SOUTHERNGOLD

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QUARTERLY ACTIVITIES REPORT MARCH 2011

<table>
<tr><th>COMPLETED ACTIVITY SUMMARY
MARCH 2011 QUARTER</th><th>PROPOSED ACTIVITY SUMMARY FOR
QUARTER TO JUNE 2011</th></tr>
<tr><td>AUSTRALIA

Bulong South Gold Project, W.A.

• January 2,220m RC/Diamond drilling intersected a high grade gold zone outside of the Cannon Gold Resource envelope.
• 3,000m RC drilling commenced at the end of March on 5 high priority RAB targets within the Cannon Trend. Results expected end of May 2011.
• Secured opportunity to increase contiguous tenement holding at Bulong through Heads of Agreement with Heron Resources Ltd (“Heron”).</td><td>• 3,000m of RC drilling for first pass testing of 5 high priority RAB gold targets within the Cannon Trend.
• Soil sampling programme (3,000 samples) on new Bulong ground held under the Heron HOA.
• New Clinker Hill tenement package (100% SAU) to commence with 2,000 soil sample coverage.</td></tr>
<tr><td>CAMBODIA

Kratie South Project (JOGMEC earning 51%)

• 23 holes drilled, with preliminary assay results received from 5 holes.
• Best intersections to date including 5m @ 5.42g/t Au (from 73m) and 3m at 8.51g/t Au (from 58m).
• Results of 18 diamond holes expected May 2011.

Memot Project – Snoul (100% SAU)

• Follow up drilling 7 holes for 1,461m intersects target gold bearing quartz veins, intersecting 1m @ 4.15g/t from 101m.
• Samples from five trenches (1,000m) targeting anomalous soil anomalies to be dispatched for assaying. Results expected May 2011.

Memot Project - Phnum Khnach (100% SAU)

• Five diamond holes completed to test gold/copper soil geochemical anomalies results expected May 2011.</td><td>• Drilling to be completed at Kratie South.
• Veined and sulphidic core intervals to be sampled and sent to laboratories for testing from final holes at Kratie South.
• Incorporate and interpret drill assay results from Kratie South and Memot projects when received.
• Incorporate and interpret trench assay results from Kratie South and Memot projects when received.</td></tr>
</table>

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January 2011 Diamond Drilling at Cannon Gold Resource, Bulong, WA

Southern Gold Ltd ("Southern Gold" or "the Company") has undertaken an active work programme during the March quarter to build on the continued positive gold hits received in January 2011 at the Cannon Gold deposit[1] and along the Cannon Gold Trend (WA). An initial follow up RC drill programme, testing high priority gold targets, commenced at the end of March 2011.

With the recent success at the Bulong South project (30km east of Kalgoorlie, WA) the Company has sought to increase its tenement holding at Bulong. Under the recently announced Heads of Agreement with Heron Resources Ltd ("Heron"), Southern Gold secured a right to earn up to 80% of a further 84km^2 tenement package, contiguous with the Bulong South project.

Drilling and trenching programmes also continued throughout the quarter at 5 prospects in Cambodia. Initial preliminary assay results and visual logging from 3 prospects indicating positive gold intersections, while the bulk of the results are expected at the end of May 2011. Visual logging of drill core at the Gossan prospect (Kratie South) identified visible fine gold along veins of massive sulphide, visually identified as galena, sphalerite, pyrite and aresenopyrite. Assay results are pending.

Results achieved during the March 2011 quarter have reinforced Southern Gold's positive outlook not only within the area of the Cannon Gold deposit and Cannon Trend, but also for the greater Bulong area in Kalgoorlie. The June quarter will see Southern Gold focus on testing high priority targets along the Cannon trend, while in Cambodia, drilling and trenching activities will continue.

EXPLORATION ACTIVITIES

BULONG GOLD PROJECT, WESTERN AUSTRALIA

The Bulong Gold Project is located 30km south east of the world class Kalgoorlie goldfield (Figure 1). The nearby infrastructure and processing facilities (Figure 1) combined with record gold price highs, has added to Southern Gold's enthusiasm about the developing story at the Bulong Gold Project.

Since the discovery of the Cannon Gold deposit only 15 months ago, Southern Gold has focused on building the current ~80,000oz gold resource base. In January 2011 Southern Gold received the most promising results to date, from a reverse cycle drill programme (RC) targeting the Cannon resource, but also from a rotary air blast (RAB) drill programme which highlighted 5 near resource (within 1km) gold targets.

