



SouthGobi
Resources

TSX: SGQ

HKEx: 1878



Q4 2010 AND FULL YEAR RESULTS

Disclaimer



Forward-looking statements

This presentation includes certain “forward-looking statements.” All statements, other than statements of historical fact, are forward-looking statements that involve various risks and uncertainties. There can be no assurances that such statements will prove accurate, and actual results and future events could differ materially from those anticipated in such statements. Such information contained herein represents management’s best judgment as of the date hereof based on information currently available. The company does not assume the obligation to update any forward-looking statement.

Qualified Persons

The technical information in this presentation is derived from SouthGobi’s news releases, each of which has been reviewed by one or more qualified persons (QPs), as defined by NI 43-101. Copies of the releases naming the QPs are available at Sedar or **www.southgobi.com**.

Currency

Unless otherwise stated, all financial numbers are in US dollars.

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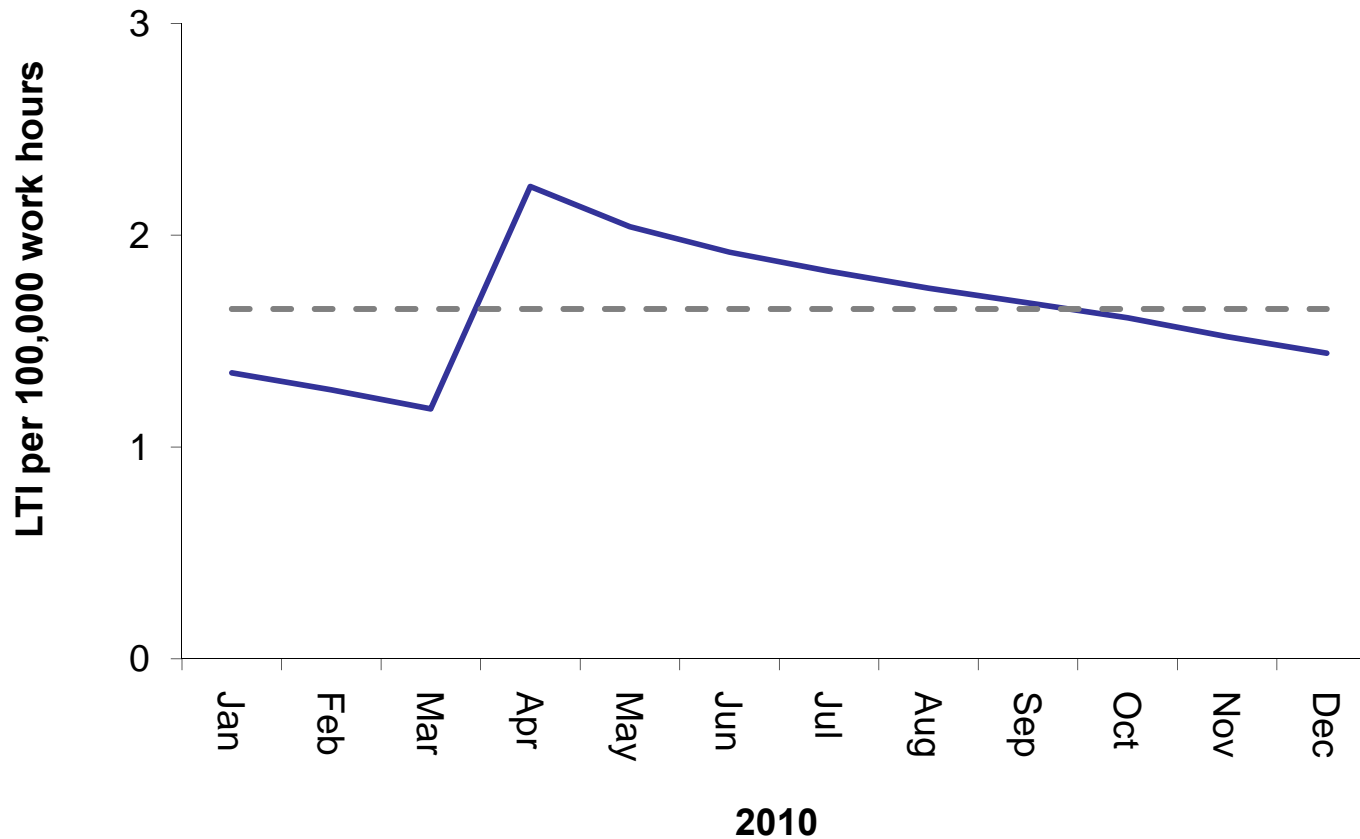
Highlights



