



SOUTHERN**GOLD**

Southern Gold Limited and Controlled Entities

**Annual Financial Report
30 June 2009**

Southern Gold Limited and controlled entities

Directors' Report

The directors present their report of Southern Gold Limited (the Company) and its controlled entities (consolidated group) for the financial year ended 30 June 2009.

Principal Activities

The principal continuing activity of the consolidated group in the year was the exploration for gold, copper, nickel, geothermal and other economic mineral deposits.

Financial Results

The net result of operations for the consolidated group for the year was a loss after income tax of \$3,557,337 (2008: \$3,104,465)

Dividends

No dividends were paid or declared since the start of the financial year, and the directors do not recommend the payment of dividends in respect of the financial year.

Review of Operations

The Company made a number of substantial advances on its existing Australian and Cambodian gold projects during the financial year under financially and operationally challenging times for the mining industry. Although financing constraints delayed progress on a number of the Company's projects, advancements were made over the past 12 months on a number of projects showing great potential while also some prospective new projects were discovered.

In Cambodia, the first significant gold intersections of 8m @ 5.9g/t on the Company's 100% owned Anchor Prospect were discovered which vindicated the early mover strategy of Southern Gold into Cambodia. Southern Gold is ideally positioned in Cambodia with 7 granted tenements, this recent drilling success and a \$4.5 million joint venture with the Japanese Government backed JOGMEC.

High grade shoots intersected on the Challenger Area Gold Project in South Australia confirm the potential for more Challenger-style mineralisation in the project area which surround Dominion Mining's million ounce Challenger Mine. The Company is currently identifying a number of high grade shoots at Golf Bore as an example of using innovative exploration while also applying the "Challenger" geological model to identify multiple anomalous exploration targets on a regional scale within trucking distance from the Challenger Mine.

During the year the Company established a large estimated Inferred Geothermal Resource of 260,000 PJ (petajoules) within Southern Gold's 100% owned Roxby Geothermal Project. This Project has grown rapidly over the financial year and now covers an area of 10,000 km² over one of Australia's largest geothermal hot spot in South Australia and is 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 grid at Port Augusta. Preliminary economic modelling demonstrates the potential for a highly attractive, baseload renewable energy development project with favourable power generation costs.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated group other than that referred to in the financial statements or notes thereto.

Events Subsequent to Balance Date

The Company is currently engaged in divesting its investment in Southern Uranium Limited (SNU) and has entered into an agreement that has been underwritten by both Talbot Group Holdings Pty Ltd and CITIC Australia Pty Ltd to offer its 45,000,000 shares in SNU to SNU shareholders at a price of 5.5 cents per share to raise \$2.475 million gross proceeds. At a General Meeting held on 11 September 2009 the Company's shareholders approved the transaction. On 21 September 2009 SNU shareholders also approved the transaction. However the one remaining condition precedent to the transaction, which is

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the receipt of approval from the Foreign Investment Review Board for CITIC to increase its shareholding in SNU is yet to be received as at the date of this report. The Company will review its position on the transaction after the 30 September 2009 which is when under the underwriting agreement all conditions precedent are required to have been met.

Other than as mentioned above, there has not arisen in the interval any matters or circumstances, since the end of the financial year which significantly affected or could affect the operations of the Company, the results of those operations, or the state of the Company in future years.

Likely Developments

Further information about likely developments in the operations of the Company and the expected results of those operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Environmental Regulation and Performance Statement

The Company's operations are subject to significant environmental regulations under Commonwealth, South Australian, West Australian and NSW legislation in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Company on any of its tenements. To date the Company has only carried out exploration activities and there have been no known breaches of any environmental obligations.

Options

At the date of this report, the unissued ordinary shares of Southern Gold Limited under option are as follows:

Grant Date	Date of Expiry	Fair Value at Grant Date (\$)	Exercise Price (\$)	Number under Option
15.05.2006	30.06.2010	0.210	0.35	1,720,000
8.12.2006	7.12.2011	0.254	0.315	250,000
19.02.2007	27.11.2011	0.239	0.50	1,000,000
19.02.2007	7.02.2012	0.231	0.50	500,000
7.05.2007	7.02.2012	0.467	0.50	500,000
22.10.2007	21.10.2012	0.310	0.35	250,000
26.02.2008	28.11.2012	0.132	0.75	1,000,000
25.06.2008	25.03.2013	0.131	0.19	200,000
26.08.2008	25.05.2013	0.109	0.20	100,000
30.09.2008	30.09.2013	0.096	0.15	675,000
30.09.2008	30.09.2013	0.093	0.15	675,000
29.06.2009	29.06.2012	0.080	0.15	1,500,000
30.06.2009	30.06.2014	0.098	0.30	150,000
				8,520,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

For details of options issued to Directors and Executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2009, no ordinary shares of Southern Gold Limited were issued on the exercise of options granted. No further shares have been issued since year end.

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Directors

The Directors of the Company at any time during or since the end of the financial year are as set out below. Details of Directors' qualifications, experience and special responsibilities are as follows:

Greg Boulton

B.A (Accounting), FCA, FCPA, FAICD (Non Executive Chairman)

Greg has extensive commercial experience spanning over 25 years as CEO and Non-Executive Director for many Private and Public companies. He has broad experience in capital raisings, acquisitions and commercial negotiations and is a Fellow of the Institute of Chartered Accountants, CPA Australia and the Australian Institute of Company Directors.

Greg is currently Chairman of Paragon Equity Limited, an Adelaide based private equity firm and Deputy Chairman of K&S Corporation Limited. He is also on the board of the Statewide Superannuation Trust.

Stephen Biggins

BSc (Hons) Geol, MBA, MAusIMM (Managing Director)

Stephen is a founding Managing Director of Southern Gold and has been running the Company since its inception in early 2004. Prior to this, Stephen accumulated broad experience as a geologist in mineral exploration, development and mining throughout Australia over the past 15 years. He has also applied his MBA to the management of exploration, resource definition and feasibility studies.

Stephen's experience in small company, large corporate and government context within the mining industry provides insight for decision making and strategy.

Stephen was also a Non-executive Director of Southern Uranium Limited until he resigned on 26 February 2009.

Mick Billing

B Bus, ASA (Non-Executive Director)

Mick is an accountant with in excess of 30 years of mining industry experience in company secretarial, senior commercial, and chief financial officer roles including lengthy periods with Bougainville Copper Ltd and WMC Resources Ltd. He has had experience with corporate governance issues, debt and equity raising, and project evaluation and feasibility studies in Australia and overseas, and consults to a number of companies in these fields.

Mick is Chairman of Western Desert Resources Limited and Thor Mining PLC and until recently a Non-Executive Director of Australasia Gold Limited.

John Anderson

BSc (Hons), MAusIMM, MSEG, MAIG, MGSA (Non-Executive Director) – (Resigned 2 December 2008)

John is an Australian geologist and exploration manager of 33 years experience primarily with Aberfoyle and MIM. This included the role of General Manager – Exploration Australia and Africa for MIM Exploration Pty Ltd. His current role is Managing Director of Southern Uranium Limited based in Brisbane.

He has managed minerals exploration for a variety of commodities throughout Australia including the major mining centres of Broken Hill, Mount Isa and Kalgoorlie. His teams' discoveries included the zinc-lead-silver-gold resource being mined at Angas and several mineral sands deposits in the Murray Basin.

John is a former President of the South Australian Chamber of Mines and Energy and continues to contribute to the Mining Industry's advocacy on community relations and access.

Mike McDonald

(Non-Executive Director) – (resigned 31 January 2009)

Mike is a lawyer and partner in specialist resources law firm McDonald Steed McGrath. Mike has over 30 years experience working within the resources sector, having been in-house counsel for the Bell

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Group and Delhi Petroleum prior to founding McDonald Steed McGrath in 1988.

