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(Stock Code: 1878)*

**SOUTHGOBI RESOURCES ANNOUNCES SECOND QUARTER
2011 FINANCIAL AND OPERATING RESULTS**

HONG KONG – SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**) announced today its financial results for the six months ended June 30, 2011.

Please see the attached announcement for more details.

By order of the Board
SouthGobi Resources Ltd.

Mr. Peter Graham Meredith
Chairman

Hong Kong, 10 August 2011

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*



**SouthGobi
Resources**

2011

August 10,

SOUTHGOBI RESOURCES ANNOUNCES SECOND QUARTER 2011 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, 2011. All figures are in US dollars unless otherwise stated.

HIGHLIGHTS

The Company’s highlights for the quarter ended June 30, 2011 and subsequent weeks are as follows:

- **Total sales of approximately 1.05 million tonnes and revenue of \$47.3 million for the quarter ended June 30, 2011, with both figures representing a record for any given second quarter and the revenue also being the highest quarterly revenue since the commencement of mining operations;**
- **Average realized selling price for the second quarter of 2011 was \$54 per tonne, an increase of 7% compared to the first quarter of 2011 and an increase of 27% compared to the second quarter of 2010;**
- **Income from mining operations of \$9.7 million for the second quarter of 2011, which represents a quarterly record since the commencement of mining operations;**
- **Cash costs impacted by unforeseen issue of diesel fuel shortage in Mongolia but issue largely resolved now;**
- **Entered into an agreement with Ejinaqi Jinda Coal Industry Co. Ltd (“Ejin Jinda”) to toll wash coal from the Ovoot Tolgoi Mine; and**
- **Received a mining license pertaining to the Soumber Deposit.**
- **Awarded the tender to construct a paved highway from Ovoot Tolgoi to Mongolia-China border with consortium partner NTB LLC.**

REVIEW OF QUARTERLY OPERATING RESULTS

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

QUARTER ENDED	2011			2010			2009	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Volumes and prices								
Raw semi-soft coking coal								
Raw coal production (millions of tonnes)	0.52	0.48	0.41	0.18	0.39	0.21	0.16	0.35
Coal sales (millions of tonnes)	0.60	0.34	0.35	0.11	0.42	0.40	0.36	0.46
Average realized sales price (per tonne)	\$ 65.96	\$ 56.50	\$ 47.08	\$ 46.04	\$ 44.10	\$ 36.62	\$ 29.55	\$ 27.82
Raw higher-ash coal								
Raw coal production (millions of tonnes)	0.35	0.63	0.97	0.39	0.23	0.01	-	0.01
Coal sales (millions of tonnes)	0.45	0.11	1.12	0.08	0.03	0.03	-	-
Average realized sales price (per tonne)	\$38.32	\$ 31.68	\$ 26.75	\$ 25.34	\$ 18.82	\$ 21.24	\$ -	\$ -
Total								
Raw coal production (millions of tonnes)	0.87	1.11	1.38	0.57	0.62	0.22	0.16	0.36
Coal sales (millions of tonnes)	1.05	0.45	1.47	0.19	0.45	0.43	0.36	0.46
Average realized sales price (per tonne)	\$ 54.06	\$ 50.29	\$ 31.56	\$ 37.15	\$ 42.63	\$ 35.52	\$ 29.55	\$ 27.82
Costs								
Direct cash costs of product sold (per tonne)	\$ 26.77	\$ 18.91	\$ 18.53	\$ 18.59	\$ 21.37	\$ 22.25	\$ 16.97	\$ 11.16
Total cash costs of product sold (per tonne)	\$ 27.61	\$ 20.61	\$ 19.25	\$ 22.04	\$ 22.30	\$ 23.32	\$ 18.29	\$ 13.41
Waste movement and stripping ratio								
Ovoot Tolgoi Mine – Sunset Pit								
Total waste material moved (millions of bank cubic meters)	4.08	3.85	3.56	2.90	1.73	1.50	0.87	1.06
Strip ratio (bank cubic meters of waste rock per tonne of coal produced)	4.74	3.47	2.58	5.09	2.79	6.79	5.38	2.98
Ovoot Tolgoi Mine – Sunrise Pit								
Total waste material moved (millions of bank cubic meters)	0.80	0.49	0.73	0.43	0.02	-	-	-
Other operating capacity statistics								
Capacity								
Number of mining shovels/excavators available at period end	4	3	3	2	2	2	1	1
Total combined stated mining shovel/excavator capacity at period end (cubic meters)	98	83	82	48	48	48	14	14
Number of haul trucks available at period end	16	16	15	12	11	9	7	7
Total combined stated haul truck capacity at period end (tonnes)	2,599	2,599	2,254	1,727	1,509	1,073	637	637
Employees and safety								
Employees at period end	658	600	544	472	421	388	334	308
Lost time injury frequency rate (per 100,000 man hours)	1.2	0.9	0.8	0.9	1.0	0.6	n/a ⁽ⁱ⁾	n/a ⁽ⁱ⁾

