

28th May 2007

High-grade copper drilled to at least 240m depth Eurow VHMS Deposit, N.S.W

HIGHLIGHTS

- **Multiple high grade copper intercepts**
 - **Up to 10.2% Copper and 3.2 g/tonne gold (1 m)**
- **Also high-value gold-silver-zinc mineralisation with copper**
 - **Au up to 8.37 g/tonne, Ag up 131 g/tonne, Zn up to 9.2% (1m)**
- **Mineralisation extended from 80 m to 240 m vertical depth by 9 holes.**
- **>2% Cu over a strike distance of 280 m**
- **VHMS style with potential for substantial thickening of sulphide zones at Eurow and potential for further deposits along strike**

Summary

Southern Gold Limited's 100% owned Eurow project (within EL6653) covers a major intrusive and mineralization centre with substantial base metals and gold potential in the Parkes district of the Lachlan Fold Belt of New South Wales.

The recent drilling has extended the known massive sulphide mineralisation to a vertical depth of 240m. Drilling at the Eurow prospect has intercepted a stratabound zone of massive and vein-breccia sulphide mineralisation with >2% Cu over a strike distance of 280 m (Table 1, Figure 2). Sub-intervals of 0.4-1 m grade up to 10% Cu.

The Eurow project is centered on the historic Eurow-Vychan copper-gold mine that has depth and strike potential for a large sulphide system. Records indicate that approximately 50 tonnes of hand-picked ore (1899-1903) yielded on average 4.4 g/tonne Au, 81 g/tonne Ag and approximately 14% Cu (from enriched supergene ore). Underground mining was to a depth of 46m. Relatively shallow drilling around the mine area by previous workers intercepted sulphides and encouraging gold and base metal grades to a vertical depth of around 80 m (Table 2).

Assay results have been now been received for the recent drilling program. Significant intercepts from the sulphide horizon are listed below (Table 1).

Drill Hole	Depth from-to (m)	Interval (m)	Au (ppm)	Ag (ppm)	Cu (%)	Pb(%)	Zn (%)
EU018	123-125	2	0.73	22.7	0.30	0.16	0.94
EU019	92-95	3	0.22	9.9	0.51	0.05	0.24
EU021	131.26-135.19	3.93	0.44	7.6	0.36	0.07	0.34
EU022	212.74-217.15	4.41	0.63	21.46	1.57	0.14	1.49
<i>including</i>	<i>212.74-214.57</i>	<i>1.83</i>	<i>0.55</i>	<i>17.0</i>	<i>2.01</i>	<i>0.05</i>	<i>2.01</i>
<i>and</i>	<i>215.5-216.25</i>	<i>0.75</i>	<i>1.47</i>	<i>50.6</i>	<i>2.86</i>	<i>0.29</i>	<i>2.80</i>
EU026	245.3-248.45	3.15	0.98	39.5	2.45	0.22	1.08
<i>including</i>	<i>246.65-247.58</i>	<i>0.93</i>	<i>1.49</i>	<i>60.6</i>	<i>5.16</i>	<i>0.07</i>	<i>2.18</i>
<i>and</i>	<i>247.89-248.45</i>	<i>0.56</i>	<i>1.1</i>	<i>69.8</i>	<i>4.16</i>	<i>0.25</i>	<i>2.34</i>
EU027	277.71-279.91	2.2	1.78	59.7	4.28	0.21	0.41
<i>including</i>	<i>277.71-278.29</i>	<i>0.58</i>	<i>2.36</i>	<i>81.9</i>	<i>6.24</i>	<i>0.20</i>	<i>0.64</i>
	<i>278.56-278.96</i>	<i>0.4</i>	<i>2.49</i>	<i>87.3</i>	<i>5.41</i>	<i>0.43</i>	<i>0.98</i>

Table 1. Assay results for the best mineralised intervals from the recent drilling by Southern Gold Ltd.

RC and Diamond Core Drilling Program, April 2007

The recent drilling has extended the known massive sulphide mineralisation to a vertical depth of 240m. Drilling (from previous Company work and the recent Southern Gold campaign) at the Eurow prospect has intercepted a stratabound zone of massive and vein-breccia sulphide mineralisation with >2% Cu over a strike distance of 280 m with a thickness of 2-3 m (see Figure 2). Narrower sub-intervals of 0.4-1 m grade up to 10% Cu. The overall zone of mineralisation varies in thickness from 1 m near the interpreted deposit edge to up to 4-6 m. The deposit dips at approximately 70° to the southwest and mineralisation is still open down dip and along strike to the south.

