

ASX/Media Release



Southern Uranium

Date: 18 August 2009

SOUTHERN URANIUM NOTICE OF MEETING OF SHAREHOLDERS

Attached is a notice of a meeting, related explanatory memorandum and letter to shareholders in relation to the meeting of shareholders of Southern Uranium Limited (SNU) to be held on Monday 21 September 2009 at Level 5 Toowong Tower, 9 Sherwood Road QLD 4066 commencing at 11 am.

The meeting was foreshadowed in the Company's announcement of 29 June 2009 as a precursor to the divestment by Southern Gold Limited of its 39.1% shareholding in the Company by way of a pro rata non renounceable Entitlement Offer to all remaining SNU shareholders at 5.5 cents per share

For further information:

Mr Garry Gill
Company Secretary
Southern Uranium Limited
Ph: 07 3870 0357

Media:

Richard Owen
Principal Consultant
Three Plus
Ph: 07 3503 5700



Southern Uranium Limited

ABN: 90 115 338 979

18 August 2009

Dear Shareholder,

Enclosed is a notice of a meeting for shareholders of Southern Uranium Limited to be held on Monday 21 September 2009 at Level 5 Toowong Tower, 9 Sherwood Road QLD 4066 commencing at 11 am.

By passing the resolution being put to the meeting all shareholders, except Southern Gold, will have the opportunity to purchase additional shares in Southern Uranium at a substantial discount to the current market price.

If the resolution is not passed, Southern Gold would be likely to sell its shares on the market. This would almost certainly severely affect the share price of our Company.

Your Board urges you to vote for the resolution and to ensure your Proxy is lodged if you are unable to attend the meeting.

As you may be aware, your Company's largest shareholder Southern Gold Limited (SAU) has announced plans to divest its 39.1% shareholding in Southern Uranium Limited (SNU) to concentrate on its own exploration.

Southern Gold has decided that the sale is to be conducted by way of a pro rata non renounceable Entitlement Offer to all SNU shareholders at 5.5 cents per share (the Offer). This will allow you as an SNU shareholder the opportunity to increase your current holding in SNU at a price which is some 37% below the closing share price on 17 August 2009.

You will also be able to apply for additional shares in excess of your entitlement which will be satisfied from any shortfall in the take up of the shares offered to shareholders. Of course with any decision of this nature I strongly recommend you seek independent financial advice in relation to assessing the merits of the Offer and whether to take up your entitlement as well as any shortfall.

SAU have also announced that two other significant shareholders in SNU, Talbot Group Holdings Pty Ltd (TGH) and CITIC Australia Pty Ltd (CITIC) have agreed to fully underwrite the sale and will purchase any shares not acquired by the shareholders. TGH and CITIC have also agreed to take up their pro rata entitlement under the Offer.

In order for TGH and CITIC to participate in the Offer and as a result of their underwriting arrangements with SAU, TGH and CITIC are required to seek the approval of the other SNU shareholders to increase their voting power in the Company to more than 20%. The approval must be sought in accordance with Item 7 of Section 611 of the *Corporations Act*. The purpose of this meeting is for shareholders to vote on a resolution to this effect. None of SAU, TGH, CITIC nor any of their associates may vote on the resolution.

The attached Explanatory Memorandum has been prepared to provide sufficient detail for shareholders to appropriately consider the resolution. The Explanatory Memorandum also includes an independent report from Grant Thornton Corporate Finance Pty Ltd (the Report) on the matters surrounding the resolution.

The Report has been prepared in accordance with Item 7 of Section 611 of the *Corporations Act* and provides a comprehensive analysis of whether or not the proposal to permit TGH and CITIC to increase their voting power in the Company to more than 20% is fair and reasonable to the non-associated shareholders of SNU (i.e. SNU shareholders excluding TGH and CITIC). Shareholders are urged to read and consider the Report prior to making a decision as to how to vote on the Resolution.



Southern Uranium Limited

ABN: 90 115 338 979

The Report includes an opinion that the proposed increase in SNU shareholding by TGH and CITIC is not fair but reasonable to non-associated shareholders. The conclusion is based on Grant Thornton's valuation of the Company at 6.30 cents per share to 7.17 cents per share compared to the offer price of 5.5 cents per share AND their observation that if the non associated shareholders chose not to take up their entitlements, TGH and CITIC could end up acquiring control of the Company at a considerable discount.

In reading and considering the Report (which I strongly urge you to do) and its opinion you should note that Grant Thornton have only considered whether the increased holding by TGH and CITIC in isolation is fair and reasonable to non-associated shareholders of SNU and that the Report:

- does NOT look at the merits of the Offer including the ability for all shareholders to participate in the Offer and to apply for shares in excess of their entitlement. In addition it should be noted that all of the applications for shares by the non associated shareholders must be fully satisfied before TGC and CITIC will be able to acquire any of the shortfall.
- recommends that Shareholders consider the merits in relation to the Offer independently.
- notes Grant Thornton's opinion that the value of SNU Shares (inclusive of a control premium) is higher than the 5.5 cents which is the price being offered to all shareholders including TGH and CITIC.
- notes that if the Resolution is not passed, the Underwriting Agreement between SAU and TGH and CITIC would be terminated and the Entitlement Offer would be unlikely to proceed. In such an event Grant Thornton conclude that the market price of SNU shares would be likely to be adversely impacted

Your Directors recommend that you vote in favour of the resolution as in their view there are significant advantages to shareholders from the opportunity to obtain additional shares at less than the market price at the date of this letter as a result of the Offer. I am also pleased to note that each Director has advised that they will be applying for at least their pro rata entitlement of shares under the Offer.

Please carefully read all of the **enclosed** information. If you are in doubt about the action you should take in relation to the proposed increase in shareholding by TGH and CITIC, you should seek your own professional advice

Yours faithfully

Roger Marshall OBE
Chairman

SOUTHERN URANIUM LIMITED ACN 115 338 979

Notice of General Meeting and Explanatory Memorandum

Date of Meeting: Monday 21 September 2009

Time of Meeting: 11 am (Brisbane time)

Place of Meeting: Level 5, Toowong Tower, 9 Sherwood Road QLD 4066

Notice of General Meeting

Notice is given that a General Meeting of shareholders of Southern Uranium Limited ACN 115 338 979 (**Company**) will be held at Level 5 Toowong Tower, 9 Sherwood Road QLD 4066 on Monday 21 September 2009 at 11 am (Brisbane time).