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

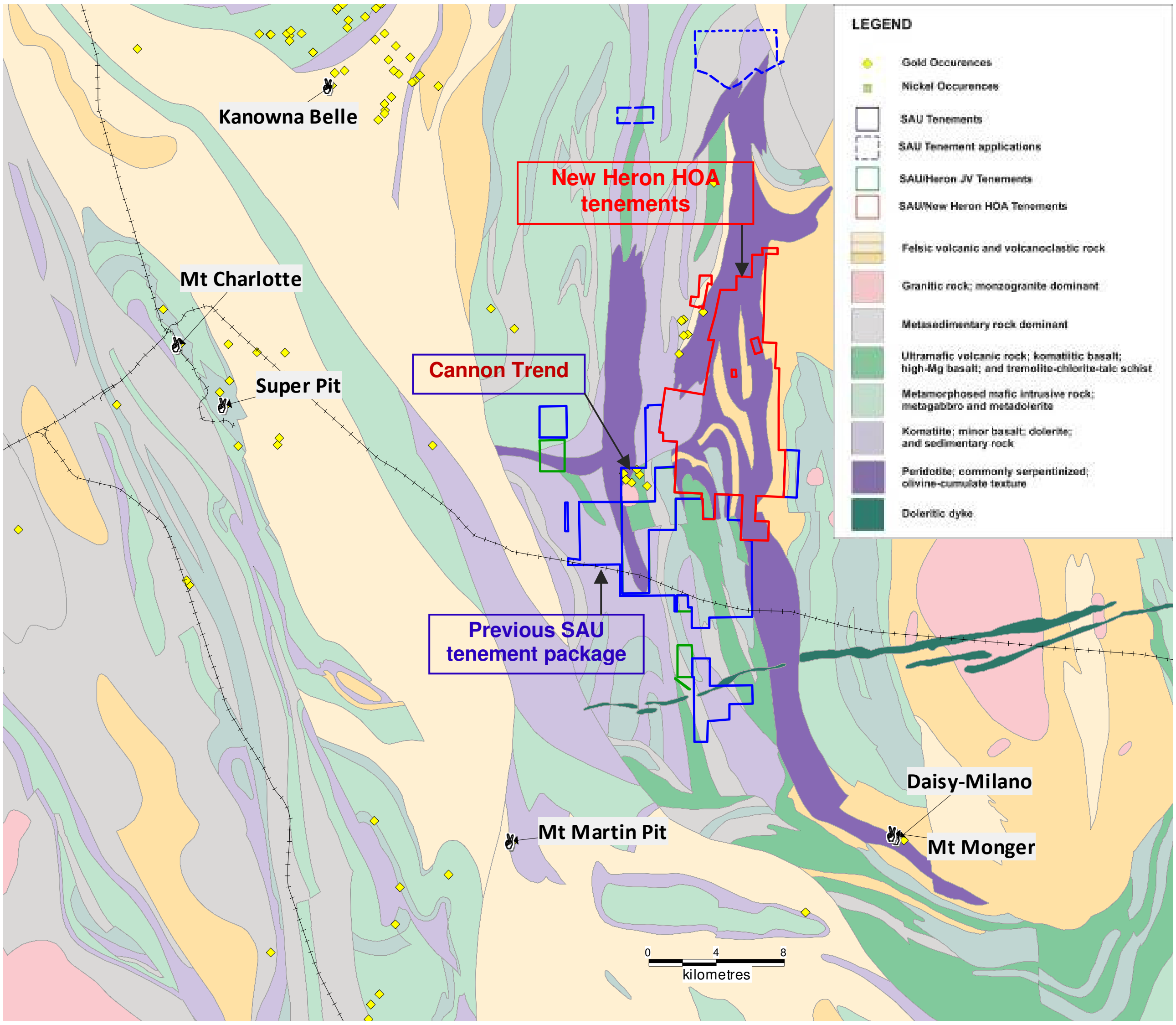

Figure 1. Bulong South Project is situated 30km SE of Kalgoorlie, WA and within economic haulage distance of 5 gold processing facilities.The project portfolio now extends north east to include the Bulong project area under a HOA with Heron Resources Ltd and east to include the Clinker Hill Package.