(i) Lost time injury frequency data for all periods in 2009 is not available.

For the three months ended June 30, 2011

For the three months ended June 30, 2011, the Company produced 0.87 million tonnes of raw coal with a strip ratio of 4.74 compared to production of 1.11 million tonnes of raw coal with a strip ratio of 3.47 for the three months ended March 31, 2011 and production of 0.62 million tonnes of raw coal with a strip ratio of 2.79 for the three months ended June 30, 2010.

Production in the second quarter of 2011 was impacted by the fuel shortages in Mongolia announced by the Company in the press release dated May 10, 2011. The diesel fuel shortage impacted the Ovoot Tolgoi Mine in two ways. Firstly, there was some curtailment of mining to varying degrees during May and June of 2011, which made equipment generally less efficient. Secondly, the Company paid a higher price to secure diesel fuel supplies. The average price paid for diesel fuel in the second quarter of 2011 was \$1.37 per liter, 25% higher than in the first quarter of 2011.

In addition to the specific diesel fuel issue, the strip ratio was higher for the second quarter of 2011 compared to both the first quarter of 2011 and the second quarter of 2010, meaning that a higher proportion of material movement capacity was allocated to waste movement as opposed to coal production. The higher allocation of waste material movement per tonne of coal production further increased direct cash costs per tonne in the period.

For the three months ended June 30, 2011, the Company sold 1.05 million tonnes of coal at an average realized selling price of approximately \$54 per tonne. This compares to 0.45 million tonnes of coal sold for the three months ended March 31, 2011 at an average realized selling price of approximately \$50 per tonne and 0.45 million tonnes of coal sold for the three months ended June 30, 2010 at an average realized selling price of approximately \$43 per tonne.

The average realized selling price for both of the Company's individual coal types increased in the second quarter of 2011. The average realized selling price for the raw semi-soft coking coal increased by 17% compared to the first quarter of 2011 and by 50% compared to the second quarter of 2010. The average realized selling price for the raw higher-ash coal increased by 21% compared to the first quarter of 2011 and by 104% compared to the second quarter of 2010. The overall increase in the average realized selling price for the second quarter of 2011 was partially offset by the mix of product sold.

Direct cash costs of product sold were \$26.77 per tonne for the three months ended June 30, 2011 compared to \$21.37 per tonne for the three months ended June 30, 2010. Direct cash costs have increased due to higher fuel costs, screening costs and the increased strip ratio. The Company only began screening its raw higher-ash coal in the third quarter of 2010.

For the six months ended June 30, 2011

For the six months ended June 30, 2011, the Company produced 1.97 million tonnes of raw coal with a strip ratio of 4.03 compared to production of 0.84 million tonnes of raw coal with a strip ratio of 3.84 for the six months ended June 30, 2010. The increase in raw coal production for the six months ended June 30, 2011 primarily resulted from the expansion of the Company's mining fleet.