- **Coal sales of 2.5 million tonnes, representing a 92% increase in volume compared to 2009**
- **Revenue of \$79.8 million, 121% higher than 2009**
- **Second and third mining fleets successfully commissioned**
- **Global equity offering of January 2010 raised gross proceeds of \$437 million and saw SouthGobi trading on the HKEx under the ticker HK: 1878**
- **\$250 million of China Investment Corporation convertible debenture converted in March 2010, with CIC currently holding 13.6% of common shares**
- **Commenced construction of a coal-handling facility in June 2010, which will include a 300-tonne-capacity dump hopper, a coal rotary breaker and dry air separation modules.**
- **Invested \$20 million for a 19.9% stake in Aspire Mining Limited in December 2010**



Lost time injury frequency rate (2010)



■ Average LTIFR <2.0 per 100,000 work hours represents world class safety

— Lost Time Injury Frequency Rate - - Average

Markets and marketing

Market dynamic



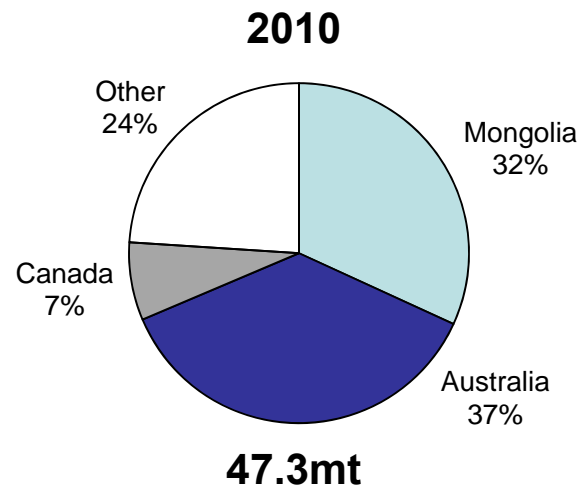
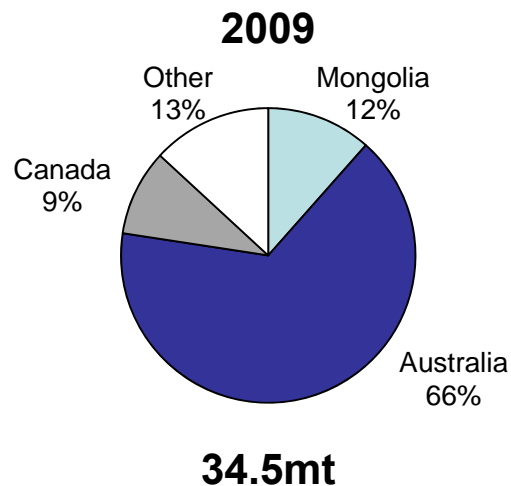
China is 'here to stay' as a coal importer

- Coal demand continues to grow 5-8% per year
- Domestic resource quality is reducing rapidly – only 25% of remaining coking coal resource shallower than 400m
- Costs increasing – coking coal cash costs now around US\$110/t (twice 2006)

Mongolia – natural supplier

- Infrastructure being developed and scalable
- Located closer to faster growing markets – inland west consumption forecast 9-10% per year