The January RC programme intersected high grade gold mineralisation outside of the current Cannon Gold Resource envelope with 4 holes over a 100m strike intersecting[2]:

- 22m at 10.05g/t gold (from 105m depth), (Figure 2);
- 11m at 9.75g/t gold (from 166m depth), (Figure 2);
- 5m at 12.26g/t gold (from 170m depth);
- 4m at 15.73g/t gold (from 103m depth);

2 [For details of significant results from Januarys RC drill programme see Southern Gold's December 2010 Quarterly Report]

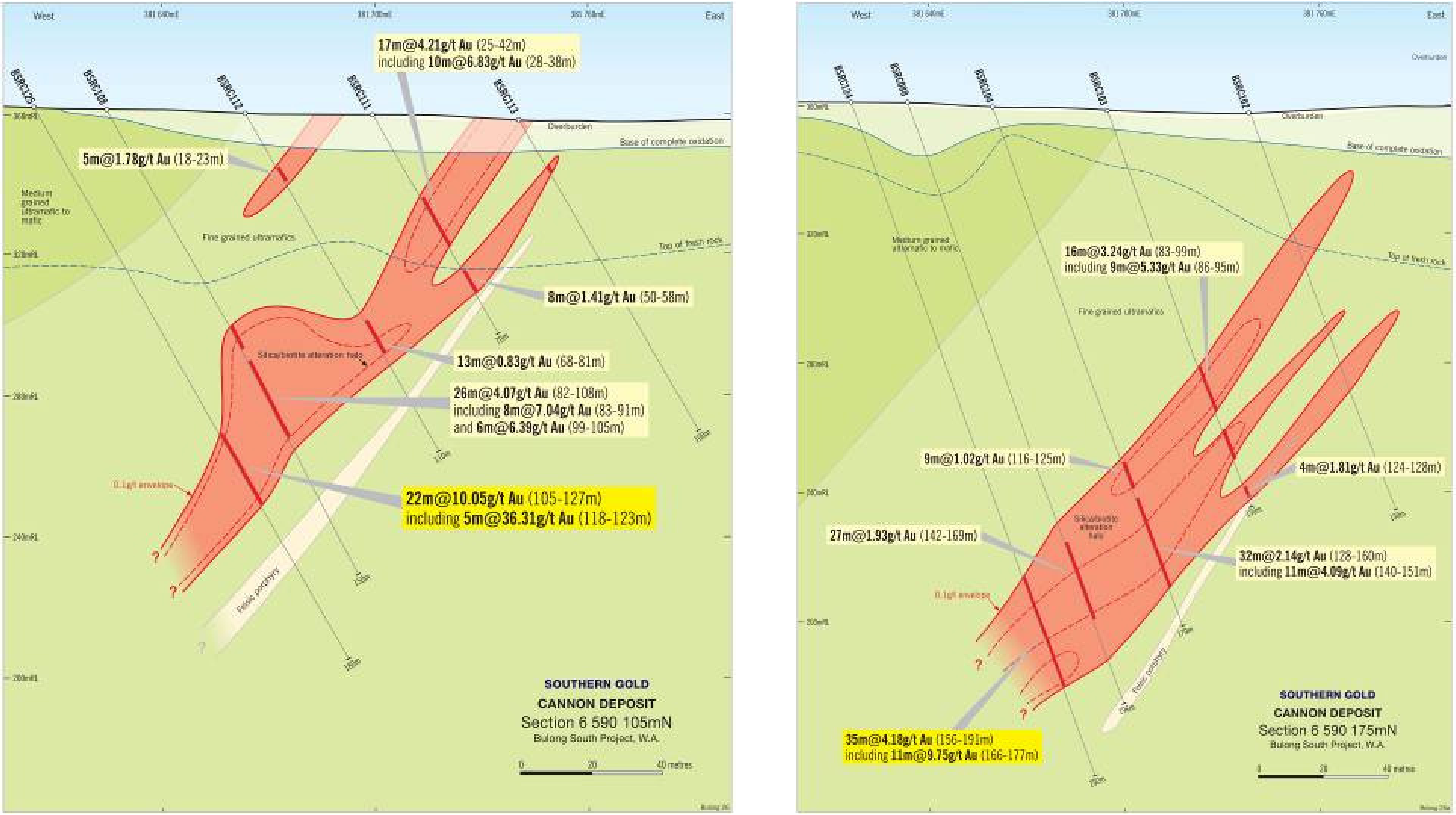

Figure 2: Two cross sections through the Cannon Resource. Holes BSRC124 and BSRC 125 tested the westerly dip of the Cannon mineralisation and intersected a wide high grade mineralisation zone.

