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First drilling builds uranium targets Gawler Craton, SA

Southern Gold (ASX: "SAU") has received encouraging results from the first wave of new exploration work and identified significant indicators of "roll-front" uranium in a major new palaeochannel province in the Gawler Craton.

The latest new work has been undertaken by one of the world's largest uranium explorers, Canada's Mega Uranium (TSX: "MGA") in joint venture with Adelaide-based and ASX-listed Southern Gold Limited.

The Gawler Craton hosts over a third of the world's uranium resources, in deposits like Olympic Dam. Uranium from these huge deposits and "hot" granites on the uranium rich Gawler Craton has been eroding and potentially concentrating in the palaeochannels draining westward into the Eucla basin for millions of years.

The Tallaringa (EL 3395 & EL 3396) and Challenger West (EL 3080, EL3097 & EL 3308) Joint Ventures (JVs) include five exploration licences (EL) covering an area of approximately 3000km² (Figure 3). Toronto listed Mega, who is managing this JV project, brings added expertise and resources to strengthen the success of the JV.

Since Southern Gold, as first mover on the current uranium exploration push in the region, and Mega Uranium secured the major and most prospective parts of the palaeochannel systems other uranium producers and uranium explorers have also recognized the prospectivity for uranium mineralisation and taken up the remaining adjacent ground.

Aircore drilling of the Garford and Anthony palaeochannels in the Eucla basin, 200km south-west of Coober Pedy in SA, was carried from March to June 2006 (Figure 4). Holes were sited after examination of geological and geophysical data and down-hole logged with the JV's gamma logging equipment.

Uranium grades of up to 90ppm U₃O₈ have been identified on EL 3308. Persistent double-peak gamma anomalies with high thorium content over several contiguous drill intersections are also strong indicators that 'roll-front' uranium mineralising processes were active in this very large palaeochannel system (Figure 1). Initial reconnaissance drill spacing was at 800m with infill drilling closed to tighter spacing where anomalous radioactivity was encountered.

This reconnaissance drilling program confirms that the uranium mineralising roll-front processes are at work, but this greenfields drilling program has only effectively tested about 10%, of the interpreted 200km of mineralised palaeochannels covered by the Joint Venture.

Mega Uranium is assessing these results ahead of recommending follow-up JV programs including additional geophysics and further geological work.

Mega are continuing to earn their equity position by sole funding exploration on EL 3080, EL 3097 and EL 3308 (Southern Gold currently holds 100%).

Southern Gold has earned its 30% equity of the Tallaringa JV Licences through its contribution to drilling on EL 3395 and EL 3396.

Challenger West Joint Venture (Mega earning 80% of uranium)
 (EL 3080, EL 3097 & EL 3308)

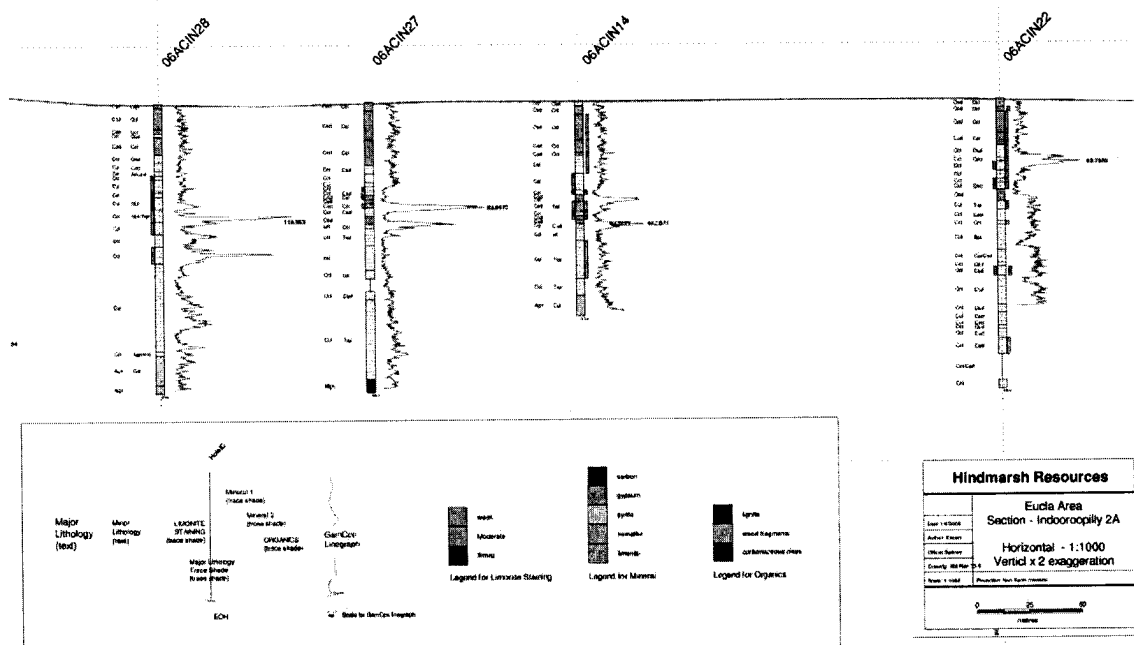
76 holes averaging 52m depth were drilled for a total of 3984m (Table 1). Holes were sited after examination of geological and geophysical data and by comparison with the Beverly, Beverley 4 mile and Honeymoon palaeochannel uranium deposits.

