

20 January 2011

RAB Drilling Identifies Near Resource Gold Mineralisation 5 High Priority Gold Targets Identified Along Cannon Trend

- 5 high priority gold exploration targets identified along the Cannon Trend, all within 1km of the Cannon Gold Resource, at 100% owned Bulong South Project
- First pass exploration drill results include 4m @ 4.37g/t Au, 12m @ 2.22 g/t Au and 14m @ 1.03 g/t Au across a number of target areas
- Results confirm the gold exploration potential indicated by previous soil sampling results
- Many drill holes ended in gold mineralisation and will be followed up further with deeper RC drilling
- Follow up RC drill programmes to test priority gold targets
- Results demonstrate Southern Gold's near-term objective at the Bulong South Project is on track

Southern Gold Limited ("Southern Gold" or "the Company") (ASX: SAU) is pleased to announce that results of the recently completed RAB drilling at its 100% Bulong South Gold Project have provided increased confidence for the delineation of new gold resources along the Cannon Trend. Drilling has delineated five high priority gold targets located immediately adjacent to Southern Gold's 80,000oz Cannon Gold Deposit (Figure 1)[see SAU September quarterly for details of JORC resource].

The five high priority gold targets within the Cannon Trend will be the focus for RC Drilling programmes targeted to commence in on coming months. Table 1 shows the significant intersections received from these high priority areas.

Table 1. Significant RAB Intersections along the Cannon Trend					
Drillhole (hole depth)	Prospect	From (m)	To (m)	Interval (m)	Gold Grade (g/t)*
BSR206 - (38m)	Pinner	16	28	12	1.23
BSR196 - (24m)	Pinner	12	16	4	4.37
BSR191 - (50m)	WestPinner	36	50	14	1.03
BSR172 - (22m)	Monument	20	22	2	3.84
BSR181 - (49m)	South Homerton	24	49	25	1.1
	<i>including</i>	24	36	12	2.22
BSR177 - (50m)	South Homerton	36	40	4	2.22
BSR178 - (50m)	South Homerton	24	28	4	1.43
BSR187 - (42m)	Homerton	32	36	4	2.03
BSR184 - (34m)	Homerton	32	34	2	1.27

*2/4m composite grab samples. Holes were angled to east. Analysis by 10 g Aqua Regia Digest with Graphite Furnace AAS finish, Genalysis, Perth. The intersections above comprise length weighted averages. They may not be true thicknesses. The drilling program was planned and completed by Southern Gold personnel.

The Cannon Trend is situated approximately 35 km south east of Kalgoorlie and within economic haulage distance of approximately five nearby processing facilities operated by existing gold producers (Figure 2).

The principle aim of the RAB programme (168 holes, total 5,201m) was to test significant soil anomalies along the 1km strike length of the south-westerly orientated Cannon Trend that is host to the Cannon Deposit and the Pinner, Homerton and Monument prospects. RAB drilling also completed the first drill tests of a number of regional soil anomalies.

The Cannon Trend was originally defined by the high gold in soil values detected by Southern Gold and encompasses the Cannon Gold Resource, Arsenal prospect, Pinner prospect, Homerton prospect and extends to the Monument prospect (Figure 1). Although previous work programmes had discovered isolated RC drill intersections of gold along the Cannon Trend, this RAB programme revealed the orientation of these gold hits and has demonstrated that the gold mineralisation is more consistent and widespread than previously understood.

Commenting on these results, Southern Gold's Managing Director, Nanette Anderson, said "Southern Gold is encouraged by these results as they highlight the potential to define additional ounces around the Cannon Gold Resource and along the Cannon Trend. These results demonstrate the significant prospectivity of the Cannon Trend, and potential for the Pinner, Homerton and Monument prospects (Figure 1) to host similar gold mineralisation to that discovered and delineated by Southern Gold at Cannon."