This programme successfully identified a westerly dip extension of high grade gold mineralisation and has also provided positive infill data to potentially increase and upgrade resource definition. Three diamond holes were completed as part of this programme to obtain key lithological and structural data. Test work will be conducted on the diamond core to obtain preliminary geotechnical and metallurgical data. The three diamond holes intersected low grade gold portions of the resource with one hole intersecting 17m @ 2.26g/t gold from 28m depth which will add to the current resource base.

In addition to the RC drill programme, the completion of a regional RAB drilling programme gave first pass drill coverage to several gold-in-soil anomalies. The Cannon Trend refers to the high gold-in-soil values detected by Southern Gold which covers the Cannon Gold Resource, and extends south west for ~1km. The Pinner, Homerton, Euston and Monument prospects lie within the Cannon Trend (Figure 3). Although previous work programmes (testing nickel targets) had discovered isolated gold hits along the Cannon Trend, the January RAB results demonstrated that the gold mineralisation is more consistent and widespread than previously understood.

This resulted in increasing the confidence level of the five priority gold targets along the Cannon Trend which form the key focus of the April RC drill campaign (Figure 3).

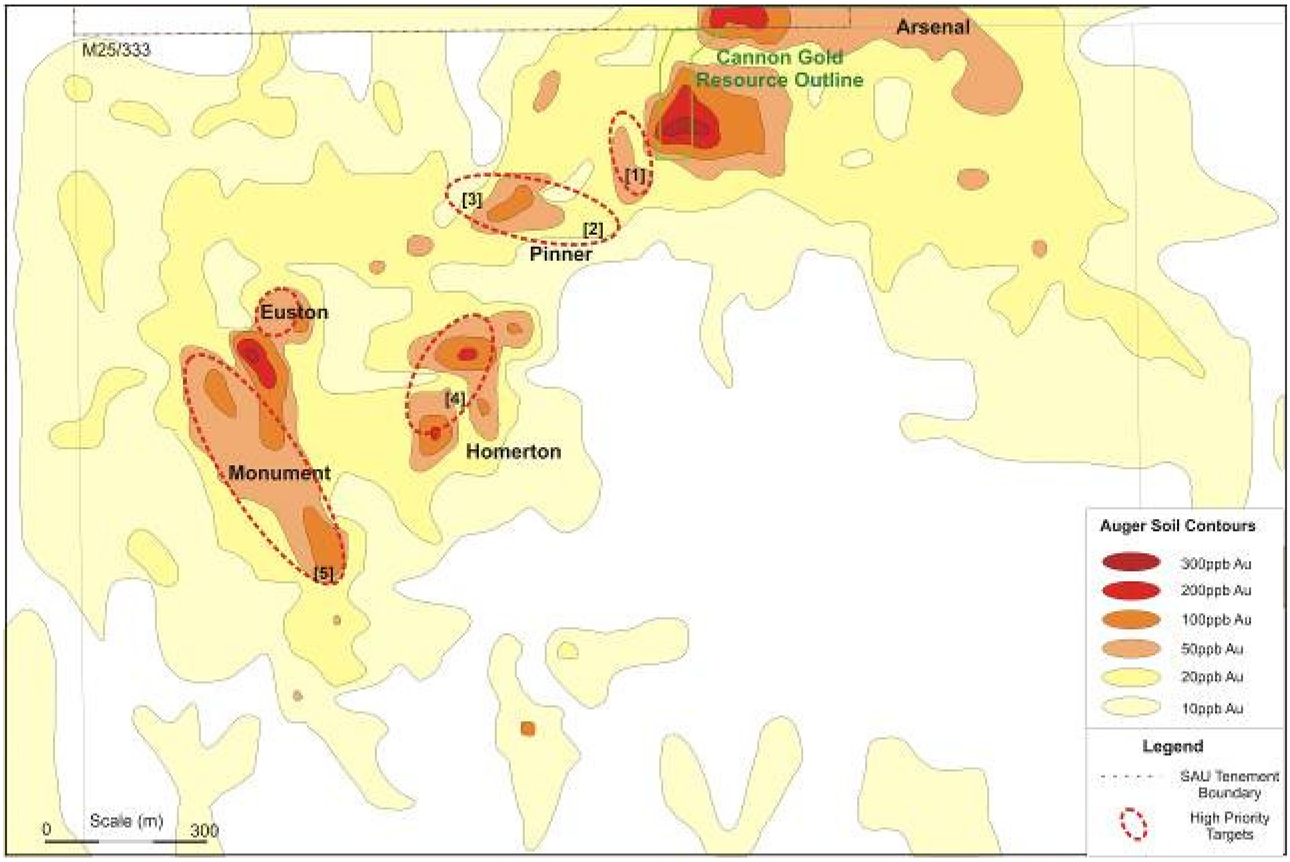

Figure 3: Five High Priority targets defined along the Cannon trend from the RAB drill programme. These five targets define near surface mineralisation, and will assist in targeting follow up RC drill holes. [Background map : High gold in soil values that define the Cannon Trend].

An initial programme of 3,500m of follow-up RC drilling commenced at the end of March to target the Cannon Extension, Pinner and Homerton anomalies. Outside of the Cannon Resource drill-out, this programme will be the largest RC drill programme conducted by Southern Gold at Bulong.

Geological data collected from drilling at Pinner shows similar lithological and alteration assemblages to that identified at Cannon. Drill targets at Homerton are based on RAB drill results, surface geochemistry and geophysical interpretations of ground and aeromagnetic data.

The Cannon Deposit is the first of several gold occurrences in the central mining lease (M25/333) and the greater Bulong South Project to be drill tested in detail. The discovery of broad high grade gold zones at the Cannon Resource raises the importance of the previously announced RAB gold intersections that identified 5 high priority targets within the Cannon Gold Trend.

