



SOUTHERN GOLD LIMITED
ACN 107 424 519

RIGHTS ISSUE
OFFER MEMORANDUM

24 December 2008

A\$1,558,618 non-renounceable one (1) for three (3) rights issue of up to 31,172,350
New Shares at an issue price of A\$0.05 per New Share (fully underwritten)

CLOSING DATE: 5.00pm Adelaide time on Tuesday 27 January 2009

***THIS IS AN IMPORTANT DOCUMENT. IF YOU DO NOT UNDERSTAND IT, OR ARE IN DOUBT
AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL
ADVISER.***

IMPORTANT NOTICES

This Offer Memorandum includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements. These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

No offer is made by this Offer Memorandum in any jurisdiction outside of Australia and New Zealand. The distribution of this Offer Memorandum within jurisdictions outside Australia and New Zealand may be restricted by law and persons into whose possession this Offer Memorandum comes should inform themselves about and observe any such restrictions.

CHAIRMAN'S LETTER

24 December 2009

Dear Shareholder,

Southern Gold Limited (**SAU**) invites you to participate in a non-renounceable rights issue of up to 31,172,350 New Shares in total (based on SAU's undiluted share capital, without taking into account the impact of rounding) to raise \$1,558,618.

The rights issue offers you the right to take up one New Share for every three Shares you hold as at 5.00pm Adelaide time on Tuesday 6 January at an issue price of \$0.05 per New Share.

The Offer provides you with an opportunity to increase your investment in SAU at an attractive price. The issue price of the New Shares 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.

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

As a strong indication of Talbot Group Holdings Pty Ltd's (**Talbot**) continued support for SAU and their positive outlook for its future, Talbot, which holds approximately 7.08% of SAU's undiluted issued share capital, has agreed to fully underwrite the rights issue. This support from Talbot guarantees that a total of \$1,558,618 will be raised under the Offer (before costs and expenses of the rights issue). Details of the underwriting are set out in this Offer Memorandum.

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 programme 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, when 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.

Your Directors consider that SAU has a positive future and recommend this Offer to you as an opportunity to participate further in its future.

You are encouraged to read this Offer Memorandum and the accompanying Entitlement and Acceptance Form fully. If you have any queries in relation to the Offer, you should consult your stockbroker or other professional adviser.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Greg Boulton". The signature is written in a cursive style with a large initial "G" and a long, sweeping tail.

Greg Boulton
Chairman

KEY DATES

The indicative 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 lodgement 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

Subject to the ASX Listing Rules and the terms of the Underwriting Agreement, the Directors reserve the right to vary the dates for the Offer at their discretion. Should this occur, then the extension will have a consequential effect on the anticipated date of issue and normal trading of the New Shares.

CORPORATE DIRECTORY

Directors

Mr Greg Boulton - Non Executive Chairman
Mr Stephen Richard Biggins - Managing Director
Mr Michael Robert Billing - Non Executive Director
Mr Michael Walsh McDonald - Non Executive Director

Secretary

Mr Michael Robert Billing

Registered Office

47 Tynte Street
North Adelaide, South Australia, 5006

Telephone: +61 8 8368 8888
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Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000
Australia

Lawyers

Watsons Lawyers
Ground Floor
60 Hindmarsh Square
Adelaide SA 5000
Australia

Web site: www.southerngold.com.au

SECTION 1: DETAILS OF THE OFFER

1. Offer

SAU offers each of its Shareholders New Shares in SAU under a non-renounceable rights issue. Each Shareholder is entitled to subscribe for one (1) New Share for every three (3) Shares held by that Shareholder as at the Record Date at an issue price of \$0.05 per New Share.

The issue price of the New Shares 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.

If a Shareholder becomes entitled to a fraction of a Share, the entitlement will be rounded up to the nearest whole number.

The New Shares will be fully paid and will rank equally in all respects with SAU's existing Shares on issue.

