

5 March 2012

Dear Southern Gold Limited Option holder,

RE: Non-renounceable Rights Issue

We wish to advise that on 7 March 2012, Southern Gold Limited (**Southern Gold**) will be announcing a fully underwritten two (2) for seven (7) non-renounceable rights issue to raise up to approximately A\$331 million (before expenses) (**Rights Issue**).

The Rights Issue will be offered at A\$0.043 per share and will be fully underwritten by BBY Limited.

The proceeds from the Rights Issue, together with the \$1.35 million raised from a recent Share placement to Integra Mining Limited as announced on 31 January 2012, will be primarily directed to the economic evaluation of the Cannon Gold resource and development of exploration targets at the Bulong project, Western Australia.

Full details of the Rights Issue will be set out in the announcement of the Rights Issue, Offer Memorandum and Appendix 3B to be lodged with ASX on 7 March 2012.

Eligibility to participate

The entitlement offer is based on the number of Shares held by a shareholder on the record date for the offer. If you hold only options in Southern Gold, the Rights Issue will not apply to that holding.

To be eligible to participate in the Rights Issue in respect of the Southern Gold shares to be issued if you were to exercise the Southern Gold options you hold, you will need to exercise those Southern Gold options and be registered (with a registered address in Australia or New Zealand) as the holder of those underlying Southern Gold shares before the Record Date, being 5.00pm AEST on 16 March 2012.

Option holders are not able to participate in the Rights Issue in respect of their Southern Gold options without first exercising some or all of those options prior to the Record Date.

It should be noted that if, in addition to your Southern Gold options, you also currently hold Southern Gold shares, you will be able to participate in the Rights Issue but only in respect of those Southern Gold shares that you hold.

If you do not wish to participate in the Rights Issue (in respect of your Southern Gold options) you do not need to take any action.

The purpose of this letter is to advise you of the impending Rights Issue and to give you adequate opportunity to exercise some or all of your Southern Gold options prior to the Record Date so that you may participate in the Rights Issue.

To exercise some or all of your Southern Gold options you will need to give notice in writing to Southern Gold in accordance with the terms and conditions of the issue of those Southern Gold options together with payment of the exercise price for each Southern Gold option exercised.

If you do not exercise your options, then after the closing date of the Rights Issue an adjustment may be made to the exercise price of your options in accordance with the formula set out in the terms and conditions of your Southern Gold options.

The anticipated timetable for the Rights Issue (subject to amendment) is as follows:

EVENT	DATE
Announcement of the Non-Renounceable Rights Issue – announcement of Rights Issue, Offer Memorandum and ASX Appendix 3B lodged with ASX	Wednesday, 7 March 2012
Ex date – the date on which Shares commence trading without the entitlement to participate in the Rights Issue	Friday, 9 March 2012
Record date – the date for determining entitlements of Shareholders to participate in the Rights Issue	Friday, 16 March 2012
Offer memorandum sent to Shareholders – despatch of Offer Memorandum and Entitlement and Acceptance Forms, and lodgement of cleansing notice – Rights Issue opens for acceptances	Thursday, 22 March 2012
Closing date – the last day for receipt of acceptance forms (5.00pm Adelaide time)	Thursday, 5 April 2012
Shortfall notification date	Thursday, 12 April 2012
Despatch date – Allotment of New Shares	Tuesday, 17 April 2012
Expected commencement of normal trading in New Shares on ASX	Wednesday, 18 April 2012
Despatch of holding statements to Shareholders who accepted the Offer	Thursday, 19 April 2012

You are encouraged to consult your stockbroker or other professional adviser and read the Rights Issue Offer Memorandum that will be lodged with the ASX on 7 March 2012 fully before exercising any of your Southern Gold options. If you have any queries in relation to the exercise of your Southern Gold options and the Rights Issue, you should contact your stockbroker or other professional adviser.

Yours sincerely,



Nick Harding
Company Secretary