

2nd July 2009

RC Drilling Commences at Golf Bore Prospect Near Challenger Gold Mine

Highlights

- **2,000m RC drilling campaign has commenced at Golf Bore near Dominion's Challenger Gold Mine**
- **Previous drilling by Southern Gold has identified multiple high grade gold shoots**
- **High grade gold shoots being tested at depth**
- **Initial JORC resource estimate expected December quarter 2009**

Southern Gold Limited (ASX:SAU) has commenced Reverse Circulation (RC) drill testing of multiple high grade gold shoots in the South, Central and North Zones of the Golf Bore Prospect, 40km northeast of Dominion Mining's (ASX:DOM) Challenger gold mine in northern South Australia.

The high-grade gold shoots at Golf Bore (Figure 1 and Table 1 – next page) were identified by Southern Gold in 2008 by leveraging the significant experience of the Company's joint venture partner, Dominion Mining, and applying the "Challenger Mine" geological model. Dominion is currently producing >100,000 ounces of gold per annum from Challenger.

In most areas of the Golf Bore prospect, much of the down-plunge potential of the identified shoots and structural orientation of mineralisation greater than 50 m depth are untested. The current RC drilling campaign, and planned additional diamond drilling, will test the continuity of mineralisation, grade and size of mineralised bodies and will increase Southern Gold's confidence of geological modelling toward resource estimation. Southern Gold is targeting its maiden resource estimate at the Golf Bore prospect for the December quarter 2009.

Surface geochemical surveys are also underway on a number of additional target areas within Southern Gold's 5,000km² project area surrounding Challenger with a view to delineating further targets for drilling.

Southern Gold has earned a 30% interest in the gold JV on eight Dominion Mining ELs surrounding (but excluding) the Challenger Mine (Figure 2). SAU can earn 51% by spending a further \$0.4 million by October this year and a potential 80% interest by spending a further \$2.5 million in total by October 2012.

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2007 RC Drilling			
Hole	Intersection (m)	Grade (g/t)	Interval (m)
GB311	15	6.42	82-97
including	3	19.4	87-90
including	1	41.5	88-89
GB320	15	5.67	48-63
including	6	13.38	55-61
GB306	9	2.69	63-72
GB308	15	1.28	51-66
GB317	9	1.98	129-138
2008 Shallow AC Drilling			
Hole	Intersection (m)	Grade (g/t)	Interval (m)
GBA362	29	3.28	31-54
Including	7	10	31-38
GBA358	23	3.12	24-47
including	9	7.7	26-35
GBA375	30	2.38	17
Including	7	7.9	36-43

Table 1. Significant gold intersections from Southern Gold's previous drilling at Golf Bore.

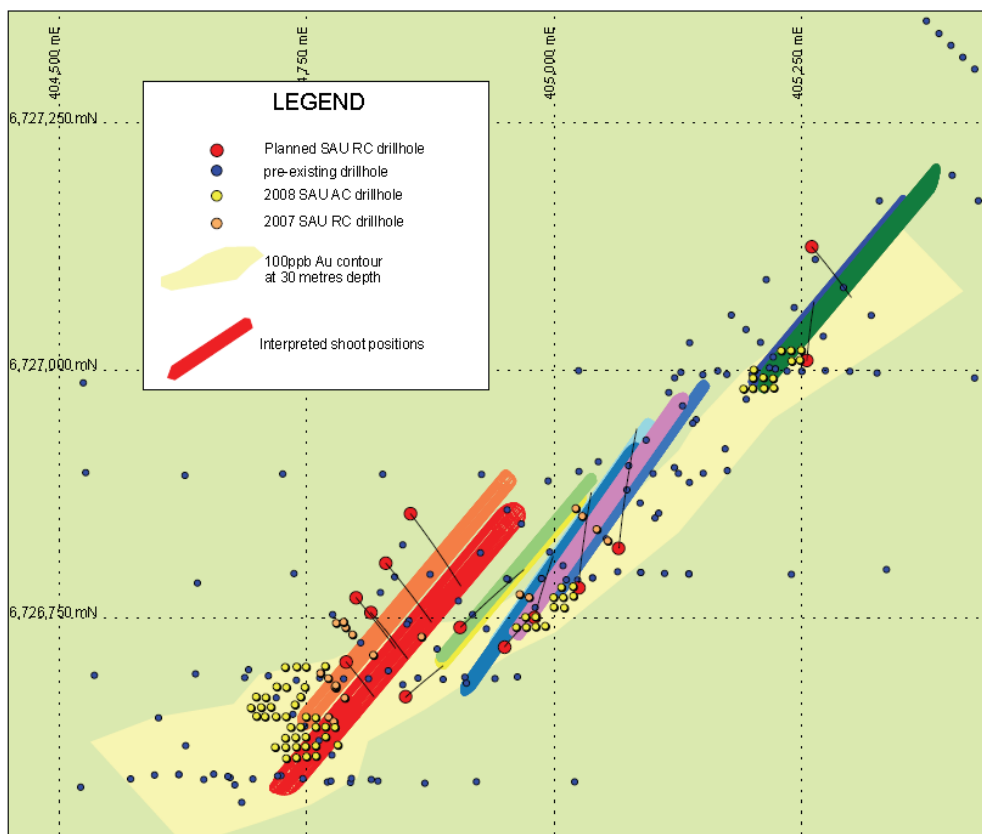


Figure 1. RC drilling targeting plunging high-grade gold shoots at Golf Bore Prospect.

