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RC Drilling commences north of Challenger gold mine

Southern Gold has commenced Reverse Circulation (RC) drilling on Golf Bore Resource and Mainwood Prospect, north of the Challenger gold mine, to advance its Challenger Area Gold JV with Dominion Mining Ltd.

The decision by the Challenger Area Gold Joint Venture to target the Golf Bore Resource and Mainwood Prospect with a Reverse Circulation (RC) drilling program follows the JV's successful first initiative to drill the Monsoon and Typhoon targets south of Challenger.

Results of this first drilling program, announced earlier this week, identified gold zones as potential footprints to high grade gold shoots.

That program was the first exploration drilling to be undertaken by the Joint Venture, comprising Southern Gold Limited (ASX : SAU) and Challenger mine owner, Dominion Mining (ASX : DOM) to prove up additional mineable gold zones around the mine.

Southern Gold said today it was confident the new Golf Bore and Mainwood program of approximately 30 RC holes totalling 3600 metres, would confirm and extend the previously stated Resource at Golf Bore as prepared in accordance with the JORC code.

Southern Gold is also committed to RC drilling the continuation at depth of possible high grade gold shoots identified in recent shallow AC drilling during the Typhoon and Monsoon work.

Comprehensive evaluation and detailed interpretation of this new drilling information from Typhoon and Monsoon is continuing following the initial market update of significant assay results as reported on 20th August.

Gold mineralisation in the Archean rocks, as displayed at Challenger, is in folded high grade shoots that are elongated parallel to the regional structural fabric. The footprint of economic mineralisation within these shoots is in the order of 40 metres by 40 metres. This combines to make targeting of economic mineralisation reliant on close spaced drilling.

As now evidenced by the Challenger system, significant blind high grade shoots such as the "Shadow Zone" can be discovered in close proximity to defined resources. Mineralisation may cluster in this way at other prospects and to evaluate the potential close spaced definition drilling is required.

"The new gold shoots being discovered at Challenger prove that close spaced drilling is required to define tightly folded, high grade gold shoots within the broad gold zones we have already identified" said Southern Gold's Managing Director, Stephen Biggins.

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Golf Bore Resource

Previous RAB and RC drilling by Dominion and others in 1996 and 1997 has been used to estimate a gold resource at Golf Bore. In 1997 an historical inferred resource of 726,000t grading 3.3g/t Au (77,000 contained ounces) was estimated for the Golf Bore Prospect.

In 2005, Dominion reviewed the resource in accordance with the JORC code and delineated above the 1120mRL (approximately 40m depth from surface) an Indicated Resource of 116,750t @ 2.66 g/t for 10,000 ounces.

Golf Bore Mineralisation

Mineralisation at Golf Bore is associated with a regional scale NE/SW trending shear zone. The host rock is a weak to strongly foliated biotite, quartz, feldspar gneiss that has been variably chlorite and/or sericite altered. Gold occurs in quartz veins and is closely associated with arsenopyrite and pyrite. Interpretation of mineralised intervals within the RAB and RC drilling, suggest veins dip moderate - steep to the west. Anomalous gold zones, generally occurred when there was an increase in frequency of thin veins and the foliation became parallel with pegmatitic veining.

Mainwood Prospect

In 1998, RAB holes were drilled at the Mainwood prospect following up on a calcrete geochemical anomaly. Further RAB and then RC drilling was completed by Dominion in 2003.

A 400m step out north of the Mainwood anomaly, intersected gold grades of 3m @ 3.10g/t Au from 18m. The fact that the intersection was shallower than other holes and that drill spacing is currently 100 x 400m leaves scope for further investigation.

Drilling at Mainwood will focus on confirming previous hits and testing proximal extensions to weathered and primary mineralisation gold shoots as outlined by earlier Dominion drilling.

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The information in this report has been compiled by Stephen Biggins (BSc(Hons)Geol, MBA) as a full-time 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.

