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JV in first drill start near SA's Challenger gold mine

The first drilling exploration program by a new joint venture to prove up additional gold resources near South Australia's operating Challenger gold mine, has commenced.

The Challenger Area Joint Venture – comprising the listed Southern Gold Limited (ASX:SAU) and Dominion Mining Ltd (ASX:DOM) – announced today the start to its first drilling program in the gold rich Archaean geological province of South Australia. This drilling launches the first major regional exploration outside the immediate mine area for a number of years. A Reverse Circulation (RC) drilling program is scheduled in August as a follow-on to the program of air core drilling announced today.

Southern Gold, as part of its JV commitments, has already collected and processed geophysical data, including standard Induced Polarisation (IP), detailed ground magnetics and experimental Controlled-Source Audio-Frequency Magneto-Telluric (CSAMT).

Dominion has successfully developed and applied a three dimensional geological model in recent years in extending the high grade resource at Challenger mine. The JV is now applying similar models of plunging shoots in folded shears to the regional prospects that were initially delineated by two dimensional calcrete geochemistry. Southern Gold, as part of its JV commitments, has already acquired geophysical data, at four initial prospects around the mine - Monsoon, Typhoon, Mainwood and Golf Bore – to improve the prediction of the distribution of high levels of gold intersected by previous shallow drilling (e.g. Figure 1A).

A total of 80 air core holes are planned for Monsoon, Typhoon and Mainwood, with an RC drilling program planned shortly after at Golf Bore Prospect and to follow up any encouragement from the current aircore drilling at the other prospects (Figure 1).

Southern Gold entered into the JV with Dominion Mining to find the next "Challenger" on Dominion's exploration licences in the northwest Gawler Craton, South Australia. Challenger is currently one of Australia's most profitable gold mines, with mine production during the 3 months to 31st March 2007 of 30,919 ounces at a cash operating cost of A\$273/ounce.

Southern Gold has the right to earn 51% of the gold rights on seven exploration licences by spending a total of \$2m by October 2009 (3 years). Southern Gold's combined interests cover approximately 5000km² of South Australia's richest goldfield through this JV and Southern Gold's 100% owned tenure (Figure 1).

Figure 1. Southern Gold's JV and 100% tenure Challenger Area, South Australia.

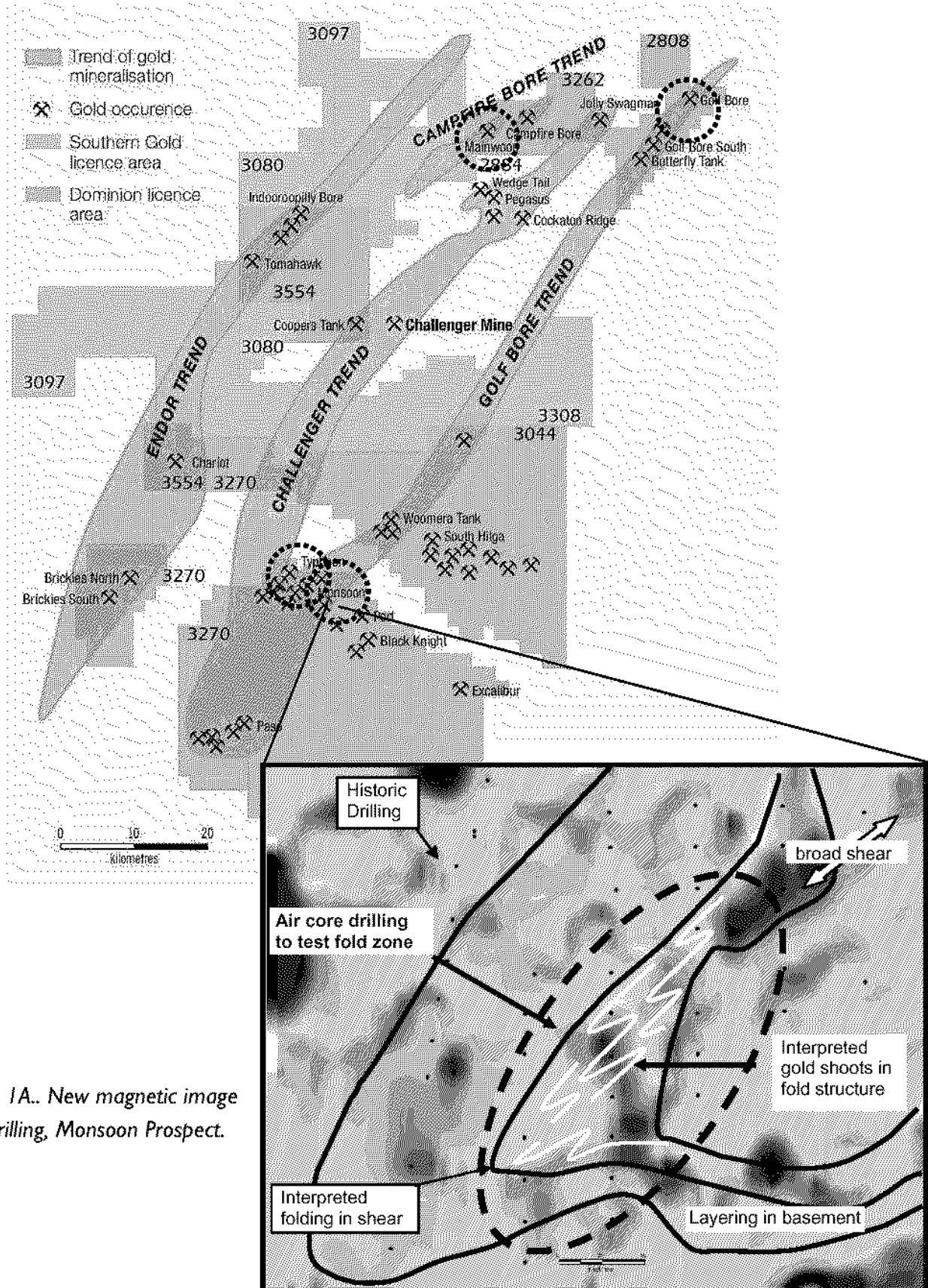


Figure 1A.. New magnetic image and drilling, Monsoon Prospect.

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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.