China coking coal imports by source



Growth: 2010 vs. 2009

Mongolia	278%
Australia	-23%
Canada	8%

Markets and marketing

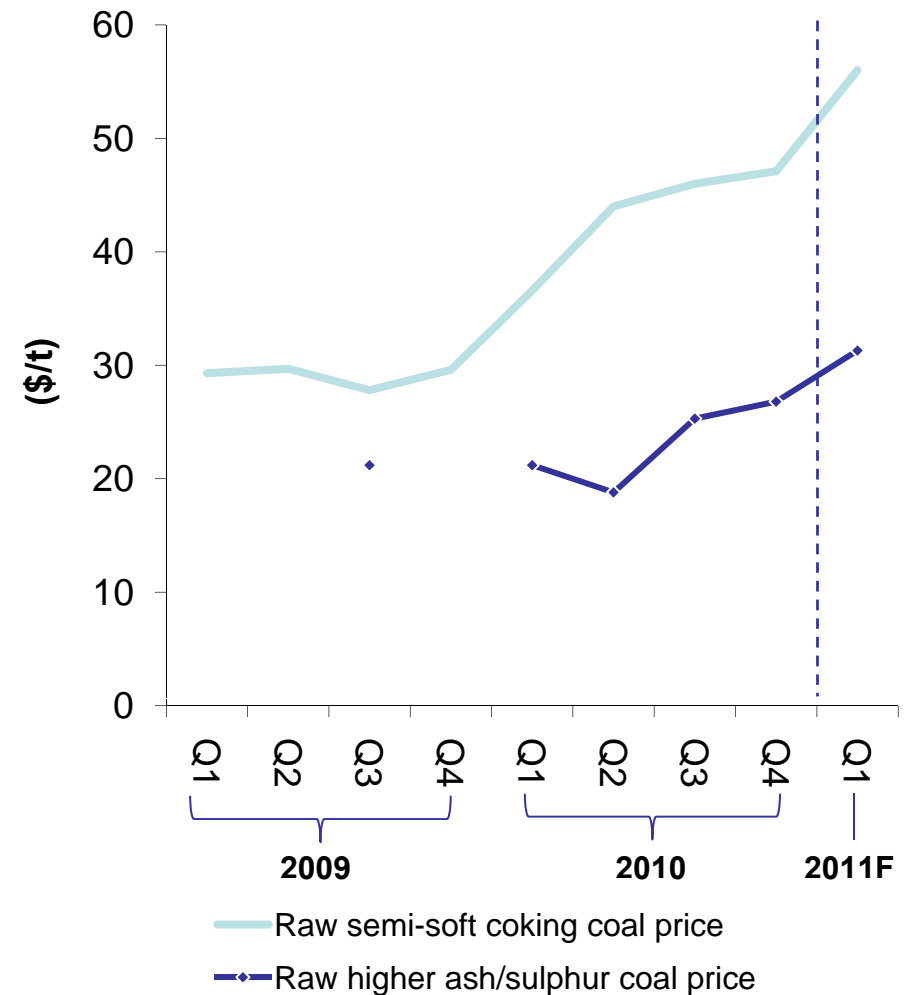
SouthGobi customers and pricing



Rapidly diversifying customer base

	Chinese traders	Global traders	End users
2H 2008	✓ ✓	—	—
1H 2009	✓ ✓	—	—
2H 2009	✓ ✓ ✓	—	—
1H 2010	✓ ✓ ✓	—	—
2H 2010	✓ ✓ ✓	—	—
1H 2011	✓ ✓ ✓	✓	✓ ✓ ✓

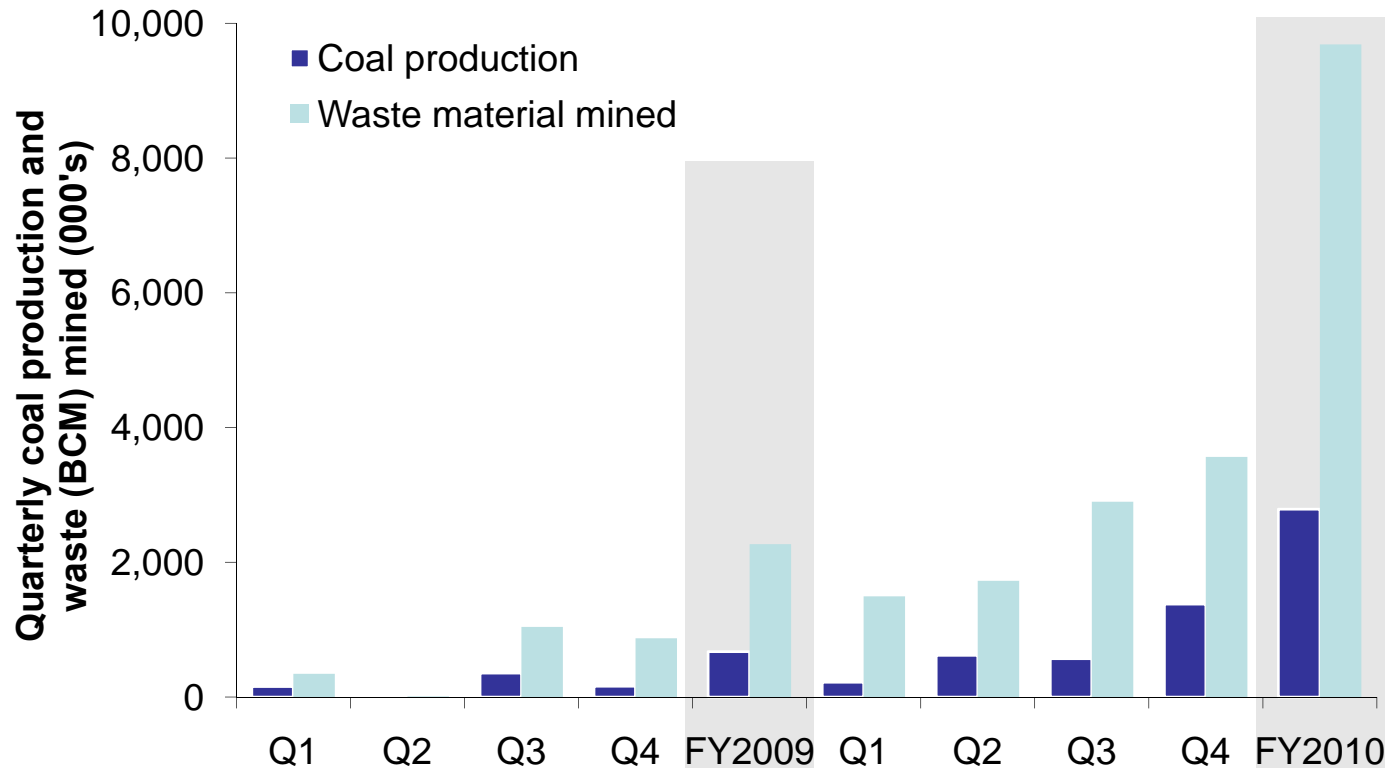
Improved product pricing



Mining Production



Ovoot Tolgoi production and waste material mined (2009–2010)



