



**SouthGobi
Resources**

SouthGobi Resources Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2010

(Unaudited)

(Expressed in U.S. dollars)

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SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statement of Comprehensive Income

(Unaudited)

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

	Notes	Three months ended		Six months ended	
		June 30,		June 30,	
		2010	2009	2010	2009
CONTINUING OPERATIONS					
Revenue		\$ 17,668	\$ 10,666	\$ 31,585	\$ 14,207
Cost of sales	5	(13,268)	(9,139)	(25,998)	(12,352)
Income from mine operations		4,400	1,527	5,587	1,855
Administration expenses	6	(8,336)	(4,568)	(14,370)	(10,687)
Evaluation and exploration expenses		(6,659)	(1,742)	(8,310)	(2,511)
Operating loss from continuing operations		(10,595)	(4,783)	(17,093)	(11,343)
Finance costs	7	(9,588)	(356)	(171,224)	(418)
Finance income	7	72,881	-	72,085	5
Income/(loss) before tax		52,698	(5,139)	(116,232)	(11,756)
Current income tax expense		(368)	-	(378)	-
Deferred income tax recovery		971	-	1,642	-
Income/(loss) from continuing operations		53,301	(5,139)	(114,968)	(11,756)
Loss from discontinued operations	4	-	(2,772)	-	(6,115)
Net income/(loss) and comprehensive income/(loss) attributable to equity holders of the Company		\$ 53,301	\$ (7,911)	\$(114,968)	\$ (17,871)
BASIC INCOME/(LOSS) PER SHARE FROM:					
Continuing operations	8	\$ 0.29	\$ (0.04)	\$ (0.68)	\$ (0.09)
Discontinued operations	8	-	(0.02)	-	(0.05)
Continuing and discontinued operations		\$ 0.29	\$ (0.06)	\$ (0.68)	\$ (0.14)
DILUTED INCOME/(LOSS) PER SHARE FROM:					
Continuing operations	8	\$ 0.28	\$ (0.04)	\$ (0.68)	\$ (0.09)
Discontinued operations	8	-	(0.02)	-	(0.05)
Continuing and discontinued operations		\$ 0.28	\$ (0.06)	\$ (0.68)	\$ (0.14)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

	Notes	As at	
		June 30, 2010	December 31, 2009
ASSETS			
Current assets			
Cash and cash equivalents	9	\$ 667,204	\$ 357,342
Trade and other receivables	10	18,521	12,328
Short term investments	11	2,498	14,999
Inventories	12	24,982	16,384
Prepaid expenses and deposits		10,851	8,119
Total current assets		724,056	409,172
Non-current assets			
Property, plant and equipment	13	139,158	82,705
Deferred listing costs		-	4,565
Deferred income tax assets		8,589	6,947
Long term investments	11	79,330	57,070
Other receivables		238	225
Total non-current assets		227,315	151,512
Total assets		\$ 951,371	\$ 560,684
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	14	\$ 14,516	\$ 12,669
Amounts due under line of credit facility	15	2,703	3,009
Current portion of convertible debenture	16	4,296	4,712
Total current liabilities		21,515	20,390
Non-current liabilities			
Convertible debenture	16	275,242	542,351
Asset retirement obligation		994	735
Total non-current liabilities		276,236	543,086
Total liabilities		297,751	563,476
Shareholders' equity/(deficiency)			
Common shares	17	1,063,747	296,419
Share option reserve	18	26,352	22,300
Accumulated deficit	19	(436,479)	(321,511)
Total shareholders' equity/(deficiency)		653,620	(2,792)
Total shareholders' equity and liabilities		\$ 951,371	\$ 560,684
Net current assets		\$ 702,541	\$ 388,782
Total assets less current liabilities		\$ 929,856	\$ 540,294

Commitments for expenditure (Note 22)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

APPROVED BY THE BOARD:

"Andre Deepwell"
Director

"Pierre Lebel"
Director

SOUTHGOBI RESOURCES LTD.

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

(Expressed in thousands of U.S. Dollars)

	Number of shares	Common shares	Share option reserve	Accumulated deficit	Total
Balances, January 1, 2010	134,517	\$ 296,419	\$ 22,300	\$ (321,511)	\$ (2,792)
Shares issued for:					
Cash	27,228	441,130	-	-	441,130
Share issue costs	-	(27,200)	-	-	(27,200)
Conversion of convertible debenture	21,471	347,643	-	-	347,643
Interest settlement on convertible debenture	90	1,436	-	-	1,436
Exercise of stock options	557	4,319	(1,674)	-	2,645
Stock-based compensation charged to operations	-	-	5,726	-	5,726
Net loss and comprehensive loss for the period	-	-	-	(114,968)	(114,968)
Balances, June 30, 2010	183,863	\$ 1,063,747	\$ 26,352	\$ (436,479)	\$ 653,620
Balances, January 1, 2009	133,193	\$ 289,512	\$ 12,775	\$ (213,322)	\$ 88,965
Shares issued for:					
Exercise of stock options	174	663	(284)	-	379
Stock-based compensation charged to operations	-	-	7,118	-	7,118
Sale of Metals Division	-	-	-	2,617	2,617
Net loss	-	-	-	(17,870)	(17,870)
Balances, June 30, 2009	133,367	\$ 290,175	\$ 19,609	\$ (228,575)	\$ 81,209

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SOUTHGObI RESOURCES LTD.
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)
(Expressed in thousands of U.S. Dollars)

