

SOUTHERN GOLD LIMITED

Cannon Continues to Fire

Southern Gold Limited ("Southern Gold", "SAU", "Company") has intersected broad, near-surface gold mineralisation during reverse circulation (RC) infill and extensional drilling at its Cannon Prospect, part of the Bulong South Project, south-east of Kalgoorlie. The results are from 20 RC holes drilled to test an area between the previously discovered north and south gold lodes where SAU postulated mineralisation may connect. Drilling has confirmed this interpretation, with the intersection of wide mineralised zones up to 44m thick. Better results from the recent drilling include:

- **26m @ 4.07 g/t gold**, incl. **3m @ 13.8 g/t gold** from 82m;
- **44m @ 1.79 g/t gold**, incl. **7m @ 5.75 g/t gold** from 71m;
- **21m @ 3.68 g/t gold**, incl. **4m @ 13.2 g/t gold** from 73m;
- **32m @ 2.14 g/t gold**, incl. **3m @ 6.98 g/t gold** from 128m: and
- **17m @ 4.21g/t gold**, incl. **10m @ 6.83g/t gold** from 28m

The mineralisation remains open to the west and at depth, with potential extensions tested in the next phase of drilling later in the year.

Mineralisation Growth with Enhanced Development Potential

The gold mineralisation at Cannon is from surface and extends for over 150m vertically, at good grades and widths. We expect the deposit to be amenable to open pit mining, with potential for an underground operation for deeper mineralisation should a large-enough resource be demonstrated.

Given that the project is relatively close to Kalgoorlie (~30kms) there are a number of third party mills in the region. Consequently, we see good potential for a low capex start-up by potentially toll treating ore at one of these mills. The two closest mills are Silver Lake Resources Limited's (SLR) Lakewood facility, and Avoca Mining Limited's Jubilee plant.

The Company has also identified a number of nearby gold targets from soil geochemistry sampling. These targets are within one kilometre of the Cannon prospect and will be drill tested over the coming 12 months.

Resource Estimation Commenced

Southern Gold has engaged Runge Limited, a leading international mining consultancy firm to assist with resource estimation and provide potential development options. We expect this round of drilling results to be incorporated into the initial resource estimate.

Whilst the Company has yet to make an announcement on a new MD, it continues to return very good results from exploration. With the Cannon prospect developing into an exciting discovery with high potential for development, the Company continues to progress more grass-roots exploration in Cambodia, most of which is being funded by JOGMEC. We continue to recommend Southern Gold Limited as a Speculative Buy.

21 Jul 2010

Share Price (last): \$0.081

Brief Business Description:
 Junior gold explorer

Hartleys Brief Investment Conclusion
 More high grade gold intercepts at Cannon, resource release expected soon.

Chairman & Acting MD

 Greg Boulton (Chairman)
 Mick Billing (Non Exec Director)