Agenda

Ordinary business

Acquisition by Talbot Group Holdings Pty Ltd and CITIC Australia Pty Ltd of more than 20% voting power

To consider and, if thought fit, pass the following Ordinary Resolution, without amendment:

*“That in accordance with Item 7 of Section 611 of the Corporations Act and for all other purposes, Talbot Group Holdings Pty Ltd (**Talbot**) and CITIC Australia Pty Ltd (**CITIC**) be authorised, as a result of their participation in the offer by Southern Gold Limited to sell its 45 million shares in Southern Uranium Limited to Southern Uranium Limited shareholders on a pro rata basis at 5.5 cents per share and pursuant to their respective obligations under the Underwriting Agreement, to increase their respective voting power in the Company from below 20% to more than 20% upon the terms and conditions described in the Explanatory Memorandum”*

Notes

- For the purposes of Item 7 of Section 611 of the Corporations Act, an independent experts report prepared by Grant Thornton in relation to the resolution is enclosed with this Notice of Meeting.
- Terms used in this Notice of Meeting are defined in Section 5 of the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Talbot;
- CITIC;
- Southern Gold Limited (**SAU**); or
- any associate of Talbot, CITIC or SAU.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Special business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the Board



Garry Gill
Company Secretary
18 August 2009

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to shareholders of Southern Uranium Limited ACN 115 338 979 (**Company**) to explain the Resolution to be put to Shareholders at the General Meeting to be held at Level 5 Toowong Tower, 9 Sherwood Road QLD 4066 on Monday 21 September 2009 commencing at 11 am (Brisbane time).

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the Resolution to be considered by the meeting. The Directors recommend that Shareholders read this Explanatory Memorandum before determining whether to support the Resolution or otherwise.

Other than as contained in the Notice of General Meeting, Explanatory Memorandum and the independent expert's report by Grant Thornton attached to the Notice of Meeting, the Directors believe that there is no other information known to the Company or the Directors that is reasonably required by Shareholders to decide whether or not to pass the Resolution.

Terms used in this Explanatory Memorandum are defined in Section 5.

2. Resolution: Talbot and CITIC to acquire more than 20% voting power

2.1 Background

On 29 June 2009, SAU released an announcement to the ASX informing the market about the Offer (**Announcement**). The Announcement stated:

*“Southern Gold Limited (“**Southern Gold**”) is pleased to announce that it has reached in-principle agreement with Talbot Group Holdings Pty Ltd (“**Talbot**”), CITIC Australia Pty Ltd (“**CITIC**”) and Southern Uranium Limited (“**Southern Uranium**”) in relation to a non-renounceable pro-rata offer of its 39.1% shareholding in Southern Uranium to Southern Uranium’s shareholders at 5.5 cents per share, which shall be underwritten by Talbot and CITIC (“**the Transaction**”). Southern Gold will realise \$2.475 million gross proceeds in respect of the Transaction.”*

The Announcement further noted that the funds raised would “ensure Southern Gold is well funded to continue to actively progress its exploration programme”.

The critical terms of the offer by SAU under the Offer Document will be as follows:

- (a) the offer will be to the Remaining Shareholders on a pro-rata entitlement basis; and
- (b) for 5.5 cents for each Sale Share (**Consideration**); and
- (c) the Remaining Shareholders shall be entitled to take up more than their pro-rata entitlement where there is any shortfall and before any shares are allocated to the Underwriter; and
- (d) any remaining Sale Shares on the Closing Date will be acquired by the Underwriters pursuant to the Underwriting Agreement for the Consideration,

(the **Offer**).

SNU and SAU have entered into the Offer Implementation Deed (OID) and in accordance with the terms of that document the Company will give to SAU such reasonably required assistance and co-operation in order for SAU to make the Offer.

Shareholders should note that a condition to the Offer proceeding is shareholders approving the Resolution before them at this Extraordinary General Meeting. In other words, if the Resolution is not passed by shareholders of SNU, then the Offer by SAU to the Remaining Shareholders of SNU will not proceed.

Explanatory Memorandum

The Offer is being underwritten by Talbot and CITIC, who each hold 8.7% of the issued capital in the Company. SAU, Talbot and CITIC have entered into the Underwriting Agreement, a summary of which is set out in Section 2.5.

Talbot and CITIC are associates insofar as they relate to SNU and, as a consequence have a relevant interest in each other's SNU shares for the purposes of the Corporations Act. Accordingly, Talbot and CITIC each have a relevant interest in 17.4% (8.7% + 8.7%) of the total issued share capital and voting power of SNU. Please see Section 2.4 for further discussion.

As a result of participating in the Offer and taking up any shortfall in Sale Shares under the Underwriting Agreement, Talbot and CITIC will increase their voting power in the Company from under 20% to over 20%.

2.2 Resolution

The Resolution seeks shareholder approval to allow Talbot and CITIC to increase their voting power in the Company from their current relevant interest in the SNU shares to above 20% as a result of participating in the Offer and where they are required to acquire any shortfall Sale Shares under the Underwriting Agreement.

2.3 Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits a person from acquiring an interest in a company if the acquisition would result in that person's voting power (as defined in the Corporations Act) in the company increasing (relevantly), where the persons voting power increases from 20% or below to more than 20%. However, there are certain specified exceptions to the general prohibition contained in Section 606 of the Corporations Act. In particular, Item 7 of Section 611 of the Corporations Act exempts an acquisition agreed to by a resolution passed at a general meeting on which no votes were cast in favour of the resolution by the person proposing to make the acquisition or their associates.

Details of the voting power of Talbot Group and CITIC are set out in Annexure A of this Explanatory Memorandum. See Section 2.4 below for details of associates in respect of each of SNU and SAU.

2.4 Associates

SNU

SNU, Talbot and CITIC have entered into a priority agreement dated 21 December 2007 (**Priority Agreement**). Talbot and CITIC agreed that while the Priority Agreement continues they will maintain between them an aggregate shareholding in SNU of at least 15% of the issued share capital of SNU. As a result Talbot and CITIC act in concert insofar as their affairs relate to SNU and are associates under Part 1.2 Division 2 of the Corporations Act.

Combined, Talbot and CITIC currently hold a relevant interest in 17.4% of the voting power in SNU. The maximum extent of their combined shareholding in SNU after the close of the Offer (i.e. should no Remaining Shareholder take up any of their pro-rata entitlement under the Offer) would be 56.6% (please see Annexure A for further details).

Talbot and CITIC have not appointed a representative to the board of directors of SNU.

SAU

Talbot and CITIC are both shareholders of SAU. According to its Form 604 lodged with the ASX on 24 February 2009, Talbot holds 24.3% of the voting power in SAU. CITIC advised the ASX on 3 July 2009 that it has ceased to be a substantial holder in SAU.

Talbot and CITIC were previously associates, insofar as their affairs relate to SAU, as a result of a Memorandum of Understanding (**Memorandum**) between them dated 2 October 2007. On 24 February 2009 Talbot and CITIC advised the ASX that they have terminated the Memorandum on 23 February 2009 and have ceased to be associates.

Explanatory Memorandum

2.5 Summary of the Underwriting Agreement

Under the Underwriting Agreement, Talbot and CITIC agree to underwrite the Offer by acquiring the shares for which valid applications are not received under the Offer by the Offer closing date.