	Notes	Three months ended		Six months ended	
		June 30,		June 30,	
		2010	2009	2010	2009
OPERATING ACTIVITIES					
Income/(loss) for the period from continuing operations before tax		\$ 52,698	\$ (5,139)	\$(116,232)	\$ (11,756)
Adjustments for:					
Depreciation and depletion		2,332	1,626	4,884	2,048
Share-based compensation		2,754	3,188	5,726	6,920
Fair value change on embedded derivative	7	(72,232)	-	(70,861)	-
Mark to market adjustment on investments		4,555	-	5,241	-
Interest income		(649)	-	(1,224)	(5)
Accrued interest expense		5,014	345	14,597	398
Interest paid		(13,761)	-	(13,816)	-
Loss on partial conversion of convertible debenture	7	-	-	151,353	-
Unrealized foreign exchange loss		(1,118)	129	(750)	1,197
Loss on disposal of property, plant and equipment		677	-	1,037	113
Accretion on asset retirement obligation		19	11	33	20
Operating cash flows before movements in working capital		(19,711)	160	(20,012)	(1,065)
Decrease/(increase) in inventories		(6,087)	3,630	(9,044)	2,902
Decrease/(increase) in trade and other receivables		1,442	(8,395)	(5,008)	(11,280)
Increase in prepaid expenses and deposits		(4,171)	(133)	(2,732)	(306)
Increase in trade and other payables		856	2,899	1,661	2,043
Cash used in continuing operations		(27,671)	(1,839)	(35,135)	(7,706)
Cash used in discontinued operations	4	-	(4,845)	-	(8,392)
Cash used in operating activities		(27,671)	(6,684)	(35,135)	(16,098)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(29,791)	(6,491)	(62,021)	(11,612)
Interest received		643	-	1,119	15
Proceeds from disposal of property, plant and equipment		-	26	-	26
Maturity of short term investments		-	-	15,000	-
Purchase of long term investments		-	-	(30,000)	-
Increase in other receivables		-	(54)	(13)	(54)
Cash used in continuing operations		(29,148)	(6,519)	(75,915)	(11,625)
Cash used in discontinued operations	4	-	(3,528)	-	(4,180)
Cash used in investing activities		(29,148)	(10,047)	(75,915)	(15,805)
FINANCING ACTIVITIES					
Proceeds from issuance of common shares and exercise of stock options, net of issue costs		929	158	421,140	380
Drawings under line of credit facilities		13,300	16,000	23,100	24,000
Repayments of line of credit facilities		(13,600)	-	(23,400)	-
Cash generated from financing activities		\$ 629	\$ 16,158	\$ 420,840	\$ 24,380
Effect of foreign exchange rate changes on cash		(21)	(26)	72	(11)
Increase/(decrease) in cash and cash equivalents		(56,211)	(599)	309,862	(7,534)
Cash and cash equivalents, beginning of period		723,415	3,405	357,342	10,340
Cash and cash equivalents, end of period		\$ 667,204	\$ 2,806	\$ 667,204	\$ 2,806
COMPRISED OF:					
Cash and cash equivalents of continuing operations		\$ 667,204	\$ 2,033	\$ 667,204	\$ 2,033
Cash and cash equivalents of discontinued operations		-	773	-	773
Total cash and cash equivalents		\$ 667,204	\$ 2,806	\$ 667,204	\$ 2,806
Cash		\$ 637,087	\$ 2,806	\$ 637,087	\$ 2,806
Money market instruments		30,117	-	30,117	-
Total cash and cash equivalents		\$ 667,204	\$ 2,806	\$ 667,204	\$ 2,806

Supplemental cash flow information (Note 21)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

1. CORPORATE INFORMATION

SouthGobi Resources Ltd. (formerly SouthGobi Energy Resources Ltd.) is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange and Hong Kong Stock Exchange. The company together with its subsidiaries (collectively referred to as the "Company") is principally engaged in the acquisition, exploration, development and production of coal properties in Mongolia. The Company's parent is Ivanhoe Mines Ltd. (the "parent" or "Ivanhoe").

The head office, principal address and registered and records office of the Company are located at 999 Canada Place, Suite 654, Vancouver, British Columbia, V6C 3E1.

The Company's financial statements and those of all of its controlled subsidiaries are presented in U.S. dollars and all values are rounded to the nearest thousand dollars except where otherwise indicated. Information related to shares is presented in thousands except for per share information which is presented in U.S. cents.

The Company is a coal producer and a coal exploration and development company. These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘*Interim Financial Reporting*’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

2.2 Basis of presentation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2009 consolidated annual financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2010:

- IFRS 7 (Amendment) Clarification of required level of disclosure ⁽ⁱ⁾
- IAS 1 (Amendment) Clarification of statement of changes in equity ⁽ⁱ⁾
- IAS 34 (Amendment) Disclosure requirements for significant events and transactions ⁽ⁱ⁾

(i) Effective for annual periods beginning on or after January 1, 2011

The Company anticipates that the application of these standards, amendments and interpretations will have no material impact on the results and financial positions of the Company.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

3. SEGMENTED INFORMATION

The basis of segmentation, basis of measurement of segment profit or loss and geographical segmentation is consistent with those applied in the Company's December 31, 2009 consolidated annual financial statements.

At June 30, 2010, the Company has one reportable operating segment, being the Mongolian Coal Division, which had four active customers with the largest customer accounting for 67% of trade receivables and the other customers accounting for the remaining 33% of trade receivables. For the six months ended June 30, 2010, the largest customer accounted for 64% of revenues and the other customers accounted for the remaining 36% of revenues.