- Growth through 2010 with commissioning of additional fleets
- Total material moved in 2010 approximately 327% more than 2009

Shovels /
excavators
operating

Strip ratio
(BCM:tonne)

Q1	Q2	Q3	Q4	FY2009	Q1	Q2	Q3	Q4	FY2010
1	1	1	2		2	2	2	3	
2.2	-	2.9	5.4	3.4	6.8	2.8	5.1	2.6	3.5

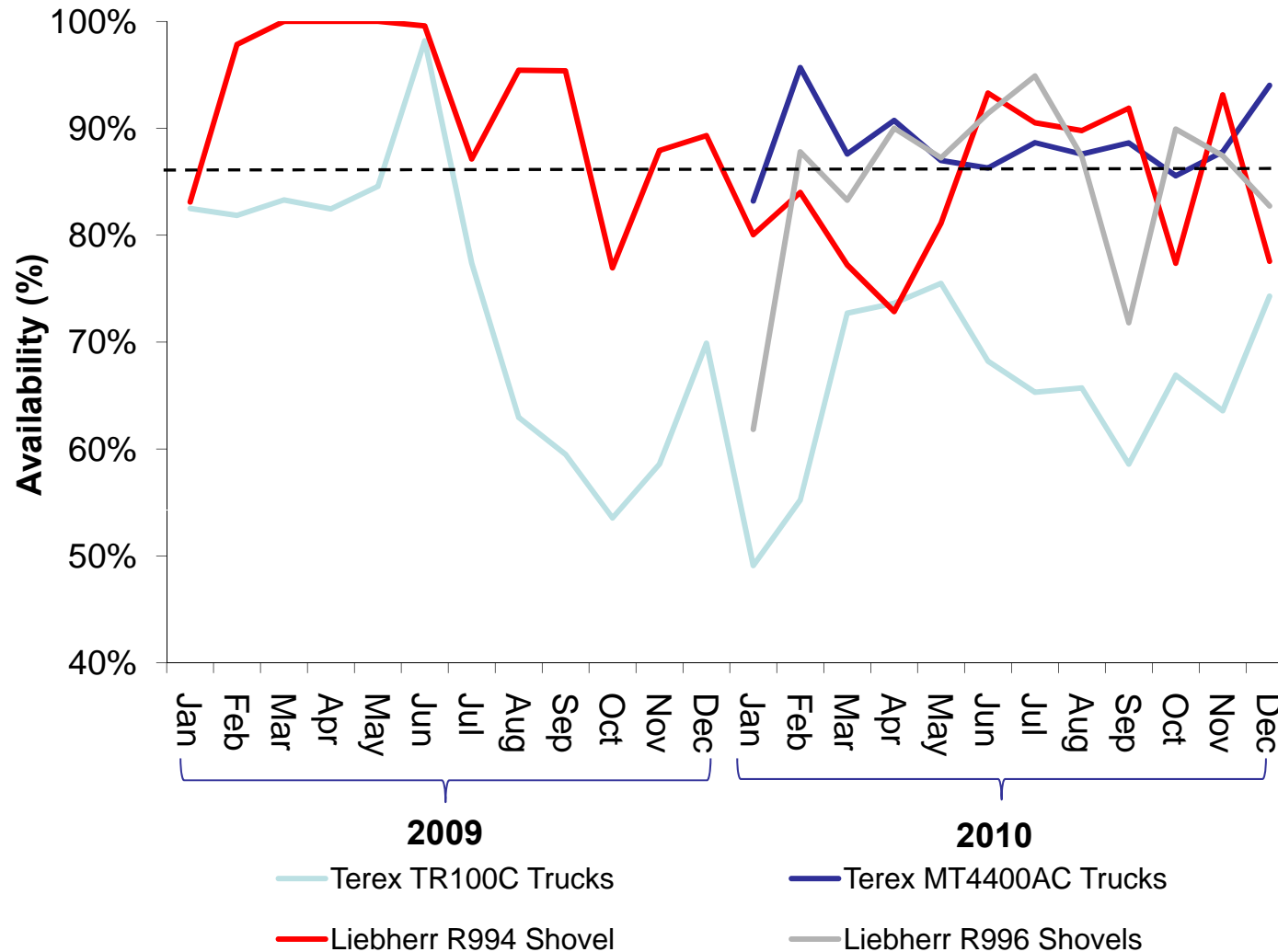
Mining

Key equipment availability



Availability by mining fleet equipment type (2009–2010)

