

December 8, 2008

## **SouthGobi Energy Resources reaches 2008 target coal production of one million tonnes ahead of schedule and below budget at its Ovoot Tolgoi Coal Mine in southern Mongolia**

### **Infrastructure construction continues**

**VANCOUVER, CANADA** – Ivanhoe Mines' 80%-owned subsidiary, SouthGobi Energy Resources Ltd. (**SGQ: TSX-V**), announced today that the Ovoot Tolgoi mine in southern Mongolia has produced its first 1,000,000 tonnes of coal ahead of schedule and below budget.

"We are very pleased to announce this coal production milestone at Ovoot Tolgoi," said Gene Wusaty, SouthGobi Energy's Chief Operating Officer. "Our initial success at Ovoot Tolgoi is a positive reflection on the management, staff and employees at the mine and this further solidifies our position as a significant new coal producer in Mongolia."

Ovoot Tolgoi has surpassed its budgeted production for 2008 of 1,000,000 tonnes of coal as of November 29, 2008, and is on track to produce 1,100,000 tonnes of coal in 2008. The actual site cash cost of production at the Ovoot Tolgoi mine through October 31, 2008 was approximately US\$8.20 per tonne of coal produced, 32% under budget. The Ulaanbaatar office overhead costs through the same period were approximately US\$3.20 per tonne of coal mined, 27% under budget. The overhead cost includes the lease renewal costs of the company's 46 Mineral Exploration Licences (MELs). The Ovoot Tolgoi development capital cost of approximately US\$42 million for the project also is on target.

Coal shipments commenced September 22, 2008, part of two one-year 2008 contracts for 700,000 tonnes of a 6,300 kcal thermal coal product, sold and loaded on customer coal trucks at the Ovoot Tolgoi mine gate. The forecast for 2009 coal production is approximately 2,900,000 tonnes. Discussions have started with customers on 2009 coal sales. All tonnages are expected to be sold into western Inner Mongolia and Gansu Province in China.

### **Infrastructure Construction Update**

Construction continues on three major infrastructure projects to support the Ovoot Tolgoi mine – a workshop / warehouse complex, an administration facility / accommodation camp and concreting the Ovoot Tolgoi airport runway.

Construction on both the permanent shop facility and camp accommodation complexes will continue through the winter with completion scheduled for late in the second quarter 2009. A new shop facility is being erected and has been designed to accommodate the larger 240-tonne truck fleet, which has been purchased and is scheduled to arrive in the third quarter 2009. The shop

facility also includes a drive-through wash bay, welding shop, warehouse and offices. An on-site coal quality testing laboratory will be relocated into this building once completed.

The new camp is designed to sleep up to 196 people, which could be expanded to accommodate up to 286 people. The company has more than 200 employees in Mongolia, of which more than 95% are Mongolian Nationals. The company has 179 employees at the mine site, with more than 30% from the local area.

A new concrete runway at the adjacent airport has been completed and the concrete is now curing. It is expected that final Mongolian Civil Aviation Authority approval to begin using the new runway will be received by year-end. Regular charter flights continue on the dirt runway until the concrete runway is approved. The Ovoot Tolgoi workforce residing in Ulaanbaatar are transported to and from the mine via regular charter flights directly to Ovoot Tolgoi, approximately 950 km southwest of the capital. Ovoot Tolgoi is a fly-in/fly-out operation with crew rotations every 14 days. The remaining employees that reside in the local community are provided with bus transportation to/from the mine.

Cross border coal traffic inefficiencies and coal transportation have been key areas targeted by SouthGobi for improvement. SouthGobi has formally requested the government to convert the day shift only Shivee Khuren (Ceke) border checkpoint to a permanent 24/7 status to maximize coal exports. The request has been met favorably by the Mongolian government with the appointment of a working group made up of representatives from Customs, the Specialized State Inspection Agency, the Military and the Ministry of Foreign Affairs. The working group has visited the Ovoot Tolgoi mine and the Shivee Khuren checkpoint with representatives of the Company to identify and assess the requirements for conversion of the checkpoint to a permanent status. SouthGobi is working with a neighboring mining company on upgrading and maintaining the existing 45 kilometre road from the mine site to the checkpoint. SouthGobi also has purchased and installed a dedicated 150-tonne weigh scale at the checkpoint which is being used for official weighing of SouthGobi coal exports.

In October, as part of its increased involvement in China, SouthGobi opened a representative office in Beijing to assist in all dealings in the country. As well, the company opened a small office in Ceke, China, to facilitate company matters across the border.

The 2008 exploration program which is concluding shortly, concentrated on delineating coal resources on the new Sumber Project, where near-surface seams of high-quality coking and thermal coal was discovered. SouthGobi plans to have a National Instrument 43-101 compliant resource estimate and classification report in the first half of 2009. Once completed, mine planning will be initiated and an application for a mining licence will be submitted for the development of this project.

Significant exploration also was carried out on the Ovoot Tolgoi underground project (below the surface mine resources) focused on delineating coal resources to the standards prescribed by National Instrument 43-101, which is expected to be completed in the first half of 2009. Exploration also was carried out on the coal fields to the east and west of Ovoot Tolgoi. In addition, drilling work continued on greenfields exploration targets and the Tavan Tolgoi and Tsagaan Tolgoi areas.

Mr. Wusaty, SouthGobi Energy's Chief Operating Officer, a qualified person as defined by National Instrument 43-101, supervised the preparation of the technical information in this release.

## **About SouthGobi Energy Resources**

SouthGobi Energy Resources is focused on exploration and development of its Permian-age metallurgical and thermal coal deposits in Mongolia's South Gobi Region and its Eocene-age metallurgical coking and thermal coal deposits in East Kalimantan, Indonesia. The company's flagship coal mine, Ovoot Tolgoi, is in production and selling coal to customers in China. The company plans to supply a wide range of coal products and electricity to markets in Asia. The company also is investigating the implementation of clean-coal technologies in the development of coal power-generating capacity to benefit all of its stakeholders

The company's metals division is focused on the exploration and development of its copper and gold projects in Mongolia and Indonesia.

### Information contacts, SouthGobi Energy Resources

Investors: Steven Feldman/ Media Bob Williamson: +1 604-681-6799.

Website: [www.southgobi.com](http://www.southgobi.com)

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to, the forecast production for 2008 of 1,100,000 tonnes, the forecast for 2009 coal production of approximately 2,900,000 tonnes, tonnages to be sold into western Inner Mongolia and Gansu Province in China, the timing to complete the permanent shop facility and camp accommodation complexes, the timing for the arrival of the 240 tonne truck fleet, the timing to receive final Mongolian Civil Aviation authority approval to use the new runway, the timing to bring the Sumber and Ovoot Tolgoi underground resources into National Instrument 43-101 compliance, the initiation of mine planning and the application for a mining licence for the Sumber Project, the company's future ability to supply coal products and electricity to markets in Asia, and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although SouthGobi Energy Resources believe 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 Energy's Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended September 30, 2008, and its Annual Information Form dated March 28, 2008 which is available at [www.sedar.com](http://www.sedar.com).

**Overhead doors being installed on permanent shop**



**Permanent Camp at Ovoot Tolgoi  
(windows to be installed shortly)**



## New Paved Runway at Ovoot Airport