2. What is my entitlement?

The number of New Shares to which you are entitled is shown in the accompanying Entitlement and Acceptance Form (**Entitlement**). You can subscribe for all, or part, of your Entitlement to New Shares. Detailed instructions on how to accept all or part of your Entitlement are set out in Section 3.

Please note that if you choose not to accept your Entitlement under the Rights Issue your shareholding in SAU will be diluted to the extent that the Rights Issue is taken up by other Shareholders and underwritten by Talbot.

3. Shortfall Shares

In addition to being able to apply for New Shares in the manner described in paragraph 2 above, Shareholders who subscribe for their full Entitlement will also have the opportunity to apply for additional New Shares that are not subscribed for under the Offer (**Shortfall Shares**), subject to the limitations set out in Section 3.

4. Opening and closing dates

The Offer opens for receipt of acceptances on 12 January 2009. The closing date and time for acceptances and payments is 5.00pm Adelaide time on 27 January 2009, subject to the Directors varying the closing date in accordance with the Listing Rules and the terms of the Underwriting Agreement.

5. Who is entitled to participate in the Offer?

Each Shareholder with a registered address in Australia or New Zealand, who is registered as the holder of Shares at 5.00pm Adelaide time on Tuesday 6 January 2009 is entitled to participate in the Offer in respect of the number of Shares that person is then registered as the holder of.

6. Offer not made to Excluded Shareholders

SAU has decided that it is unreasonable to make the Offer to shareholders who have a registered address in a country outside of Australia or New Zealand having regard to the number of shareholders in such places, the number and value of the New Shares they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions. The number of Shares held by shareholders who have registered addresses in countries outside of Australia and New Zealand as at close of trading on 22 December 2008 was 2,465,472 Shares.

The Company has appointed Bell Potter Securities Limited to act as nominee for the Excluded Shareholders. The Company will issue to the nominee the shares that would have otherwise been issued to the Excluded Shareholders, had they been able to participate in the Offer. The nominee will sell those shares on or off market. The Share Registrar will distribute to each of the Excluded Shareholders the proceeds of the sale (in Australian dollars) above \$0.05 per share, net of expenses, prorated to their respective holdings of Shares as at the Record Date.

The nominee, in consultation with the Company, will have the discretion to determine the timing and the price at which the Shares may be sold and the manner of any such sale, provided they use reasonable endeavours to sell the Shares within 30 days of the Closing Date. Neither the Company nor Bell Potter Securities Limited will be liable for any failure to sell the Shares at a particular price.

This Offer Memorandum does not constitute an offer to Excluded Shareholders and the Offer Memorandum will not be sent to Excluded Shareholders.

This Offer Memorandum and accompanying Entitlement and Acceptance Form do not constitute an offer for securities in any place in which, or to any person to whom, it would not be lawful to make such an offer. Shareholders holding Shares on behalf of persons who are resident outside of Australia or New Zealand are responsible for ensuring that subscribing for the New Shares under the Rights Issue does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will constitute a representation that there has been no breach of such regulations. Where the Offer Memorandum has been dispatched to Shareholders domiciled in a country outside Australia or New Zealand and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Offer Memorandum and accompanying Entitlement and Acceptance Form are provided for information purposes only.

7. Effect on share capital

The effect of the Offer on the capital structure of SAU will be as follows:

Shares	Number
Number on issue at 23 December 2008 (the trading day immediately prior to announcement of the Offer)	93,517,051
Maximum number to be issued under the Offer	31,172,350

Maximum number on issue following the Offer	124,689,401
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The figures in the table above are based on the undiluted share capital of SAU and, in the case of the maximum number of shares on issue following the Offer assumes all Shareholders take up their Entitlements in full. The figures are also approximate as individual Entitlements will be rounded up to the nearest whole figure.

There are 9,020,000 unlisted options to subscribe for Shares currently on issue. If any of these options are exercised prior to the Record Date this will also impact the maximum number of New Shares to be issued under the Offer.

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 Offer will have no effect on the control of SAU. The maximum effect the Offer 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%, if no Shareholder takes up its Entitlement and Talbot as Underwriter subscribes for all Shortfall Shares.