The following is an analysis of the carrying amounts of segment assets, segment liabilities and reported segment profit or loss, and revenues analyzed by operating segment and reconciled to the Company's condensed consolidated interim financial statements:

	Mongolian Coal Division	Discontinued Operations ⁽ⁱ⁾	Unallocated ⁽ⁱⁱ⁾	Consolidated Total
Segment assets				
As at June 30, 2010	\$ 200,131	\$ -	\$ 751,240	\$ 951,371
As at December 31, 2009	129,454	-	431,230	560,684
Segment liabilities				
As at June 30, 2010	\$ 17,002	\$ -	\$ 280,749	\$ 297,751
As at December 31, 2009	7,300	-	556,176	563,476
Segment income/(losses)				
For the three months ended June 30, 2010	\$ (3,478)	\$ -	\$ 56,779	\$ 53,301
For the three months ended June 30, 2009	462	2,772	4,677	7,911
For the six months ended June 30, 2010	(4,904)	-	(110,064)	(114,968)
For the six months ended June 30, 2009	1,972	6,115	9,784	17,871
Segment revenues				
For the three months ended June 30, 2010	\$ 17,668	-	-	\$ 17,668
For the three months ended June 30, 2009	10,666	-	-	10,666
For the six months ended June 30, 2010	31,585	-	-	31,585
For the six months ended June 30, 2009	14,207	-	-	14,207

(i) The Indonesian Coal Division was treated as discontinued operations for the six months ended June 30, 2009 (Note 4)

(ii) The unallocated amount contains all amounts associated with the Corporate Division

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

3. SEGMENTED INFORMATION (Continued)

The following is an analysis of the revenues and non-current assets by geographical area and reconciled to the Company's condensed consolidated interim financial statements:

	<u>Mongolia</u>	<u>Hong Kong</u>	<u>Canada</u>	<u>Consolidated Total</u>
Revenues				
For the three months ended June 30, 2010	\$ 17,668	\$ -	\$ -	\$ 17,668
For the three months ended June 30, 2009	10,666	-	-	10,666
For the six months ended June 30, 2010	31,585	-	-	31,585
For the six months ended June 30, 2009	14,207	-	-	14,207
Non-current assets				
As at June 30, 2010	\$ 147,180	\$ 187	\$ 79,948	\$ 227,315
As at December 31, 2009	89,587	49	61,876	151,512

4. DISCONTINUED OPERATIONS

The Company sold the Indonesia Coal Division, which is composed entirely of the Mamahak Coal Project ("Mamahak"), effective December 15, 2009. The Company divested its 85% interest in Mamahak to Kangaroo Resources Limited ("Kangaroo") for consideration comprising of \$1 million in cash and 50 million shares of Kangaroo with a fair value of \$8,776. Kangaroo is listed on the Australian Securities Exchange (KRL: ASX). The transaction was completed on December 23, 2009 and the Company incurred transaction costs of \$1 million related to the disposition of Mamahak. As a result of this transaction, the Company held 6.7% of the outstanding shares in Kangaroo on the closing date of the transaction and those shares are subject to a twelve month lock-up.

The Company has disclosed Mamahak as a discontinued operation in the three and six months ended June 30, 2009. The losses from discontinued operations for the three months ended June 30, 2009 were \$2,772 and for the six months ended June 30, 2009 were \$6,115.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

5. COST OF SALES

The cost of sales for the Company is broken down as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Operating expenses	\$ 10,964	\$ 7,527	\$ 21,171	\$ 10,322
Depreciation and depletion	2,304	1,612	4,827	2,030
Cost of sales	\$ 13,268	\$ 9,139	\$ 25,998	\$ 12,352

6. ADMINISTRATION EXPENSES

The administration expenses for the Company are broken down as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Corporate administration	\$ 1,821	\$ 466	\$ 2,938	\$ 1,046
Legal	320	64	519	204
Professional fees	1,043	562	1,356	1,148
Listing fees	-	97	-	333
Salaries and benefits	3,251	3,104	6,606	6,820
Sustainability and community relations	105	-	261	-
Public infrastructure	1,603	-	2,076	-
Depreciation	7	3	13	7
Foreign exchange loss	186	272	601	1,129
Administration expenses	\$ 8,336	\$ 4,568	\$ 14,370	\$ 10,687

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

7. FINANCE COSTS AND INCOME

The finance costs for the Company are broken down as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Loss on partial conversion of convertible debenture (Note 16)	\$ -	\$ -	\$ 151,353	\$ -
Interest expense on convertible debenture (Note 16)	4,982	-	14,508	-
Interest expense on line of credit facilities (Note 15)	32	345	89	398
Mark to market loss on investments (Note 11)	4,555	-	5,241	-
Accretion of asset retirement obligation	19	11	33	20
Finance costs	\$ 9,588	\$ 356	\$ 171,224	\$ 418

The finance income for the Company is broken down as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Fair value change of embedded derivatives in convertible debenture (Note 16)	\$ 72,232	\$ -	\$ 70,861	\$ -
Interest income	649	-	1,224	5
Finance income	\$ 72,881	\$ -	\$ 72,085	\$ 5

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

8. EARNINGS PER SHARE

The basic earnings per share is computed by dividing the net income/(loss) in the period by the weighted average number of common shares outstanding during the period.

