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(Stock Code: 1878)*

SOUTHGOBI RESOURCES ANNOUNCES SECOND QUARTER 2013 FINANCIAL AND OPERATING RESULTS

HONG KONG – SouthGobi Resources Ltd. (TSX: **SGQ**, HK: **1878**) today announced its financial and operating results for the three and six months ended June 30, 2013.

Please see the attached announcement for more details.

By order of the Board
SouthGobi Resources Ltd.

Ms. Kay Priestly
Chairman

Hong Kong, 12 August 2013

As of the date of this announcement, the executive Director is Mr. Kenneth Ross Tromans, the non-executive Directors are Ms. Kay Priestly, Mr. Lindsay Dove, Mr. Sean Hinton, and Mr. Kelly Sanders, and the independent non-executive Directors are Mr. Pierre Bruno Lebel, Mr. Andre Henry Deepwell, and Mr. William Gordon Lancaster.

* For identification purpose only

August 12, 2013

SOUTHGobi RESOURCES ANNOUNCES SECOND QUARTER 2013 FINANCIAL AND OPERATING RESULTS

HONG KONG – SouthGobi Resources Ltd. (TSX: **SGQ**, HK: **1878**), (the “Company” or “SouthGobi”) today announced its financial and operating results for the three and six months ended June 30, 2013. All figures are in U.S. Dollars unless otherwise stated.

SIGNIFICANT EVENTS

The Company’s significant events for the quarter ended June 30, 2013 and subsequent weeks are as follows:

- **Entered into a coal supply agreement with Winsway Coking Coal Holdings Limited (“Winsway”) for the sale of 1.2 million tonnes of Standard semi-soft coking coal in 2013. Agreement reaffirms the Company’s longstanding relationship with Winsway, a key customer, as SouthGobi continues to focus on its 2013 commercial objectives;**
- **Announced the appointment of Enkh-Amgalan Sengee as President and Executive Director of SouthGobi Sands LLC, the Company’s indirectly wholly-owned subsidiary, effective July 15, 2013;**
- **Announced the appointment of Brett Salt as Chief Commercial Officer and his resignation as a non-executive director, effective August 1, 2013;**
- **Second quarter sales volumes and revenue declined to 0.04 million tonnes and \$0.4 million, respectively, in 2013, compared to 0.16 million tonnes and \$8.4 million in 2012.**

REVIEW OF QUARTERLY OPERATING RESULTS

The Company's operating results for the previous eight quarters are summarized in the table below:

QUARTER ENDED	2013			2012			2011	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Raw coal production (millions of tonnes)	0.17	0.02	–	–	0.27	1.07	1.34	1.25
Sales volumes and prices ⁽ⁱ⁾								
SouthGobi premium semi-soft coking coal								
Coal sales (millions of tonnes)	–	0.08	0.03	–	0.12	0.31	0.53	0.66
Average realized selling price (per tonne)	\$ –	\$ 45.81	\$ 47.86	\$ –	\$ 67.17	\$ 67.59	\$ 67.62	\$ 66.83
SouthGobi standard semi-soft coking coal								
Coal sales (millions of tonnes)	–	–	–	–	0.04	0.53	0.37	0.20
Average realized selling price (per tonne)	\$ –	\$ –	\$ –	\$ –	\$ 49.91	\$ 50.40	\$ 48.59	\$ 48.17
SouthGobi thermal coal								
Coal sales (millions of tonnes)	0.04	0.00	–	0.31	0.00	–	0.25	0.51
Average realized selling price (per tonne)	\$ 14.40	\$ 13.67	\$ –	\$ 15.79	\$ 38.80	\$ –	\$ 40.30	\$ 39.74
Total								
Coal sales (millions of tonnes)	0.04	0.08	0.03	0.31	0.16	0.84	1.15	1.37
Average realized selling price (per tonne)	\$ 14.40	\$ 45.02	\$ 47.86	\$ 15.79	\$ 62.56	\$ 56.79	\$ 55.51	\$ 54.01
Costs								
Direct cash costs of product sold excluding idled mine asset costs (per tonne) ⁽ⁱⁱ⁾	\$ 10.36	\$ 35.46	\$ 33.11	\$ 8.23	\$ 22.57	\$ 10.80	\$ 22.14	\$ 22.64
Total cash costs of product sold excluding idled mine asset costs (per tonne) ⁽ⁱⁱ⁾	\$ 70.14	\$ 40.52	\$ 38.17	\$ 12.12	\$ 31.49	\$ 15.04	\$ 23.09	\$ 23.17
Waste movement and stripping ratio								
Production waste material moved (millions of bank cubic meters)	2.71	0.40	–	–	1.16	2.20	4.58	4.10
Strip ratio (bank cubic meters of waste material per tonne of coal produced)	15.55	26.21	–	–	4.31	2.07	3.42	3.28
Pre-production waste material moved (millions of bank cubic meters)	–	–	–	–	–	–	–	0.39
Other operating capacity statistics								
Capacity of key mining fleet								
Number of mining shovels/excavators available at period end	5	5	5	4	4	3	3	3
Total combined stated mining shovel/excavator capacity at period end (cubic meters)	113	113	113	98	98	64	64	64
Number of haul trucks available at period end	24	31	27	27	27	27	25	16
Total combined stated haul truck capacity at period end (tonnes)	4,978	5,615	4,743	4,743	4,743	4,743	4,561	2,599
Employees and safety								
Employees at period end	449	444	465	644	693	720	720	695
Lost time injury frequency rate ⁽ⁱⁱⁱ⁾	–	–	0.1	0.2	0.2	0.3	0.2	0.2

- (i) The sales volumes and prices that have been previously disclosed as raw semi-soft coking coal, raw medium-ash coal and raw higher-ash coal have now been reclassified as SouthGobi premium semi-soft coking coal, SouthGobi standard semi-soft coking coal and SouthGobi thermal coal, respectively, to reflect the Company's new product strategy
- (ii) A non-International Financial Reporting Standards ("IFRS") financial measure, see Non-IFRS Financial Measures section
- (iii) Per 200,000 man hours

On March 22, 2013, SouthGobi announced the resumption of operations at its flagship Ovoot Tolgoi Mine. The Company recognized revenue of \$0.4 million in the second quarter of 2013 compared to \$3.3 million in the first quarter of 2013 and \$8.4 million in the second quarter of 2012. In the first half of 2013, the Company's sales volume and average realized selling price continued to be negatively impacted by the softness of the inland China coking coal markets closest to SouthGobi's operations. Economic activity post transition in China's leadership has been slower than expected. The Chinese steel industry has been particularly affected and, as a result, demand and prices for coking coal have been negatively impacted. Subsequent to the end of the second quarter of 2013, SouthGobi entered into a coal supply agreement with Winsway, an integrated logistic service provider, for the sale of 1.2 million tonnes of Standard semi-soft coking coal in 2013.

For the three months ended June 30, 2013

For the three months ended June 30, 2013, the Company produced 0.17 million tonnes of raw coal with a strip ratio of 15.55 compared to production of 0.27 million tonnes of raw coal with a strip ratio of 4.31 for the three months ended June 30, 2012. In the second quarter of 2013, the Company primarily moved waste material (overburden) and exposed coal in the pit, aligning its operating activities to the significantly lower demand. The Company's strip ratio of 15.55 for the three months ended June 30, 2013 is not indicative of the Company's strip ratio moving forward.

For the three months ended June 30, 2013, SouthGobi recorded revenue of \$0.4 million compared to \$8.4 million in the second quarter of 2012. Revenue decreased primarily due to decreased sales volumes and a lower average realized selling price. The Company sold 0.04 million tonnes of coal at an average realized selling price of \$14.40 per tonne in the second quarter of 2013 compared to sales of 0.16 million tonnes of coal at an average realized selling price of \$62.56 per tonne in the second quarter of 2012. SouthGobi's sales volume and average realized selling price was negatively impacted by the continued softness of the inland China coking coal markets closest to SouthGobi's operations. SouthGobi's average realized selling price was also negatively impacted by the Company's sales mix in the second quarter of 2013, which consisted of thermal coal.

Direct cash costs of product sold excluding idled mine asset costs (a non-IFRS financial measure, see Non-IFRS Financial Measures section) were \$10.36 per tonne for the three months ended June 30, 2013 compared to \$22.57 per tonne for the three months ended June 30, 2012. Direct cash costs of product sold excluding idled mine asset costs primarily decreased in the second quarter of 2013 due to lower cost coal inventory being sold.

Mine administration cash costs of product sold excluding idled mine asset costs (a non-IFRS financial measure, see Non-IFRS Financial Measures section) increased to \$59.78 per tonne for the three months ended June 30, 2013 from \$8.92 per tonne for the three months ended June 30, 2012 primarily due to mine administration costs being allocated over lower sales volumes.

