Southern Gold Limited
Consolidated Entity

Annual Financial Report
30 June 2011

Directors' Report

The directors present their report of Southern Gold Limited (the Company) and its controlled entities (consolidated group or group) for the financial year ended 30 June 2011.

Principal Activities

The principal continuing activity of the group in the year was the exploration for gold, copper, nickel, and other economic mineral deposits.

Financial Results

The net result of operations for the group for the year was a loss after income tax of $1,855,318 (2010: $1,232,405).

Dividends

No dividends were paid or declared since the start of the financial year, and the directors do not recommend the payment of dividends in respect of the financial year.

Review of Operations

The fiscal year ending June 2011 has been a particularly positive period for companies in the gold sector, with the gold price hitting significant highs in the latter part of the year. For Southern Gold this coincided with the announcement of its upgraded Indicated and inferred Cannon gold resource of 94,000 ozs @ 3.3 g/t Au at the Cannon gold deposit.

<u>Western Australia – Bulong South Gold Project</u>

During the reporting period, Southern Gold continued to build on the discovery momentum and the announcement of the Cannon gold resource upgrade, with standout results from the December infill and extensional RC drill program at the Cannon prospect. Gold results including 22m @ 10.05g/t, 11m @ 9.75g/t, 5m @ 12.26g/t and 4m @ 15.73g/t reinforce the Company's conviction that the Bulong terrain has been underexplored for gold. This view was reaffirmed by the expansion of Southern Gold's tenement holding through a Heads of Agreement with Heron Resources Limited and the addition of the Clinker Hill tenements, all contiguous with the Bulong Project area. Further regional exploration programs will be undertaken to discover and delineate further gold mineralisation.

The Bulong South gold project is located 30km south east of Kalgoorlie. With positive results for the year, close proximity to Kalgoorlie infrastructure and processing facilities and continued strength of the gold price in 2011, Southern Gold remains enthused about the developing exploration story of the Bulong South gold project.

<u>Cambodia – Gold and Base Metal Projects</u>

Field work started at the Company's Cambodian projects as the wet season came to a close in November 2010. Follow-up drilling commenced where work earlier in the year discovered high grade gold at the Kratie South project. Funded by Japanese government mining organisation JOGMEC (Japan Oil, Gas and Metals National Corporation) two diamond holes had intersected the targeted high grade gold mineralised veins. Drilling was conducted at both the Kratie South project and the Memot projects with positive gold results from each area. These results indicated that Southern Gold has again successfully intercepted targeted mineralisation zones at the Kratie South and Memot projects.

In April 2011, JOGMEC completed Stage 3 having invested US$3.03M over 3 years to earn a 51% interest in the 2 tenements covered by the Kratie South joint venture agreement. Having withdrawn from the Kratie North project without earning an equitable interest (after meeting its minimum commitment of US$500,000) JOGMEC's focus looks to the follow-up work program at Kratie South. As an active investor in Cambodia, Southern Gold regards JOGMEC as an important strategic partner.

<u>South Australia – Challenger Gold Project</u>

Southern Gold, as manager and holder of 51% of the gold rights in the Challenger Joint Venture with

Kingsgate Consolidated Limited, is currently prioritising and assessing more than 30 gold anomalies within the 2,960km^2 tenement package. The 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 2011/12 work program.

New South Wales – Devil's Elbow Copper project

In January 2011, a Heads of Agreement ("HOA") was signed with IMX Resources Limited whereby IMX would explore exploration licence EL6653, which lies southeast of Parkes and covers a number of manganese prospects and the historic Eurow-Vychan copper mine. Under the terms of the HOA, IMX committed to spend $100,000 to drill test priority targets prior to making a decision on further expenditure to earn a 51% joint venture interest. While rock chip samples indicate that the targeted manganese mineral is present in potentially economic grades, their extent and nature did not meet IMX's exploration parameters, and hence IMX elected to withdraw from the HOA. Southern Gold will assess this new data in conjunction with previous data and may look to conduct follow up drill testing.

Corporate

September 2010 saw the commencement of the Company's new Managing Director, Ms Nanette Anderson, and a renewed round of capital raising which resulted in the strengthening of Southern Gold's cash position.

A total of $3M was raised through a placement that was completed in December 2010, with approximately 44 million new shares issued to sophisticated and institutional investors. A further $1.2M was raised through a shareholder share purchase plan giving confidence to long term and sequential staging of intensive exploration programs both in Australia and Cambodia.

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..

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

Events Subsequent to Balance Date

There has not arisen in the interval any matters or circumstances, since the end of the financial year which significantly affected or could affect the operations of the Company, the results of those operations, or the state of the Company in future years.

Likely Developments

Further information about likely developments in the operations of the Company and the expected results of those operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Environmental Regulation and Performance Statement

The Company's operations are subject to significant environmental regulations under Commonwealth, South Australian, Western Australian and NSW legislation in relation to discharge of hazardous waste and materials arsing from any mining activities and development conducted by the Company on any of its tenements. The Company is also in compliance with all Cambodian environmental regulations. To date the Company has only carried out exploration activities and there have been no known breaches of any environmental obligations.

Options

At the date of this report, the unissued ordinary shares of Southern Gold Limited under option are as follows:

Grant Date	Date of Expiry	Fair Value at Grant Date ($)	Exercise Price ($)	Number under Option
8.12.2006	7.12.2011	0.254	0.315	250,000
19.02.2007	7.02.2012	0.231	0.50	500,000
7.05.2007	7.02.2012	0.467	0.50	500,000
22.10.2007	21.10.2012	0.310	0.35	50,000
26.02.2008	28.11.2012	0.132	0.75	500,000
26.08.2008	25.05.2013	0.109	0.20	100,000
30.09.2008	30.09.2013	0.096	0.15	300,000
30.09.2008	30.09.2013	0.093	0.15	300,000
29.06.2009	29.06.2012	0.080	0.15	1,500,000
30.06.2009	30.06.2014	0.098	0.30	150,000
23.10.2009	23.10.2014	0.096	0.15	250,000
30.10.2009	30.10.2013	0.082	0.15	500,000
1.12.2010	1.12.2014	0.040	0.105	500,000
1.12.2010	1.12.2015	0.044	0.105	1,000,000
				6,400,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

For details of options issued to Directors and Executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2011, no ordinary shares of Southern Gold Limited were issued on the exercise of options granted. No further shares have been issued since year end.

Directors

The Directors of the Company at any time during the financial year are as set out below. Details of Directors' qualifications, experience and special responsibilities are as follows:

Greg Boulton AM
B.A (Accounting), FCA, FCPA, FAICD (Non-Executive Chairman)

Greg has extensive commercial experience spanning over 25 years as CEO and Non-Executive Director for many Private and Public companies. He has broad experience in capital raisings, acquisitions and commercial negotiations and is a Fellow of the Institute of Chartered Accountants, CPA Australia and the Australian Institute of Company Directors.

Greg is currently Chairman of Paragon Equity Limited, an Adelaide based private equity firm and Deputy Chairman of ASX listed K&S Corporation Limited. He is also on the board of the Statewide Superannuation Trust.

Greg currently has 1,520,588 shares and 500,000 options to acquire further shares in Southern Gold Limited.

Nanette Anderson
B Sc(Hons) Geol , MAusIMM (Managing Director) – appointed 23 September 2010

Nanette has over 15 years experience in the exploration and mining industry. As a geologist she has experience exploring and developing gold, diamond and base metal projects throughout Australia and South East Asia.

