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(Stock Code: 1878)*

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

HONG KONG – SouthGobi Resources Ltd. (TSX: **SGQ**, HK: **1878**) announced today its financial results for the nine months ended September 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, 9 November 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*



November 9, 2011

SOUTHGOBI RESOURCES ANNOUNCES THIRD 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 nine months ended September 30, 2011. All figures are in US dollars unless otherwise stated.

HIGHLIGHTS

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

- **Total sales of approximately 1.37 million tonnes and revenue of \$60.5 million for the quarter ended September 30, 2011, with both figures representing a record for any given third quarter and the revenue also being the highest quarterly revenue since the commencement of mining operations;**
- **Average realized selling price for the third quarter of 2011 was \$54 per tonne, an increase of 45% compared to the third quarter of 2010;**
- **Income from mining operations of \$20.6 million for the third quarter of 2011, which represents a quarterly record since the commencement of mining operations;**
- **Entered into an agreement with Ejinaqi Jinda Coal Industry Co. Ltd (“Ejin Jinda”) to toll wash coal from the Ovoot Tolgoi Mine;**
- **Received a mining license pertaining to the Soumber Deposit; and**
- **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	30-Sep	2011 30-Jun	31-Mar	31-Dec	2010 30-Sep	30-Jun	31-Mar	2009 31-Dec
Volumes and prices								
Raw semi-soft coking coal								
Raw coal production (<i>millions of tonnes</i>)	0.55	0.52	0.48	0.41	0.18	0.39	0.21	0.16
Coal sales (<i>millions of tonnes</i>)	0.66	0.60	0.34	0.35	0.11	0.42	0.40	0.36
Average realized sales price (<i>per tonne</i>)	\$ 66.83	\$ 65.96	\$ 56.50	\$ 47.08	\$ 46.04	\$ 44.10	\$ 36.62	\$ 29.55
Raw medium-ash coal								
Raw coal production (<i>millions of tonnes</i>)	0.20	-	-	-	-	-	-	-
Coal sales (<i>millions of tonnes</i>)	0.20	-	-	-	-	-	-	-
Average realized sales price (<i>per tonne</i>)	\$ 48.17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Raw higher-ash coal								
Raw coal production (<i>millions of tonnes</i>)	0.50	0.35	0.63	0.97	0.39	0.23	0.01	-
Coal sales (<i>millions of tonnes</i>)	0.51	0.45	0.11	1.12	0.08	0.03	0.03	-
Average realized sales price (<i>per tonne</i>)	\$ 39.74	\$ 38.32	\$ 31.68	\$ 26.75	\$ 25.34	\$ 18.82	\$ 21.24	\$ -
Total								
Raw coal production (<i>millions of tonnes</i>)	1.25	0.87	1.11	1.38	0.57	0.62	0.22	0.16
Coal sales (<i>millions of tonnes</i>)	1.37	1.05	0.45	1.47	0.19	0.45	0.43	0.36
Average realized sales price (<i>per tonne</i>)	\$ 54.01	\$ 54.06	\$ 50.29	\$ 31.56	\$ 37.15	\$ 42.63	\$ 35.52	\$ 29.55
Costs								
Direct cash costs of product sold (<i>per tonne</i>)	\$ 22.64	\$ 26.77	\$ 18.91	\$ 18.53	\$ 18.59	\$ 21.37	\$ 22.25	\$ 16.97
Total cash costs of product sold (<i>per tonne</i>)	\$ 23.17	\$ 27.61	\$ 20.61	\$ 19.25	\$ 22.04	\$ 22.30	\$ 23.32	\$ 18.29
Waste movement and stripping ratio								
Production waste material moved (<i>millions of bank cubic meters</i>)	4.10	4.08	3.85	3.56	2.90	1.73	1.50	0.87
Strip ratio (<i>bank cubic meters of waste rock per tonne of coal produced</i>)	3.28	4.74	3.47	2.58	5.09	2.79	6.79	5.38
Pre-production waste material moved (<i>millions of bank cubic meters</i>)	0.39	0.80	0.49	0.73	0.43	0.02	-	-
Other operating capacity statistics								
Capacity								
Number of mining shovels/excavators available at period end ⁽ⁱ⁾	3	4	3	3	2	2	2	1
Total combined stated mining shovel/excavator capacity at period end (<i>cubic meters</i>)	64	98	83	82	48	48	48	14
Number of haul trucks available at period end	16	16	16	15	12	11	9	7
Total combined stated haul truck capacity at period end (<i>tonnes</i>)	2,599	2,599	2,599	2,254	1,727	1,509	1,073	637
Employees and safety								
Employees at period end	695	658	600	544	472	421	388	334
Lost time injury frequency rate (<i>per 100,000 man hours</i>)	1.4	1.2	0.9	0.8	0.9	1.0	0.6	n/a ⁽ⁱⁱ⁾

- (i) The second R9250 hydraulic excavator commissioned in the second quarter of 2011 is currently being used to supplement the capacity of the Company's existing fleets.
- (ii) Lost time injury frequency data for 2009 is not available.