For the six months ended June 30, 2013

For the six months ended June 30, 2013, the Company produced 0.19 million tonnes of raw coal with a strip ratio of 16.40 compared to production of 1.33 million tonnes of raw coal with a strip ratio of 2.52 for the six months ended June 30, 2012. In the first quarter of 2013, the Company's production was significantly impacted by the curtailment of mining operations until March 22, 2013. In the second quarter of 2013, the Company primarily moved waste material (overburden) and exposed coal in the pit, aligning its operating activities to the significantly lower demand. The Company's strip ratio of 16.40 for the six months ended June 30, 2013 is not indicative of the Company's strip ratio moving forward.

For the six months ended June 30, 2013, SouthGobi recorded revenue of \$3.6 million compared to \$48.6 million for the six months ended June 30, 2012. The Company sold 0.12 million tonnes of coal at an average realized selling price of \$34.62 per tonne for the six months ended June 30, 2013 compared to sales of 1.00 million tonnes of coal at an average realized selling price of \$57.71 per tonne for the six months ended June 30, 2012. Revenue decreased primarily due to decreased sales volumes and a lower average realized selling price.

Direct cash costs of product sold excluding idled mine asset costs (a non-IFRS financial measure, see Non-IFRS Financial Measures section) were \$26.94 per tonne for the six months ended June 30, 2013 compared to \$12.67 per tonne for the six months ended June 30, 2012. In the first quarter of 2012, direct cash costs of product sold excluding idled mine asset costs were lower due to a below-trend strip ratio.

Mine administration cash costs of product sold excluding idled mine asset costs (a non-IFRS financial measure, see Non-IFRS Financial Measures section) increased to \$23.63 per tonne for the six months ended June 30, 2013 from \$4.98 per tonne for the six months ended June 30, 2012 primarily due to mine administration costs being allocated over lower sales volumes.

REVIEW OF QUARTERLY FINANCIAL RESULTS

The Company's financial results for the previous eight quarters are summarized in the table below:

(\$ in thousands, except for per share information, unless otherwise indicated)

QUARTER ENDED	2013			2012			2011	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Revenue	\$ 374	\$ 3,259	\$ 1,213	\$ 3,337	\$ 8,412	\$ 40,153	\$ 51,064	\$ 60,491
Gross profit/(loss) excluding idled mine asset costs	(6,337)	(2,187)	(6,894)	(8,601)	1,778	22,674	16,637	17,635
Gross profit margin excluding idled mine asset costs	-1694%	-67%	-568%	-258%	21%	56%	33%	29%
Gross profit/(loss) including idled mine asset costs	(12,092)	(18,601)	(25,336)	(27,532)	(13,809)	22,674	16,637	17,635
Other operating expenses	(14,877)	(383)	(18,664)	(29,301)	(3,803)	(2,578)	(24,644)	(138)
Administration expenses	(4,024)	(3,733)	(6,079)	(5,178)	(7,497)	(5,882)	(8,612)	(7,993)
Evaluation and exploration expenses	(221)	(273)	(508)	(958)	(2,099)	(5,033)	(14,513)	(10,908)
Income/(loss) from operations	(31,214)	(22,990)	(50,586)	(62,969)	(27,208)	9,181	(31,132)	(1,404)
Net income/(loss)	(33,662)	(24,901)	(51,818)	(54,564)	237	3,126	(18,897)	55,921
Basic income/(loss) per share	(0.18)	(0.14)	(0.28)	(0.30)	0.00	0.02	(0.10)	0.31
Diluted income/(loss) per share	(0.18)	(0.14)	(0.28)	(0.30)	(0.12)	0.02	(0.14)	(0.02)

QUARTER ENDED	2013			2012			2011	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Net income/(loss)	\$ (33,662)	\$ (24,901)	\$ (51,818)	\$ (54,564)	\$ 237	\$ 3,126	\$ (18,897)	\$ 55,921
Income/(loss) adjustments, net of tax								
Idled mine asset costs	4,316	12,312	14,474	13,572	10,966	–	–	–
Share-based compensation expense/(recovery)	(21)	154	(1,144)	1,490	4,383	3,799	4,050	4,296
Net impairment loss/(recovery) on assets	18,269	1,621	22,814	34,299	2,583	–	23,818	(2,925)
Unrealized foreign exchange losses/(gains)	12	(38)	750	179	(511)	(950)	34	103
Unrealized loss/(gain) on embedded derivatives in CIC debenture	(3,343)	(748)	(662)	(12,856)	(26,770)	776	(10,790)	(62,058)
Realized loss/(gain) on disposal of FVTPL investments ⁽ⁱ⁾	43	–	15	–	46	(85)	–	–
Unrealized loss/(gain) on FVTPL investments	473	(5)	664	1,197	2,282	339	155	2,449
Adjusted net income/(loss) ⁽ⁱⁱ⁾	(13,913)	(11,605)	(14,907)	(16,683)	(6,784)	7,005	(1,630)	(2,214)

(i) FVTPL is defined as "fair value through profit or loss"

(ii) A non-IFRS financial measure, see Non-IFRS Financial Measures section

For the three months ended June 30, 2013

The Company recorded a net loss of \$33.7 million in the second quarter of 2013 compared to a net loss of \$24.9 million in the first quarter of 2013 and a net income of \$0.2 million in the second quarter of 2012.

Gross Profit/(Loss):

The Company recorded a gross loss of \$12.1 million in the second quarter of 2013, \$18.6 million in the first quarter of 2013 and \$13.8 million in the second quarter of 2012. SouthGobi's gross loss in these periods was negatively impacted by idled mine asset costs. The Company recorded a gross loss excluding idled mine asset costs of \$6.3 million in the second quarter of 2013 and \$2.2 million in the first quarter of 2013 compared to a gross profit excluding idled mine asset costs of \$1.8 million in the second quarter of 2012. Gross profit will vary by quarter depending on sales volumes, sales prices and unit costs.

The Company recognized revenue of \$0.4 million in the second quarter of 2013 compared to \$3.3 million in the first quarter of 2013 and \$8.4 million in the second quarter of 2012. In the first half of 2013, the Company's sales volume and average realized selling price continued to be negatively impacted by the softness of the inland China coking coal markets closest to SouthGobi's operations.

Based on the reference prices for the second quarter of 2013, the Company was subject to an average 7% royalty based on a weighted average reference price of \$70.83 per tonne. The Company's effective royalty rate for the second quarter of 2013, based on the Company's average realized selling price of \$14.40 per tonne, was 34%. Effective October 1, 2012 (for a six month trial period) the royalty was determined using the contracted sales price per tonne, not the reference price per tonne published by the Government of Mongolia. Despite SouthGobi, together with other Mongolian mining companies, engaging the appropriate Government of Mongolia authorities, the six month trial period was not extended and effective April 1, 2013, the royalty on all coal sales exported out of Mongolia was once again based on a set reference price per tonne published monthly by the Government of Mongolia. Although discussions have not been successful to date, SouthGobi, together with other Mongolian mining companies, continue the dialog with the appropriate Government of Mongolia authorities with the goal of moving to a more equitable process for setting reference prices.

Cost of sales was \$12.5 million in the second quarter of 2013 compared to \$21.9 million in the first quarter of 2013 and \$22.2 million in the second quarter of 2012. Cost of sales comprise the direct cash costs of product sold, mine administration cash costs of product sold, idled mine asset costs, inventory impairments, equipment depreciation, depletion of mineral properties and share-based compensation expense. Of the \$12.5 million, \$21.9 million and \$22.2 million recorded as cost of sales in the second quarter of 2013, the first quarter of 2013 and the second quarter of 2012, \$6.7 million, \$5.4 million and \$6.6 million related to mine operations and \$5.8 million, \$16.4 million and \$15.6 million related to idled mine asset costs, respectively. Cost of sales from mine operations in the second quarter of 2013 and the first quarter of 2013 included coal stockpile impairments of \$4.0 million and \$2.2 million, respectively, to reduce the carrying value of the coal stockpiles to their estimated net realizable values. Cost of sales from mine operations, exclusive of impairments, decreased in the second quarter of 2013 compared to the second quarter of 2012 due to lower sales volumes, partially offset by higher unit costs.

Cost of sales from idled mine asset costs decreased in the second quarter of 2013 due to the recommencement of mining operations at the Ovoot Tolgoi Mine on March 22, 2013. However, the 2013 production plan does not fully utilize the Company's existing mining fleet, therefore, idled mine asset costs will continue to be incurred moving forward.

Other Operating Expenses:

Other operating expenses in the second quarter of 2013 were \$14.9 million compared to \$0.4 million in the first quarter of 2013 and \$3.8 million in the second quarter of 2012. In the second quarter of 2013, other operating expenses primarily related to the following:

- Available-for-sale financial asset – the Company recognized an impairment loss of \$3.1 million related to its investment in Aspire Mining Limited ("Aspire").
- Materials and supplies inventory – the Company recognized an impairment loss of \$6.9 million related to surplus materials and supplies inventories not expected to be utilized with the Company's existing mining fleet.
- Property, plant and equipment – the Company recorded \$4.3 million of impairment charges to reduce various items of property, plant and equipment to their recoverable amounts. The impairments relate to surplus capital spares not expected to be utilized with the Company's existing mining fleet.

