29th June 2009

Southern Gold to monetise its investment in Southern Uranium Limited for $2.475 million

Southern Gold Limited ("**Southern Gold**" or "**the Company**") is pleased to announce that it has reached in-principle agreement with Talbot Group Holdings Pty Ltd ("**Talbot**"), CITIC Australia Pty Ltd ("**CITIC**") and Southern Uranium Limited ("**Southern Uranium**") in relation to a non-renounceable pro rata offer of its 39.1% shareholding in Southern Uranium to Southern Uranium's shareholders at 5.5 cents per share, which will be underwritten by Talbot and CITIC ("**the Transaction**"). Southern Gold will realise $2.475 million gross proceeds in respect of the Transaction.

Completion of the Transaction remains subject to a number of conditions precedent. Further details are set out in the attached Heads of Agreement.

Funds raised pursuant to the Transaction, in addition to expected cash reserves of $2 million following the successful completion of a placement to raise $1.6 million, ensure Southern Gold is well funded to continue to actively progress its exploration programme.

In Australia Southern Gold's exploration programme will primarily involve:

- Follow up reverse circulation (RC) and diamond drilling on the Challenger Area Gold Project in South Australia. Drilling will commence in July and will follow-up previous high-grade gold intersections, with the Company targeting its maiden resource estimate at the Golf Bore prospect for Q4 2009; and

- Follow-up drilling on the Bulong Gold and Nickel Sulphide Project in Western Australia to test broad gold intersections discovered at the Monument and Cannon Prospects, and nickel sulphides at the Euston Prospect.

- Advancing development of recently announced 260,000PJ Inferred Geothermal Resource within the Roxby Geothermal Project in South Australia

In Cambodia Southern Gold will progress exploration on its four 100% owned tenements. Exploration of Southern Gold's other three tenements in Cambodia will continue to be fully funded by Southern Gold's joint venture partner, Japan Oil, Gas and Metals National Corporation ("**JOGMEC**"), up to a total of US$4.5 million, as JOGMEC earns a 51% interest in these three tenements. Initial assay results from recent drilling in Cambodia are expected in early July 2009.

For further information please contact

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HEADS OF AGREEMENT

DISPOSAL OF SOUTHERN GOLD SHAREHOLDING IN SOUTHERN URANIUM

The undersigned, ***Southern Gold Limited*** ACN 064 325 837 (**SAU**), ***Southern Uranium Limited*** ACN 115 338 979 (**SNU**), ***CITIC Australia Pty Ltd*** ACN 006 388 772 (**CITIC**) and ***Talbot Group Holdings Pty Ltd*** ACN 010 949 630 (**Talbot**), agree to implement the following transaction:

1 SAU will make a non-renounceable pro rata offer of its 39.1% shareholding in SNU to SNU's shareholders at 5.5 cents per share (**Offer**).

2 CITIC and Talbot have agreed in principle to underwrite the Offer at a price of 5.5 cents per share in accordance with this Heads of Agreement.

3 The offer and underwriting will be subject to:

(a) the parties executing satisfactory formal documentation, including an offer implementation deed between SAU and SNU and an underwriting agreement between SAU, CITIC and Talbot (which the relevant parties agree to use their reasonable endeavours to complete within 10 business days of execution of this Heads of Agreement);

(b) approval by SNU's shareholders in accordance with item 7 in section 611 of the Corporations Act 2001 (Cwth) (and SNU's directors will, subject to their fiduciary and statutory duties, recommend that SNU's shareholders vote in favour of the resolution);

(c) approval by SAU's shareholders for the purpose of ASX listing rule 10.1 (and SAU's directors will, subject to their fiduciary and statutory duties (and receipt of an independent expert's report that is acceptable to SAU), recommend that SAU's shareholders vote in favour of the resolution);

(d) receipt by SAU of an independent expert's report that is acceptable to SAU for the purpose of ASX listing rule 10.10.2;

(e) receipt by SNU of an independent expert's report that is acceptable to SNU for the purposes of Item 7 of Section 611 and as required by ASIC Regulatory Guide 74;

(f) any other necessary regulatory or other approvals and the absence of any prohibitive order (whether temporary or permanent), including but not limited to approval under the Foreign Acquisitions and Takeovers Act 1975 (Cwth) (**FATA**) – in relation to which the parties agree that the provisions of this Heads of Agreement that relate to the acquisition of SAU's shareholding in SNU pursuant to the underwriting do not become binding until any necessary approval under FATA is obtained or any applicable period under section 26(2) of FATA has expired; and

(g) approval by the board of CITIC Group, the ultimate parent company of CITIC.

4 The parties agree to use best endeavours to satisfy the above conditions. It is acknowledged that SNU's directors will, subject to their fiduciary and statutory duties, recommend that SNU's shareholders vote in favour of the resolution.

5 This Heads of Agreement will terminate if the conditions contained in section 3 are not satisfied within 3 months from the date this Heads of Agreement was entered into.

6 For the purpose of section 609(7) of the Corporations Act, the parties confirm that this Heads of Agreement does not confer any control over or the power to substantially influence the voting rights attached to SAU's shareholding in SNU and that this Heads of Agreement does not restrict disposal of SAU's shareholding in SNU after a period which is more than 3 months from the date this Heads of Agreement was entered into.

7 This Heads of Agreement is intended to be legally binding in accordance with its terms.

8 The terms of this Heads of Agreement shall be governed by the laws of South Australia.

DATED 2009

Southern Gold Limited

By________________(duly authorised)

Name STEPHEN BIGGINS

Southern Uranium Limited

By________________(duly authorised)

Name JOHN A ANDERSON

CITIC Australia Pty Ltd

By________________(duly authorised)

Name TINGHU GUO

Talbot Group Holdings Pty Ltd

By________________(duly authorised)

Name DENIS L WOOD.

29/6/2009