

Monday 24<sup>th</sup> August 2009

## **Highly attractive modelled project economics underpin Roxby Geothermal Project and \$7 million GDP grant application**

Southern Gold Limited (ASX: SAU) is pleased to announce very positive preliminary economic modelling for the Roxby Geothermal Project and notification of eligibility of the Company's \$7 million Geothermal Drilling Program (GDP) application, to coincide with the Senate passing legislation requiring 20% of Australia's electricity to be generated from renewable sources such as geothermal energy by 2020.

Following the successful granting of 18 additional Geothermal Exploration Licences in July 2009, Southern Gold conducted a detailed scoping study of the Roxby Geothermal Project. Subject to a range of parameters, preliminary economic modelling of the Roxby Geothermal Project demonstrates a potentially highly attractive baseload renewable energy development project with favourable power generation costs compared to other forms of renewable energy.

In addition, Southern Gold is pleased to announce that it has received notification from the Federal Government's Department of Resources, Energy and Tourism that its application to the Federal Government's Geothermal Drilling Program (GDP) for the Roxby Geothermal Project in South Australia has been approved for completeness and eligibility against the GDP eligibility criteria and will now undergo a full merit assessment.

Temperatures of  $196 \pm 10^{\circ}\text{C}$  at a depth of 4,500m have been modelled on the Project – covering most of the area immediately to the west of Lake Torrens - as part of the 260,000 PJ Inferred Geothermal Resource estimate within GEL302 (refer full report to ASX 2/6/2009). Southern Gold's GDP application for \$7 million is for two deep geothermal wells, reservoir engineering and to confirm "proof-of-concept" geothermal fluid flow testing program of its Roxby Geothermal Project.

The Project is one of the largest, high temperature, geothermal land holdings in an area strategically located to straddle the existing 275Kv and 132Kv power lines that connect the Olympic Dam and Prominent Hill mines and is close to the national power grid hub at Port Augusta (Figure 1).

Importantly, the existing transmission network has spare capacity and is also expected to expand substantially in the future as the proposed Olympic Dam expansion alone is forecast to consume close to half of the State's power supply.

The \$50M GDP will assist companies seeking to develop geothermal energy by supporting the cost of proof-of-concept projects. The GDP is a competitive merit based grants program provided as a dollar for dollar subsidy, capped at \$7 million per proof-of-concept project.

A decision regarding the awarding of GDP grants by the Minister is anticipated mid November.

**Additional information on the Roxby Geothermal Project and Scoping study, including economic modelling, is available in a comprehensive project information memorandum for suitably qualified investors and industry participants upon request. The Executive Summary of the Roxby Geothermal Project Information Memorandum is also available on the Company's website.**

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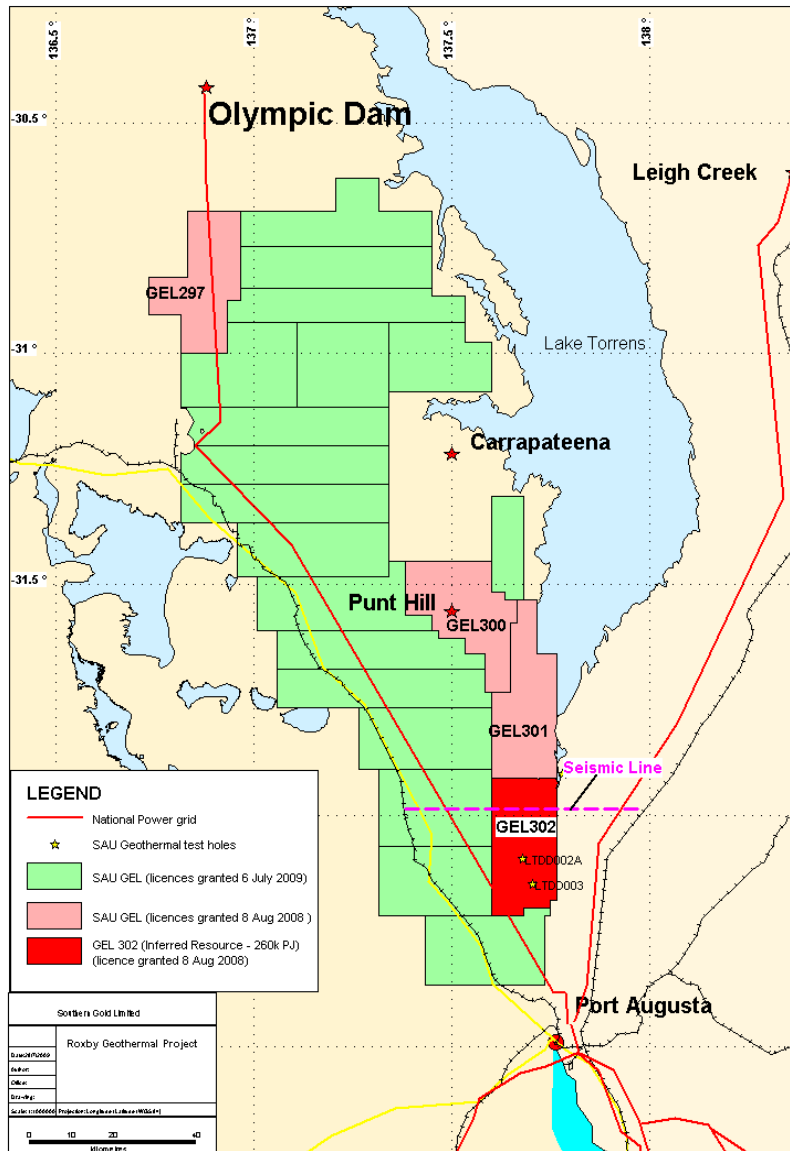


Figure 1. Location of Inferred Geothermal Resource of 260,000PJ on GEL 302. The Roxby Geothermal Project covers 10,000km<sup>2</sup> of hot rocks and high voltage power lines linking Olympic Dam and Prominent Hill to South Australia's power infrastructure hub at Port Augusta.

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.