The intersections in holes BSR191 (West Pinner) and BSR181 (South Homerton) are of particular interest because they contain significant widths of gold mineralisation (>10m @ >1.0g/t Au) and were collared in areas of the Cannon Trend that have no gold in soil anomalism. This suggests that there is greater scope for finding gold mineralisation in the Cannon Trend that has no surface expression but is discoverable by interpretation of geophysics and mapping.

In addition to the five high priority targets defined along the Cannon Trend, Southern Gold's first project wide regional drilling programme intersected low levels of gold at the Arsenal prospect, the Mudchute prospect (M25/183) and at the Railway prospect (E25/250 JV with Heron Resources Ltd) (Figure 3). Further work will be undertaken on these prospects to test the potential for higher gold grades at depth or along strike.

Southern Gold will commence detailed interpretive work of the 5 high priority targets in context with all geological, geochemical and geophysical data. This work will assist the positioning of follow up RC drilling of the high and regional priority targets.

In addition, Southern Gold looks forward to releasing assay results from the recent RC drilling programme in the coming days.

For further information contact:

Ms N Anderson
Managing Director
T: +61 (0) 8 8368 8888
F: +61 (0) 8 8368 8899
E: info@southerngold.com.au

The information in this report has been compiled by Peter Hill (BSc) as an employee of Southern Gold and who is a member of the Australian Institute of Geoscientists and is bound by and follows the Institute's codes and recommended practices. As a Competent Person, as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' 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.