The information in this report has been compiled by Stephen Biggins (BSc(Hons)Geol, MBA) as an employee of Southern Gold and who is a member of the Australasian Institute of Mining and Metallurgy and is bound by and follows the Institute's codes and recommended practices. As a Competent Person, he has a minimum of 5 years relevant experience in the style of mineralisation and types of activities being reported and has given written consent to the above report in the form and context in which it appears.

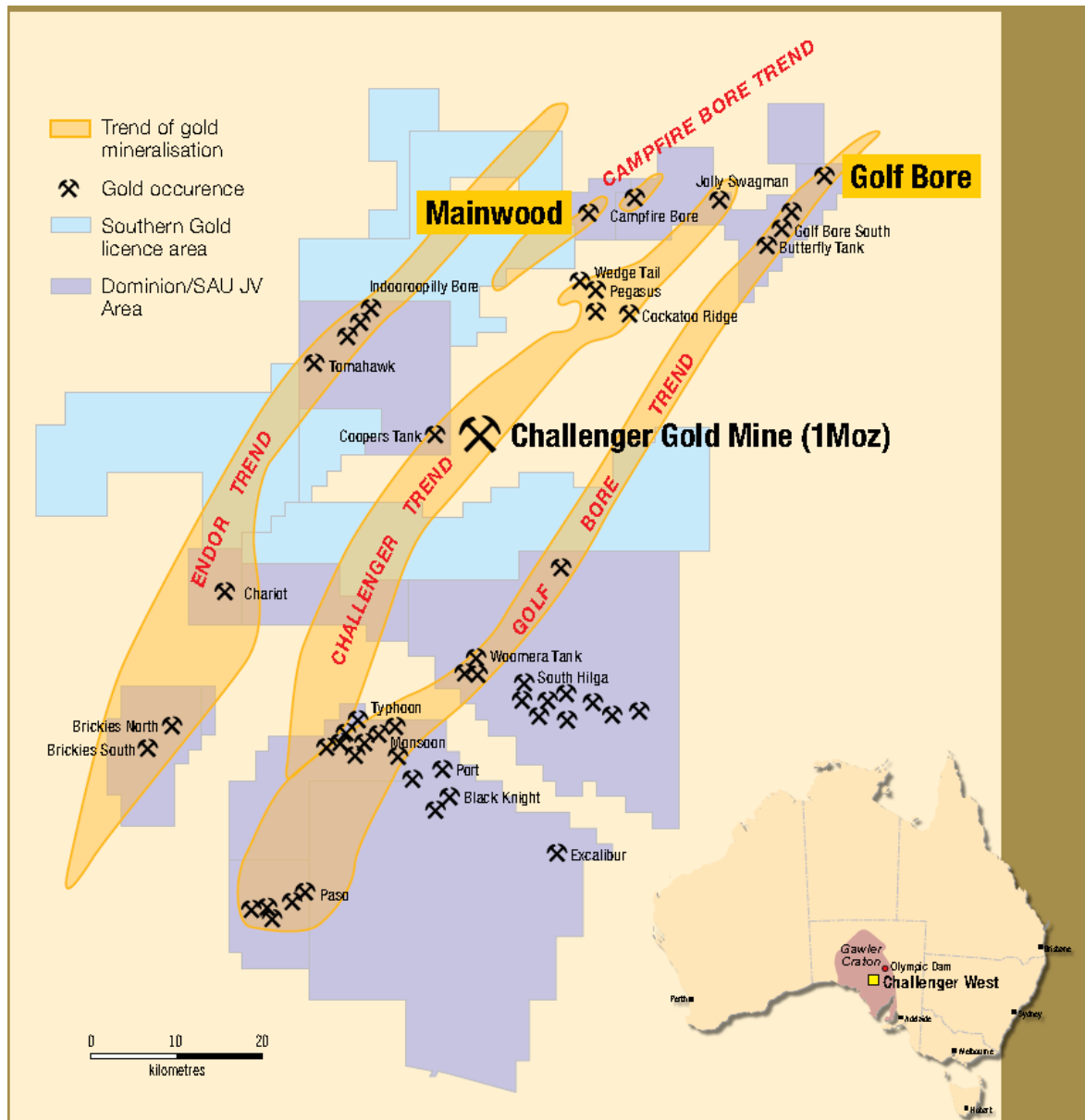


Figure 2. Southern Gold's 100% and JV tenure in the vicinity of the Challenger Gold Mine, S.A.