



Southern Uranium Limited Operations Review 2008

ABN 90 115 338 979



Corporate Directory

Company

Southern Uranium Limited
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Registered Office and Principal Place of Business

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Directors

Roger Marshall OBE - Chairman
John Anderson - Managing Director
David Jones - Non - Executive Director
Stephen Biggins - Non - Executive Director
Bruce Foy - Non - Executive Director
Alex Xiong - Alternate for Bruce Foy

Company Secretary

Garry Gill

Auditor

Grant Thornton Queensland Partnership
Ground Floor
102 Adelaide Street, Brisbane Qld 4000
Tel 07 3222 0200
Fax 07 3222 0444

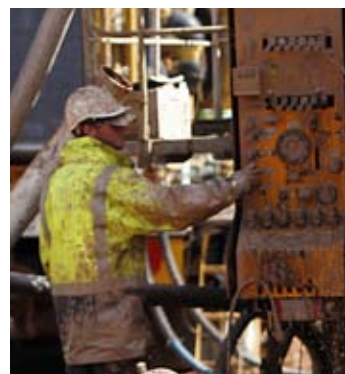
Share Registry

Computershare Investor Services Pty Limited
GPO Box 1903
ADELAIDE SA 5001
Tel 1300 55 61 61
Fax 08 8236 2305

Stock Exchange Listing

Australian Securities Exchange Limited
Home Branch - Brisbane

October 2008





Contents

Corporate Directory	
Contents	1
Chairman's Letter	2 - 3
Managing Director's Report	4 - 24





Roger Marshall OBE - Chairman.

Chairman's Letter

In less than 18 months since the Company has been listed, we have progressed in both portfolio expansion and in field exploration.

During that time the market for uranium has weakened, but the projections for future nuclear plants indicate that a strong future market can be sustained. The rise in prices of oil, gas and particularly coal have made nuclear power more competitive economically and attractive environmentally.

The equities market has not been kind to Explorers. However we see the difficulty that Junior Miners have in raising funds, as a longer term opportunity for us to strengthen our tenement position on more favourable terms than during market booms. We will continue to search for partners and corporate transactions, both in Australia and overseas.

We still have a strong cash position and the support of our Cornerstone Investors – Southern Gold, CITIC and the Talbot Group.

During the year, we have acquired ground in our own right in the Mt Isa district in Queensland. We have also entered into farm-in arrangements in South Australia, Northern Territory, Queensland and Western Australia.

Our field exploration has been slowed by the time now required to obtain access to ground and to secure drill rigs, but we have an active program now progressing. Most of our initial expenditure has been on geophysical and geochemical surveys to define drill targets. We are now drilling in the Gawler Craton in South Australia and already have encouraging results from prospective iron oxide copper gold uranium targets. Our Joint Venture partners, Mega Hindmarsh have been drilling palaeochannels also in South Australia.

We have been able to attract experienced and competent staff for our field operations and for our corporate office. We have also had Bruce Foy join the Board, bringing with him a wealth of experience in the banking and finance sectors.

I thank our staff for their dedication and also our Board for their help and sharing of their expertise as we focus on discovering economic resources in what we believe to be very prospective areas.

Roger Marshall OBE Chairman





Company Secretary & C.F.O. Garry Gill



Business Development Manager Alex Thin (centre) examining Waxing Dam core with Directors.



Southern Uranium Board. (L to R) John Anderson, Alex Xiong, Roger Marshall OBE, Bruce Foy & David Jones. Inset below: Stephen Biggins.



Directors Meeting at Kimba, Eyre Peninsula with Exploration Manager Barry Willott (front left)





John Anderson - Managing Director.

Managing Director's Report

CORPORATE HIGHLIGHTS

- Actively exploring and building on large ground position within South Australia, home to some of the world's most significant uranium mines and copper-gold projects.
- Entered into significant Joint Venture partnerships in world-class uranium provinces in South Australia, the Northern Territory, Queensland and Western Australia.
- Well placed to grow our portfolio and capitalise on our cash position in the current financial and resource market.

EXPLORATION HIGHLIGHTS

- Developed a pipeline of iron oxide copper gold uranium (IOCGU) targets on SA's Gawler Craton.
- In South Australia drilling commenced with encouraging results at three IOCGU projects including significant iron oxide and breccia intersected at Jindivik.
- Drilling also undertaken in SA by JV partners at Challenger West and Tallaringa confirmed prospective sedimentary environments requiring follow up programs.
- In the Northern Territory unconformity style targets were delineated at Rum Jungle and in the Westmoreland district.
- In North Queensland drill targets identified at historic uranium prospects at Pandanus West.
- Commencing exploration in WA with an improved political environment.

