

Monday 6th July 2009

Fivefold increase in acreage gives Southern Gold dominant geothermal position between Olympic Dam & Port Augusta

Highlights

- **18 new Geothermal Exploration Licences (GELs) granted in SA**
- **Delivers for first time, total of 22 contiguous blocks dominating key mining, exploration and electricity grid corridor between Olympic Dam and Port Augusta**
- **Provides 500% increase in Roxby Geothermal Project (RGP) acreage**
- **Total RGP holding includes a 260,000 PJ Inferred geothermal resource**
- **RGP's location overlaps 275Kv high voltage power lines linking Olympic Dam and Prominent Hill mines to SA's power hub at Port Augusta**
- **Southern Gold is preparing application for \$7 million Federal geothermal grant**

Summary

The granting of a suite of 18 new Geothermal Exploration Licences (GELs) in South Australia has delivered Southern Gold Limited (ASX: SAU) a fivefold increase in its Roxby Geothermal Project (RGP) footprint as well as a dominant hot rocks energy opportunity in an area acknowledged as one of the State's main mining, mineral exploration and electricity grid corridors.

Southern Gold had previously held only four non-contiguous granted GELs in an area directly west of Lake Torrens. The additional licences awarded today – previously under application by the Company – now give it a total of 22 granted GELs covering an area of 10,000km² over one of Australia's largest geothermal hotspots.

The Company recently established a large estimated Inferred Geothermal Resource* of 260,000 petajoules (PJ) within GEL302 – a tenement in the southeastern area of Southern Gold's RGP holdings and representing just 5% of the total project's now granted geothermal footprint.

“With today's approvals securing an uninterrupted geothermal access opportunity and with a large inferred geothermal resource confirmed, the heat flows measured by Southern Gold on the Roxby Geothermal Project provide a strong basis to progress investigations towards the commercial development of an Engineered Geothermal System (EGS),” Managing Director, Mr Stephen Biggins, said today.”

“We have successfully locked in one of the largest strategic geothermal land holdings in an area that hosts growing energy markets, including the world-class Olympic Dam and Prominent Hill mines,” Mr Biggins said.

“The proposed Olympic Dam expansion alone is forecast to consume close to half of the State’s power supply. “

“The Roxby Geothermal Project is also strategically located to straddle the existing 275Kv and 132Kv power lines that connects Olympic Dam and Prominent Hill mines and is close to the national power grid at Port Augusta.”

“The Roxby Geothermal Project overlaps the South Australian Heat Flow Anomaly (SAHFA). The SAHFA which has been demonstrated to host very high temperature source rocks with potential for geothermal power production.”

“As a result, the potential economics of the RGP are built around the proximity of commercially viable, insulated hot rocks to high voltage power distribution infrastructure and nearby market demand. The excellent infrastructure in the region combined with reliable energy supplies contributes to the sustained project development and production economics in the region.”

“Southern Gold is considering introducing a development partner into the RGP project to fast-track exploration through examining 30+ historic wells in the tenure and identifying and drilling optimally located proof-of-concept wells”.

“With much greater certainty on the Roxby Geothermal Project fundamentals after today’s approvals, Southern Gold is now preparing an application for a \$7 million grant from the current 2nd round of the Federal Government’s \$50 million Geothermal Drill Program.”

Grant applications close next month.

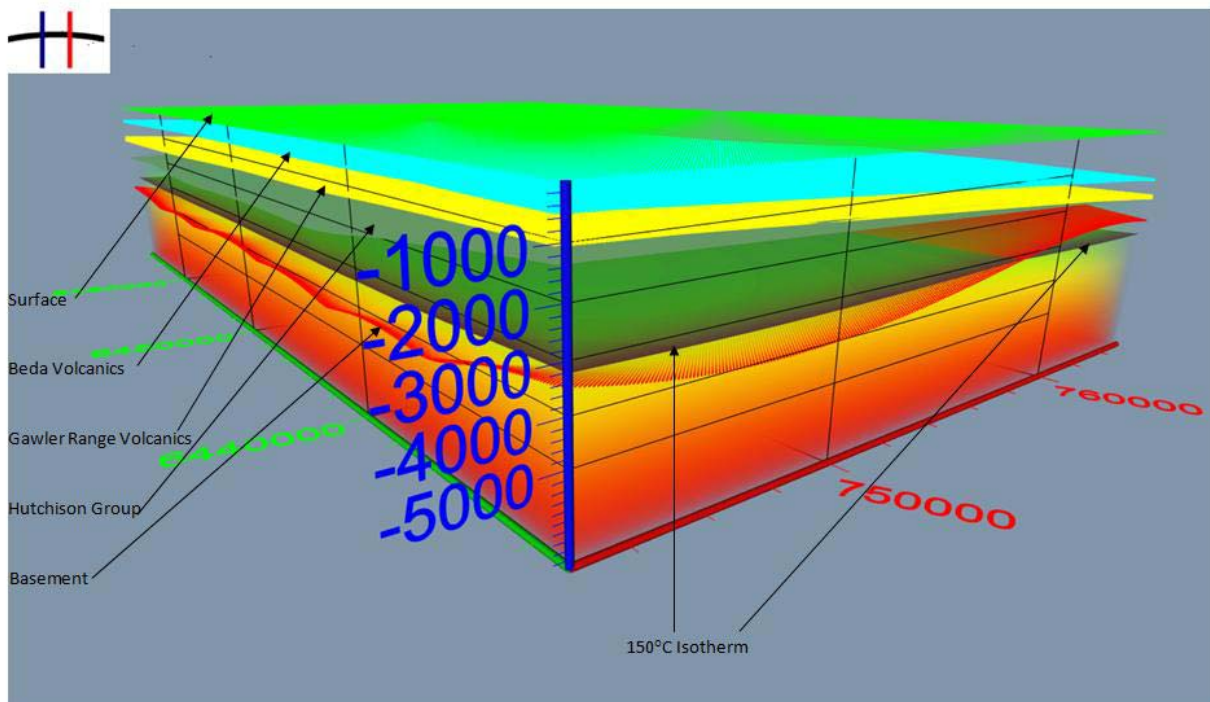


Figure 1. Predicted 150°C isotherm within Hutchison Group and Basement units in 3D view looking NE. Isotherm is shown as relatively flat lying, brown layer.