The positive results at the Cannon Prospect reinforce Southern Gold's conviction that the Bulong terrain has been under explored for gold and that further regional exploration programmes will discover and delineate further gold mineralisation. This view has been reaffirmed by the expansion of Southern Gold's tenement holding through the recent Heads of Agreement ("HOA") with Heron Resources Ltd and the addition of the Clinker Hill tenements, all contiguous with the Bulong South project area (Figure 2).

With recent exploration success on the Bulong South Gold Project, Southern Gold's main commodity target within this new tenement package is primarily gold mineralisation. In addition to gold, testing for nickel sulphide and other base metal mineralisation will be conducted.

The initial work programme planned for the regional Bulong targets and the Clinker Hill project areas will include a regional auger/soil sampling programme, similar to the programme that highlighted the Cannon gold resource (JORC ~80,000oz gold) and the highly prospective Cannon Trend.

The package is located near historical gold occurrences. Along strike to the north and immediately bounding the package are the historical gold mining centres of Queen Margaret, Green Harp and Taurus and to the south on similar structures are the workings of the Wombola gold field.

In addition, Southern Gold will test RAB anomalies identified on the Bulong South project and the broader mineralising system by completing auger sampling on the Bulong and Clinker Hill tenement areas.

CAMBODIA

Since November 2010, Southern Gold has been actively working two of the seven project areas in Cambodia (Figure 4).

Southern Gold considers that the ground held in Cambodia is prospective for intrusive related shear and vein hosted gold (and base metal) mineralisation similar to that of the 600,000oz gold Okvau resource defined by Oz Minerals in March 2010[3]. The Okvau deposit is located 10km north of Southern Gold's Kratie South project area.

The majority of work in this campaign has been completed at the JOGMEC[4] funded Kratie South project. 23 diamond holes have been drilled at 3 prospects for a total of 3,888m of core. The aim of the drill programme was to test geochemical targets generated in 2010. These include gold and base metal soil anomalies, rock chip samples with values up to 35g/t gold and drill results of 3m @ 14.6g/t Au (from 38m) with minor zinc/lead and copper mineralisation

Three prospects were tested, Gossan, Preak Khlong NW and O'Khtung SE. Initial assay results from Gossan and Preak Khlong NW indicate that 5 holes have intersected mineralisation with significant intercepts of 3m @ 8.51g/t (from 58m) and 5m @ 5.42g/t gold (from 73m). Initial results from O'Khtung SE show copper and zinc anomalism reaching 1,126ppm and 8,130ppm respectively. These initial results (Table 1 and 2) provide a positive indicator for first pass testing of mineralisation for the respective areas, with the bulk of results from the programme expected in coming weeks. Results from trenching activities will be received during the June quarter.

