SOUTHERN**GOLD**

ASX Code – SAU
December Quarter 2005
QUARTERLY REPORT

HIGHLIGHTS

- **Uranium JV Partner Hindmarsh Resources Limited in proposed takeover by Mega Uranium Limited**
- **Proposed drilling at IOCGU Yathong prospect awarded $80,000 of PACE funding**
- **Gold in calcrete surveys completed over the Yarlbrinda Shear Zone**
- **Uranium potential in palaeochannels targeted by HOISTEM and gravity surveys**
- **Drilling planned at Grenfell goldfield on completed IP Survey targets**

CORPORATE ACTIVITY

Southern Gold is continuing its activities on the corporate front through development of joint ventures and alliances which will add value through additional funding and accelerated development of its current projects.

New advanced exploration opportunities are also regularly reviewed with the goal of acquiring an interest in a Resource with early production potential.

Mega Uranium Takeover of Joint Venture partner Hindmarsh Resources

Mega Uranium Limited recently made a takeover bid for Southern Gold's Joint Venture Partner, Hindmarsh Resources Limited (HMR), valuing HMR at close to $20 million. Mega Uranium has a market capitalisation of $A213 million, is listed on the TSX Venture Exchange in Canada and has a focus on uranium properties in Australia, Argentina and Mongolia.

Southern Gold has shared assets through joint ventures with HMR exploring for palaeochannel uranium and Olympic Dam style copper gold uranium (IOCGU) targets on seven Exploration Licences covering over 3,000 km2 of the Gawler Craton. The offer for HMR confirms international interest in these very prospective tenement holdings in one of the world's major uranium provinces, which the Directors believe provides significant upside for Southern Gold's valuation.

Southern Gold looks forward to continuing an aggressive exploration program in the Joint Venture tenements, with Mega Uranium Limited, in the event that the bid is successful.

Shareholder Share Purchase Plan

3.4 million shares were issued to shareholders at a price of 0.$22 per share to raise $750,000 during November to accelerate the development of the Company's expanded uranium and IOCGU exploration portfolio which has tripled in size since our ASX listing.

At the end of the quarter the Company held cash reserves of $2.95 million.

