The directors of Southern Gold Limited (ASX code 'SAU') announce plans to raise up to $1.98 million from shareholders through a Shareholder Share Purchase Plan to fund an aggressive expansion of its search for uranium and Iron Oxide Copper Gold Uranium deposits in South Australia's Gawler Craton.

Shareholders will be offered new scrip at 22 cents an ordinary share – a discount of almost 19% on the average market price for Southern Gold shares in the five trading days prior to 7 October 2005.

The Shareholder Share Purchase Plan, which is available to all shareholders registered on 17 October 2005, will be limited to a maximum contribution of $5,000 from each shareholder.

The Offer of a maximum of nine million shares to raise up to $1.98 million, closes on 4 November 2005.

Southern Gold Chairman, Mr Ric Horn, said the capital raising had been prompted by the desire to take advantage of a number of new opportunities that had occurred since the Company's listing on the Australian Stock Exchange in April this year.

"The funds raised from this offer will be directed towards aggressive exploration of our uranium projects and other new projects acquired since our ASX listing," Mr Horn said.

A maximum uptake of the offer by shareholders will increase the number of Southern Gold shares on issue from 41.8 million to 50.8 million shares.

A copy of the invitation to shareholders of Southern Gold Limited follows.

SOUTHERNGOLD

7 October 2005

Dear Shareholder

INVITATION TO PARTICIPATE IN SOUTHERN GOLD LIMITED

SHAREHOLDER SHARE PURCHASE PLAN

CLOSING DATE - 5PM (ADELAIDE TIME) 4 NOVEMBER 2005

The Board of Directors of Southern Gold Limited is pleased to invite you, as a shareholder, to participate in the Company's Shareholder Share Purchase Plan ('**Plan** ') enabling all shareholders to participate on an equal basis to purchase ordinary shares in Southern Gold Limited ('**Southern Gold**' or the '**Company**').

The Plan entitles shareholders in the Company, irrespective of the size of their shareholding, to purchase up to $5,000 worth of shares in the Company ('**Shares**') at an attractive price, free of all brokerage, commission and stamp duty ('**Offer**').

Terms of the Plan are enclosed with this letter.
This letter sets out the terms and conditions of the Offer. By agreeing to purchase Shares under the Plan, you will agree to be bound by the terms and conditions set out in this letter.

PURPOSE OF THE OFFER

The funds raised from this Offer will be directed towards aggressive exploration of the company's uranium projects and other new projects acquired since listing on the Australian Stock Exchange in April.

Southern Gold's business has grown significantly since listing. In addition to trebling the asset base and ground holding of the Company to 10,000km^2 through acquisition, JVs and pegging new ground, the company has developed a new Uranium business, Southern Uranium Ltd, which forms a substantial new part of your company's business.

Additional ground holding in the Gawler Craton (GC) has been added in response to both new IOCGU (Iron Oxide Copper Gold Uranium) discoveries in the GC (Carrapateena) and the refinement of Southern Gold's exploration models to target DCGU mineralisation. The extra ground holding also includes palaeochannel uranium exploration targets. Southern Gold is well positioned to become a key explorer on the Gawler Craton for IOCGU targets and palaeochannel uranium.

The company will use its expertise, ground position and quality targets to attract interest in Southern Gold's IOCGU exploration in the Gawler Craton. The early development and value adding to these tenements may be used to attract substantial long-term development funding from a major alliance partner.

UPCOMING RESULTS

Yarlbrinda and Yarlbrinda South Uranium Surface Sampling

Southern Gold is awaiting the assays from its uranium surface sampling program testing of 5 radiometric anomalies on Yarlbrinda and Yarlbrinda South in the next few weeks.

Victory Iron Oxide Copper Gold Uranium (IOCGU) target drilling

A 1,600m diamond drilling program comprising two 600m holes and one 400m deep hole has been confirmed to start at Victory before the end of October.

Extensive geological, geophysical and geochemical work has characterized Victory as an Iron Oxide Copper Gold Uranium (IOCGU) "Olympic Dam" style target. The 6mgal gravity anomaly is similar to the signature of the recent Carrapateena IOCGU discovery.