For the six months ended June 30, 2011, the Company sold approximately 1.5 million tonnes of coal at an average realized selling price of approximately \$53 per tonne. This compares to 0.87 million tonnes of coal at an average realized selling price of approximately \$39 per tonne for the six months ended June 30, 2010. The average realized selling price has increased due to increased prices of individual customer contracts in 2011.

Direct cash costs of product sold were \$24.39 per tonne for the six months ended June 30, 2011 compared to \$21.81 per tonne for the same period in 2010. The increase in direct cash costs is due primarily to increased fuel costs, screening costs and the higher strip ratio in 2011. The Company began screening its higher-ash coal in the third quarter of 2010.

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	2011			2010			2009	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Revenue	\$ 47,336	\$ 20,158	\$ 41,595	\$ 6,597	\$ 17,668	\$13,917	\$9,960	\$ 11,871
Income/(loss) from mine operations	9,744	7,690	3,376	(6,674)	4,400	1,187	1,524	3,234
Margin on revenue	21%	38%	8%	-101%	25%	9%	15%	27%
Evaluation and exploration expenses	(4,356)	(1,991)	(4,144)	(6,314)	(6,659)	(1,651)	(739)	(2,150)
Operating loss from continuing operations	(4,444)	(1,020)	(8,914)	(20,969)	(10,595)	(6,498)	(6,948)	(5,031)
Net interest expense	(2,023)	(4,251)	(4,191)	(4,385)	(4,384)	(9,024)	(8,243)	(642)
Net income/(loss)	67,323	(46,602)	(28,720)	27,495	53,301	(168,271)	(69,153)	(23,782)
Basic income/(loss) per share	0.37	(0.25)	(0.16)	0.15	0.29	(1.09)	(0.52)	(0.17)

QUARTER ENDED	2011			2010			2009	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Net income/(loss)	\$ 67,323	\$(46,602)	\$(28,720)	\$ 27,495	\$ 53,301	\$(168,271)	\$(69,153)	\$(23,782)
Excluding								
Gain/(loss) on value change of embedded derivatives in CIC debenture	70,422	(36,780)	(19,995)	49,772	72,232	(1,372)	(44,980)	-
Loss on partial conversion of CIC debenture	-	-	-	-	-	(151,353)	-	-
Mark to market gain/(loss) in value of investment in Kangaroo	3,453	(3,762)	4,209	1,363	(4,509)	(703)	1,099	-
Income/(loss) from discontinued operations	-	-	-	-	-	-	1,034	(26,006)
Net income/(loss) excluding specified items	(6,552)	(6,060)	(12,934)	(23,640)	(14,422)	(14,843)	(26,306)	2,224

For the three months ended June 30, 2011

The Company recorded net income for the three months ended June 30, 2011 of \$67.3 million compared to a net loss of \$46.6 million for the three months ended March 31, 2011 and net income of \$53.3 million for the three months ended June 30, 2010. The net income in the second quarter of 2011 is due primarily to the \$70.4 million gain on the fair value change of the embedded derivatives in the China Investment Corporation ("CIC") convertible debenture. This compares to a loss of \$36.8 million in the first quarter of 2011 and a gain of \$72.2 million in the second quarter of 2010 on the fair value change of the embedded derivatives in the CIC convertible debenture.

The Company incurred an operating loss for the three months ended June 30, 2011 of \$4.4 million compared to a \$1.0 million loss for the three months ended March 31, 2011 and a \$10.6 million loss for the three months ended June 30, 2010. The changes in the operating loss are due to the factors discussed below:

Income from Mine Operations:

The Company's income from mine operations is composed of revenue and cost of sales and relates solely to the Mongolian Coal Division. Income from mine operations increased to a record level of \$9.7 million in the second quarter of 2011. This compares to income from mine operations of \$7.7 million in the first quarter of 2011 and \$4.4 million in the second quarter of 2010.

