



SOUTHERNGOLD

ACN 107 424 519

SOUTHERN GOLD LTD

RIGHTS ISSUE

OFFER MEMORANDUM

For a fully underwritten non-renounceable rights offer to Eligible Shareholders on the basis of two (2) New Shares for every seven (7) Shares held on the Record Date at an issue price of A\$0.043 (4.3 cents) per New Share to raise approximately A\$3.31 million.



The Rights Issue is Fully Underwritten by BBY Ltd.

CLOSING DATE: 5.00pm AEST time on Thursday, 5 April 2012

THIS OFFER BOOKLET AN IMPORTANT DOCUMENT AND REQUIRES IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY. IF YOU DO NOT UNDERSTAND IT, OR ARE IN DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISOR.

IMPORTANT NOTICES

Reliance on Offer Memorandum

This Offer Memorandum has been prepared in accordance with section 708AA of the Corporations Act. In general terms, section 708AA relates to rights issues by certain companies that do not require the provision of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Memorandum is considerably less than the level of disclosure required in a prospectus and does not contain all of the information which an investor may require to make an informed investment decision.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of Southern Gold, refer to disclosures made by Southern Gold to ASX (which are available for inspection on the ASX website at www.asx.com.au and on Southern Gold's website at www.southerngold.com.au) and seek the advice of your professional adviser.

Forward looking statements

This Offer Memorandum includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements. These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to Southern Gold or not currently considered material by Southern Gold.

No overseas offering

No offer is made by this Offer Memorandum in any jurisdiction outside of Australia and New Zealand. The distribution of this Offer Memorandum within jurisdictions outside Australia and New Zealand may be restricted by law and persons into whose possession this Offer Memorandum comes should inform themselves about and observe any such restrictions.

This Offer Memorandum is not an investment statement or prospectus under New Zealand law, and does not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Representations and warranties

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Memorandum. Any information or representation not so contained may not be relied on as having been authorised by Southern Gold in connection with the Offer.

Defined terms and time

Defined terms used in this Offer Memorandum are contained in Section 7. All references to time are references to AEST.

Governing law

This Offer Memorandum, the Offer and the contracts formed on acceptance of valid applications to subscribe for New Shares pursuant to the Offer are governed by the law of South Australia, Australia. Each Eligible Shareholder who has applied to subscribe for New Shares in accordance with this Offer Memorandum submits to the exclusive jurisdiction of the courts of South Australia, Australia.

CHAIRMAN'S LETTER



7 March 2012

Dear Southern Gold Shareholder,

On behalf of the directors of Southern Gold Limited (**Southern Gold** or **SAU**) I am pleased to offer you the opportunity to participate in a fully underwritten non-renounceable rights issue of up to 77.1 million New Shares in total (based on Southern Gold's undiluted share capital as at 6 March 2012, without taking into account the impact of rounding) to raise up to approximately A\$3.31 million (before expenses).

The rights issue is part of a funding package announced on 31 January 2012, which included a A\$1.35 million placement of Shares to Integra Mining Ltd (**Integra Mining**) at A\$0.05 (5 cents) per Share, representing a 19% premium to the volume weighted average market price of SAU's Shares for the 5 trading days up to close of trade on 30 January 2012 (being the last trading day prior to announcement of that Share placement), of A\$0.042 (4.2 cents) per Share. As a neighbour to our Bulong Gold project and having an operating gold treatment plant within 30km of Southern Gold's Cannon Resource¹, Integra Mining is a natural fit as a cornerstone investor.

The funding premium paid by Integra Mining, highlights the value placed by our industry peer on the high quality and potential of the Cannon Gold Resource. As a further indication of Integra Mining's support for Southern Gold, Integra Mining has undertaken to subscribe in full for its Entitlement under the rights issue.

The Offer provides Eligible Shareholders with the opportunity to increase their investment in Southern Gold at an attractive price and further participate in the next phase of evaluation and development of Southern Gold's Cannon Gold Resource and exploration of the near resource prospects.

The rights issue offers Eligible Shareholders the right to take up two (2) New Shares for every seven (7) Shares they hold as at 5.00pm AEST on 16 March 2012, at an issue price of A\$0.043 (4.3 cents) per New Share. The issue price of the New Shares represents a 14% discount to the volume weighted average market price of SAU's Shares for the 5 trading days to close of the trade on 2 March 2012 (being the last trading day prior to announcement of the rights issue) of \$A0.05 (5 cents) per Share.