IP surveys of Grenfell

A geophysical contractor commenced twelve kilometres of survey lines of IP surveying Lawson's Line during September over the Grenfell Goldfield, NSW. IP surveys are an effective surface electrical geophysical surveying process in mapping the presence of sulphides which are associated with gold mineralisation in porphyry hosted gold deposits like Newcrest's Cadia Mine.

INTENTIONS OF DIRECTORS

Each Director intends to take up his full entitlement to Shares under the Offer.

PARTICIPATION

Participation in the Plan is open to all persons registered as holders of Shares at close of business, Adelaide time on 17th October 2005 ('**Record Date**') who have an address (as recorded in the Company's register of members) in Australia or New Zealand ('**Eligible Members**'). This letter will not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

Participation in the Plan is entirely at the discretion of Eligible Members. An Eligible Member may apply for up to a maximum of **four thousand nine hundred and ninety-nine dollars 94 cents ($4,999.94)** worth of Shares, being up to a maximum of 22,727 Shares, in increments of $999.90, $1999.80, $2,999.92, or $4,999.94.

Offers are non-renounceable, meaning that Eligible Members cannot transfer their entitlement to purchase Shares under an Offer to another person.

If you wish to participate in the Plan, you must complete and lodge the attached Application Form before the **Closing Date at close of business (Adelaide time) on 4 November 2005.** Please refer to the lodgement instructions below, and the instructions on the Application Form.

PRICING

As an incentive to Shareholders, the **Shares are being offered at an issue price of 22 cents**, which is 18.8% below the average market price for Shares over the last 5 trading days (27.1 cents) on the Australian Stock Exchange ('ASX') to the 6th October 2005.

You should note, however, that the market price of Shares may rise or fall between the date of this Offer and the date on which Shares are allocated to you. This means that the issue price you pay for the Shares may be greater than or less than the market price of the Shares at the date of allotment of the Shares under the Offer. You should obtain your own financial advice in relation to the Offer prior to lodging your Application Form.

LIMIT ON PARTICIPATION

In order to comply with ASIC regulations, an Eligible Member may not acquire more than $5,000 worth of Shares under the Plan in any 12 month period, taking into account all applications including joint and other beneficial interests.

The maximum number of 22,727 Shares, for which each Eligible Member may apply, will apply even if an Eligible Member has received more than one Offer (whether in respect of a joint holding or because the Eligible Shareholder has more than one holding under separate share accounts). The Company reserves the right to reject any acceptance where there is non-compliance with this rule or any other term of the Plan.

SHORTFALLS AND EXCESS SUBSCRIPTIONS

Southern Gold has the ability to issue up to 12,230,044 Shares ('**Authorised Quantity**') under the Plan in accordance with the restriction imposed by ASX Listing Rule 7.1 Exception 15 which allows the Company to issue an additional 30% of securities under a plan of this nature in any 12month period without shareholder approval. The Company plans to limit the Plan to the issue of a maximum of 9,000,000 shares.

In the event that the issue is not fully subscribed, the Company will retain the right to place the shortfall at the discretion of the directors.

Allotment of Shares

Applications will be accepted on a first come, first served basis and it is the Board's intention to issue Shares under the Plan no later than 16 November 2005.

Shares allotted under the Plan will rank equally in all respects with all other fully paid ordinary shares in the Company on the date of their issue.

Southern Gold will, promptly after allotment of Shares under the Plan, apply for the Shares to be quoted on the official list of ASX.

Costs of Participation

No brokerage, commissions, stamp duty or other transaction costs will be payable by Eligible Members in respect of their application for, and allotment of, Shares under the Plan.

Lodgement Instructions

If you would like to participate in the Offer, please return your completed Application Form, together with your cheque for the purchase price for the number of shares you wish to acquire, to reach **Computershare Investor Services Pty Limited**, using the enclosed reply paid envelope, on or before the **Closing Date of 5pm (Adelaide time) on 4 November 2005.**

Alternatively, you may wish to hand deliver the completed Application Form and cheque to Computershare Investor Services Pty Limited at Level 5, 115 Grenfell Street, Adelaide, or mail to GPO Box 1903, Adelaide SA 5001, by the closing date.