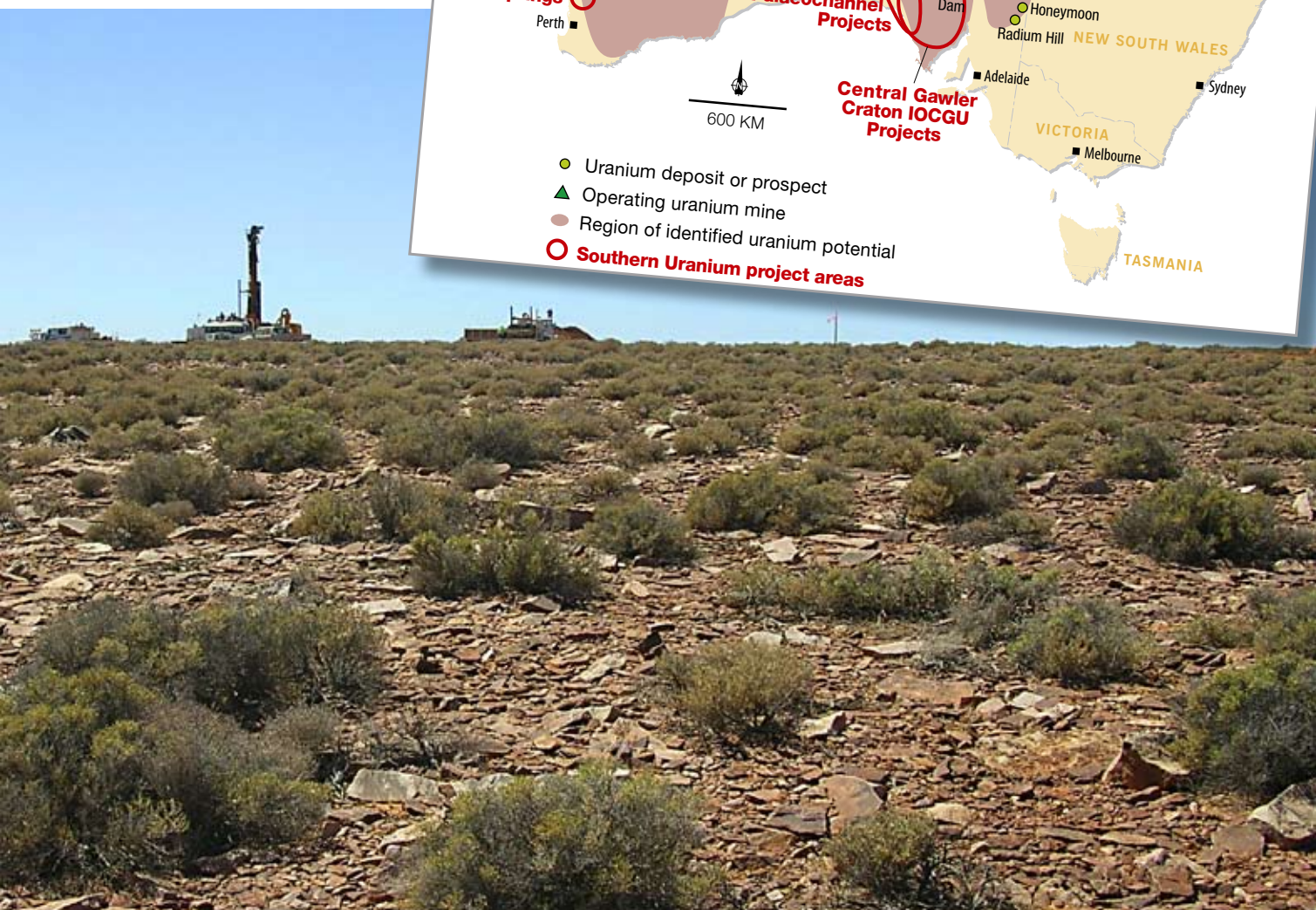
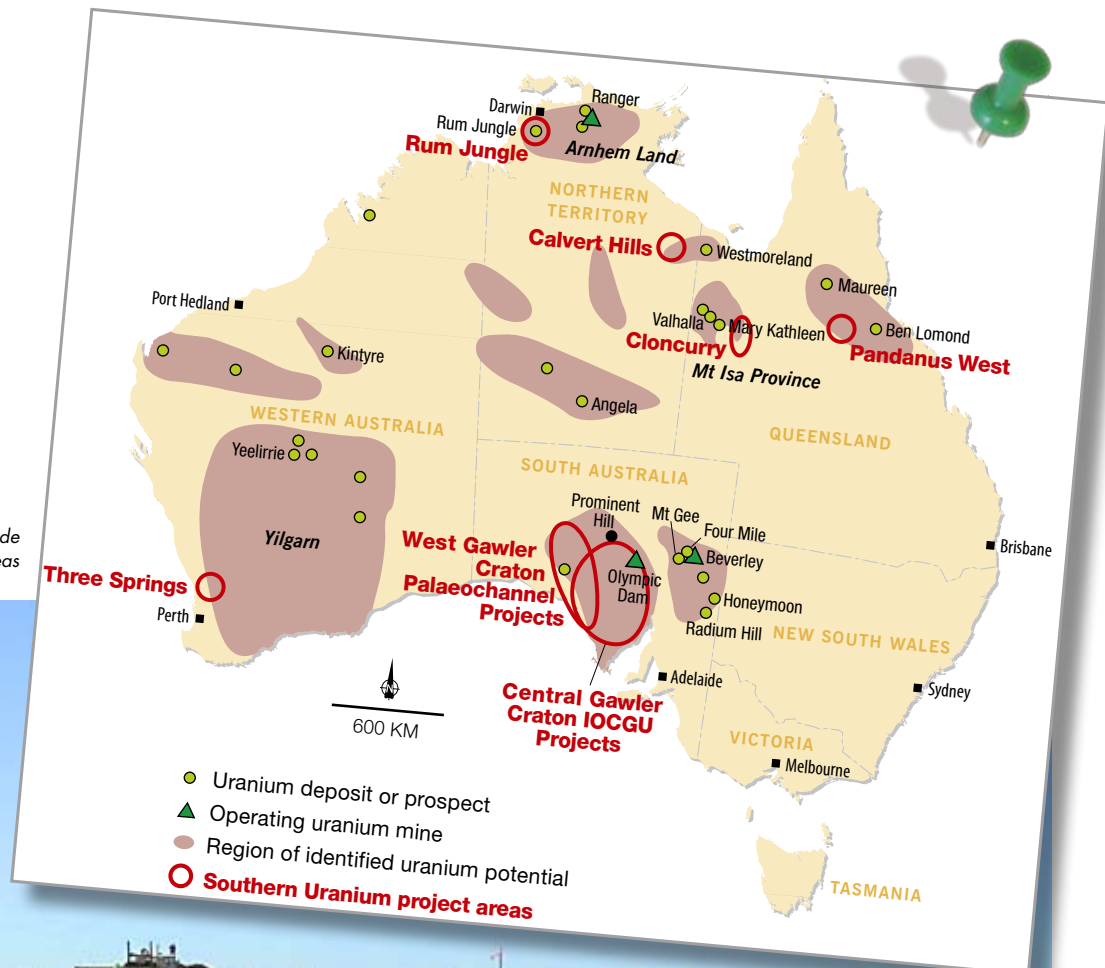
Southern Uranium began the 2008 financial year with two key goals:

First, the expansion of our exploration portfolio across a number of prospective uranium provinces in Australia, and second, the development of a significant pipeline of exploration targets warranting a substantial increase in drill testing.

I am pleased to report both of these goals have been achieved.



Figure 1: Location of Australia-wide project areas



Drilling at Jindivik, South Australia

The Company now has a busy workload ahead of it in 2008-09 - most notably active drill programs at Jindivik and Jungle Dam as well as developing new IOCGU and palaeochannel targets on its foundation tenements in SA, and important reconnaissance and interpretation work on new projects in the NT, WA and Queensland (Figure 1) that will lead to additional drill programs later in the financial year.

Southern Uranium will also use its cash resources to continue to seek advanced uranium opportunities in Australia and overseas.



Drilling at Jungle Dam, South Australia



Managing Director's Report CONTINUED



*Project Geologist, Meraaj Chand
logging Jindivik core*

THE SOUTHERN URANIUM TEAM

During the year, your Company formed a capable and experienced exploration team. We currently employ five corporate and administration staff and six exploration personnel, supported by consultants and contractors. An exploration office was established in Adelaide to support our activities on the foundation SA projects and to complement activities in the Brisbane head office. A Business Development Manager is seeking commercial opportunities to also meet our growth goals.

We welcomed Mr Bruce Foy with his financial expertise onto the Board during the year. Also the finalisation of a Priority Agreement firmed up the relationship with two of our cornerstone investors, the Australian subsidiary of major Chinese metals and commodities trading house, CITIC Australia Pty Ltd and the successful Queensland-based private investment house, Talbot Group Holdings Pty Ltd.

STRATEGY

Southern Uranium's corporate objective is, through exploration or acquisition, to establish a quality uranium resource of greater than 10,000 tonnes U_3O_8 , the threshold size we believe is appropriate for an economic uranium deposit that may be competitively developed.

Our drive is backed by a strong belief in an expanding demand for nuclear fuel to meet the world's energy needs and to limit greenhouse gas emissions. The rationale for a global renaissance of nuclear power is provided in the inset opposite.

To achieve our objective, Southern Uranium has continued a strategy of developing its Australian exploration program while seeking advanced uranium resource opportunities both in Australia and overseas. We believe Australia offers significant potential for fresh grassroots discoveries of large uranium resources using new targeting concepts and modern exploration methods in its pedigree belts. To complement this avenue, seven evaluations have been completed on overseas projects in Europe, Africa and the USA, with none thus far meeting our strategic objectives for advanced resource opportunities.

