Southern Gold Limited was incorporated in January 2004 and listed in April 2005 to take advantage of a forecast commodities boom and to explore for and develop mineral projects in world-class mining provinces of the Gawler Craton (South Australia), the Eastern gold fields (West Australia) and the Lachlan Fold Belt in NSW.

Mineral exploration and the development of new mineral deposits has been re-invigorated by the significant up-turn in commodity prices for gold, copper, lead, zinc, nickel, and in particular uranium. The economy is clearly in over-drive and it is difficult to see a downturn in the booming resources sector in the near future.

Even recent increases in interest rates failed to dampen the demand for resource stocks. New discoveries such as Carapateena and Punt Hill in South Australia together with the South Australian PACE program has seen a rapid increase in exploration expenditure in the State. In 2005, Australia represented just 13% of the global exploration budget, down from 19% in 1999. This trend has not been followed in SA where the Government introduced a policy to pay up to 50% of drilling costs through the PACE scheme. I congratulate the SA Government on this superb initiative.

The development of mineral deposits at Prominent Hill, Strathalbyn, Kanmantoo, Curnamona, Eyre Peninsula and mineral sand deposits in the Murray and Eucla Basins as well as the development of uranium deposits at Beverley and the Northern Flinders Ranges has added strength to the mineral resources boom in South Australia.

While the resources sector may be running at full steam, a shortage of skilled personnel with the appropriate geological and business skills poses a serious impediment to rapid progress of exploration programs by junior explorers and Southern Gold Limited is no exception to this dilemma. We have been fortunate to maintain a small team of professionals with the ability to put geological theories into positive exploration programs and for this the Board is sincerely grateful. We are currently recruiting additional staff to ensure that we do not have to defer our exciting new exploration programs. Finding and keeping the right people in this climate is a key to our success.

A sure sign that the mineral exploration industry is booming is the difficulty in accessing drilling rigs. Earlier this year the owner of the Grimwood Davies drilling business, Tim Goyder, was quoted in the Australian Financial Review as saying "Business is solid and all our rigs are fully booked", and this is a sentiment generally echoed throughout the drilling industry. As is the case with many junior explorers, sourcing suitable drill rigs for our drilling program has presented Southern Gold Limited with a significant challenge during 2005 – 2006 and into 2007.

Junior explorers are continuing to raise money through new listings and capital raisings and new listings are appearing on a weekly basis, particularly in the uranium sector. Southern Gold Limited has been extremely fortunate to secure significant funding through placement of shares to major investors in CITIC Australia Trading Limited and Talbot Group Holdings and we welcome their long-term involvement in Southern Gold Limited. We are continuing discussions with the view to further capital raising in the future.

2005 – 2006 has been a very positive and productive year in the development of Southern Gold Limited.

Southern Gold Limited has a substantial portfolio of exploration projects for gold, copper, uranium, nickel and platinum group elements in Southern Australia. Our projects are predominantly located in the under-explored Gawler Craton which is fast emerging as a one of the leading uranium and copper provinces in the World.

Southern Gold Limited holds in excess of 12,000 sq kms of exploration tenements in the Gawler Craton and is actively exploring for palaeochannel uranium and Olympic Dam style (IOCGU) deposits.

We have recently acquired tenements in Cambodia and I will discuss these activities later in my presentation.

During the past twelve months Southern Gold Limited has undertaken drilling campaigns for gold at Challenger West and at Victory (SA), Bulong (WA) and Grenfell (NSW). Drilling has significantly enhanced the value of these projects for further exploration.

At Challenger West and Tallaringa, Southern Gold Limited is in joint venture with Toronto Stock Exchange listed Mega Uranium, one of the world's largest uranium companies. Mega has completed a successful air-core drilling program of the Garford and Anthony palaeochannels with encouraging results indicating high-potential for the location of "roll-front" uranium deposits. We expect Mega to undertake further exploration activities within these palaeochannels, which have only been partially tested, during the coming year.

Southern Gold Limited is one of the increasing numbers of Australian exploration companies exploring for and developing mineral deposits in the Indo-China region.

Countries such as Thailand, Laos, Vietnam and Cambodia are welcoming foreign investment and expertise. Three such companies who have become very successful are Kingsgate Consolidated Limited in Thailand and Oxiana Resources Limited and Pan Australian Resources in Laos.

Early in 2006, Directors of Southern Gold Limited examined an opportunity to participate in mineral exploration in Cambodia. This region of Indo-China offers significant exploration potential in an under-explored geological terrain of the Loeii Petchabun volcanic belt extending through Thailand, Northern Cambodia, Laos and Vietnam and hosts the world-class Chatree (Kingsgate), Sepon (Oxiana) and Phu Bia (Pan Aust) gold and copper mines.

It is interesting to note that Oxiana went from a $10 million capitalised company in 1996 to a market capitalisation of $1billion in 2004 before it acquired Golden Grove and the approved development at Prominent Hill.

Your directors believe that this new frontier offers significant exploration opportunities for gold, copper, lead and zinc and have proceeded to acquire tenements within the Antrong region of eastern Cambodia, 300 km north east of Phnom Penh.