Moving into the corporate side of business, Nanette has successfully undertaken capital raisings, project acquisitions and joint venture negotiations. She is a member of the Australian Institute of Company Directors, the Australian Institute of Mining and Metallurgy and the Geological Society of Australia.

Nanette is also a Non-Executive Director of Jaguar Minerals Limited.

Nanette currently has 180,000 shares and 1,000,000 options to acquire further shares in Southern Gold Limited.

Mick Billing
B Bus, CPA, MAICD (Executive Director)

Mick is an accountant with in excess of 30 years of mining industry experience in company secretarial, senior commercial, and chief financial officer roles including lengthy periods with Bougainville Copper Ltd and WMC Resources Ltd. He has had experience with corporate governance issues, debt and equity raising, and project evaluation and feasibility studies in Australia and overseas, and consults to a number of companies in these fields.

Mick is also Executive Chairman of AIM listed Thor Mining PLC. He previously has acted as Chairman of ASX listed Western Desert Resources Limited and as a Non-Executive Director of Australasia Gold Limited.

Mick currently has 2,176,649 shares and 500,000 options to acquire further shares in Southern Gold Limited.

David Turvey
B Sc(Hons) Geol, MAusIMM (Non-Executive Director)

David is a geologist with over 27 years experience in the Australian and Asian mining industries where he has driven business development and corporate M&A activities in precious metals, bulk commodities and industrial minerals. His experiences include holding key management roles and consulting assignments in minerals exploration, technical marketing, project development and commercial evaluation of mineral asset investments.

David is currently a Non-Executive Director of ASX listed Lawson Gold Limited and is a former Managing Director of FerrAus Limited.

David currently has 732,588 shares and 500,000 options to acquire further shares in Southern Gold Limited.

Stephen Biggins
BSc (Hons) Geol, MBA, MAusIMM (Managing Director) – (resigned 2 July 2010)

Stephen is a founding Managing Director of Southern Gold and prior to this accumulated broad experience as a geologist in mineral exploration, development and mining throughout Australia over the previous 15 years.

Stephen previously has acted as a Non-Executive Director of ASX listed Southern Uranium Limited.

Company Secretary
The following person held the position of Company Secretary at the end of the financial year:

Nick Harding
B.A (Acc),Grad Dip (Acc), Grad Dip (Applied Finance), Grad Dip (Corp Governance), FCPA, F Fin, ACIS (Company Secretary)

Nick is an accountant with over 25 years experience in the resources industry. He has held senior financial roles at various times with WMC Resources Limited, Normandy Mining Limited and

Newmont Australia Limited and currently consults to a number of exploration companies in providing financial and company secretarial services.

Remuneration Report (audited)

Remuneration Policy (audited)

The remuneration policy is designed to align Key Management Personnel objectives with shareholder and business objectives by providing a fixed remuneration package to Non-executive Directors and time based remuneration to Executive Directors. The Board of Southern Gold believes the policy to be appropriate and effective in attracting and retaining the best Directors and Executives to manage and direct the Group, as well as create goal congruence between Directors, Executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other Key Management Personnel of the Company is as follows:

The Company's Constitution specifies that the total amount of remuneration of Non-Executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-executive Directors has been set at $300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing Director is determined by the Non-executive Directors and approved by the Board as part of the terms and conditions of her employment which are subject to review from time to time. The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company has a performance bonus scheme in place for the Managing Director which provides for the payment of a cash bonus to her on the achievement of agreed milestones during the year as determined by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

The employment conditions of the Managing Director are formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Managing Director's contract may be terminated at any time by mutual agreement. The Company may terminate the contract without notice in instances of serious misconduct.

Mr Harding is not employed by the Company. His services are provided in his capacity as a consultant to act as Chief Financial Officer and Company Secretary of Southern Gold.

Performance-based Remuneration (audited)

The Group currently has no performance based remuneration component built into Non-executive Director packages. The Managing Director has included in her remuneration package an incentive payment based on a percentage of fixed remuneration, conditional upon the achievement of certain performance criteria being met. The maximum percentage of fixed remuneration for the current financial year is 25%. The performance conditions, or Key Performance Indicators (KPI's) are set by the Board, and may vary from year to year, but reflect the financial and operating goals of Southern Gold Limited. The Board has set KPI measures, which must be achieved in any individual KPI before an entitlement to any payment for that KPI. Current KPI's are in the form of share price performance, cost savings, successful capital raisings and resource definition.

The Group has one Executive Director, and three Non-executive Directors. The Managing Director is paid a salary, while Non-executive Directors are paid directors' fees. The Non-executive Directors do not currently participate in any incentive scheme.

Remuneration packages contain the following key elements:

Primary Benefits – salary/fees;

Post Employment Benefits – superannuation

Shares issued on exercise of remuneration options (audited)

No shares were issued to Directors as a result of the exercise of remuneration options during the financial year.

Directors' interests in shares and options (audited)

Directors' relevant interests in shares and options of the Company are disclosed above and in Note 4 of the Financial Report.

Options granted as remuneration (audited)

Details of options granted as remuneration to Directors in the year are as follows:

Directors	Grant Date	Number	Value $	Exercise Price	Value per option at Grant Date	Amount paid / payable by recipient	% of total remuneration
D J Turvey	1 December 2010	500,000	19,859	$0.105	$0.040	-	33%
N M Anderson	1 December 2009	1,000,000	44,439	$0.105	$0.044	-	18%

All options granted have vested and no options were exercised in the financial year.

Remuneration of Directors and Key Management Personnel (audited)

This report details the nature and amount of remuneration for each Key Management Person of Southern Gold Limited and for Executives receiving the highest remuneration.

(a) Directors and Key Management Personnel

The names and positions held by Directors and Key Management Personnel of the Group during or since the end of the financial year are:

Directors	Position
G C Boulton AM	Chairman – Non-executive
N M Anderson[1]	Managing Director - Executive
M R Billing[2]	Director – Non-executive
D J Turvey	Director – Non-executive
S R Biggins	Managing Director – Executive (to 2 July 2010)

Key Management Personnel	Position
N J Harding	Chief Financial Officer / Company Secretary
P W Hill	Exploration Manager
G Thomas	General Manager - Cambodia

[1] N M Anderson commenced 23 September 2010

[2] M R Billing acted as Executive Director from 2 July 2010 to 22 September 2010

(b) Directors' remuneration

2011 Primary Benefits	Directors' Fees $	Salary and Leave $	Cash Bonus $	Performance Incentive Payments $	Super Contribution $	Options [1] $	Total $
G C Boulton AM	80,000	-	-	-	-	-	80,000
N M Anderson	-	179,251	14,000	-	15,874	44,439	253,564
M R Billing	38,800	-	-	-	1,227	-	40,027
D J Turvey	36,387	-	-	-	3,613	19,859	59,859
S R Biggins	-	4,408	-	-	-	-	4,408
	155,187	183,659	14,000	-	20,714	64,298	437,858

2010 Primary Benefits	Directors' Fees $	Salary and Leave $	Cash Bonus $	Performance Incentive Payments $	Super Contribution $	Options [2] $	Total $
G C Boulton AM	80,004	-	-	-	-	40,928	120,932
S R Biggins	-	236,133	-	-	35,420	81,856	353,409
M R Billing	36,400	-	-	-	3,600	-	40,000
D J Turvey	1,517	-	-	-	150	-	1,667
	117,921	236,133	-	-	39,170	122,784	516,008

[1] N Anderson was issued 1,000,000 options and D Turvey 500,000 options at an exercise price of 10.5 cents in December 2010, expiring on 1 December 2014 and 1 December 2015 respectively.