The consequences of the potential effect on control of SAU referred to 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 Offer is 30.25%.

The Directors have elected to allow SAU's substantial Shareholder, Talbot, to underwrite the Offer, as they consider the terms of their underwriting is more favourable than SAU would be able to secure with other underwriters, if they could in fact secure such other underwriting at all, in the current market conditions.

8. Renounceability

The Offer is non-renounceable. This means that your right to subscribe for New Shares under the Offer is not transferable. Any Entitlements not taken up by Shareholders will be dealt with in accordance with Section 4 of this Offer Memorandum.

9. Underwriting

The Offer is fully underwritten by SAU's substantial Shareholder, Talbot. Accordingly, the Offer will raise the maximum amount that can be raised under the Offer, being \$1,558,618. Further details of the underwriting are set out in Section 5.

10. Issue of New Shares

SAU expects that the New Shares will be issued by no later than 4 February 2009. The issue of New Shares will only be made after permission for their quotation on ASX has been granted. Shares issued to Talbot as underwriter will be issued no later than 17 February 2009.

SECTION 2: PURPOSE OF THE OFFER

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 programme 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 from both the Rights Issue will also be applied to SAU's general working capital requirements.

SECTION 3: HOW TO ACCEPT THE OFFER

1. How to take up all or part of your entitlement

To subscribe for New Shares offered to you, please complete the accompanying Entitlement and Acceptance Form according to the instructions on the form for all, or that part of your Entitlement you wish to subscribe for.

You must make payment for the appropriate application monies (at \$0.05 per New Share subscribed) as provided in paragraph 4 below.

Acceptances will not be valid if they are received after the Closing Date.

2. How to apply for Shortfall Shares

If you wish to accept your Entitlement in full and apply for Shortfall Shares, complete the Entitlement and Acceptance Form and also fill in the number of Shortfall Shares you wish to apply for in the space provided on the Entitlement and Acceptance Form. You must make payment for the appropriate application monies (at \$0.05 per New Share subscribed) as provided in paragraph 4 below.

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions and at the discretion of the SAU Board. If SAU receives applications for Shortfall Shares that would result in the Offer being oversubscribed then the Company will not accept such oversubscriptions and will reject applications at its absolute discretion.

The Directors reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for. Application monies received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on application monies held and returned.

SAU will not issue Shortfall Shares where to do so would result in a breach of the Corporations Act or the Listing Rules.

3. Lapse of rights

If you decide not to accept all or part of your Entitlement or fail to do so by the Closing Date, your Entitlement will lapse.

4. Payment

Payments must be made by 5.00pm Adelaide time on Tuesday 27 January 2009 and must be in Australian currency and by:

- (a) cheque drawn on and payable at any Australian bank;
- (b) bank draft drawn on and payable at any Australian bank; or
- (c) BPay.

Entitlement and Acceptance Forms, together with cheque or bank draft for the appropriate application monies (at \$0.05 per New Share subscribed) must be sent to SAU's share registry, Computershare Investor Services Pty Ltd, so that they reach the registry by no later than 5.00pm Adelaide time on Tuesday 27 January 2009.

If you wish to pay by BPay, you do not need to return the Entitlement and Acceptance Form, you simply need to follow the instructions on the Entitlement and Acceptance Form. Different financial institutions may implement earlier cut off times with regards to electronic payment, so please take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPay are received by the Closing Date.

Acceptances will not be valid if they are received after the Closing Date.

Cheques or bank drafts must be made payable to 'Southern Gold Limited' and crossed 'Not Negotiable'. Cash payments will not be accepted and receipts for payment will not be provided.

SECTION 4: SUBSCRIPTION SHORTFALL

Under an exception to the Listing Rule 7.1 requirement for shareholder approval to an issue of securities in excess of 15% of the company's issued share capital, the Directors reserve the right, subject to the Listing Rules, to issue any Shortfall Shares at their discretion.