Gold associated with the >2% Cu intervals ranges from 0.98 g/tonne Au (from 3.15 m half NQ core sample) to 4.89 g/tonne Au (from 2 m Reverse Circulation (RC) chip sample), with corresponding irregularly distributed zinc grades ranging from 0.45-4.8% Zn. A coherent zone of low grade zinc (as intercepted in 3 drill holes over a strike distance of

104 m with average grades of 2.4%, 4.6% and 5.8% Zn (over 2 m intervals with a maximum grade of 9.2% Zn over 1 m) does however make up part of the massive sulphide horizon and indicates that potential exists for the outlining of further coherent zinc zones, thus increasing the overall metal inventory at Eurow.

Figure 1a Drill Core EU022 Massive Sulphide Zone from 212.5m

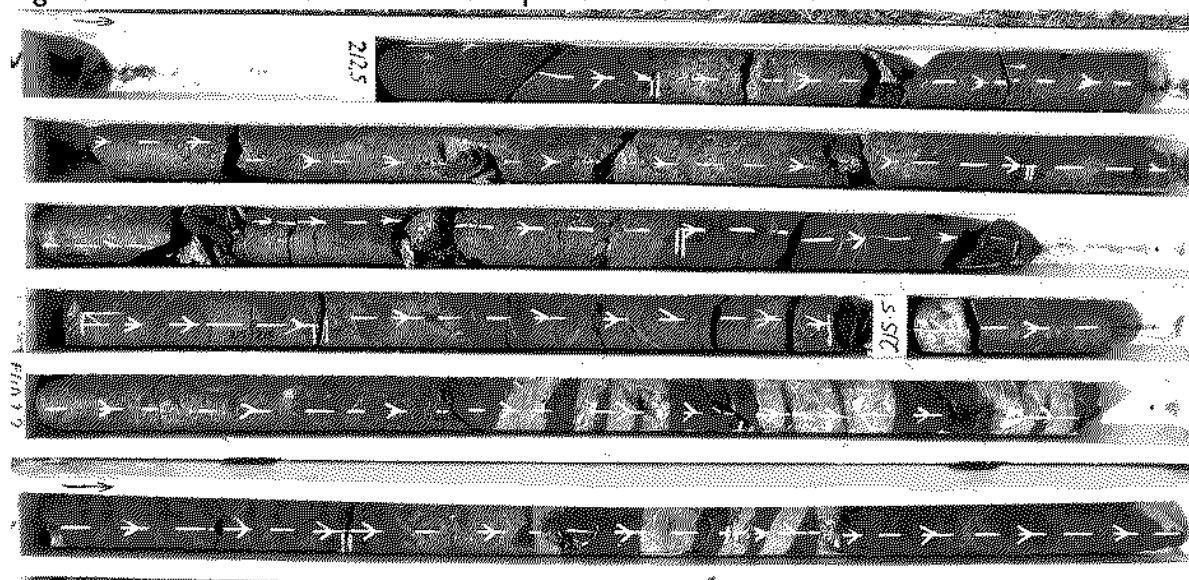
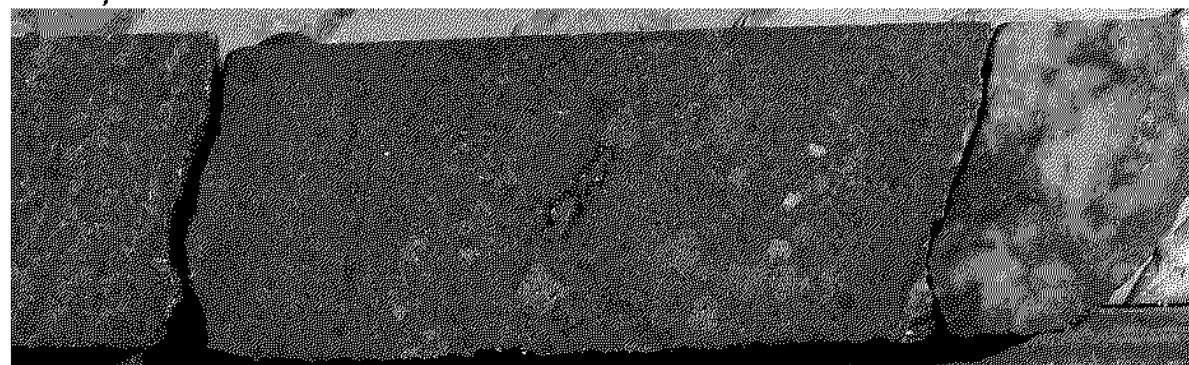