For the three months ended September 30, 2011

For the three months ended September 30, 2011, the Company produced 1.25 million tonnes of raw coal with a strip ratio of 3.28 compared to production of 0.87 million tonnes of raw coal with a strip ratio of 4.74 for the three months ended June 30, 2011 and production of 0.57 million tonnes of raw coal with a strip ratio of 5.09 for the three months ended September 30, 2010. Mining capacity increased in the third quarter of 2011 compared to the third quarter of 2010 due to the commissioning of additional mining equipment. Mining activities also commenced in the Sunrise Pit during the third quarter of 2011.

For the three months ended September 30, 2011, the Company sold 1.37 million tonnes of coal at an average realized selling price of approximately \$54 per tonne. This compares to 1.05 million tonnes of coal sold for the three months ended June 30, 2011 at an average realized selling price of approximately \$54 per tonne and 0.19 million tonnes of coal sold for the three months ended September 30, 2010 at an average realized selling price of approximately \$37 per tonne.

Direct cash costs of product sold were \$22.64 per tonne in the three months ended September 30, 2011 compared to \$18.59 per tonne in the three months ended September 30, 2010. Direct cash costs have increased due to increased screening by the Company of its raw higher-ash coals and due to general economic factors including the strengthening of the Mongolian tugrik and the rate of inflation in Mongolia.

On September 27, 2011, a fire occurred on one Liebherr 996 hydraulic shovel that was commissioned at the Ovoot Tolgoi Mine in December 2009 and previously included in the mining fleet. Safety protocols were followed and no injuries resulted. However, following subsequent inspection and third-party reports the Company has de-commissioned the machine and currently believes it is unlikely it will be repairable. Site inspections have been completed by the insurance underwriter and the Company has been advised that the damage will be covered by its insurance policy. As a result the Company has de-recognized the full carrying amount of the machine and recognized a receivable in the third quarter of 2011 equal to the amount of the estimated net insurance proceeds.

For the nine months ended September 30, 2011

For the nine months ended September 30, 2011, the Company produced 3.22 million tonnes of raw coal with a strip ratio of 3.74 compared to production of 1.41 million tonnes of raw coal with a strip ratio of 4.35 for the nine months ended September 30, 2010. The increase in raw coal production for the nine months ended September 30, 2011 primarily resulted from the expansion of the Company's mining fleet and commencement of mining operations at the Sunset Pit in the third quarter of 2011.

For the nine months ended September 30, 2011, the Company sold approximately 2.87 million tonnes of coal at an average realized selling price of approximately \$53 per tonne. This compares to 1.07 million tonnes of coal at an average realized selling price of approximately \$39 per tonne for the nine months ended September 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 \$23.55 per tonne for the nine months ended September 30, 2011 compared to \$21.22 per tonne for the same period in 2010. The increase in direct cash costs is due primarily to increased screening activities by the Company of its raw higher-ash coals and higher diesel prices in the second quarter of 2011.

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			
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	2009 31-Dec
Revenue	\$ 60,491	\$ 47,336	\$ 20,158	\$ 41,595	\$ 6,597	\$ 17,668	\$ 13,917	\$ 9,960
Income/(loss) from mine operations	20,560	9,744	7,690	3,376	(6,674)	4,400	1,187	1,524
Margin on revenue	34%	21%	38%	8%	-101%	25%	9%	15%
Evaluation and exploration expenses	(10,908)	(4,356)	(1,991)	(4,144)	(6,314)	(6,659)	(1,651)	(739)
Operating loss from continuing operations	(1,404)	(4,444)	(1,020)	(8,914)	(20,969)	(10,595)	(6,498)	(6,948)
Net interest expense	(1,364)	(2,023)	(4,251)	(4,191)	(4,385)	(4,384)	(9,024)	(8,243)
Net income/(loss)	55,921	67,323	(46,602)	(28,720)	27,495	53,301	(168,271)	(69,153)
Basic income/(loss) per share	0.31	0.37	(0.25)	(0.16)	0.15	0.29	(1.09)	(0.52)
QUARTER ENDED	2011				2010			
30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	2009 31-Dec	
Net income/(loss)	\$ 55,921	\$ 67,323	\$ (46,602)	\$ (28,720)	\$ 27,495	\$ 53,301	\$ (168,271)	\$ (69,153)
Excluding								
Gain/(loss) on value change of embedded derivatives in CIC debenture	62,058	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	(2,375)	3,453	(3,762)	4,209	1,363	(4,509)	(703)	1,099
Income from discontinued operations	-	-	-	-	-	-	-	1,034
Net loss excluding specified items	(3,762)	(6,552)	(6,060)	(12,934)	(23,640)	(14,422)	(14,843)	(26,306)