Six drill traverses provided preliminary investigations of a 120km palaeochannel length at very broad intervals. Initial drill hole spacing of 800m was closed to 400m where anomalous radioactivity was encountered using a down-hole gamma probe or where favourable geology such as a deeper channel, pyritic sands, lignite or oxidised channel sands was intersected. Further encouraging gamma results led to closer infill along the traverse.

Table 1. Drilling summary Challenger Wes Joint Venture

	GARFORD EL 3080	HALFMOON EL 3308	INDOORROOPILLY EL 3097	TOTAL
Total metres	1209	1147	1628	3984
Number holes	19	23	34	76
Average depth	64	50	48	52

Figure 1. "Double-peak" gamma anomalies in drill section Ind-2A, EL 3097.



Challenger West Joint Venture Results

Many drill holes revealed anomalous radioactivity. The peaks represented two geological contexts; redox conditions at the base of shallow multi-coloured sands (less than 20m) over grey pyritic clay and redox conditions at the base of oxidation in the modern climatic environment

Table 2. Summary Results, Challenger West Joint Venture

Licence	Max Uranium ppm (DH)	Max Thorium ppm (DH)
Garford EL 3080	30 (06ACGA10)	88 (06ACGA05)
Half Moon Lake EL 3308	90 (06ACHM20)	105 (06ACHM21)
Indooroopilly EL 3097	48 (06ACIN31)	150 (06ACIN29)

Deep and wide palaeochannels were intersected containing a variety of limonitic (oxidized) and carbonaceous (reduced) sediments suggesting the occurrence of redox conditions within the palaeochannel. These old river and lake sediments ranged from sands to clays. Most holes ended in weathered basement (proterozoic and archaean gneisses and granites).