Southern Uranium's primary target focus in Australia is on the iron oxide copper gold uranium (IOCGU) and unconformity uranium styles that offer the best potential for large uranium resources (see Figure 2). Fortunately the pro-uranium mining jurisdictions of SA and the NT contain the pedigree geological



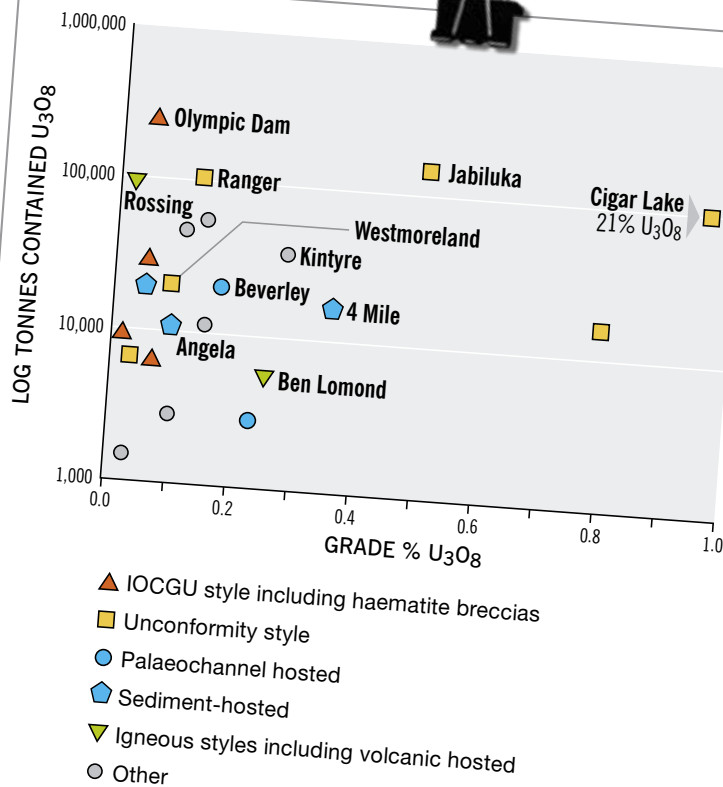
Drilling at Jungle Dam



*Senior Geologist, Richard Hill
at Jungle Dam drill site*



Figure 2: Resource characteristics graph for uranium deposits and target deposit styles



The Renaissance of Nuclear Power and Uranium Demand

The rapidly increasing global requirement for secure and clean energy supplies is moving opinion towards nuclear energy as the most cost effective low carbon generation technology. Currently, there are 31 countries operating 440 nuclear reactors with some looking at legislation to renew and prolong nuclear power generation. A further 55 countries are reported to be already discussing nuclear power development.

A 2007 report on the Outlook for the Uranium Industry, prepared by Deloitte for the Australian Uranium Association (of which Southern Uranium is an Associate Member), described the global renaissance of nuclear power and modelled the opportunities for Australia to participate in the anticipated increase in demand for uranium as the nuclear fuel.

The report considers a range of scenarios that will influence uranium demand by 2030. The primary factor is the level of response to climate change through carbon trading schemes aimed at mitigating CO₂ emission levels. Under assumptions of either a moderate level or a crisis level of climate change action, the number of required nuclear power stations was modelled to increase two to nearly four times by 2030. With recent sources of recycled uranium expected to be depleted, the corresponding increase in demand for mined uranium was modelled to increase three to five fold by that time.

The higher demand scenario under a crisis climate change response that fully incorporates nuclear power would require about another 200,000 tonnes of U_3O_8 to be produced each year above the current global mine output of about 50,000 tonnes per annum. Southern Uranium interprets this modelled increase to be equivalent to another 13 Olympic Dams being simultaneously in production at that operation's planned expansion level. Alternatively, the modelled supply gap will require 25 new operations each producing at the same rate as planned for the rich Cigar Lake mine (see Figure 2) in Canada when it starts production around 2011.

Uranium demand will be influenced by the world's ability to construct such a large number of new nuclear reactors, countered by the parallel challenge of discovering and developing the required uranium resources. In this context, Southern Uranium anticipates there will be a continued and long term high demand for new uranium resources as the clean energy metal.

belts for these styles in Australia and our tenements are well-positioned in those areas. To maximise our exposure to other uranium target styles and belts throughout Australia, projects were also established in Queensland and WA during the year. These quality projects seeded our entry into those states in the anticipation that their anti-uranium mining stances would change and come into line with Federal policies, an anticipation that was realised in WA with the recent election result.

Our priority target styles and exploration approach for Australia are described on Table 1 (next page) and the project portfolio and status are summarised on Table 2.

Table 1 - Priority target styles, belts and tactics :

Southern Uranium is directing its exploration activities towards five styles of uranium deposits that offer potential for large uranium accumulations. These are being sought in under-explored areas of high exploration potential that will benefit from the application of modern exploration technologies. (Numbering consistent with the text)

Style and Belts	Exploration Approach
1# Iron oxide copper gold uranium (IOCGU) in the Gawler Craton: This is the predominant style of targeted mineral deposits on the Gawler Craton, an economically significant but poorly outcropping and therefore under-explored geological province of South Australia. BHP Billiton's Olympic Dam deposit which holds over one third of the world's uranium resources is the most well known IOCGU deposit. It and the recently discovered Prominent Hill and Carrapateena deposits are characterised by large haematitic hydrothermal breccia systems that offer large resource potential and a diversity of economic metals. The recent IOCGU discoveries confirmed the likelihood of multiple IOCGU deposits in the craton and added geological information that improved our ability to select high potential geological areas. Variants of the IOCGU style are also becoming recognised on the Craton :- e.g. structurally-controlled uranium, Tunkillia-style gold deposits and magnetite-haematite iron ore deposits such as Weednanna, Peculiar Knob and possibly the Middleback iron ore mines.	Southern Uranium selected two regional corridors of mineralising structures and uranium-rich source granites for exploration focus. Within the selected project areas, gravity geophysical surveys provide first pass targeting for dense masses of hydrothermal iron oxide mineralisation. For IOCGU targets under substantial cover as in the Olympic Dam district, deep drilling is the next step required to test the gravity targets for accumulations of economic metals U, Cu, Ag and Au within the iron oxides. This approach is being successfully applied to the Jindivik prospect where encouraging iron oxide and breccia have been intersected. In more shallow covered and subcropping terrains like the prospective corridor on the Eyre Peninsula, the gravity targets may be improved prior to drilling by geochemical sampling for direct surface indications of the target metals. Southern Uranium is applying that empirical approach of combined gravity and geochemistry across all the southern tenements to capture the spectrum of IOCGU-style targets including low density uranium deposits not detectable by gravity alone.
2# Palaeochannel sand-hosted uranium in the west Gawler Craton: Palaeochannels are old river channels infilled mostly by sand. Uranium deposits form in the channels by the groundwater redistributing uranium from adjacent basement into geochemical traps in the sands. Previous exploration during the 1970's demonstrated such deposits (e.g. Warrior) are developed in the palaeochannels draining the west side of the uraniferous Gawler Craton. This is a similar prospective setting to the Frome region containing the Beverley In Situ Recovery (ISR) mine and the recent Four Mile discovery. As much of the prospective palaeochannels were not well defined nor explored by the last round of uranium exploration, the opportunity is the discovery of new uranium deposits that are amenable to ISR.	Improved airborne electromagnetic (AEM) technologies enable improved mapping of prospective palaeochannels and definition of likely trap sites. AEM surveys have been applied to the Warrior South and Yarlbirinda South projects. New sections of undrilled palaeochannels were mapped by the AEM downstream or upstream respectively from the historical uranium prospects at Warrior and Yarranna. Drill testing of the most favourable positions in the better defined channels are awaiting access approvals or drill availability.