[2] G Boulton and S Biggins were issued 500,000 and 1,000,000 options respectively at an exercise price of 15 cents in October 2009, expiring on 30 October 2013.

A cash performance bonus was paid to Ms Anderson during the 2011 financial year for achievement of certain milestones as agreed by the Board under her remuneration package.

The Directors conclude that there are no other executives requiring disclosure other than those listed above.

(c) Service agreements

Remuneration and other items of employment for the Managing Director, Ms Nanette Anderson, are formalised in a service agreement agreed to by the Board. The major provisions are as follows:

- Ms Anderson agreed to provide her services for a period of 3 years with an option to extend at the expiration date.
- Remuneration of $230,000 per annum plus 9% superannuation contributions and provision of a fully serviced motor vehicle.
- Termination without notice in the event that Ms Anderson
  - is guilty of serious or wilful misconduct
  - fails to remedy a breach of the Agreement within 14 days of receipt of notice to do so
- Termination without cause by either party with the provision of three calendar months' notice.

The Company entered into a service agreement with an entity associated with Mr Boulton on 19 February 2008 to provide services over and above his duties as Chairman on an as needs basis at a daily rate of $1,000 covering his term as a Non-executive Director of the Company.

The Company entered into a service agreement with an entity associated with Mr Billing on 24 April 2005 to provide services over and above his duties as a Non-executive Director on an as needs basis at a daily rate of $1,000 covering his term as a Non-executive Director of the Company.

(d) Director related entities

During the year to 30 June 2011 the Company paid consulting fees totalling $15,373 to a Director related entity of Mr Turvey and $17,750 to a Director related entity of Mr Billing for services provided beyond their duties as Non-executive Directors.

Information of amounts paid to director related entities is set out in note 14 to the financial statements.

(e) Key Management Personnel Remuneration

2011 Primary Benefits	Salary and Leave $	Cash Bonus $	Super Contribution $	Options [2] $	Total $
N J Harding [1]	-	-	-	-	-
P W Hill	174,748	-	26,212	-	200,960
G Thomas	223,464	-	20,112	-	243,576
	398,212	-	46,324	-	444,536

2010 Primary Benefits	Salary and Leave $	Cash Bonus $	Super Contribution $	Options [2] $	Total $
N J Harding [1]	-	-	-	-	-
P W Hill	161,192	-	24,179	-	185,371
G Thomas	167,436	-	15,069	24,066	206,571
	328,628	-	39,248	24,066	391,942

[1] Mr Harding was appointed Chief Financial Officer on 7 April 2008 and Company Secretary from 19 February 2009. Mr Harding is not employed by the Company. His services are provided in his capacity as a consultant to act as Chief Financial Officer and Company Secretary of Southern Gold Limited. Mr Harding was paid $95,200 (2010: $152,437).

[2] Mr Thomas was issued 250,000 options at an exercise price of 15 cents in October 2009, expiring on 23 October 2014.

(f) Post employment/retirement and termination benefits

There were no post employment retirement and termination benefits paid or payable to Directors or Key Management Personnel.

Meetings of Directors

The Company held 14 meetings of Directors (including committees of Directors) during the financial year. Attendances by each Director during the year were as follows:

	Director Meetings		Audit Committee Meetings	
	Number of Board Meetings Eligible to Attend	Number of Board Meetings Attended	Number of Board Meetings Eligible to Attend	Number of Board Meetings Attended
G C Boulton AM	12	12	2	2
N M Anderson	9	9	1	1
M R Billing	12	12	2	2
D J Turvey	12	12	-	-

Non-audit services

The Board of Directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non audit services as set out below, did not compromise the audit independence requirement of the Corporations Act 2001 for the following reasons.

- All non-audit services have been reviewed by the Board to ensure they do not adversely affect the integrity and objectivity of the auditor.

- The nature of the services provided do not compromise the general principle relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011:

	$
Preparation of Income Tax returns	10,940
Provision of tax advice	9,745

Indemnification and insurance of officers

Indemnification

The Company is required to indemnify the Directors and other officers of the Group against any liabilities incurred by the Directors and officers that may arise from their position as Directors and officers of the Group. No costs were incurred during the year pursuant to this indemnity.

The Group has entered into deeds of indemnity with each Director whereby, to the extent permitted by the Corporations Act 2001, the Group agreed to indemnify each Director against loss and liability as an officer of the Group, including all liability in defending any relevant proceedings.

Insurance Premiums

Since the end of the previous year the Group has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses' insurance contracts.

The terms of the policies prohibit disclosure of details of the amount of insurance cover, the nature thereof and the premium paid.

Proceedings on behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Group or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Group was not a party to any such proceedings during the year.

Auditor of the Company

The auditor of the Group for the financial year was Grant Thornton South Australian Partnership.

Auditor's Independence Declaration

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 for the year ended 30 June 2011 is set out immediately following the end of the Directors' report.

Dated at Adelaide, this 22nd day of September 2011

The report of Directors, incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors:

N M Anderson
Managing Director

G C Boulton A M
Chairman

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SOUTHERN GOLD LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Southern Gold Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 22 September 2011

Statement of Comprehensive Income for the Year ended 30 June 2011

		Consolidated	
	Note	2011 $	2010 $
Revenue from ordinary activities	2	339,944	324,164
Net gain on sale of investment in associate	22	-	2,141,698
Exploration expenditure written off		(621,338)	(1,484,607)
Salaries and wages		(469,211)	(658,652)
Directors fees		(155,049)	(117,921)
Shareholder relations		(97,599)	(123,434)
Other consulting expenses		(343,712)	(373,798)
Other administrative expenses	2	(581,994)	(639,285)
Depreciation		(53,955)	(51,621)
Share based payments		(64,298)	(146,849)
Loss before income tax expense		(2,047,212)	(1,130,305)
Income tax expense	3	191,894	(102,100)
Loss for the year		(1,855,318)	(1,232,405)
Other comprehensive income			
Exchange differences on translation of foreign controlled entity		(890,621)	111,871
Total comprehensive income for the year		(2,745,939)	(1,120,534)
Earnings Per Share			
Basic (cents per share) – Loss	20	(0.86)	(0.76)
Diluted (cents per share) – Loss	20	(0.86)	(0.76)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
CURRENT ASSETS			
Cash and cash equivalents	5	2,934,003	3,131,787
Trade and other receivables	6	705,110	651,495
Other assets	7	71,786	107,493
TOTAL CURRENT ASSETS		3,710,899	3,890,775
NON-CURRENT ASSETS			
Other assets	7	110,232	156,326
Exploration and evaluation expenditure	8	14,296,175	12,960,332
Plant and equipment	9	93,991	141,827
TOTAL NON-CURRENT ASSETS		14,500,398	13,258,485
TOTAL ASSETS		18,211,297	17,149,260
CURRENT LIABILITIES			
Trade and other payables	10	413,074	660,670
Provision for employee benefits	11	32,009	22,546
TOTAL CURRENT LIABILITIES		445,083	683,216
NON-CURRENT LIABILITIES			
Provision for employee benefits	11	23,894	20,805
TOTAL NON-CURRENT LIABILITIES		23,894	20,805
TOTAL LIABILITIES		468,977	704,021
NET ASSETS		17,742,320	16,445,239
EQUITY			
Issued capital	12	28,999,356	25,020,634
Reserves		1,244,461	2,070,784
Retained losses		(12,501,497)	(10,646,179)
TOTAL EQUITY		17,742,320	16,445,239