Revenue was \$47.3 million for the three months ended June 30, 2011, which represented record quarterly revenue since the commencement of mining operations. This compares to \$20.2 million for the three months ended March 31, 2011 and \$17.7 million for the three months ended June 30, 2010. The increase in revenue relates to increased sales volumes and increased selling prices for individual coal types between 17% and 21% when compared to the three months ended March 31, 2011 and between 50% and 104% when compared to the three months ended June 30, 2010. Revenue in 2011 was negatively impacted by an increase in the average proportional royalty payable. The effective royalty rose from 9% in the first quarter of 2011 to 14% in the second quarter of 2011 due to the methodology being applied to royalties basing fees on benchmark price levels set by the Mongolian government.

Cost of sales was \$37.6 million for the three months ended June 30, 2011 compared to \$12.5 million for the three months ended March 31, 2011 and \$13.3 million for the three months ended June 30, 2010. Cost of sales has increased in the second quarter of 2011 compared to both the first quarter of 2011 and the second quarter of 2010 due to higher sales volumes and higher unit costs. Cost of sales comprise the direct cash cost of products sold, mine administration costs, equipment depreciation, depletion of stripping costs, and share-based compensation.

Administration Expenses:

Administration expenses for the three months ended June 30, 2011, were \$1.5 million higher compared to the three months ended June 30, 2010. This increase is related primarily to the following three items. Salaries and benefits were \$0.6 million higher for the three months ended June 30, 2011 as compared to the same period in 2010, due primarily to an increase in share-based compensation expense. Public infrastructure costs were \$1.6 million higher for the three months ended June 30, 2011 as compared to the same period in 2010. These costs relate to maintenance and upgrading of public transportation infrastructure used to transport coal from the Ovoot Tolgoi Mine to the Chinese border and also to work completed on the Mongolian side of the border to facilitate the future opening of the dedicated coal border crossing channels. Finally, foreign exchange gains/losses were \$0.5 million lower for the three months ended June 30, 2011 compared to 2010. Foreign exchange gains/losses are primarily the result of changes of the U.S. to Canadian dollar ("Cdn\$"), and the U.S. dollar to Mongolian Tugrik exchange rates.

Evaluation and Exploration Expenses:

Evaluation and exploration expenses for the three months ended June 30, 2011 were \$4.4 million compared to \$6.7 million for the three months ended June 30, 2010. Exploration was still in the process of mobilization during the second quarter of 2011. Key exploration targets for 2011 include additional drilling at the Soumber Deposit and the fields surrounding the Soumber Deposit and additional areas within the Ovoot Tolgoi mining licenses that have not been fully explored. Exploration activities include drilling, trenching, water exploration and geological reconnaissance.

Finance Income & Finance Costs:

The Company incurred finance costs for the three months ended June 30, 2011 of \$2.4 million compared to \$5.0 million for the three months ended June 30, 2010. The finance costs in the second quarter of 2011 relate primarily to \$2.2 million of interest expense on the CIC convertible debenture.

The Company recorded finance income for the three months ended June 30, 2011 of \$74.4 million compared to \$68.3 million for the three months ended June 30, 2010. The increase primarily relates to a \$3.6 million mark to market gain on the Company's investment in Kangaroo Resources Limited for the three months ended June 30, 2011 compared to a \$4.5 million loss for the three months ended June 30, 2010. For the three months ended June 30, 2011, the Company recorded a \$70.4 million gain on the fair value change of embedded derivatives in the CIC convertible debenture compared to a \$72.2 million gain for the three months ended June 30, 2010.

The Company's investment in Aspire Mining Limited ("Aspire") continues to be classified as an available-for-sale financial instrument and for the three months ended June 30, 2011, the Company recorded an after-tax mark to market loss of \$39.6 million related to Aspire that has been recorded in other comprehensive income.

