

23rd September 2009

New kilometre long gold-in-calcrete anomaly found near Challenger Gold Mine in SA's far west

Highlights

- **Large 1km long x 400m wide gold-in-calcrete anomaly identified at wholly-owned Nemesis Prospect directly north of producing Challenger gold mine**
- **Immediate infill sampling program scheduled to define drill-ready targets at Nemesis**
- **Exploration to commence on large 5km x 5km regional calcrete anomaly at Brickies Prospect, SW of mine**
- **New RAB and RC drill programs planned early 2010 for advanced regional prospects to north and south of mine**

Summary

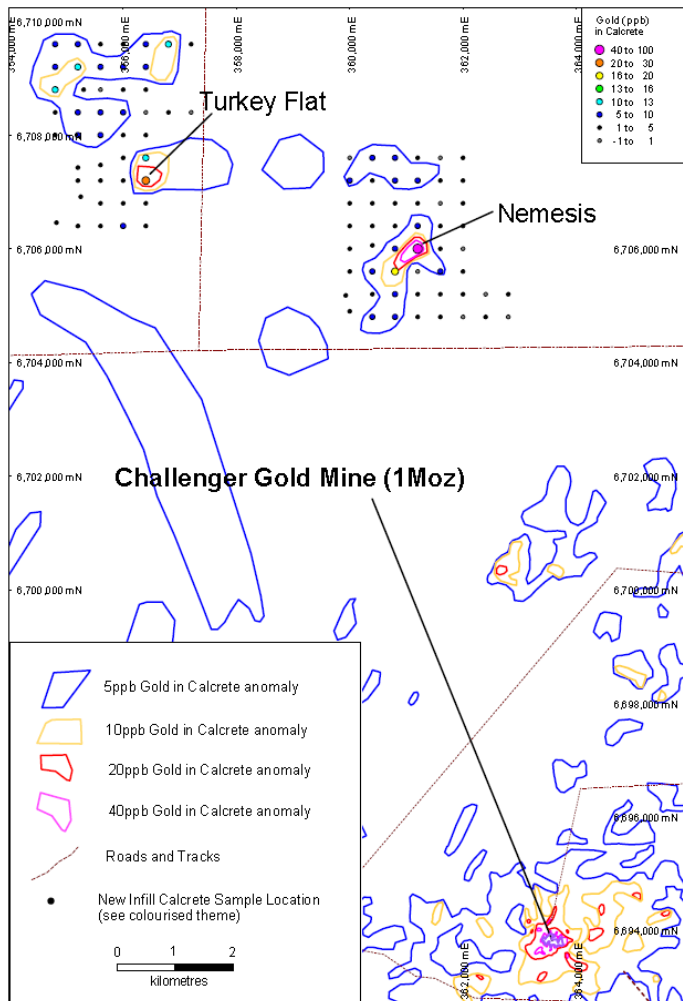
Ongoing ground sampling by Southern Gold Limited (ASX: "SAU") has identified a raft of new gold-in-calcrete anomalies within 15 kilometres of the producing Challenger gold mine in the far west of South Australia.

One of the anomalies is at least a kilometre in length and up to 400 metres wide and has been defined at the Nemesis Prospect, 12 kilometres north of the mine but within Southern Gold's 100% owned tenement, EL 4161.

It was identified after Southern Gold returned to the site of a promising 2006 sampling program with a more detailed 400 metre by 400 metre sampling grid that yielded a peak result of 43 parts per billion (ppb) gold within a 10ppb anomaly. The newly identified anomaly is favourably orientated in northeast alignment only 12 kilometres directly north of the Challenger mine.

Southern Gold will immediately undertake an even more intensive infill sampling program, over 200 metre by 200 metre grids to determine a first pass RAB drilling schedule for this prospect.

Southern Gold is currently prioritising and assessing more than 50 gold anomalies within its 5,000km² exploration footprint to the north and south of the million ounce Challenger mine, to bring these anomalous areas to drill ready status for 2010 drilling schedules.



Turkey Flat Prospect

Located only 15 kilometres directly northwest of the Challenger mine, 400 metre by 400 metre calcrete sampling has returned a result of 23 ppb gold within a 10ppb anomaly with dimensions of 600m by 600 metres and open to the east.

This anomaly is now ready for 200 metre by 200 metre infill sampling, to be conducted in coming weeks.

Hardwood Prospect

Encouraging calcrete sampling results have been received from the Hardwood Prospect, located in the vicinity of the Mainwood and Campfire Prospects, north of the mine.

Further geochemical sampling and possible vegetation geochemical sampling is planned in 2010.