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*This Geothermal Resource estimate is based on a number of assumptions. Refer to SAU's detailed ASX statement dated 2 June 2009 for more information.

The sections of this statement that refer to Geothermal Resource estimation have been prepared by Dr Graeme Beardsmore, an employee of HDRPL. Dr Beardsmore was assisted by other employees within Hot Dry Rocks Pty Ltd but takes sole responsibility and is accountable for the report as a Competent Person as defined by the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition). Dr Beardsmore is a member of the Australian Society of Exploration Geophysicists and abides by the Code of Ethics of that organization. Dr Beardsmore consents to the public release of this Statement in the form and context in which it appears.

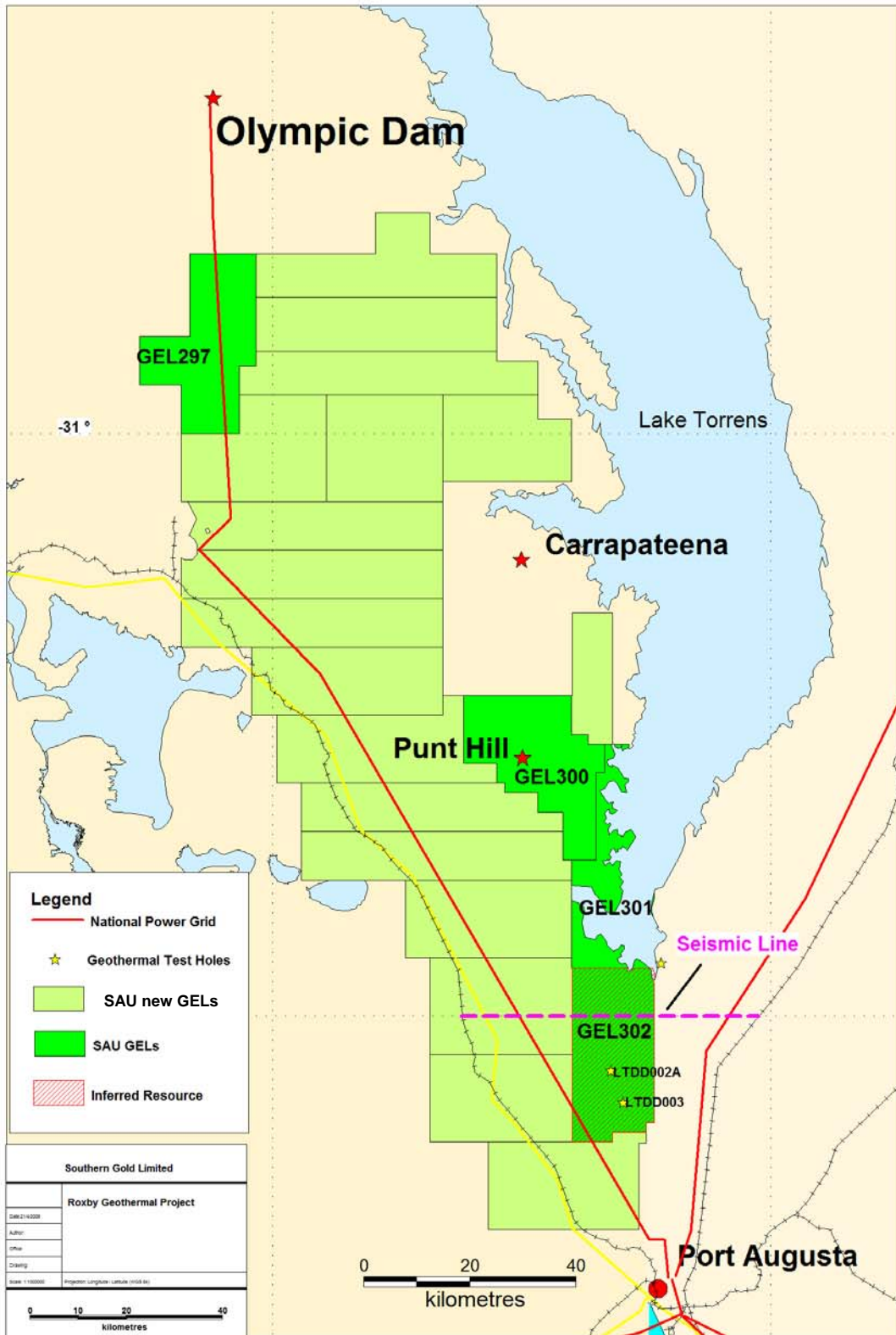


Figure 3. Location of Inferred Geothermal Resource of 260,000PJ on GEL 302 . The Roxby Geothermal Project covers 10,000km² of hot rocks and high voltage power lines linking Olympic Dam and Prominent Hill to South Australia's power infrastructure hub at Port Augusta.