Style and Belts	Exploration Approach
3# Unconformity style uranium in the Rum Jungle and Westmoreland fields: These fields in the Northern Territory have uranium deposits and prospective geology similar to the Alligator River region containing the Ranger mine and Jabiluka deposit. These and the rich deposits of the Athabasca Basin field in Canada demonstrate the potential for new discoveries of unconformity style deposits to contain large uranium resources at high uranium grades. An unconformity is a geological boundary between rocks of different ages. The lithological contrast between the younger basin rocks and the older basement rocks provide a focus for groundwater. This may be enriched in uranium leached from the wider basin or basement. Reducing trap environments such as graphitic lenses, disrupting faults or mafic dykes and volcanics, precipitate and concentrate the uranium into deposits in the basement and cover near the unconformity.	Targets are initially selected from public geological maps, magnetic/radiometric airborne geophysics and historical prospects. AEM surveying is then used as the prime technology to refine the target mapping along the unconformity, particularly in thinly covered areas where airborne radiometric surveying is ineffective because the cover shields the radiometric signals. AEM is more effective because graphite is conductive and can be detected by the AEM if at moderate depths down to about 200m below the surface. The conductive targets may be ranked further by ground techniques like radon gas geochemistry to verify the presence of radioactive elements formed by the decay of uranium. The prioritised targets are tested with first pass shallow drilling. Where uranium mineralisation is established, followup electromagnetic surveys may be undertaken on the ground to map the prospective conductive zones for deeper drill testing.
4# Volcanic-hosted uranium deposits in North Queensland: This style of uranium deposit is hosted in felsic volcanics and is considered to have an igneous origin from related high-level granite intrusions. The local type example is the Ben Lomond deposit near Townsville but there is a wide spectrum of igneous style deposits including the Rossing granite-hosted mine in Namibia.	The distribution of prospective volcanics and granites provided by existing geology maps and historic prospects can be much improved by detailed airborne magnetics and radiometrics. The radiometrics also directly detect uranium targets. Exploration of buried deposits is usually reliant on lead-ins from adjacent outcrop anomalies and historic prospects as is being applied on the Pandanus West project.
5# Sediment-hosted uranium in the Toolebuc Formation, Cloncurry region and Parmelia/Yarragadee Formations, western Yilgarn: The geological targets for these prospects are sedimentary layers (units) that act as aquifers draining off basement rocks containing uraniferous granites and gneisses. Reduced environments such as coal or sulphidic lenses within the aquifers offer prospective traps for uranium leached out of the basement by the groundwater. The potentials of these projects are demonstrated by the Toolebuc Formation containing background values of up to 200 parts per million U₃O₈ and the groundwaters in the Parmelia Formation reportedly containing up to 360 parts per billion U₃O₈ that is significantly above the background content.	The opportunity is to map aquifers sourced from uraniferous basement. Airborne magnetics and radiometrics can provide an initial map of unit geometries and prospective structures. Again, AEM surveying is the preferred tool for mapping potential trap sites such as coal, conglomerate, sulphide and graphitic lenses in sedimentary units like the Toolebuc and Yarragadee Formations.



Table 2 Project Summary – at 31st August 2008 (see Tenement Schedule in Financial Report for full details on tenements)

Project	Total Area (sq km)	JV Partner	Interests	Manager	Prospect	07/08 Activity	Anticipated 08/09 Activity
South Australia IOCGU & related U styles (total tenement area 6,720 sq km)							
Oak Dam/South Vivian JV	1,035	Uranium West Pty Ltd (UW); a 100% subsidiary of Crescent Gold Ltd	UW earning to 50%	Southern Uranium	Jindivik	Access negotiations; regional gravity surveying; infill gravity and ground magnetics; first diamond drill hole at Jindivik.	Followup drilling at Jindivik.
Southern Gawler Arc JV	583	Mega Hindmarsh Pty Ltd (HMR)	Southern Uranium Ltd (SNU) 75%; MHR 25%	"	Nankivel	First pass drilling at Nankivel intersected up to 259ppm U ₃ O ₈ .	Regional gravity & geochemical surveying; Followup drilling.
Kimba/Caralue JV	1,225	Ellembay Resources Ltd	SNU may earn to 51%	"		JV commenced 23/4/08; Access negotiations.	Gravity and soil geochemical surveying; Drilling.
Eyre Peninsula	1,468	n.a.	SNU 100%	"	Jungle Dam, Waxings Dam	Gravity detailing; initial drilling at Waxings Dam & Jungle Dam; Waxings Dam abandoned. Regional gravity & geochemical surveying.	Followup drilling at Jungle Dam; First pass aircore drilling of new regional targets.
Streaky Bay/Mt Sam/Jumpuppy	2,409	n.a.	SNU 100%	"		Gravity surveying.	Infill gravity; Drilling.
South Australia Palaeochannel U (total tenement area 3,902 sq km)							
Tallaringa JV	1,495	Mega Hindmarsh Pty Ltd.	SNU 30%; MHR 70%*	Mega Hindmarsh		Infill aircore drilling.	Review of deposit style, potential and tactics.
Challenger West JV	1,510	Mega Hindmarsh Pty Ltd.	SNU 49%*; MHR may earn to 80%*	"	MegA	Infill aircore drilling at MegA prospect.	Review of deposit style, potential and tactics.
Yarlbrinda South JV	470	Ian Garsed	SNU 35%; may earn to 70%	Southern Uranium	Yarranna upstream	Access negotiations completed; Earn-in period extended.	Scout aircore drilling of palaeochannel defined by AEM.
Warrior South	321	n.a.	SNU 100%*	"	Warrior downstream	Access negotiations.	Finalise access; geochemical surveying.
Comet Well	106	n.a.	SNU 100%	"		Declaration of Dual Proclamation Conservation Park.	Review.
Northern Territory Unconformity U (total tenement area 832 sq km)							
Rum Jungle JV	10	Uranium West Pty Ltd	SNU may earn to 50%	Southern Uranium	Lucky 13	Detailed mapping & sampling.	AEM; Percussion drilling
Calvert Hills JV	822	Uranium West Pty Ltd	SNU may earn to 50%	"		AEM survey; Reconnaissance mapping & sampling.	Radon gas geochemistry; RAB/aircore drilling.
Queensland Volcanic hosted U (total tenement area 280 sq km)							
Pandanus West JV	280	Epsilon Energy Ltd	SNU earning to 51%	Southern Uranium	Eel; Pamplemousse	JV negotiated & commenced 3/7/08.	Airborne magnetic/radiometric surveying; Drilling extensions of historic prospects.
Queensland Sediment hosted U (total tenement area 804 sq km)							
Cloncurry (Toolebuc)	804	n.a.	SNU 100%	Southern Uranium		Grant of tenements & negotiation of Native Title Agreements is ongoing.	Reconnaissance mapping in progress; Scout drilling proposed.
Western Australia Sediment hosted U (total tenement area 1,374 sq km)							
Three Springs JV	1,374	GE Resources Pty Ltd(a subsidiary of Uranium Equities Limited)	SNU earning to 50%	Southern Uranium		Tenements granted 4/7/08.	Airborne magnetic/radiometric surveying.

* Uranium rights only





Managing Director's Report CONTINUED



Drilling at Jungle Dam

PORTFOLIO DEVELOPMENT AND EXPANSION

We have been successful in expanding the Australian exploration portfolio through joint ventures during 2007-08. Twelve proposals were evaluated and we entered into five joint ventures and farm-in agreements throughout Australia and work has commenced on all of these with Southern Uranium taking the lead as manager. The new joint ventures expanded our SA ground, firmed up our presence in the NT and expanded our activities into Queensland and WA.

In SA, through a joint venture with Ellemby Resources Limited, we added 1,225 sq km of prospective ground to our IOCGU-style exploration effort on the East Eyre Peninsula centred on the exciting Jungle Dam prospect.

In the NT, joint ventures on areas near Rum Jungle (south of Darwin) and Calvert Hills (450km northwest of Mount Isa) saw the company enter a priority region with high potential for unconformity style uranium deposits.

In north Queensland, we secured the Pandanus West Joint Venture with potential for volcanic-hosted uranium. Also in Queensland we applied for six tenements in the Cloncurry region over a uraniferous unit with potential for sediment-hosted uranium. In WA, a joint venture was forged for the Three Springs sediment-hosted uranium project north of Perth.

These new projects in WA and Queensland provide the opportunity to reopen exploration on identified historical targets or concepts after a 25 year hiatus in uranium exploration largely due to former government policies. This hiatus warehoused prospects that can now be reassessed using modern exploration and resource evaluation techniques at a time of a vastly changed economic and political conditions for uranium.

Against this backdrop the Company has grown its portfolio and maintained its cash resources and key shareholder support for growth in the uranium sector.