For the three months ended September 30, 2011

The Company recorded net income for the three months ended September 30, 2011 of \$55.9 million compared to net income of \$67.3 million for the three months ended June 30, 2011 and net income of \$27.5 million for the three months ended September 30, 2010. The net income in the third quarter of 2011 is due primarily to the \$62.1 million gain on the fair value change of the embedded derivatives in the China Investment Corporation (“CIC”) convertible debenture. This compares to a gain of \$70.4 million in the second quarter of 2011 and a gain of \$49.8 million in the third 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 September 30, 2011 of \$1.4 million compared to a \$4.4 million loss for the three months ended June 30, 2011 and a \$21.0 million loss for the three months ended September 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 \$20.6 million in the third quarter of 2011. This compares to income from mine operations of \$9.7 million in the second quarter of 2011 and a loss from mine operations of \$6.7 million in the third quarter of 2010.

Revenue was \$60.5 million for the three months ended September 30, 2011, which represented record quarterly revenue since the commencement of mining operations. This compares to \$47.3 million for the three months ended June 30, 2011 and \$6.6 million for the three months ended September 30, 2010. The increase in revenue for the third quarter of 2011 as compared to the second quarter of 2011 was due to a 30% increase in the sales volume. The increase in revenue for the third quarter of 2011 as compared to the third quarter of 2010 relates to increased sales volumes and increased average selling prices with increases of 621% and 45%, respectively. Revenue was negatively impacted by an increase in the average proportional royalty payable due to the methodology being applied to royalties basing fees on benchmark price levels set arbitrarily by the Mongolian government. The effective royalty for the three months ended September 30, 2011 was 16% compared to 14% for the three months ended June 30, 2011 and 5% for three months ended September 30, 2010.

Cost of sales was \$39.9 million for the three months ended September 30, 2011 compared to \$37.6 million for the three months ended June 30, 2011 and \$13.3 million for the three months ended September 30, 2010. Cost of sales has increased in the third quarter of 2011 compared to the second quarter of 2011 due to higher sales volumes, partially offset by lower unit costs and a net recovery on the de-recognition of property, plant and equipment. Cost of sales has increased in the third quarter of 2011 compared to the third 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 September 30, 2011, were \$3.1 million higher compared to the three months ended September 30, 2010. This increase is related primarily to the following three items. Public infrastructure costs were \$1.4 million higher for the three months ended September 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. Salaries and benefits were \$0.7 million higher for the three months ended September 30, 2011 as compared to the same period in 2010, due primarily to additional staff and an increase in share-based compensation expense. Finally, foreign exchange losses were \$1.1 million higher for the three months ended September 30, 2011 compared to 2010. Foreign exchange 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:

Exploration expenses for the three months ended September 30, 2011 were \$10.9 million compared to \$6.3 million for the three months ended September 30, 2010. Exploration was still in the process of mobilization during the second quarter of 2011 due to delays in receiving required government approvals, resulting in a higher proportion of costs being incurred in the third quarter of 2011. In addition, the 2011 exploration program included a more active water exploration program.

Finance Income & Finance Costs:

The Company incurred finance costs for the three months ended September 30, 2011 of \$4.1 million compared to \$5.0 million for the three months ended September 30, 2010. The finance costs in the third quarter of 2011 relate primarily to a mark to market loss of \$2.4 million on investments and \$1.5 million of interest expense on the CIC convertible debenture.

The Company recorded finance income for the three months ended September 30, 2011 of \$62.3 million compared to \$52.1 million for the three months ended September 30, 2010. The increase primarily relates to a \$62.1 million gain on the fair value change of the embedded derivatives in the CIC convertible debenture for the three months ended September 30, 2011 compared to a \$49.8 million gain for the three months ended September 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 September 30, 2011, the Company recorded an after-tax mark to market loss of \$15.9 million related to Aspire that has been recorded in other comprehensive income.