Top Shareholders

CITIC Australia Pty Ltd	3.6%
Macquarie Bank Limited	2.4%

Company Address

 47 Tynte St
 North Adelaide, SA 5006

Issued Capital	180.7m
- fully diluted	180.7m

Market Cap	\$14.6m
- fully diluted	\$14.6m

Cash (31 Mar '10)	\$3.7m
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Debt (31 Mar '10)	\$0.0m
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EV	\$11.0m
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EV/Resource Oz	\$106/oz
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EV/Reserve Oz	-
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Resources (Moz Au)	0.10
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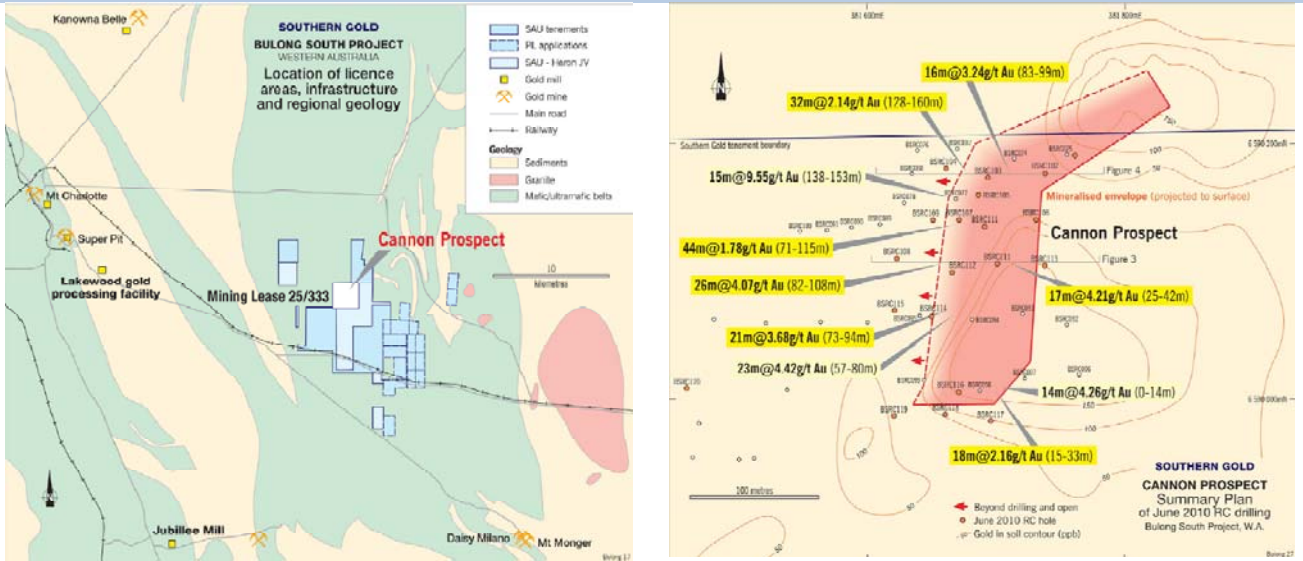
Reserves (Moz Au)	0.00
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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Southern Gold Limited. See back page for full disclosure.

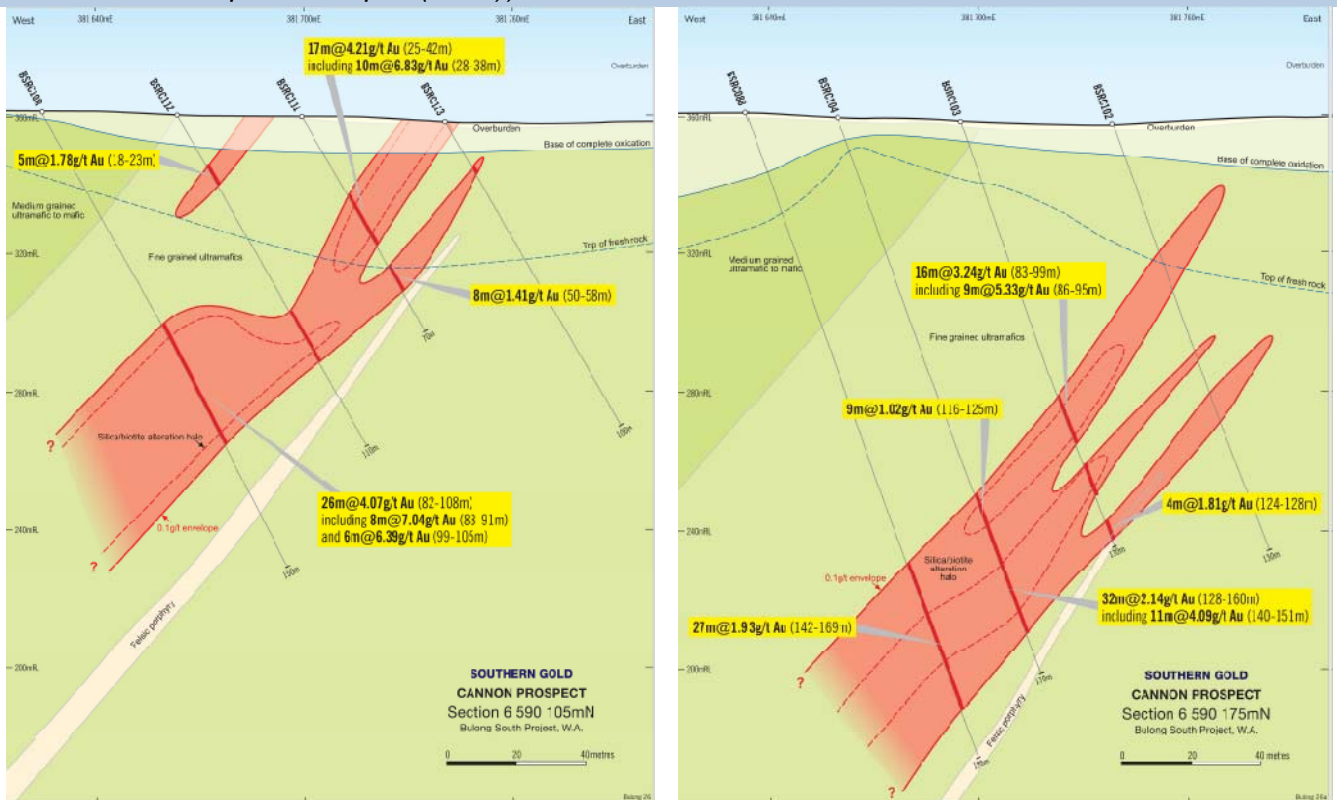
Fig. 1: SAU's Bulong Project south east of Kalgoorlie (LHS); Significant drill results and mineralised envelope (RHS)