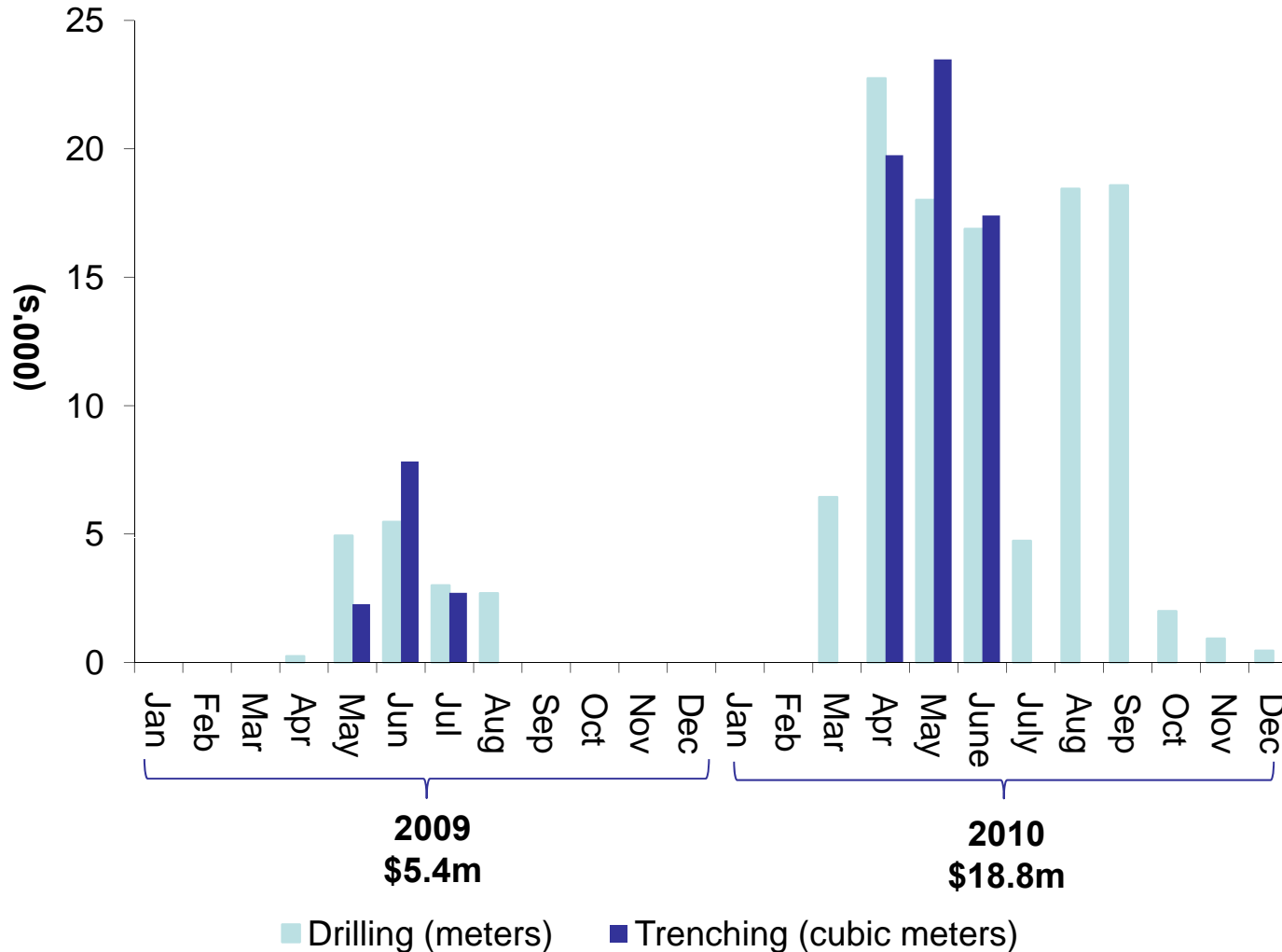
■ Key equipment generally operating at or above 85% availability target



Exploration



Physical exploration activity (2009–2010)



