31st January 2007

CHAIRMAN'S UPDATE ON SOUTHERN URANIUM IPO

Dear Shareholder

I am pleased to provide you with this explanatory statement for the proposed issue of securities in Southern Uranium Limited (SNU). Your Directors have worked tirelessly for the past 3 months to finalise the SNU prospectus to achieve a listing on the ASX by the end of March 2007.

On Wednesday 31 January 2007, Southern Gold Limited (SAU) shareholders approved the issue of securities for the purpose of listing the subsidiary Company, Southern Uranium Limited on the Australian Stock Exchange (ASX). This action heralds the beginning of an exciting new chapter in the development of uranium exploration in Australia. The listing of SNU will create a strong platform for future growth in the uranium industry and provide improved benefits for shareholders. Southern Gold will hold approximately 40% of SNU after listing.

Southern Gold shareholders are being offered a priority allocation of shares in SNU. Each Southern Gold shareholder registered by close of business on the 12 February 2007 shall be entitled to subscribe for the minimum of 10,000 shares in SNU (AUD $2000). SAU shareholders may apply for larger amounts. Due to current equity market sentiment for uranium-based floats, it is highly possible the SNU offer could attract strong demand and in the event of large-scale over-subscriptions from SAU shareholders, Directors of Southern Uranium reserve the right to apportion shares as they believe appropriate, and in all likelihood on a "first come, first served" basis. In general, shares applied for over and above the minimum will be allocated on the basis of "the larger the existing SAU shareholding, the greater the SNU allocation" - or in other words, "the larger SAU investors will be scaled back the least".

Southern Gold option holders, who do not also hold fully paid shares in SAU who wish to participate in the priority entitlement, may secure this entitlement by either purchasing SAU shares or exercising their SAU options. Option holders should exercise heir options prior to the 12 February 2007 to secure the priority entitlement.

A prospectus outlining the details of the IPO and its associated capital raising, of an anticipated $14 million, is expected to be released by the end of February 2007 and is close in mid-March 2007.

On completion of the planned fund raising and following the planned listing on the ASX at the end of March 2007, an aggressive and enthusiastic exploration program is envisaged across established exploration projects on the Gawler Craton in South Australia. Directors are anticipating allocating more than 50% of the funds raised to the established exploration projects with a significant early drilling component.

We believe Southern Uranium will be a dynamic organisation under the leadership of Roger Marshall as Chairman and John Anderson as Managing Director - with additional technical input from David Jones and Stephen Biggins. Ric Horn, Mike McDonald and Mick Billing have resigned as Directors of SNU following the EGM. However, Mick Billing has agreed to act temporarily as Company Secretary and Chief Financial Officer for SNU pending the Board recruiting a permanent Company Secretary and CFO. Southern Uranium is poised to increase shareholder value through the acquisition, discovery and development of uranium resources throughout Australia.

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