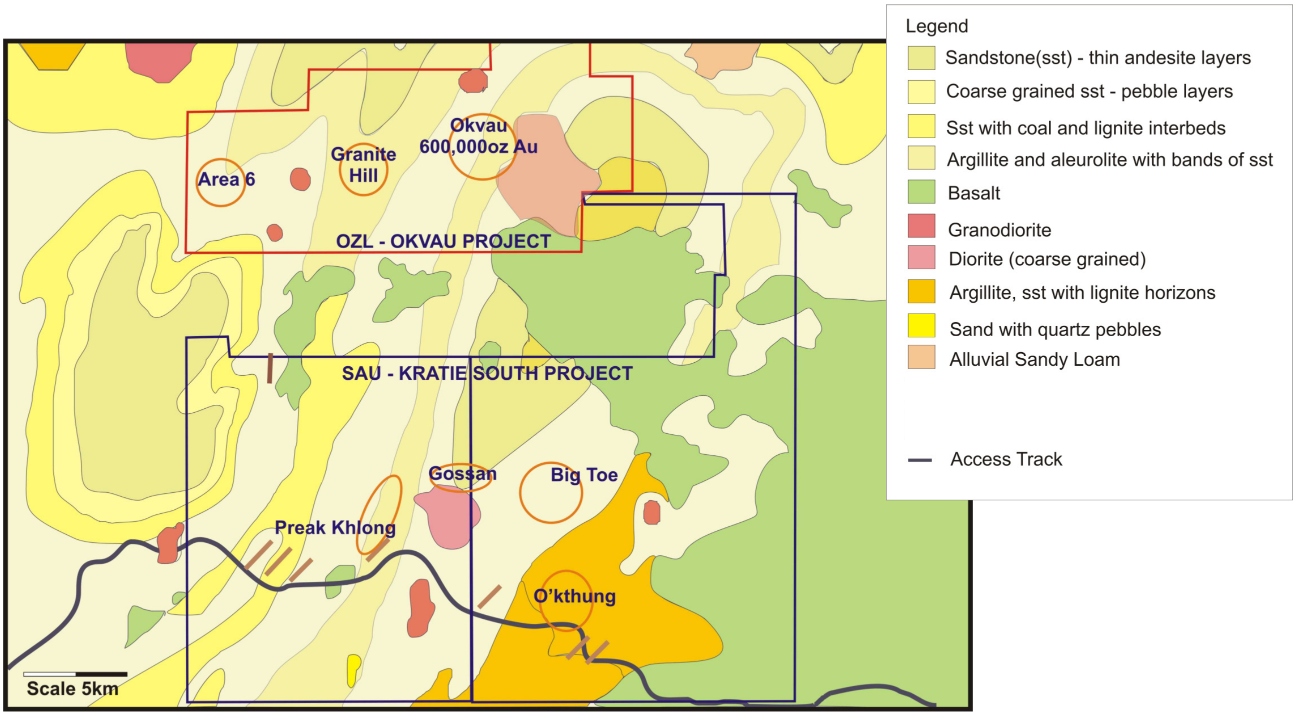

Figure 4: 23 diamond drill holes were drilled at Kratie South Project, located approximately 10km south of Oz Minerals Ltd's Okvau Resource.

3 [2010 March, Oz Minerals Limited, Okvau Resource Statement, available @ www.ozminerals.com/Operations/Resources--Reserves.html]

4 (JOGMEC – Japan Oil, Gas and Metals National Corporation: Japanese Government-backed company, is currently earning 51% equity in the Kratie South project by funding exploration activity to a total of US$3.029M over 3 years.)

Table 1: Gold intersections with base metals (1 gpt Au cut-off) from the Gossan Prospect

Hole No.	From	To	Copper (%)	Lead (%)	zinc (%)	Gold g/t	Gold average	Silver g/t	Silver average
DD10GSN004	73	74	0.00	0.01	0.01	0.1	3m @ 1.92 g/t	1.1	3m @ 61.4 g/t
	74	75	0.11	0.74	0.14	4.38		127.4	
	75	76	0.02	0.45	0.30	1.27		55.8	
DD11GSN006	130	131	0.03	0.41	1.18	3.43	2m @ 2.82 g/t	22.9	2 m @ 18.5 g/t
	131	132	0.03	0.49	0.34	2.2		14	
DD11GSN009	58	59	0.003	0.04	0.06	0.4	3m @ 8.51 g/t	2.8	3m @ 33.7 g/t
	59	60	0.06	0.97	0.88	14.23		49	
	60	61	0.06	1.73	1.48	10.91		49.4	