The calculation of basic earnings per share for the three and six months ended June 30, 2010, is based on the following data:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net income/(loss) from continuing operations	\$ 53,301	\$ (5,139)	\$(114,968)	\$ (11,756)
Net income/(loss) from discontinued operations	-	(2,772)	-	(6,115)
Weighted average number of shares	183,777	133,352	168,955	133,308

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

The calculation of diluted earnings per share for the three and six months ended June 30, 2010, is based on the following data:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net income/(loss) from continuing operations	\$ 58,305	\$ (5,139) ⁽ⁱ⁾	\$(114,968) ⁽ⁱ⁾	\$ (11,756) ⁽ⁱ⁾
Net income/(loss) from discontinued operations	-	(2,772) ⁽ⁱ⁾	- ⁽ⁱ⁾	(6,115) ⁽ⁱ⁾
Weighted average number of shares	207,222	133,352 ⁽ⁱ⁾	168,955 ⁽ⁱ⁾	133,308 ⁽ⁱ⁾

(i) All of the stock options and the convertible debenture were anti-dilutive for these periods.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

8. EARNINGS PER SHARE (Continued)

The calculation of diluted earnings per share for the three and six months ended June 30, 2010 includes the following adjustments:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Earnings				
Interest on convertible debenture	\$ 5,004	\$ -	\$ -	\$ -
Total adjustment to earnings	\$ 5,004	\$ -	\$ -	\$ -
Number of shares				
Stock options issued by the Company	2,122	-	-	-
Convertible debenture	21,323	-	-	-
Total adjustment to number of shares	23,445	-	-	-

Potentially dilutive items not included in the calculation of diluted EPS for the three months ended June 30, 2010 were 2,488 stock option that were out of the money as at June 30, 2010 and therefore anti-dilutive. All stock options and the convertible debenture were anti-dilutive for the six months ended June 30, 2010 and 2009 and the three months ended June 30, 2009.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company are comprised of bank balances and short term money market instruments with an original maturity of three months or less. The Company's cash and cash equivalents are denominated in the following currencies:

	As at	
	June 30, 2010	December 31, 2009
Denominated In U.S. dollars	\$ 664,803	\$ 357,163
Denominated in Canadian dollars	1,348	(136)
Others	1,053	315
Cash and cash equivalents	\$ 667,204	\$ 357,342

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

10. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from two main sources: trade receivables due from customers for coal sales and value added tax ("VAT") and goods and services tax ("GST") receivable due from various government taxation authorities. These are broken down as follows:

	As at	
	June 30, 2010	December 31, 2009
Trade receivables	\$ 6,030	\$ 5,200
VAT/GST receivable	11,789	7,029
Other receivables	702	99
Total trade and other receivables	\$ 18,521	\$ 12,328

Below is an aged analysis of the Company's trade and other receivables:

	As at	
	June 30, 2010	December 31, 2009
Less than 1 month	\$ 7,360	\$ 5,730
1 to 3 months	1,460	3,463
3 to 6 months	1,676	2,613
Over 6 months	8,025	522
Total trade and other receivables	\$ 18,521	\$ 12,328

At June 30, 2010, 98% of the trade and other receivables that were outstanding over one month are VAT/GST receivables and 100% of the trade and other receivables that were outstanding over six months are VAT/GST receivables. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The Company holds no collateral for any receivable amounts outstanding as at June 30, 2010.

Included in trade and other receivables of the Company are amounts due from related parties which are disclosed in Note 20. The amounts are unsecured, interest free and repayable upon written notice given from the Company.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

11. INVESTMENTS

The Company's investments are broken down as follows:

	As at	
	June 30, 2010	December 31, 2009
Short term investments		
Money market investments ⁽ⁱ⁾	\$ 2,498	\$ 14,999
Long term investments		
Investment in Kangaroo Resources ⁽ⁱⁱⁱ⁾	4,664	9,876
Money market investments ⁽ⁱⁱ⁾	74,666	47,194
	79,330	57,070
Short and long term investments	\$ 81,828	\$ 72,069

(i) Money market investments with original maturities greater than ninety days and less than one year

(ii) Money market investments with original maturities greater than one year

(iii) For more information regarding this investment see Note 4

12. INVENTORIES

The Company's inventories are broken down as follows:

	As at	
	June 30, 2010	December 31, 2009
Stockpiles ⁽ⁱ⁾	\$ 8,266	\$ 9,553
Materials and supplies	16,716	6,831
Inventories	\$ 24,982	\$ 16,384

(i) Coal inventories are stated at production cost

The amount of inventories recognized as an expense during the six months ended June 30, 2010 is \$24,743 (2009: \$7,246).

As at June 30, 2010, the Company anticipates the entire stockpiles balance of \$8,266 will be realized within twelve months.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

13. PROPERTY, PLANT AND EQUIPMENT

The Property, plant and equipment for the Company is broken down as follows:

	Mobile equipment	Computer equipment	Furniture and fixtures	Machinery and equipment	Buildings and roads	Mineral assets	Construction in progress	Total
Cost								
As at December 31, 2009	\$ 66,688	\$ 587	\$ 499	\$ 3,222	\$ 13,594	\$ 6,085	\$ 971	\$ 91,646
Additions	53,600	161	358	1,074	245	6,970	1,192	63,600
Disposals	(2,336)	-	(23)	-	-	-	-	(2,359)
Reclassifications	231	-	-	-	-	-	(231)	-
As at June 30, 2010	\$118,183	\$ 748	\$ 834	\$ 4,296	\$ 13,839	\$ 13,055	\$ 1,932	\$ 152,887
Accumulated depreciation								
As at December 31, 2009	\$ (6,974)	\$ (299)	\$ (72)	\$ (583)	\$ (883)	\$ (130)	\$ -	\$ (8,941)
Charge for the period	(4,088)	(52)	(75)	(309)	(873)	(120)	-	(5,517)
Eliminated on disposals	708	-	21	-	-	-	-	729
As at June 30, 2010	\$ (10,354)	\$ (351)	\$ (126)	\$ (892)	\$ (1,756)	\$ (250)	\$ -	\$ (13,729)
Net book value								
As at December 31, 2009	\$ 59,714	\$ 288	\$ 427	\$ 2,639	\$ 12,711	\$ 5,955	\$ 971	\$ 82,705
As at June 30, 2010	\$107,829	\$ 397	\$ 708	\$ 3,404	\$ 12,083	\$ 12,805	\$ 1,932	\$ 139,158

In the three months ended June 30, 2010, the Company capitalized interest of \$22 (2009: \$nil) into construction in progress. In the six months ended June 30, 2010, the Company capitalized interest of \$274 (2009: \$nil) into construction in progress.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

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14. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to coal mining and exploration activities and amounts payable for financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	As at	
	June 30, 2010	December 31, 2009
Less than 1 month	\$ 13,355	\$ 9,630
1 to 3 months	126	892
3 to 6 months	49	705
Over 6 months	986	1,442
Total trade and other payables	\$ 14,516	\$ 12,669

Included in trade and other payables are amounts due to related parties which are disclosed in Note 20.

15. LINE OF CREDIT FACILITY

On December 18, 2009, the Company established a line of credit facility with Golomt Bank in Mongolia ("Bank line of credit"). The Bank line of credit facility is a twelve month revolving line of credit facility with a maximum draw-down available of \$3 million. The facility bears interest at 13% per annum and is secured by equipment in Mongolia to a value of not less than 150% of the total facility amount. The Bank line of credit facility is used by the Company's Mongolian subsidiaries as part of their working capital management.

SOUTHGOBI RESOURCES LTD.

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15. LINE OF CREDIT FACILITY (Continued)

The movement of the amounts due under the Bank line of credit is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Balance, beginning of period	\$ 3,010	\$ -	\$ 3,009	\$ -
Amounts advanced	13,300	-	23,100	-
Interest expense	32	-	89	-
Repayment of principal amounts	(13,600)	-	(23,400)	-
Interest paid	(39)	-	(95)	-
Balance, end of period	\$ 2,703	\$ -	\$ 2,703	\$ -

The Bank line of credit is broken down as follows:

	As at	
	June 30, 2010	December 31, 2009
Principal amount	\$ 2,700	\$ 3,000
Interest payable	3	9
Amounts due under line of credit facility	\$ 2,703	\$ 3,009

FINANCIAL STATEMENT PRESENTATION

Current liabilities

Amounts due under line of credit facilities	\$ 2,703	\$ 3,009
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SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

16. CONVERTIBLE DEBENTURE

On November 19, 2009, the Company issued a convertible debenture to a wholly owned subsidiary of the China Investment Corporation ("CIC") for \$500,000, which is secured and bears interest at 8.0% per annum (6.4% payable semi-annually in cash and 1.6% payable annually in the Company's shares) and with a maximum term of 30 years.

Pursuant to the debenture conversion terms, the Company had the right to call for the conversion of up to \$250,000 of the debenture upon achieving a public float of 25% of its common shares based on a conversion price of the lower of Cdn\$11.88 and the 50-day volume-weighted average price ("VWAP"). On March 29, 2010, the Company exercised this 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). On March 29, 2010, the Company also settled the accrued interest payable in shares on the converted \$250,000 by issuing 90 shares for the \$1,436 in accrued interest converted at the 50-day VWAP conversion price of \$15.97 (Cdn\$16.29). On April 1, 2010, the Company also settled the outstanding accrued interest payable in cash on the converted debt of \$250,000 with a cash payment of \$5,742.

The fair value of the shares issued upon the partial conversion, based on their market value, was \$347,643 compared to the carrying value of the debt host and embedded derivatives associated with the debt of \$250,000 that was converted of \$196,290. The difference of \$151,353 was recognized in finance costs as a loss upon partial conversion during the six months ended June 30, 2010.

Based on the Company's valuations as at June 30, 2010, the fair value of the embedded derivatives decreased by \$72,232 compared to March 31, 2010. This decrease was recorded as a gain in finance income for the three months ended June 30, 2010. The fair value of the embedded derivatives decreased by \$70,861 compared to December 31, 2009 and this decrease was recorded as a gain in finance income for the six months ended June 30, 2010.

In the three months ended June 30, 2010, the Company also recorded an interest expense of \$5,001 related to the convertible debenture. In the six months ended June 30, 2010, the Company recorded an interest expense of \$14,782 related to the convertible debenture. The interest expense is composed of the interest at the contract rate and the accretion of the debt host component of the convertible debenture. To calculate the interest expense, the Company has used the contract life of 30 years and an effective interest rate of 22.2%.