For the six months ended June 30, 2011

The Company recorded net income for the six months ended June 30, 2011 of \$20.7 million compared to a net loss of \$115.0 million for the six months ended June 30, 2010. The net income for the six months ended June 30, 2011 is primarily due to a \$33.6 million gain on the fair value change of the embedded derivatives in the CIC convertible debenture. For the six months ended June 30, 2010, a \$151.4 million loss on partial conversion of the CIC convertible debenture was recorded.

The Company incurred an operating loss for the six months ended June 30, 2011 of \$5.5 million compared to \$17.1 million for the same period in 2010. The decrease in the operating loss is due to the factors discussed below:

Income from Mine Operations:

The Company's income from mine operations is composed of revenue and cost of sales and relates solely to the Mongolian Coal Division. For the six months ended June 30, 2011, the Company had income from mine operations of \$17.4 million. This compares to income from mine operations of \$5.6 million for the six months ended June 30, 2010.

Revenue was \$67.5 million for the six months ended June 30, 2011, compared to \$31.6 million for the six months ended June 30, 2010. Revenue has increased due to both higher sales volumes and higher realized sales prices.

Cost of sales was \$50.1 million for the six months ended June 30, 2011, which includes the direct cash cost of products sold, mine administration costs, equipment depreciation, depletion of stripping costs and share-based compensation. Cost of sales was \$26.0 million for the six months ended June 30, 2010. The increase in cost of sales for the six months ended June 30, 2011 is due to the higher sales volumes and higher unit costs.

Administration Expenses:

Administration expenses for the six months ended June 30, 2011, were \$2.2 million higher compared to the six months ended June 30, 2010. This increase is related primarily to public infrastructure costs which were \$1.9 million higher for the six months ended June 30, 2011 as compared to the same period in 2010. These costs relate to the upgrading of transportation infrastructure from the Ovoot Tolgoi Mine to the Chinese border.

Evaluation and Exploration Expenses:

Evaluation and exploration expenses for the six months ended June 30, 2011 were \$2.0 million lower than the six months ended June 30, 2010. The exploration program began later in 2011 and therefore costs in 2011 are lower compared to 2010.

Finance Income & Finance Costs:

The Company incurred finance costs for the six months ended June 30, 2011 of \$7.1 million compared to \$165.9 million for the six months ended June 30, 2010. The finance costs for the six months ended June 30, 2011 relate primarily to \$6.7 million of interest expense on the CIC convertible debenture. For the six months ended June 30, 2010, finance costs include a \$151.4 million non-cash loss on the partial conversion of the CIC convertible debenture and \$14.5 million of interest expense on the CIC convertible debenture.

The Company recorded finance income for the six months ended June 30, 2011 of \$33.9 million compared to \$66.8 million for the six months ended June 30, 2010. The decrease primarily relates to a \$33.6 million gain on the fair value change of embedded derivatives in the CIC convertible debenture for the six months ended June 30, 2011 compared to a \$70.8 million gain for the three months ended June 30, 2010 and a \$0.3 million mark to market loss on the Company's investment in Kangaroo Resources Limited for the six months ended June 30, 2011 compared to a \$5.2 million loss for the six months ended June 30, 2010.

The Company's investment in Aspire continues to be classified as an available-for-sale financial instrument and for the six months ended June 30, 2011, the Company recorded an after-tax mark to market gain of \$11.2 million related to Aspire that has been recorded in other comprehensive income.

FINANCIAL POSITION AND LIQUIDITY

The Company's total assets at June 30, 2011 were \$966.9 million compared with \$961.9 million at December 31, 2010.

At June 30, 2011, the Company had \$282.7 million in cash and cash equivalents and \$75.0 million in money market investments for a total liquidity of \$357.7 million compared with \$492.0 million in cash and cash equivalents and \$62.7 million in money market investments for a total liquidity of \$554.7 million at December 31, 2010.