SAU will calculate the shortfall on the closing date of the Offer and notify Talbot and CITIC in writing. Talbot and CITIC must, within 10 business days after receiving the notice from SAU, lodge applications with SAU for the purchase of its respective proportion of the shortfall shares being 50% Talbot and 50% CITIC (**Respective Proportion**).

Conditions

The Underwriting Agreement is subject to the following conditions which have not been satisfied or waived as at the date of the Notice of Meeting:

- (a) approval of the acquisition of SAU's shares in SNU (**Underwritten Shares**) by Talbot and CITIC in their Respective Proportion by the shareholders of SNU in accordance with item 7 of Section 611 (a purpose of the Resolution in the Notice of Meeting);
- (b) approval of the acquisition of the Underwritten Shares by Talbot and CITIC in their Respective Proportion by the shareholders of SAU for the purpose of ASX Listing Rule 10.1;
- (c) approval of the acquisition by CITIC of its Respective Proportion of the Underwritten Shares under the *Foreign Acquisitions and Takeovers Act 1975 (Cwth)*.

The Underwriting Agreement may be terminated in the following circumstances (in respect of the above Conditions):

- (a) where the Conditions set out above are not satisfied by 30 September 2009, or such later date agreed to in writing by the parties;
- (b) if a meeting is held for the purposes set out above in **Conditions** (a) and (b) and a relevant resolution is not duly passed, either SAU or an Underwriter may terminate the Underwriting Agreement by written notice;
- (c) if the Foreign Investment Review Board advises CITIC that the Australian Government has an objection under Australia's foreign investment policy to the acquisition of the Underwritten Shares by the Underwriters under the Underwriting Agreement, either SAU or an Underwriter may terminate the Underwriting Agreement by written notice.

Termination

An Underwriter may terminate any of its obligations under the Underwriting Agreement by notice to SAU and the other Underwriter, after the Underwriter becomes aware of the happening of any one or more of the following events:

- (a) (**Default**) SAU is in material default in the performance of any of its obligations under the Underwriting Agreement or any of the warranties given by it ceases to be, or are found not to have been, true and correct in all respects, and the default or breach is either incapable of remedy or is not remedied within 2 business days after it occurs or such longer period specified by the Underwriters;
- (b) (**Prescribed occurrence**) a prescribed occurrence (as specified in section 652C of the Corporations Act) occurs in relation to SNU or a related body corporate of SNU (assuming that it was a target company within the meaning of Chapter 6 of the Corporations Act);
- (c) (**Material misstatement**) there is material misstatement or inaccuracy in or a material omission in the Offer Document or any statement in the Offer Document (including but

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not limited to, any representation with respect to any future matter) is or becomes false or misleading in a material respect;

- (d) **(Market Movement)** at any time after the date of the Underwriting Agreement, the All Ordinaries Index or the S&P/ASX 200 Index is 15% or more below its level as at the close of trading on the trading day immediately preceding the date of the Underwriting Agreement;
- (e) **(Quotation)** the SNU shares are removed from official quotation on the ASX;
- (f) **(Takeovers Panel)** an application is made to the Takeovers Panel in relation to the Offer and the application is not withdrawn or disposed of within 14 days after it is made, or the Takeovers Panel makes a declaration of unacceptable circumstances in relation to the Offer or the Underwriting Agreement;
- (g) **(Change in laws)** there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new law or policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets in an adverse manner;
- (h) **(Material adverse change)** a material adverse change occurs in relation to SNU;
- (i) **(Withdrawal)** the Offer is withdrawn or fails to proceed; or
- (j) **(Insolvency Event)** an insolvency event occurs in relation to SNU.

Underwriters Obligations

Immediately on an Underwriter lodging applications for its Respective Proportion of the shortfall shares and cleared funds that Underwriter will:

- (a) have satisfied in full its obligations under the Underwriting Agreement; and
- (b) not be required to pay any further amounts to SAU under the Underwriting Agreement.

2.6 Item 7 of Section 611 of the Corporations Act

If shareholders approve the Resolution, the relevant interest in voting shares in the Company of Talbot and CITIC as a result of participating in the Offer and acquiring any shortfall Sale Shares under the Underwriting Agreement will increase from under 20% to over 20%.

Annexure A provides the following details of the holdings of Talbot Group and CITIC (and their associates) in the Company:

- (i) current holdings;
- (ii) holdings if Talbot Group and CITIC take up their full entitlement under the Offer; and
- (iii) the maximum possible extent of the voting shares of Talbot Group and CITIC (**Maximum Shares**).

In order for Talbot and CITIC to participate in the Offer and take up any shortfall Sale Shares pursuant to the Underwriting Agreement (where the relevant interest of Talbot and CITIC in SNU will increase to over 20%), this must be approved by a resolution passed at a general meeting of the Company. This Explanatory Memorandum proposes to provide sufficient detail for the shareholders of the Company to

Explanatory Memorandum

appropriately consider such a resolution and should be read in conjunction with the independent report of Grant Thornton which is enclosed with the Notice of Meeting.

In accordance with Item 7 of Section 611 of the *Corporations Act*, attached to the Notice of Meeting and this Explanatory Memorandum is an independent report prepared by Grant Thornton (**Report**) providing a comprehensive analysis of the Offer including whether or not the proposal is fair and reasonable to the non-associated shareholders of SNU. Shareholders are urged to read and consider the Report prior to making a decision as to how to vote on the Resolution.

The Report includes an opinion that the proposed increase in SNU shareholding by Talbot and CITIC is not fair but reasonable to non-associated shareholders. Shareholders in reading and considering the Report and its opinion should note that the Report:

- (a) does NOT look at the merits of the Entitlement Offer which is being offered to all Remaining Shareholders of SNU;
- (b) suggested all Remaining Shareholders consider the merits in relation to the Entitlement Offer independently;
- (c) was required to consider only whether the increased holding by Talbot and CITIC was fair and reasonable to non-associated shareholders of SNU;
- (d) provided that Grant Thornton's formed its opinion on the basis that the value of SNU Shares (inclusive of a controlled premium) is higher than 5.5 cents per Share which is the price the Sale Shares are being offered by SAU to the Remaining Shareholders under the Entitlement Offer.

2.7 Directors' Recommendation

With respect to the Resolution, the Directors of the Company recommend that shareholders vote in favour of the Resolution. The reasons for their recommendation include:

- (a) there are no material advantages or disadvantages to the non-associated shareholders resulting from the Offer; and
- (b) Grant Thornton's view that the value of the Shares (inclusive of a controlled premium) is higher than 5.5 cents per Share
- (c) each of the Directors has indicated their intention to apply for at least their entitlement under the Offer

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by the proposed Resolution.