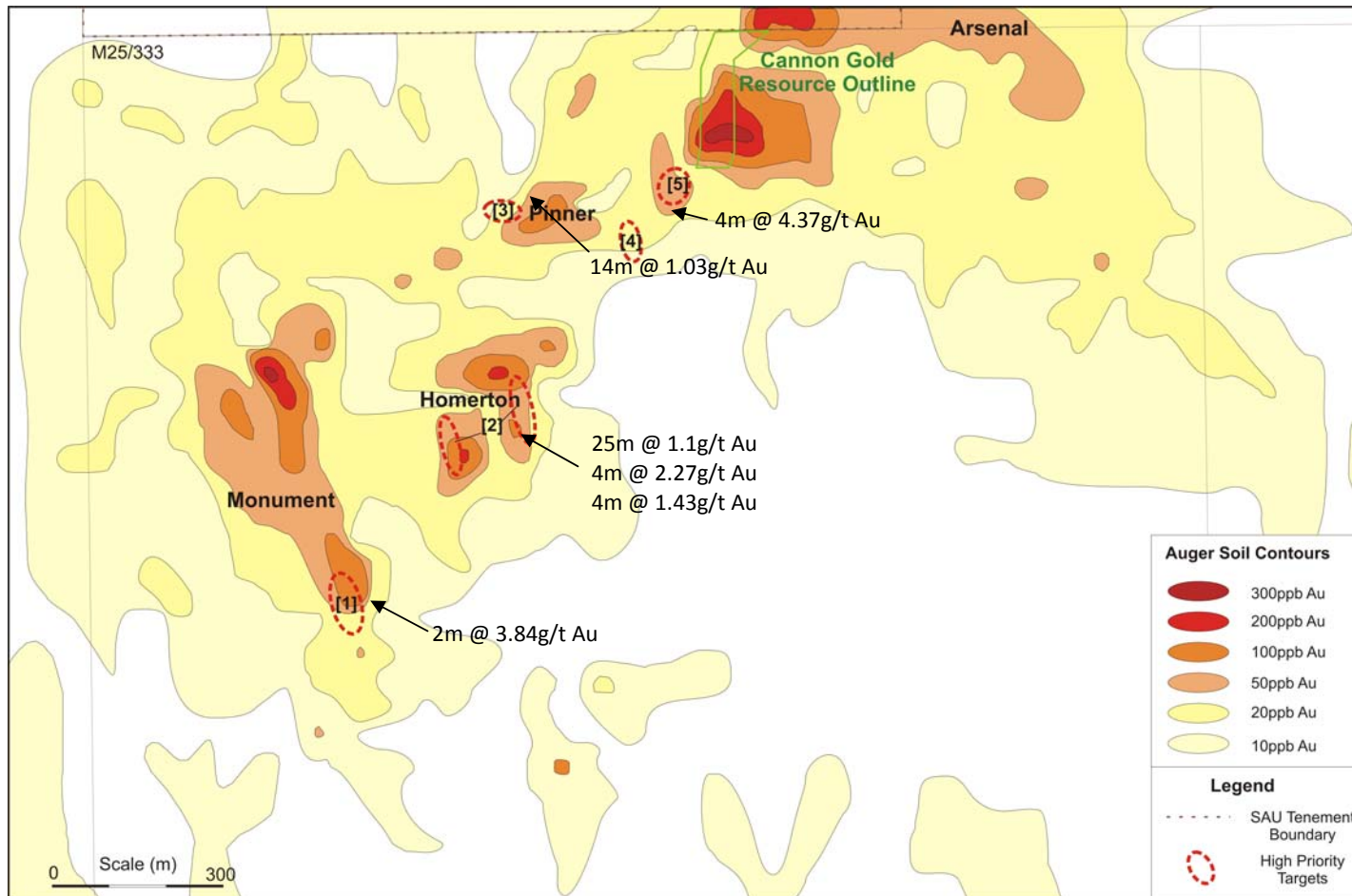


Figure 1. Five High Priority targets defined along the Cannon trend from the RAB drill programme. These five targets define near surface mineralisation, and will assist in targeting follow up RC drill holes. [Background map : High gold in soil values that define the Cannon Trend].