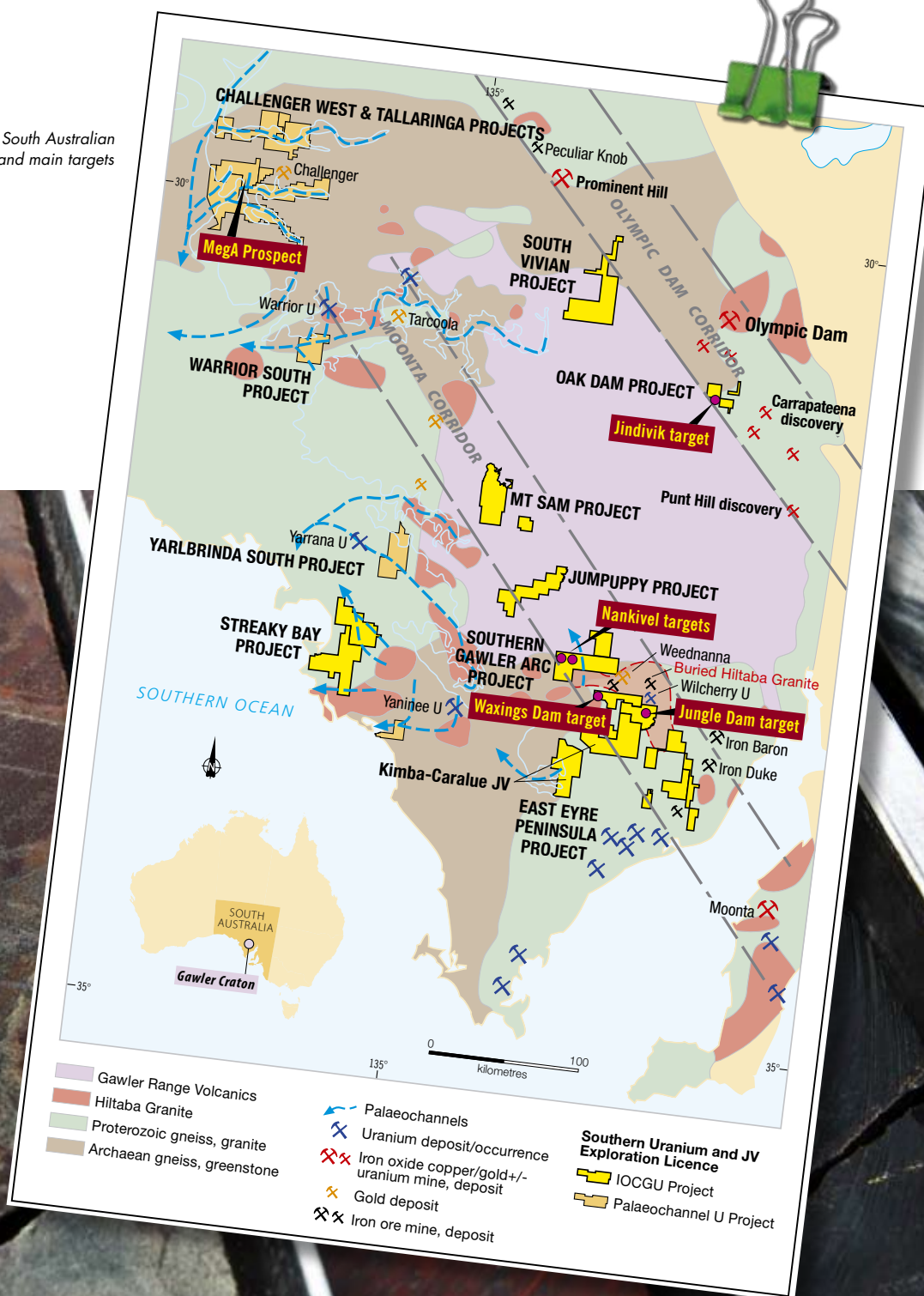
TARGET IDENTIFICATION AND DRILLING

During 2007-08 Southern Uranium directly spent \$2.4 million on developing exploration targets in SA and the NT while our joint venture partners contributed another \$1.3 million largely towards drilling programs, half of which were managed by Southern Uranium. Two thirds of the combined total expenditure was applied to IOCGU exploration on SA's Gawler Craton



Jindivik core

Figure 3: Location of South Australian exploration projects and main targets



(Figure 3) with the balance of expenditure evenly distributed between airborne geophysical surveying of unconformity projects in the NT and palaeochannel drilling in SA.

Drill rig shortages and increased access requirements hampered our desired drill progress with 4,200m of drilling applied to five targets. Three of these; the Jindivik, Jungle Dam and Nankivel IOCGU projects, warrant continued drill testing. The palaeochannel targets at Yarlbirinda South and Warrior South are awaiting the acquisition of a drill contractor or access permits. The target style and exploration tactics are being reviewed for the MegA palaeochannel prospect.





Managing Director's Report CONTINUED



Project Geologist, Roger Kemp soil sampling on East Eyre Peninsula



Drilling at Jungle Dam

Target definition programs were aggressively applied to the SA IOCGU projects and NT unconformity projects to meet the objective of increased drilling in the following year. Airborne electromagnetic (AEM) surveying was undertaken over the entire 822 sq km tenement area at Calvert Hills to add to the 350 sq km of AEM conducted at Yarlbrinda South and Warrior South in the previous year. About 3,000 sq km of first pass gravity surveying was completed over the SA IOCGU project areas. Within this coverage, four target areas with prospective gravity anomalies including Jindivik and Jungle Dam were selected for 200 sq km of infill gravity detailing. Approximately 1,400 sq km of the East Eyre Peninsula project were covered with regional soil geochemical sampling to complement the gravity data there. Detailed mapping and rock sampling of the Rum Jungle project defined the Lucky 13 unconformity target and prospective extensions under cover that require further surveying to define other targets.

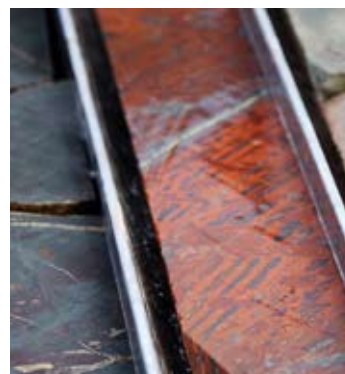
The additional targets will warrant six new drill programs in 2008-09 with another three drill programs provisional on surveying results.

1. South Australian IOCGU Projects

The high priority **Jindivik** gravity target between Woomera and Olympic Dam produced our first drill success after delays in acquiring permits from the Department of Defence to access the Woomera Prohibited Area. The Joint Venture's first hole CSDDH-02 was drilled in March 2008, being positioned 300m east of Western Mining's 1980 drillhole into their Cocky Swamp target. The new hole intersected 45m of strongly haematite-altered volcanic rocks and breccia at the top of the basement and beneath 850m of flat-lying cover sediments (Figure 4). These rocks overlay another 102m intersection of strong haematite-magnetite iron oxide alteration. Low but significant levels of copper sulphides accompany the alteration with the best assay of 3m @ 0.4% copper. The 45m haematite interval is also anomalous in a suite of other metals including a maximum value of 58 parts per million (ppm) U_3O_8 . Massive haematite clasts were also intersected in the lower 20m of the cover sediments above the unconformity. This is interpreted to show a nearby topographic high of iron oxides. These aspects are extremely encouraging for a large copper gold uranium system in a haematite breccia target 300m further to the east at the centre of the modelled gravity and magnetic source. Follow up drill testing is subject to gaining new permits to access the Woomera Prohibited Area.