Table 2: Gold Intersections (1 gpt Au cut-off) from the Preak Khlong NW Prospect

Hole No.	From	To	Copper (ppm)	Lead (ppm)	zinc (ppm)	Gold g/t	Gold ave. g/t	Silver g/t	Silver ave. g/t
DD10PKL002	73	74	13	204	423	3.57	5m @ 5.42	1.2	5m @2.22
	74	75	27	292	539	1.53		2.1	
	75	76	7	778	773	21.66		7.2	
	76	77	50	49	129	0.15		0.6	
	77	78	40	14	47	0.19		<0.5	
					including (73-76m)		*3 m@ 8.92*		
DD10PKL004	130	131	106	46	309	1.29	1 m @ 1.29	22.9	1 m @ 22.9

After positive results from work programmes completed at the Memot Project in 2010, Southern Gold has conducted a follow up programme drilling 12 diamond holes and excavating 8 trenches at the Anchor and O Cham Ven prospects.

Seven holes were drilled (total 1,461m) at the Anchor prospect with visual logging identifying gold-bearing veins with associated silver and massive sulphide, predominantly pyrite, galena, sphalerite and trace aresenopyrite. Results from three of the seven holes have been returned with the best intercept to date 1m @ 4.15g/t Au, 1.27% zinc and 0.3% lead (from 101m). Final results from this programme will be received May/June 2011. Trench samples await approval from the Cambodian Mines Department ("MIME") to be sent to McPhar Geoservices for assaying.

Five holes completed at O Cham Ven prospect (total 722m) were drilled to test gold/copper soil geochemical anomalies identified in 2010. This first past drill programme has intersected the target lithologies and alteration minerals. Visual chalcopyrite was noted in core. However samples await MIME approval to send to McPhar Geoservice to be assay tested.

While these preliminary results from the Cambodian work programmes are positive, in that they confirm gold and base metal mineralisation at each prospect, the bulk of drill and trench assay results will not be received until May/June 2011. This will provide the relevant information to delineate the continuity and morphology of the mineralised structures, and which areas will require follow up testing.

CHALLENGER AREA (GOLD) - SOUTH AUSTRALIA

Southern Gold, as manager and holder of 51% of the gold rights in the Challenger Joint Venture, is currently prioritising and assessing more than 30 gold anomalies within the 2,960km^2 tenement package. This exploration footprint surrounds the million ounce Challenger Gold Mine. It is Southern Gold's objective to bring these targets to drill ready status for its 2011work programme.

No field work was completed during the March 2011 quarter on this project.

CORPORATE

Cash at the end of the March quarter totals $3.3 million, to fully fund ongoing exploration. A recoverable amount of approximately $800,000 remains outstanding from JOGMEC to be reimbursed at the end of April 2011. JOGMEC have a further ~$200,000 expenditure to meet the $1.4M third stage commitment to earn 51% of the Kratie South project.

WESTERN AUSTRALIA

Heron Resources Ltd Heads of Agreement – Bulong Project

Southern Gold and Heron recently announced the signing of a binding Heads of Agreement ("HoA") to form a joint venture covering Heron's Bulong project which is contiguous with Southern Gold's Bulong South gold project. The two parties have entered a binding Heads of Agreement with the intention of progressing this to a formal Joint Venture Agreement subject to the an initial work programme to be conducted by Southern Gold.

Prior to negotiating a joint venture Southern Gold will spend a minimum of $150,000 within 3 months of the commencement date.

After meeting the minimum commitment Southern Gold will spend an additional $350,000 within 9 months to earn a 60% interest in the project area.

At the point at which Southern Gold earns a 60% interest in the Bulong project, Heron has the right to elect to fund its 40% interest. Should Heron elect not to contribute Southern Gold will have the right to sole fund an additional $500,000 within the 12 months, to obtain an additional 20% interest in the project. Heron's interest would then be free carried through to the completion of a pre-feasibility study or $8m of cumulative expenditure, whichever occurs first.

Subsequent to the completion of a pre-feasibility study both parties will fund the joint venture pro rata. If either party is diluted to less than a 10% interest, that interest will be converted into a 2% net smelter royalty.

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The information in this report concerning Australian exploration 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 Reserve.'- 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.

The information in this report concerning Cambodian exploration has been compiled by Grant Thomas BSc as an 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.