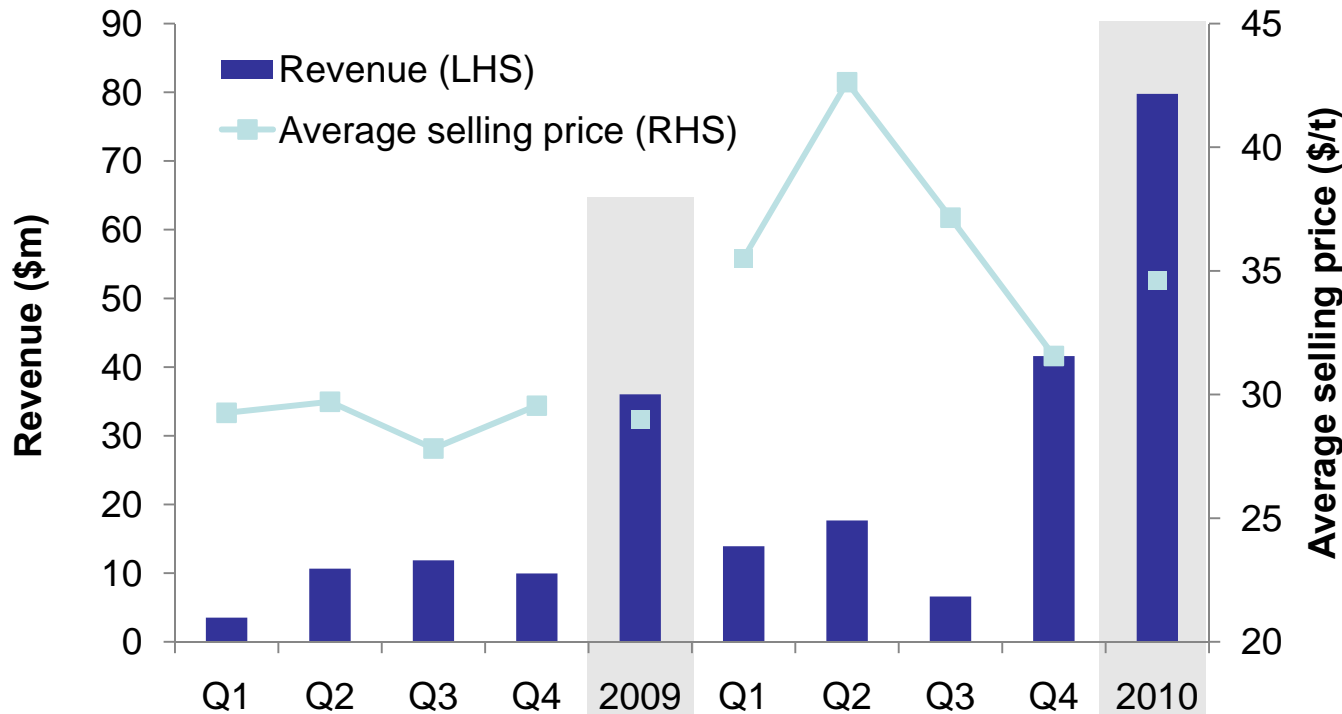
- Largest exploration campaign ever in 2010
- Almost one third of activity focused on Soumber area
- Resources to be updated in coming weeks

Financial results

Sales and revenue



Sales and Revenue (2009 – 2010)



- Average selling price declined in Q4 2010 due to an increased mix of raw high-ash high-sulphur coal
- Overall average selling price for 2010 higher at \$35/t
- 2010 revenue \$79.8m 121% higher than 2009

Sales volume (mt)

Semi-soft

Raw high-ash

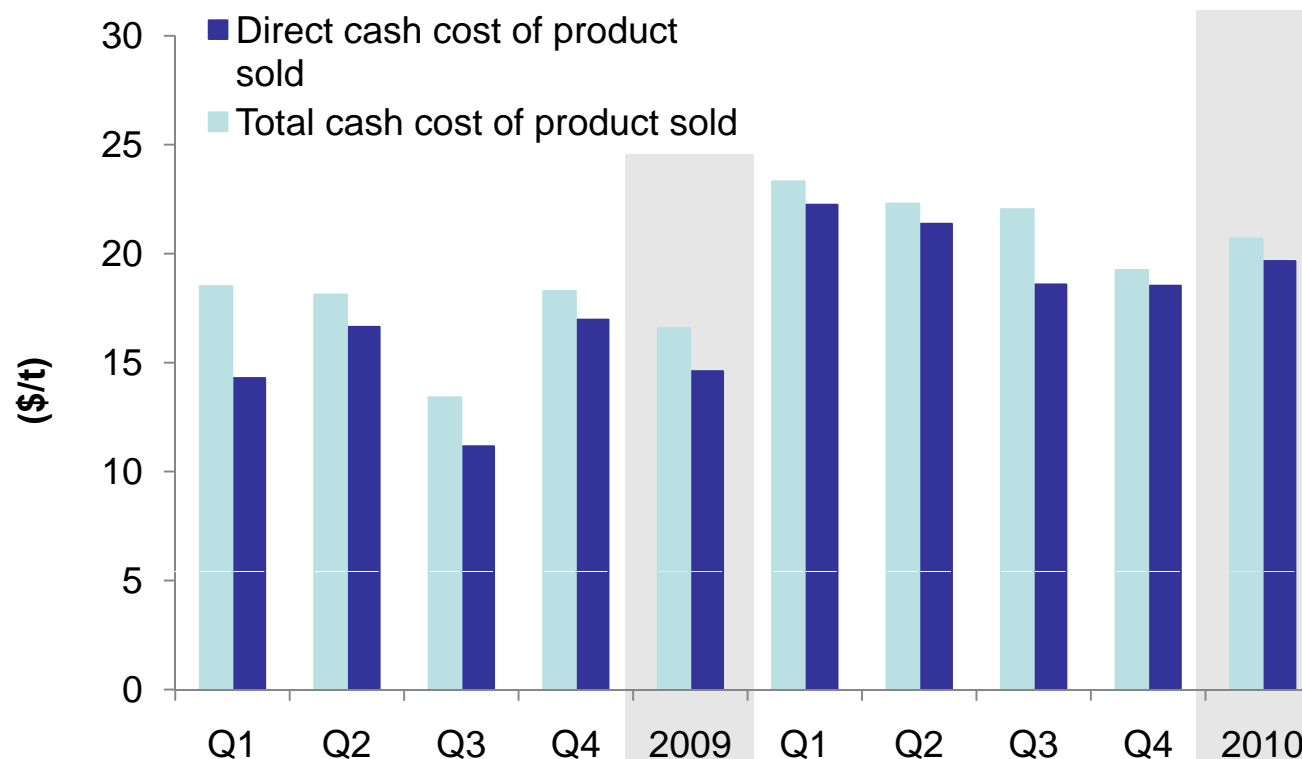
0.1	0.4	0.5	0.4	1.3	0.4	0.4	0.1	0.4	1.3
-	-	-	-	-	0.0	0.0	0.1	1.1	1.3