Mike has specialised in providing start up and operation services to mining, energy and infrastructure projects in South Australia and elsewhere and has extensive experience in corporate advisory services, initial public offerings, native title and government approval processes for new mining projects.

Mike has held executive and non executive roles as Director and Company Secretary in a number of Australian public companies and was a promoter and founding director of Southern Gold Limited.

Mark Duffy

(Non-executive Director) – (appointed 2 March 2009, ceased 28 May 2009)

Mark previously was CEO for the Base Metals Division of the Talbot Group of Companies and has had over 18 years experience in the mining industry having worked in various management and leadership roles within engineering, operational and research disciplines across a diverse commodity base. He holds both a Bachelor of Engineering Honours (Metallurgy) and a Masters of Engineering Science (Mineral Processing) from the University of Queensland and has a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Remuneration Report (audited)

Remuneration Policy (audited)

The remuneration policy is designed to align Key Management Personnel objectives with shareholder and business objectives by providing a fixed remuneration package to Non-executive Directors and time based remuneration to Executive Directors. The Board of Southern Gold believes the policy to be appropriate and effective in attracting and retaining the best Directors and Executives to manage and direct the Consolidated Group, as well as create goal congruence between Directors, Executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other Key Management Personnel of the Company is as follows:

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-executive Directors has been set at \$200,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing Director is determined by the Non-executive Directors and approved by the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of Southern Gold given the nature of the Company's business as a mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders

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by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

The employment conditions of the Managing Director, Mr Biggins, are formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Managing Director's contract may be terminated at any time by mutual agreement. The Company may terminate the contract without notice in instances of serious misconduct.

Mr Harding is not employed by the Company. His services are provided in his capacity as a consultant to act as Chief Financial Officer and Company Secretary of Southern Gold.

Performance-based Remuneration (audited)

The Consolidated Group currently has no performance based remuneration component built into Non-executive Director packages. The Managing Director has included in his remuneration package an incentive payment based on a percentage of fixed remuneration, conditional upon the achievement of certain performance criteria being met. The maximum percentage of fixed remuneration for the current financial year is 25%. The performance conditions, or Key Performance Indicators (KPI's) are set by the Board, and may vary from year to year, but reflect the financial and operating goals of Southern Gold Limited. The Board has set KPI measures, which must be achieved in any individual KPI before an entitlement to any payment for that KPI.

The Consolidated Group has one Executive Director, and two Non-executive Directors. The Managing Director is paid a salary, while Non-executive Directors are paid directors' fees. The Directors do not currently participate in any incentive scheme.

Remuneration packages contain the following key elements:

Primary Benefits – salary/fees;

Post Employment Benefits – superannuation

Shares issued on exercise of remuneration options (audited)

No shares were issued to Directors as a result of the exercise of remuneration options during the financial year.

Directors' interests in shares and options (audited)

Directors' relevant interests in shares and options of the Company are disclosed in Note 4 of the Financial Report.

Options granted as remuneration (audited)

No other options were granted to Directors or Key Management Personnel of the Company during the financial year.

Remuneration of Directors and Key Management Personnel

This report details the nature and amount of remuneration for each Key Management Person of Southern Gold Limited and for Executives receiving the highest remuneration.

(a) Directors and Key Management Personnel

The names and positions held by Directors and Key Management Personnel of the Company during or since the end of the financial year are:

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Directors	Position
G C Boulton	Chairman – Non-executive
S R Biggins	Managing Director - Executive
M R Billing	Director – Non-executive
J A Anderson ¹	Director – Non-executive
M W McDonald ²	Director – Non-executive
M S Duffy ³	Director – Non-executive

Key Management Personnel	
N J Harding	Chief Financial Officer / Company Secretary
P W Hill	Exploration Manager

¹ J A Anderson resigned 2 December 2008

² M W McDonald resigned 31 January 2009

³ M S Duffy's Directorship commenced 2 March 2009 and ceased on 28 May 2009

(b) Directors' remuneration

2009 Primary Benefits	Directors' Fees	Salary and Leave	Cash Bonus	Performance Incentive Payments	Super Contribution	Options	Total
	\$	\$	\$	\$	\$	\$	\$
G C Boulton	80,000	-	-	-	-	-	80,000
S R Biggins	-	267,556	-	-	37,950	-	305,506
M R Billing	36,400	-	-	-	3,600	-	40,000
J A Anderson	15,291	-	-	-	1,376	-	16,667
M W McDonald	23,333	-	-	-	-	-	23,333
M S Duffy	-	-	-	-	-	-	-
	155,024	267,556	-	-	42,926	-	465,506

2008 Primary Benefits	Directors' Fees	Salary and Leave	Cash Bonus	Performance Incentive Payments	Super Contribution	Options ¹	Total
	\$	\$	\$	\$	\$	\$	\$
G C Boulton	28,965	-	-	-	-	-	28,965
S R Biggins	-	220,001	-	-	33,000	65,934	318,935
M R Billing	35,617	-	-	-	3,550	65,934	105,101
J A Anderson	35,933	-	-	-	3,234	65,934	105,101
M W McDonald	39,167	-	-	-	-	65,934	105,101
C M Horn	35,933	-	-	-	88,234	65,934	190,101
	175,615	220,001	-	-	128,018	329,670	853,304

¹ Directors were issued 500,000 options at an exercise price of 75 cents in February 2008, expiring on 28 November 2012.

The Directors conclude that there are no other executives requiring disclosure other than those listed above.

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(c) Service agreements

Remuneration and other items of employment for the Managing Director, Mr Stephen Biggins, are formalised in a service agreement agreed to by the Board. The major provisions are as follows:

- Mr Biggins agrees to provide his services on an annual basis with an option to extend for a further 12 months at the expiration date. The current service agreement expires on 21 April 2010.
- Remuneration of \$253,000 per annum plus 15% superannuation contributions.
- Termination without notice in the event that Mr Biggins
 - is guilty of serious or wilful misconduct
 - fails to remedy a breach of the Agreement within 14 days of receipt of notice to do so
- Termination without cause by either party with the provision of three calendar months' notice.

The Company entered into a service agreement with an entity associated with Mr Boulton on 19 February 2008 to provide services over and above his duties as Chairman on an as needs basis at a daily rate of \$1,000 covering his term as a Non-executive Director of the Company.

The Company entered into a service agreement with an entity associated with Mr Billing on 24 April 2005 to provide services over and above his duties as a Non-executive Director on an as needs basis at a daily rate of \$900 covering his term as a Non-executive Director of the Company.

The Company entered into a service agreement with an entity associated with Mr Anderson on 24 April 2005 to provide services over and above his duties as a Non-executive Director on an as needs basis at a daily rate of \$900 covering his term as a Non-executive Director of the Company.

The Company entered into a service agreement with an entity associated with Mr McDonald on 24 April 2005 to provide services over and above his duties as a Non-executive Director on an as needs basis at daily commercial rates covering his term as a Non-executive Director of the Company.

(d) Director related entities

During the year to 30 June 2009 the Company paid legal fees totalling \$47,820 to a Director related entity of Mr McDonald, and consulting fees totalling \$9,375 to a Director related entity of Mr Boulton for services provided beyond their duties as Non-executive Directors.

(e) Key Management Personnel Remuneration

2009 Primary Benefits	Salary and Leave \$	Cash Bonus \$	Super Contribution \$	Options ² \$	Total \$
N J Harding ¹	-	-	-	-	-
P W Hill	154,668	-	19,381	28,429	202,478
	154,668	-	19,381	28,429	202,478

2008 Primary Benefits	Salary and Leave \$	Cash Bonus \$	Super Contribution \$	Options \$	Total \$
N J Harding ¹	-	-	-	-	-
P W Hill	156,667	-	20,700	-	177,367
	156,667	-	20,700	-	177,367

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¹ Mr Harding was appointed Chief Financial Officer on 7 April 2008 and additionally Company Secretary from 19 February 2009. Mr Harding is not employed by the Company. His services are provided in his capacity as a consultant to act as Chief Financial Officer and Company Secretary of Southern Gold Limited.

