

03 July 2006

Southern Gold: Uranium Research Report
RCR Uranium Sector Review: Exploration and Development Companies,
June Quarter 2006

The Directors wish to notify of the recent release of the following research note on Southern Gold's Uranium exploration activities compiled by Resource Capital Research (RCR) for the June Quarter 2006.

The report states that "SAU has a pipeline of uranium paleochannel and IOCGU prospective targets covering 1.1 million ha in the Gawler Craton, South Australia."

The June Quarter Uranium Sector Review covers 24 exploration and development companies in with a focus on Australia, Canada and the US.

Resource Capital Research provides equity research for junior and developing resource companies and provides investors with in-depth reports on current investment opportunities in the mining sector both in Australia and globally.

The June Quarter Uranium Sector Review including the research note on Southern Gold is available from www.rcresearch.com.au

Yours faithfully



S BIGGINS
Managing Director

Contact:

Mr Stephen Biggins
Managing Director
Phone: +61 (0) 8 8132 0044
Fax: +61 (0) 8 8132 0199

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. He has a minimum of 5 years experience in the types of activities being reported.

Please visit our website at www.southerngold.com.au

SAU.AU

Southern Gold Limited

AS \$ 0.19

23 June 2006
 Uranium, IOCG, Nickel, Gold
 Australia (SA,WA,NSW)
 Mid. Exploration (uranium)
 Exchanges: ASX:SAU

SAU has a pipeline of uranium paleochannel and IOCGU prospective targets covering 1.1 million ha in the Gawler Craton, South Australia. The company has JV's with Mega Uranium which is firing up its exploration effort in the area.

Capital Profile

Share price (A\$)	0.19
52 week range (A\$/share)	0.40 to 0.11
Number of shares (m)	46
Options and warrants (m)	20
Convertible notes (m)	0
Fully diluted (m)	65
Market capitalisation (undiluted) (A\$m)	8.7
Debt (A\$m) - June 06	0.0
Enterprise value (A\$m)	8.7
Major shareholders: JA Anderson (6.6%), Thompson Drilling Co. (5.8%)	
Avg monthly volume (m)	2.4
Cash (A\$m) - June 06	1.9
Price/Cash (x)	4.6
Price/Book (x)	3.3
Company options:	Yes

Production and Financial Forecasts

YEAR END: June	Mar-06	Jun-06	2005a	2006F	2007F
Exploration and evaluation (A\$m)	0.41	0.30	0.32	1.55	2.00
Corporate (A\$m)	0.18	0.12	0.23	0.75	0.50
Exploration/(Expl.+ Corporate) (%)	69	61	59	64	80
Funding duration at current burn (years)			5.2	0.9	0.9
Shares on issue (pr end) (m shares)	46	46	39	46	66
Drilling - RAB (m)	1,000	0	5,000	5,000	5,000
Drilling - Other/Diamond (m)	1,500	0	0	4,500	4,000
Land holding ('000 ha)*	1,000	1,100	400	1,100	1,100
Tenement costs (\$k per year)	10	20	20	40	50
Capital Raisings (A\$m)	0.0	0.0	4.3	0.9	2.0
Funding from JV partners** (A\$m)	0.06	0.00	0.00	0.19	0.76
Cash (A\$m)	2.4	1.9	2.9	1.9	2.4
Cash backing (Ac/share)	5.3	4.1	7.5	4.1	4.2
Net asset backing (Ac/share)	7.1	5.8	8.8	5.8	5.6

*Uranium prospective tenements only, both held and under application. ** Includes PACE grants

Investment Points

SAU will devote 50% of its exploration budget to uranium over the next 12 months.

Key targets are IOCGU and paleochannel style uranium mineralisation focused on the Gawler Craton (SA).

Recent industry discoveries at Prominent Hill and Carrapateena have aided target selection for IOCGU.

SAU is developing a pipeline of quality IOCGU targets - 50 gravity anomalies under review to identify drill targets.

Management experienced in South Australian exploration with proprietary IOCGU model for target acquisition.

JV's with Mega Uranium (former HMR tenements) firing up exploration in SA with commitment to funding.

South Australia is a mining friendly state with 38% of the world's uranium resources.

