

ASX RELEASE

21 November 2012

**ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS**

Before we complete the formal part of the Meeting, Nanette and I would like to highlight some of the more important elements detailed in the recent Annual Report and also bring to your attention some of our significant achievements over the past year.

I will outline the key points that we believe underpin the future success of Southern Gold and Nanette will provide the "on the ground" detail that had us achieving our strategic goals for 2012 and positioned Southern Gold for an exciting year ahead.

During the past 12 months the Company's mantra has been "consolidation and focus". Consolidation through the divestment of two large project areas (Challenger JV in South Australia, and the Cambodian assets), and focus on the Company's flagship project, the Bulong Gold project, located in the heart of Australia's "gold country", just 30km east of Kalgoorlie, Western Australia.

"Why Bulong?" Quite simply, we see Bulong as a "win, win" situation, providing the route to an early revenue stream in the short term and, based on very positive results from regional exploration, the opportunity to build substantially on the company's initial discovery, the Cannon Gold resource, and develop a profitable long-term mining business in an area that has impeccable credentials.

In the cut and thrust world of mining, Kalgoorlie stands out as a key regional centre, blending exciting historical discoveries with strong current production from a number of Australia's leading mining operations. So when our Kalgoorlie neighbour, Integra Mining Ltd (an ASX 300 company), looked to invest over \$1m in Southern Gold earlier this year, (taking a cornerstone interest of 12.5%), it provided important third party recognition of the potential upside of the Bulong project.

Further to the Integra placement Southern Gold raised an additional \$3.31m through the support of you, our shareholders, and underwriter BBY. As outlined in the offer document, part of that raising has funded the successful test work completed during the year on further development of the Cannon Gold resource and preparation for permitting required, as well as the identification of 30 new gold anomalies on the expanded project area.

With over \$3.2m in the bank at the end of the September, your company has the funds needed to test the recently discovered gold anomalies and implement today's Board's decision to complete a Pre-Feasibility Study by the end of the March quarter on open pit and/or underground mining and toll treating scenarios of the Cannon Gold resource.

I said in my Chairman's letter in the annual report that the Company continues to "kick goals", and it is important to note that this success is set against a backdrop of wavering global financial markets.

Junior exploration companies have borne the brunt of the economic downturn but by comparison Southern Gold has fared better than our peers. Taking a look at 6 comparable Australian based gold exploration companies, all with market caps less than \$25m, we see Southern Gold's value strengthening with a market capitalisation 45% higher than this time last year.

For gold companies in production or close to production the market instability risk is mitigated to some extent, as historically the gold price tends to perform positively in times of economic uncertainty.

The gold price is currently just over US\$1710/oz and forecasts for 2013 show a range of US\$1400/oz to US \$2550/oz (Bloomberg analyst survey June 2012). This is all "good news" for Southern Gold.

Initial indications from our first pass evaluation of the Cannon Resource, show that key elements such as mineralisation from surface and an average resource grade of 3.3g/t, have the potential to drive positive economic outcomes even at the lower end of Bloomberg's forecast gold price range. So even the unlikely "worst case scenario" is a good scenario for us.

Our strong financial position, coupled with sound prospects for the price of gold, provide a solid launching pad from which Southern Gold can move forward in the year ahead.

We are well positioned to take the next step towards development, with the aim to deliver on the near term growth strategy in 2013.

But we believe that we have only just scratched the surface. Time and time again the Kalgoorlie goldfields have delivered the goods, and the success of our regional exploration programmes clearly show the Bulong project has significant potential to grow, underpinning the longer term value growth of the Company.

I'll hand over now to Nanette who will provide you with some of the details that supports our confidence in the substantial potential of the Bulong gold project.

Greg Boulton AM
Non-Executive Chairman