Source: Southern Gold Limited

The Bulong South Project is located only 30kms from Kalgoorlie, in close proximity to both Silver Lake's Lakewood and Avoca's Jubilee mills.

Fig. 2: Cross section 105m N mineralisation to surface (LHS); Cross section 175m N mineralisation open at depth (RHS)



Source: Southern Gold Limited

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage					Hartleys Research	
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)	Recommendation	Industry
Oil & Gas						
1. Woodside Petroleum Ltd	WPL	41.70	32,411	36,589	Buy	Major
2. Nexus Energy Ltd	NXS	0.280	268	591	Neutral	Developer / Explorer
3. Carnarvon Petroleum Ltd	CVN	0.330	227	197	Speculative Buy	Producer / Explorer
4. Aurora Oil and Gas Ltd	AUT	0.830	210	172	Buy	Producer / Developer
5. Tap Oil Ltd	TAP	0.865	135	74	Buy	Producer / Explorer
6. Cooper Energy Ltd	COE	0.360	105	9	Buy	Producer / Explorer
7. Otto Energy Ltd	OEL	0.079	85	62	Buy	Explorer / Producer
8. Red Fork Energy Ltd	RFE	0.565	78	50	Buy	Explorer / Producer
9. Strike Energy Ltd	STX	0.230	76	71	Buy	Explorer / Producer
10. Amadeus Energy Ltd	AMU	0.225	68	111	Buy	Producer / Explorer
11. Adelphi Energy Ltd	ADI	0.395	67	57	Buy	Producer / Developer
12. European Gas Ltd	EPG	0.235	47	111	Speculative Buy	Producer / Explorer
13. Entek Energy Ltd	ETE	0.190	43	34	Speculative Buy	Producer / Explorer
14. First Australian Resources Ltd	FAR	0.059	39	20	Speculative Buy	Explorer / Producer
15. Oilex Ltd	OEX	0.105	23	5	Neutral	Explorer / Producer
16. Sun Resources NL	SUR	0.059	20	16	Speculative Buy	Explorer / Producer
			Sub-Total	33,902		38,169
Resources						
1. Riversdale Mining Limited	RIV	9.64	1,816	1,548	Speculative Buy	Coal
2. Atlas Iron Limited	AGO	1.950	923	743	Buy	Iron Ore
3. Western Areas NL	WSA	4.23	757	936	No Rating	Nickel
4. Silver Lake Resources Limited	SLR	1.740	311	280	Speculative Buy	Gold
5. Intrepid Mines Limited	IAU	0.550	235	188	Speculative Buy	Gold
6. Catalpa Resources Limited	CAH	1.440	232	194	Buy	Gold Producer
7. Dominion Mining Limited	DOM	2.200	227	246	Speculative Buy	Gold
8. Gold One International Limited	GDO	0.265	213	284	Buy	Gold
9. Jabiru Metals Limited	JML	0.325	180	154	Buy	Zinc-Copper
10. Tanami Gold NL	TAM	0.026	144	169	Speculative Buy	Gold Producer
11. Focus Minerals Ltd	FML	0.048	138	130	Speculative Buy	Gold Producer
12. Magma Metals Limited	MMB	0.420	68	48	Speculative Buy	PGM-Cu-Ni
13. Peninsula Minerals Ltd	PEN	0.031	50	41	Buy	Uranium Developer / Explorer
14. Centaurus Metals Ltd	CTM	0.070	42	35	Speculative Buy	Iron Ore Developer
15. Hazelwood Resources Ltd	HAZ	0.180	34	29	Speculative Buy	Junior Developer
16. Emmerson Resources Limited	ERM	0.165	34	21	Speculative Buy	Junior Explorer