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16. CONVERTIBLE DEBENTURE (Continued)

The movement of the amounts due under the convertible debenture is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Balance, beginning of period	\$ 360,490	\$ -	\$ 547,063	\$ -
Interest expense on convertible debenture	5,001	-	14,782	-
Fair value gain on embedded derivatives	(72,232)	-	(70,861)	-
Loss on conversion of convertible debenture	-	-	151,353	-
Conversion of convertible debenture	-	-	(347,643)	-
Interest paid	(13,721)	-	(15,156)	-
Balance, end of period	\$ 279,538	\$ -	\$ 279,538	\$ -

The amounts due under the convertible debenture are further broken down as follows:

	As at	
	June 30, 2010	December 31, 2009
Debt host	\$ 90,589	\$ 184,079
Fair value of embedded derivatives	184,653	358,272
Interest payable	4,296	4,712
Convertible debenture	\$ 279,538	\$ 547,063

FINANCIAL STATEMENT PRESENTATION

Current liabilities

Current portion of convertible debenture \$ 4,296 \$ 4,712

Non-current liabilities

Convertible debenture 275,242 542,351
Convertible debenture **\$ 279,538** **\$ 547,063**

SOUTHGOBI RESOURCES LTD.

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16. CONVERTIBLE DEBENTURE (Continued)

The assumptions used in the Company's valuation models as at June 30, 2010 and December 31, 2009 are as follows:

	As at	
	June 30, 2010	December 31, 2009
Floor conversion price	Cdn\$8.88	Cdn\$8.88
Ceiling conversion price	Cdn\$11.88	Cdn\$11.88
Historical volatility	75%	75%
Risk free rate of return	3.59%	4.09%
Foreign exchange spot rate (U.S.\$ to Cdn\$)	0.94	0.96
Forward foreign exchange rate curve (U.S.\$ to Cdn\$)	0.89 - 0.94	0.90 - 0.95

17. SHARE CAPITAL

The Company has authorized an unlimited number of common and preferred shares with no par value. At June 30, 2010, the Company had 183,863 common shares outstanding (2009: 133,367) and no preferred shares outstanding (2009: nil).

The weighted average share price during the three months ended June 30, 2010 was Cdn\$12.73 (2009: Cdn\$10.87). The weighted average share price during the six months ended June 30, 2010 was Cdn\$15.28 (2009: Cdn\$10.58).

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

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18. SHARE-BASED PAYMENTS

18.1 Stock option plan

The Company has a stock option plan which permits the Board of Directors of the Company to grant options to acquire common shares of the Company at the volume weighted average closing price for the five days preceding the date of grant. The Amended Equity Incentive Plan, approved on May 6, 2009, provides for a rolling rather than a fixed maximum number of common shares which may be issued pursuant to incentive stock options and other equity incentives, awards and issuances. The Compensation and Benefits Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements. The Company is authorized to issue options for a maximum of 10% of the issued and outstanding common shares pursuant to the stock option plan.

The stock option plan permits the Board of Directors of the Company to set the terms for each stock option grant, however, the general terms of stock options granted under the amended plan include a maximum exercise period of 5 years and a vesting period of 3 years with one-third of the grant vesting on the first anniversary of the grant, one-third vesting on the second anniversary of the grant and one-third vesting on the third anniversary of the grant. The options granted in the six months ended June 30, 2010, were granted with a weighted average maximum exercise period of 5.00 years (2009: 5.96 years) and a weighted average vesting period of 2.01 years (2009: 1.63 years).

During the six months ended June 30, 2010, the Company granted 200 stock options (2009: 1,300) to officers, employees, directors and other eligible persons at an exercise price of Cdn\$15.09 (2009: Cdn\$7.94 to Cdn\$11.46) and an expiry date of February 8, 2015 (2009: May 6, 2014 to February 6, 2016). The weighted average fair value of the options granted in the six months ended June 30, 2010, was estimated at \$7.54 (Cdn\$8.06) (2009: \$4.41, Cdn\$5.26) per option at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used for the calculation were:

	Six months ended June 30, 2010	Year ended December 31, 2009
Risk free interest rate	2.19%	2.17%
Expected life	3.5 years	3.6 years
Expected volatility ⁽ⁱ⁾	74.78%	79.54%
Expected dividend per share	\$nil	\$nil

(i) Expected volatility has been based on historical volatility of the Company's publicly traded shares

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2010

(Unaudited)

(Expressed in thousands of U.S. Dollars and shares in thousands, unless otherwise indicated)

18. SHARE-BASED PAYMENTS (Continued)

18.1 Stock option plan (continued)

A share-based compensation cost of \$1,492 for the options granted in the six months ended June 30, 2010 (2009: \$2,429) will be amortized over the vesting period, of which \$345 was recognized in the six months ended June 30, 2010 (2009: \$1,037).

The total share-based compensation calculated for the three months ended June 30, 2010 was \$2,754 (2009: \$3,188). Share-based compensation of \$2,297 (2009: \$2,554) has been allocated to Administration expenses, \$282 (2009: \$558) has been allocated to Cost of sales and \$175 (2009: \$76) has been allocated to Evaluation and exploration expenses.

The total share-based compensation calculated for the six months ended June 30, 2010 was \$5,726 (2009: \$6,920). Share-based compensation of \$4,824 (2009: \$5,848) has been allocated to Administration expenses, \$556 (2009: \$995) has been allocated to Cost of sales and \$346 (2009: \$77) has been allocated to Evaluation and exploration expenses.