² Mr Hill was issued 300,000 Options at an exercise price of 15 cents in September 2008, expiring on 30 September 2013.

(f) Key Management Personnel post employment/retirement and termination benefits

There were no post employment retirement and termination benefits paid or payable to Key Management Personnel.

Meetings of Directors

The Company held 13 meetings of Directors during the financial year. Attendances by each Director during the year were as follows:

	Number of Board Meetings Eligible to Attend	Number of Board Meetings Attended
G C Boulton	13	13
S R Biggins	13	13
M R Billing	13	13
J A Anderson	5	3
M W McDonald	8	8
M S Duffy	3	3

Non-audit services

The Board of Directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non audit services as set out below, did not compromise the audit independence requirement of the Corporations Act 2001 for the following reasons.

- All non-audit services have been reviewed by the Board to ensure they do not adversely affect the integrity and objectivity of the auditor.
- The nature of the services provided do not compromise the general principle relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

	\$
Preparation of Income Tax returns	12,850
Provision of tax advice	39,225

Indemnification and insurance of officers

Indemnification

The Company is required to indemnify the Directors and other officers of the Company against any liabilities incurred by the Directors and officers that may arise from their position as Directors and officers of the Company. No costs were incurred during the year pursuant to this indemnity.

The Company has entered into deeds of indemnity with each Director whereby, to the extent permitted

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by the Corporations Act 2001, the Company agreed to indemnify each Director against loss and liability as an officer of the Company, including all liability in defending any relevant proceedings.

Insurance Premiums

Since the end of the previous year the Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses' insurance contracts.

The terms of the policies prohibit disclosure of details of the amount of insurance cover, the nature thereof and the premium paid.

Proceedings on behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor of the Company

The auditor of the Company for the financial year was Grant Thornton.

Auditor's Independence Declaration

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 for the year ended 30 June 2009 is set out immediately following the end of the Directors' report.

Dated at Adelaide, this 28th day of September 2009

The report of Directors, incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors:



G C Boulton
Chairman



S R Biggins
Managing Director

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Consolidated Income Statement for the Financial Year ended 30 June 2009

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue from ordinary activities	2	256,297	337,732	217,109	294,665
Exploration expense written off		(675,659)	(787,276)	(383,226)	(8,846)
Salaries and wages		(803,358)	(286,104)	(435,352)	(183,457)
Directors fees		(155,024)	(303,632)	(155,024)	(303,632)
Audit fees		(26,893)	(27,800)	(26,893)	(27,800)
Legal expenses		(108,733)	(80,075)	(88,562)	(80,075)
Insurance expenses		(34,474)	(17,289)	(20,421)	(13,981)
Shareholder relations		(142,289)	(175,984)	(142,289)	(175,984)
Other consulting expenses		(356,999)	(294,450)	(354,350)	(294,450)
Other administrative expenses	2	(430,950)	(329,743)	(287,511)	(302,746)
Depreciation		(61,889)	(45,813)	(31,219)	(44,776)
Share based payments		(301,121)	(587,964)	(301,121)	(587,964)
Impairment of assets		-	-	(435,565)	(123,499)
Loan forgiveness of subsidies		-	-	(239,765)	(778,430)
Share of associate's loss		(665,146)	(473,337)	-	-
Loss from ordinary activities before income tax expense	2	(3,506,238)	(3,071,735)	(2,684,189)	(2,630,975)
Income tax expense relating to ordinary activities	3	(51,099)	(32,730)	(51,099)	(32,730)
Net loss for the year		(3,557,337)	(3,104,465)	(2,735,288)	(2,663,705)
Earnings Per Share					
Basic (cents per share) - Loss	22	(3.37)	(3.67)		
Diluted (cents per share) - Loss	22	(3.37)	(3.67)		

The above income statement should be read in conjunction with the accompanying notes.

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Consolidated Balance Sheet as at 30 June 2009

	Note	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
CURRENT ASSETS					
Cash and cash equivalents	5	1,961,189	1,734,659	1,955,818	1,685,335
Trade and other receivables	6	402,654	535,771	73,268	61,859
Other financial assets	7	132,622	41,027	106,588	21,635
TOTAL CURRENT ASSETS		2,496,465	2,311,457	2,135,674	1,768,829
NON-CURRENT ASSETS					
Other assets	7	215,117	294,630	70,000	120,000
Exploration and evaluation expenditure	8	10,641,436	9,757,432	4,861,793	4,821,424
Plant and equipment	9	142,054	170,351	48,535	76,662
Receivables from related parties	10	-	-	6,025,362	5,746,285
Investments	13	-	665,146	1,252,685	1,252,685
TOTAL NON-CURRENT ASSETS		10,998,607	10,887,559	12,258,375	12,017,056
TOTAL ASSETS		13,495,072	13,199,016	14,394,049	13,785,885
CURRENT LIABILITIES					
Trade and other payables	11	799,226	511,847	445,517	511,177
Provision for employee entitlements	12	16,854	108,567	16,854	108,567
TOTAL CURRENT LIABILITIES		816,080	620,414	462,371	619,744
NON-CURRENT LIABILITIES					
Provision for employee entitlements	12	21,836	17,672	21,836	17,672
Deferred income		-	13,885	-	13,885
TOTAL NON-CURRENT LIABILITIES		21,836	31,557	21,836	31,557
TOTAL LIABILITIES		837,916	651,971	484,207	651,301
NET ASSETS		12,657,156	12,547,045	13,909,842	13,134,584
EQUITY					
Issued capital	14	20,258,866	17,049,441	20,258,866	17,049,441
Reserve		1,844,707	1,386,684	1,687,739	1,386,618
Accumulated losses		(9,446,417)	(5,889,080)	(8,036,763)	(5,301,475)
TOTAL EQUITY		12,657,156	12,547,045	13,909,842	13,134,584

The above balance sheet should be read in conjunction with the accompanying notes.

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Statement of change in equity for the year ended 30 June 2009

	Consolidated Group					Parent Entity			
	Issued Capital	Accumulated Losses	Share-based payment reserve	Foreign Currency Translation Reserve	Total	Issued Capital	Accumulated Losses	Share-based payment reserve	Total
	\$	\$		\$	\$	\$	\$	\$	\$
Balance at 1 July 2007	11,208,031	(2,784,615)	789,411	-	9,212,827	11,208,031	(2,637,770)	789,411	9,359,672
Profit/(loss) attributable to members of the parent entity	-	(3,104,465)	-	-	(3,104,465)	-	(2,663,705)	-	(2,663,705)
Share of associate's shared-based payments	-	-	32,643	-	32,643	-	-	-	-
Fair value of options issued to employees	-	-	597,207	-	597,207	-	-	597,207	597,207
Adjustment for translation of foreign controlled entity	-	-	-	(32,577)	(32,577)	-	-	-	-
Issue of Share Capital	5,841,410	-	-	-	5,841,410	5,841,410	-	-	5,841,410
Balance at 30 June 2008	17,049,441	(5,889,080)	1,419,261	(32,577)	12,547,045	17,049,441	(5,301,475)	1,386,618	13,134,584