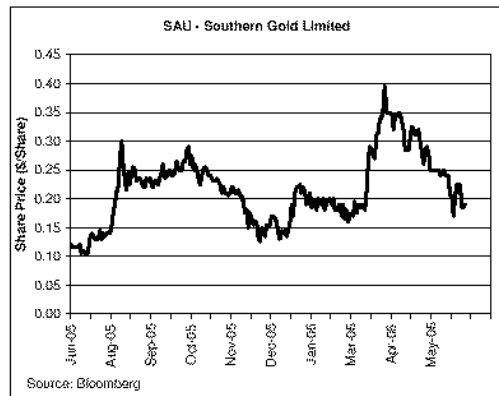
Company Comment

Overview: SAU listed on the ASX in April '05, to explore for uranium, gold, nickel, and base metals in Australia. Its uranium exploration interests are in the Gawler Craton (SA) targeting IOCGU and paleochannel mineralisation. In addition to cash of around A\$2m, SAU has a JV with Mega Uranium (TSX.V:MGA), which can spend up to A\$2.5m to earn into three SAU projects and has also received funding from PIRSA for certain exploration work in SA.

IOCGU: Targets account for about 65% of SAU's uranium exploration budget. SAU is assessing around 50 gravity anomalies in the region of the recent Carrapateena discovery with the expectation that 5 to 10 of these will become IOCGU drill targets. **Southern Gawler Arc:** The most advanced targets are two significant gravity anomalies identified at **Nankivel** in a key geological position - the interface of the Hiltaba granites and Gawler Range Volcanics. Further gravity work is anticipated 3Q06 (MGA JV). Second in terms of potential drill readiness are **Jumpuppy, Streaky Bay** and **Torrens South** with detailed gravity surveys planned 3Q06 (SAU 100%). **Yarbrinda South:** Coincident gravity and magnetic anomalies with drilling subject to rig availability and lease approvals.

Paleochannels: SAU holds about 300km strike length of paleochannel uranium prospective targets in the Eucla Basin (SA). **Challenger West:** This is the most advanced project. A 10,000m drill program is currently underway at Garford and Anthony (MGA JV) with results expected 3Q06. Prospective paleochannels extend 150km with historic grades up to 0.06% U₃O₈ reported in the late 1970's. (The area is also host to an IOCGU target at Westpoint). **Yarbrinda South:** (Southwest Gawler Craton) prospective targets are 10km upstream from the Yarranna uranium deposit within the Narlaby paleochannel. Work from ground radiometric and geochemical surveys has identified new drill targets for a 2,000m program in 3Q06. The **Warrior South** project covers the intersection of the Warrior and Kingoonya paleochannels with two large uranium targets currently untested. A regional airborne EM survey is proposed 3Q06, likely in conjunction with neighbours, Toro, Heathgate, and SRZ.

Investment Comment: SAU project areas benefit from new exploration technologies and contain untested IOCGU and paleochannel targets. SAU has a pipeline of prospective IOCGU targets with well defined gravity anomalies, 7 of which are nearing drill stage. Drill results from paleochannel targets at Challenger West and Yarbrinda South are expected in 3Q06. SAU's new JV partner, MGA, is well funded with C\$50m in cash. There is increased potential for corporate activity following the HMR takeover and interest by Canadian companies in anticipation of the opening of the Australian uranium sector.



Reserves and Resources/Mineralised Material

Uranium (U ₃ O ₈)		Classification/	Project	Ore	U ₃ O ₈	Cut Off	U ₃ O ₈	U ₃ O ₈	U ₃ O ₈	Eqty
U ₃ O ₈	Geology	Equity	Mt	%	ppm	Kt	Mib	Mib	Mib	
Reserves			0.0	0.00		0.0	0.0	0.0	0.0	
Resources			0.0	0.00		0.0	0.0	0.0	0.0	
Historical (est., non NI JORC compliant)			0.0	0.00		0.0	0.0	0.0	0.0	

Contacts

Stephen Biggins (Managing Director)
 Southern Gold Limited
 Tel: 61 (0) 8 8132 0044
 Kent Town SA, Australia
www.southerngold.com.au