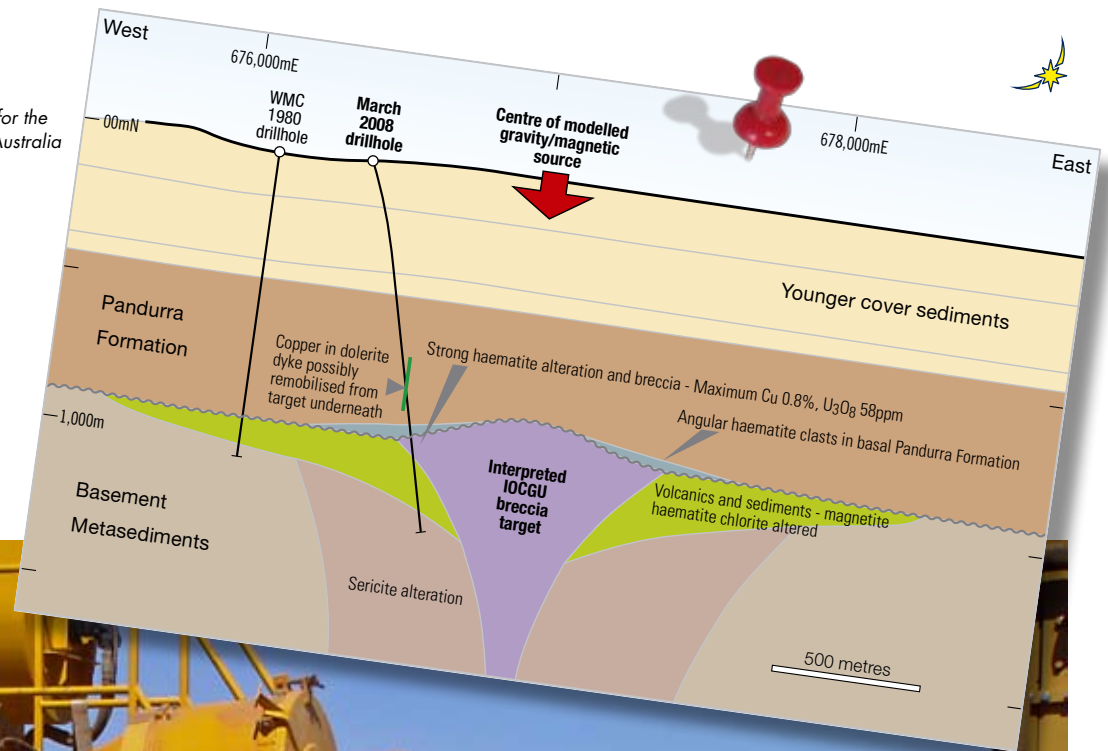


Drilling at Jindivik



Jindivik core

Figure 4: Interpretive section for the Jindivik target model, South Australia



The **South Vivian** tenement under the same Joint Venture was surveyed with first pass gravity. Initial interpretations do not show clear targets.

In the Moonta corridor on East Eyre Peninsula, drilling initially commenced on the **Waxings Dam** gravity target (location - Figure 3) modelled at 700m depth. No iron oxides were intersected with garnet-rich metamorphosed sediments being the possible source of the gravity anomaly. So the prospect was abandoned and work moved to Jungle Dam.





Managing Director's Report CONTINUED



Also on East Eyre Peninsula, the high-priority **Jungle Dam complex** is a 10km long zone of large gravity, magnetic and geochemical targets with diverse uranium, base metal, precious metal and iron ore anomalism (Figure 5). The target area is interpreted to be an altered segment of the Gilles sigmoidal structure where it is intersected by the Moonta Corridor of northwest structures, mineralising Hiltaba granites and IOCGU-related deposits such as the Moonta copper gold, Menninnie Dam lead zinc, Tarcoola gold and Weednanna gold and iron ore deposits. Recent iron ore and uranium discoveries by other companies within two kilometres to the north of Jungle Dam provide further encouragement for the large project area. A 1,768m ten hole drill program was completed in August 2008 to scout test various targets within the large area with assays awaited.

Within the **Southern Gawler Arc** project (location - Figure 3), Joint Venture partner Mega Hindmarsh Pty Ltd (Mega Hindmarsh) undertook gravity, magnetic and geochemical detailing of the Nankivel targets and drilled three shallow drillholes totalling 554m into one gravity target. No iron oxides were intersected but a graphitic shear and pegmatite dyke assayed up to 259ppm and 212ppm U_3O_8 respectively with extensions and large areas of the tenement requiring follow up testing. Southern Uranium has resumed management of the Joint Venture and is planning tenement-wide gravity and geochemical surveying consistent with the regional tactics before recommencing drill testing of the Nankivel targets.

First pass gravity surveying was completed for the four main tenements in the **Streaky Bay** project group. The data is being assessed for new IOCGU targets that warrant detailing with gravity or soil geochemistry. First pass gravity and soil geochemical surveying are also underway for the new joint venture tenements at **Kimba** and **Caralue**.

Underlining the prospectivity of the East Eyre Peninsula project and focus in the year ahead, the Company's Directors took the opportunity to hold the June Board meeting at Kimba, visiting the Jungle Dam project and meeting with field staff and key landowners.

2. South Australian Palaeochannel Projects

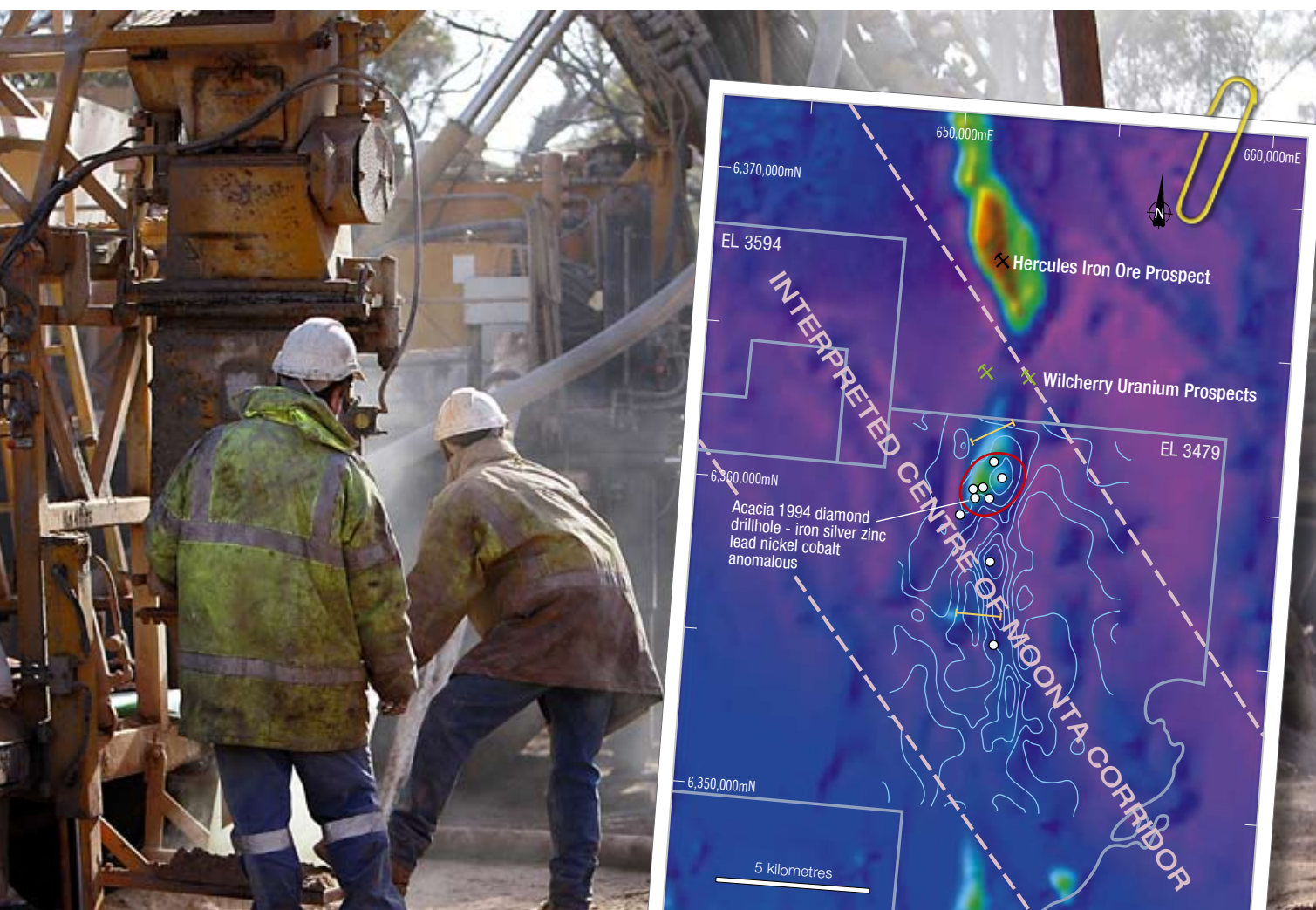
The bulk of Southern Uranium's palaeochannel exploration was conducted by partner Mega Hindmarsh on the **Challenger West** and **Tallaringa** Joint Ventures in the western Gawler Craton.