For the nine months ended September 30, 2011

The Company recorded net income for the nine months ended September 30, 2011 of \$76.6 million compared to a net loss of \$87.5 million for the nine months ended September 30, 2010. The net income for the nine months ended September 30, 2011 is primarily due to a \$95.7 million gain on the fair value change of the embedded derivatives in the CIC convertible debenture. For the nine months ended September 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 nine months ended September 30, 2011 of \$6.9 million compared to \$38.1 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 nine months ended September 30, 2011, the Company had income from mine operations of \$38.0 million. This compares to a loss from mine operations of \$1.1 million for the nine months ended September 30, 2010.

Revenue was \$128.0 million for the nine months ended September 30, 2011, compared to \$38.2 million for the nine months ended September 30, 2010. Revenue has increased due to both higher sales volumes and higher average realized sales prices which have increased by 168% and 38%, respectively.

Cost of sales was \$90.0 million for the nine months ended September 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 \$39.3 million for the nine months ended September 30, 2010. The increase in cost of sales for the nine months ended September 30, 2011 is due to the higher sales volumes and higher unit costs.

Administration Expenses:

Administration expenses for the nine months ended September 30, 2011, were \$5.3 million higher compared to the nine months ended September 30, 2010. This increase is related primarily to the following two items. Public infrastructure costs were \$3.2 million higher for the nine months ended September 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. Salaries and benefits were \$0.9 million higher for the nine months ended September 30, 2011 as compared to the same period in 2010, due primarily to additional staff and an increase in share-based compensation expense.

Evaluation and Exploration Expenses:

Evaluation and exploration expenses for the nine months ended September 30, 2011, were \$2.7 million higher than the nine months ended September 30, 2010 due primarily to water exploration conducted in 2011.

Finance Income & Finance Costs:

The Company incurred finance costs for the nine months ended September 30, 2011 of \$11.6 million compared to \$174.5 million for the nine months ended September 30, 2010. The finance costs for the nine months ended September 30, 2011 relate primarily to \$8.2 million of interest expense on the CIC convertible debenture and a mark to market loss of \$2.9 million on investments. For the nine months ended September 30, 2010, finance costs include a \$151.4 million non-cash loss on the partial conversion of the CIC convertible debenture, \$19.5 million of interest expense on the CIC convertible debenture and a mark to market loss of \$3.5 million on investments.

The Company recorded finance income for the nine months ended September 30, 2011 of \$96.7 million compared to \$122.4 million for the nine months ended September 30, 2010. The decrease primarily relates to a \$95.7 million gain on the fair value change of embedded derivatives in the CIC convertible debenture for the nine months ended September 30, 2011 compared to a \$120.6 million gain for the nine months ended September 30, 2010.

The Company's investment in Aspire continues to be classified as an available-for-sale financial instrument and for the nine months ended September 30, 2011, the Company recorded an after-tax mark to market loss of \$4.7 million related to Aspire that has been recorded in other comprehensive income.

FINANCIAL POSITION AND LIQUIDITY

The Company's total assets at September 30, 2011 were \$954.9 million compared with \$961.9 million at December 31, 2010.

At September 30, 2011, the Company had \$205.8 million in cash and cash equivalents and \$55.0 million in money market investments for a total liquidity of \$260.8 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 September 30, 2011 were \$157.2 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”) agreement under the Mongolian Law on Concessions. NTB-SGS intend to complete the design of the road in 2011 and to commence construction in early 2012. The paved highway will have an intended carrying capacity upon completion in excess of 20 million tonnes of coal per year. On October 26, 2011, NTB-SGS signed the concession agreement with the State Property Committee of Mongolia.

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 will remain in effect until June 14, 2012, or until the purchases are complete or the program is terminated by the Company. As of November 9, 2011, the Company had repurchased 1.3 million shares on the Hong Kong Stock Exchange and 2.4 million shares on the Toronto Stock Exchange for a total of 3.7 million common shares. The Company cancels all shares after they are repurchased.

OUTLOOK

SouthGobi substantially proliferated its customer base during the nine months ended September 30, 2011 and raised prices for individual products.

The Company views market conditions for the fourth quarter of 2011 as similar to those in the third quarter and has contracted coal at similar or moderately higher prices for the period. However, it is more difficult to forecast volumes for the period. Introduction of coal handling through the rotary breaker at the Ovoot Tolgoi Mine and wet toll washing at the Ejin Jinda plant at Ceke represent the most significant improvements to operations since mining commenced at Ovoot Tolgoi. Having both plants being commissioned in the near future means volumes may be reduced during the fourth quarter and deferred for three reasons: (a) the processing chain will require inventories of coal; (b) some customers are exhibiting a preference to take more coal on a washed basis in lieu of taking coal during the fourth quarter; and (c) it may improve value to hold back a manageable amount of coal to be sold later at higher margins once coal handling commences.