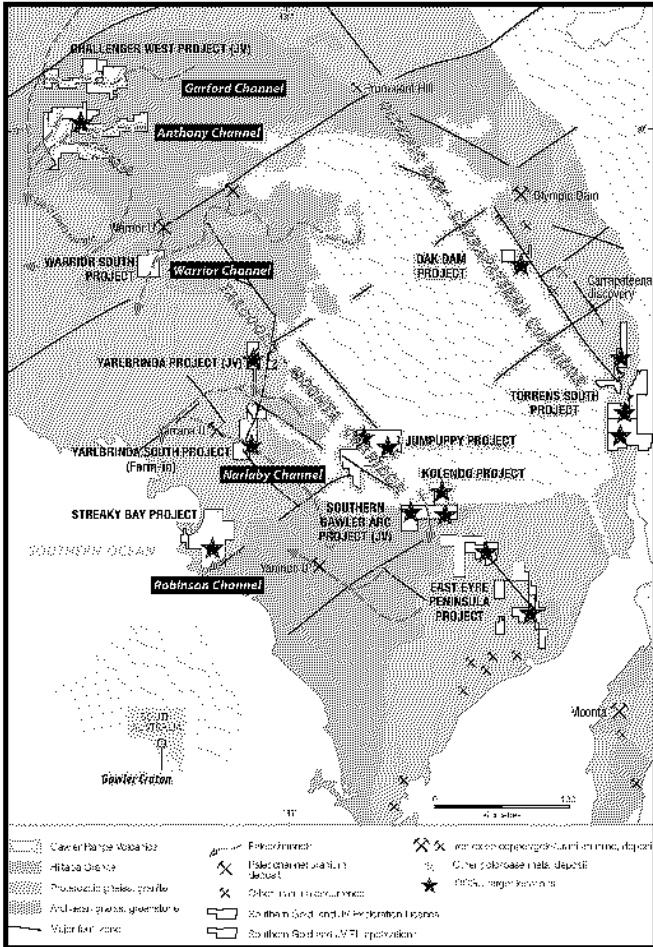
Analyst: John Wilson
 Resource Capital Research, www.rcresearch.com.au
 Tel: 61 (0) 2 9252 9405, johnwilson@rcresearch.com.au

Key Projects

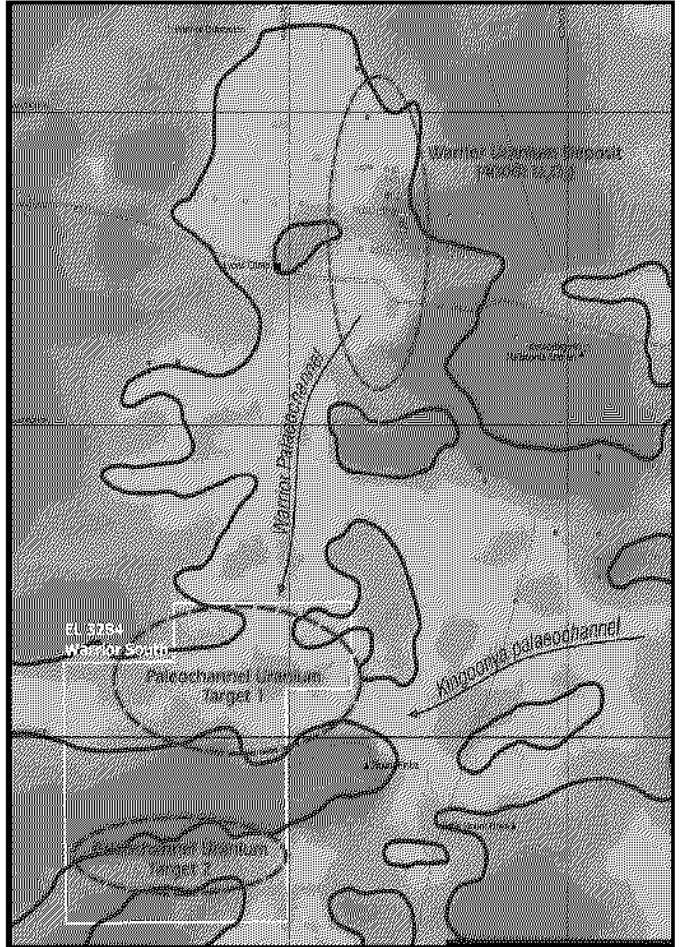
Project	Ownership/Option	Metal	JV Partner	Plant Cap.	Process Route	Project Status	Location
Challenger West	100/20%	U,Au,Cu	MGA (U only)	na	na	Mid Expl.	Aus (SA)
Southern Gawler Arc	100/65%	IOCGU	MGA (U only)	na	na	Mid Expl.	Aus (SA)
Yarbrinda	100/65%	IOCGU,Au	MGA (U only)	na	na	Early Expl.	Aus (SA)
Yarbrinda South	35/70%	IOCGU	i. Garsed	na	na	Early Expl.	Aus (SA)
Jumpuppy	100%	IOCGU	na	na	na	Early Expl.	Aus (SA)
Streaky Bay	100%	IOCGU	na	na	na	Early Expl.	Aus (SA)
Warrior South	100%	U	na	na	na	Early Expl.	Aus (SA)