Drilling at Jungle Dam



Directors visit to Jungle Dam



Scout drilling downgraded the palaeochannel potential initially sought in the Garford and Anthony Channels but developed alternative targets in younger sediments at the **MegA prospect**.

For the palaeochannel programs under the **Yarlbrinda South** Joint Venture north of Streaky Bay and the **Warrior South** project near Tarcoola, Southern Uranium finalised its target selections based on prior AEM surveys, and has negotiated access permissions for Yarlbrinda South but has greater challenges to access the Warrior South tenement within the Yellabinna Reserve.

- ✕ Uranium prospect
- ✕ Iron ore prospect
- Acacia 1994 aircore drilling traverse
- Zoned Ni Co Cu Zn U Pd Au Ag anomaly - limited 1998 soil geochemical survey
- Gravity contours
- Southern Uranium August 2008 drillholes

Figure 5: Target summary plan on an airborne magnetic background image for the Jungle Dam complex, South Australia



Managing Director's Report CONTINUED

3. Northern Territory Unconformity Projects

In the Northern Territory, field evaluation of the Rum Jungle tenement delineated an undrilled unconformity target, **Lucky 13**, situated between the Browns historic mine 3km to the southeast and the Mount Fitch deposit 3km to the northwest.

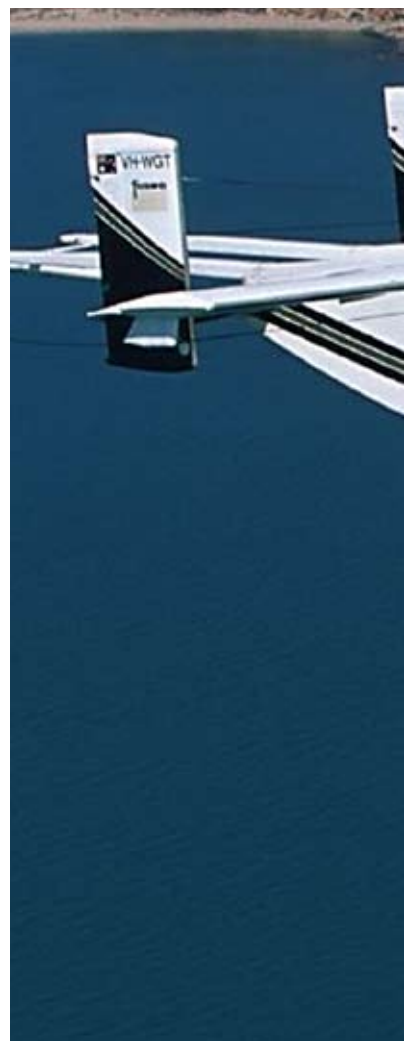
An AEM survey was undertaken over the entire and much larger **Calvert Hills** tenement in March 2008. Preliminary interpretations indicate about 50km strike length prospective for conductive basal sediments are present above the target unconformity (Figure 6) and largely under thin cover. The model is supported by the only deep drillhole test on the property, completed by Afmeco in 1981. All the available geological and geophysical datasets are being used to refine the target selection where magnetic dykes and structures disrupt the unconformity and radiometric anomalies occur in the limited outcropping areas.

2008-09 EXPLORATION FOCUS

Southern Uranium plans to almost double its exploration spend in 2008-09. We have a busy year planned with a variety of programs across SA, NT, WA and Queensland advancing to the drill testing stage. The definition of new targets within the SA IOCGU projects is expected to be completed for ongoing drill testing; target definition will continue for the NT unconformity projects and will be initiated for the Queensland and WA projects with the objective of drill testing later in the year.

Large **airborne magnetic/radiometric surveys** are contracted to be flown in September/October for the new Pandanus West and Three Springs Joint Ventures. On the Gawler Craton, the **first pass gravity surveying** for IOCGU targets will be completed requiring about half the previous year's coverage. **Infill gravity detailing** is expected to double this year as targets are selected from the first pass gravity data and are advanced to drill status. The **AEM survey** will soon be done at Rum Jungle to evaluate the covered extensions of the target unconformity, while the interpretation is completed for the existing AEM dataset at Calvert Hills.

We have budgeted for 8,500m of **drilling** at Jindivik, Jungle Dam, Nankivel, Pandanus West and Yarlbrinda South. Provision is made for another 9,000m of drilling at Warrior South, Streaky Bay, Calvert Hills and Rum Jungle that is contingent on access negotiations and future targeting results.



Calvert Hills, Northern Territory



Airborne electromagnetic survey plane (courtesy of Fugro)

Figure 6: Target plan for the Calvert Hills project area, Northern Territory, incorporating a preliminary interpretation of the new airborne electromagnetic data



Managing Director's Report CONTINUED



1. South Australian IOCGU Projects

The IOCGU targets at **Jindivik** and **Jungle Dam** in SA will be subjected to on-going drilling and investigation. A follow up hole is being planned to test the centre of the large Jindivik gravity target, subject to access permission from the Woomera Test Facility. The initial drilling difficulties at Jungle Dam were overcome and drilling will be extended to other targets within the 20 sq km target area.

At the **Southern Gawler Arc** Joint Venture, gravity and geochemical surveys of the entire tenement are being considered consistent with the tactics being applied elsewhere on the Eyre Peninsula. The Mega Hindmarsh results for the **Nankivel** targets are being reviewed for follow up drilling.

The large amount of gravity and geochemical data collected in the Eyre Peninsula district around Jungle Dam is also being assessed for new IOCGU-style targets that warrant detailing and drill testing.

2. South Australian Palaeochannel Projects

At **Yarlbrinda South**, a contractor is being sought to drill the defined palaeochannel upstream from the historical Yarranna prospects. The aim of the drilling is to test possible uranium traps, mapped by prior AEM, as boundaries between non-conductive and conductive sediments. A 2,000m program of aircore drilling is planned.

At **Warrior South**, access negotiations are continuing to enable a follow up of multiple AEM targets within the Kingoonya palaeochannel system downstream from the Warrior deposit.

At **Challenger West** and **Tallaringa**, Mega Hindmarsh continues to manage palaeochannel exploration and is revising target models and tactics for upcoming programs.





Helicopter airborne survey, Pandanus West (courtesy of Thomson Aviation)

3. Northern Territory Unconformity Projects

At **Rum Jungle**, AEM surveying is contracted for September 2008 in collaboration with Geoscience Australia to build targets around the Lucky 13 prospect. Provision has been made for drilling the resulting targets soon after the next wet season.

The aim at **Calvert Hills** is to undertake first pass drill testing in 2009 after an initial field evaluation of targets using ground surveying techniques, possibly radon gas geochemistry. Such targets will be selected based on the AEM data which is now being assessed (Figure 6). A field reconnaissance undertaken in July verified the locations and sporadic base metal anomalism of the mapped outcrops of Westmoreland Conglomerate.