	Consolidated Group					Parent Entity			
	Issued Capital	Accumulated Losses	Share-based payment reserve	Foreign Currency Translation Reserve	Total	Issued Capital	Accumulated Losses	Share-based payment reserve	Total
	\$	\$		\$	\$	\$	\$	\$	\$
Balance at 1 July 2008	17,049,441	(5,889,080)	1,419,261	(32,577)	12,547,045	17,049,441	(5,301,475)	1,386,618	13,134,584
Profit/(loss) attributable to members of the parent entity	-	(3,557,337)	-	-	(3,557,337)	-	(2,735,288)	-	(2,735,288)
Share of associate's shared-based payments	-	-	-	-	-	-	-	-	-
Fair value of options issued to employees	-	-	301,121	-	301,121	-	-	301,121	301,121
Adjustment for translation of foreign controlled entity	-	-	-	156,902	156,902	-	-	-	-
Issue of Share Capital	3,209,425	-	-	-	3,209,425	3,209,425	-	-	3,209,425
Balance at 30 June 2009	20,258,866	(9,446,417)	1,720,382	124,325	12,657,156	20,258,866	(8,036,763)	1,687,739	13,909,842

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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Consolidated Cash Flow Statement for the year ended 30 June 2009

	Note	Inflows/(Outflows)			
		Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash flows relating to operating activities					
Interest received		45,438	197,981	45,438	197,981
Payments to suppliers and employees		(1,363,260)	(1,526,523)	(1,860,742)	(2,103,688)
Net operating cash flows (Note (a))		(1,317,822)	(1,328,542)	(1,815,304)	(1,905,707)
Cash flows relating to investing activities					
Payments for mining tenements, exploration and evaluation expenditure		(2,492,596)	(7,874,594)	(644,582)	(3,728,384)
Reimbursed from co-venturers		1,102,874	1,710,469	65,304	1,344,613
Payments for plant and equipment		(13,160)	(122,243)	(3,092)	(27,517)
Funding of controlled entities		-	-	(279,077)	(3,347,240)
Net investing cash flows		(1,402,882)	(6,286,368)	(861,447)	(5,758,528)
Cash flows relating to financing activities					
Proceeds from share issues		3,117,564	5,917,780	3,117,564	5,917,780
Payments for share issue costs		(170,330)	(109,100)	(170,330)	(109,100)
Net financing cash flows		2,947,234	5,808,680	2,947,234	5,808,680
Net increase/(decrease) in cash		226,530	(1,806,230)	270,483	(1,855,554)
Cash at beginning of financial year	5	1,734,659	3,540,889	1,685,335	3,540,889
Cash at end of financial year	5	1,961,189	1,734,659	1,955,818	1,685,335
Note (a): Reconciliation of net loss from ordinary activities to net cash flow from ordinary activities.					
Loss from ordinary activities after related income tax		(3,557,337)	(3,104,465)	(2,735,288)	(2,663,705)
Non-cash flows in profit					
Share of subsidiary Loss		665,146	473,337	-	-
Share based remuneration		301,121	587,964	301,121	587,964
Shares issued for tenements		170,000	-	170,000	-
Deferred Income		(13,885)	-	(13,885)	-
Depreciation		61,889	45,813	31,219	44,776
Movement in foreign exchange		(24,443)	(32,577)	-	-
Exploration written off		675,659	787,276	383,226	8,846
Changes in assets and liabilities					
(Increase) decrease in receivables		(21,063)	9,495	(878)	18,446
(Increase) decrease in prepayments		(12,082)	(245,720)	(34,953)	(51,698)
(Increase) decrease in deferred tax asset		51,099	32,730	51,099	32,730
Increase/(decrease) in payables		473,623	39,814	120,584	39,143
Increase/(decrease) in provisions		(87,549)	77,791	(87,549)	77,791
Net operating cash flows		(1,317,822)	(1,328,542)	(1,815,304)	(1,905,707)

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Financial Year Ended 30 June 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Southern Gold Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Southern Gold Limited as an individual parent entity ('Parent Entity').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report covers the consolidated group of Southern Gold Limited and controlled entities, and Southern Gold Limited as an individual parent entity. Southern Gold Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted by the Consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

a. Principles of Consolidation

A controlled entity is any entity Southern Gold Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 23 to the financial statements. All controlled entities have a June financial year-end.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The purchase method of accounting is used to account for the acquisition of subsidiaries.

All inter-company balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Parent Entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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Where controlled entities have entered or left the Consolidated Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Accounting policies of subsidiaries are consistent with those adopted by the Parent Entity.

b. Income Tax

The income tax expense (benefit) for the year comprises current income tax expense/(income) and deferred income tax (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted at reporting date.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (expense)/benefit is charged or credited directly to equity instead of the profit and loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Southern Gold Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Group includes the cost of

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materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment 5–33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. Exploration and Evaluation Expenditure

Exploration and evaluation and expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

e. Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the provisions to the instrument. For financial assets this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through the profit or loss', in which case the costs are expensed to the profit and loss immediately.

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Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the interest rate method or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties. Where available, quoted prices, in an active market are used to determine fair value.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments,

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

ii. Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

f. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

g. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

h. Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates.

Where there has been a change recognised directly in an associate's equity, the Group recognises its share of any changes and discloses this in the statement of recognised income and expense. The reporting dates of the associates and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

i. Interests in Joint Ventures

The Consolidated Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the Consolidated Group's interests are shown at Note 17.

j. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. The cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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Share based payments

The Company has an Employee Share Option Plan where employees may be provided with options to acquire shares in the Company. The fair value of the options are measured at grant date and recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of options is ascertained using the Black-Scholes pricing model which incorporates all market vesting conditions.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

m. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the financial position.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment of Exploration and Evaluation Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of exploration and evaluation assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The Group capitalises expenditure relating to exploration and evaluation where it is considered

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likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

r. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

s. New accounting standards and interpretations

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB127, AASB 134, AASB 136, AASB 1023 and AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Groups' Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe that impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 amendments supersede the previous AASB 101 and redefine the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet at the beginning of the comparative period will be required.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but

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necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

t. Going Concern Basis of Accounting

At 30 June 2009, the Company has \$1,961,189 in cash and cash equivalents. The Company has forecast that it could deplete its current cash reserves by 30 June 2010. Per Note 24, the Company has entered into an in principle agreement to sell 45,000,000 fully paid shares in Southern Uranium Limited to Southern Uranium Limited's shareholders at 5.5 cents per share, raising \$2,475,000. The sale is fully underwritten by Talbot Group Holdings Pty Ltd and CITIC Australia Pty Ltd.

The in principle agreement is subject to certain conditions precedent being met. The conditions precedent have been satisfied with the exception of approval from the Foreign Investment Review Board for one of the two joint underwriters to the transaction, CITIC Australia Pty Ltd, to acquire its respective proportion of the underwritten shares pursuant to the underwriting agreement.

In the event that this condition is not achieved, then action would be taken to reduce the operational expenditure or seek additional sources of capital so that the Company and Consolidated Entity can continue as a going concern and realise their assets and extinguish their liabilities at the amounts stated in the financial report. The Company sees no reason why it will not be able to raise such sources of capital under prevailing market conditions.

The financial report was authorised for issue on 28 September 2009 by the Board of Directors.

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	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
2. LOSS FROM ORDINARY ACTIVITIES				
Loss from ordinary activities included the following items of revenue and expense:				
a.) Operating Revenue				
Interest received/receivable	36,236	207,183	36,236	207,183
Other Income	220,061	130,549	180,873	87,482
	256,297	337,732	217,109	294,665
b.) Other Administrative Expenses				
Office rent	152,339	62,822	112,567	60,173
3. INCOME TAX EXPENSE				
a.) The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax attributable to operating loss as follows:				
Loss from ordinary activities	3,506,238	3,071,735	2,684,189	2,630,975
Income tax benefit calculated at 30% of operating loss	1,051,871	921,521	805,257	789,293
Tax effect of capital raising costs*	51,099	32,730	51,099	32,730
Income tax adjusted for temporary differences	1,102,970	954,251	856,356	822,023
Timing differences and tax losses not brought to account	(1,102,970)	(954,251)	(856,356)	(822,023)
Income tax attributable to loss from ordinary activities	-	-	-	-
* during the year it was determined that capital raising costs will be brought to account in the financial statements				
b) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur				
Timing differences	51,099	32,730	51,099	32,730
Operating Losses	1,051,871	921,521	805,257	789,293
	1,102,970	954,251	856,356	822,023

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- i. assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- ii. conditions for deductibility imposed by the law are complied with; and
- iii. no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

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4. INTERESTS OF KEY MANAGEMENT PERSONNEL

- (a) The names and positions held of Consolidated and Parent Entity Key Management Personnel in office at any time during the financial year are:

Directors	Position
G C Boulton	Chairman – Non-executive
S R Biggins	Managing Director - Executive
M R Billing	Director – Non-executive
J A Anderson ¹	Director – Non-executive (resigned 2 December 2008)
M W McDonald ²	Director – Non-executive (resigned 31 January 2009)
M S Duffy ³	Director – Non-executive (appointed 2 March 2009, ceased 28 May 2009)

Key Management Personnel	
N J Harding	Chief Financial Officer / Company Secretary
P W Hill	Exploration Manager

Key Management Personnel remuneration paid or payable has been included in the Remuneration Report of the Directors Report for the year ended 30 June 2009.