Figure 1. Nemesis Prospect (100% SAU) and Turkey Flat Prospect (JV) north of the Challenger Mine, S.A

Drilling Advanced Regional Prospects

At Golf Bore, Mainwood, Typhoon and Monsoon prospects, further air core, Reverse Circulation (RC) and diamond drilling is planned to re-commence in early 2010 to test continuity of mineralisation, grade and dimensions of mineralised bodies. Other than at Golf Bore, none of these prospects has been tested below 60 metres vertical depth and geological re-interpretation has identified potential high grade gold mineralised structures. This drilling will target the potential or high grade gold shoots similar to those at Dominion's Challenger Gold Project.

First pass rotary air blast (RAB) drilling is also planned for multiple high order geochemical anomalies within the project areas. This will provide an efficient and cost effective method of testing the primary gold mineralisation which is interpreted to be the sources of the surface anomalism.

Further Regional Exploration

The current calcrete sampling program is planned to continue for the next six weeks on the southern project areas. These Prospects include Irria, Javelin, Chariot, Coopers Tank, Brickies West and Cudyea. The majority of these prospects are within 30 kilometres of the mine.

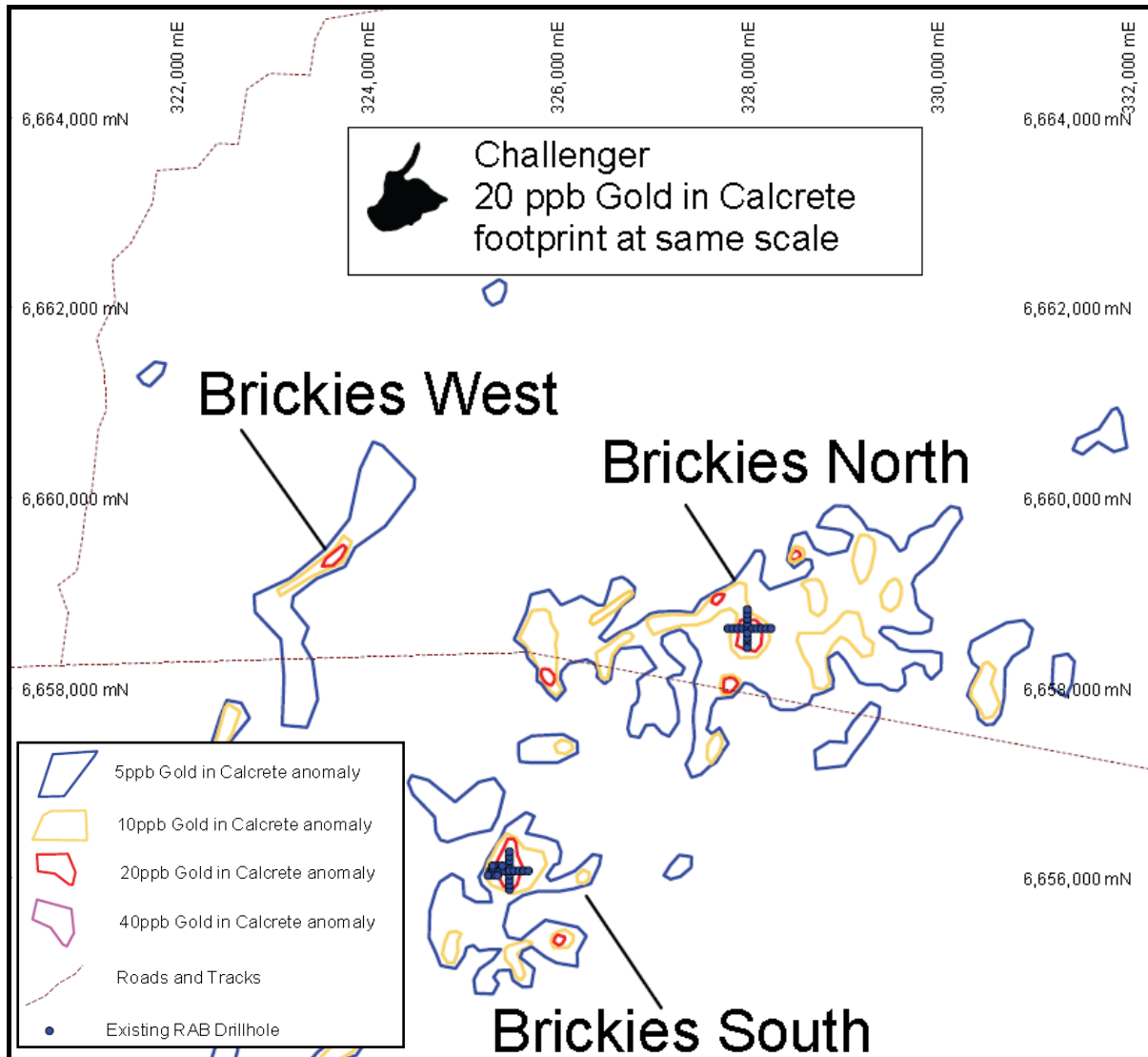


Figure 2. Large scale gold-in-calcrete anomalies at Brickies Prospect (JV) compared to the size of the Challenger gold deposit calcrete "footprint", SA.

