

**SOUTHERN GOLD LIMITED
ACN 107 424 519**

ASX ANNOUNCEMENT

24 December 2008

- **RIGHTS ISSUE TO RAISE \$1,558,618**
- **TALBOT GROUP TO FULLY UNDERWRITE ISSUE**

Southern Gold Limited (ASX Code: SAU) (**SAU**) today announced a fully underwritten one (1) for three (3) non-renounceable pro rata rights issue at an issue price of \$0.05 per new SAU share (**Rights Issue**).

The issue price represents a discount of 10% to the volume weighted average price of SAU shares during the 5 trading day period to, and including, 23 December 2008.

Talbot Group Holdings Pty Ltd (**Talbot**), who holds approximately 7.08% of SAU's issued share capital, has agreed to fully underwrite the Rights Issue. As a result, the Rights Issue will raise \$1,558,618 (before the costs and expenses of the Rights Issue).

The proceeds from the Rights Issue will allow SAU to continue to progress exploration across its gold and base metal projects:

- in Cambodia, where SAU intends to commence in 2009 its own exploration program complementary to its maiden reverse circulation drilling program fully funded by Japan Oil Gas and Metals National Corporation, which is spending a minimum of US\$1 million as part of a US\$4.5 million (~A\$7 million) investment to earn a 51% interest in three of SAU's seven Cambodian tenements;
- in South Australia, where SAU is in Joint Venture with Dominion Mining Limited on an area surrounding its Challenger Gold Mine, with 37 targets identified and high grade multiple gold shoots identified near the Challenger mine from recent drilling; and
- in Western Australia, where SAU controls a large tenement holding (100%) and has discovered a new 'Kambalda Style' nickel sulphide system in recent drilling.

Funds raised will also be applied to SAU's general working capital requirements.

The Rights Issue will be conducted without a prospectus in accordance with the new streamlined offering provisions of the Corporations Act.

Holders of existing options to subscribe for SAU shares have been given notice of their right to exercise their options in order to be eligible to participate in the Rights Issue in respect of the shares underlying their options.

If there is any shortfall in subscriptions under the Rights Issue, SAU Directors reserve the right to place that shortfall in their discretion and in accordance with ASX Listing Rule 7.2.

Full details of the Rights Issue, including details of the underwriting, are set out in the Offer Memorandum and Appendix 3B lodged with the Australian Securities Exchange (**ASX**) today.

The anticipated timetable for the Rights Issue is as follows:

EVENT	DATE
Announcement of rights issue – Announcement of rights issue, Offer Memorandum and ASX Appendix 3B lodged with ASX	Wednesday 24 December 2008
Ex date – The date on which Shares commence trading without the entitlement to participate in the Rights Issue	Tuesday 30 December 2008
Record date – the date for determining entitlements of Shareholders to participate in the Rights Issue	Tuesday 6 January 2009
Offer Memorandum sent to Shareholders – dispatch of Offer Memorandum and Entitlement and Acceptance Forms, and lodgment of cleansing notice – Rights Issue opens for acceptances	Monday 12 January 2009
Closing Date – The last day for receipt of acceptance forms (5.00pm Adelaide time)	Tuesday 27 January 2009
Securities quoted on a deferred settlement basis	Wednesday 28 January 2009
Shortfall notification date	No later than 30 January 2009
Dispatch date – Allotment of New Shares. Deferred settlement trading ends.	No later than noon (AEST) on Wednesday 4 February 2009
Expected commencement of normal trading in New Shares on ASX	Thursday 5 February 2009

**Despatch of holding statements to Shareholders
who accepted the Offer**

Monday 9 February 2009

In the interests of ensuring the market is fully informed, set out below is the information SAU would have been required to notify to ASX under section 708AA(2)(f) of the Corporations Act 2001 (Cth) (the **Act**) had SAU been obliged to lodge with ASX a cleansing statement in relation to the Rights Issue at the time of announcing the Rights Issue:

- (1) the securities being offered under the Rights Issue will be offered for issue without disclosure to investors under Part 6D.2 of the Act;
- (2) as at the date of this announcement SAU has complied with the provisions of Chapter 2M of the Act as they apply to SAU and section 674 of the Act;
- (3) as at the date of this announcement there is no information that is excluded information under section 708AA(8) and (9) of the Act that has not already been disclosed to investors generally or in the Offer Memorandum and Appendix 3B lodged with ASX today;
- (4) the potential effect the Rights Issue will have on the control of SAU's undiluted share capital will depend on the extent shareholders take up their entitlements. If all shareholders take up their entitlements the Rights Issue will have no effect on the control of SAU. The maximum effect the Rights Issue could have on the control of SAU is an increase in the percentage of the total issued share capital of SAU held by Talbot, from 7.08% to a maximum of 30.25% in aggregate, if no shareholder takes up its entitlement and Talbot subscribed for all shortfall shares it has fully underwritten pursuant to the Rights Issue.
- (5) the consequence of the potential effect on control of SAU referred to in paragraph (4) above will be an increase in the voting power of Talbot by an amount equal to the percentage increase in its control of SAU's undiluted share capital. The maximum voting power that Talbot could have post the Rights Issue is 30.25%.

For further information contact:

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