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the Year ended 30 June 2011

	Issued Capital	Retained Losses	Share-Based Payment Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2009	20,258,866	(9,446,417)	1,720,382	124,325	12,657,156
Total comprehensive income	-	(1,232,405)	-	111,871	(1,120,534)
Transfer share of associate's share-based payments to accumulated losses	-	32,643	(32,643)	-	-
Fair value of options issued to employees	-	-	146,849	-	146,849
Issue of Share Capital (net of transaction costs)	4,761,768	-	-	-	4,761,768
Balance at 30 June 2010	25,020,634	(10,646,179)	1,834,588	236,196	16,445,239
Total comprehensive income	-	(1,855,318)	-	(890,621)	(2,745,939)
Fair value of options issued to employees	-	-	64,298	-	64,298
Issue of Share Capital (net of transaction costs)	3,978,722	-	-	-	3,978,722
Balance at 30 June 2011	28,999,356	(12,501,497)	1,898,886	(654,425)	17,742,320

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2011

	Note	Consolidated 2011 $	2010 $
Cash flows relating to operating activities			
Interest received		175,467	71,928
Payments to suppliers and employees		(1,779,513)	(2,265,508)
Net operating cash outflows (Note (a))		(1,604,046)	(2,193,580)
Cash flows relating to investing activities			
Payments for exploration and evaluation assets		(3,645,723)	(5,123,986)
Reimbursed from co-venturers		1,197,624	1,369,829
Proceeds from sale of investments		-	2,475,000
Payments for plant and equipment		(26,891)	(57,425)
Net investing cash outflows		(2,474,990)	(1,336,582)
Cash flows relating to financing activities			
Proceeds from share issues		4,194,601	5,041,092
Payments for share issue costs		(313,349)	(340,332)
Net financing cash inflows		3,881,252	4,700,760
Net (decrease)/increase in cash		(197,784)	1,170,598
Cash at beginning of financial year	5	3,131,787	1,961,189
Cash at end of financial year	5	2,934,003	3,131,787

Note (a): Reconciliation of net loss from ordinary activities to net cash flow from ordinary activities.

	2011 $	2010 $
Loss from ordinary activities after related income tax	(1,855,318)	(1,232,405)
Non-cash flows in profit		
Share based remuneration	64,298	146,849
Gain on sale of investment	-	(2,141,698)
Depreciation	53,955	51,621
Unrealised foreign exchange	(243,385)	120,107
Tax effect of capital raising expenses	97,470	102,100
Exploration written off	621,338	1,486,071
Changes in assets and liabilities		
(Increase) decrease in receivables	(295,513)	(162,969)
(Increase) decrease in prepayments	81,801	83,920
Increase/(decrease) in payables	(141,244)	(651,837)
Increase/(decrease) in provisions	12,552	4,661
Net operating cash flows	(1,604,046)	(2,193,580)

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Financial Year Ended 30 June 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Southern Gold Limited and controlled entities ('Consolidated Group' or 'Group').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report covers the consolidated group of Southern Gold Limited, a listed public company incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards.

The following is a summary of the material accounting policies adopted by the Consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

These financial statements have been prepared on an accruals basis and are based on the historical cost convention where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

The accounting policies set out below have been consistently applied to all years presented.

Third statement of financial position

Two comparative periods are presented for the statement of financial position when the Group:

i. Applies an accounting policy retrospectively,

ii. Makes a retrospective restatement of items in its financial statements, or

iii. Reclassifies items in the financial statements

The Group has determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

New and revised accounting standards

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2010:

- Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project- AASB 2009-5
- Improvements to IFRSs- AASB 2010-03.

The adoption of new and revised Accounting Standards effective for the financial statements for the annual period beginning 1 July 2010 did not have a material impact on the Group's financial statements.

a. Principles of Consolidation

A controlled entity is any entity Southern Gold Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 21 to the financial statements. All controlled entities have a June financial year-end.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The purchase method of accounting is used to account for the acquisition of subsidiaries.

All inter-company balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Parent Entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Where controlled entities have entered or left the Consolidated Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Accounting policies of subsidiaries are consistent with those adopted by the Parent Entity.

b. Income Tax

The income tax expense (benefit) for the year comprises current income tax expense/(income) and deferred income tax (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted at reporting date.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (expense)/benefit is charged or credited directly to equity instead of the profit and loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b. Income Tax (Continued)

Southern Gold Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment 5–33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. Exploration and Evaluation Expenditure

Exploration and evaluation and expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage.

d. Exploration and Evaluation Expenditure (Continued)

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

e. Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the provisions to the instrument. For financial assets this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through the profit or loss', in which case the costs are expensed to the profit and loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the interest rate method or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties. Where available, quoted prices, in an active market are used to determine fair value.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments,

i. **Loans and receivables**

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

ii. **Financial liabilities**

   Non-derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

f. Impairment of Non Financial Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

g. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

h. Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates.

Where there has been a change recognised directly in an associate's equity, the Group recognises its share of any changes and discloses this in the statement of recognised income and expense. The reporting dates of the associates and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

i. Interests in Joint Ventures

The Consolidated Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the Consolidated Group's interests are shown at Note 15.

j. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. The cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Share based payments

The Company has an Employee Share Option Plan where employees may be provided with options to acquire shares in the Company. The fair value of the options are measured at grant date and recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of options is ascertained using the Black-Scholes pricing model which incorporates all market vesting conditions.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

m. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

p. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

r. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Judgments — Impairment of Exploration and Evaluation Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of exploration and evaluation assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

s. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

t. Accounting standards not yet effective

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

The accounting standards that have not been early adopted for the year ended 30 June 2011, but will be applicable to Southern Gold Limited in future reporting periods, are detailed below. Apart form these standards, we have considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to Southern Gold Limited.

(a) Consolidated Financial Statements

IFRS 10: “Consolidated Financial Statements” was issued by the IASB in May 2011 and replaces both the existing IAS27: “Consolidated and Separate Financial Statements” and SIC 12: “Consolidation – Special Purpose Entities”. The new standard revises the definition of control and related application guidance so that a single control model can be applied to all entities. This standard will apply to Southern Gold Limited from 1 July 2013 and it is believed these will be insignificant impact for Southern Gold Limited.

(b) Joint Arrangements

IFRS 11: “Joint Arrangements” was also issued by the IASB in May 2011 and provides for a more realistic reflection of joint arrangements by focussing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is applicable from 1 July 2013, with early adoption permitted. Management is assessing the impact on Southern Gold Limited but at this stage it is believed there will be insiginifcant impact on the company.

(c) Disclosure of Interests in Other Entities

IFRS 12: “Disclosure of Interests in other Entities” was issued by the IASB in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013 and management is currently assessing the impacts of the standard, which will be limited to disclosure impacts only. There have also been consequential amendments to IAS 28 “Investment in Associates” as a result of the above new standard. These amendments are applicable from 1 July 2013 and at this stage it is believed that there will be no impact on the company.

(d) Fair Value Measurement

IFRS 13: "Fair Value Measurement was issued by the IASB in May 2011 and provides a precise definition of a fair value, is a single source of fair value measurement and prescribes disclosure requirements for use across IFRS's. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to Southern Gold Limited from 1 July 2013 and at this stage it is believed there will be no impact on the company.

(e) Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards that are applicable in future years:

- AASB 124: "Related Party Disclosures";
- AASB 2009-12: "Amendments to Australian Accounting Standards";
- AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project";
- AASB 2010-5 "Amendments to Australian Accounting Standards";
- AASB 2010-8 "Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets": and
- AASB 2011-4 "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements".