¹ For 'Resource Statement and Parameters' and other details of the Cannon Gold Resource as estimated by Runge, see Southern Gold's ASX Announcement dated 22 June 2011 available at www.asx.com.au

Eligible Shareholders may also apply for additional New Shares in excess of their Entitlement at the same issue price of A\$0.043 (4.3 cents) per New Share. This is an opportunity for Eligible Shareholders to apply for additional Shares in order to top up their holdings at an attractive price.²

The Offer will be conducted without a prospectus in accordance with the streamlined offering provisions of the Corporations Act.

Your Directors consider that Southern Gold has a positive future and recommend this Offer to you as an opportunity to further participate in Southern Gold's future growth. All Board members intend to take up their respective Entitlements in full.

You are encouraged to read this Offer Memorandum and the accompanying Entitlement and Acceptance Form fully. If you have any queries in relation to the Offer, you should consult your stockbroker or other professional advisor.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'G Boulton', with a stylized flourish at the end.

Greg Boulton AM
Chairman

² There is no guarantee of the number of New Shares (if any) that will be available to Eligible Shares to top up their Shareholdings in addition to their Entitlements and the allocation of those New Shares among applicants will be at SAU's discretion in consultation with the Underwriter.

KEY DATES

The indicative timetable for the rights issue is as follows:

EVENT	DATE
Announcement of rights issue – announcement of rights issue, Offer Memorandum and ASX Appendix 3B lodged with the ASX	7 March 2012
Ex date – the date on which Shares commence trading without the entitlement to participate in the Offer	9 March 2012
Record date – the date for determining entitlements of Shareholders to participate in the Offer	16 March 2012
Offer Memorandum sent to Shareholders – dispatch of Offer Memorandum and Entitlement and Acceptance Forms, and lodgement of cleansing notice – Offer opens for acceptances	22 March 2012
Closing date – the last day for receipt of acceptance forms (5.00pm AEST)	5 April 2012
Shortfall notification date	12 April 2012
Dispatch date – allotment of New Shares.	17 April 2012
Expected commencement of normal trading in New Shares on ASX	18 April 2012
Dispatch of holding statements to Shareholders who accepted the offer	19 April 2012

This timetable is indicative only. Subject to the ASX Listing Rules and the terms of the Underwriting Agreement, the Directors reserve the right to vary the dates for the Offer at their discretion. Should this occur, then the extension will have a consequential effect on the anticipated date of issue and normal trading of the New Shares.

Directors

Mr Greg Boulton AM – Non-Executive Chairman

Ms Nanette Anderson – Managing Director

Mr Mick Billing – Non-Executive Director

Mr David Turvey – Non-Executive Director

Secretary

Mr Nick Harding

Registered Office

229 Greenhill Road,
Dulwich, South Australia 5006

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Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street,
Adelaide, South Australia 5000
Australia

Auditor

Grant Thornton Pty Ltd
Level 1, 67 Greenhill Road,
Wayville, South Australia 5034
Australia

Lawyers

Watsons Lawyers
Ground Floor,
60 Hindmarsh Square,
Adelaide, South Australia 5000
Australia

Web site: www.southerngold.com.au

SECTION 1: DETAILS OF THE OFFER

1. Offer

Southern Gold Limited (**SAU**) is making a pro-rata non-renounceable entitlement offer of New Shares to Eligible Shareholders.

Each Eligible Shareholder is entitled to subscribe for two (2) New Shares for every seven (7) Shares held by that Eligible Shareholder as at the Record Date at an issue price of A\$0.043 (4.3 cents) per New Share.

If an Eligible Shareholder becomes entitled to a fraction of a Share, the entitlement will be rounded up to the nearest whole number.

The New Shares will be fully paid and will rank equally in all respects with SAU's existing Shares on issue.

2. What is my entitlement?

The number of New Shares to which you are entitled is shown in the accompanying Entitlement and Acceptance Form (**Entitlement**). You can subscribe for all, or part, of your Entitlement to New Shares. Detailed instructions on how to accept all or part of your Entitlement are set out in Section 3.

Please note that if you choose not to accept your Entitlement under the Offer your shareholding in SAU will be diluted to the extent that the Offer is taken up by other Shareholders and underwritten by the Underwriter.

3. Shortfall Shares

In addition to being able to apply for New Shares in the manner described in paragraph 2 above, Shareholders who subscribe for their full Entitlement will also have the opportunity to apply for additional New Shares that are not subscribed for under the Offer (**Shortfall Shares**), subject to the limitations set out in Section 3.

4. Opening and closing dates

The Offer opens for receipt of acceptances on Thursday, 22 March 2012. The closing date and time for acceptances and payments is 5.00pm AEST time on Thursday, 5 April 2012, subject to the Directors varying the closing date in accordance with the Listing Rules and the Underwriting Agreement.