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 coal products in Mongolia for supply of quality products to customers in China. As the Company looks forward through the remainder of 2011 and into 2012, the Company is encouraged by the overall long term demand for its products. 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 2012 over 2011.
- **Continue to develop regional infrastructure** – The Company's immediate priority centers on improving roads in the area around the 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 imminently commence construction 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 is close to commissioning a dry coal-handling facility at the Ovoot Tolgoi Mine and has contracted Ejin Jinda to undertake wet washing for some coals close to the Mongolia-China border.
- **Exploration** – Exploration will take place to further define the Company's existing deposits.
- **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 September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenue	\$ 60,491	\$ 6,597	\$ 127,985	\$ 38,182
Cost of sales	(39,931)	(13,271)	(89,991)	(39,269)
Income/(loss) from mine operations	20,560	(6,674)	37,994	(1,087)
Administration expenses	(11,056)	(7,981)	(27,607)	(22,351)
Evaluation and exploration expenses	(10,908)	(6,314)	(17,255)	(14,625)
Loss from operations	(1,404)	(20,969)	(6,868)	(38,063)
Finance costs	(4,078)	(5,012)	(11,620)	(174,501)
Finance income	62,323	52,134	96,746	122,484
Income/(loss) before tax	56,841	26,153	78,258	(90,080)
Current income tax expense	(4,253)	(670)	(7,728)	(1,048)
Deferred income tax recovery	3,333	2,012	6,112	3,655
Net income/(loss) for the period attributable to equity holders of the Company	55,921	27,495	76,642	(87,473)
OTHER COMPREHENSIVE INCOME				
Loss on available-for-sale assets, net of tax	(15,859)	—	(4,684)	—
Net comprehensive income/(loss) attributable to equity holders of the Company	\$ 40,062	\$ 27,495	\$ 71,958	\$ (87,473)
BASIC INCOME/(LOSS) PER SHARE	\$ 0.31	\$ 0.15	\$ 0.42	\$ (0.50)
DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.08)	\$ (0.05)	\$ (0.50)

Condensed Consolidated Interim Statement of Financial Position*(Unaudited)**(Expressed in thousands of U.S. Dollars)*

	As at	
	September 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 205,815	\$ 492,038
Trade and other receivables	82,428	30,246
Short term investments	9,998	17,529
Inventories	49,067	26,160
Prepaid expenses and deposits	47,101	10,026
	<hr/>	<hr/>
Total current assets	394,409	575,999
Non-current assets		
Property, plant and equipment	441,715	266,771
Deferred income tax assets	17,554	11,442
Long term investments	100,960	107,416
Other receivables	238	238
	<hr/>	<hr/>
Total non-current assets	560,467	385,867
	<hr/>	<hr/>
Total assets	\$ 954,876	\$ 961,866
	<hr/>	<hr/>

	As at	
	September 30, 2011	December 31, 2010
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	\$ 47,007	\$ 24,137
Current portion of convertible debenture	9,326	6,312
	<hr/>	<hr/>
Total current liabilities	56,333	30,449
Non-current liabilities		
Convertible debenture	149,854	245,498
Deferred income tax liabilities	3,299	3,966
Decommissioning liability	4,095	3,063
	<hr/>	<hr/>
Total non-current liabilities	157,248	252,527
	<hr/>	<hr/>
Total liabilities	213,581	282,976
Shareholders' equity		
Common shares	1,057,474	1,061,560
Share option reserve	40,305	32,360
Investment revaluation reserve	23,077	27,761
Accumulated deficit	(379,561)	(442,791)
	<hr/>	<hr/>
Total shareholders' equity	741,295	678,890
	<hr/>	<hr/>
Total shareholders' equity and liabilities	\$ 954,876	\$ 961,866
	<hr/>	<hr/>
Net current assets	\$ 338,076	\$ 545,550
Total assets less current liabilities	\$ 898,543	\$ 931,417

REVIEW OF INTERIM RESULTS

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

SouthGobi's results for the quarter ended September 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 coal at similar or moderately higher prices as those achieved in the third quarter of 2011; commissioning of Ejin Jinda plant and rotary breaker to be commissioned in the near future; possible volume reductions during the fourth quarter due to processing chain requirements, customer preferences and hold backs for possible higher margins in the future; long-term demand for SouthGobi's products; intentions to manage production levels to meet anticipated demands; 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 September 30, 2011, which are available at www.sedar.com.