The Directors' discretion includes issuing Shortfall Shares to Shareholders who have accepted for more than their Entitlements and to the Underwriter and determining the priority for Shortfall Shares as between Shareholders and between Shareholders and the Underwriter.

The price at which the Shortfall Shares are issued must not be less than the issue price for the New Shares under the Offer. Shortfall Shares issued to Talbot as underwriter will be issued in accordance with the Underwriting Agreement, and in any event not later than 15 business days after the Closing Date. Shortfall Shares not covered by the Underwriting Agreement will be issued within 3 months of the Closing Date.

SECTION 5: UNDERWRITING

Pursuant to an Underwriting Agreement dated 23 December 2008 between the Company and Talbot, Talbot agreed to fully underwrite the Offer, thereby guaranteeing the Offer will raise \$1,558,618 in total (subject to the terms of the Underwriting Agreement).

Under the terms of the Underwriting Agreement, Talbot will receive a fee for providing the underwriting service, for a cash amount equal to 3% of the total amount raised under the Offer. As the Offer is fully underwritten, Talbot will be paid a fee of \$46,758.53, which will be set-off against the subscription monies payable by Talbot for the New Shares it subscribes for under the Offer.

The obligations of Talbot under the Underwriting Agreement are conditional on the following:

- a) if required by law, SAU lodging this Offer Memorandum with ASIC and ASX on 24 December 2008;
- b) ASX having not indicated to the Company or the Underwriter that it will not grant permission to the official quotation of the New Shares to be issued under the Offer before 3pm on 3 February 2009;
- c) the Company delivering to the Underwriter a certificate in respect of the Shortfall under the Offer by the 2nd business day after the Closing Date; and
- d) the Underwriting Agreement not being terminated on or before the Dispatch Date (being 4 February 2009).

Talbot may terminate its obligations under the Underwriting Agreement if any of the following events occur:

- a) the Company materially breaches the Underwriting Agreement or any of the warranties given by the Company ceases to be or are found not to have been true and correct in all respects;
- b) a prescribed occurrence (as specified in section 652C of the Corporations Act, and applied as if SAU was a target company within the meaning of Chapter 6 of the Corporations Act) occurs in relation to the Company or a related body corporate of the Company, other than an issue of securities or other event which is disclosed in the Offer Memorandum;
- c) there is a material misstatement or inaccuracy in or a material omission in this Offer Memorandum or any statement in the Offer Memorandum (including but not limited to, any representation with respect to any future matter) is or becomes false or misleading in a material respect;
- d) any information supplied by or on behalf of the Company to Talbot or any of its respective employees, agents or advisors in relation to the Offer is or becomes misleading or deceptive;
- e) an insolvency event occurs in relation to the Company;

- f) at any time after the date of the Underwriting Agreement, the All Ordinaries Index or the S&P/ASX 200 Index is 20% or more below its level as at the close of trading on the trading day immediately preceding the date of the Underwriting Agreement, being 22 December 2008;
- g) a person who does not control (within the meaning of section 50AA of the Corporations Act) the Company at the date of the Underwriting Agreement attains control of the Company;
- h) the Company's Shares are removed from official quotation on the ASX, or the ASX advises that it will not grant official quotation to the Shares to be issued under the Offer;
- i) an application is made to the Takeovers Panel in relation to the Offer and the application is not withdrawn or disposed of within 14 days after it is made, or the Takeovers Panel makes a declaration of unacceptable circumstances in relation to the Offer or the Underwriting Agreement;
- j) any of the following occurs which does or is likely to prohibit, restrict or regulate the Offer or materially reduces the level or likely level of valid applications under the Offer:
 - a. the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia;
 - b. the public announcement of:
 - i. prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
 - ii. the reversal of any public announcements made on or before the date of this Agreement in respect of any prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
 - iii. the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy;
- k) ASIC gives notice of its intention to hold a hearing in relation to this Offer Memorandum under section 739(2) of the Corporations Act or makes an order under sections 739(1), 739(3) or 739(4) of the Corporations Act;
- l) the Company breaches a material provision of its Constitution, the Listing Rules, the Corporations Act, or of the terms of any instrument or waiver granted by ASIC or ASX in relation to the Offer or this Offer Memorandum;
- m) no material adverse change having occurred between the date of the Underwriting Agreement and the Closing Date, being a change that is materially adverse to the business, financial condition or results of operations or prospects of the Company or any of its subsidiaries, or a change that would result in the obligations of Talbot under the Underwriting Agreement becoming materially more onerous than at the date of the Underwriting Agreement;
- n) there is any outbreak of hostilities, or there is a material escalation of existing hostilities, whether war has been declared or not, or a major act of terrorism, which directly involves Australia;

