

17th February 2010

Large “gold in soil” target discovered at Cannon Prospect

- **A new, large “gold in soil” anomaly has been identified 200m south of gold rich lodes at Cannon**
- **The large gold anomaly is a potential indicator of additional gold mineralisation similar to that recently drilled by Southern Gold at Cannon (15m at 10 g/t gold)**
- **Drilling to start later this month to test for more gold lodes at Cannon**

A soil sampling program completed in December 2009 by Southern Gold Limited (ASX:SAU) has discovered a surprisingly strong “gold in soil” anomaly that was not previously indicated by historical exploration at its Bulong South Project, 30km east of Kalgoorlie in WA.

Importantly to Southern Gold, this gold anomalism may represent the surface expression of more high-grade mineralised lodes similar to those recently drilled by Southern Gold (15m@10g/t gold) (Figure 1).

Gold levels above 100 ppb (0.1g/t gold) occur in the soil over a 200m by 150m area with some parts reaching as high as 319 ppb gold. 105 soil samples were collected over a 900 by 350m area surrounding the Cannon Prospect.

Exploration reports from Northern Mining Limited at its Georges Reward Prospect (ASX:NMI) show similar strong surface anomalism where gold shoots defined by drilling reach the surface (Figure 1).

Historical reconnaissance RAB drilling missed any geological or geochemical indicators of gold in this location. Southern Gold's geological team believe that the weathering profile at Cannon may deplete gold near the surface and that hard basalt rock has prevented the smaller RAB rigs from going sufficiently deep for effective exploration. If this is the case, then the potential for further discoveries of similar gold targets and mineralisation in the region increases considerably, this is significant in light of recent thick and high grade drill results by Southern Gold.

The planned auger soil sampling program is now being expanded in detail over the Cannon-Homerton-Pinner trend and complements the broader auger soil sampling programs currently underway by Southern Gold over the entire Bulong South tenement package (Figure 2).

As part of the next drilling program scheduled to start in late February, Southern Gold will drill test this new soil anomaly by RC drilling two west-east lines of overlapping angled holes.

In addition, more RC drilling is planned to extend and delineate known gold lodes recently drilled at Cannon Prospect.