We do not expect these accounting standards to materially impact our financial results upon adoption.

u. Parent Entity

The financial information of the parent entity , Southern Gold Limited, disclosed at note 23, has been prepared on the same basis, using the same accounting policies as the consolidated financial statements.

v. Impact of the Carbon Tax Legislation

On 10 July 2011, the Commonwealth Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both Houses of Parliament. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the carbon scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

The financial report was authorised for issue on 22nd September 2011 by the Board of Directors.

	2011 $	2010 $
2. LOSS FROM ORDINARY ACTIVITIES		
Loss from ordinary activities included the following items of revenue and expense:		
a.) **Operating Revenue**		
Interest received/receivable	134,074	144,585
Net gain on sale of investment in associate	-	2,141,698
Other Income	205,870	179,579
	339,944	2,465,862
b.) **Other Administrative Expenses**		
Office rent	152,651	148,289
3. INCOME TAX EXPENSE		
a.) The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax attributable to operating loss as follows:		
Loss from ordinary activities	(2,047,212)	(1,130,305)
Income tax benefit calculated at 30% of operating loss	(614,164)	(339,091)
Tax effect of capital raising costs	97,470	102,100
Share-based payments expensed during the year	19,289	44,055
Research and development tax concession	(202,488)	-
Timing differences and tax losses not brought to account	507,999	295,036
Income tax attributable to loss from ordinary activities	(191,894)	102,100
b) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur		
Operating Losses	507,999	295,036
c) Income tax losses		
Total deferred tax asset arising from carried forward tax losses not recognised as meeting probable criteria		
Tax Losses at 30%	4,419,893	2,950,004

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

i. assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;

ii. conditions for deductibility imposed by the law are complied with; and

iii. no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

4. INTERESTS OF KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2011. The totals of remuneration paid to key management personnel during the year are as follows:

	2011 $	2010 $
Short term employee benefits	751,855	682,682
Post employment benefits	66,241	78,418
Share-based payments	64,298	146,850
	882,394	907,950

Mr Harding is not employed by the company and provides his services as a consultant. Mr Harding was paid $95,200 (2010: $152,437).

(a) The names and positions held of the group's key management personnel in office at any time during the financial year are:

Directors	Position
G C Boulton AM	Chairman – Non-executive
N M Anderson[1]	Managing Director - Executive
M R Billing[2]	Director – Non-executive
D J Turvey	Director – Non-executive
S R Biggins	Managing Director – Executive (to 2 July 2010)

Key Management Personnel	Position
N J Harding	Chief Financial Officer / Company Secretary
P W Hill	Exploration Manager
G Thomas	General Manager Cambodia

1 N M Anderson commenced 23 September 2010

2 M R Billing acted as Executive Director from 2 July 2010 to 22 September 2010

Key management personnel remuneration paid or payable has been included in the Remuneration Report of the Directors Report for the year ended 30 June 2011.

(b) The number of ordinary shares held by Key Management Personnel in Southern Gold Limited during the financial year is as follows:

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during year	Other changes during the year[3]	Balance at end of year
G C Boulton AM	900,000	-	-	620,588	1,520,588
N M Anderson[1]	-	-	-	180,000	180,000
M R Billing	1,856,061	-	-	320,588	2,176,649
D J Turvey	-	-	-	732,588	732,588
S R Biggins[2]	3,757,727	-	-	-	3,757,727
N J Harding	-	-	-	111,529	111,529
P W Hill	-	-	-	-	-
G Thomas	-	-	-	-	-
	6,513,788	-	-	1,965,293	8,479,081

30 June 2010	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during year	Other changes during the year[3]	Balance at end of year
G C Boulton AM	650,000	-	-	250,000	900,000
S R Biggins	3,757,727	-	-	-	3,757,727
M R Billing	1,976,061	-	-	(120,000)	1,856,061
D J Turvey	-	-	-	-	-
N J Harding	-	-	-	-	-
P W Hill	-	-	-	-	-
G Thomas	-	-	-	-	-
	6,383,788	-	-	130,000	6,513,788

[1] N M Anderson commenced 23 September 2010

[2] S R Biggins resigned 2 July 2010

[3] Purchases of shares on market or through take up of shares by Directors under the December 2010 share purchase plan

(c) The number of options over ordinary shares held by Key Management Personnel in Southern Gold Limited during the year is as follows:

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year[1]	Balance at end of year	Vested during the year	Vested and exercisable
G C Boulton AM	500,000	-	-	-	500,000	-	500,000
N M Anderson	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
S R Biggins	2,500,000	-	-	(2,500,000)	-	-	-
M R Billing	500,000	-	-	-	500,000	-	500,000
D J Turvey	-	500,000	-	-	500,000	500,000	500,000
N J Harding	350,000	-	-	-	350,000	-	350,000
P W Hill	550,000	-	-	-	550,000	-	550,000
G Thomas	250,000	-	-	-	250,000	-	250,000
	4,650,000	1,500,000	-	(2,500,000)	3,650,000	1,500,000	3,650,000

30 June 2010	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable
G C Boulton AM	-	500,000	-	-	500,000	500,000	500,000
S R Biggins	1,500,000	1,000,000	-	-	2,500,000	1,000,000	2,500,000
M R Billing	500,000	-	-	-	500,000	-	500,000
D J Turvey	-	-	-	-	-	-	-
N J Harding	350,000	-	-	-	350,000	-	350,000
P W Hill	550,000	-	-	-	550,000	-	550,000
G Thomas	-	250,000	-	-	250,000	250,000	250,000
	2,900,000	1,750,000	-	-	4,650,000	1,750,000	4,650,000

[1] The options lapsed on resignation as a Director of the Company

(d) Other Key Management Personnel Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 14 Related Parties. For details of payables to Key Management Personnel, refer to Note 10 Trade and Other Payables.

	2011 $	2010 $
5. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	434,003	1,131,787
Westpac Banking Corporation Term Deposit – Interest rate of 5.9% (2010: 6.8%)	2,500,000	2,000,000
	2,934,003	3,131,787

	2011 $	2010 $
6. TRADE AND OTHER RECEIVABLES		
Trade and other receivables	422,202	578,838
Interest receivable	31,264	72,657
Research and development tax concession receivable	251,644	-
	705,110	651,495

Trade and other receivables are not considered past due and/or impaired (2010: nil)

	2011 $	2010 $
7. OTHER ASSETS		
Current		
Prepayments	27,103	28,056
Exploration tenement performance bonds	20,000	60,000
Other assets	24,683	19,437
	71,786	107,493
Non-Current		
Exploration tenement performance bonds	110,232	156,326

	2011 $	2010 $
8. EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest:		
Exploration and evaluation phase	14,296,175	12,960,332

The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of respective areas.