3. Further information for shareholders

The Company seeks shareholder approval in accordance with the requirements of Section 611 of the Corporations Act and for this reason and for all other purposes the following information is provided to shareholders:

- (a) as a result of the Offer, the Company is not aware of any proposal by Talbot and CITIC to:
 - (1) appoint any representative to the board of SNU; or
 - (2) change the current financial or dividend policies of the Company,
- (b) there is no intention to change the business of the Company as a result of the Offer;

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- (c) the Company foresees that it may need to raise further capital to carry out the Company's business objectives, the terms of such capital raising will be as determined by the board of directors of the Company;
- (d) none of the directors of the Company have any interest in the Resolution being put to SNU shareholders; and
- (e) the Offer will be made to the Remaining Shareholders under the Offer Document upon a number of conditions being satisfied under the OID and the Underwriting Agreement. These conditions are set out in the summary of the Underwriting Agreement in Section 2.5 under **Conditions**.
- (f) The Offer to the Remaining Shareholders is the same as the price at which the Underwriters may acquire any remaining shares.

4. Miscellaneous information

4.1 Capital Structure

	Current Capital
Ordinary shares	115,000,000
Listed options	Nil
Unlisted Options	9,800,000

4.2 Share Price

The following is a summary of the Company's share price over the three (3) month period immediately prior to the date of this Notice:

Event	Date	Share Price
High	13 May 2009	\$0.096
Low	7 May 2009	\$0.060
Last	17 August 2009	\$0.087

5. Interpretation

In this Notice of Meeting, unless the context otherwise requires, the following expressions have the following meanings:

CITIC means CITIC Australia Pty Ltd ACN 006 388 772 or;

Company or **SNU** means Southern Uranium Limited ACN 115 338 979;

Consideration has the meaning given in Section 2.1;

Corporations Act means the *Corporations Act 2001 (Cth)*;

Offer has the meaning given in Section 2.1;

Offer Document means the offer document prepared by SAU in relation to the Offer;

OID means the offer implementation deed dated 31 July 2009 between SNU and SAU whereby SAU and SNU agree to use their reasonable endeavours to cooperate in order for SAU to make the Offer;

Record Date means the record date set out in the Offer Document;

Remaining Shareholders means shareholders of SNU, other than SAU, on the Record Date;

Explanatory Memorandum

Sale Shares means all of the 45,000,000 fully paid ordinary shares held by SAU in SNU (representing 39.1% of the issued capital of SNU) to be offered to the Remaining Shareholders under the Offer;

SAU means Southern Gold Limited ACN 107 424 519;

Talbot means Talbot Group Holdings Pty Ltd ACN 010 949 630;

Underwriter means (as defined in the Underwriting Agreement) Talbot and CITIC, acting severally;

Underwriting Agreement means the underwriting agreement between SAU, Talbot and CITIC dated 4 August 2009;

Any inquiries in relation to the Resolution or the Explanatory Memorandum should be directed to

*Garry Gill (Company Secretary):
Suite 48, Level 3, 2 Benson Street, Toowong QLD 4066
Telephone: 07 3870 0357
Facsimile: 07 3876 0351*

Explanatory Memorandum

Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001* (Cth).

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the address listed below** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Southern Uranium Limited
c/- Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm on 18 September 2009. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy form as follows in the spaces provided:

- Individual: Where the holding is in one name, the holder must sign.
- Joint Holding: Where the holding is in more than one name, all of the security holders should sign.
- Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.

Please indicate the office held by signing in the appropriate place.

Annexure A

	Current Holding ¹		Holding upon Completion of Offer after each Remaining Shareholder takes up full pro-rata entitlement ¹		Maximum extent of SNU shares under Underwriting Agreement if no Remaining Shareholder takes up their pro-rata entitlement ¹	
	No of SNU Shares	%	No of SNU Shares	%	No of SNU Shares	%
Holder						
Southern Gold Limited	45,000,000	39.1%	Nil	Nil	Nil	Nil
Talbot Group Holdings Pty Ltd	10,049,406	8.7%	16,509,738	14.4%	32,549,406	28.3%
CITIC Australia Pty Ltd	10,000,000	8.7%	16,428,572	14.3%	32,500,000	28.3%
Other Shareholders	49,950,594	43.5%	82,061,690	71.3%	49,950,594	43.4%
Total	115,000,000	100%	115,000,000	100%	115,000,000	100%

Notes:

1. Assumes that no further shares in the Company are issued and no options on issue are exercised.



Southern Uranium Limited

Independent Expert's Report and Financial Services Guide

17 August 2009

The Directors
Southern Uranium Limited
Suite 48, Level 3
Benson Street
Toowong, QLD 4066

17 August 2009

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

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Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

On 29 June 2009, Southern Uranium Limited ("Southern Uranium") and Southern Gold Limited ("Southern Gold") separately announced that Southern Gold intends to divest its 39.13% shareholding in Southern Uranium by way of a pro rata non renounceable offer to the remaining Australian and New Zealand shareholders of Southern Uranium ("Southern Uranium Shareholders") (the "Entitlement Offer"). The Southern Uranium Shareholders are being offered nine Southern Uranium Shares at 5.5 cents per share for every 14 Southern Uranium Shares owned.

Both Talbot Group Holdings Pty Ltd ("TGH") and CITIC Australia Pty Ltd ("CITIC") have reached an agreement with Southern Gold to fully underwrite the Entitlement Offer (the "Underwriting Arrangement"). TGH and CITIC are substantial shareholders of Southern Uranium and collectively own 17.44% of total issued capital of Southern Uranium. We understand that both TGH and CITIC have agreed to accept the Entitlement Offer.

Southern Uranium is an Australian company listed on the Australian Securities Exchange ("ASX") and mainly engaged in exploring and developing economic uranium resources in Australia.

TGH is a Queensland based investment company with a focus in the resource sector. TGH is also a shareholder of Southern Gold and owns approximately 24.30% of its total issued capital.

CITIC is a wholly owned subsidiary of CITIC Group, which is one of China's largest state-owned companies with businesses including banking and finance, investments in the energy and raw materials sectors and international trades. CITIC is also a shareholder of Southern Gold and owns approximately 5.19% of its total issued capital.

Purpose of the report

If TGH and CITIC accept the Entitlement Offer, their combined shareholding in Southern Uranium will increase from the existing 17.44% to 28.64%. In addition, the Underwriting Agreement will likely to further increase their shareholdings in Southern Uranium to a maximum of 56.56%, if no Southern Uranium Shareholder accepts the Entitlement Offer.

Accordingly, the Directors of Southern Uranium have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the increase in the combined shareholding of TGH and CITIC in Southern Uranium from below 20% to above 20% (the "Proposed Increase in Shareholding by TGH and CITIC") is fair and reasonable to the shareholders of Southern Uranium not associated with TGH and CITIC (the "Non-Associated Shareholders") for the purpose of Item 7 of Section 611 of the Corporations Act.