17. Shaw River Resources Limited	SRR	0.150	30	23	Speculative Buy	Junior Explorer
18. YTC Resources Limited	YTC	0.180	30	21	Buy	Junior Explorer
19. Ausquest Limited	AQD	0.120	27	1	Speculative Buy	Junior Explorer
20. Ferrum Crescent Limited	FCR	0.150	24	22	Speculative Buy	Iron Ore
21. Geopacific Resources NL	GPR	0.570	22	15	Speculative Buy	Gold Explorer
22. Orion Gold NL	ORN	0.019	14	10	Speculative Buy	Gold
23. Impact Minerals Limited	IPT	0.110	13	9	Speculative Buy	Junior Explorer
24. Southern Gold Limited	SAU	0.075	11	7	Speculative Buy	Junior Explorer
			Sub-Total	5,435		5,070
Industrials						
1. West Australia News Hdg's Ltd	WAN	6.56	1,520	1,795	Buy	Media
2. Monadelphous Group Limited	MND	13.520	1,163	1,031	Buy	Mining Services
3. Clough Limited	CLO	0.765	520	580	No Rating	Oil & Gas Services
4. Fleetwood Corporation	FWD	9.61	519	512	Neutral	Consumer & Mining Services
5. Mermaid Marine Australia Ltd	MRM	2.530	471	605	Buy	Oil & Gas Services
6. Austal Limited	ASB	2.33	438	449	Speculative Buy	Capital Goods
7. Macmahon Holdings Limited	MAH	0.580	426	398	Buy	Mining & Civil Construction
8. Ausdrill Limited	ASL	1.625	425	524	Buy	Mining Services (Drilling & Construction)
9. NRW Holdings Ltd	NWH	1.01	252	316	Buy	Mining & Civil Construction
10. Cash Converters Limited	CCV	0.555	202	158	Buy	Retail & Consumer Finance
11. Decmil Group Limited	DCG	1.51	186	153	Buy	Mining & Civil Construction
12. Index Ltd	IMD	0.760	147	162	Buy	Oil & Gas / Mining Drilling
13. Lycopodium Limited	LYL	3.110	120	105	Buy	Mining & Industrial Services
14. RCR Tomlinson Ltd	RCR	0.860	113	157	Buy	Mining & Industrial Services
15. Neptune Marine Ltd	NMS	0.235	113	145	Speculative Buy	Oil & Gas Services
16. Swick Mining Services Ltd	SWK	0.355	84	133	Speculative Buy	Mining Services (Drilling)
17. VDM Group Limited	VMG	0.380	80	99	Buy	Mining & Civil Construction
18. LogiCamms Limited	LCM	0.900	54	44	Buy	Resource Services
19. Pacific Energy Ltd	PEA	0.230	43	97	Buy	Mining Services / Power
			Sub-Total	6,877		7,464
			GRAND TOTAL	46,214		50,704

Source: IRESS, Hartleys Research. * 21 Jul 2010

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Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

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Hartleys has completed a capital raisings in the last 12 months for Southern Gold Limited ("Southern Gold") for which it has earned fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to Southern Gold, for which it has earned fees and continues to earn fees. Hartleys also has a beneficial interest in 1.5 million options in Southern Gold.

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