5. Who is entitled to participate in the Offer?

Each Shareholder with a registered address in Australia or New Zealand, who is registered as the holder of Shares at 5.00pm AEST time on Friday, 16 March 2012 is entitled to participate in the Offer in respect of the number of Shares that person is then registered as the holder of.

Existing option holders may only participate in the Offer in respect of Shares to be issued on exercise of the options held by them if they exercise their options and are registered as the holder of the underlying Shares before the Record Date.

6. Offer not made to Excluded Shareholders

SAU has decided that it is unreasonable to make the Offer to shareholders who have a registered address in a country outside of Australia or New Zealand having regard to the number of shareholders in such places, the number and value of the New Shares they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions. The number of Shares held by shareholders who have a registered address in countries outside of Australia and New Zealand as at close of trading on 2 March 2012 (the last trading day prior to announcement of the Offer) was 7,964,940 Shares.

This Offer Memorandum does not constitute an offer to Excluded Shareholders and the Offer Memorandum will not be sent to Excluded Shareholders.

This Offer Memorandum and accompanying Entitlement and Acceptance Form do not constitute an offer for securities in any place in which, or to any person to whom, it would not be lawful to make such an offer. Shareholders holding Shares on behalf of persons who are resident outside of Australia or New Zealand are responsible for ensuring that subscribing for the New Shares under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will constitute a representation that there has been no breach of such regulations. Where the Offer Memorandum has been dispatched to Shareholders domiciled in a country outside Australia or New Zealand and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Offer Memorandum and accompanying Entitlement and Acceptance Form are provided for information purposes only.

7. Rights issue exception not available

No nominee has been appointed for Excluded Shareholders under section 615 of the Corporations Act and, as such, Eligible Shareholders will not be able to rely on the exception for rights issues in item 10 of section 611 of the Corporations Act. Accordingly, when an Eligible Shareholder applies for some or all of its Entitlement, it must have regard to section 606 of the Corporations Act. Eligible Shareholders who may be at risk of exceeding the 20% voting power threshold in section 606 as a result of acceptance of the Offer should seek professional advice before completing and returning the Entitlement and Acceptance Form.

8. Effect on share capital

The effect of the Offer on the capital structure of SAU will be as follows:

Shares	Number
Number on issue at 2 March 2012 (the last trading day prior to announcement of the Offer)	269,676,440
Maximum number to be issued under the Offer	77,050,411
Maximum number on issue following the Offer	346,726,851

The figures in the table above are based on the undiluted share capital of SAU as at 2 March 2012 and, in the case of the maximum number of Shares on issue following the Offer, assumes all Shareholders take up their Entitlements in full. The figures are also approximate as individual Entitlements will be rounded up to the nearest whole figure.

There are 5.65 million unlisted options to subscribe for Shares currently on issue. If any of these options are exercised prior to the Record Date this will also impact the maximum number of New Shares to be issued under the Offer and the maximum number of Shares on issue following the Offer.

9. Non-Renounceable Offer

The Offer is non-renounceable. This means that your right to subscribe for New Shares under the Offer is not transferable. Any Entitlements not taken up by Shareholders will be dealt with in accordance with Section 4 of this Offer Memorandum.

10. Underwriting

The Offer is fully underwritten by BBY Limited. By virtue of the Offer being fully underwritten, the Offer will raise approximately A\$3.31 million (before expenses of the Offer), subject to the terms of the Underwriting Agreement.

Further details of the Underwriting Agreement are set out in Section 5.

11. Issue of New Shares

SAU expects that the New Shares will be issued by no later than 17 April 2012. The issue of New Shares will only be made after permission for their quotation on ASX has been granted.

Underwritten Shares will be issued in accordance with the Underwriting Agreement and, in any event, no later than 15 Business Days after the Closing Date, so as to comply with the exception to Listing Rule 7.1 for shares issued under an underwriting agreement to an underwriter of a pro rata offer of shares.

12. Broker Handling Fee

A broker stamping fee of 1.5% (plus GST) of the value of valid applications by Eligible Shareholders for New Shares will be paid by Southern Gold, subject to the following conditions:

- a) broker stamping fees will only be paid to participating organisations of the ASX (being those entities recognised as full service brokers or non-advisory brokers by the ASX); and
- b) broker stamping fees will only be paid on applications where a Broker Stamping Fee Claim Form and schedule is submitted to Southern Gold's share registry, Computershare Investor Services Pty Ltd, no later than 5.00pm AEST on Thursday, 5 April 2012. The Broker Stamping Fee Claim Form and schedule (including details of how to submit this form) is available from Southern Gold's share registry on 1300 787 272 (within Australia) or +61 3 9415 4000 (outside Australia); and
- c) if the Offer is oversubscribed and Southern Gold scales back applications, the broker stamping fee will be payable on the value of the New Shares validly applied for, less the application monies refunded to applicants.