Financial results

Cash costs



Direct and total cash cost of product sold (2009 – 2010)



- Costs falling during 2010 with Q4 2010 being lowest cash cost production quarter
- Commissioning of newer larger fleets partially offsetting increasing fuel price

Shovels / excavators operating

1 1 1 2 2009 2 2 2 3 2010

Strip ratio (BCM:tonne)

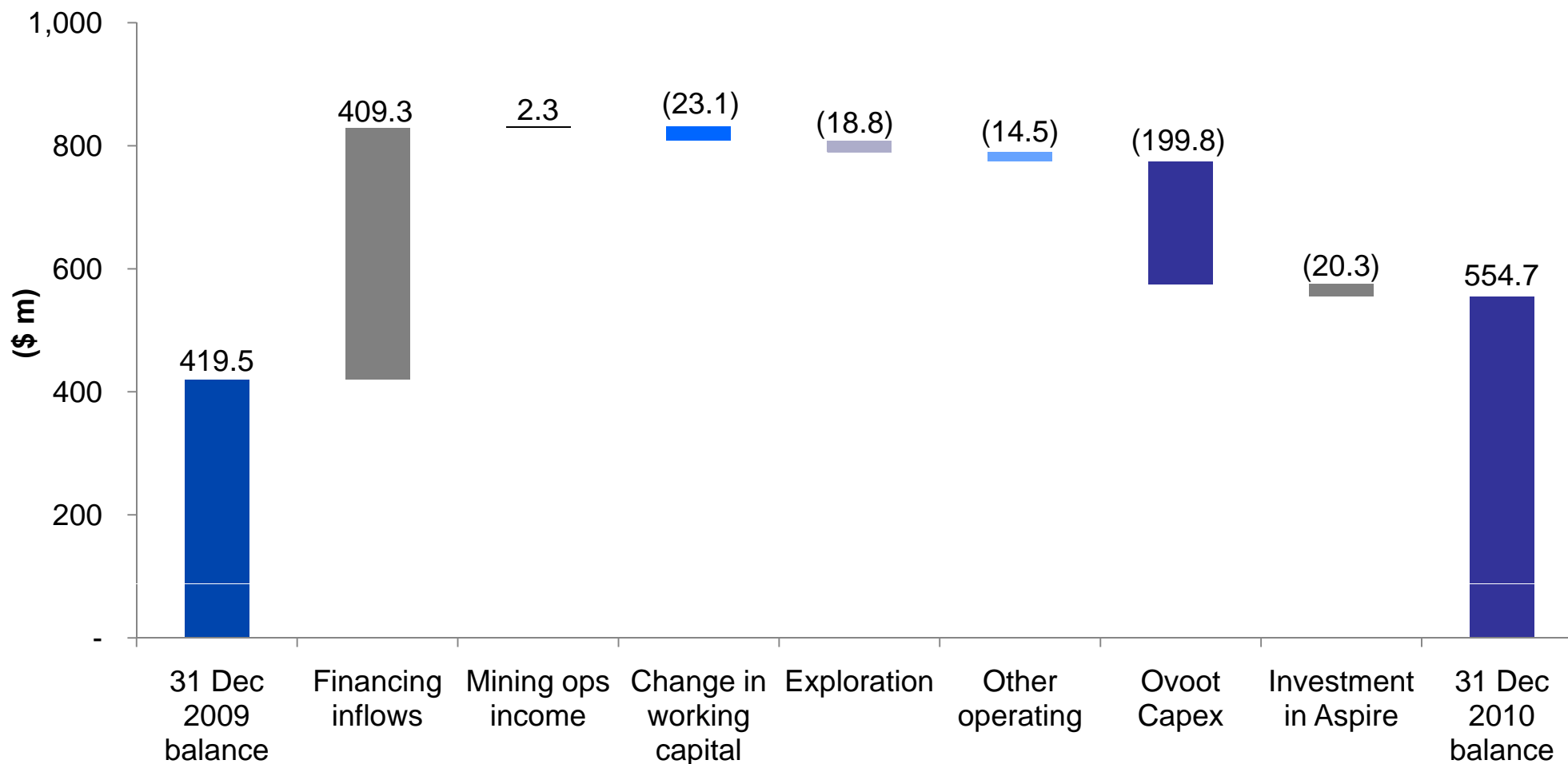
2.2 - 2.9 5.4 3.4 6.8 2.8 5.1 2.6 3.5

Financial results

Cash flow – sources and uses



2010 change in cash and cash like investments



* Opening and closing balances include cash and cash equivalents, plus short and long term money market investments

** Mining Ops income includes impairments for high ash/high sulphur coal (\$5.8) and the Liebherr 994 (\$1.8) due to early retirement

Financial results

Summary Financials



Summary of Key Financial Measures \$Mils

Full Year Ended	31 Dec 2010	31 Dec 2009
Revenue	\$ 79.8	\$ 36.0
Cost of Sales	(77.5)	(29.4)
Mining Operations Income *	2.3	6.6
Operating loss from continuing operations	(47.0)	(23.3)
Net Loss	(116.2)	(110.8)
Net comprehensive loss	(88.4)	(110.8)
EBITDA	(55.8)	(102.1)
Cash and Cash like Investments	554.7	419.5
Property Plant & Equipment	266.8	82.7
Convertible Debenture	251.8	547.1
Net Assets	678.9	(2.8)
Earnings per Share **	(0.7)	(0.8)

* Mining Ops income includes impairments for high ash/high sulphur coal (\$5.8) and the Liebherr 994 (\$1.8) due to early retirement

** Expressed as dollars per share

Financial results

Statement of position



Summary consolidated statement of financial position

	As at December 31,	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 492,038	\$ 357,342
Trade and other receivables	30,246	12,328
Inventories	26,160	16,384
Property, plant and equipment	266,771	82,705
Investments	124,945	72,069
Other assets	21,706	19,856
Total assets	\$ 961,866	\$ 560,684