- (b) The number of ordinary shares held by Key Management Personnel in Southern Gold Limited during the financial year is as follows:

30 June 2009	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during year	Other changes during the year ⁴	Balance at end of year
G C Boulton	150,000	-	-	500,000	650,000
S R Biggins	3,357,727	-	-	400,000	3,757,727
M R Billing	1,957,045	-	-	19,016	1,976,061
J A Anderson ¹	2,603,727	-	-	-	2,603,727
M W McDonald ²	1,871,820	-	-	-	1,871,820
M S Duffy ³	-	-	-	-	-
N J Harding	-	-	-	-	-
P W Hill	-	-	-	-	-
	9,940,319	-	-	919,016	10,859,335

30 June 2008	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during year	Other changes during the year	Balance at end of year
G C Boulton	-	-	-	150,000	150,000
S R Biggins	3,437,727	-	-	(80,000)	3,357,727
M R Billing	1,797,545	-	-	159,500	1,957,045
J A Anderson ¹	2,603,727	-	-	-	2,603,727
M W McDonald ²	1,871,820	-	-	-	1,871,820
C M Horn	2,085,000	-	-	120,000	2,205,000
N J Harding	-	-	-	-	-
P W Hill	-	-	-	-	-
	11,795,819	-	-	349,500	12,145,319

¹ J A Anderson resigned 2 December 2008

² M W McDonald resigned 31 January 2009

³ M S Duffy's Directorship commenced 2 March 2009 and ceased on 28 May 2009

⁴ Purchases of shares on market or through take up of shares by Directors under the February 2009 rights issue

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- (c) The number of options over ordinary shares held by Key Management Personnel in Southern Gold Limited during the year is as follows:

30 June 2009	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year ¹	Balance at end of year	Vested during the year	Vested and exercisable
G C Boulton	-	-	-	-	-	-	-
S R Biggins	1,500,000	-	-	-	1,500,000	-	1,500,000
M R Billing	500,000	-	-	-	500,000	-	500,000
J A Anderson	500,000	-	-	(500,000)	-	-	-
M W McDonald	500,000	-	-	(500,000)	-	-	-
M S Duffy	-	-	-	-	-	-	-
N J Harding	-	350,000	-	-	350,000	350,000	350,000
P W Hill	250,000	300,000	-	-	550,000	300,000	550,000
	3,250,000	650,000	-	(1,000,000)	2,900,000	650,000	2,900,000

30 June 2008	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable
G C Boulton	-	-	-	-	-	-	-
S R Biggins	1,850,000	500,000	-	(850,000)	1,500,000	500,000	1,500,000
M R Billing	565,000	500,000	-	(565,000)	500,000	500,000	500,000
J A Anderson	746,500	500,000	-	(746,500)	500,000	500,000	500,000
M W McDonald	607,160	500,000	-	(607,160)	500,000	500,000	500,000
C M Horn	625,000	500,000	-	(1,125,000)	-	500,000	-
N J Harding	-	-	-	-	-	-	-
P W Hill	250,000	-	-	-	250,000	-	250,000
	4,643,660	2,500,000	-	(3,893,660)	3,250,000	2,500,000	3,250,000

¹ Forfeiture of options on resignation as a Director of the Company

(d) Other Key Management Personnel Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with Key Management Personnel, refer to Note 16 Related Parties. For details of payables to Key Management Personnel, refer to Note 11 Trade and Other Payables.

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	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
5. CASH AND CASH EQUIVALENTS				
Cheque Account	155,820	101,249	150,449	51,925
Westpac Banking Corporation Deposit Account – Interest rate of 2.8% (2008: 6.0%)	1,805,369	14,512	1,805,369	14,512
Westpac Banking Corporation Bank Bills – Interest rate of n/a (2008: 7.41%)	-	1,618,898	-	1,618,898
	<u>1,961,189</u>	<u>1,734,659</u>	<u>1,955,818</u>	<u>1,685,335</u>
6. TRADE AND OTHER RECEIVABLES				
Trade and other receivables	402,654	535,771	73,268	61,859
	<u>402,654</u>	<u>535,771</u>	<u>73,268</u>	<u>61,859</u>

Trade and other receivables are not considered past due and/or impaired.

7. OTHER ASSETS

Current

Prepayments	8,457	23,381	5,972	10,381
Exploration tenement performance bonds	100,000	-	100,000	-
Other assets	24,165	17,646	616	11,254
	<u>132,622</u>	<u>41,027</u>	<u>106,588</u>	<u>21,635</u>

Non-Current

Exploration tenement performance bonds	215,117	294,630	70,000	120,000
	<u>215,117</u>	<u>294,630</u>	<u>70,000</u>	<u>120,000</u>

Other assets are not considered past due and/or impaired.

8. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest:

Exploration and evaluation phase	<u>10,641,436</u>	<u>9,757,432</u>	<u>4,861,793</u>	<u>4,821,424</u>
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The ultimate recoupment of costs carried forward for the exploration phase is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

A reconciliation of the carrying amount of exploration and/or evaluation phase is set out below:

Costs brought forward	9,757,432	4,671,811	4,821,424	2,272,766
Less: value of tenements transferred to subsidiaries	-	-	-	(74,979)
Expenditure incurred during the year	2,467,265	7,963,357	423,595	2,632,483
Less: Expenditure recovered from co-venturer & via government grants	(907,602)	(2,090,460)	-	-
Expenditure written off	(675,659)	(787,276)	(383,226)	(8,846)
	<u>10,641,436</u>	<u>9,757,432</u>	<u>4,861,793</u>	<u>4,821,424</u>

Southern Gold Limited and controlled entities

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
9. PLANT AND EQUIPMENT				
Plant and equipment at cost	255,450	247,249	133,451	130,358
Less: Accumulated depreciation	(113,396)	(76,898)	(84,916)	(53,696)
	142,054	170,351	48,535	76,662

A reconciliation of the carrying amounts for each class of plant and equipment is set out below:

Opening written down value	170,351	93,921	76,662	93,921
Additions	13,160	128,257	3,092	99,273
Disposals and write offs	(1,215)	(6,014)	-	(71,756)
Net foreign currency exchange differences	21,647	-	-	-
Depreciation	(61,889)	(45,813)	(31,219)	(44,776)
Closing written down value	142,054	170,351	48,535	76,662

10. RECEIVABLES FROM RELATED PARTIES

Amount due from controlled entity

Challenger West Holdings Pty Limited	-	-	391,006	384,476
CMH Resources Pty Limited	-	-	76,157	75,646
Gawler Arc Holdings Pty Limited	-	-	-	-
Southern Mining Pty Limited	-	-	359,354	125,538
New Southern Mining Pty Limited	-	-	-	145,035
Southern Gold Asia Pty Limited	-	-	3,370,331	3,462,002
Southern Gold Cambodia Pty Limited	-	-	1,828,514	1,553,588
	-	-	6,025,362	5,746,285

Amounts due from controlled entities accrue no interest and are not subject to repayment terms.

