

31 January 2011

Stand Out Exploration Results from Bulong South Gold Project, WA.

HIGHLIGHTS

- Best RC drill results from 12 holes include:
 - **22 m @ 10.05g/t Au** (from 105m depth)
 - **11m @ 9.75g/t Au** (from 166m depth)
 - **5m @ 12.26g/t Au** (from 170m depth); and
 - **4m @ 15.73g/t Au** (from 103m depth)
- High grade gold mineralisation has been intersected outside the current Cannon Gold Resource¹ envelope. The results show:
 - a more consistent and broader extent to the high grade zone of the existing Cannon Gold Resource than originally estimated;
 - the resource remains open down dip
- To date, the current vertical depth of Cannon Gold Resource envelope remains relatively shallow, extending from surface to only 180m depth.
- Results provide encouragement for a future upgrade and increase to the existing Cannon Gold Resource.
- Upcoming drill programmes will target the continuity of the higher grade mineralisation and test for extensions to the system as outlined so far.

BULONG SOUTH GOLD PROJECT, WESTERN AUSTRALIA - HIGH GRADE RC DRILL RESULTS

Southern Gold Limited ("Southern Gold" or "the Company") (ASX: SAU) is pleased to announce that assay results, from its 100% Bulong South Gold Project (35 km south east of Kalgoorlie), confirm that the recent infill and extensional RC drill programme at the Cannon Gold Deposit has successfully identified a westerly dip extension of high grade gold mineralisation and also provided positive infill data to increase and improve resource definition.

Of primary significance are the results received from 4 holes drilled approximately 20-30 metres to the west of the currently defined Cannon Gold Resource (Figure 1).

¹ [For details of the Cannon Gold Resource see Southern Gold's ASX Announcement dated 20 September 2010]

The high grade portions of these 4 drill hole intersections include:

- **22m at 10.05g/t gold**
- **11m at 9.75g/t gold**
- **5m at 12.26g/t gold**
- **4m at 15.73g/t gold**

These 4 drill holes intersected high grade gold mineralisation, over an approximate strike length of 100 metres. Previously this high grade zone was interpreted as a narrow shoot, but the recent drill hole data shows consistent intersections of high grade gold mineralisation, suggesting a more persistent and broader extent to the high grade zone (Figure 2).

The latter three of these four drill intersections fall within broad (up to 35m) mineralised gold zones. In addition to the extension of the high grade zone, assay results from the infill drill holes show further significant gold grades within the Cannon Gold Resource [see Table 1].

This drill programme has effectively and efficiently achieved its objectives of:

1. Testing the westerly down dip extension of the high grade zone in the Cannon Gold Resource, targeting an increase in the existing JORC compliant Resource;
2. Providing infill drill data to assist with the revision of the JORC compliant Resource estimate, to bring more tonnage into the Indicated category from the broader spaced Inferred category; and
3. Collecting samples for preliminary metallurgical and geotechnical test work.

The results received are part of an RC/Diamond drilling programme consisting of 12 RC holes (totalling 1809m), 2 RC holes with diamond tails (totalling 321m) and 1 diamond core hole which was drilled from surface to 90m. Results from the 12 RC holes have been received (Figure 1), while results are pending for the 3 cored holes.

Commenting on the results, Southern Gold's Managing Director Nanette Anderson stated:

"I joined Southern Gold three months ago as Managing Director, primarily on the strength of the previous Cannon results. Intersections of 15m @ 9g/t Au, 26m @ 4g/t Au and 21m @ 3.68g/t Au² I thought looked exciting. With the current round of drill results returning the best intersection to date, and providing excellent results outside of the current resource envelope, the excitement continues to build."

"In less than 18 months since the discovery of Cannon, Southern Gold has proven up a first stage resource of ~80,000oz gold (at a grade of 3.1g/t Au), the resource is open down dip and this drill programme has produced high grade results outside of the current gold resource, and shown a consistency developing within the high grade zone which is all very

² [See Southern Gold ASX Announcement dated 21 July 2010 for details of the previous programme.]

encouraging. All of this situated just 30km south east of Kalgoorlie (WA) and within economic haulage distance of approximately five nearby gold processing facilities (Figure 3)."