The Company's non-current liabilities at June 30, 2011 were \$221.2 million compared with \$252.5 million at December 31, 2010. The decrease in non-current liabilities primarily relates to the decrease in the fair value of the CIC convertible debenture.

TOLL WASHING AGREEMENT

On July 5, 2011, the Company entered into an agreement with Ejin Jinda, a subsidiary of China Mongolia Coal Co. Ltd. ("CMC"), to toll wash coal from the Ovoot Tolgoi Mine. The agreement has a duration of 5-years from commencement (expected in early 2012) and provides for an annual wet washing capacity of approximately 3.5 million tonnes of input raw coal. Raw higher-ash and medium-ash coals from the Ovoot Tolgoi Mine will be washed at this facility. Washed coal will generally meet semi-soft coking coal specifications.

Ejin Jinda's wet washing facility is located approximately 10 kilometers inside China from the Mongolia-China border crossing at Shivee Khuren-Ceke (i.e., approximately 50 kilometers from the Ovoot Tolgoi Mine). Raw higher-ash and medium-ash coals with only basic processing through Ovoot Tolgoi's on-site dry coal handling facility will be transported from the Ovoot Tolgoi Mine to the facility under a separate transport agreement. Based on preliminary samples, the Company expects these coals can then be washed to produce coals with ash in the range of 8% to 11% at a yield of 85% to 90%. Ejin Jinda will charge the Company a single toll washing fee which will cover their expenses, capital recovery and profit.

SOUMBER MINING LICENSE

On June 3, 2011, the Company announced it had successfully registered the resource associated with the Soumber Deposit with the Mineral Resource Authority of Mongolia ("MRAM"). Further, on July 6, 2011, the Company announced that MRAM had issued the Company a mining license pertaining to the Soumber Deposit. The new 10,993 hectare mining license was granted for an initial term of 30 years with an option for two 20 year extensions.

REGIONAL INFRASTRUCTURE

The Ovoot Tolgoi Mine's proximity to the Shivee Khuren-Ceke border crossing allows the Company's coal to be transported by truck on an unpaved road from the mine site to China. On August 2, 2011, the State Property Committee of Mongolia awarded the tender to construct a paved highway from Ovoot Tolgoi to the Mongolia-China border to consortium partners NTB LLC and the Company's Mongolian operating subsidiary, SouthGobi Sands LLC ("NTB-SGS"). NTB-SGS now has the right to conclude a 15-year build, operate and transfer ("BOT") contract under the Mongolian Law on Concessions. NTB-SGS intends to commence construction this year of the paved highway with an intended carrying capacity upon completion of in excess of 20 million tonnes of coal per year.

COMMON SHARE REPURCHASE PROGRAM

On June 8, 2010, the Company announced that its 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 5.0 million common shares of the Company. On June 8, 2011, the Company announced the renewal of its share repurchase program. The share repurchase program commenced on June 15, 2011, and will remain until June 14, 2012, or until the purchases are complete or the program is terminated by the Company. As of August 10, 2011, the Company had repurchased 0.9 million shares on the Hong Kong Stock Exchange and 1.5 million shares on the Toronto Stock Exchange for a total of 2.4 million common shares. The Company cancels all shares after they are repurchased.

OUTLOOK

SouthGobi substantially proliferated its customer base during the first half of 2011 and raised prices for individual products.

To date the Company has signed seven major customers to purchase coal in the third quarter of 2011. Pricing for the raw semi-soft coking coal product and raw higher-ash coal product should be similar to those prices of the second quarter of 2011 at approximately \$65 per tonne and \$40 per tonne respectively because SouthGobi has pursued a strategy to substantially expand volume for the third quarter. A new product will also be introduced being a raw medium-ash coal. Initial contracts have been signed reflecting pricing of approximately \$47 per tonne for that product. With the three products, SouthGobi anticipates the overall average realized sales price in the third quarter of 2011 should be similar to that achieved in the second quarter and in the range of \$50 per tonne to \$55 per tonne.