11. TRADE AND OTHER PAYABLES

Trade creditors	300,969	281,983	300,969	281,313
Sundry payables and accruals	458,691	194,283	104,982	194,283
Amounts payable to Directors and Key Management Personnel related entities	39,566	35,581	39,566	35,581
	799,226	511,847	445,517	511,177

Details of amounts payable to Directors, Director related entities and Key Management Personnel are detailed in Note 16.

Southern Gold Limited and controlled entities

Consolidated Group		Parent Entity	
2009	2008	2009	2008
\$	\$	\$	\$

12. PROVISION FOR EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised in and included in the financial statements is as follows

Provision for employee entitlements

Current	16,854	108,567	16,854	108,567
Non-Current	21,836	17,672	21,836	17,672
	38,690	126,239	38,690	126,239

Movement schedule for employee provisions

Opening balance	126,239	48,448	126,239	48,448
Additional provision	10,758	116,655	10,758	116,655
Entitlement utilised or surrendered	(98,307)	(38,864)	(98,307)	(38,864)
Closing balance	38,690	126,239	38,690	126,239

The current provision portion relates to annual leave, while the non-current portion relates to long service leave.

	No.	No.	No.	No.
Number of employees at end of year	26	37	5	12

Provision for long service leave

A provision for long service leave has been recognised for employee entitlements. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Southern Gold Limited and controlled entities

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
13. INVESTMENTS				
Investments in associates	-	665,146	-	-
			Ownership interest held by consolidated entity	
			2009	2008
			%	%
	Balance Date			
Southern Gold Limited's interests in Southern Uranium Limited	30 June 2009		39%	39%
i) Principle Activity				
Southern Uranium Limited				
- Mineral Exploration				
ii) There were no impairment losses relating to the investment in associate and no capital commitments or other commitments relating to the associate				
iii) Equity accounted profits and reserves of associates are broken down as follows:				
Balance at beginning of financial year			665,146	1,129,240
Share of associated company's loss			(665,146)	(473,337)
Share of associated company's movement in reserves			-	9,243
Balance at end of financial year			-	665,146
iv) Summarised presentation of aggregate assets, liabilities and performance of associates				
Current assets			5,354,258	10,436,366
Non-current assets			5,527,182	3,759,407
Total assets			10,881,440	14,195,773
Current liabilities			356,318	1,178,194
Non-current liabilities			-	-
Total liabilities			356,318	1,178,194
Net assets			10,525,122	13,017,579
Revenues			401,083	680,259
Profit after income tax of associates			(2,492,457)	(1,213,684)
v) Ownership interest in Southern Uranium Limited at the Company's balance date was 39.1% of ordinary shares. The reporting date of Southern Uranium Limited is 30 June 2009. This reporting date coincides with the entity's holding company.				
vi) Market value of investments in associates				
- Aggregate market value of investments in associate			3,600,000	5,850,000

Southern Gold Limited and controlled entities

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
14. ISSUED CAPITAL				
(a) Ordinary Shares				
Issued share capital:	20,258,866	17,049,441	20,258,866	17,049,441
140,690,173 fully paid ordinary shares (2008: 92,517,051)				
	2009		2008	
	No.	\$	No.	\$
Movement in issued shares for the year:				
Balance at beginning of financial year	92,517,051	17,049,441	74,285,074	11,208,031
Shares issued at 30 cents	-	-	5,000,000	1,500,000
Shares issued at 39 cents	-	-	9,323,077	3,636,000
Conversion of options at 20 cents	-	-	3,908,900	781,780
Shares issued as consideration for additional equity in Cambodian tenements	1,000,000	170,000	-	-
Share rights issue at 5 cents	31,173,122	1,558,656	-	-
Share placement at 10 cents	16,000,000	1,600,000	-	-
	-	-	-	-
Net costs associated with the issue of shares	-	(119,231)	-	(76,370)
Balance at end of financial year	140,690,173	20,258,866	92,517,051	17,049,441

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(b) Options on Issue

For information relating to share options issued to Key Management Personnel during the financial year, refer to Note 4.

At 30 June 2009, there were 8,520,000 (30 June 2008: 7,820,000) unissued shares for which the following options were outstanding:

Grant Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Number under Option
15.5.2006	30.6.2010	0.210	0.35	1,720,000
8.12.2006	7.12.2011	0.254	0.315	250,000
19.2.2007	27.11.2011	0.239	0.50	1,000,000
19.2.2007	7.2.2012	0.231	0.50	500,000
7.5.2007	7.2.2012	0.467	0.50	500,000
22.10.2007	21.10.2012	0.310	0.35	250,000
26.2.2008	28.11.2012	0.132	0.75	1,000,000
25.6.2008	25.3.2013	0.131	0.19	200,000
26.8.2008	31.5.2013	0.109	0.20	100,000
30.9.2008	30.9.2013	0.096	0.15	675,000
30.9.2008	30.9.2013	0.093	0.15	675,000
29.6.2009	29.6.2012	0.08	0.15	1,500,000
30.6.2009	30.6.2014	0.098	0.30	150,000
				8,520,000

Southern Gold Limited and controlled entities

(c) Capital Management

Management effectively manages the capital of the Group by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of dividends to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital during the year.

15. REMUNERATION OF AUDITORS

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Auditing the financial report	25,893	24,800	25,893	24,800
Other services	52,075	7,210	52,075	7,210
	77,968	32,010	77,968	32,010

16. RELATED PARTY AND KEY MANAGEMENT DISCLOSURES

The terms and conditions of the transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Equity Interests in related parties

Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 23 to the financial statements

Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 17 to the financial statements

b) Transactions within wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly-owned group and;
- The wholly-owned controlled entities

The ultimate parent entity in the wholly-owned group is Southern Gold Limited

Amounts receivable from the controlled entities are disclosed in Note 10 to the financial statements.

During the financial year Southern Gold Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free loans.

c) Transactions with directors and Key Management Personnel

The following comprises payments made to entities in which Directors have an interest.

Southern Gold Limited and controlled entities

Director and Key Management Personnel	Related Party Transaction	Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
G C Boulton	Payments to a Director related entity for consulting services provided	9,375	8,805	9,375	8,805
M R Billing	Payments to a Director related entity for financial and company secretarial services provided	-	36,150	-	36,150
N J Harding	Payments to a member of Key Management for financial and company secretarial services provided	123,608	27,000	123,608	27,000
M W McDonald	Payments to an entity of which the Director is a partner in respect of legal fees	47,820	216,463	47,820	216,463
C M Horn	Payments to a Director related entity for consulting services provided	-	73,291	-	73,291

d) Related party balances

Amounts receivable from and payable to Directors and Key Management Personnel and their related entities at balance date arising from these transactions were as follows:

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Current receivables				
Trade debtors	-	-	-	-
	-	-	-	-
Current payables				
Amounts payable to Directors and Key Management Personnel related entities	39,566	35,581	39,566	35,581
	39,566	35,581	39,566	35,581

17. JOINT VENTURES

The consolidated entity had interests in unincorporated joint ventures at 30 June 2009 as follows:

	Percentage Interest 2009	Percentage Interest 2008
(a) Challenger Area Joint Venture - Gold	30%	30%
(b) Torrens South Joint Venture – Iron Oxide Copper Gold Uranium exploration	100%	75%
(c) Warrior South EL 3284 - Uranium	100%	100%
(d) Kratie North & Kratie South Joint Ventures – JOGMEC, Cambodia – All Minerals	100%	100%

Notes

- (a) Under the terms of the agreement with Dominion Mining Ltd, Southern Gold completed \$1m expenditure during the 2008FY to earn a 30% JV interest in 8 ELs held by Dominion Mining Ltd surrounding (but excluding) the Challenger gold mine in northern South Australia. By expending a total of \$2 million by October 2009, Southern Gold can earn a 51% interest. At 30 June 2009, Southern Gold had incurred total costs of \$1.69m of the \$2m expenditure commitment. Southern Gold loses any interest in the JV if it does not spend a total \$2 million on the JV by October 2009. If Dominion does not participate at 49%, Southern Gold can earn 80% by the expenditure of a further \$2 million by October 2012. The Joint Venture relates only to gold.

