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**SOUTHGOBI RESOURCES LTD.**

**南戈壁資源有限公司\***

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

*(Stock Code: 1878)*

**SouthGobi Resources announces sales and operations update  
Significant increase in second half 2010 sales guidance**

**HONG KONG** – Alexander Molyneux, President and CEO of SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**), today provides an update on sales, operations and announces personnel changes.

Please see the attached announcement for more details.

By order of the Board  
**SouthGobi Resources Ltd.**  
**Mr. Peter Graham Meredith**  
*Chairman*

Hong Kong, 19 October 2010

*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*



October 19, 2010

## **SouthGobi Resources announces sales and operations update Significant increase in second half 2010 sales guidance**

**HONG KONG** – Alexander Molyneux, President and CEO of SouthGobi Resources Ltd. (**TSX: SGQ, HK: 1878**), today provides an update on sales, operations and announces personnel changes.

SouthGobi is significantly revising its second half 2010 sales volume guidance to approximately 1.5 million tonnes. The company previously indicated sales volume for the second half of 2010 would not be substantially different from the sales volume for six months ended June 30, 2010 (875,000 tonnes). SouthGobi indicated in August, 2010 that some of the higher-sulphur coal was potentially less attractive to customers in its current form and may need to be stockpiled until appropriate processing is in place or blending opportunities arise. However, subsequently, the company has been successful in its efforts to process the coal with basic screening. SouthGobi pursued a trial screening of the stockpiled sunset pit #8/9/10 seam coal during the third quarter of 2010 and established salability of that coal. The company is now rapidly increasing its screening capacity and expects to have four screens operating by the end of October.

Third quarter sales were less than 200,000 tonnes due to low availability of #5 seam semi-soft coking coal in the mine plan for that period and the limited screening capacity for the #8/9/10 coal. However, SouthGobi is raising its guidance for the second half of 2010 due to a number of factors. Firstly, the fourth quarter mine plan has relatively more of the #5 seam semi-soft coking coal product available than the third quarter. Secondly, the increased screening capacity is enabling all customers to purchase larger amounts of the sunset pit #8/9/10 seam coal. SouthGobi has set new records for its daily shipping rate in October and has already sold in excess of 400,000 tonnes for the month to date.

SouthGobi has signed a special agreement with a subsidiary of Winsway Coking Coal Holdings Limited (“Winsway” HK: 1733) for the purchase of the company’s entire outstanding inventory of sunset pit #8/9/10 seam coal and a proportion of additional sunset pit #8/9/10 seam coal to be mined for the rest of the fourth quarter in the amount of one million tonnes. The coal being purchased pursuant to that agreement is intended for use by ECCW (Tangshan) Jiahua Coking & Chemical Co. Ltd. Winsway also has contracted to purchase an additional 200,000 tonnes of #5 seam semi-soft coking coal. Both SouthGobi and Winsway are engaged in on-going dialogue regarding potential longer-term contracts.

### **THIRD MINING FLEET COMMISSIONED AHEAD OF SCHEDULE**

As previously reported on August 11, 2010, the company received five Terex MT4400 (218 tonne) haul trucks for the third fleet in the second quarter, which have now been commissioned. The company also has commissioned its second Liebherr 996 hydraulic shovel, the flagship of the Liebherr excavator fleet. (see website for photos). This new third fleet was originally expected to be mining from January 2011 but was fully commissioned on October 17, 2010. It grows capacity by approximately 50% over the performance of the company's existing fleets, which have been averaging approximately one million bank cubic meters of material movement per month since July.

### **OPERATING AND RESOURCE DEVELOPMENT TEAM CHANGES**

Gavin May, Chief Operating Officer (COO), will be leaving the company effective November 30, 2010 to pursue other business opportunities. The company wishes Mr. May well in his future endeavors.

Curt Church, previously General Manager of Ovoot Tolgoi, has been appointed Vice President, Mining Operations. Mr. Church has been the General Manager of Ovoot Tolgoi Coal Mine in southern Mongolia for more than two years and has overseen its rapid development and expansion. Mr. Church has more than 16 years experience in the mineral resources industry, including more than six years of experience working at various mining operations in Mongolia.

“Curt has been responsible for building a strong team at Ovoot Tolgoi and has overseen its impressive development,” said Mr. Molyneux. “I am very pleased to welcome Mr. Church as the newest member of senior management.”

Mr. Church also has been appointed as a director of SouthGobi Sands LLC, a wholly-owned subsidiary of SouthGobi Resources Ltd., where he will work alongside Dave Bartel, who remains President and Executive Director of SouthGobi Sands. Mr. Bartel has more than 30 years experience in the coal industry and joined SouthGobi more than three years ago as Manager of Engineering. Mr. Bartel also carries the title of Vice President, Mongolian Operations for SouthGobi Resources. Mr. Church and Mr. Bartel will work closely together to drive the operating development and accelerate the growth in SouthGobi's business.

Justin Kapla has been hired to replace Mr. Church as General Manager, Ovoot Tolgoi Operations. Mr. Kapla has over 14 years experience in the mining industry in North America, Mongolia and West Africa. He holds a Bachelor of Science in Metallurgical Engineering and a Masters Degree in International Management.

## **ABOUT SOUTHGOBI RESOURCES**

SouthGobi Resources is focused on exploration and development of its Permian-age metallurgical and thermal coal deposits in Mongolia's South Gobi Region. The company's flagship coal mine, Ovoot Tolgoi, is producing and selling coal to customers in China. The company plans to supply a wide range of coal products to markets in Asia.

### **Information contacts, SouthGobi Resources**

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Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to, sales volumes, additional screens to be commissioned, 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 Dec. 31, 2009, and quarter ended June 30, 2010 which are available at [www.sedar.com](http://www.sedar.com).