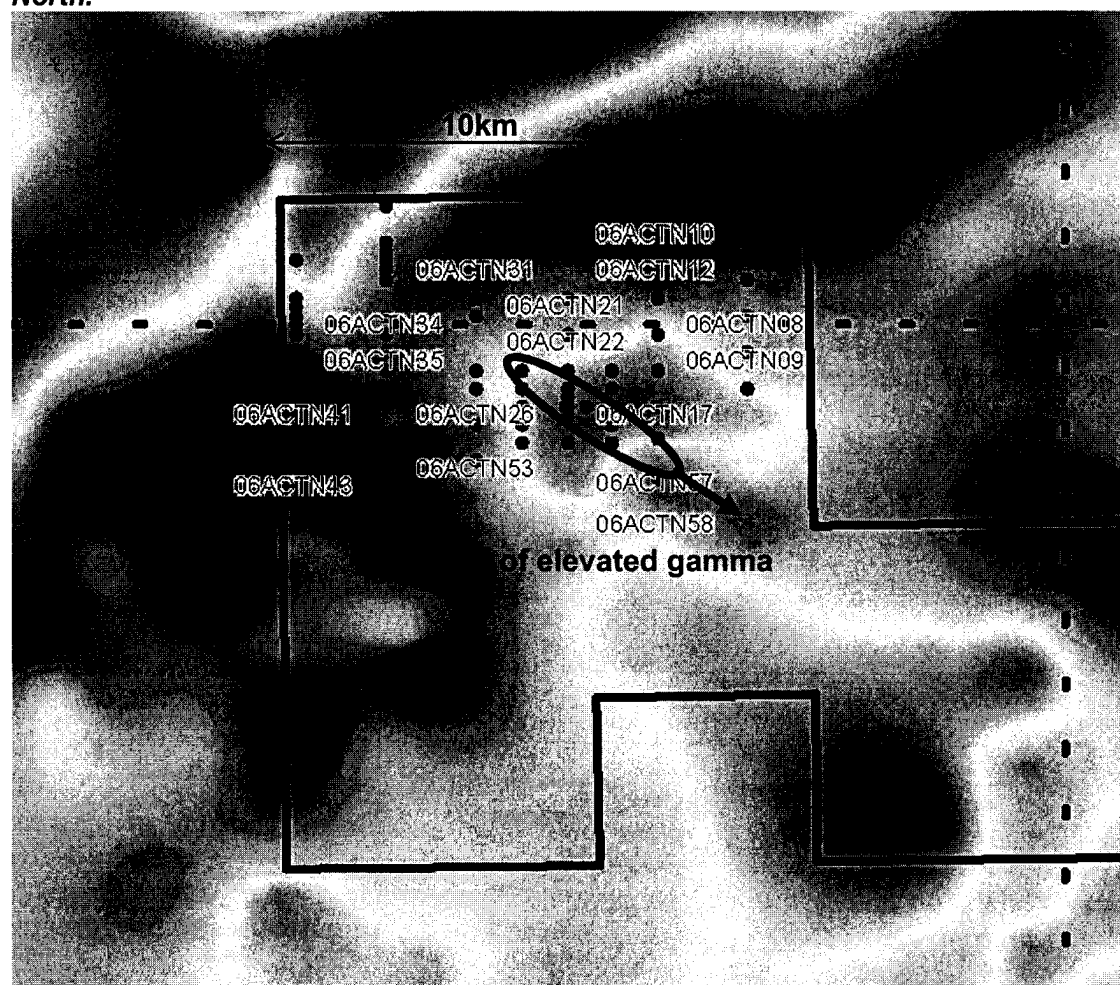
Tallaringa Joint Venture (SAU 30% uranium) (EL 3395 & EL 3396)

98 holes averaging 53m depth of air-core drilling were completed on EL 3395 and EL 3396 for a total of 5225 metres.

Drilling was focused on a 10km section on the eastern portion Garford Palaeochannel (Figure 3). 6 traverses spaced at 2km tested the palaeochannel at this location. Traverse spacing was closed to 1km to following substantially elevated gamma readings of up to 393 cps (measured within the drill rods - estimated to be equivalent to ~800cps open hole).

A broad zone of elevated gamma reading was identified over a 1km wide and 3km long area and is open to the south-east (Figure 2).

Figure 2. Drillhole locations overlain on residual gravity image, EL 3396 Tallaringa North.



Tallaringa JV Results

Uranium levels of up to 60ppm were assayed from drill samples (Table 3). The assay results indicate that the highly anomalous radiometric peaks, noted above, were caused by a mixture of uranium and thorium (and probably potassium, which was not analysed).

Table 3. Summary Results, Tallaringa Joint Venture

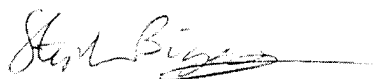
	Tallaringa Nth EL 3396	Tallaringa Sth EL 3395	Total
TOTAL M	4372	853	5225
NUMBER DH	80	18	98
AV DEPTH	55	47	53
U ppm max	60	16	
Th ppm max	145	38	

Southern Gold's additional palaeochannel uranium projects

Southern Gold is also using this model to explore its other projects (100% SAU) covering major palaeochannel systems draining from the uranium rich Gawler Craton. Such as, 20km downstream from the historic Warrior palaeochannel uranium deposit, and also 15km upstream from the Yarranna uranium deposit grading up to 3300ppm U₃O₈ in the Narlabby Palaeochannel.