In the first quarter of 2013, other operating expenses primarily related to \$0.3 million of foreign exchange losses. In the second quarter of 2012, other operating expenses primarily related to a \$2.6 million provision for doubtful trade and other receivables.

Administration Expenses:

Administration expenses in the second quarter of 2013 were \$4.0 million compared to \$3.7 million in the first quarter of 2013 and \$7.5 million in the second quarter of 2012. The increase in administration expenses in the second quarter of 2013 compared to the first quarter of 2013 primarily related to increased legal expenses due to the ongoing governmental, regulatory and internal investigations. The decrease in administration expenses in the second quarter of 2013 compared to the second quarter of 2012 primarily related to decreased corporate administration, salaries and benefits and share-based compensation expenses, partially offset by increased legal and professional fees due to the ongoing governmental, regulatory and internal investigations.

Evaluation and Exploration Expenses:

Exploration expenses in the second quarter of 2013 were \$0.2 million compared to \$0.3 million in the first quarter of 2013 and \$2.1 million in the second quarter of 2012. Exploration expenses will vary from quarter to quarter depending on the number of projects and the related seasonality of the exploration programs. The Company continues to minimize exploration expenditures to preserve the Company's financial resources.

Finance Income & Finance Costs:

Finance costs in the second quarter of 2013 were \$5.6 million compared to \$4.0 million in the second quarter of 2012. Finance costs in the second quarter of 2013 primarily consisted of \$5.1 million of interest expense on the China Investment Corporation ("CIC") convertible debenture; whereas, finance costs in the second quarter of 2012 primarily consisted of a \$2.3 million unrealized loss on FVTPL investments and \$1.6 million of interest expense on the CIC convertible debenture.

Finance income in the second quarter of 2013 was \$3.4 million compared to \$26.9 million in the second quarter of 2012. In the second quarter of 2013 and 2012, finance income primarily consisted of a \$3.3 million and \$26.8 million unrealized gain on the fair value change of the embedded derivatives in the CIC convertible debenture, respectively. The fair value of the embedded derivatives in the CIC convertible debenture is driven by many factors including: the Company's share price, foreign exchange rates and share price volatility.

Taxes:

In the second quarter of 2013, the Company recorded \$nil current income tax expense related to its Mongolian operations compared to a current income tax recovery of \$3.7 million in the second quarter of 2012. The Company has recorded a deferred income tax expense related to deductible temporary differences and loss carry-forwards of \$0.2 million in the second quarter of 2013 compared to a deferred income tax recovery related to deductible temporary differences of \$0.6 million in the second quarter of 2012.

For the six months ended June 30, 2013

The Company recorded a net loss of \$58.6 million for the six months ended June 30, 2013 compared to net income of \$3.4 million for the six months ended June 30, 2012.

Gross Profit/(Loss):

The Company recorded a gross loss of \$30.7 million for the six months ended June 30, 2013 compared to a gross profit of \$8.9 million for the six months ended June 30, 2012. SouthGobi's gross profit/(loss) in these periods was negatively impacted by idled mine asset costs. The Company recorded a gross loss excluding idled mine asset costs of \$8.5 million for the six months ended June 30, 2013 compared to a gross profit excluding idled mine asset costs of \$24.5 million for the six months ended June 30, 2012. Gross profit will vary by quarter depending on sales volumes, sales prices and unit costs.

For the six months ended June 30, 2013, SouthGobi recorded revenue of \$3.6 million compared to \$48.6 million for the six months ended June 30, 2012. The Company sold 0.12 million tonnes of coal at an average realized selling price of \$34.62 per tonne for the six months ended June 30, 2013 compared to sales of 1.00 million tonnes of coal at an average realized selling price of \$57.71 per tonne for the six months ended June 30, 2012. Revenue decreased primarily due to decreased sales volumes and a lower average realized selling price.

Revenues are presented net of royalties and selling fees. Based on the reference prices for the six months ended June 30, 2013, the Company was subject to an average 6% royalty based on a weighted average reference price of \$53.76 per tonne. The Company's effective royalty rate for the six months ended June 30, 2013, based on the Company's average realized selling price of \$34.62 per tonne, was 10%.

Cost of sales was \$34.3 million for the six months ended June 30, 2013 compared to \$39.7 million for the six months ended June 30, 2012. Cost of sales comprise the direct cash costs of product sold, mine administration cash costs of product sold, idled mine asset costs, inventory impairments, equipment depreciation, depletion of mineral properties and share-based compensation expense. Of the \$34.3 million (1H 2012: \$39.7 million) recorded as cost of sales for the six months ended June 30, 2013, \$12.2 million (1H 2012: \$24.1 million) related to mine operations and \$22.2 million (1H 2012: \$15.6 million) related to idled mine asset costs. Cost of sales related to mine operations decreased for the six months ended June 30, 2013 compared to the six months ended June 30, 2012 primarily due to lower sales volumes, partially offset by higher unit costs and coal stockpile impairments totaling \$6.1 million. Cost of sales related to idled mine costs primarily consist of period costs, which are expensed as incurred and primarily include depreciation expense. The depreciation expense relates to the Company's idled plant and equipment.

Other Operating Expenses:

Other operating expenses for the six months ended June 30, 2013 were \$15.3 million compared to \$6.4 million for the six months ended June 30, 2012. For the six months ended June 30, 2013, other operating expenses primarily related to the following:

- Available-for-sale financial asset – the Company recognized an impairment loss of \$3.1 million related to its investment in Aspire.
- Materials and supplies inventory – the Company recognized an impairment loss of \$6.9 million related to surplus materials and supplies inventories not expected to be utilized with the Company's existing mining fleet.
- Property, plant and equipment – the Company recorded \$4.3 million of impairment charges to reduce various items of property, plant and equipment to their recoverable amounts. The impairments relate to surplus capital spares not expected to be utilized with the Company's existing mining fleet.

For the six months ended June 30, 2012, other operating expenses primarily related to a \$2.6 million provision for doubtful trade and other receivables and a \$2.0 million foreign exchange loss.

Administration Expenses:

Administration expenses for the six months ended June 30, 2013 were \$7.8 million compared to \$13.4 million for the six months ended June 30, 2012. The decrease in administration expenses primarily relates to decreased corporate administration, salaries and benefits and share-based compensation expenses, partially offset by increased legal and professional fees due to the ongoing governmental, regulatory and internal investigations.

Evaluation and Exploration Expenses:

Exploration expenses for the six months ended June 30, 2013 were \$0.5 million compared to \$7.1 million for the six months ended June 30, 2012. Exploration expenses will vary from period to period depending on the number of projects and the related seasonality of the exploration programs. The Company continues to minimize exploration expenditures to preserve the Company's financial resources.

Finance Income & Finance Costs:

Finance costs for the six months ended June 30, 2013 were \$10.6 million compared to \$4.7 million for the six months ended June 30, 2012. Finance costs for the six months ended June 30, 2013 primarily consisted of \$10.0 million of interest expense on the CIC convertible debenture; whereas, finance costs for the six months ended June 30, 2012 primarily consisted of a \$2.6 million unrealized loss on FVTPL investments and \$1.8 million of interest expense on the CIC convertible debenture.

Finance income for the six months ended June 30, 2013 was \$4.1 million compared to \$26.2 million for the six months ended June 30, 2012. For the six months ended June 30, 2013 and June 30, 2012, finance income primarily consisted of a \$4.1 million and \$26.0 million unrealized gain on the fair value change of the embedded derivatives in the CIC convertible debenture, respectively. The fair value of the embedded derivatives in the CIC convertible debenture is driven by many factors including: the Company's share price, foreign exchange rates and share price volatility.

Taxes:

For the six months ended June 30, 2013, the Company recorded a \$1 thousand current income tax expense related to its Mongolian operations compared to a current income tax expense of \$1.1 million for the six months ended June 30, 2012. The Company has recorded a deferred income tax recovery related to deductible temporary differences and loss carry-forwards of \$2.1 million for the six months ended June 30, 2013 compared to a deferred income tax recovery related to deductible temporary differences of \$0.7 million for the six months ended June 30, 2012.

FINANCIAL POSITION AND LIQUIDITY

Cash Position and Liquidity

As at June 30, 2013, the Company had cash of \$19.2 million compared to cash of \$19.7 million and short term money market investments of \$15.0 million for a total of \$34.7 million in cash and money market investments as at December 31, 2012. Working capital (excess current assets over current liabilities) was \$78.0 million as at June 30, 2013 compared to \$127.2 million as at December 31, 2012.

Consistent with the Company's capital risk management strategy, the Company expects to have sufficient liquidity and capital resources to meet its ongoing obligations and future contractual commitments, including interest payments due on the CIC convertible debenture, for at least twelve months from the end of the June 30, 2013 reporting period. The Company expects its liquidity to remain sufficient based on existing capital resources and estimated income from mining operations. Estimated income from mining operations is subject to a number of external market factors including supply and demand and pricing in the coal industry. The Company continues to minimize uncommitted capital expenditures and exploration expenditures in order to preserve the Company's financial resources.