SECTION 2: PURPOSE OF THE OFFER

The proceeds from the Offer, together with the A\$1.35 million raised by the Share placement to Integra Mining on 2 February 2012, will be primarily directed to the economic evaluation and development of the Cannon Gold Resource³, plus the continued regional exploration of key targets at the Bulong project, Western Australia. Proceeds of the Offer will also be applied towards Southern Gold's general working capital requirements.

The evaluation and development work to be completed on the Cannon Gold Resource is seen by the Board as the "near term" value growth for Southern Gold, with much of this work to be conducted in parallel with the exploration and generation of regional gold targets. The definition of the Cannon Trend prospects and the recent gold-auger anomalies identified on the Bulong East area, highlights the potential of a greater "longer term" growth story that the Bulong Gold project holds.

SECTION 3: HOW TO ACCEPT THE OFFER

1. How to take up all or part of your entitlement

To subscribe for New Shares offered to you, please complete the accompanying Entitlement and Acceptance Form according to the instructions on the form for all, or that part of your Entitlement you wish to subscribe for.

³ For 'Resource Statement and Parameters' and other details of the Cannon Gold Resource as estimated by Runge, see Southern Gold's ASX Announcement dated 22 June 2011 available at www.asx.com.au

You must make payment for the appropriate application monies (at A\$0.043 (4.3 cents) per New Share subscribed) as provided in paragraph 4 below.

Acceptances will not be valid if they are received after the Closing Date. Please note that all applications, once received, are irrevocable.

2. How to apply for Shortfall Shares

If you wish to accept your Entitlement in full and apply for Shortfall Shares, complete the Entitlement and Acceptance Form and also fill in the number of Shortfall Shares you wish to apply for in the space provided on the Entitlement and Acceptance Form. You must make payment for the appropriate application monies (at A\$0.043 (4.3 cents) per New Share subscribed) as provided in paragraph 4 below.

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions and at the discretion of the SAU Board, in consultation with the Underwriter. If SAU receives applications for Shortfall Shares that would result in the Offer being oversubscribed then Southern Gold will, in consultation with the Underwriter, not accept such oversubscriptions and will reject or scale back applications at its absolute discretion.

The Directors reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for. Application monies received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on application monies held and returned.

SAU will not issue Shortfall Shares where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law. Eligible Shareholders wishing to apply for Shortfall Shares must consider whether the issue of the Shortfall Shares applied for would breach the Corporations Act or the Listing Rules having regard to their own circumstances.

3. Lapse of Rights

If you decide not to accept all or part of your Entitlement or fail to do so by the Closing Date, your Entitlement will lapse and will form part of the Shortfall.

4. Payment

Payments must be made by **5.00pm AEST time on Thursday, 5 April 2012** and must be made in Australian currency and by:

- a) cheque drawn on and payable at any Australian bank;
- b) bank draft drawn on and payable at any Australian bank; or
- c) BPay.

Entitlement and Acceptance Forms, together with cheque or bank draft for the appropriate application monies (at A\$0.043 (4.3 cents) per New Share subscribed) must be sent to SAU's share registry, Computershare Investor Services Pty Ltd, so that they reach the registry by no later than 5.00pm AEST time on Thursday, 5 April 2012.

If you wish to pay by BPay, you do not need to return the Entitlement and Acceptance Form, you simply need to follow the instructions on the Entitlement and Acceptance Form. Different financial institutions may implement earlier cut off times with regards to electronic payment, so please take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPay are received by the Closing Date.

Cheques or bank draft must be made payable to 'Southern Gold Limited' and crossed 'Not Negotiable'. Cash payments will not be accepted and receipts for payment will not be provided.

SECTION 4: SHORTFALL SHARES

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions.

If there is any Shortfall, the Shortfall Shares will, at SAU's discretion in consultation with the Underwriter, first be allocated to Eligible Shareholders who have applied for Shortfall Shares. Any remaining Shortfall Shares will be allocated to the Underwriter in accordance with the provisions of the Underwriting Agreement.

If the Underwriting Agreement is, for whatever reason, terminated and there is a Shortfall, the Directors reserve the right to issue the Shortfall Shares in their discretion. Any Shortfall Shares so issued will, in accordance with the Listing Rules, be issued within 3 months after the Closing Date and will be issued at a price that is not less than the issue price of the New Shares under the Offer.