Grant Thornton Corporate Finance has not provided an opinion in relation to the merits of the Entitlement Offer. Southern Uranium Shareholders and shareholders of Southern Gold are advised to seek their own independent advice in relation to the Entitlement Offer.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Increase in Shareholding by TGH and CITIC is NOT FAIR BUT REASONABLE to the Non-Associated Shareholders.

For the purpose of assessing whether the Proposed Increase in Shareholding by TGH and CITIC is fair to the Non-Associated Shareholders, we have compared the value of Southern Uranium Shares inclusive of a control premium, as required by Regulatory Guide 111 "Contents of expert reports" issued ("RG 111") by the Australian Securities and Investments Commission ("ASIC"), with the offer price of 5.5 cents per share under the Entitlement Offer and the Underwriting Arrangement.

The following table summarises our assessment:

Assessment of fairness	Reference	Low Cents	High Cents
Offer price under the Entitlement Offer and Underwriting Agreement	<i>Section 1.2 & 1.3</i>	5.50	5.50
Value of Southern Uranium Shares - control basis	<i>Section 6.6</i>	6.30	7.17
Discount		(0.80)	(1.67)
Discount %		(13%)	(23%)

Source: Calculations

Grant Thornton Corporate Finance notes that the value of Southern Uranium Shares (inclusive of control premium) is higher than the offer price of 5.5 cents per Southern Uranium Share under the Entitlement Offer and the Underwriting Arrangement.

As the Southern Uranium Shares will be issued at a discount for the purpose of the Proposed Increase in Shareholding by TGH and CITIC, we have concluded that the Proposed Increase in Shareholding by TGH and CITIC is not fair to the Non-Associated Shareholders.

Southern Uranium Shareholders should note the following factors in relation to our analysis:

- our assessment of Southern Uranium Shares is primarily based on the carrying value of Southern Uranium's exploration assets as at 30 June 2009, which we understand has been reviewed by the Directors of Southern Uranium for impairment purposes in accordance with the requirements of the Australian Accounting Standard AASB 6 "Exploration for and evaluation of Mineral Resources" ("AASB6"). Southern Uranium is currently conducting certain drilling programs. We note that the carrying value of the Southern Uranium's exploration assets may be materially affected by the outcome of the drilling programs. As at the date of this report, the drillings are incomplete and have not been fully analysed. Accordingly, we have not incorporated any potential uplift or impairment in the value of the exploration assets for the purpose of this report;
- Grant Thornton Corporate Finance has been provided with the information to be included in the Southern Uranium's draft financial statements for the year ended 30 June 2009. This information indicates that the carrying value of the exploration and expenditure assets as at 30 June 2009 was \$5.2 million;
- based on ASIC Regulatory Guide 112 "Independence of experts" and market practice, Grant Thornton Corporate Finance has engaged an independent technical specialist, Al Maynard & Associates Pty Ltd ("AM&A"), to value Southern Uranium's exploration assets. A copy of AM&A report is included as Appendix C to this report. It is our opinion that the valuation of Southern Uranium's exploration assets by AM&A of \$280,000 (mid-point) does not appear to be conclusive as AM&A was not provided with access to information in relation to the individual tenement exploration expenditure. The fair market value provided by AM&A represents a significant discrepancy to the Directors' estimate of the carrying value of Southern Uranium's exploration assets of approximately \$5.2 million¹ as at 30 June 2009. Based on our discussion with AM&A, we believe the magnitude of this discrepancy may be related to the additional information available to the Directors of Southern Uranium which has not been provided to AM&A. Accordingly, AM&A was precluded to use the Multiple of Exploration Expenses² ("MEE") valuation methodology to assess the fair market value of the Southern Uranium's exploration assets. As set out in the AM&A's report, the technical specialist believes that "*a higher valuation may be determined if the individual tenement exploration expenditure details are made available*". Accordingly, we have not relied on AM&A's report on Southern Uranium's exploration assets in our assessment of the fairness of the Proposed Increase in Shareholding by TGH and CITIC; and
- the fair market value of exploration assets is sensitive to a wide range of factors, including commodity prices and the future prospects of the project. Additionally, it is often the case that as

¹ We note that the Directors have assessed the carrying value of the Southern Uranium's exploration assets in accordance with AASB 6 paragraph 20 which requires exploration expenses to be impaired in the following circumstances:

- the right to explore in the specific area is expired or will expire in the near future and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- the company has decided to discontinue exploration activities in a specific area; and
- sufficient data exist to indicate the carrying amount of the exploration expenses is unlikely to be recovered in full from successful development or by sale.

² Refer to section 2.5 of the AM&A's report for details in relation to the MEE valuation methodology for exploration assets.

further information is gathered in relation to the project, the value of the project can change materially.

Grant Thornton Corporate Finance notes that our valuation of Southern Uranium Shares is only relevant as at the date of this report.

For the purpose of assessing whether the Proposed Increase in Shareholding by TGH and CITIC is reasonable to the Non-Associated Shareholders, we note that RG 111 states that if the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is reasonable if it has assessed the issue price as being not fair applying the test in RG111.10.

Our reasonableness considerations have had regard to the potential adverse impact on the share price of Southern Uranium if the Underwriting Agreement is removed or if Southern Gold undertakes an orderly realisation process of its interest in Southern Uranium.

Based on the above and the following likely advantages and disadvantages associated with the Proposed Increase in Shareholding by TGH and CITIC, we have concluded that the Proposed Increase in Shareholding by TGH and CITIC is reasonable to the Non-Associated Shareholders.

The likely advantages associated with the Proposed Increase in Shareholding by TGH and CITIC include:

- if the Proposed Increase in Shareholding by TGH and CITIC is not approved, the Underwriting Arrangement will be terminated. In this regard, if Southern Gold proceeds with the Entitlement Offer, it may dispose the Southern Uranium Shares which would have been acquired by TGH and CITIC as a result of the Underwriting Arrangement on the market. Based on the liquidity of Southern Uranium Shares, any such disposals is likely to depress the share market price of Southern Uranium;
- if the Proposed Increase in Shareholding by TGH and CITIC is not approved and the Underwriting Arrangement is terminated, Southern Gold may terminate the Entitlement Offer. Accordingly, the Non-Associated Shareholders may not have the opportunity to purchase Southern Uranium Shares at a discount to the current share market prices;
- if the Proposed Increase in Shareholding by TGH and CITIC is not approved and the Underwriting Agreement and Entitlement Offer is terminated, the market price of Southern Uranium Shares is likely to be adversely impacted by Southern Gold's effective or perceived desire to divest their holding in Southern Uranium;
- if Southern Gold remains a substantial shareholder of Southern Uranium, it may constrain the ability of the Company to undertake future fund-raising at the prevailing market price by virtue of new investors being able to acquire Southern Uranium Shares held by Southern Gold for a price less than the market price;
- the further reinforcement of relationship between TGH/CITIC and Southern Uranium due to the Proposed Increase in Shareholding by TGH and CITIC may assist Southern Uranium to gain access to funding resources to further develop its uranium exploration; and

- the number of substantial shareholders will reduce to two and the total shareholdings of the substantial shareholders is likely to reduce, subject to the acceptance level of the Entitlement Offer. Both these factors are likely to enhance Southern Uranium's opportunity of receiving takeover offers.