The Cannon Gold Deposit is the first of several gold occurrences, in Bulong South Gold Project, to be RC drill tested in detail. The discovery of broad high grade gold zones at the Cannon Resource raises the importance of the recently announced RAB gold intersections³ that identified 5 high priority targets within the Cannon Gold trend. Upcoming drill programmes will systematically test these gold anomalies with the conviction that the area is highly prospective for the discovery of similar high grade Cannon Gold ore bodies. In addition Southern Gold will test the continuity of the higher grade mineralisation defined at the Cannon Resource and for extensions to the broader mineralising system.

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.

³ [See Southern Gold ASX Announcement dated 20 January 2011 for details of the RAB drilling results.]

**Table 1: Best gold intersections from the Cannon Gold Resource
Bulong South – Infill/Extensional RC Drill Programme.**

Drill hole	Total Depth (m)	From (m)	Interval (m)	Grade (g/t Au)*	Gram-metres (g/t x m)
BSRC123	214	169	11	5.75	63.25
		<i>including</i> 170	5	12.26	61.3
BSRC124	220	156	35	4.18	146.3
		<i>including</i> 166	11	9.75	107.25
BSRC125	180	105	22	10.05	221.1
		<i>including</i> 108	5	4.04	20.2
		<i>including</i> 118	5	36.31	181.55
BSRC126	110	65	6	8.71	52.26
		<i>including</i> 68	3	17.23	51.69
BSRC127	160	69	4	4.48	17.92
		87	11	4.7	51.7
		<i>including</i> 88	2	12.82	25.64
BSRC128	166	98	19	4.89	92.91
		<i>including</i> 103	4	15.73	62.92
		<i>including</i> 108	6	4.21	25.26
BSRC131	208	101	30	1.47	44.1
		<i>including</i> 102	13	2.38	29.76
BSRC132	100	24	27	1.9	51.3
		<i>including</i> 36	6	5.38	32.28

**1m riffle splits. Analysis by 25gm fire assay, Genalysis, Perth. Lower grade cut off 0.1 g/t Au, 3m minimum width for > 0.1 g/t gold, 3m maximum width for dilution (intervals with below 0.1g/t); No top grade cut off. The downhole intersections comprise length weighted average and may not be 'true thicknesses'. Gram-Metres 'g.m' is the average grade multiplied by the interval. QA/QC comprised external standards and blanks routinely inserted. Drill holes were downhole surveyed by north seeking gyroscope, preliminary collar location using GPS (± 2m). The drilling programme was planned and executed by Southern Gold personnel. Schramm RC drill rig provided and operated by Ausdrill Ltd.*