Figure 1b Drill Core EU022 215.65m Crude banding in massive sulphide overlain by thin silica layer



Sulphide deposition appears to coincide with the initial period of volcanic activity whereby medium to coarse grained acid-felsic volcanics and volcanoclastics with interbedded massive sulphide horizons were deposited on the underlying fine grained footwall sediments. The mineralised horizon includes one, two or three zones of massive sulphide (pyrite-pyrrhotite>chalcopyrite>sphalerite and minor galena). Individual massive sulphide layers vary in thickness from 5 cm to 1 m. Massive sulphide mineralisation is hosted within the volcanics either at the volcanic-sedimentary contact or in the earliest thin volcanic layers interbedded within the upper most part of the fine grained sediment package. The immediate footwall sediments are brecciated to some degree with pyrite and chalcopyrite deposited in the resultant cracks and fractures to give an irregular sulphide-veined to brecciated appearance with sulphide infill.



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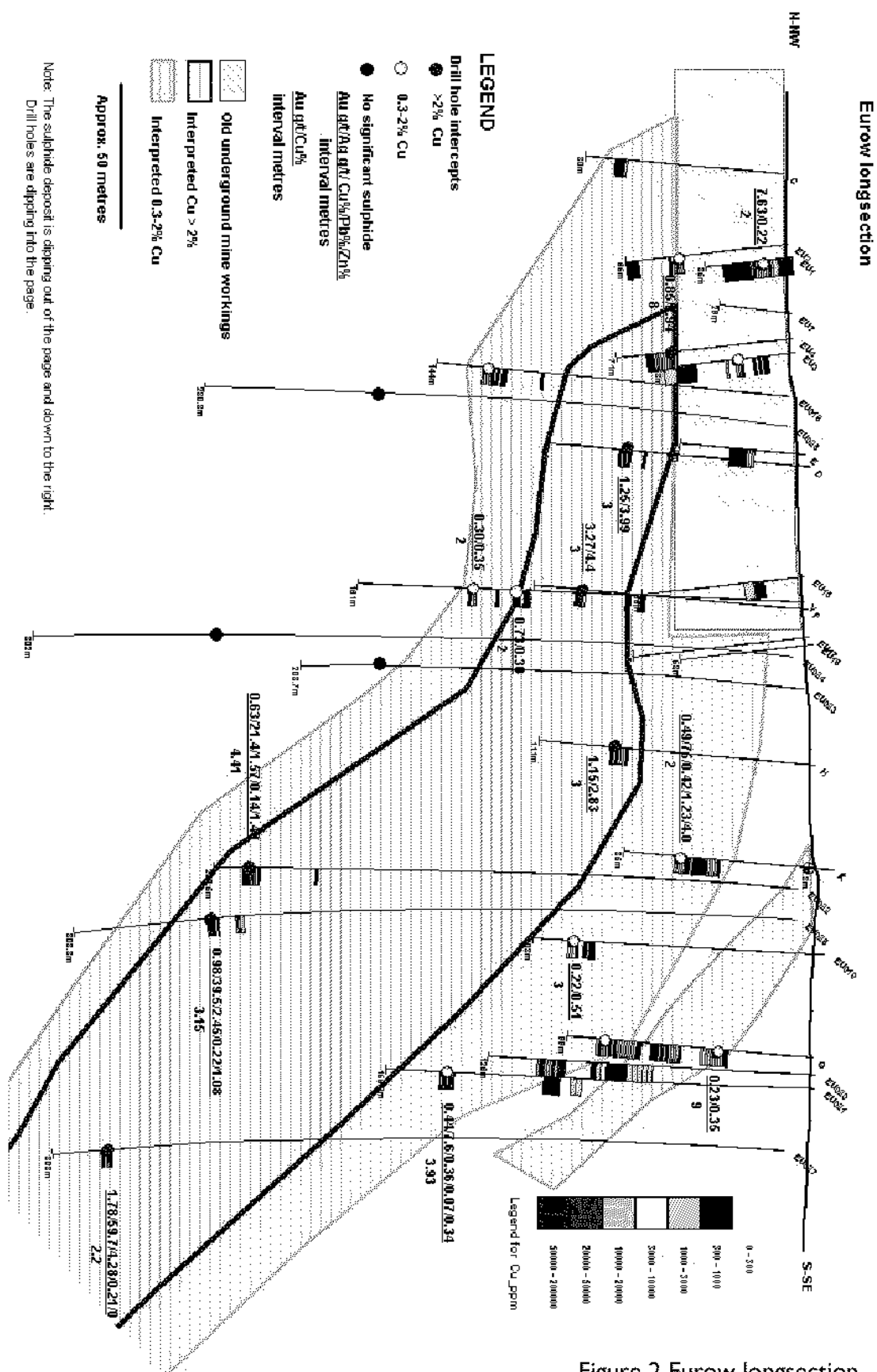