If the Proposed Increase in Shareholding by TGH and CITIC is implemented, the likely disadvantages include:

- based on the terms of the Entitlement Offer and the Underwriting Arrangement, TGH and CITIC will subscribe for Southern Uranium Shares at the same price as other Southern Uranium Shareholders. Accordingly, as there is a possibility for TGH and CITIC to own more than 50% of the total issued capital in Southern Uranium, TGH and CITIC will potentially gain control over Southern Uranium without paying any control premium; and
- TGH and CITIC will together own between 28.64% and a maximum of 56.56% of the issued share capital in Southern Uranium. TGH and CITIC will become the largest shareholders in Southern Uranium and can exercise their voting rights in shareholder's meetings. TGH and CITIC may also nominate representatives to the Board of Southern Uranium by virtue of their shareholdings.

Other factors to be considered are:

- Southern Uranium is currently conducting certain drilling programs, however as at the date of this report, the drillings are incomplete and have not been fully analysed. Accordingly, we have not incorporated any potential uplift or impairment in the value of the exploration assets for the purpose of this report. The public announcement of the outcome of drilling programs has the potential to significantly increase or impair the value of Southern Uranium's exploration assets; and
- the Entitlement Offer is between Southern Gold and Southern Uranium Shareholders. It does not impact Southern Uranium's business affairs. Accordingly, irrespective of whether the Entitlement Offer is implemented or not, Southern Uranium is not expected to be affected.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Report" ("RG112"). In this regard, we note that entities controlled by Grant Thornton Australia Limited are the auditors of Southern Uranium and Southern Gold. However, RG 112.25(d) states that it is not necessary for an expert to decline an engagement if the expert provides professional services for compliance purpose. The audit services provided by Grant Thornton Australia Limited's controlled entities to both entities are strictly for compliance purposes. It is also our opinion that our audit services do not impact our ability in relation to the provision of the independent expert's report required by Southern Uranium. In our opinion, Grant Thornton

Corporate Finance is independent of Southern Uranium and its Directors and all other relevant parties of the proposed transaction.

The decision of whether or not to approve the Proposed Increase in Shareholding by TGH and CITIC is a matter for each Southern Uranium Shareholder based on their own views of value of Southern Uranium and expectations about future market conditions, Southern Uranium performance, risk profile and investment strategy. If Southern Uranium Shareholders are in doubt about the action they should take in relation to the Proposed Increase in Shareholding by TGH and CITIC, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



SCOTT GRIFFIN
Director



ANDREA DE CIAN
Director

17 August 2009

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Southern Uranium Ltd (“Southern Uranium” or the “Company”) to provide general financial product advice in the form of an independent expert’s report in relation to the proposed increase of Talbot Group Holdings Pty Ltd (“TGH”) and CITIC Australia Pty Ltd’s (“CITIC”) combined shareholdings in Southern Uranium from below 20% to above 20%. This report is included in the Company’s Notice of Extraordinary General Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of this report, Grant Thornton Corporate Finance will receive from the company a fee based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those

related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Southern Uranium in order to provide this report. The guidelines for independence in the preparation of independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Southern Uranium (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the propose transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Industry Complaints Services Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

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1 Outline of the Proposed Transaction

1.1 Overview

Southern Gold Limited (“Southern Gold”) is Southern Uranium Limited’s (“Southern Uranium”) largest shareholder and owns 45,000,000 ordinary shares in Southern Uranium (“Southern Uranium Shares”), representing approximately 39.13% of the total issued share capital in Southern Uranium.

On 29 June 2009, Southern Uranium and Southern Gold separately announced that Southern Gold intends to divest its 39.13% shareholding in Southern Uranium by way of a pro rata non renounceable offer to the remaining Australian and New Zealand shareholders of Southern Uranium (“Southern Uranium Shareholders”) (the “Entitlement Offer”).

Both Talbot Group Holdings Pty Ltd (“TGH”) and CITIC Australia Pty Ltd (“CITIC”) have reached an agreement with Southern Gold to fully underwrite the Entitlement Offer (the “Underwriting Arrangement”). We understand that both TGH and CITIC have agreed to accept the Entitlement Offer.

TGH holds 10,049,406 Southern Uranium Shares (approximately 8.74% of the total issued capital of Southern Uranium) and CITIC holds 10,000,000 Southern Uranium Shares (approximately 8.70% of the total issued capital of Southern Uranium).

TGH and CITIC together own approximately 20 million Southern Uranium Shares, representing approximately 17.44% of the total issued share capital in Southern Uranium.

TGH and CITIC are substantial shareholders of Southern Uranium and are associates for the purpose of the Corporations Act, 2001 (“Corporations Act”)³.

Southern Uranium, Southern Gold, TGH and CITIC entered into a heads of agreement on 29 June 2009 in relation to the implementation of the Entitlement Offer and the Underwriting Arrangement. Additionally, Southern Uranium and Southern Gold entered into an offer implementation deed for the purpose of facilitating the implementation of the Entitlement Offer.

Southern Uranium is an Australian company listed on the Australian Securities Exchange (“ASX”) and mainly engaged in exploring and developing economic uranium resources in Australia.

Southern Gold is an Australian company listed on the ASX and primarily engaged in gold exploration in Australia and Cambodia. Prior to the initial public offering of Southern Uranium in April 2007, Southern Uranium was the wholly owned subsidiary of Southern Gold.

TGH is a Queensland based investment company with a focus in the resource sector. TGH is also a shareholder of Southern Gold and owns approximately 24.30% of its total issued capital.

³ A memorandum of understanding was entered into between TGH and CITIC on 10 April 2007 (a copy of the memorandum was included as an announcement to the ASX on 12 April 2007) to record the manners and protocols in which both TGH and CITIC agreed in relation to their investments in Southern Uranium. As a result of the collaboration, TGH and CITIC are considered associates for the purpose of the Corporations Act.

CITIC is a wholly owned subsidiary of CITIC Group, which is one of China's largest state-owned companies with businesses including banking and finance, investments in the energy and raw materials sectors and international trades. CITIC is also a shareholder of Southern Gold and owns approximately 5.19% of its total issued capital.