In the first quarter of 2013, the Company was subject to orders imposed by Mongolia's Independent Authority against Corruption (the "IAAC") which placed restrictions on certain of the Company's Mongolian assets. The orders were imposed on the Company in connection with the IAAC's investigation of the Company. The Mongolian Stated Investigation Office (the "SIA") also continues to enforce the orders on the Company.

The orders placing restrictions on certain of the Company's Mongolian assets could ultimately result in an event of default of the Company's CIC convertible debenture. This matter remains under review by the Company and its advisers but to date, it is the Company's view that this would not result in an event of default as defined under the CIC convertible debenture terms. However, in the event that the orders result in an event of default of the Company's CIC convertible debenture that remains uncured for ten business days, the principal amount owing and all accrued and unpaid interest will become immediately due and payable upon notice to the Company by CIC.

The orders relate to certain items of operating equipment and infrastructure and the Company's Mongolian bank accounts. The orders related to the operating equipment and infrastructure restricts the sale of these items; however, the orders do not restrict the use of these items in the Company's mining activities. The orders related to the Company's Mongolian bank accounts restrict the use of in-country funds. While the orders restrict the use of in-country funds pending outcome of the investigation, they are not expected to have any material impact on the Company's activities.

Impairment Analysis

During the three months ended June 30, 2013, the Company determined that an indicator of impairment existed for its property, plant and equipment related to the Ovoot Tolgoi Mine. The impairment indicator was the continued weakness in the Company's share price.

Therefore, the Company conducted an impairment test whereby the carrying values of the Company's property, plant and equipment, including mineral properties, related to the Ovoot Tolgoi Mine were compared to their "value-in-use" using a discounted future cash flow valuation model as at June 30, 2013. The Company's property, plant and equipment, including mineral properties, totaled \$508.7 million as at June 30, 2013.

Key estimates and assumptions incorporated in the valuation model included the following:

- Inland Chinese coking coal market coal prices;
- Life-of-mine coal production and operating costs; and
- A discount rate based on an analysis of market, country and company specific factors.

The impairment analysis did not result in the identification of an impairment loss and no charge was required as at June 30, 2013. The Company believes that the estimates and assumptions incorporated in the impairment analysis are reasonable; however, the estimates and assumptions are subject to significant uncertainties and judgments.

PROCESSING INFRASTRUCTURE

On February 13, 2012, the Company announced the successful commissioning of the dry coal handling facility (“DCHF”) at the Ovoot Tolgoi Mine. The DCHF has capacity to process nine million tonnes of run-of-mine (“ROM”) coal per year. The DCHF includes a 300-tonne-capacity dump hopper, which receives ROM coal from the Ovoot Tolgoi Mine and feeds a coal rotary breaker that sizes coal to a maximum of 50mm and rejects oversize ash. The DCHF is anticipated to reduce screening costs and improve yield recoveries.

The Company has received all permits to operate the DCHF. However, the 2013 mine plan considers limited utilization of the DCHF at the latter end of 2013 due to higher quality coals being mined that likely will not require processing through the DCHF. The 2013 mine plan assumes a conservative resumption of operations, designed to achieve a cost effective approach that will allow operations to continue on a sustainable basis.

The Company has delayed construction to upgrade the DCHF to include dry air separation modules and covered load out conveyors with fan stackers to take processed coals to stockpiles and enable more efficient blending. Uncommitted capital expenditures have been minimized to preserve the Company’s financial resources.

To further enhance product value, in 2011, the Company entered into an agreement with Ejinaqi Jinda Coal Industry Co. Ltd (“Ejin Jinda”), a subsidiary of China Mongolia Coal Co. Ltd to toll-wash coals from the Ovoot Tolgoi Mine. The agreement has a duration of five years from commencement and provides for an annual wet washing capacity of approximately 3.5 million tonnes of input coal. Pursuant to the terms of the agreement, the Company prepaid \$33.6 million of toll washing fees.

Ejin Jinda’s wet washing facility is located approximately 10km inside China from the Shivee Khuren Border Crossing, approximately 50km from the Ovoot Tolgoi Mine. Primarily, medium and higher-ash coals with only basic processing through Ovoot Tolgoi’s on-site DCHF will be transported from the Ovoot Tolgoi Mine to Ejin Jinda’s wet washing facility under a separate transportation agreement. Based on preliminary studies, the Company expected coals processed through Ovoot Tolgoi’s on-site DCHF to then be washed to produce coals with ash in the range of 8% to 11% at a yield of 85% to 90%. However, the Company is currently reassessing these preliminary studies. The Company continues to expect that washed coals will generally meet semi-soft coking coal specifications. Ejin Jinda will charge the Company a single toll washing fee which will cover their expenses, capital recovery and profit.

Construction of Ejin Jinda's wet washing facility is now complete and it has been connected to utility supply. The Company has delayed plans to commence wet washing coals due to the current market conditions. The commencement of wet washing coals will be aligned with improvements in market conditions. As at June 30, 2013, the delay in commencing wet washing coals has had no impact on the carrying value of the Company's prepaid toll washing fees of \$33.6 million.

REGIONAL TRANSPORTATION INFRASTRUCTURE

On August 2, 2011, the State Property Committee of Mongolia awarded the tender to construct a paved highway from the Ovoot Tolgoi Complex to the Shivee Khuren Border Crossing to consortium partners NTB LLC and SouthGobi Sands LLC (together referred to as "RDCC"). SouthGobi Sands LLC holds a 40% interest in RDCC. On October 26, 2011, RDCC signed a concession agreement with the State Property Committee of Mongolia. RDCC has the right to conclude a 17 year build, operate and transfer agreement under the Mongolian Law on Concessions. Construction on the paved highway re-commenced in the second quarter of 2013 after a scheduled demobilization in the fourth quarter of 2012 due to winter weather conditions. Completion of the paved highway is expected in late 2013. The paved highway will have an intended carrying capacity upon completion in excess of 20 million tonnes of coal per year.

REGULATORY ISSUES

Governmental, Regulatory and Internal Investigations

The Company is subject to investigations by the IAAC and the SIA regarding allegations against SouthGobi and some of its former employees and one current employee. The IAAC investigation concerns possible breaches of Mongolia's anti-corruption laws, while the SIA investigation concerns possible breaches of Mongolia's money laundering and taxation laws.

While the IAAC investigation into allegations of possible breaches of Mongolian anti-corruption laws has been suspended, the Company has not received notice that the IAAC investigation is complete. To date, three former SouthGobi employees and one current SouthGobi employee have been named as suspects in the IAAC investigation and are subject to a continuing travel ban imposed by the IAAC. The IAAC has not formally accused any current or former SouthGobi employees of breach of Mongolia's anti-corruption laws.

The SIA has not accused any current or former SouthGobi employees of money laundering. However, three former SouthGobi employees have been informed that they have each been designated as "accused" in connection with the allegations of tax evasion, and are subject to a travel ban. The Company has been designated as a "civil defendant" in connection with the tax evasion allegations, and it may potentially be held financially liable for the criminal misconduct of its former employees, under Mongolian Law. The Company has shown full cooperation with the investigation by providing relevant information. The relevant authorities

are yet to conclude on this information. Accordingly, the likelihood or consequences for the Company of a judgment against its former employees is unclear at this time.

The SIA also continues to enforce administrative restrictions, which were initially imposed by the IAAC investigation, on certain of the Company's Mongolian assets, including local bank accounts, in connection with its continuing investigation of these allegations. While the orders restrict the use of in-country funds pending the outcome of the investigation, they are not expected to have a material impact on the Company's activities in the short term, although they could create potential difficulties for the Company in the medium to long term. SouthGobi is taking and intends to take all necessary steps to protect its ability to continue to conduct its business activities in the ordinary course.

Certain of the allegations raised by the SIA and IAAC against SouthGobi (concerning allegations of bribery, money laundering and tax evasion) have been the subject of public statements and Mongolian media reports, both prior to and in connection with the recent trial, conviction, and appeal of the former Chairman and the former director of the Geology, Mining and Cadastral Department of the MRAM, and others. SouthGobi was not a party to this case. The Company understands that the court process is now concluded following the decision of the Supreme Court of Mongolia to uphold the convictions.

A number of the media reports referred to above suggest that, in its decision, the Supreme Court in the above-mentioned case referred to two matters specifically involving SouthGobi Sands LLC.

In respect of the first matter, being an alleged failure to meet minimum expenditure requirements under the Mongolian Minerals Law in relation to four exploration licenses, the Company is investigating these allegations, but advises that three of the four licenses were considered to be non-material and allowed to lapse between November 2009 and December 2011. The fourth exploration license (license 9442X) was canceled on June 19, 2013 by the Supreme Court in the appeal of the above-mentioned case and is no longer held by the Company. Activities historically carried out on this license include drilling, trenching and geological reconnaissance. The Company had no immovable assets located on this license and it did not contain any of SouthGobi's NI 43-101 reserves or resources. This license did not relate to the Company's Ovoot Tolgoi Mine and SouthGobi does not consider this license to be material to its business.