Figure 2 Eurow longsection

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The mineralisation is interpreted to be of Volcanic Hosted Massive Sulphide (VHMS) affinity with some degree of magmatic influence, the latter indicated by elevated trace levels of As, Bi, Mo, Sb and W. If the VHMS interpretation is correct then there is at least moderate prospectivity that the presently known sulphide horizon may thicken substantially, and that further deposits may exist along strike (i.e. from adjacent to tens of kilometers from Eurow). At other known VHMS deposits it is common for thin zones of mineralisation similar to that at Eurow to extend away from, and extend between, thick accumulations of massive sulphide ores. Further, it is a characteristic of the VHMS style of mineralisation that several deposits often occur at the same stratigraphic level within a region of tens of kilometers.

A number of off-hole (i.e not-drilled) conductors were identified by down-hole EM surveys. The modeled plates appear to be representing possible thickening of particular sections of the massive sulphide zone. Further modeling/analysis of these targets is being carried out in preparation of the next round of drilling.

Drill Hole	Depth from-to (m)	Interval (m)	Au (ppm)	Ag (ppm)	Cu (%)	Pb(%)	Zn (%)
D	73-76	3	1.25	NA	3.99	0.24	4.04
<i>including</i>	<i>74-75</i>	<i>1</i>	<i>2.58</i>	<i>NA</i>	<i>8.89</i>	<i>0.40</i>	<i>9.21</i>
F	77-80	3	3.27	NA	4.40	0.08	3.56
<i>including</i>	<i>78-79</i>	<i>1</i>	<i>4.89</i>	<i>NA</i>	<i>7.07</i>	<i>0.11</i>	<i>4.70</i>
H	68-71	3	1.15	NA	2.83	0.3	1.99
<i>including</i>	<i>69-70</i>	<i>1</i>	<i>1.71</i>	<i>NA</i>	<i>5.69</i>	<i>0.12</i>	<i>2.1</i>
EU4	47-55	8	0.85	NA	2.94	NA	NA
<i>including</i>	<i>47-50</i>	<i>3</i>	<i>1.62</i>	<i>NA</i>	<i>4.93</i>	<i>NA</i>	<i>NA</i>
<i>and</i>	<i>48-49</i>	<i>1</i>	<i>3.2</i>	<i>NA</i>	<i>10.2</i>	<i>NA</i>	<i>NA</i>
<i>and</i>	<i>53-55</i>	<i>2</i>	<i>0.47</i>	<i>NA</i>	<i>3.25</i>	<i>NA</i>	<i>NA</i>
EUI	13-15	2	7.63	NA	0.22	NA	NA

Table 2. The best results from previous Company drilling.

Additional Mineralisation style at Eurow

Quartz veins up to 2-3 cm wide and hosting chalcopyrite and galena with minor sphalerite and trace scheelite (wolfram mineral) have been encountered sporadically in core over a lateral distance of 250 m. The veins in each occurrence are parallel to sub-parallel to the core axis so the recent drilling (i.e. drilled at a similar orientation to the quartz veins) does not give an accurate indication of the vein density (frequency of occurrence). Assaying of the vein material include 0.64 m @ 2.41 g/tonne Au, 122 g/tonne Ag, 0.25% Cu and 0.89% Pb with elevated Bi (8600 ppm), and weakly elevated As, Cd, Na, Sr, W and Zn. The veins are interpreted to be intrusion related. The potential economic importance of these veins and a similar occurrence in a road some kilometers to the north is as yet unknown but the presence of intrusion related mineralisation is encouraging for the prospectivity of both EL 6653 and EL 6698, as well as for the Eurow Project itself. EL6698 covers a large granitic intrusive center to the east of and bordering the Eurow Project.

Follow-up Work Program

A detailed aeromagnetic survey over EL6653 and adjacent EL6698 will be flown before the next round of drilling. The aim is to allow a detailed structural analysis that will highlight potential fault and faulted (e.g. graben) structures that may have had associated topographic depressions where thicker accumulations of sulphides may be present.

Additional EM surveys will also be undertaken in order to finalise drill targets.

These surveys also aim to identify further VHMS targets along the considerable strike length of prospective geology held by Southern Gold in EL 3663 and EL 6698.

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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.