EXPLORATION ACTIVITY

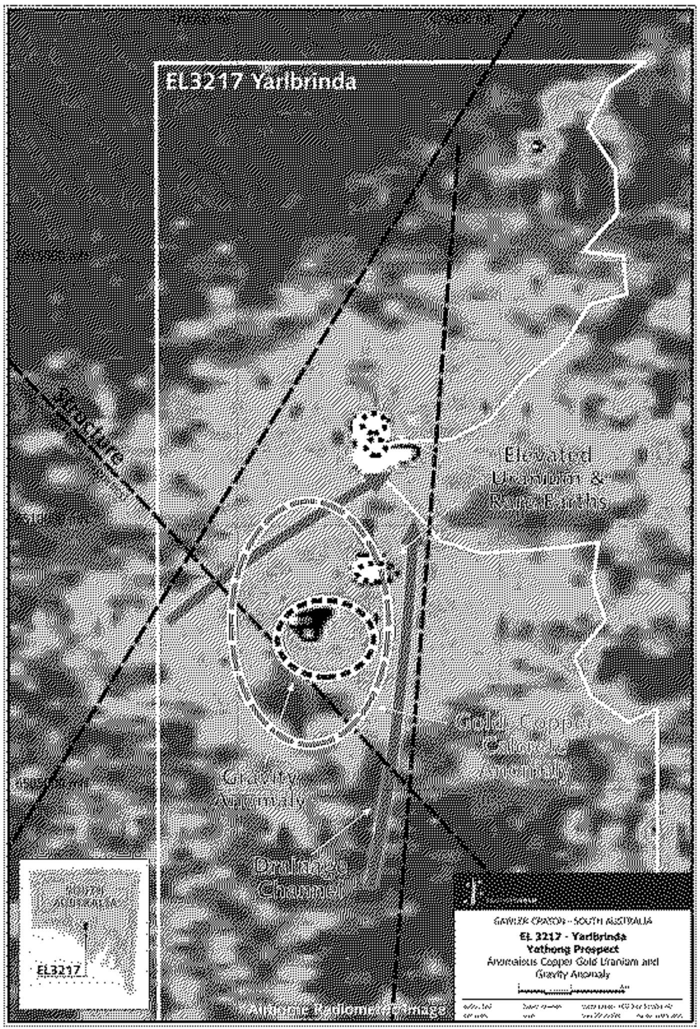
Yarlbrinda Project

(EL 3217 - 100%, HMR earning 35%)

The S.A Government has approved $80,000 of PACE funding for drilling of Yathong iron oxide, copper, gold, uranium (IOCGU) style targets on EL 3217. This is in addition to the $46,000 PACE funding available for air core drilling of identified Shear Hosted Gold targets adjacent to the Yarlbrinda Shear Zone, 40km south of the 730,000 oz Tunkillia gold Resource.

Detailed gravity surveys have been completed at Yathong IOCGU target. Calcrete, stream sediment sampling and geological mapping, combined with the gravity survey results make this a high priority prospect with multiple indicators.

An air core drilling program is planned for the June Quarter to test identified target zones.



Yarlbrinda South Project

(EL3160 – 35%, earning 70%)

A HOISTEM airborne EM survey has been completed over the uranium-bearing Narlaby Palaeochannel to map the prospective channel for sedimentary roll-front uranium. This section of the major Narlaby palaeochannel system drains off the nearby "hot" Hiltaba granites that are regionally elevated in uranium content and is located approximately 15 km upstream from the known Yarranna uranium deposit.

Calcrete surveys have been completed over the last untested portion of the Yalbrinda Shear Zone on EL 3160 targeting shear-hosted gold mineralisation similar to the Tunkillia gold deposit 80 kilometres to the north. We are awaiting calcrete assays.

Detailed gravity surveys have also been completed targeting IOCGU style deposits. Further gravity survey work is to be completed by the end of January 2006.

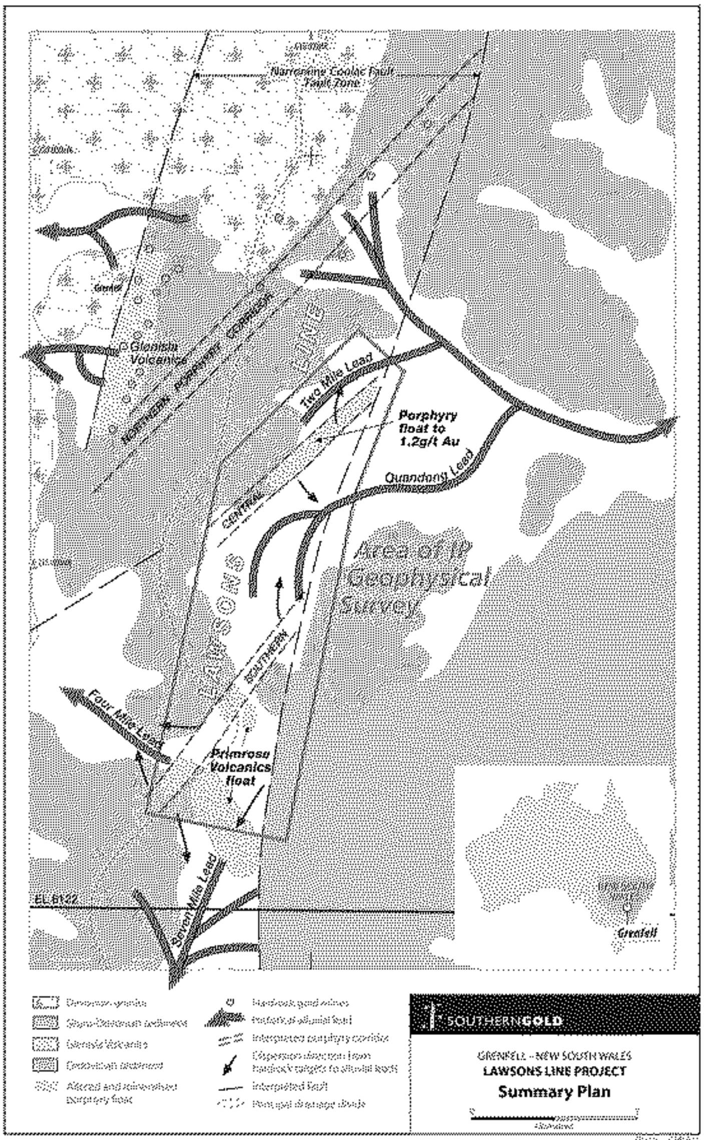
An air core drilling program is planned for the June Quarter to test identified target zones.

