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SOUTHGOBI RESOURCES LTD.

南戈壁資源有限公司*

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

(Stock Code: 1878)

**Southgobi Resources Announces Notice Of Investment
Dispute Filed Against Mongolian Government**

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) (“SouthGobi”) announced today that SGQ Coal Investment Pte. Ltd., a wholly owned subsidiary of SouthGobi that owns the Company’s Mongolian operating subsidiary SouthGobi Sands LLC (“SGS”), has filed a Notice of Investment Dispute on the Mongolian Government pursuant to the Bilateral Investment Treaty (“BIT”) between Singapore and Mongolia. The Company has filed the Notice of Investment Dispute following a determination by management that they have exhausted all other possible means to resolve an ongoing investment dispute between SGS and the Mongolian authorities.

Please see the attached announcement for more details.

By order of the Board
SouthGobi Resources Ltd.

Mr. Peter Graham Meredith
Chairman

Hong Kong, July 11, 2012

As of the date of this announcement, the executive Director is Mr. Alexander Alan Molyneux, the non-executive Director is Mr. Peter Graham Meredith, and the independent non-executive Directors are Mr. Pierre Bruno Lebel, Mr. Robert William Hanson, Mr. Andre Henry Deepwell, Mr. William Gordon Lancaster, and Mr. Raymond Edward Flood Jr.

* *For identification purposes only*



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The Notice of Investment Dispute consists of, but is not limited to, the failure by the Mineral Resources Authority of Mongolia to execute the pre-mining agreements (“PMAs”) associated with certain exploration licenses of the Company pursuant to which valid PMA applications had been lodged in 2011. The areas covered by the valid PMA applications include the resource known as Zag Suuj and certain areas associated with the broader Soumber Deposit.

The Notice of Investment Dispute triggers the dispute resolution process under the BIT whereby the Mongolian Government has a six-month cure period from the date of receipt of the notice to satisfactorily resolve the dispute through negotiations. If the negotiations are not successful, the Company will be entitled to commence conciliation/arbitration proceedings under the auspices of the International Centre for Settlement of Investment Disputes (“ICSID”) pursuant to the BIT. In the event that the Mongolian Government fails to negotiate, ICSID arbitration proceedings may be accelerated before the six (6) months have expired.

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

Dave Bartel, Vice President Investor Relations and External Affairs (Hong Kong) +852 2156 7023

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," "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 quarter ended March 31, 2012 which is available at www.sedar.com.