Southern Gold has recently completed airborne EM surveys over both these other palaeochannel projects where economic grades of uranium are hosted and identified attractive targets shall be drilled once environmental approvals have been secured.

Yours faithfully



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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.

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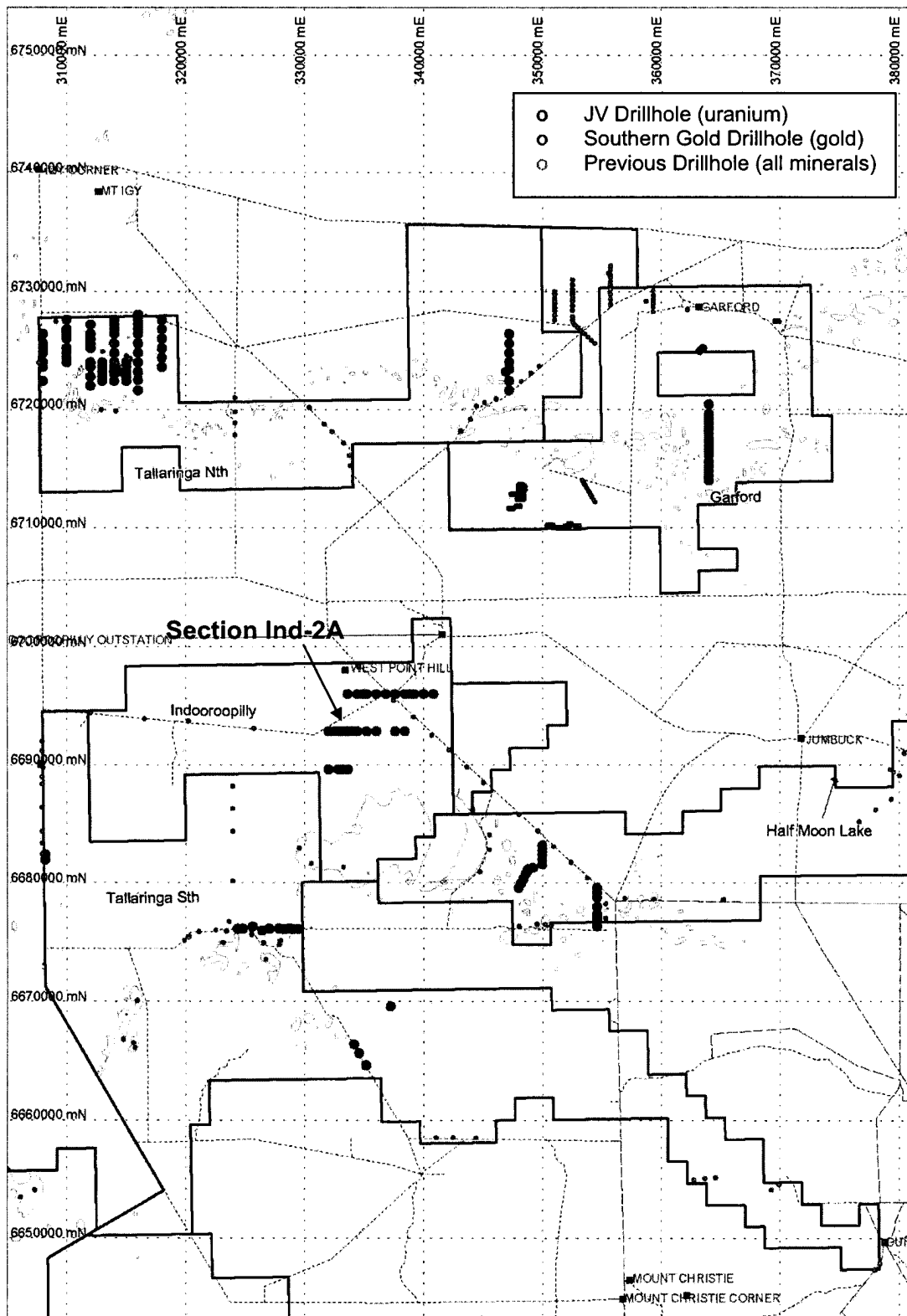
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Figure 3. Regional drillhole location map, Tallaringa and Challenger West JV