Assuming various contracts are performed and the Mongolia-China border remains efficient, the Company anticipates sales volumes for the third quarter of 2011 to be in the range of 1.2 million tonnes to 1.6 million tonnes.

The country-wide shortage of diesel fuel that caused a large abnormal increase in direct cash cost per tonne of coal produced has currently been resolved. Assuming no recurrence of the issue, nor an increase in waste-to-coal ratio (strip ratio) substantially above the long-term mine plan level of approximately 4 bank cubic meters of waste per tonne, SouthGobi anticipates direct cash costs will return to recent trend levels over the balance of the year.

Based on the Company's current expectation for volumes, pricing and costs, SouthGobi anticipates a further expansion of its normalized income from mine operations in the third quarter of 2011 when compared to the second quarter of 2011.

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 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.

Overview and Objectives

The Company continues to focus its efforts on mining, development and exploration of coking and raw coal products in Mongolia for supply of quality products to customers in China. As the Company looks forward through 2011, the Company is encouraged by the overall long term demand for our products. There are many positive developments in Mongolia, which provide further support that the mining sector will develop its resource base for long term growth. The Company is making progress with its sales and marketing efforts, continuing to focus on efficiency and prudent financial management and intends to manage production levels to meet anticipated demand for the Company's products.

The Company's objectives for 2011 remain unchanged from the year ended December 31, 2010 and are as follows:

- **Grow Ovoot Tolgoi Mine** – The additional capacity of the new mining fleets should support growth in coal availability and sales for 2011 over 2010, and the future.
- **Continue to develop regional infrastructure** – The Company's immediate priority centers on improving roads in the area around Ovoot Tolgoi Mine. SouthGobi is part of a consortium awarded the tender to construct a paved highway from Ovoot Tolgoi to the Mongolia-China border. The consortium intends to commence construction this year of the highway that is expected upon completion to have a carrying capacity in excess of 20 million tonnes of coal per year.
- **Advancing the Soumber Deposit** – SouthGobi intends to further define the deposit with continued exploration work while also substantially advancing the feasibility and planning for a mine at Soumber.
- **Value-adding/upgrading coal** – The Company has commenced construction of a coal-handling facility at Ovoot Tolgoi Mine including the secondary processing stage of dry air separation.
- **Exploration** – Further greenfields exploration will take place, with the Company planning an exploration budget in the order of \$10-20 million.
- **Operations** – Continuing to focus on production safety, environmental protection, operational excellence and community relations.

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,	
	2011	2010	2011	2010
Revenue	\$ 47,336	\$ 17,668	\$ 67,494	\$ 31,585
Cost of sales	<u>(37,592)</u>	<u>(13,268)</u>	<u>(50,060)</u>	<u>(25,998)</u>
Income from mine operations	9,744	4,400	17,434	5,587
Administration expenses	<u>(9,832)</u>	<u>(8,336)</u>	<u>(16,551)</u>	<u>(14,370)</u>
Evaluation and exploration expenses	<u>(4,356)</u>	<u>(6,659)</u>	<u>(6,347)</u>	<u>(8,310)</u>
Operating loss from continuing operations	(4,444)	(10,595)	(5,464)	(17,093)
Finance costs	<u>(2,378)</u>	<u>(5,033)</u>	<u>(7,054)</u>	<u>(165,983)</u>
Finance income	<u>74,406</u>	<u>68,326</u>	<u>33,935</u>	<u>66,844</u>
Income/(loss) before tax	67,584	52,698	21,417	(116,232)
Current income tax expense	<u>(1,722)</u>	<u>(368)</u>	<u>(3,475)</u>	<u>(378)</u>
Deferred income tax recovery	<u>1,461</u>	<u>971</u>	<u>2,779</u>	<u>1,642</u>
Net income/(loss) for the period attributable to equity holders of the Company	<u>67,323</u>	<u>53,301</u>	<u>20,721</u>	<u>(114,968)</u>
OTHER COMPREHENSIVE INCOME				
Gain/(loss) on available-for-sale assets, net of tax	<u>(39,573)</u>	<u>—</u>	<u>11,175</u>	<u>—</u>
Net comprehensive income/(loss) attributable to equity holders of the Company	<u>\$ 27,750</u>	<u>\$ 53,301</u>	<u>\$ 31,896</u>	<u>\$(114,968)</u>
BASIC INCOME/(LOSS) PER SHARE	\$ 0.37	\$ 0.29	\$ 0.11	\$ (0.68)
DILUTED INCOME/(LOSS) PER SHARE	\$ 0.00	\$ (0.07)	\$ (0.03)	\$ (0.68)