Both TGH and CITIC intend to secure sources of uranium production. In December 2007, Southern Uranium, TGH and CITIC entered into a priority agreement whereby Southern Uranium granted TGH and CITIC rights of first refusal in respect of certain mining tenements in which Southern Uranium has or acquires interests (the "Priority Agreement"). During the term of the Priority Agreement, TGH and CITIC will continue to maintain between them a combined shareholding in Southern Uranium of at least 15% of the issued share capital of Southern Uranium. The Priority Agreement expires in December 2017.

1.2 The Entitlement Offer

Based on the draft offer document intended to be provided by Southern Gold to the Southern Uranium Shareholders⁴, key terms of the Entitlement Offer include:

- the Entitlement Offer is only open to the existing shareholders of Southern Uranium ("Southern Uranium Shareholders") located in Australia and New Zealand;
- Southern Uranium Shareholders are being offered nine Southern Uranium Shares at 5.5 cents per share for every 14 Southern Uranium Shares owned;
- Southern Uranium Shareholders can apply for additional shares from any shortfall before the underwriter takes up the shortfall; and
- the Entitlement Offer is subject to approval of the shareholders of Southern Gold ("Southern Gold Shareholders") other than TGH and CITIC under Chapter 10 of the ASX Listing Rules⁵.

Both TGH and CITIC have indicated that they will accept the Entitlement Offer, subject to the approval by the shareholders of Southern Uranium not associated with TGH and CITIC (the "Non-Associated Shareholders") under Item 7 of Section 611 of the Corporations Act. If approved, the combined shareholding of TGH and CITIC in Southern Uranium will increase from 17.44% to 28.64% before TGH and CITIC take up any additional Southern Uranium Shares under the Underwriting Arrangement.

1.3 The Underwriting Arrangement

Southern Gold, TGH and CITIC entered into the Underwriting Arrangement on 4 August 2009. The key terms and conditions of the underwriting agreement include:

- TGH and CITIC have agreed to acquire those Southern Uranium Shares being sold by Southern Gold but not acquired by the existing Southern Uranium Shareholders at 5.5 cents per share;

⁴ At the time when this report is being finalised, Grant Thornton Corporate Finance has not been provided with the final version of the offer document.

⁵ Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if it proposes to dispose of a substantial asset to a related party or substantial holder.

- the number of Southern Uranium Shares to be acquired by TGH and CITIC under the Underwriting Arrangement will be divided equally between TGH and CITIC;
- TGH and CITIC can place the Southern Uranium Shares acquired as a result of the Underwriting Arrangement with other parties;
- the Underwriting Arrangement is subject to a number of conditions precedent, including:
 - the Southern Uranium Shareholders approving TGH and CITIC to increase their combined shareholding in Southern Uranium from below 20% to above 20% (the “Proposed Increase in Shareholding by TGH and CITIC”) for the purpose of Item 7 of Section 611 of the Corporations Act, 2001 (“Corporations Act”);
 - an independent expert’s report prepared for Southern Uranium Shareholders in relation to the Proposed Increase in Shareholding by TGH and CITIC, with an opinion acceptable to Southern Uranium;
 - Southern Gold Shareholders other than TGH and CITIC approving the Entitlement Offer under ASX Listing Rule 10.1;
 - an independent expert’s report prepared for Southern Gold Shareholders for the purposes of ASX Listing Rule 10.10.2, with an opinion acceptable to Southern Gold; and
 - approval under Foreign Acquisitions and Takeovers Act 1975 in relation to CITIC’s acquisition of Southern Uranium Shares.

Based on the Underwriting Arrangement, if no Southern Uranium Shareholder accepts the Entitlement Offer, TGH and CITIC will acquire the entire parcel of Southern Uranium Shares proposed to be disposed by Southern Gold and increase their shareholding to a maximum of 56.56% (inclusive of those Southern Uranium Shares to be acquired by TGH and CITIC through the Entitlement Offer).

2 Scope of the report

2.1 Purpose

If TGH and CITIC accept the Entitlement Offer, their combined shareholding in Southern Uranium will increase from the existing 17.44% to 28.64%. In addition, the Underwriting Agreement will likely to further increase their shareholdings in Southern Uranium to a maximum of 56.56%, if no Southern Uranium Shareholder accepts the Entitlement Offer.

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition result in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the Non-Associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111") issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Section 611(7) of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The Independent Directors (directors not associated with the proposal) may satisfy their obligations to provide such an analysis by either:

- commissioning an independent expert's report; or
- undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

Accordingly, the Directors of Southern Uranium have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Increase in Shareholding by TGH and CITIC is fair and reasonable to the Non-Associated Shareholders for the purpose of Item 7 of Section 611 of the Corporations Act.

We understand that Southern Gold has commissioned an independent expert's report in relation to the Entitlement Offer. The information associated with the Entitlement Offer included in this report is primarily used to assess the Proposed Increase in Shareholding by TGH and CITIC. Grant Thornton Corporate Finance has not provided an opinion in relation to the merits of the Entitlement Offer. Southern Uranium Shareholders and shareholders of Southern Gold are advised to seek their own independent advice in relation to the Entitlement Offer.

An independent technical specialist, Al Maynard & Associates Pty Ltd ("AM&A") was engaged to assist in the preparation of this report.

2.2 Basis of assessment

Neither the ASX Listing Rules nor the Corporation Act defines the term “fair and reasonable”.

In preparing our report Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111 which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Increase in Shareholding with reference to Section 640 of the Corporations Act. In this regard, RG 111 states that:

- an offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is script or cash and without consideration of the percentage holding of the offeror or its associates in the target company;
- an offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
 - the offeror’s pre-existing entitlement, if any, in the shares of the target company;
 - other significant shareholding blocks in the target company;
 - the liquidity of the market in the target company’s securities;
 - taxation losses, cash flow or other benefits through achieving 100% ownership of the target company;
 - any special value of the target company to the offer, such as particular technology and the potential to write off outstanding loans from the target company;
 - the likely market price if the offer is unsuccessful; and
 - the value to an alternative offeror and likelihood of an alternative offer being made.

Based on the above, Grant Thornton Corporate Finance has determined whether the Proposed Increase in Shareholding by TGH and CITIC is fair to the Non-Associated Shareholders by comparing the value range of Southern Uranium Shares, on a control basis, with the acquisition price of 5.5 cents per share.

In considering whether the Proposed Increase in Shareholding by TGH and CITIC is reasonable, we have considered a number of factors, including:

- whether the Proposed Increase in Shareholding by TGH and CITIC is fair;

- the implications of TGH and CITIC collectively holding between 28.64% and 56.56% of the total issued capital of Southern Uranium;
- the implications to Southern Uranium and the Non-Associated Shareholders if the Proposed Increase in Shareholding by TGH and CITIC is not approved; and
- other likely advantages and disadvantages relevant to the Non-Associated Shareholders.