Once an application has been made it cannot be revoked. All valid applications shall be deemed accepted on the closing date.

Declaration and Acknowledgements

By forwarding a cheque and completing the Application Form, you:

- acknowledge that you have read, understood and agree to be bound by the terms and conditions of the Plan;
- agree to accept any lesser number of Shares than the number of Shares applied for;
- confirm that the total cost of all Shares purchased by you (including through joint and beneficial holdings) does not exceed $5,000; and
- agree to be bound by the constitution of Southern Gold in respect of the Shares issued to you.

Risk Factors

While your directors have confidence in the future of the company and the attractiveness of the shares offered under this plan it should be noted that owning shares in a mineral exploration company, like Southern Gold Limited, is considered a speculative form of investment and that the future price of the Company's shares may rise and fall depending upon exploration success and fluctuations in the stock market generally.

Shareholders should also be aware that there is a risk that the market price of Southern Gold Limited shares may change between the date of this offer and the date when new shares are allotted under this Plan. The value of the shares you receive may rise or fall accordingly.

Finally shareholders should note that the offer is not made under a Prospectus, or other disclosure document, and does not require the type of disclosure required under the Corporations Act 2001. Shareholders must rely on their own knowledge of the Company and previous disclosures made by the Company on the Australian Stock Exchange. If necessary, consult your professional advisor prior to deciding to accept this offer and participate in the Shareholder Share Purchase Plan.

Additional Information

The Plan will be administered by the Southern Limited Gold Board, which will have an absolute discretion to:

- determine appropriate procedures for administration of the Plan; and
- resolve conclusively any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan whether generally in relation to any participating Eligible Member, or application for Shares, and any such resolution will be binding on all participants and other persons to whom the resolution relates.

The Plan and the terms and conditions of the Plan may be suspended, terminated or amended at any time by the Board.

The Board reserves the right to refuse an application if it considers that the applicant is not an Eligible Member or has not otherwise complied with the terms of the Plan or for any other reason. If an application is refused, application monies received will be refunded without interest.

Costs of the Offer

Expenses of the Offer, ASX Listing Fees, share registry expenses, commissions, printing and postage costs have been estimated to be $30,000

Any Queries

If you have any queries concerning the Offer, please contact Computershare Investor Services Pty Limited, telephone 1300 556 161, our Managing Director, Stephen Biggins, telephone 08 8132 0044 or Mick Billing, Director and Company Secretary of Southern Gold, telephone 0414 741 007

Yours sincerely

Ric Horn
Chairman

TERMS OF THE SOUTHERN GOLD LIMITED SHAREHOLDER SHARE PURCHASE PLAN

1. Definitions

ASX	means Australian Stock Exchange Limited;
Board	means the Board of Directors of Southern Gold Limited;
Closing Date	means the date specified in such an Offer or such later date as may be determined by the Board;
Company	means Southern Gold Limited ACN 107 424 519;
Eligible Members	means members of the Company eligible to participate in the Offer as determined under Clause 2
Market Price	has the same meaning as that term is defined in the Listing Rules of the Australian Stock Exchange;
Offer	means a non-renounceable offer of ordinary fully paid shares in the Company to Eligible Members under the Plan from time to time;
Purchase Price	means the subscription price for each Share determined in accordance with Clause 3 and specified in each Offer;
Record Date	means the date specified as such in an Offer made pursuant to the Plan;
Terms	means this document.

2. Eligibility to Participate

Those Members of the Company who will be eligible to apply for Shares under an Offer ("the Eligible Members") are those who are recorded in the Company's register of members at close of business on the relevant Record Date for that offer, and have an address (as recorded in the Company's register of members) in a jurisdiction in which it is lawful and practical for the Company to issue Shares under the Plan (in the reasonable opinion of the Board).

An Offer does not constitute an offer in any jurisdiction in which, or to any person to whom it would not be lawful to make such an offer.

Eligible Members may apply for up to a maximum of FIVE THOUSAND DOLLARS ($5,000) worth of Shares worth of Shares in any consecutive twelve (12) month period.