18.2 Outstanding stock options

The following is a summary of option transactions under the Company's stock option plan for the six months ended June 30, 2010:

	Six months ended June 30, 2010		Year ended December 31, 2009	
	Number of options	Weighted average exercise (Cdn\$)	Number of options	Weighted average exercise (Cdn\$)
Balance, beginning of period	7,254	\$ 9.11	6,586	\$ 7.18
Options granted	200	15.09	2,671	11.13
Options exercised	(557)	4.86	(1,324)	3.16
Options forfeited	(58)	13.94	(679)	9.96
Balance, end of period	6,839	\$ 9.59	7,254	\$ 9.11

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18. SHARE-BASED PAYMENTS (Continued)

18.2 Outstanding stock options (continued)

The following table summarizes information about stock options outstanding and exercisable at June 30, 2010:

Exercise price (Cdn\$)	Options Outstanding			Options Exercisable		
	Options outstanding	Weighted- average exercise price (Cdn\$)	Weighted- average remaining contractual life (years)	Options outstanding and exercisable	Weighted- average exercise price (Cdn\$)	Weighted- average remaining contractual life (years)
\$0.86 - \$2.85	614	\$ 2.13	0.93	614	\$ 2.13	0.93
\$3.70 - \$6.00	1,961	5.54	2.66	1,304	5.77	2.28
\$7.16 - \$13.80	3,171	11.17	4.13	1,058	10.16	3.97
\$15.07 - \$18.86	1,093	16.46	3.36	353	16.64	3.07
	6,839	\$ 9.59	3.30	3,329	\$ 7.64	2.65

19. ACCUMULATED DEFICIT AND DIVIDENDS

The Company has incurred losses since inception and at June 30, 2010 the Company has accumulated a deficit of \$436,479 (December 31, 2009: \$321,511).

No dividends have been paid or declared by the Company since inception.

SOUTHGOBI RESOURCES LTD.

Notes to the Condensed Consolidated Interim Financial Statements

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20. RELATED PARTY TRANSACTIONS

The consolidated interim financial statements include the results or financial information of SouthGobi Resources Ltd. and its subsidiaries listed in the following table:

Name	Country of incorporation	% equity interest	
		As at	
		June 30, 2010	December 31, 2009
Asia Gold International Holding Company Ltd.	British Virgin Islands	100%	100%
SouthGobi Resources (Hong Kong) Ltd.	Hong Kong	100%	100%
Dayarbulag LLC	Mongolia	100%	100%
SouthGobi Sands LLC	Mongolia	100%	100%
Transbaikal Gold	Russia	100%	100%
SGQ Coal Investment Pte. Ltd.	Singapore	100%	100%
SGQ Dayarcoal Mongolia Pte. Ltd.	Singapore	100%	100%

20.1 Related party expenses

The Company incurred the following expenses with Ivanhoe, I2MS.NET PTE LTD ("I2MS") and Global Mining Management ("GMM"), companies related by way of directors or shareholders in common. As at June 30, 2010, Ivanhoe owned approximately 57% of the outstanding common shares of the Company.

Below is an analysis of the Company's related party expenses:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Corporate administration	\$ 912	\$ 297	\$ 1,521	\$ 526
Salaries and benefits	320	339	1,128	639
Interest	-	345	-	398
Related party expenses	\$ 1,232	\$ 981	\$ 2,649	\$ 1,563

The corporate administration and salaries and benefits have been recorded on a cost recovery basis and the interest expense has been recorded on the contractual amount basis.

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20. RELATED PARTY TRANSACTIONS (Continued)

20.1 Related party expenses

The breakdown of the expenses between the different related parties is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
GMM	\$ 466	\$ 475	\$ 1,447	\$ 883
Ivanhoe	524	345	824	398
I2MS	242	161	378	282
Related party expenses	\$ 1,232	\$ 981	\$ 2,649	\$ 1,563

20.2 Related party assets

The assets of the Company include the following amounts due from related parties:

	As at	
	June 30, 2010	December 31, 2009
Amounts due from GMM	\$ 238	\$ 225

20.3 Related party liabilities

The liabilities of the Company include the following amounts due to related parties:

	As at	
	June 30, 2010	December 31, 2009
Amounts due to GMM	\$ 200	\$ 240
Accounts payable to Ivanhoe	117	158
Accounts payable to I2MS	250	211
Related party liabilities	\$ 567	\$ 609

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21. SUPPLEMENTAL CASH FLOW INFORMATION

21.1 Non-cash financing and investing activities

The Company incurred the following non-cash investing and financing transactions in the three and six months ended June 30, 2010:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Conversion of convertible debenture	\$ -	\$ -	\$347,643	\$ -
Interest settlement on convertible debenture	-	-	1,436	-
Transfer of share option reserve upon exercise of options	539	86	1,674	284
Non-cash financing and investing activities	\$ 539	\$ 86	\$ 350,753	\$ 284

21.2 Cash payments for interest and taxes

The Company made the following cash payments for interest and income taxes in the three and six months ended June 30, 2010:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Interest paid	\$ 13,760	\$ -	\$ 13,815	\$ -
Taxes paid	-	-	-	-
Total cash payments	\$ 13,760	\$ -	\$ 13,815	\$ -

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22. COMMITMENTS FOR EXPENDITURE

As at June 30, 2010, the Company had the following commitments that have not been disclosed elsewhere in these condensed consolidated financial statements:

	As at June 30, 2010				Total
	Within 1 year	2-3 years	4-5 Years	Over 5 years	
Capital expenditure commitments	\$34,894	\$ -	\$ -	\$ -	\$34,894
Minimum rental and lease payments	3,033	5,539	1,925	-	10,497
Commitments	\$37,927	\$ 5,539	\$ 1,925	\$ -	\$45,391

23. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements of SouthGobi Resources Ltd. for the six months ended June 30, 2010, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 11, 2010.