(i) Reconciliation

A reconciliation of the carrying amount of exploration and evaluation phase expenditure is set out below:

	2011 $	2010 $
Costs brought forward	12,960,332	10,641,436
Expenditure incurred during the year	3,662,184	5,299,555
Less: Expenditure recovered from co-venturer	(1,078,539)	(1,496,793)
Net foreign exchange differences - Cambodia	(626,464)	2,205
Expenditure written off / impairment	(621,338)	(1,486,071)
	14,296,175	12,960,332

	2011 $	2010 $

9. PLANT AND EQUIPMENT

	2011 $	2010 $
Plant and equipment at cost	298,987	305,963
Less: Accumulated depreciation	(204,996)	(164,136)
	93,991	141,827

	2011 $	2010 $
Opening written down value	141,827	142,054
Additions	26,962	56,337
Disposals and write offs	(71)	-
Net foreign currency exchange differences	(20,772)	(4,943)
Depreciation	(53,955)	(51,621)
Closing written down value	93,991	141,827

10. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade creditors	238,214	177,506
Sundry payables and accruals	153,130	403,846
Amounts payable to Directors and Key Management Personnel related entities	21,730	79,318
	413,074	660,670

11. PROVISION FOR EMPLOYEE BENEFITS

The aggregate employee benefit liability recognised in and included in the financial statements is as follows:

	2011 $	2010 $
Provision for employee benefits		
Current	32,009	22,546
Non-Current	23,894	20,805
	55,903	43,351
Movement schedule for employee benefits		
Opening balance	43,351	38,690
Additional provision	81,063	88,825
Benefits utilised or surrendered	(68,511)	(84,164)
Closing balance	55,903	43,351

The current provision portion relates to annual leave, while the non-current portion relates to long service leave.

Provision for long service leave

A provision for long service leave has been recognised for employee benefits. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

	2011 $	2010 $

12. ISSUED CAPITAL

(a) *Ordinary Shares*

	2011 $	2010 $
Issued share capital:	28,999,356	25,020,634
242,375,463 fully paid ordinary shares (2010: 180,690,173)		

Movement in issued shares for the year:	2011		2010	
	No.	$	No.	$
Balance at beginning of financial year	180,690,173	25,020,634	140,690,173	20,258,866
Share placement at 12.5 cents			40,000,000	5,000,000
Share placement at 6.8 cents	44,200,000	3,005,600	-	-
Share purchase plan at 6.8 cents	17,485,290	1,189,000	-	-
Net costs associated with the issue of shares	-	(215,878)	-	(238,232)
Balance at end of financial year	242,375,463	28,999,356	180,690,173	25,020,634

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(b) *Options on Issue*

For information relating to share options issued to Key Management Personnel during the financial year, refer to Note 4.

At 30 June 2011, there were 6,400,000 (30 June 2010: 7,850,000) unissued shares for which the following options were outstanding:

Grant Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Number under Option
8.12.2006	7.12.2011	0.254	0.315	250,000
19.2.2007	7.2.2012	0.231	0.50	500,000
7.5.2007	7.2.2012	0.467	0.50	500,000
22.10.2007	21.10.2012	0.310	0.35	50,000
26.2.2008	28.11.2012	0.132	0.75	500,000
26.8.2008	31.5.2013	0.109	0.20	100,000
30.9.2008	30.9.2013	0.096	0.15	300,000
30.9.2008	30.9.2013	0.093	0.15	300,000
29.6.2009	29.6.2012	0.08	0.15	1,500,000
30.6.2009	30.6.2014	0.098	0.30	150,000
23.10.2009	23.10.2014	0.096	0.15	250,000
30.10.2009	30.10.2013	0.082	0.15	500,000
1.12.2010	1.12.2014	0.040	0.105	500,000
1.12.2010	1.12.2015	0.044	0.105	1,000,000
				6,400,000

(c) Capital Management

Management effectively manages the capital of the Group by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of dividends to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital during the year.

13. REMUNERATION OF AUDITORS

The auditor of Southern Gold Limited is Grant Thornton.

	2011 $	2010 $
Amounts received or due and receivable by Grant Thornton for:		
An audit or review of the financial report of the entity and any other entity of the group	31,900	30,900
Taxation and other services	20,685	42,540
Amounts received or due and receivable by overseas related practices of Grant Thornton for:		
External audit	7,382	18,846
Taxation and other services	-	4,534
	59,967	96,820

14. RELATED PARTY AND KEY MANAGEMENT DISCLOSURES

The terms and conditions of the transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Equity Interests in related parties

Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 21 to the financial statements.

Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 15 to the financial statements.

b) Transactions within wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly-owned group and;
- The wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Southern Gold Limited.

During the financial year Southern Gold Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free loans.

c) Transactions with directors and Key Management Personnel

The following comprises payments made to entities in which Directors have an interest.

Director and Key Management Personnel	Related Party Transaction	2011 $	2010 $
G C Boulton	Payments to a Director related entity for consulting services provided	-	10,000
S R Biggins	Payments to a Director related entity for consulting services provided	-	27,000
M R Billing	Payments to a Director related entity for consulting services provided	17,750	4,050
D J Turvey	Payments to a Director related entity for consulting services provided	15,373	-
N J Harding	Payments to a member of Key Management for financial and company secretarial services provided	95,200	152,437

d) Related party balances

Amounts receivable from and payable to Directors and Key Management Personnel and their related entities at balance date arising from these transactions were as follows:

	2011 $	2010 $
Current payables		
Amounts payable to Directors and Key Management Personnel related entities	21,730	79,318
	21,730	79,318

There were no amounts receivable from related parties

15. JOINT VENTURES

The consolidated entity had interests in unincorporated joint ventures at 30 June 2011 as follows:

	Percentage Interest 2011	Percentage Interest 2010
(a) Challenger Area Joint Venture - Gold	51%	51%
(b) Kratie North Joint Venture – JOGMEC, Cambodia – All minerals	100%	64.7%
(c) Kratie South Joint Venture – JOGMEC, Cambodia – All minerals	49%	72.6%
(d) Heron Resources Joint Venture	0%	0%
(e) Heron Resources KNP Joint Venture	0%	0%

Notes

(a) Under the terms of the agreement with Kingsgate Consolidated Ltd, Southern Gold completed $2m expenditure by October 2009 to earn a 51% JV interest in 7 ELs held by Kingsgate Consolidated Ltd surrounding (but excluding) the Challenger gold mine in northern South Australia. The Joint Venture relates only to gold.

(b) Under the terms of the agreement with Japan Oil Gas Minerals National Corporation (JOGMEC), JOGMEC can invest US$1.47 million over 3 years commencing April 2008 to earn a 51% interest in Phnum Khtong tenement (Kratie North Project) in north east Cambodia. JOGMEC has withdrawn from the joint venture with Southern Gold's interest reverting back to 100%.

(c) Under the terms of the agreement with Japan Oil Gas Minerals National Corporation (JOGMEC), JOGMEC can invest US$3.03 million over 3 years commencing April 2008 to earn a 51% interest in two adjoining tenements, Preak Khlong and O'Kthung (Kratie South Project) in north east Cambodia.

(d) Under the terms of the agreement with Heron Resources Limited, Southern Gold is earning a 51% interest in 3 tenements east of Kalgoorlie in Western Australia by spending a total of $120,000 over 2 years to September 2011.

(e) Under the terms of a Heads of Agreement with Heron Resources Limited, Southern Gold has the right to earn up to 80% of the gold interests associated with Heron's Bulong project. Southern Gold has an initial requirement to spend a minimum of $150,000 within 3 months from commencement and a further $350,000 over the following 9 months to earn a 60% interest. Heron can then elect to contribute their ongoing 40% share of expenditures or otherwise Southern Gold can sole fund a further $500,000 within the next 12 months to acquire an additional 20% of the gold interests in the project area.

16. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) *Exploration Expenditure Commitments*

The Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Group.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	2011 $	2010 $
Not later than one year:	858,820	929,980
Later than one year but not later than two years:	858,820	929,980
Later than two years but not later than five years:	2,576,460	2,789,940

(b) *Service Agreements*

Service agreements between the Group and Non-executive Directors are disclosed in the Remuneration Report of the Directors Report

(c) *Native Title*

Native Title claims have been made with respect to tenements in South Australia in which Southern Gold Limited has interests. The Group is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Group or its projects.