The second matter referred to by the Supreme Court was an alleged impropriety in the transfer of License 5261X by SouthGobi Sands LLC to a third party in March 2010 in violation of Mongolian anti-corruption laws. The Company understands that the Supreme Court has invalidated the transfer of this license, and the license is now held by the Government of Mongolia.

Through its Audit Committee (comprised solely of independent directors), SouthGobi is conducting an internal investigation into possible breaches of law, internal corporate policies and codes of conduct arising from the allegations that have been raised. The Audit Committee

has the assistance of independent legal counsel in connection with its investigation. The Chair of the Audit Committee is also participating in a tripartite committee, comprised of the Audit Committee Chairs of the Company and Turquoise Hill and a representative of Rio Tinto, which is focused on the investigation of those allegations, including possible violations of anti-corruption laws. Independent legal counsel and forensic accountants have been engaged by this committee to assist it with its investigation. All of these investigations are ongoing but are not yet complete. Information that has been produced to the IAAC by the Company has also been produced by the tripartite committee to Canadian and United States regulatory authorities that are monitoring the Mongolian investigations. The Company continues to cooperate with all relevant regulatory agencies in respect of the ongoing investigations.

The investigations referred to above could result in one or more Mongolian, Canadian, United States or other governmental or regulatory agencies taking civil or criminal action against the Company, its affiliates or its current or former employees. The likelihood or consequences of such an outcome are unclear at this time but could include financial or other penalties, which could be material, and which could have a material adverse effect on the Company. Refer to the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the year ended December 31, 2012, which is available at www.sedar.com, Section 13, Risk Factors, "the Company is subject to continuing governmental, regulatory and internal investigations, the outcome of which is unclear at this time but could have a material adverse effect on the Company".

Pending the completion of the investigations, the Company, through its Board of Directors and new management, has taken a number of steps to focus ongoing compliance by employees with all applicable laws, internal corporate policies and codes of conduct, and with the Company's disclosure controls and procedures and internal controls over financial reporting.

NOTICE OF INVESTMENT DISPUTE

On July 11, 2012, SouthGobi announced that SGQ Coal Investment Pte. Ltd., a wholly-owned subsidiary of SouthGobi Resources Ltd. that owns 100% of the Company's Mongolian operating subsidiary SouthGobi Sands LLC, filed a Notice of Investment Dispute on the Government of Mongolia pursuant to the Bilateral Investment Treaty between Singapore and Mongolia. The Company filed the Notice of Investment Dispute following a determination by management that they had exhausted all other possible means to resolve an ongoing investment dispute between SouthGobi Sands LLC and the Mongolian authorities.

The Notice of Investment Dispute consists of, but is not limited to, the failure by MRAM to execute the 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 Zag Suuj Deposit and certain areas associated with the Soumber Deposit outside the existing mining license.

Under the Notice of Investment Dispute the Company is entitled to commence conciliation/arbitration proceedings under the auspices of the International Centre for Settlement of Investment Disputes (“ICSID”) pursuant to the Bilateral Investment Treaty.

To date, the Company has not commenced conciliation/arbitration proceedings. On January 18, 2013, MRAM issued the Company a PMA pertaining to the Soumber Deposit; however, three valid PMA applications remain outstanding.

Activities historically carried out on the exploration licenses with valid PMA applications include drilling, trenching and geological reconnaissance. The Company has no immovable assets located on these licenses and the loss of any or all of these licenses would not materially and adversely affect the existing operations.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended June 30, 2013, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board of Directors 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 of Directors 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, 2013.

OUTLOOK

Economic activity post transition in China’s leadership has been slower than expected. The Chinese steel industry has been particularly affected and, as a result, demand and prices for coking coal have been negatively impacted. Certain coal price indices in China have reached four year lows and coal consumption and production in regions close to the Mongolian border have dropped significantly year on year. There has been a 36%¹ drop year on year to June 30, 2013 in Mongolian coal exports to China. Current sentiment indicates that market conditions will remain challenging for the remainder of the year. The longer term outlook is more positive; however, the timing of any recovery in 2014 remains uncertain and dependent on the Chinese economy.

¹ China Coal Resource (*en.sxcoal.com*)

The Company resumed operations at the Ovoot Tolgoi Mine on March 22, 2013 after having been fully curtailed since the end of the second quarter of 2012. The recommencement of operations has taken place without incident. In the second quarter of 2013, the Company primarily moved waste material (overburden) and exposed coal in the pit, aligning its operating activities to the significantly lower demand. Subsequent to the end of the second quarter of 2013, SouthGobi entered into a coal supply agreement with Winsway, an integrated logistic service provider, for the sale of 1.2 million tonnes of Standard semi-soft coking coal product in 2013. Pricing for the coal to be sold under this contract will be based upon a floating monthly index. This agreement reaffirms the Company's longstanding relationship with Winsway, a key customer, as SouthGobi continues to focus on its 2013 commercial objectives. In addition, two small spot market sales were concluded subsequent to the end of the second quarter of 2013 and discussions with other potential customers are ongoing.

The rate of production in the second half of 2013 is expected to increase as the Company makes further sales and provides contractual tonnages under the Winsway coal supply agreement. The Company is focused on delivering on its commercial strategy and targets. However, as market conditions in China's coking coal markets are expected to remain challenging in the short term, the Company is withdrawing its production guidance of 3.2 million tonnes of semi-soft coking coal for the current year.

Whilst SouthGobi has a predominantly two product strategy of a Premium and Standard semi-soft coking coal product from the Ovoot Tolgoi Mine, the capability to begin supplying a washed semi-soft coking coal product is an important step in improving both SouthGobi's market position and access to end customers. The Company has had to modify its plans and delay production of the washed product. The timing for washing will be aligned with improvements in market conditions for this type of product. SouthGobi is however planning to mine some Premium semi-soft coking coal product as a raw coal in 2013.

The Company has been minimizing uncommitted capital expenditures, exploration and operational expenditures in order to preserve its financial resources. For at least twelve months from the end of the June 30, 2013 reporting period, the Company expects its liquidity to remain sufficient based on existing capital resources and estimated income from mining operations. Estimated income from mining operations is subject to a number of external market factors including supply and demand and pricing in the coal industry.

Longer term, SouthGobi remains well positioned, with a number of key competitive strengths, including:

- Strategic location – SouthGobi is the closest major coking coal producer in the world to China. The Ovoot Tolgoi Mine is approximately 40km from China, which is approximately 190km closer than Tavan Tolgoi coal producers in Mongolia and 7,000 to 10,000km closer than Australian and North American coking coal producers. The Company has an infrastructure advantage, being approximately 50km from existing railway infrastructure, which is approximately one tenth the distance to rail of Tavan Tolgoi coal producers in Mongolia.

- Premium quality coals – Most of the Company's coal resources have coking properties, including a mixture of semi-soft coking coals and hard coking coals. SouthGobi is also completing its investment in infrastructure to capture more of the value from the products it sells.
- Favorable cost structure – The long-term cost structure of SouthGobi provides a strong base for sustainable growth when access to end-user markets is obtained even though competition from other Chinese and Mongolian semi-soft coals indicate that capturing margins relative to other international coals is difficult.
- Substantial resource base – The Company's aggregate coal resources (including reserves) include measured and indicated resources of 533 million tonnes and inferred resources of 302 million tonnes.

Objectives

The Company's objectives for 2013 are as follows:

- Resume production at the Ovoot Tolgoi Mine – The Company has reviewed the overall structure of its workforce and market conditions and has recommenced mining activities at the Ovoot Tolgoi Mine in March 2013. The focus is to do this in a safe manner that provides a sustainable long-term operating base.
- Continue to develop regional infrastructure – The Company's priority is to complete the construction of the paved highway from the Ovoot Tolgoi Mine to the Shivee Khuren Border Crossing as part of the existing consortium that was awarded the tender by the end of 2013.
- Advance the Soumber Deposit – The Company intends to substantially advance the feasibility, planning and physical preparation of the Soumber Deposit in order to commence small-scale mining activities in 2014.
- Value-adding/upgrading coal – Implement an effective and profitable utilization of the wet washing facility contracted with Ejin Jinda to toll-wash coal from the Ovoot Tolgoi Mine and further develop the Company's marketing plans on product mix and seek to expand the Company's customer base. The timing for washing will be aligned with improvements in market conditions for this type of product.
- Re-establish the Company's reputation – The Company's vision is to be a respected and profitable Mongolian coal company. This will require re-establishing good working relationships with all our external stakeholders.
- Operations – Continuing to focus on production safety, environmental protection, operational excellence and community relations.