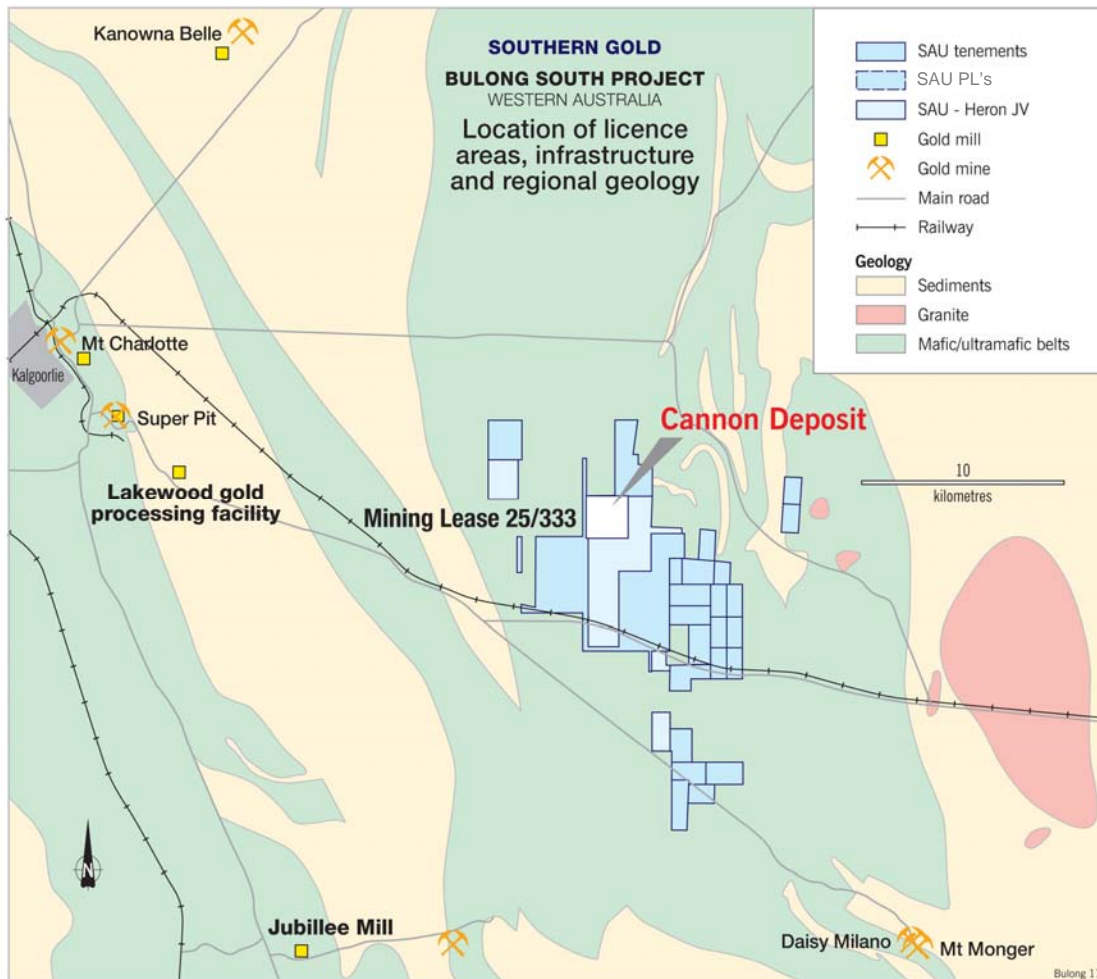


Figure 2. The Bulong South Gold project is located within economic haulage distance of 5 gold processing facilities.

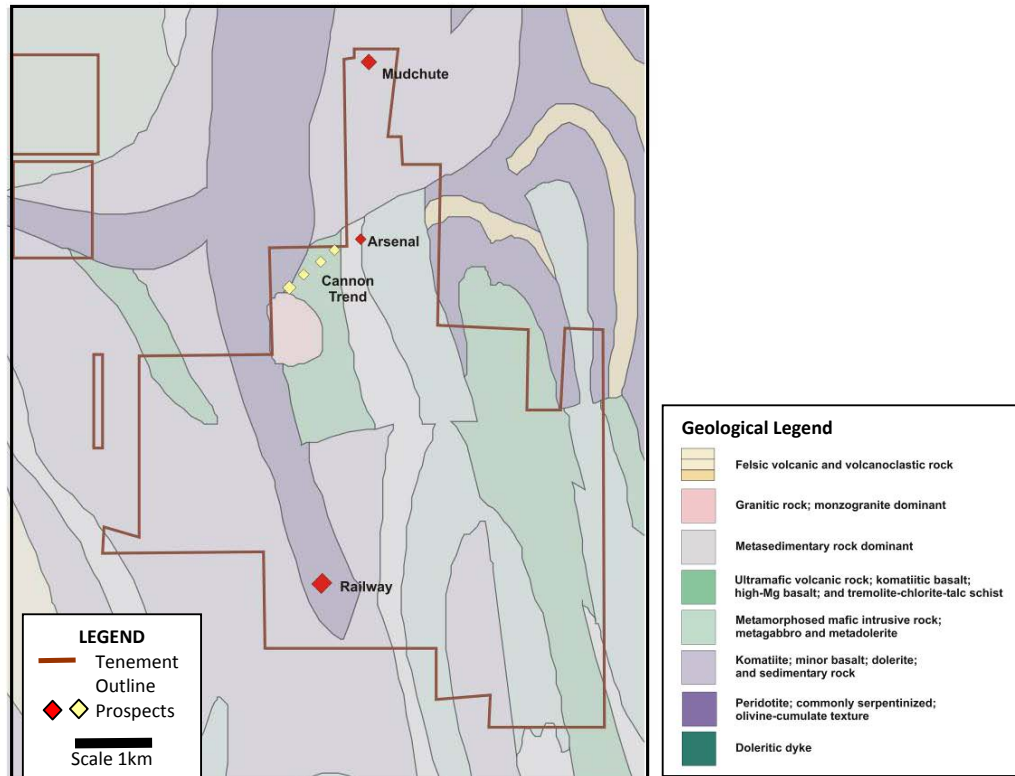


Figure 3. Gold Mineralisation was intersected at 3 of the 4 regional RAB targets tested at Bulong South, WA. [Background map shows regional geology].