued on Soumber and additional greenfield targets in Mongolia. Exploration costs will vary from quarter to quarter depending on the number of projects and the related seasonality of the exploration programs.

Review of results for the six months ended June 30, 2010

In the six months ended June 30, 2010, 0.84 million tonnes of coal was produced with a strip ratio of 3.84 compared to production of 0.16 million tonnes with a strip ratio of 2.19 in the six months ended June 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 six months ended June 30, 2010, the Company shipped approximately 0.87 million tonnes of coal at an average realized selling price of approximately \$39 per tonne. This compares to 0.51 million tonnes of coal shipped in the six months ended June 30, 2009 at an average realized selling price of \$30 per tonne. The increased sales volume and average realized selling price in the six months ended June 30, 2010 resulted in higher sales revenue compared to the six months ended June 30, 2009.

The Company incurred an operating loss from continuing operations for the six months ended June 30, 2010 of \$17.1 million compared to \$11.3 million for the six months ended June 30, 2009. This variance is due to the factors discussed below.

Cost of sales was \$26.0 million in the six months ended June 30, 2010 compared to \$12.4 million for the six months ended June 30, 2009. Cost of sales includes the direct cash cost of products sold, mine administration costs, equipment depreciation and depletion of stripping costs. The increase in cost of sales for the six months ended June 30, 2010 is due to the higher sales volumes and higher production costs.

Direct cash costs of product sold were \$21.81 per tonne for the six months ended June 30, 2010 compared to \$16.05 per tonne for the same period in 2009. The increase in direct cash costs is due primarily to the realignment of the Sunset open-pit which began in December 2009.

Administration expenses for the six months ended June 30, 2010 were \$14.4 million compared to \$10.7 million for the six months ended June 30, 2009. Administration expenses for 2010 were impacted by and include the following items.

Corporate administration costs for the six months ended June 30, 2010 were \$2.9 million compared to \$1.0 million for the six months ended June 30, 2009. Public infrastructure costs for the six months ended June 30, 2010 were \$2.3 million compared to \$nil for the six months ended June 30, 2009. Administration expenses for the six months ended June 30, 2010, include \$4.8 million of stock based compensation compared to \$5.8 million for the six months ended June 30, 2009.

Exploration expenses for the six months ended June 30, 2010, were \$5.8 million higher than the six months ended June 30, 2009. Increased exploration expense in 2010 relates to drilling at the Soumber deposit and other greenfield targets.

FINANCIAL POSITION AND LIQUIDITY

The Company's total assets at June 30, 2010 were \$951.4 million compared with \$974.4 million at March 31, 2010. The decrease in total assets relates primarily to cash used in operating activities. At June 30, 2010 the Company had \$744.4 million in cash and cash equivalents and money market investments compared to \$800.6 million at March 31, 2010. This decrease is primarily related to cash used in operating activities and cash used to purchase property, plant and equipment of \$29.8 million.

The Company's long term liabilities at June 30, 2010 were \$276.2 million compared with \$348.4 million at March 31, 2010. The decrease in long term liabilities relates to the decrease in the fair value of the CIC convertible debenture.

CORPORATE GOVERNANCE

The Company has, throughout the six months ended June 30, 2010, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listings standards.

COMPLIANCE WITH MODEL CODE

The Company has adopted policies regarding directors' securities transactions in its Corporate Disclosure, Confidentiality and Securities Trading policy that has terms that are no less exacting than those set out in the Model Code of Appendix 10 of the rules governing the listing of securities on the Hong Kong Stock Exchange.

The Board confirms that all of the Directors of the Company have complied with the required policies in the Company's Corporate Disclosure, Confidentiality and Securities Trading policy throughout the six months ended June 30, 2010.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2010.

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 still 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.

For the quarter ended June 30, 2010, revenue (\$17.7 million) and income from mine operations (\$4.4 million) were records for the Company. Also, the Company recorded its highest average realized selling price for the quarter (\$43 per tonne).

From an operating perspective, the Company is encountering two issues that will impact its short term outlook. Firstly, there will be proportionately less of the better quality coal coming from the #5 seam in the near-term mine plan. Secondly, the Company is currently experiencing areas of higher sulphur than originally anticipated in mine plans and studies. Some of the higher sulphur coal will 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. With these issues in mind, the Company doesn't expect the rate of coal sales volumes to be substantially different for the remainder of 2010 than for the six months ended June 30, 2010.

SouthGobi continues to increase pricing of its coals. Sales contracts for the third quarter of 2010 reflect on average in excess of a further 10% increase in pricing for the premium coal product. However, the Company anticipates the sales mix to be more heavily weighted to lower value products in the third quarter of 2010 with a potential small decline in overall average selling price.

With the full commissioning of the second mining fleet, capacity to move material is now much higher than for the first half of 2010. For example, in excess of one million bank cubic meters of waste was mined in the month of July. SouthGobi has received five Terex MT4400 (218 tonne) haul trucks for the third fleet in addition to the four Terex MT4400 haul trucks commissioned for the second fleet. Those trucks are being

assembled on site at Ovoot Tolgoi Mine . The hydraulic excavator has been shipped from Europe and is expected to be delivered in late-2010 along with various other pieces of ancillary equipment.