3. Calculation of Purchase Price

The Purchase Price of Shares will be determined by the Board, but will not be less than 80% of the average of the closing sale price of the Company's Shares on the ASX over the last five (5) trading days immediately prior to the date on which the Company makes the Offer. By accepting an Offer and applying for Shares under the Plan, each Eligible Member acknowledges that although the Purchase Price may be at a discount to the weighted average sale price of the Company's Shares on the ASX during the period described in Clause 3, the Shares are a speculative investment and the price of the Shares quoted on the ASX may change between the date of the Offer and the date of issue of the Shares and that the value of the Shares received under the Plan may rise or fall accordingly.

SOUTHERN GOLD LIMITED

ABN 30 107 424 519

SHARE PURCHASE PLAN APPLICATION FORM

Security holder Reference Number (SRN)/ Holder Identification Number (HIN)	
Record Date:	17 October 2005
Closing Date:	4 November 2005
Purchase Price:	22 cents per share

I/We, the above mentioned, being registered as ordinary shareholder(s) in Southern Gold Limited as at the Record Date for the offer contained in this document and the letter to me/us dated 7 October 2005 ("Offer") do hereby apply for the number of new fully paid ordinary shares in Southern Gold Limited ("Shares") as indicated below at an issue price of 22 cents per Share issued in accordance with the terms and conditions of the Offer and the Southern Gold Limited Share Purchase Plan.

Certification

By submitting this Application Form you certify that the aggregate of the application price paid by you for:

- the Shares the subject of this Application Form; and
- any other shares and interests in the class applied for by you under the Share Purchase Plan or any similar arrangement in the 12 months prior to the date of submission of this Application Form,

does not exceed $5,000.00.

- **Offer 1 – the number of new Shares you can apply for is 4,545, which will cost you $999.90.**
- **Offer 2 - the number of new Shares you can apply for is 9,091, which will cost you $1,999.80.**
- **Offer 3 - the number of new Shares you can apply for is 13,636, which will cost you $2,999.92.**
- **Offer 4 - the number of new Shares you can apply for is 22,727, which will cost you $4,999.94.**

Please tick the appropriate box

OFFER 1		OFFER 2		OFFER 3		OFFER 4
4,545 Shares $999.90	*OR*	9,090 Shares $1,999.80	*OR*	13,636 Shares $2,999.92	*OR*	22,727 Shares $4,999.94
☐		☐		☐		☐

INSERT DETAILS OF YOUR CHEQUE OR BANK CHEQUE – PLEASE COMPLETE IN BLOCK LETTERS

Name of Drawer	Cheque No.	BSB	Amount

_______________________ Contact Name

_______________________ Contact Daytime Telephone

_____/_____/_____ Date

1. If you want to participate in the Offer, please carefully read the terms and conditions of the Offer and the Share Purchase Plan.

2. On this form:

   (a) complete the number of Shares you want to buy (either Offer 1, Offer 2, Offer 3 or Offer 4);
   (b) complete the details of your cheque payment, noting that all amounts are expressed in Australian dollars;
   (c) write down your daytime telephone number in case we have any questions.

3. Write the cheque for the exact amount of the Shares you want to acquire. Incorrect payments may result in your application being rejected. Please make the cheque payable to "Southern Gold Limited" and crossed "Not Negotiable".

4. Please return the Application Form, together with the cheque, to Computershare Investor Services Pty Limited in the enclosed reply paid envelope.

5. Ensure that your Application Form and cheque reach Computershare Investor Services Pty Ltd by the closing date of the Offer being no later than 5.00pm (Adelaide time) on **4 November 2005**. Late applications may not be accepted. The postal acceptance rule does not apply to the Share Purchase Plan.

By accepting the Offer, you acknowledge that you have read and understood, and agree to be bound by, the terms and conditions of the Offer, the Share Purchase Plan and the Constitution of Southern Gold Limited

ENQUIRIES

Any enquiries as to how to deal with this Form can be directed to the Company's Share Registry.

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000

Telephone (within Australia): 1300 556 161
Telephone (outside Australia): 61 3 9415 4000
Facsimile: 61 8 8236 2305