NON-IFRS FINANCIAL MEASURES

Cash Costs:

The Company uses cash costs to describe its cash production costs. Cash costs incorporate all production costs, which include direct and indirect costs of production, with the exception of idled mine asset costs and non-cash expenses which are excluded. Non-cash expenses include share-based compensation expense, inventory impairments, depreciation and depletion of mineral properties.

The Company uses this performance measure to monitor its operating cash costs internally and believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations. The Company believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its mining operations to generate cash flows. The Company reports cash costs on a sales basis. This performance measure is commonly utilized in the mining industry.

The cash costs of product sold may differ from cash costs of product produced depending on the timing of stockpile inventory turnover.

Adjusted Net Income/(Loss):

Adjusted net income/(loss) excludes idled mine asset costs, share-based compensation expense/(recovery), net impairment loss/(recovery) on assets, unrealized foreign exchange losses/(gains), unrealized loss/(gain) on the fair value change of the embedded derivatives in the CIC convertible debenture, realized losses/(gains) on the disposal of FVTPL investments and unrealized losses/(gains) on FVTPL investments. The Company excludes these items from net income/(loss) to provide a measure which allows the Company and investors to evaluate the results of the underlying core operations of the Company and its profitability from operations. The items excluded from the computation of adjusted net income/(loss), which are otherwise included in the determination of net income/(loss) prepared in accordance with IFRS, are items that the Company does not consider to be meaningful in evaluating the Company's past financial performance or the future prospects and may hinder a comparison of its period-to-period results.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited)

(Expressed in thousands of U.S. Dollars, except for share and per share amounts)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2013	2012	2013	2012
Revenue		\$ 374	\$ 8,412	\$ 3,633	\$ 48,565
Cost of sales	3	<u>(12,466)</u>	<u>(22,221)</u>	<u>(34,327)</u>	<u>(39,700)</u>
Gross profit/(loss)		(12,092)	(13,809)	(30,694)	8,865
Other operating expenses	4	<u>(14,877)</u>	<u>(3,803)</u>	<u>(15,260)</u>	<u>(6,380)</u>
Administration expenses	5	<u>(4,024)</u>	<u>(7,497)</u>	<u>(7,757)</u>	<u>(13,380)</u>
Evaluation and exploration expenses	6	<u>(221)</u>	<u>(2,099)</u>	<u>(494)</u>	<u>(7,132)</u>
Loss from operations		(31,214)	(27,208)	(54,205)	(18,027)
Finance costs	7	<u>(5,617)</u>	<u>(4,006)</u>	<u>(10,608)</u>	<u>(4,681)</u>
Finance income	7	<u>3,366</u>	<u>26,875</u>	<u>4,136</u>	<u>26,290</u>
Share of earnings of joint venture		<u>44</u>	<u>204</u>	<u>27</u>	<u>204</u>
Income/(loss) before tax		(33,421)	(4,135)	(60,650)	3,786
Current income tax recovery/(expense)	8	<u>-</u>	<u>3,747</u>	<u>(1)</u>	<u>(1,127)</u>
Deferred income tax recovery/(expense)	8	<u>(241)</u>	<u>625</u>	<u>2,087</u>	<u>704</u>
Net income/(loss) attributable to equity holders of the Company		<u>(33,662)</u>	<u>237</u>	<u>(58,564)</u>	<u>3,363</u>
OTHER COMPREHENSIVE LOSS					
Items that may be reclassified to profit or loss:					
Loss on available-for-sale financial asset, net of tax		<u>(930)</u>	<u>(20,087)</u>	<u>-</u>	<u>(25,509)</u>
Net comprehensive loss attributable to equity holders of the Company		<u>\$ (34,592)</u>	<u>\$ (19,850)</u>	<u>\$ (58,564)</u>	<u>\$ (22,146)</u>
BASIC INCOME/(LOSS) PER SHARE	9	\$ (0.18)	\$ 0.00	\$ (0.32)	\$ 0.02
DILUTED LOSS PER SHARE	9	\$ (0.18)	\$ (0.12)	\$ (0.32)	\$ (0.10)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

(Expressed in thousands of U.S. Dollars)

		As at	
	Notes	June 30, 2013	December 31, 2012
ASSETS			
Current assets			
Cash		\$ 19,171	\$19,674
Trade and other receivables	10	7,947	17,430
Short term investments		—	15,000
Inventories		45,872	53,661
Prepaid expenses and deposits		33,467	37,982
Total current assets		106,457	143,747
Non-current assets			
Prepaid expenses and deposits		16,778	16,778
Property, plant and equipment		508,734	521,473
Long term investments		21,887	24,084
Deferred income tax assets		25,372	23,285
Total non-current assets		572,771	585,620
Total assets		\$ 679,228	\$ 729,367
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	11	\$ 16,184	\$ 10,216
Current portion of convertible debenture	12	12,278	6,301
Total current liabilities		28,462	16,517
Non-current liabilities			
Convertible debenture	12	95,631	99,667
Decommissioning liability		4,406	4,104
Total non-current liabilities		100,037	103,771
Total liabilities		128,499	120,288
Equity			
Common shares		1,059,791	1,059,710
Share option reserve		51,436	51,303
Accumulated deficit	13	(560,498)	(501,934)
Total equity		550,729	609,079
Total equity and liabilities		\$ 679,228	\$729,367
Net current assets		\$ 77,995	\$ 127,230
Total assets less current liabilities		\$ 650,766	\$ 712,850

SELECT INFORMATION FROM THE NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Additional information required by the Hong Kong Stock Exchange and not disclosed elsewhere in this announcement is as follows. All amounts are expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated.

1. BASIS OF PREPARATION

1.1 Corporate information and liquidity

The Company curtailed its mining activities at the Ovoot Tolgoi Mine during the three months ended June 30, 2012 to varying degrees to manage coal inventories and to maintain efficient working capital levels. As at June 30, 2012, mining activities had been fully curtailed. The Company's mining activities remained fully curtailed until March 22, 2013, when the Company recommenced mining activities at the Ovoot Tolgoi Mine.

The Company had cash of \$19,171 and working capital of \$77,995 at June 30, 2013. These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue operating for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The Company expects to have sufficient liquidity and capital resources to meet its ongoing obligations and future contractual commitments, including the interest payments due on the CIC convertible debenture (Note 12) for at least twelve months from the end of the June 30, 2013 reporting period. The Company expects its liquidity to remain sufficient based on existing capital resources and estimated income from mining operations. Estimated income from mining operations is subject to a number of external market factors including supply and demand and pricing in the coal industry. The Company continues to minimize uncommitted capital expenditures and exploration expenditures in order to preserve the Company's financial resources.

1.2 Statement of compliance

The Company's condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

1.3 Adoption of new and revised standards and interpretations

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective January 1, 2013. These changes were made in accordance with the transitional provisions outlined in the respective standards and interpretations.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation – Special Purpose Entities”. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power over the investee and exposure to variable returns before control is present. The adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company’s subsidiaries and investees.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 “Interests in Joint Ventures”. IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved in the joint arrangement. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. Joint arrangements that are classified as a joint venture are accounted for using the equity method of accounting.

As a result of the adoption of IFRS 11, the Company’s 40% interest in RDCC LLC is now classified as a joint venture (previously classified as a jointly-controlled entity under IAS 31). Prior to the adoption of IFRS 11, the Company accounted for its investment in RDCC LLC under the equity method of accounting. Therefore, the adoption of IFRS 11 did not have an impact on the consolidated financial statements for the current or prior periods presented.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities. The adoption of IFRS 12 will result in incremental disclosures in the Company’s consolidated annual financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements for fair value measurements. The adoption of IFRS 13 has resulted in additional fair value measurement disclosures in these condensed consolidated interim financial statements and will result in incremental disclosures in the Company’s annual consolidated financial statements.

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 requires companies preparing financial statements under IFRS to group items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The consolidated statement of comprehensive income in these condensed consolidated interim financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 provides guidance on the accounting for the costs of stripping activities during the production phase of a surface mine. Under IFRIC 20, stripping activity assets are recognized when the following three criteria are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably

If not all of the criteria are met, the stripping activity costs are included in the costs of inventory produced during the period incurred.

The Company assessed its open-pit mining operations at the Ovoot Tolgoi Mine and concluded that as at January 1, 2012 there are identifiable coal seams with which the predecessor stripping activity related to. Therefore, no adjustment to the consolidated financial statements was required upon initial transition to IFRIC 20.

The adoption of IFRIC 20 has not resulted in a change in the Company's capitalization of stripping activity costs, and therefore no adjustment was required to the Company's consolidated financial statements in the current or prior periods presented. The Company classifies stripping activity assets capitalized under IFRIC 20 as mineral property costs within property, plant and equipment and these costs are amortized on a units-of-production basis based on proven and probable reserves.

Other

The IASB also amended IAS 19 "Post-Employment Benefits" and IAS 28 "Investments in Associates" (2003) effective January 1, 2013. The amendments to these standards did not impact the Company's consolidated financial statements.