4. Queensland Volcanic-hosted Project

At **Pandanus West**, a helicopter-borne magnetic/radiometric survey is scheduled for September 2008. This will map and seek new targets in prospective volcanic and sedimentary units extending away from the known historical prospects (Figure 7). These include the Eel and Pamplemousse groups of prospects that were tested up to 1983 with shallow AirTrack and open-hole percussion drilling. The known prospects are being reassessed in the field to select targets down dip and along strike for proposed testing with modern drilling and more accurate sampling.

5A. Queensland Sediment-hosted Project

With three Exploration Permits for Minerals (EPMs) granted, the remaining three EPMs in the **Cloncurry** region is expected to be granted soon. Ground reconnaissance and scout drilling are proposed to test a new target concept for the uraniferous sediments in the Toolebuc Formation.

5B. Western Australian Sediment-hosted Project

Tenements for the **Three Springs** Joint Venture were granted in July 2008 and an airborne magnetic/radiometric survey is contracted for completion later in 2008 to map prospective sediments and structures (Figure 8).

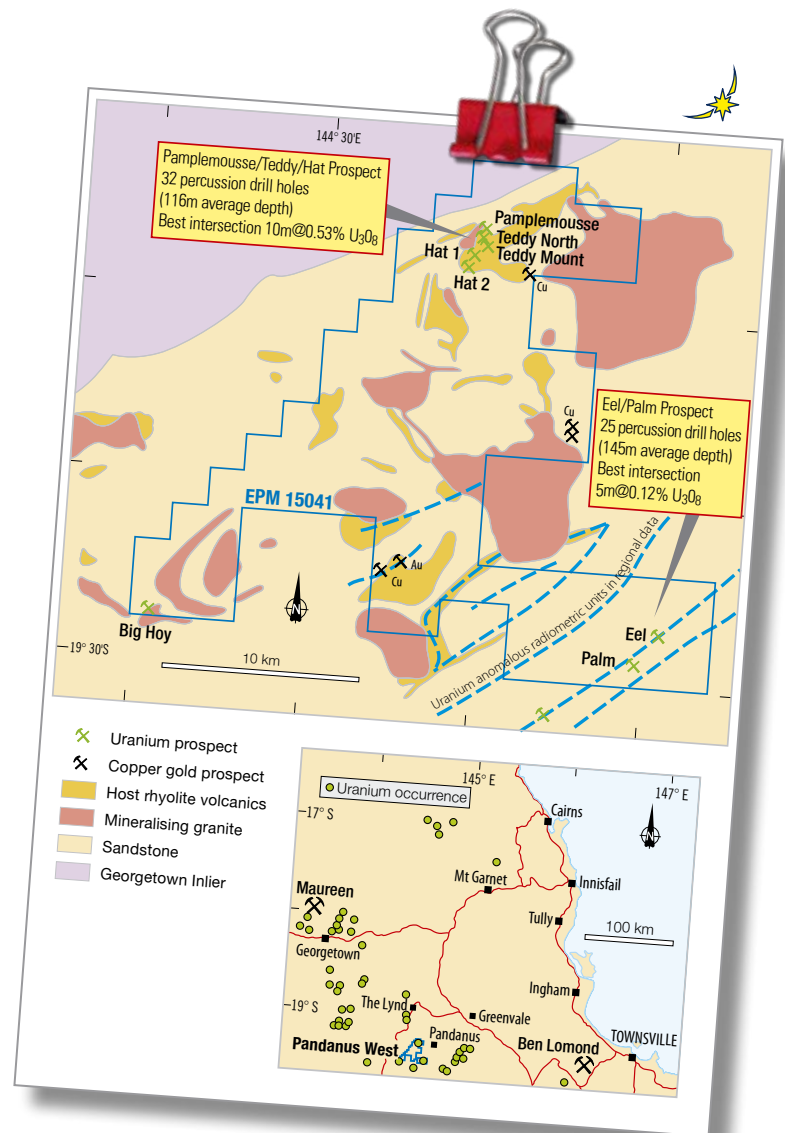


Figure 7: Summary plan of the Pandanus West project, Northern Queensland

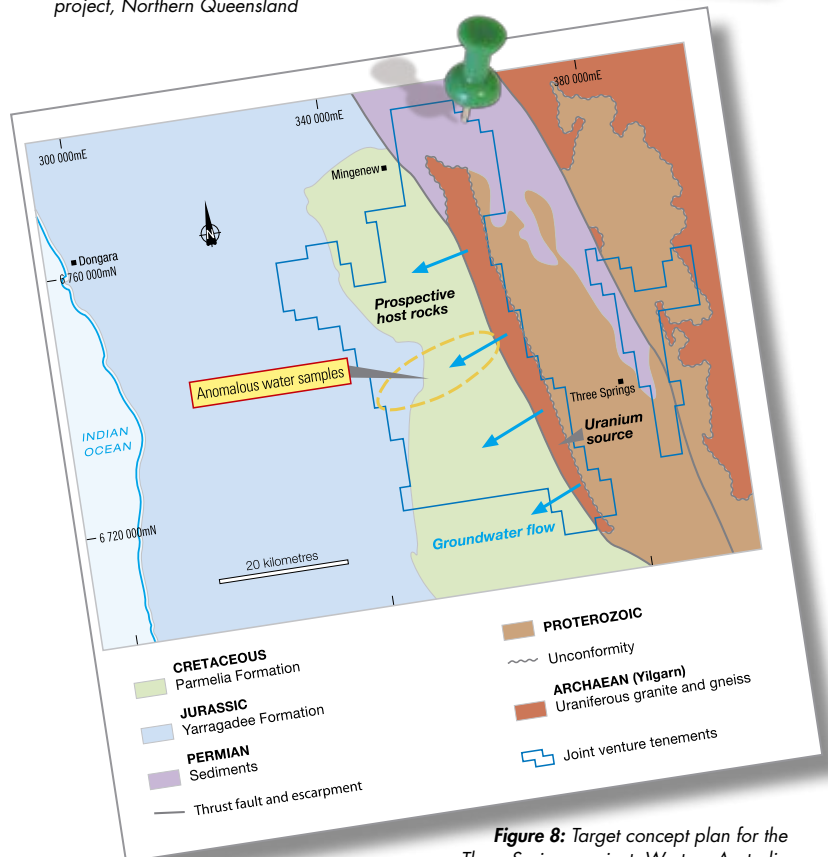


Figure 8: Target concept plan for the Three Springs project, Western Australia



Managing Director's Report CONTINUED



OUTLOOK

Southern Uranium is ramping up exploration in the year ahead with the exploration expenditure, number of targets and drilling likely to double on those of the 2008 financial year. Our Company will continue to look for opportunities both in Australia and overseas to build the quality of its portfolio by leveraging its five competitive advantages; these being:-

- **Portfolio** - Well-positioned uranium exploration projects in world-class uranium provinces.
- **Expertise** - Exploration and Business Development teams with considerable knowledge in the project areas and focussing on expanding their uranium expertise.
- **Targets** - Drill targets developed with state-of-the-art concepts and technologies.
- **Financial Strength** - Cash resources of A\$9.6million (as at 30 June 2008) to advance its programs and portfolio through exploration and business development.
- **Shareholder Backing** - Supportive cornerstone investors and shareholders.

I thank the Southern Uranium Board and shareholders for their support and the members of our enthusiastic team for their ongoing efforts to realise the Company's potential.

John Anderson Managing Director





Southern Uranium Limited is a uranium-focussed resources company with a strong platform of active exploration properties and drill targets in the highly prospective Gawler Craton and is developing uranium exploration projects elsewhere in Australia. The Company aims to grow into a major uranium explorer and developer by seeking uranium opportunities globally.



Southern Uranium Limited





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