SAU's uranium tenements are located in the Gawler Craton, South Australia:

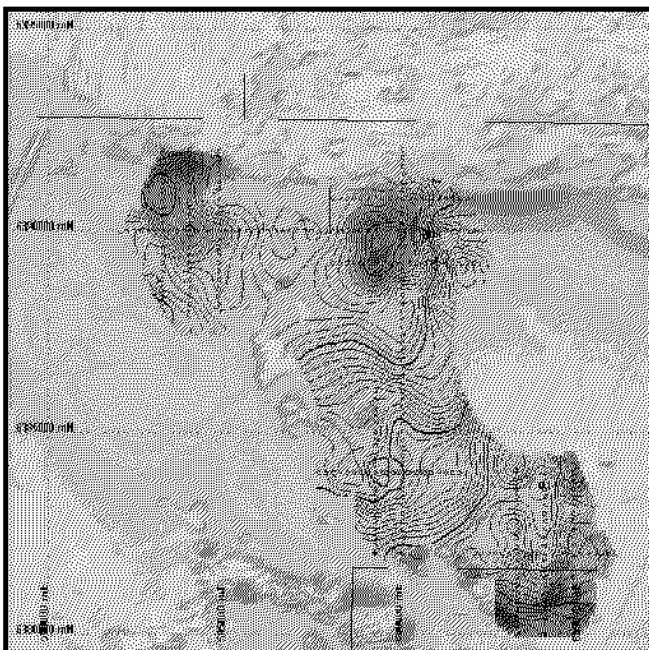
SAU has IOCGU targets in SA and ...



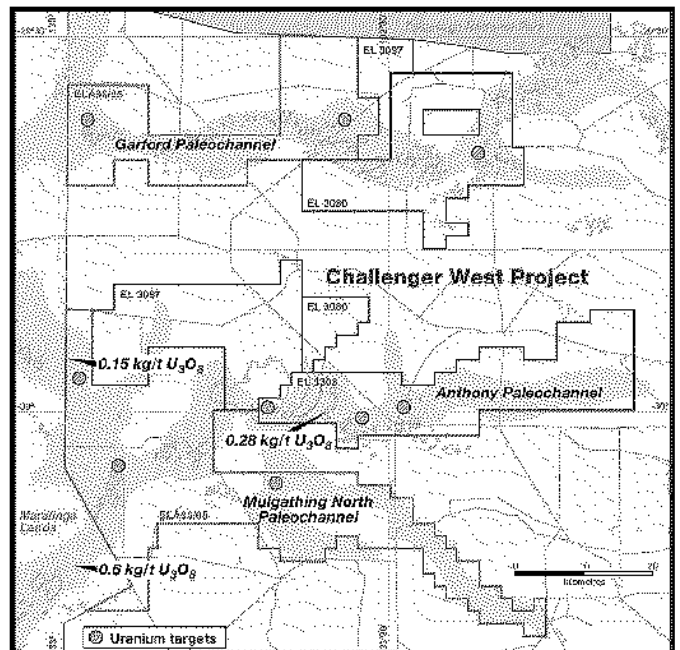
...300km of major paleochannels: Warrior South



Nankivel (SA) IOCGU gravity contours



Challenger West paleochannels



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Important Information

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