Southern Gold Limited and controlled entities

- (b) Under the terms of an agreement between the consolidated group and Southern Uranium Limited and Uranium West Pty Ltd, Uranium West Pty Ltd may earn a 25% interest in tenements 3513 and 3515 (held by SAU) with the combined expenditure of \$1M on exploration licenses 3513, 3515 and 3603, 3796 (held by Southern Uranium Ltd). During the financial year Uranium West Pty Ltd elected to withdraw from the JV and SAU's interest in exploration licences 3513 and 3515 has reverted back to 100% ownership.
- (c) Under the terms of an agreement between Challenger West Holdings Pty Ltd and Southern Uranium Limited, Southern Uranium Ltd has exploration rights for uranium (except for IOCGU styles mineralisation) through its subsidiary Sunthe Uranium Pty Ltd.
- (d) Under the terms of the agreement with Japan Oil Gas Minerals National Corporation (JOGMEC), JOGMEC can invest US\$4.5 million over 3 years commencing April 2008 to earn a 51% interest in three tenements – Phnum Khtong (Kratie North Project), and two adjoining blocks, Preak Khlong and O'Kthung (Kratie South Project) in north east Cambodia.

18. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) *Exploration Expenditure Commitments*

The Consolidated Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Consolidated Group.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	2009 \$	2008 \$
Not later than one year:	1,402,400	751,000
Later than one year but not later than two years:	1,402,400	1,600,000
Later than two years but not later than five years:	4,207,200	4,833,000

(b) *Service Agreements*

Service agreements between the Consolidated Group and Non-executive Directors are disclosed in the Remuneration Report of the Directors Report

(c) *Native Title*

Native Title claims have been made with respect to tenements in South Australia in which Southern Gold Limited has interests. The consolidated group is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Consolidated Group or its projects.

(d) *Office Rental*

The economic entity has entered into a rental agreement to occupy its principle office at a cost of \$110,000 per annum plus GST, for a term of 5 years expiring on 2 December 2012.

Southern Gold Limited and controlled entities

	2009 \$	2008 \$
Not later than one year:	116,686	110,000
Later than one year but not later than two years:	121,349	110,000
Later than two years but not later than five years:	190,532	265,833

19. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Consolidated Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable, accounts payable and loans to related parties. The main risks the Group is exposed to through its financial instruments are treasury risk, finance risk and interest rate risk.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Financial Assets				
Cash and cash equivalents	1,961,189	1,734,659	1,955,818	1,685,335
Loans and receivables	402,654	535,771	73,268	61,859
	2,363,843	2,270,430	2,029,086	1,747,194
Financial Liabilities				
Trade and other payables	799,226	511,847	445,517	511,177
	799,226	511,847	445,517	511,177

(i) Treasury Risk Management

The Board of the Consolidated Group meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks

The main risks the Consolidated Group is exposed to through its financial instruments are liquidity risk, credit risk and price risk.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Consolidated Group manages liquidity risk by monitoring forecast cash flows.

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in

Southern Gold Limited and controlled entities

the balance sheet and notes to the financial statements.

The Consolidated Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Consolidated Group.

No receivables are considered past due and/or impaired at balance date.

Price risk

The Company is exposed to price risk through its investment in Southern Uranium Limited. Share price is constantly monitored to determine appropriate action in relation to holding of this investment. The share holding of the investment in Southern Uranium Limited at 30 June 2009 was 39.1%.

Sensitivity Analysis

The Company has not performed a sensitivity analysis relating to its exposure to price risk at balance date as a change in share price by 10% is not considered to have a material impact on profit and equity.

(iii) Interest Rate Risk

The Consolidated Group's exposure to interest rate risk, being the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, is contained in the following table which details the exposure to interest rate risk at the reporting date. All other financial assets and liabilities are non-interest bearing.

2009	Interest Bearing	Non-interest Bearing	Total	Floating interest rate
Financial assets				
Cash and deposits	1,960,692	497	1,961,189	2.80%
Receivables	-	402,654	402,654	-
Less: Payables	-	(799,226)	(799,226)	-
Net financial assets	1,960,692	(396,075)	1,564,617	
2008	Interest Bearing	Non-interest Bearing	Total	Floating interest rate
Financial assets				
Cash and deposits	1,734,159	500	1,734,659	7.15%
Receivables	-	535,771	535,771	-
Less: Payables	-	(511,847)	(511,847)	-
Net financial assets	1,734,159	24,424	1,758,583	

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2009, 0% of group deposits are fixed.

Sensitivity Analysis

The company has not performed a sensitivity analysis relating to its exposure to interest rate risk at balance date as a change in interest rates by 2% is not considered to have a material impact on profit and equity.

(iv) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in

Southern Gold Limited and controlled entities

accordance with the accounting policies disclosed in Note 1 to the financial statements.

20. SHARE BASED PAYMENTS

Shares

On 4 July 2008, Southern Gold Limited issued 1,000,000 shares to Greystoke Limited for the acquisition of 20% interest in the following Cambodian tenements:

- Snoul
- Romdul
- Srae Pok
- Phnum Knach

The fair value of the Cambodian tenements acquired was considered to be the market trading price of Southern Gold Limited on the close of business 4 July 2008.

No shares have been granted to Key Management Personnel as share-based payments during the financial year.

Options

The Consolidated Group has an ownership-based compensation plan for employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders at an Annual General Meeting, Directors may issue options to purchase shares in the company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No Directors participate in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry. Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the financial year:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
December 2006	250,000	8.12.2006	7.12.2011	\$0.315	\$0.2540
March 2007	400,000	27.03.2007	26.03.2012	\$0.49	\$0.3678
October 2007	750,000	22.10.2007	21.10.2012	\$0.35	\$0.3095
June 2008	200,000	25.06.2008	25.03.2013	\$0.19	\$0.1309
August 2008	350,000	26.08.2008	25.05.2013	\$0.20	\$0.1091
September 2008	675,000	30.09.2008	30.09.2013	\$0.15	\$0.0962
September 2008	675,000	30.09.2008	30.09.2013	\$0.15	\$0.0934
June 2009	150,000	30.06.2009	30.06.2014	\$0.30	\$0.0975
Director Options					
November 2006	1,000,000	19.02.2007	27.11.2011	\$0.50	\$0.2390
February 2008	2,500,000	26.02.2008	28.11.2012	\$0.75	\$0.1319
Options to third parties					
May 2006	1,720,000	15.05.2006	30.06.2010	\$0.35	\$0.2100
February 2007	500,000	19.02.2007	7.02.2012	\$0.50	\$0.2307
May 2007	500,000	7.05.2007	7.02.2012	\$0.50	\$0.4670
June 2009	1,500,000	29.06.2009	29.06.2012	\$0.15	\$0.0802

The weighted average fair value of options granted during the year was \$0.263 (2008: \$0.17). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Southern Gold Limited and controlled entities

	Grant Date Share Price	Exercise Price	Calculated volatility	Option Expiry	Risk free interest rate
August 2008	\$0.14	\$0.20	112%	31/05/2013	7.47%
September 2008	\$0.12	\$0.15	115%	30/09/2013	7.21%
June 2009	\$0.10	\$0.15	158%	29/06/2012	3.15%
June 2009	\$0.11	\$0.30	159%	30/06/2014	3.15%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Options granted to Key Management Personnel are as follows:

Grant Date	Number
September 2008*	500,000
June 2009	150,000

*Of the September 2008 options, half vested on 1 January 2009 with the remaining half vesting on 1 June 2009. The June 2009 options vested at grant date. The options lapse 3 months from the date an employee ceases employment with the Company. The options hold no voting or dividend rights.