IFRS 9 "Financial Instruments" is effective for years beginning on or after January 1, 2015. The IASB issued IFRS 9 as the first step in its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The Company will assess the impact of this new standard closer to its implementation date.

2. SEGMENTED INFORMATION

The Company's one reportable operating segment is its Mongolian Coal Division. The Company's Corporate Division does not earn revenues and therefore does not meet the definition of an operating segment.

The carrying amounts of the Company's assets, liabilities, reported income or loss and revenues analyzed by operating segment are as follows:

	Mongolian Coal Division	Unallocated ⁽ⁱ⁾	Consolidated Total
Segment assets			
As at June 30, 2013	\$ 644,407	\$ 34,821	\$ 679,228
As at December 31, 2012	673,896	55,471	729,367
Segment liabilities			
As at June 30, 2013	\$ 14,693	\$ 113,806	\$ 128,499
As at December 31, 2012	11,315	108,973	120,288
Segment income/(loss)			
For the three months ended June 30, 2013	\$ (25,876)	\$ (7,786)	\$ (33,662)
For the three months ended June 30, 2012	(18,872)	19,109	237
For the six months ended June 30, 2013	\$ (43,721)	\$ (14,842)	\$ (58,563)
For the six months ended June 30, 2012	(7,108)	10,471	3,363
Segment revenues			
For the three months ended June 30, 2013	\$ 374	\$ –	\$ 374
For the three months ended June 30, 2012	8,412	–	8,412
For the six months ended June 30, 2013	\$ 3,633	\$ –	\$ 3,633
For the six months ended June 30, 2012	48,565	–	48,565
Impairment charge on assets ⁽ⁱⁱ⁾			
For the three months ended June 30, 2013	\$ 15,202	\$ 3,067	\$ 18,269
For the three months ended June 30, 2012	2,583	–	2,583
For the six months ended June 30, 2013	\$ 17,364	\$ 3,067	\$ 20,431
For the six months ended June 30, 2012	2,583	–	2,583

- (i) The unallocated amount contains all amounts associated with the Corporate Division.
- (ii) The impairment charge on assets for the three and six months ended June 30, 2013 and 2012 relates to trade and other receivables, investments, inventories and property, plant and equipment

3. COST OF SALES

The Company's cost of sales consists of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Operating expenses	\$ 2,777	\$ 4,975	\$ 5,899	\$ 17,567
Share-based compensation expense	(153)	189	(153)	1,205
Depreciation and depletion	114	1,470	278	5,341
Impairment of coal stockpile inventories	<u>3,973</u>	<u>—</u>	<u>6,135</u>	<u>—</u>
Cost of sales from mine operations	6,711	6,634	12,159	24,113
Cost of sales related to idled mine assets ⁽ⁱ⁾	<u>5,755</u>	<u>15,587</u>	<u>22,168</u>	<u>15,587</u>
Cost of sales	<u>\$ 12,466</u>	<u>\$ 22,221</u>	<u>\$ 34,327</u>	<u>\$ 39,700</u>

- (i) Cost of sales related to idled mine assets for the three months ended June 30, 2013 includes \$5,716 of depreciation expense and other non-cash costs and \$nil share-based compensation expense. Cost of sales related to idled mine assets for the six months ended June 30, 2013 includes \$16,872 of depreciation expense and other non-cash costs and \$nil share-based compensation expense. Cost of sales related to idled mine assets for the three and six months ended June 30, 2012 includes \$8,785 of depreciation expense and other non-cash costs and \$965 of share-based compensation expense.

The 2012 idled mine assets depreciation expense and other non-cash costs relates to the Company's idled plant and equipment during the full curtailment of its mining activities at the Ovoot Tolgoi Mine during the three months ended June 30, 2012. The 2013 idled mine assets depreciation expense and other non-cash costs relates to the Company's idled plant and equipment as the 2013 production plan does not fully utilize the Company's existing mining fleet.

4. OTHER OPERATING EXPENSES

The Company's other operating expenses consist of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Public infrastructure	\$ 3	\$ 1,176	\$ 6	\$ 1,186
Sustainability and community relations	34	260	80	431
Foreign exchange (gain)/loss	(22)	(483)	296	1,960
Loss on disposal of property, plant and equipment	566	—	566	—
Provision for doubtful trade and other receivables	—	2,583	—	2,583
Impairment loss on available-for-sale financial asset	3,067	—	3,067	—
Impairment of materials and supplies inventories	6,930	—	6,930	—
Impairment of property, plant and equipment	4,299	—	4,299	—
Other	—	267	16	220
	<u>—</u>	<u>267</u>	<u>16</u>	<u>220</u>
Other operating expenses	<u>\$ 14,877</u>	<u>\$ 3,803</u>	<u>\$ 15,260</u>	<u>\$ 6,380</u>

5. ADMINISTRATION EXPENSES

The Company's administration expenses consist of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Corporate administration	\$ 992	\$ 1,544	\$ 2,124	\$ 3,033
Legal and professional fees	2,229	1,338	3,631	1,682
Salaries and benefits	643	1,508	1,607	2,857
Share-based compensation expense	126	3,052	274	5,698
Depreciation	34	55	121	110
	<u>34</u>	<u>55</u>	<u>121</u>	<u>110</u>
Administration expenses	<u>\$ 4,024</u>	<u>\$ 7,497</u>	<u>\$ 7,757</u>	<u>\$ 13,380</u>

6. EVALUATION AND EXPLORATION EXPENSES

The Company's evaluation and exploration expenses consist of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Drilling and trenching	\$ —	\$ 696	\$ —	\$ 3,470
Other direct expenses	9	259	29	587
License fees	166	199	346	405
Share-based compensation expense	6	177	12	314
Overhead and other	40	768	107	2,356
Evaluation and exploration expenses	\$ 221	\$ 2,099	\$ 494	\$ 7,132

7. FINANCE COSTS AND INCOME

The Company's finance costs consist of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Interest expense on convertible debenture	\$ 5,073	\$ 1,552	\$ 10,031	\$ 1,816
Interest expense on line of credit facility	—	99	11	187
Unrealized loss on FVTPL investments	473	2,282	468	2,620
Realized loss on disposal of FVTPL investments	43	46	43	—
Accretion of decommissioning liability	28	27	55	58
Finance costs	\$ 5,617	\$ 4,006	\$ 10,608	\$ 4,681

The Company's finance income consists of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Unrealized gain on embedded derivatives in convertible debenture	\$ 3,343	\$ 26,770	\$ 4,091	\$ 25,995
Interest income	23	105	45	256
Realized gain on disposal of investments	—	—	—	39
Finance income	\$ 3,366	\$ 26,875	\$ 4,136	\$ 26,290

8. TAXES

The Company and its subsidiaries are subject to income or profits tax in the jurisdictions in which the Company operates, including Canada, Hong Kong, Singapore and Mongolia. Income or profits tax was not provided for the Company's operations in Canada, Hong Kong or Singapore as the Company had no assessable income or profit arising in or derived from these jurisdictions.

For the six months ended June 30, 2013 the Company recorded current income tax expense of \$1 (2012: \$1,127) related to assessable profit derived from Mongolia at prevailing rates. For the six months ended June 30, 2013, the Company recorded a deferred income tax recovery of \$2,087 (2012: \$704) related to its Mongolian operations.

9. EARNINGS/(LOSS) PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net income/(loss)	\$ (33,662)	\$ 237	\$ (58,564)	\$ 3,363
Weighted average number of shares	<u>181,963</u>	<u>181,860</u>	<u>181,954</u>	<u>181,802</u>
Basic income/(loss) per share	<u>\$ (0.18)</u>	<u>\$ 0.00</u>	<u>\$ (0.32)</u>	<u>\$ 0.02</u>
Income/(loss)				
Net income/(loss)	\$ (33,662)	\$ 237	\$ (58,564)	\$ 3,363
Interest expense on convertible debenture	—	1,552	—	1,816
Unrealized gain on embedded derivatives in convertible debenture	<u>—</u>	<u>(26,770)</u>	<u>—</u>	<u>(25,995)</u>
Diluted net loss	<u>\$ (33,662)</u>	<u>\$ (24,981)</u>	<u>\$ (58,564)</u>	<u>\$ (20,816)</u>
Number of shares				
Weighted average number of shares	<u>181,963</u>	<u>181,860</u>	<u>181,954</u>	<u>181,802</u>
Convertible debenture ⁽ⁱ⁾	<u>—</u>	<u>28,128</u>	<u>—</u>	<u>28,406</u>
Diluted weighted average number of shares	<u>181,963</u>	<u>209,988</u>	<u>181,954</u>	<u>210,208</u>
Diluted loss per share	<u>\$ (0.18)</u>	<u>\$ (0.12)</u>	<u>\$ (0.32)</u>	<u>\$ (0.10)</u>

- (i) The convertible debenture was anti-dilutive for the three and six months ended June 30, 2013.

The diluted earnings/(loss) per share reflects the potential dilution of common share equivalents, such as the convertible debenture and outstanding stock options, in the weighted average number of common shares outstanding during the period, if dilutive.