(d) *Office Rental*

The consolidated entity has entered into a rental agreement to occupy its principle office at a cost of $110,000 per annum plus GST, for a term of 5 years expiring on 2 December 2012.

	2011 $	2010 $
Not later than one year:	126,622	121,752
Later than one year but not later than two years:	53,619	126,622
Later than two years but not later than five years:	-	53,619

17. FINANCIAL INSTRUMENTS

(a) *Financial Risk Management*

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and accounts payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2011 $	2010 $
Financial Assets		
Cash and cash equivalents	2,934,003	3,131,787
Loans and receivables	705,110	651,495
	3,639,113	3,783,282
Financial Liabilities		
Trade and other payables	413,074	660,670
	413,074	660,670

(i) ***Treasury Risk Management***

The Board of the Consolidated Group meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) ***Financial Risks***

The main risks the Consolidated Group is exposed to through its financial instruments are liquidity risk, credit risk, and interest rate risk.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Consolidated Group manages liquidity risk by monitoring forecast cash flows.

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

No receivables are considered past due and/or impaired at balance date.

Sensitivity Analysis

The Company has not performed a sensitivity analysis relating to its exposure to price risk at balance date as a change in share price by 10% is not considered to have a material impact on profit and equity.

17. FINANCIAL INSTRUMENTS (Continued)

(iii) Interest Rate Risk

The Consolidated Group's exposure to interest rate risk, being the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, is contained in the following table which details the exposure to interest rate risk at the reporting date. All other financial assets and liabilities are non-interest bearing.

2011	Interest Bearing	Non-interest Bearing	Total	Floating interest rate
Financial assets				
Cash and deposits	2,933,909	94	2,934,003	5.64%
Receivables	-	705,110	705,110	-
Less: Payables	-	(413,074)	(413,074)	-
Net financial assets	2,933,909	292,130	3,226,039	

2010	Interest Bearing	Non-interest Bearing	Total	Floating interest rate
Financial assets				
Cash and deposits	3,131,589	198	3,131,787	5.29%
Receivables	-	651,495	651,495	-
Less: Payables	-	(660,670)	(660,670)	-
Net financial assets	3,131,589	(8,977)	3,122,612	

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2011, 85% (2010: 64%) of group deposits are fixed.

<u>Sensitivity Analysis</u>

The company has not performed a sensitivity analysis relating to its exposure to interest rate risk at balance date as a change in interest rates by 2% is not considered to have a material impact on profit and equity.

(iv) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

18. SHARE BASED PAYMENTS

Shares

No shares have been granted to Key Management Personnel as share-based payments during the financial year.

Options

The Group has an ownership-based compensation plan for employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders at an Annual General Meeting, Directors may issue options to purchase shares in the company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No Directors participate in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry. Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the financial year:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
December 2006[1]	250,000	8.12.2006	7.12.2011	$0.315	$0.2540
October 2007[1]	50,000	22.10.2007	21.10.2012	$0.35	$0.3095
June 2008[1]	200,000	25.06.2008	25.03.2013	$0.19	$0.1309
August 2008[1]	100,000	26.08.2008	25.05.2013	$0.20	$0.1091
September 2008[1]	425,000	30.09.2008	30.09.2013	$0.15	$0.0962
September 2008[1]	425,000	30.09.2008	30.09.2013	$0.15	$0.0934
June 2009[1]	150,000	30.06.2009	30.06.2014	$0.30	$0.0975
October 2009[1]	250,000	23.10.2009	23.10.2014	$0.15	$0.0963
Director Options					
November 2006[2]	1,000,000	19.02.2007	27.11.2011	$0.50	$0.2390
February 2008[3]	1,000,000	26.02.2008	28.11.2012	$0.75	$0.1319
October 2009[4]	1,500,000	30.10.2009	30.10.2013	$0.15	$0.0819
December 2010[5]	500,000	1.12.2010	1.12.2014	$0.105	$0.0397
December 2010[6]	1,000,000	1.12.2010	1.12.2015	$0.105	$0.0444
Options to third parties					
February 2007[7]	500,000	19.02.2007	7.02.2012	$0.50	$0.2307
May 2007[8]	500,000	7.05.2007	7.02.2012	$0.50	$0.4670
June 2009[9]	1,500,000	29.06.2009	29.06.2012	$0.15	$0.0802

1. In accordance with the Employee Share Option Plan, share options have been granted to employees at various times at prices and terms as shown in the above table.
2. On 19 February 2007, 1,000,000 share options were granted to Mr S Biggins as approved by shareholders at an AGM to take up ordinary shares at an exercise price of $0.50 each. These options were cancelled during the current financial year on the resignation of Mr Biggins.
3. On 26 February 2008, 2,500,000 share options were granted to directors as approved by shareholders at an AGM to take up ordinary shares at an exercise price of $0.75 each. 2,000,000 of these options have subsequently lapsed, 500,000 of these during the current financial year. The options are exercisable on or before 28 November 2012.
4. On 30 October 2009, 1,000,000 share options were granted to Mr S Biggins and 500,000 share options to Mr G Boulton AM as approved by shareholders at an AGM to take up ordinary shares at an exercise price of $0.15. The 500,000 options granted to Mr Biggins were cancelled during the

current financial year on his resignation. The options are exercisable on or before 30 October 2013.

5. On 1 December 2012, 500,000 share options were granted to Mr D Turvey as approved by shareholders at an AGM to take up ordinary shares at an exercise price of $0.105. The options are exercisable on or before 1 December 2014.
6. On 1 December 2012, 1,000,000 share options were granted to Ms N Anderson as approved by shareholders at an AGM to take up ordinary shares at an exercise price of $0.105. The options are exercisable on or before 1 December 2015.
7. On 19 February 2007, 500,000 share options were granted to Mr N Steel to take up ordinary shares at an exercise price of $0.50 for the acquisition of a number of Cambodian tenements and services rendered in acquiring the tenements. The options are exercisable on or before 7 February 2012.
8. On 7 May 2007, 500,000 share options were granted to Mr J Falting to take up ordinary shares at an exercise price of $0.50 for the acquisition of a number of Cambodian tenements and services rendered in acquiring the tenements. The options are exercisable on or before 7 February 2012.
9. On 29 June 2009, 1,500,000 were granted to an entity associated with Hartleys brokers to take up ordinary shares at an exercise price of $0.15 for services provided under a capital raising on behalf of the Company. The options are exercisable on or before 29 June 2012.

The weighted average fair value of options granted during the year was $0.0428 (2010: $0.084). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

	Grant Date Share Price	Exercise Price	Calculated volatility	Option Expiry	Risk free interest rate
December 2010	$0.07	$0.105	86%	1/12/2014	4.75%
December 2010	$0.07	$0.105	86%	1/12/2015	4.75%

The options hold no voting or dividends rights and are unlisted.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Options granted to Key Management Personnel are as follows:

Grant Date	Number
December 2010	500,000
December 2010	1,000,000

The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year:

Share Option Granted	2011		2010	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	7,850,000	$0.403	8,520,000	$0.358
Granted during the financial year	1,500,000	$0.105	1,750,000	$0.15
Exercised during the financial year (i)	-	-	-	-
Cancelled during the financial year	(2,950,000)	($0.373)	(2,420,000)	($0.309)
Balance at end of the financial year (ii)	6,400,000	$0.253	7,850,000	$0.403

(i) Options exercised

No share options granted under the Plan were exercised during the financial year (2010: nil).