For further information contact:

Mr Stephen Biggins

Managing Director

T: +61 (0) 8 8368 8888

F: +61 (0) 8 8368 8899

E: info@southerngold.com.au

W: southerngold.com.au

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.

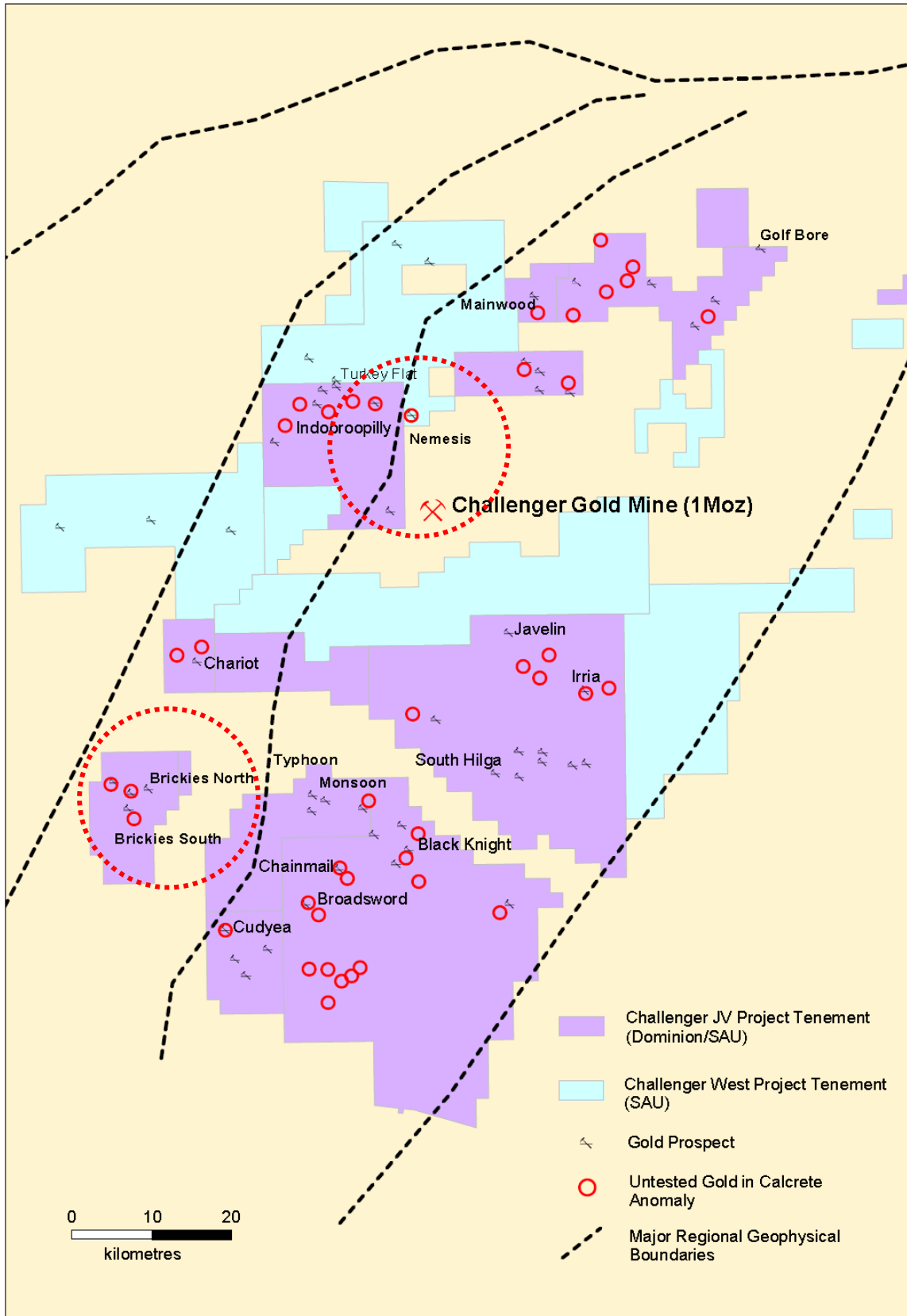


Figure 3. Untested gold-in-calcrete anomalies on Southern Gold's 100% and JV tenure in the vicinity of the Challenger Gold Mine, S.A.