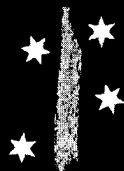
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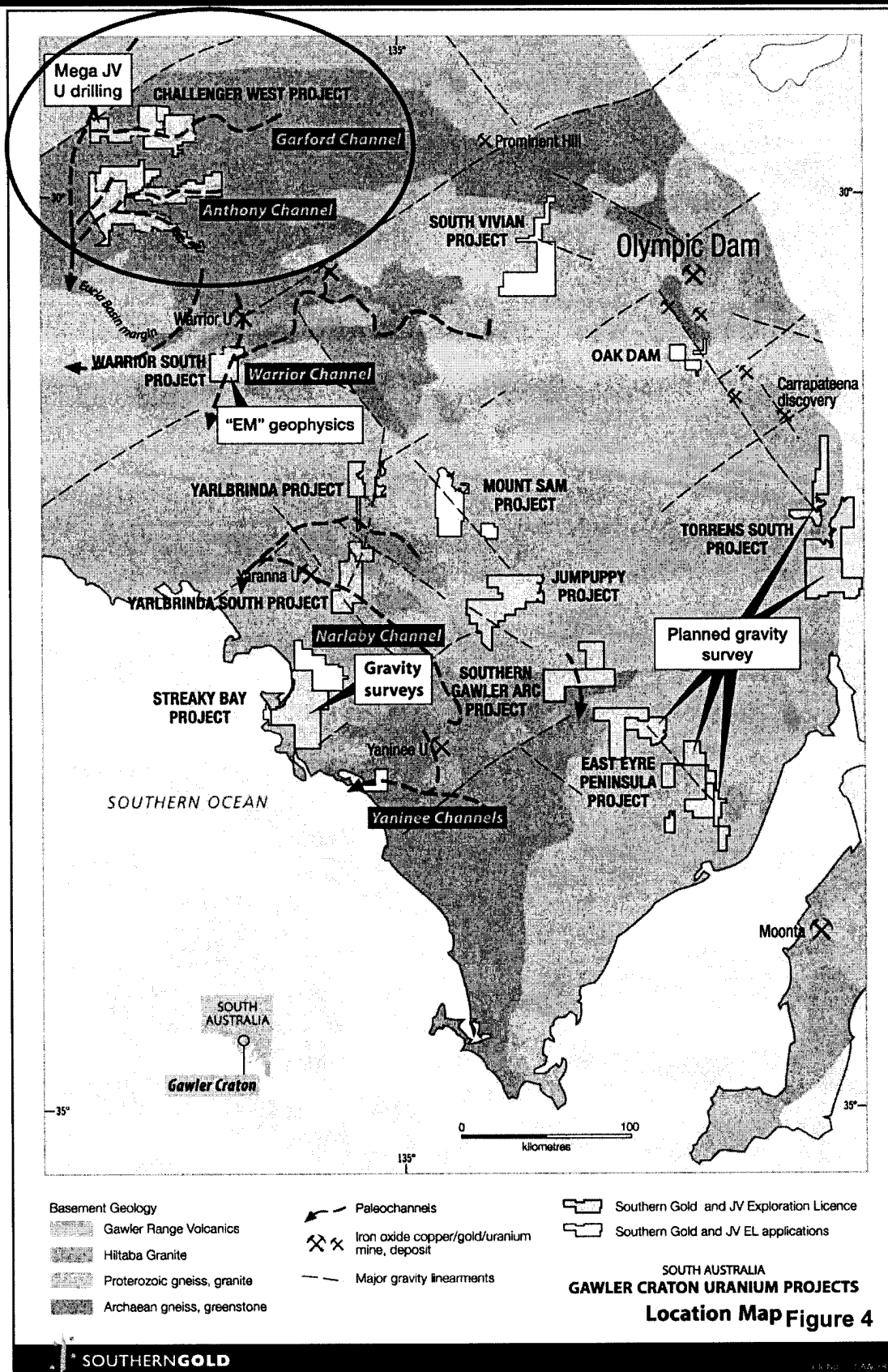
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