Grenfell Goldfield Project

(EL 6122 – 100%)

IP geophysical surveys were completed over Lawson's Line porphyry target zone. Hardrock gold targets in the headwaters to the historic Two Mile and Four Mile alluvial leads were interpreted to extend to depth beneath surface mineralisation.

A drilling program comprising an anticipated 800 metres is scheduled to commence in early February to test the identified gold targets.



Southern Gawler Arc Project

(EL 3158 -100%, HMR earning 35%)

Nankivel Prospect Gravity Vent Structures

A number of gravity anomalies have been identified coincident with a series of multiple circular vent structures interpreted from evaluation of previous soil geochemistry, airborne magnetics and recent gravity surveys. These are positioned at the interface between Gawler Range Voclanics and Hiltaba Granite, a key geological position controlling IOCGU mineralisation in the Gawler Craton.

The identified gravity anomalies have been assessed and detailed gravity surveys are planned to be completed by the end of January 2006.

Victory Prospect Drilling

Drilling of four diamond-core holes totaling 1100m during October 2005 at the Victory Prospect revealed a large mass of variably altered and sulphidic mafic rock in contact with graphitic and sulphidic metasediments. Visual examination of the drill sample has revealed sulphide veins, quartz-garnet veining, and zones of pervasive sericite-chlorite alteration without iron oxide alteration.

Assay of selected sections of drill-core do not warrant further investigation. The gravity feature tested by holes VP05-001, 002 and 004 appears to be due to a thick succession of variably deformed basalt and volcanic basalts. The conductive body detected with Induced Polarisation (IP) geophysical survey has been shown by drill hole VP05-003 to comprise graphitic and sulphidic graphitic shales and metasediments.

This drilling program is jointly funded by Joint Venture partners Hindmarsh Resources Ltd (earning 35%) and is supported by $80,000 of Government PACE funding.

Tallaringa Uranium JV

(EL3395 & EL 3396 - 100% HMR, SAU earning 30% uranium)

Gravity surveys comprising 127 stations completed by joint venture partner, Hindmarsh Resources Limited successfully detailed the geometry and structural relationships of the Anthony palaeochannel on EL 3396 and Garford Palaeochannel on EL 3395 prospective for uranium mineralisation.

Bulong South

(PL 25/1680 & 25/1681 – 100%)

RAB drilling samples with anomalous nickel have been submitted for re-assay for nickel sulphide indicators and platinum group elements to aid planning of ground EM surveys.

For further information, contact:

Stephen Biggins
Managing Director

Southern Gold Limited
58 North Terrace
Kent Town SA 5067

Telephone: 61 8 8132 0044
Facsimile: 61 8 8132 0199
Email: info@southerngold.com.au

This report and further information are available on Southern Gold Limited's website at:

www.southerngold.com.au

The information in this report has been compiled by Stephen Biggins (MBA,BSc(Hons)Geol), as an employee of Southern Gold Ltd, 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. He has a minimum of 5 years experience in the types of activities being reported.