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	\$ 24,137	\$ 12,669
Convertible debenture	251,810	547,063
Other liabilities	7,029	3,744
Total liabilities	282,976	563,476
Shareholders' equity/(deficiency)	678,890	(2,792)
Total shareholders' equity and liabilities	\$ 961,866	\$ 560,684

Financial results

Statement of income



Summary consolidated statement of comprehensive income

	Year ended December 31,	
	2010	2009
Revenue	\$ 79,777	\$ 36,038
Cost of sales	(77,488)	(29,425)
Income from mine operations	2,289	6,613
Administration expenses	(30,497)	(24,535)
Evaluation and exploration expenses	(18,769)	(5,399)
Operating loss from continuing operations	(46,977)	(23,321)
Finance income / (costs)	(71,907)	(62,834)
Loss before tax	(118,884)	(86,155)
Current income tax recovery / (expense)	2,689	6,438
Loss from continuing operations	(116,195)	(79,717)
Loss from discontinued operations	-	(31,088)
Net Loss for the year	(116,195)	(110,805)
OTHER COMPREHENSIVE INCOME		
Gain on available-for-sale assets, net of tax	27,761	-
Net comprehensive loss attributable to equity holders of the Company	\$ (88,434)	\$ (110,805)

Outlook



- Pricing for premium coal contracts increased in Q1 2011. Potential for further increases in Q2 and beyond
- Near-term focus areas for SouthGobi include:
 - Review of pricing opportunities given recent settlement prices for Australian seaborne shipments, and a general tightness in supply for coking coal
 - Continue to expand and diversify our customer base
 - Construction of the coal haul highway to the Shivee Khuren – Ceke border
 - Securing resource registration and mining license for Soumber
 - Commissioning the Coal Handling Facility by the end of 2011
 - Commencement of coal mining from the Sunrise pit at Ovoot Tolgoi
 - Furthering the work on licensing a suitable water supply for a wash facility