(ii) Options outstanding at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of $0.253 (2010: $0.403) and a weighted average remaining contractual life of 748 days (2010: 732 days).

19. OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The consolidated entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The consolidated entity has identified its operating segments to be Australia and Cambodia based on different geological regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Board of Directors for assessing performance and determining the allocation of resources within the consolidated entity.

The consolidated entity operates primarily in one business, namely the exploration of minerals.

Basis of accounting for purposes of reporting by operating segment

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the group.

Details of the performance of each of these operating segments for the financial years ended 30 June 2011 and 30 June 2010 are set out below:

2011	Australia	Cambodia	Consolidated
Revenue			
Interest Income	134,074	-	134,074
Other Income	99,796	106,074	205,870
	233,870	106,074	399,944
Expenditure	(1,961,726)	(425,430)	(2,387,156)
Loss from Ordinary Activities before Income Tax	(1,727,856)	(319,356)	(2,047,212)
Income Tax Expense			191,894
Net Loss for Year			(1,855,318)

19. OPERATING SEGMENTS (Continued)

2011	Australia	Cambodia	Total	Inter-Segment Elimination	Consolidated
Assets and Liabilities					
Segment Assets	14,007,918	4,203,379	18,211,297	-	18,211,297
Inter-Segment Assets	6,209,996	-	6,209,996	(6,209,996)	-
Total Assets	20,217,914	4,203,379	24,421,293	(6,209,996)	18,211,297
Segment Liabilities	368,957	100,020	468,977	-	468,977
Inter-Segment Liabilities	-	6,209,996	6,209,996	(6,209,996)	-
Total Liabilities	368,957	6,310,016	6,678,973	(6,209,996)	468,977
Net Assets	19,848,957	(2,106,637)	17,742,320	-	17,742,320
Segment asset increases for the period					
Plant & equipment	3,597	23,365	26,962	-	26,962
Exploration expenditure	1,502,168	2,160,016	3,662,184	-	3,662,184

2010	Australia	Cambodia	Consolidated
Revenue			
Interest Income	144,585	-	144,585
Net gain on sale of investment in associate	2,141,698	-	2,141,698
Other Income	11,054	168,525	179,579
	2,297,337	168,525	2,465,862
Expenditure	(2,978,175)	(617,992)	(3,596,167)
Loss from Ordinary Activities before Income Tax	(680,838)	(449,467)	(1,130,305)
Income Tax Expense			(102,100)
Net Loss for Year			(1,232,405)

2010	Australia	Cambodia	Total	Inter-Segment Elimination	Consolidated
Assets and Liabilities					
Segment Assets	13,264,507	3,884,753	17,149,260	-	17,149,260
Inter-Segment Assets	4,570,738	-	4,570,738	(4,570,738)	-
Total Assets	17,835,245	3,884,753	21,719,998	(4,570,738)	17,149,260
Segment Liabilities	493,346	210,675	704,021	-	704,021
Inter-Segment Liabilities	-	4,570,738	4,570,738	(4,570,738)	-
Total Liabilities	493,346	4,781,413	5,274,759	(4,570,738)	704,021
Net Assets	17,341,889	(896,660)	16,445,239	-	16,445,239
Segment asset increases for the period					
Plant & equipment	3,695	52,642	56,337	-	56,337
Exploration expenditure	2,316,753	2,982,802	5,299,555	-	5,299,555

20. EARNINGS PER SHARE

	2011 Cents per share	2010 Cents per share
Basic earnings per share – loss	(0.86)	(0.76)
Diluted earnings per share – loss	(0.86)	(0.76)
Basic and Dilutive Earnings per share The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	$	$
Earnings	(1,855,318)	(1,232,405)
Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the statement of financial performance.		
	No.	No.
Weighted average number of ordinary shares	215,497,928	161,734,009

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as options are not considered dilutive.

21. CONTROLLED ENTITIES CONSOLIDATED

Name of Entity	Country of Incorporation	Ownership Interest 2011 %	Ownership Interest 2010 %
Parent Entity			
Southern Gold Limited	Australia		
Controlled Entities			
Challenger West Holdings Pty Ltd	Australia	100%	100%
CMH Resources Pty Ltd	Australia	100%	100%
Gawler Arc Holdings Pty Ltd	Australia	100%	100%
Southern Mining Pty Ltd	Australia	100%	100%
Inferus Resources Pty Ltd [1]	Australia	100%	100%
Southern Gold Asia Pty Ltd	Australia	100%	100%
New Southern Mining Pty Ltd	Australia	100%	100%
Southern Gold Cambodia Pty Ltd [2]	Cambodia	100%	100%

[1] All shares in Inferus Resources Pty Ltd are held by Southern Mining Pty Ltd

[2] All shares in Southern Gold Cambodia Pty Ltd are held by Southern Gold Asia Pty Ltd

22. FINANCIAL ASSETS

On 6 November 2009, the Group completed the sale of its 39.1% interest in Southern Uranium Limited through a non-renounceable pro rata offer to Southern Uranium shareholders at 5.5 cents per share, realising $2,475,000. Costs associated with the sale totalled $333,302 resulting in a net gain from the sale of the investment of $2,141,698.

No transaction in financial assets was applicable during the current year.

23. SOUTHERN GOLD LIMITED COMPANY INFORMATION

	2011 $	2010 $
Parent Entity		
Assets		
Current assets	3,256,031	3,378,782
Non-current assets	14,855,247	13,559,804
Total assets	18,111,278	16,938,586
Liabilities		
Current liabilities	345,064	472,541
Non-current liabilities	23,894	20,805
Total liabilities	368,958	493,346
Equity		
Issued capital	28,999,356	25,020,633
Retained earnings	(13,155,922)	(10,409,982)
	15,843,434	14,610,651
Reserves		
Share-based payments reserve	1,898,886	1,834,588
Total reserves	1,898,886	1,834,588
Financial Performance		
Profit/(loss) for the year	(2,745,940)	(2,373,218)
Other comprehensive income	-	-
Total comprehensive income	(2,745,940)	(2,373,218)
Guarantees in relation to the debts of subsidiaries	-	-
Contingent liabilities	-	-
Contractual commitments - exploration	330,420	329,580

24. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval any matters or circumstances, since the end of the financial year which significantly affected or could affect the operations of the Group, the results of those operations, or the state of the Group in future years.

25. RESERVES

Share options reserve – the share options reserve records items recognised as expenses on valuation of employee share options.

Foreign currency translation reserve – the foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

26. REGISTERED OFFICE AND PRINCIPLE OFFICE

The registered and principle office of the Company and its controlled entities is;

47 Tynte Street, NORTH ADELAIDE, SA, 5006

ABN 30 107 424 519

Directors' Declaration

The Directors of Southern Gold Limited declare that:

a) the financial statements and notes, as set out on pages 32 to 64 are in accordance with the *Corporations Act 2001*, and:

   i.) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Consolidated Group; and

   ii.) comply with Accounting Standards; and

   iii.) Southern Gold Limited complies with International Financial Reporting Standards as described in Note 1; and

b) the Chief Executive Officer and Chief Financial Officer have declared that:

   i) The financial records of the Company for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;

   ii) The financial statements and notes for the financial year comply with the Accounting Standards; and

   iii) The financial statements and notes for the financial year give a true and fair view;

c) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors

Dated at Adelaide this 22nd day of September 2011.

N M Anderson
Managing Director

G C Boulton AM
Chairman

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SOUTHERN GOLD LIMITED

Report on the financial report

We have audited the accompanying financial report of Southern Gold Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Southern Gold Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Southern Gold Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 22 September 2011