SouthGobi continues to assess fleet requirements at Ovoot Tolgoi Mine including the consideration of adding additional equipment to expand capacity beyond current plans.

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 Mines Ltd.

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 June 30,		Six months ended June 30,	
	2010	2009	2010	2009
CONTINUING OPERATIONS				
Revenue	\$ 17,668	\$ 10,666	\$ 31,585	\$ 14,207
Cost of sales	(13,268)	(9,139)	(25,998)	(12,352)
Income from mine operations	4,400	1,527	5,587	1,855
Administration expenses	(8,336)	(4,568)	(14,370)	(10,687)
Evaluation and exploration expenses	(6,659)	(1,742)	(8,310)	(2,511)
Operating loss from continuing operations	(10,595)	(4,783)	(17,093)	(11,343)
Finance costs	(9,588)	(356)	(171,224)	(418)
Finance income	72,881	-	72,085	5
Income/(loss) before tax	52,698	(5,139)	(116,232)	(11,756)
Current income tax expense	(368)	-	(378)	-
Deferred income tax recovery	971	-	1,642	-
Income/(loss) from continuing operations	53,301	(5,139)	(114,968)	(11,756)
Loss from discontinued operations	-	(2,772)	-	(6,115)
Net income/(loss) and comprehensive income/(loss) attributable to equity holders of the Company	\$ 53,301	\$ (7,911)	\$ (114,968)	\$ (17,871)
BASIC INCOME/(LOSS) PER SHARE FROM:				
Continuing operations	\$ 0.29	\$ (0.04)	\$ (0.68)	\$ (0.09)
Discontinued operations	-	(0.02)	-	(0.05)
Continuing and discontinued operations	\$ 0.29	\$ (0.06)	\$ (0.68)	\$ (0.14)
DILUTED INCOME/(LOSS) PER SHARE FROM:				
Continuing operations	\$ 0.28	\$ (0.04)	\$ (0.68)	\$ (0.09)
Discontinued operations	-	(0.02)	-	(0.05)
Continuing and discontinued operations	\$ 0.28	\$ (0.06)	\$ (0.68)	\$ (0.14)

Condensed Consolidated Interim Statement of Financial Position
(Unaudited)

(Expressed in thousands of U.S. Dollars)

	As at	
	June 30, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 667,204	\$ 357,342
Trade and other receivables	18,521	12,328
Short term investments	2,498	14,999
Inventories	24,982	16,384
Prepaid expenses and deposits	10,851	8,119
Total current assets	724,056	409,172
Non-current assets		
Property, plant and equipment	139,158	82,705
Deferred listing costs	-	4,565
Deferred income tax assets	8,589	6,947
Long term investments	79,330	57,070
Other receivables	238	225
Total non-current assets	227,315	151,512
Total assets	\$ 951,371	\$ 560,684
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	\$ 14,516	\$ 12,669
Amounts due under line of credit facility	2,703	3,009
Current portion of convertible debenture	4,296	4,712
Total current liabilities	21,515	20,390
Non-current liabilities		
Convertible debenture	275,242	542,351
Asset retirement obligation	994	735
Total non-current liabilities	276,236	543,086
Total liabilities	297,751	563,476
Shareholders' equity/(deficiency)		
Common shares	1,063,747	296,419
Share option reserve	26,352	22,300
Accumulated deficit	(436,479)	(321,511)
Total shareholders' equity/(deficiency)	653,620	(2,792)
Total shareholders' equity and liabilities	\$ 951,371	\$ 560,684
Net current assets	\$ 702,541	\$ 388,782
Total assets less current liabilities	\$ 929,856	\$ 540,294

OPERATING STATISTICS

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Volumes, Prices and Costs				
Coal production (<i>millions of tonnes</i>)	0.62	-	0.84	0.16
Coal sales (<i>millions of tonnes</i>)	0.45	0.38	0.87	0.51
Average realized sales price (<i>per tonne</i>)	\$ 42.63	\$ 29.71	\$ 39.17	\$ 29.60
Total cash costs of product sold (<i>per tonne</i>)	\$ 22.30	\$ 18.13	\$ 22.80	\$ 18.23
Direct cash costs of product sold (<i>per tonne</i>)	\$ 21.37	\$ 16.64	\$ 21.81	\$ 16.05
Operating Statistics				
Sunset				
Total waste material moved (<i>millions of bank cubic metres</i>)	1.73	-	3.22	0.34
Strip ratio (<i>bank cubic metres of waste rock per tonne of clean coal produced</i>)	2.79	-	3.84	2.19
Sunrise				
Total waste material moved (<i>millions of bank cubic metres</i>)	0.02	-	0.02	-

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 six months ended June 30, 2010, were reviewed by the Audit Committee of the Company.

SouthGobi's results for the quarter ended June 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 and SouthGobi Resources website at www.southgobi.com.

ABOUT SOUTHGObI RESOURCES

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

Information contacts, SouthGobi Resources

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

Website: 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 June 30, 2010 which are available at www.sedar.com.