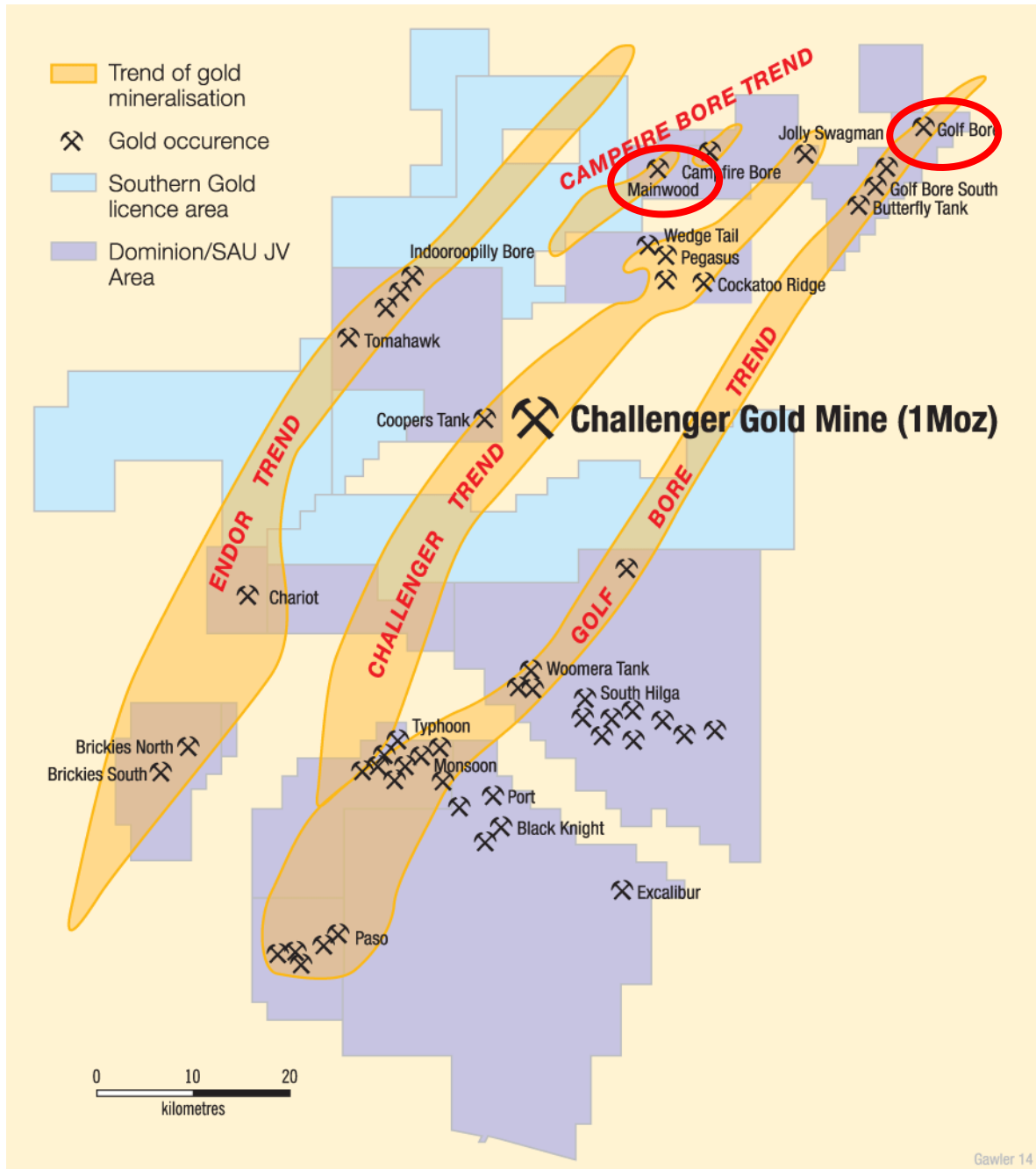


Figure 1. Golf Bore and Mainwood Prospect locations and Southern Gold's 100% and JV tenure covering a total of 5000km² in the vicinity of the Challenger gold mine.

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