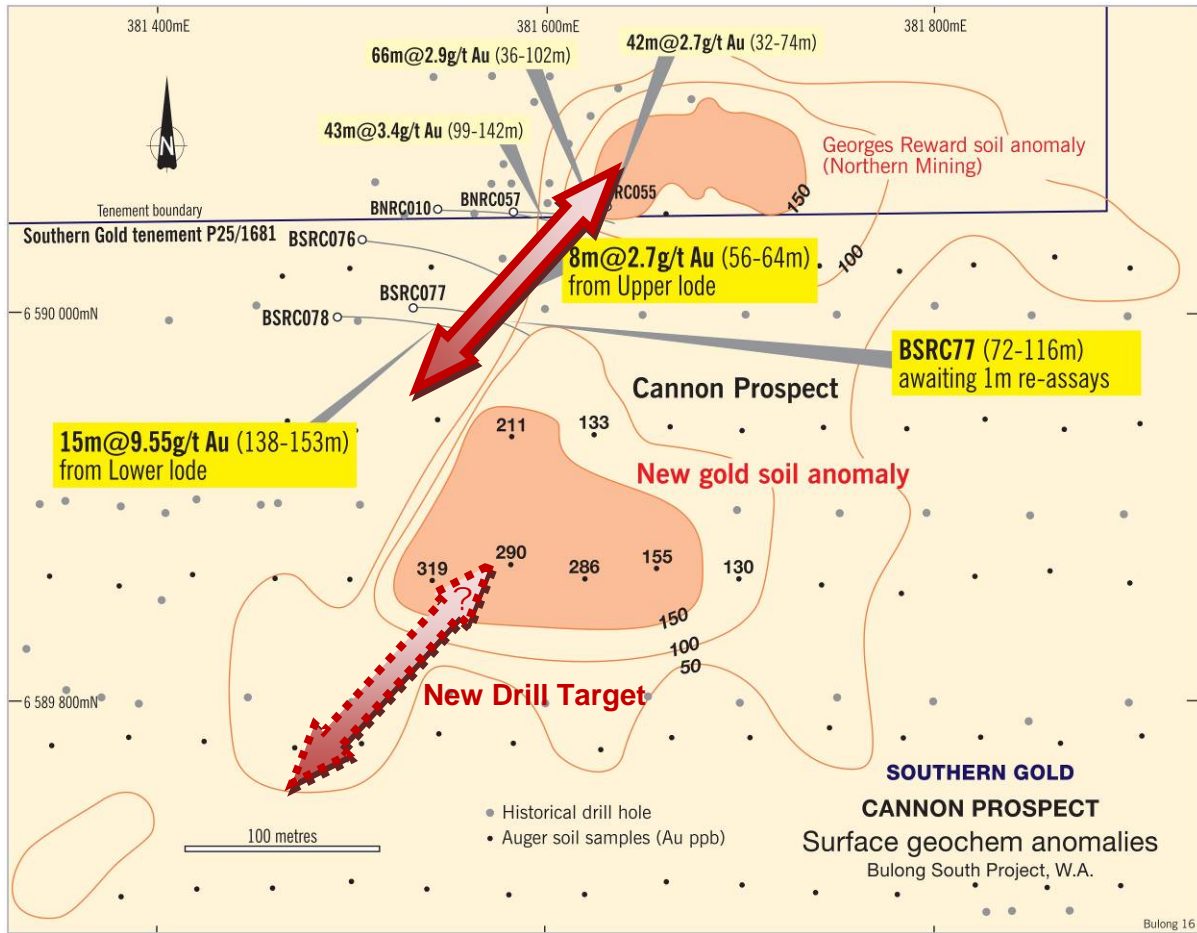


Figure 1 Plan view of the new gold on soil anomaly and drill target located close to the recent high grade gold mineralisation drilled by Southern Gold at Cannon Prospect.

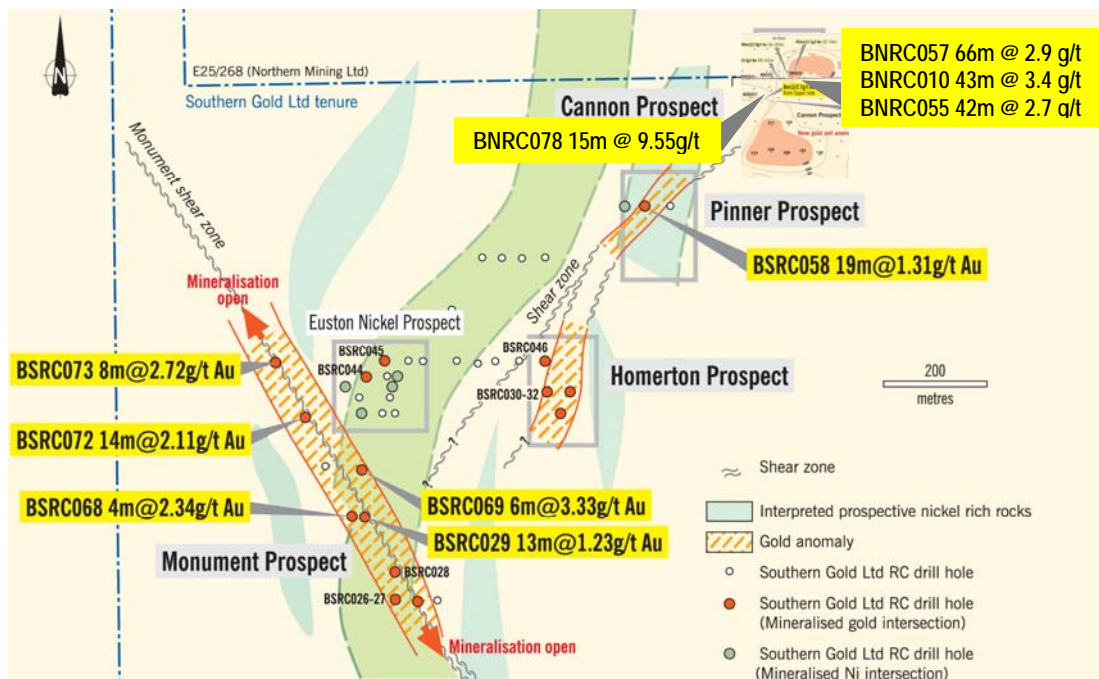


Figure 2. Cannon, Pinner, Homerton and Monument Prospects and significant drill intersections (SAU 100%)

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The information in this report has been compiled by Stephen Biggins (BSc(Hons)Geol, MBA) as an employee of Southern Gold and who is a member of the Australasian Institute of Mining and Metallurgy and is bound by and follows the Institute's codes and recommended practices. As a Competent Person, he has a minimum of 5 years relevant experience in the style of mineralisation and types of activities being reported and has given written consent to the above report in the form and context in which it appears.