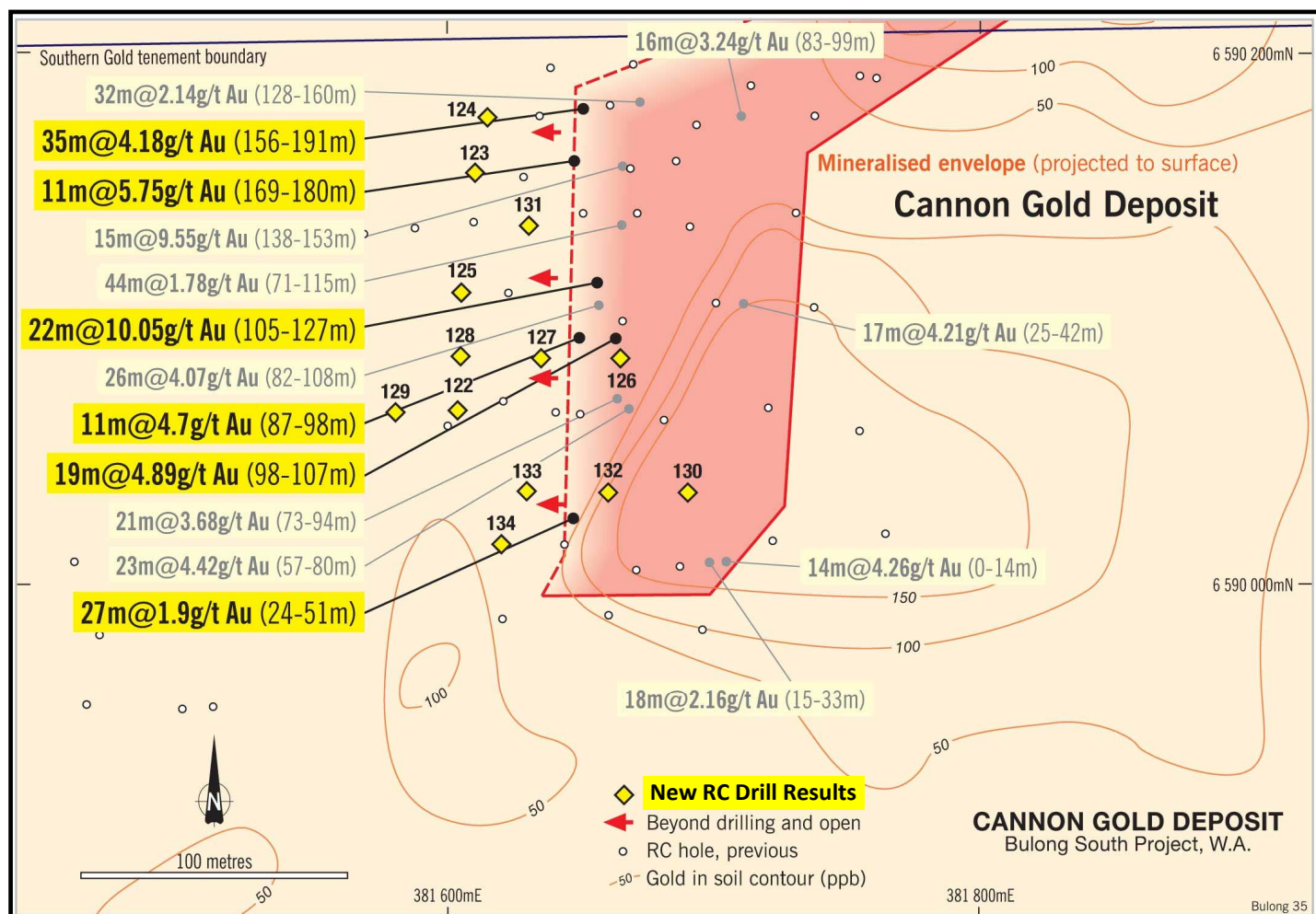


Figure 1. Cannon Gold Deposit (Plan View): Significant intersections highlighted from the December 2010 RC/DD drill programme. 4 holes intersected high grade gold mineralisation over a strike length of ~100m. A sketch outline in red shows the current gold mineralisation envelope projected to surface.