Condensed Consolidated Interim Statement of Financial Position

(Unaudited)

(Expressed in thousands of U.S. Dollars)

	As at	
	June 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 282,733	\$ 492,038
Trade and other receivables	67,705	30,246
Short term investments	15,003	17,529
Inventories	45,211	26,160
Prepaid expenses and deposits	15,679	10,026
	<u>426,331</u>	<u>575,999</u>
Total current assets	426,331	575,999
Non-current assets		
Property, plant and equipment	390,865	266,771
Deferred income tax assets	14,221	11,442
Long term investments	135,196	107,416
Other receivables	238	238
	<u>540,520</u>	<u>385,867</u>
Total non-current assets	540,520	385,867
Total assets	<u>\$966,851</u>	<u>\$ 961,866</u>

	As at	
	June 30, 2011	December 31, 2010
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	\$ 32,369	\$24,137
Amounts due under line of credit facility	1,666	—
Current portion of convertible debenture	<u>4,285</u>	<u>6,312</u>
Total current liabilities	38,320	30,449
Non-current liabilities		
Convertible debenture	211,892	245,498
Deferred income tax liabilities	5,562	3,966
Decommissioning liability	<u>3,761</u>	<u>3,063</u>
Total non-current liabilities	<u>221,215</u>	<u>252,527</u>
Total liabilities	259,535	282,976
Shareholders' equity		
Common shares	1,063,995	1,061,560
Share option reserve	36,102	32,360
Investment revaluation reserve	38,936	27,761
Accumulated deficit	<u>(431,717)</u>	<u>(442,791)</u>
Total shareholders' equity	<u>707,316</u>	<u>678,890</u>
Total shareholders' equity and liabilities	<u>\$ 966,851</u>	<u>\$ 961,866</u>
Net current assets	\$ 388,011	\$ 545,550
Total assets less current liabilities	\$ 928,531	\$ 931,417

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the Company for the six months ended June 30, 2011, were reviewed by the Audit Committee of the Company.

SouthGobi's results for the quarter ended June 30, 2011 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.

Disclosure of a scientific or technical nature in this release and the Company's MD&A with respect to the Company's Coal Division was prepared by, or under the supervision of Dave Bartel, P.Eng., the Company's Senior Engineer. Mr. Bartel is a "qualified person" for the purposes of National Instrument 43-101 of the Canadian Administrators ("NI 43-101").

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Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to: pricing for the raw semi-soft coking coal product and raw higher-ash coal product in the third quarter of 2011 to be similar to prices achieved in the second quarter of 2011, approximately \$65 per tonne and \$40 per tonne respectively; average realized sales prices between \$50 per tonne and \$55 per tonne for the third quarter of 2011; sales volumes for the third quarter of 2011 will be between 1.2 million and 1.6 million tonnes; reduction of direct cash costs to recent trend levels over the balance of the year; normalized income from mine operations in the third quarter of 2011 will exceed the second quarter of 2011; long-term demand for SouthGobi's products; positive developments in Mongolia will support the mining sector and will develop Mongolia's resource base; management of production levels to meet anticipated demand for SouthGobi's products; 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 December 31, 2010 and quarter ended June 30, 2011, which are available at www.sedar.com.