SOUTHGOBI RESOURCES LTD.

Appendix to the Condensed Consolidated Interim Financial Statements

June 30, 2010

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ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Hong Kong Stock Exchange in the half-year interim report and not shown elsewhere in this report is as follows:

A1. TAXATION ON PROFITS

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Current tax expense for period in:				
Canada	\$ -	\$ -	\$ -	\$ -
Hong Kong	-	-	-	-
Mongolia	368	-	378	-
Other jurisdictions	-	-	-	-
Deferred tax recovery for period	(971)	-	(1,642)	-
Tax recovery attributable to the Company and its subsidiaries	\$ (603)	\$ -	\$ (1,264)	\$ -

The Company and its subsidiaries in Canada are subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 30%. The Company had no assessable profit in Canada for the six months ended June 30, 2010.

The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax was provided for as the Company had no assessable profit arising in or derived from Hong Kong for the six months ended June 30, 2010.

The Company's subsidiaries in Mongolia are subject to Mongolian income tax at a rate of 25%. In the six months ended June 30, 2010 the Company recorded a current income tax charge of \$378 (2009: \$nil) related to assessable profit derived from Mongolia.

Taxation from other relevant jurisdictions is calculated at the rates prevailing in each of those jurisdictions respectively.

SOUTHGOBI RESOURCES LTD.

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A2. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2010.

A3. DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND SHARE OPTIONS

At June 30, 2010, the interests of the directors, Mr. Gavin May, the Chief Operating Officer of the Company and Terry Krepiakovich, the Chief Financial Officer of the Company, in the shares and share options of the Company and its associated corporations were as follows:

Shares

<u>Name</u>	<u>Name of company</u>	<u>Nature of interest</u>	<u>Shares held</u>	<u>Approximate percentage interest in the company</u>
Peter Meredith	SouthGobi Resources Ltd.	N/A	nil	nil
	Ivanhoe Mines Ltd.	Personal	25	0.005%
Alexander Molyneux	SouthGobi Resources Ltd.	Personal	10	0.005%
	Ivanhoe Mines Ltd.	N/A	nil	nil
Pierre Lebel	SouthGobi Resources Ltd.	Personal	5	0.003%
	Ivanhoe Mines Ltd.	N/A	nil	nil
André Deepwell	SouthGobi Resources Ltd.	Personal	2	0.001%
	Ivanhoe Mines Ltd.	N/A	nil	nil
R. Stuart (Tookie) Angus	SouthGobi Resources Ltd.	N/A	nil	nil
	Ivanhoe Mines Ltd.	N/A	nil	nil
Robert Hanson	SouthGobi Resources Ltd.	Personal	23	0.012%
	Ivanhoe Mines Ltd.	Personal	50	0.010%
John Macken	SouthGobi Resources Ltd.	N/A	nil	nil
	Ivanhoe Mines Ltd.	Personal	101	0.021%
R. Edward Flood	SouthGobi Resources Ltd.	N/A	nil	nil
	Ivanhoe Mines Ltd.	Personal	103	0.021%
Gordon Lancaster	SouthGobi Resources Ltd.	N/A	nil	nil
	Ivanhoe Mines Ltd.	N/A	nil	nil
Gavin May	SouthGobi Resources Ltd.	N/A	nil	nil
	Ivanhoe Mines Ltd.	N/A	nil	nil
Terry Krepiakovich	SouthGobi Resources Ltd.	Personal	1	0.001%
	Ivanhoe Mines Ltd.	N/A	nil	nil

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A3. DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND SHARE OPTIONS (Continued)

Share options

Name	Name of company	Number of options held
Peter Meredith	SouthGobi Resources Ltd.	585
	Ivanhoe Mines Ltd.	2,046
Alexander Molyneux	SouthGobi Resources Ltd.	625
	Ivanhoe Mines Ltd.	50
Pierre Lebel	SouthGobi Resources Ltd.	190
	Ivanhoe Mines Ltd.	nil
André Deepwell	SouthGobi Resources Ltd.	165
	Ivanhoe Mines Ltd.	nil
R. Stuart (Tookie) Angus	SouthGobi Resources Ltd.	200
	Ivanhoe Mines Ltd.	nil
Robert Hanson	SouthGobi Resources Ltd.	80
	Ivanhoe Mines Ltd.	198
John Macken	SouthGobi Resources Ltd.	376
	Ivanhoe Mines Ltd.	4,900
R. Edward Flood	SouthGobi Resources Ltd.	80
	Ivanhoe Mines Ltd.	380
Gordon Lancaster	SouthGobi Resources Ltd.	nil
	Ivanhoe Mines Ltd.	nil
Gavin May	SouthGobi Resources Ltd.	400
	Ivanhoe Mines Ltd.	nil
Terry Krepiakevich	SouthGobi Resources Ltd.	300
	Ivanhoe Mines Ltd.	25

Other than the holdings disclosed in the preceding table none of the directors, senior management and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or of its associated corporations as at June 30, 2010.

SOUTHGOBI RESOURCES LTD.

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A4. COMPLIANCE WITH CORPORATE GOVERNANCE

The Company has, throughout the six months ended June 30, 2010, applied the principles and complied with the requirements of its corporate governance practices as defined by the Board and all applicable statutory, regulatory and stock exchange listings standards.

A5. 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 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, 2010.