The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year:

Share Option Plan	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	7,820,000	\$0.518	4,370,000	\$0.429
Granted during the financial year	3,350,000	\$0.162	3,450,000	\$0.631
Exercised during the financial year (i)	-	-	-	-
Cancelled during the financial year	(2,650,000)	(\$0.583)	-	-
Balance at end of the financial year (ii)	8,520,000	\$0.358	7,820,000	\$0.518

(i) Options exercised

No share options granted under the Plan were exercised during the financial year.

(ii) Options outstanding at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of \$0.358 (2008: \$0.518) and a weighted average remaining contractual life of 1,018 days (2008: 1,310 days).

Southern Gold Limited and controlled entities

21. SEGMENT INFORMATION

The economic entity operates in the mineral exploration industry in Australia, and Cambodia.

2009	Australia	Cambodia	Consolidated
Revenue			
Interest Income	36,236	-	36,236
Other Income	180,873	39,188	220,061
	217,109	39,188	256,297
Expenditure			
	(3,130,880)	(631,655)	(3,762,535)
Loss from Ordinary Activities before Income Tax	(2,913,771)	(592,467)	(3,506,238)
Income Tax Expense			(51,099)
Net Loss for Year			(3,557,337)

2009	Australia	Cambodia	Total	Inter-Segment Elimination	Consolidated
Assets and Liabilities					
Segment Assets	11,312,850	2,182,222	13,495,072	-	13,495,072
Inter-Segment Assets	2,387,578	-	2,387,578	(2,387,578)	-
Total Assets	13,700,428	2,182,222	15,882,650	(2,387,578)	13,495,072
Segment Liabilities	484,208	353,708	837,916	-	837,916
Inter-Segment Liabilities	-	2,387,578	2,387,578	(2,387,578)	-
Total Liabilities	484,208	2,741,286	3,225,494	(2,387,578)	837,916
Net Assets	13,216,220	(559,064)	12,657,156	-	12,657,156

2008	Australia	Cambodia	Consolidated
Revenue			
Interest Income	207,183		207,183
Other Income	87,482	43,067	130,549
	294,665	43,067	337,732
Expenditure			
	(3,275,478)	(133,989)	(3,409,467)
Loss from Ordinary Activities before Income Tax	(2,980,813)	(90,922)	(3,071,735)
Income Tax Expense			(32,730)
Net Loss for Year			(3,104,465)

Southern Gold Limited and controlled entities

2008	Australia	Cambodia	Total	Inter-Segment Elimination	Consolidated
Assets and Liabilities					
Segment Assets	11,644,759	1,554,257	13,199,016	-	13,199,016
Inter-Segment Assets	1,677,087	-	1,677,087	(1,677,087)	-
Total Assets	13,321,846	1,554,257	14,876,103	(1,677,087)	13,199,016
Segment Liabilities	651,301	670	651,971	-	651,971
Inter-Segment Liabilities	-	1,677,087	1,677,087	(1,677,087)	-
Total Liabilities	651,301	1,677,757	2,329,058	(1,677,087)	651,971
Net Assets	12,670,545	(123,500)	12,547,045	-	12,547,045

22. EARNINGS PER SHARE

	Consolidated	
	2009 Cents per share	2008 Cents per share
Basic earnings per share – loss	(3.37)	(3.67)
Diluted earnings per share – loss	(3.37)	(3.67)
Basic and Dilutive Earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	\$	\$
Earnings	(3,557,338)	(3,104,465)
Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the statement of financial performance.		
	No.	No.
Weighted average number of ordinary shares	105,687,992	84,644,483

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as options are not considered dilutive.

Southern Gold Limited and controlled entities

23. CONTROLLED ENTITIES CONSOLIDATED

Name of Entity	Country of Incorporation	Ownership Interest	
		2009 %	2008 %
Parent Entity			
Southern Gold Limited	Australia		
Controlled Entities			
Challenger West Holdings Pty Ltd	Australia	100%	100%
CMH Resources Pty Ltd	Australia	100%	100%
Gawler Arc Holdings Pty Ltd	Australia	100%	100%
Southern Mining Pty Ltd	Australia	100%	100%
Inferus Resources Pty Ltd ¹	Australia	100%	100%
Southern Gold Asia Pty Ltd	Australia	100%	100%
New Southern Mining Pty Ltd	Australia	100%	100%
Southern Gold Cambodia Pty Ltd ²	Cambodia	100%	100%

¹ All shares in Inferus Resources Pty Ltd are held by Southern Mining Pty Ltd

² All shares in Southern Gold Cambodia Pty Ltd are held by Southern Gold Asia Pty Ltd

24. EVENTS SUBSEQUENT TO BALANCE DATE

The Company is currently engaged in divesting its investment in Southern Uranium Limited (SNU) and has entered into an agreement that has been underwritten by both Talbot Group Holdings Pty Ltd and CITIC Australia Pty Ltd to offer its 45,000,000 shares in SNU to SNU shareholders at a price of 5.5 cents per share to raise \$2.475 million gross proceeds. At a General Meeting held on 11 September 2009 the Company's shareholders approved the transaction. On 21 September 2009 SNU shareholders also approved the transaction. However the one remaining condition precedent to the transaction, which is the receipt of approval from the Foreign Investment Review Board for CITIC to increase its shareholding in SNU is yet to be received as at the date of this report. The Company will review its position on the transaction after the 30 September 2009 which is when under the underwriting agreement all conditions precedent are required to have been met.

Other than as mentioned above, there has not arisen in the interval any matters or circumstances, since the end of the financial year which significantly affected or could affect the operations of the Company, the results of those operations, or the state of the Company in future years.

25. RESERVES

Share options reserve – the share options reserve records items recognised as expenses on valuation of employee share options.

Foreign currency translation reserve – the foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

26. REGISTERED OFFICE AND PRINCIPLE OFFICE

The registered and principle office of the Company and its controlled entities is;
47 Tynte Street, NORTH ADELAIDE, SA, 5006

Directors' Declaration

In the opinion of the Directors of Southern Gold Limited:

- a) the financial statements and notes, as set out on pages 12 to 40 are in accordance with the *Corporations Act 2001*, and:
 - i.) give a true and fair view of the financial position of the Company as at 30 June 2009 and of the performance for the year ended on that date of the Company and Consolidated Group; and
 - ii.) comply with Accounting Standards; and
- b) the Chief Executive Officer and Chief Financial Officer have declared that:
 - i) The financial records of the Company for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
 - ii) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - iii) The financial statements and notes for the financial year give a true and fair view;
- c) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors

Dated at Adelaide this 28th day of September 2009.



G C Boulton
Chairman



S R Biggins
Managing Director



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN GOLD LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Southern Gold Limited, (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN GOLD LIMITED Cont

Auditor's responsibility Cont

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Southern Gold Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As disclosed in Note 1(t), the company has forecast that it may deplete its current cash reserves by June 2010. The company has entered into an in principle agreement to sell its shares in Southern Uranium Limited to raise additional capital. This agreement is subject to certain conditions precedent being met. In the event that such conditions precedent are not achieved, the directors will take action to reduce operational expenditure and seek alternative sources of additional capital.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN GOLD LIMITED Cont

Inherent Uncertainty Regarding Continuation as a Going Concern Cont

If the conditions precedent are not achieved and Southern Gold Limited is unable to take action to reduce its committed expenditure or seek alternative sources of capital, there exists significant uncertainty whether the company and consolidated entity would be able to continue as a going concern and therefore may be forced to realise their assets and extinguish their liabilities other than in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Southern Gold Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 28th day of September 2009