- o) the Company withdraws the Offer Memorandum or the Offer fails to proceed; or
- p) an event specified in the timetable for the Offer is delayed for more than 3 business days.

In accordance with the Listing Rules, any New Shares applied for by Talbot pursuant to the Underwriting Agreement will be issued within 15 business days after the Closing Date.

Talbot's commitment to fully underwrite the Offer is evidence of Talbot's continued support of the Company and their positive outlook for the future of the Company. SAU is grateful for their continued support.

SECTION 6: FURTHER INFORMATION

1. Reliance on Offer Memorandum

This Offer Memorandum has been prepared in accordance with section 708AA of the Corporations Act. In general terms, section 708AA relates to rights issues by certain companies that do not require the provision of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Memorandum is considerably less than the level of disclosure required in a prospectus.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of SAU, refer to disclosures made by SAU to ASX (which are available for inspection on the ASX website at www.asx.com.au and on SAU's website at www.southerngold.com.au) and seek the advice of your professional adviser.

2. Further information

If you have any questions about your entitlement to New Shares, please contact either:

- (a) SAU's share registry, Computershare Investor Services Pty Ltd, on 1300 787 272 (within Australia) or + 61 3 9415 4000 (outside Australia); or
- (b) your stockbroker or professional adviser.

3. Southern Uranium Limited shares

SAU currently holds 65 million shares in the capital of Southern Uranium Limited (**SNU**) and these shares are subject to ASX-imposed escrow until 30 April 2009. While the shares can be disposed of only in limited circumstances in any event, SAU does not intend to dispose of those shares until after the expiry of the escrow period.

After the expiry of the escrow period, SAU intends to evaluate its options for disposal of the shares and intends to enter into discussions with SNU, its major shareholders and other interested parties to seek the best disposal outcome.

SECTION 7: DEFINED TERMS

In this Offer Memorandum, the following words have the following meanings unless the context requires otherwise:

ASX	Australian Securities Exchange.
Closing Date	the last date for accepting the Offer, being 5.00pm Adelaide time on Tuesday 27 January 2009.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	the directors of SAU.
Entitlement	is defined in paragraph 2 of Section 1.
Entitlement and Acceptance Form	The personalised form accompanying this Offer Memorandum.
Excluded Shareholder	a registered holder of Shares on the Record Date with a registered address in a country outside of either Australia or New Zealand.
Listing Rules	the official listing rules of ASX Limited.
SAU or Company	Southern Gold Limited ACN 107 531 822
New Share	a Share to be issued pursuant to this Offer Memorandum at \$0.05 per Share.
Offer	the offer made under this Offer Memorandum of one New Share for every three Shares held by a Shareholder on the Record Date.
Offer Memorandum	this memorandum under which the Offer is being made.
Record Date	5.00pm Adelaide time on Tuesday 6 January 2009.
Share	a fully paid ordinary share in the capital of SAU.
Shareholder	a registered holder of Shares with a registered address in either Australia or New Zealand.
Shortfall Shares	is defined in paragraph 3 of Section 1.
Talbot	Talbot Group Holdings Pty Ltd (ACN 010 949 630).
Underwriting Agreement	The agreement of that name made between the Company and Talbot dated 23 December 2008.