In exercise of that discretion, Southern Gold has granted Integra Mining, pursuant to Share Subscription Agreement between those parties dated 31 January 2012, the right to subscribe for any such Shortfall Shares. Exercise of that right is conditional on Southern Gold and Integra Mining agreeing upon a fixed cap on the number of Shortfall Shares Integra Mining may elect to subscribe for. It is intended that such fixed cap be agreed at a level that would not result in Integra Mining, together with any of its related bodies corporate (within the meaning of the Corporations Act), holding in aggregate in excess of 15% of Southern Gold's issued share capital immediately following the issue of the Shortfall Shares to Integra Mining. To exercise this right, Integra Mining must give notice to Southern Gold of its election not later than the date for issue and allotment of the New Shares accepted under the Offer.

Southern Gold will not issue Shortfall Shares where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law.

SECTION 5: UNDERWRITING

Southern Gold has entered into an underwriting agreement with BBY Limited pursuant to which BBY Limited has agreed to fully underwrite the Offer, thereby guaranteeing (unless the Underwriting Agreement is terminated) that the Offer will raise approximately A\$3.31 million in total (before costs and expenses of the Offers and subject to the terms and conditions of the Underwriting Agreement).

Under the Underwriting Agreement, the Underwriter may procure the sub-underwriting of any Shortfall.

The Underwriting Agreement contains representations, warranties and indemnities in favour of the Underwriter customary for these types of arrangements. The Underwriting Agreement also includes a number of customary termination events, including market related termination events in respect to the fall in the S&P/ASX 200 Index.

The Underwriter will receive a fee for providing the underwriting services at a rate of:

- a) 3% of the total dollar amount agreed to be underwritten by the Underwriter, less the dollar value of those New Shares comprising Integra Mining's Entitlement validly applied for and allotted to Integra Mining (excluding any New Shares allotted to Integra Mining in excess of its Entitlement); and
- b) 2% of the dollar value of the Shortfall Shares allotted to the Underwriter or any sub-underwriter appointed by the Underwriter pursuant to the Underwriting Agreement.

The Underwriter will also be eligible to receive the broker stamping fee detailed in paragraph 12 of Section 1.

Southern Gold must also reimburse the Underwriter for all reasonable costs incurred by the Underwriter in connection with the Offer.

SECTION 6: FURTHER INFORMATION

If you have any questions about your entitlement to New Shares, please contact either:

- a) SAU's share registry, Computershare Investor Services Pty Ltd, on 1300 787 272 (within Australia) or +61 3 9415 4000 (outside Australia); or
- b) your stockbroker or professional adviser.

SECTION 7: DEFINED TERMS

In this Offer Memorandum, the following words have the following meanings unless the context requires otherwise:

A\$	Australian Dollars.
AEST	Australian Eastern Standard Time
ASX	Australian Securities Exchange or ASX Limited (ACN 008 624 691), as the context requires.
Business Day	has the meaning given in the Listing Rules.
Closing Date	the last date for accepting the Offer, being 5.00pm AEST on Thursday, 5 April 2012 (or such other date determined by the Directors in accordance with the Underwriting Agreement and the Listing Rules).
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	the directors of Southern Gold Limited.
Eligible Shareholder	a registered holder of Shares with a registered address in either Australia or New Zealand at the Record Date.
Entitlement	as defined in paragraph 2 of Section 1.
Entitlement and Acceptance Form	the personalised form accompanying this Offer Memorandum.
Excluded Shareholder	a registered holder of Shares on the Record Date with a registered address in a country outside of either Australia or New Zealand.
Integra Mining	Integra Mining Limited (ACN 093 278 436)
Listing Rules	the official listing rules of ASX Limited.
SAU or Southern Gold	Southern Gold Limited ACN 107 531 822
New Share	a Share to be issued pursuant to this Offer Memorandum at A\$0.043 (4.3 cents) per Share.
Offer	the offer made under this Offer Memorandum of two New Shares for every seven (7) Shares held by a Shareholder on the Record Date.

Offer Memorandum	this memorandum under which the Offer is being made.
Record Date	5.00pm AEST time on Friday, 16 March 2012.
Share	a fully paid ordinary share in the capital of SAU.
Shortfall Shares	means those New Shares forming Entitlements or part of Entitlements not accepted under the Offer.
Underwriter	BBY Limited (ABN 80 006 707 777)
Underwriting Agreement	the agreement of that name made between Southern Gold and the Underwriter dated 6 March 2012.