Southern Gold Limited has executed Memorandums of Understanding (MOU's) with the Cambodian Ministry of Mining Industry and Energy. These MOU's cover highly prospective areas where artisinal mining has been or is currently being carried out and where samples collected from the region have returned values up to 34g/t gold, 3% Cu, 20% lead and 18% zinc. The area of the MOU's cover a substantial area located in close proximity to areas held by Oxiana and BHP.

Southern Gold has established an office in Phnom Penh and has appointed Mr Nicholas Steel, an Australian geologist who resides in Cambodia, as General Manager.

I am very excited by the project although we can expect a long lead time between discovery and development and with a project with this potential to develop a world-class mine we must be prepared to be patient and hang in for the long haul.

The next 12 months will see a rapidly expanding exploration program of our projects and we expect to continue our growth through further acquisition of quality assets. Southern Gold Limited Directors have approved expenditure in excess of $560,000 for drilling programs at Bulong, in WA and the new Eurow copper gold target in NSW.

The Bulong drilling, due to commence in mid-December will target an intense electro-magnetic (EM) anomaly. Previous drilling carried out in 2005 over this anomaly intercepted 8m @ 1% Ni and drilling is targeting a Ni sulphide source.

The Eurow/Vychan prospect in NSW will be drilled in late January – early February and is expected to confirm the existence of a copper/gold resource where previous drilling intersected up to 4.4% Cu, 3.6% Zn, 3.3g/tAu and 89g/t Ag in the deepest hole yet drilled on the prospect.

Southern Gold Limited will spend at least $500,000 in the next 12 months trying to find another Challenger gold mine within the recently announced joint venture with Dominion Mining Limited. A small inferred gold resource at Golf Bore with potential to expand the size will be drill tested early in 2007.

A budget and drilling program is being prepared for detailed gravity surveys over the Torrens South project where the target is an IOCGU deposit similar to the Punt Hill and Carapateena discoveries and located within 15 km of the Monax Punt Hill occurrence. Drilling is scheduled for the second quarter of 2007.

A major exploration program including aeromagnetics, soil and rock chip sampling, geological mapping and drilling is planned for our Cambodian properties and work has commenced on the geochemical sampling. Funding options including joint ventures are actively being pursued in order to permit an aggressive exploration program without reducing activities on Australian projects.

Uranium has been the hot topic around the share market for the past couple of years and uranium shares are booming spurred on by an energy hungry world intent on reducing global warming. Actively encouraged by our investors and advised by our brokers, Southern Gold Limited has canvassed opportunities to add value to its uranium exploration portfolio and provide shareholders with a maximum gain on their investment.

South Australia currently hosts two of Australia's three uranium mines and the State is recognised for its high prospectivity for its uranium. The emerging projects at Honeymoon, the Four Mile prospect at Beverley and the Oban prospect at Curnamona have acted as a catalyst to uranium explorers. China has been particularly active in its bid to secure supplies of the nuclear fuel and uranium exports from Australia will need to significantly increase to meet the Chinese demand.

I am pleased to announce that your Directors, guided by advice from our brokers, have approved an IPO for Southern Gold's wholly owned subsidiary, Southern Uranium Limited. Details of the IPO will be conveyed to shareholders by letter and a Special General Meeting will be held in early January 2007.

The IPO is proposed to raise up to $14 million and following the public listing Southern Gold Limited will retain approximately a 40% interest in Southern Uranium Limited. Southern Gold Limited shareholders shall have a priority entitlement to invest in Southern Uranium limited

A strong and capable Board of Directors with broad technical and commercial expertise has been selected and I am pleased to announce that Mr John Anderson has accepted the position of CEO of the new Company whose office will be located in Brisbane.

Southern Gold Limited's objective is to increase shareholder value by Company growth through the discovery, acquisition and development of profitable mineral resources. Long term growth for the Company will come from the exploration and development of large copper/gold targets similar to Olympic Dam in the Gawler Craton, exploration for nickel deposits at Bulong in WA, copper and gold in NSW and world-class gold and base metal deposits in Cambodia and Indo-China.

Southern Gold Limited will continue its multi commodity approach to take advantage of high world metal prices and demand, particularly for uranium. Our personnel are highly qualified and technically competent in the exploration for and discovery of IOCGU deposits. They have considerable experience in copper-gold exploration in the Lachlan Fold Belt as well as nickel in the Eastern Goldfields

Directors will continue to secure adequate funding for an aggressive exploration program through 2007-2008 and we are confident of early exploration success which will ensure the transition of Southern Gold Limited to a mineral producer.

I take this opportunity to express my sincere gratitude to our experienced team of geoscientists and congratulate our Managing Director, Stephen Biggins for successfully guiding the company through its formative year and assembling and leading a team of competent and well qualified geoscientists. I also thank my fellow Directors for their strong support and their assistance throughout the year.

We thank our shareholders for their continued support of Southern Gold and we will continue to increase the value of the Company's assets and hopefully the value of our shares.

Please feel free to discuss any of our activities with our Directors at the end of the meeting.