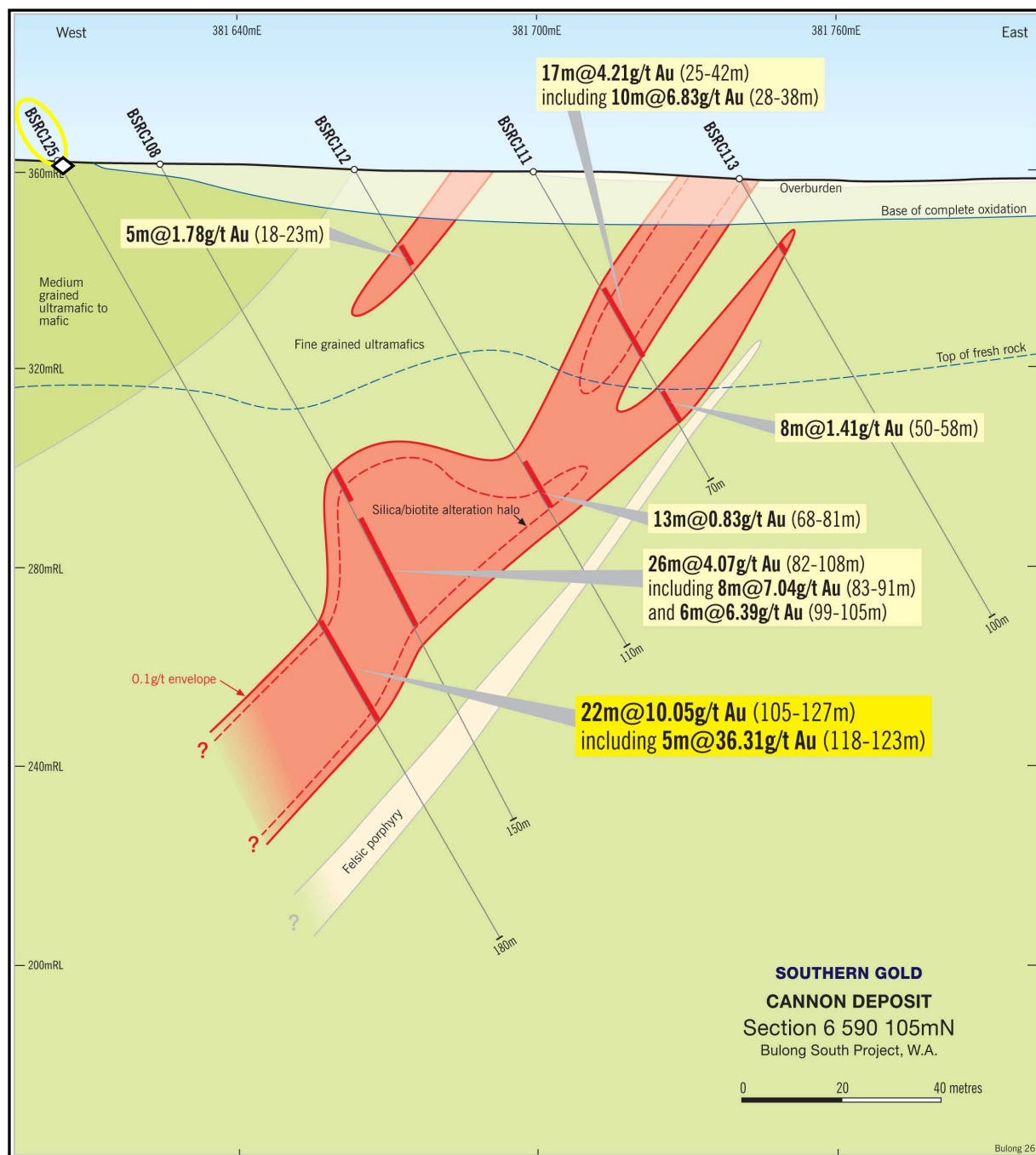


Figure 2. Cross Section 105mN looking north through Cannon. The high grade gold in BSR125 (22m @ 10.05 g/t Au) is open at depth and is contiguous to the surface as mid-gold grade extensions.