Potentially dilutive items not included in the calculation of diluted earnings/(loss) per share for the three and six months ended June 30, 2013 were 3,145 and 3,106 stock options, respectively, that were anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of the following amounts:

	As at	
	June 30,	December 31,
	2013	2012
Trade receivables	\$ 7,134	\$ 15,577
Other receivables	813	1,853
Total trade and other receivables	<u>\$ 7,947</u>	<u>\$ 17,430</u>

The aging of the Company's trade and other receivables is as follows:

	As at	
	June 30,	December 31,
	2013	2012
Less than 1 month	\$ 71	\$ 2,135
1 to 3 months	23	95
3 to 6 months	6	159
Over 6 months	7,847	15,041
Total trade and other receivables	<u>\$ 7,947</u>	<u>\$ 17,430</u>

The Company anticipates full recovery of its outstanding trade and other receivables; therefore, no loss provisions have been recorded in respect of the Company's trade and other receivables.

11. TRADE AND OTHER PAYABLES

The aging of the Company's trade and other payables is as follows:

	As at	
	June 30, 2013	December 31, 2012
Less than 1 month	\$ 14,658	\$ 8,999
1 to 3 months	341	176
3 to 6 months	153	—
Over 6 months	<u>1,032</u>	<u>1,041</u>
Total trade and other payables	<u>\$ 16,184</u>	<u>\$ 10,216</u>

12. CONVERTIBLE DEBENTURE

On November 19, 2009, the Company issued a convertible debenture to a wholly owned subsidiary of the China Investment Corporation for \$500,000.

The convertible debenture is presented as a liability since it contains no equity components. The convertible debenture is a hybrid instrument, containing a debt host component and three embedded derivatives - the investor's conversion option, the issuer's conversion option and the equity based interest payment provision (the 1.6% share interest payment) (the "embedded derivatives"). The debt host component is classified as other-financial-liabilities and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the convertible debenture.

12.1 Partial conversion

On March 29, 2010, pursuant to the debenture conversion terms, the Company exercised its conversion right and completed the conversion of \$250,000 of the convertible debenture into 21,471 shares at a conversion price of \$11.64 (Cdn\$11.88).

12.2 Presentation

Based on the Company's valuations as at June 30, 2013, the fair values of the embedded derivatives decreased by \$3,343 and \$4,091 compared to March 31, 2013 and December 31, 2012, respectively. The decreases were recorded as finance income for the three and six months ended June 30, 2013.

For the three months ended June 30, 2013, the Company recorded interest expense of \$5,073 (2012: \$4,989) related to the convertible debenture of which \$nil (2012: \$3,437) was capitalized as borrowing costs. For the six months ended June 30, 2013, the Company recorded interest expense of \$10,031 (2012: \$9,984) related to the convertible debenture of which \$nil (2012: \$8,168) was capitalized as borrowing costs.

The interest expense consists of the interest at the contract rate and the accretion of the debt host component of the convertible debenture. To calculate the accretion expense, the Company uses the contract life of 30 years and an effective interest rate of 22.2%.

The movements of the amounts due under the convertible debenture are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Balance, beginning of period	\$ 106,179	\$ 147,156	\$ 105,969	\$ 145,386
Interest expense on convertible debenture	5,073	4,989	10,031	9,984
Decrease in fair value of embedded derivatives	(3,343)	(26,770)	(4,091)	(25,995)
Interest paid	<u>—</u>	<u>(7,957)</u>	<u>(4,000)</u>	<u>(11,957)</u>
Balance, end of period	<u>\$ 107,909</u>	<u>\$ 117,418</u>	<u>\$ 107,909</u>	<u>\$ 117,418</u>

During the three months ended June 30, 2013, the Company and the CIC mutually agreed upon a three month deferral of the convertible debenture semi-annual \$7,934 cash interest payment due on May 19, 2013. The \$7,934 cash interest payment is now due on August 19, 2013. The mutually agreed upon deferral of the cash interest payment did not trigger an event of default and all other terms of the convertible debenture remain unchanged.

The convertible debenture balance consists of the following amounts:

	As at	
	June 30, 2013	December 31, 2012
Debt host	\$ 90,845	\$ 90,791
Fair value of embedded derivatives	4,786	8,876
Interest payable	<u>12,278</u>	<u>6,301</u>
Convertible debenture	<u>\$ 107,909</u>	<u>\$ 105,968</u>

12.3 Convertible debenture share interest payment and application of Mongolian Foreign Investment Law

On May 17, 2012, the Parliament of Mongolia approved a Law on Regulation of Foreign Investment in Business Entities Operating in Sectors of Strategic Importance ("Foreign Investment Law") that regulates foreign direct investment into a number of key sectors of strategic importance, which includes mineral resources. Prior to the amendments in the three months ended June 30, 2013, if foreign shareholding exceeded 49% of an asset and the amount of the investment at the time exceeds 100 billion Mongolian Tugriks (approximately \$69,000), then parliamentary approval was required. In the case of state owned entities there was no minimum threshold and all proposed investments from state owned entities required parliamentary approval. In addition, if a foreign entity wanted to acquire one third or more of the shares in an investment in a strategic sector, then the 100 billion Mongolian Tugrik threshold was not applicable and cabinet approval for the investment was required regardless of the value.

As a result of the Foreign Investment Law, the Company expected it would require parliamentary approval for the shares to be issued for the November 19, 2012 share interest payment. As a result, during the three months ended March 31, 2013, the Company settled the 1.6% share interest payment of \$4,000 in cash.

Following amendments to the Foreign Investment Law, passed in the three months ended June 30, 2013, the requirement for parliamentary approval has been limited to circumstances where a state owned entity is to exceed 49% share ownership of a strategic asset, irrespective of the amount of investment. As a result, the Company understands that it will now only require cabinet approval, rather than parliamentary approval, under the Foreign Investment Law for the 1.6% share interest payment to the CIC. The Company will fully comply with the requirements of the Foreign Investment Law in connection with share interest payments.

13. ACCUMULATED DEFICIT AND DIVIDENDS

At June 30, 2013, the Company has accumulated a deficit of \$560,498 (December 31, 2012: \$501,934). No dividends have been paid or declared by the Company since inception.

REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements for the Company for the six months ended June 30, 2013 were reviewed by the Audit Committee of the Company.

SouthGobi's results for the quarter ended June 30, 2013 are contained in the unaudited Condensed Consolidated Interim Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), available on the SEDAR website at www.sedar.com and SouthGobi Resources' website at www.southgobi.com.

ABOUT SOUTHGOBI RESOURCES

SouthGobi Resources is listed on the Toronto and Hong Kong stock exchanges, in which Turquoise Hill Resources Ltd., also publicly listed in Toronto and New York, has a 58% shareholding. Turquoise Hill took management control of SouthGobi in September 2012 and made changes to the board and senior management. Rio Tinto has a majority shareholding in Turquoise Hill.

SouthGobi Resources is focused on exploration and development of its metallurgical and thermal coal deposits in Mongolia's South Gobi Region. It has a 100% shareholding in SouthGobi Sands LLC, the Mongolian registered company that holds the mining and exploration licenses in Mongolia and operates the flagship Ovoot Tolgoi coal mine. Ovoot Tolgoi produces and sells coal to customers in China.

Disclosure of a scientific or technical nature in this release and the Company's MD&A with respect to the Company's Mongolian Coal Division was prepared by, or under the supervision of, RungePincockMinarco ("RPM"). The professionals at RPM meet the definition of a "qualified person" for the purposes of National Instrument 43-101 of the Canadian Securities Administrators.

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Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to: the statement that gross profit will vary by year depending on sales volume, sales price and unit costs; statements relating to the determination of the royalty rate on coal sales exported out of Mongolia; statements regarding future variances in exploration expenses; the statement that the Company expects to have sufficient liquidity and capital resources to meet its ongoing obligations and future contractual commitments, including the interest payments due on the CIC convertible debenture, for at least twelve months from the end of the June 30, 2013 reporting period; the statement that the Company expects its liquidity to remain sufficient based on existing capital resources and estimated income from mining operations; statements regarding the estimates and assumptions incorporated into the impairment analysis on the carrying values of certain assets related to the Ovoot Tolgoi Mine; the statement that completion of the paved highway is expected late 2013; the statement that the capacity of the paved highway is in excess of 20 million tonnes of coal per year; statements regarding the Company's entitlement to conciliation or arbitration proceedings under ICSID; statements regarding the outlook for 2013; statements regarding the supply and demand of the coking coal market; statements regarding the Company's objectives for 2013 (including the production of the Ovoot Tolgoi Mine, plans to continue to develop regional infrastructure from Ovoot Tolgoi to the Shivee Khuren Border Crossing, plans regarding the implementation of the wet washing facility to toll-wash coal from the Ovoot Tolgoi Mine, plans to re-establish the Company's reputation and plans regarding operations); 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 MD&A for the year ended December 31, 2012 and which are available at www.sedar.com.