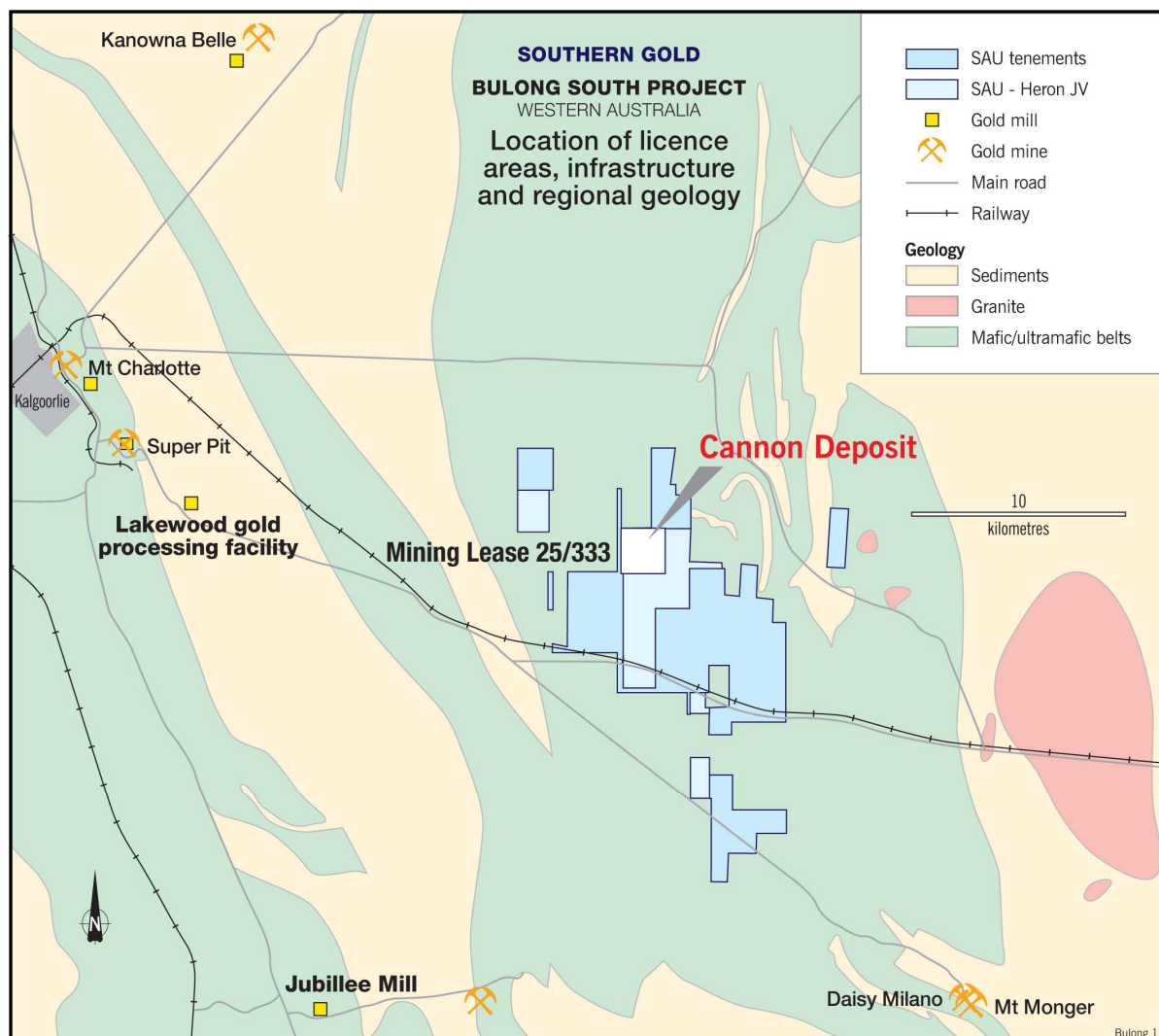


Figure 3. Bulong South Project is situated 30km SE of Kalgoorlie, WA and within economic haulage distance of 5 gold processing facilities.

GLOSSARY

Assay	The procedure of crushing, dissolving and analysing a rock sample that results in a measurement of the concentration of an element in that rock.
Deposit	A concentration of mineralisation that has a JORC compliant Resource with an Indicated category.
Diamond Drilling	A method of drilling that retrieves cylindrical drill core cut from the rock by diamond encrusted cylindrical drill bit.
Dip	Angular measurement from horizontal of the maximum slope of a planar feature. Describes the 'steepness' of layering in a rock.
Indicated resource	A category of a J.O.R.C. Resource which allows for greater certainty in the resource estimation than the Inferred category but is less certain than the Measured category
Inferred Resource	A category of a J.O.R.C. Resource which has the lowest levels of geological confidence in the resource estimation than other categories
JORC	Joint Ore Reserves Committee. The organisation that prepares the "Australian Code for Reporting of Mineral Resources and Ore Reserves" which is incorporated in the Listing Rules for the Australian Stock Exchange and sets out the standards for public reporting of exploration results, Resources and Reserves.
Mineralisation	A naturally occurring accumulation or concentration of minerals in rock.
Nugget Effect	Anomalously high precious metal assays resulting from the analysis of samples that may not adequately represent the composition of the bulk material tested due to non-uniform distribution of high-grade nuggets in the material to be sampled.
RC Drilling	A method of drilling that involves the pulverised rock fragments (drill chips) being returned up through the inside of the drill rods to the surface.
Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Strike	The angular direction (from North) that is 90 degrees to the dip of a planar feature. Describes the 'trend' or 'direction' of layering in a rock.