For the purpose of this report, we have also considered the advantages and disadvantages associated with the Proposed Increase in Shareholding by TGH and CITIC as required by RG 111.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with reference to the ASIC Regulatory Guide 112 “Independence of Expert’s Report” (“RG112”).

Entities controlled by Grant Thornton Australia Limited are the auditors of Southern Uranium and Southern Gold. RG 112.25(d) states that it is not necessary for an expert to decline an engagement if the expert provides professional services for compliance purpose. The audit services provided by Grant Thornton Australia Limited’s controlled entities to both entities are strictly for compliance purposes. It is also our opinion that our audit services do not impact our ability in relation to the provision of the independent expert’s report required by Southern Uranium. In our opinion, Grant Thornton Corporate Finance is independent of Southern Uranium and its Directors and all other relevant parties of the proposed transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval in relation to the Proposed Increase in Shareholding by TGH and CITIC, other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report. Except for this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the proposed transaction.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum dated on or around 17 August 2009 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of whether or not to approve the Proposed Increase in Shareholding by TGH and CITIC. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Extraordinary General Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Increase in Shareholding by TGH and CITIC to the Non-Associated Shareholders as a whole. We have not considered the potential impact on individual shareholders of Southern Uranium. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications on individual shareholders.

The decision of whether or not to approve the Proposed Increase in Shareholding by TGH and CITIC is a matter for each Non-Associated Shareholder based on their own views of value of Southern Uranium and expectations about future market conditions, Southern Uranium's performance, risk profile and investment strategy. If the Non-Associated Shareholders are in doubt about the action they should take in relation to whether or not to approve the Proposed Increase in Shareholding by TGH and CITIC, they should seek their own professional advice.

3 Profile of the industry

Southern Uranium is mainly engaged in exploring and developing economic uranium resources in Australia. This section provides an overview of the uranium exploration industry.

3.1 Consumption

Uranium is primarily used as a fuel for the nuclear power stations. Uranium is also used for medical, industrial and scientific applications. The demand for uranium is growing as a number of developed and developing countries are moving towards using nuclear power generation.

The worldwide consumption of uranium decreased from 77,700 tonnes in 2007 to 76,200 tonnes in 2008⁶. Uranium consumption in 2009 is expected to increase to 81,000 tonnes⁶ as a result of a number of new nuclear power stations scheduled to be commissioned in India, Japan, Russia, Canada and Iran.

3.2 Production

The worldwide production of uranium increased to 51,900 tonnes in 2008 from 48,600 tonnes in 2007 and is forecast to increase to 56,000 tonnes in 2009. Canada, Australia and Kazakhstan were the biggest producers of uranium in the world in 2008, accounting for a total of approximately 60% of the total world production of the year. The forecasted increase in production in 2009 is mainly driven by production increases in Kazakhstan and Africa due to recent commissioning of additional mines.

Over the years, uranium consumption has exceeded the production by a wide margin. The gap between the consumption and production is covered by secondary sources of supply, being the surplus levels of inventory and reprocessed nuclear fuel and mixed oxide fuels.

Australia's uranium production increased to 10,100 tonnes in 2008 from 9,600 tonnes in 2007 and is forecast to increase to 10,600 tonnes in 2009. The commissioning of a laterite processing plant is expected to be the main driver for the forecasted increase in Australia's uranium production.

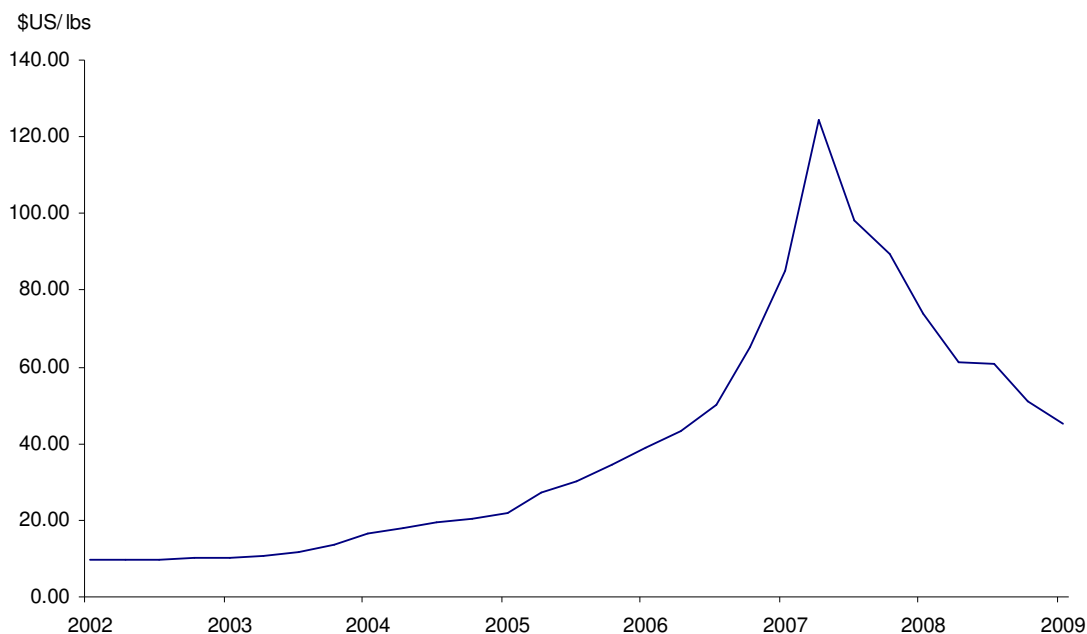
All uranium produced in Australia is exported for use by nuclear power stations. The nuclear power stations in the United States account for approximately 36% of the uranium exported by Australia, followed by European Union ("EU") (29%) and Japan (25%)⁷.

⁶ The Australian Bureau of Agricultural and Resource Economics "ABARE"

⁷ IBISworld Industry Report, 'Uranium Mining in Australia'

3.3 Prices

Set out below are the historical uranium prices:



Source: ABARE

The increase in uranium prices for the period from 2002 to 2007 was mainly due to a shortage in supply. The prices in 2007 were also affected by the disruptions in production. The uranium price reached its peak of US\$136 per lb in June 2007.

The world uranium price decreased to an average of US\$62 per lb in 2008. Further, the average uranium price for the March 2009 quarter decreased to \$US45 per lb, which is consistent with the general commodity price movement over that period.

3.4 Outlook

As a result of a number of new nuclear power stations, the uranium prices are expected to increase for the remainder of 2009. For 2010, uranium prices are forecast to continue to increase. For the period of between 2011 and 2013, however, the prices are expected to stabilise.

3.5 Key factors affecting exploration

The key factors affecting uranium exploration activities include:

- demand for uranium – the growth in demand for uranium is driven by the number of new nuclear power stations since nuclear power stations account for the majority uranium consumption;
- uranium prices;

- exchange rates as uranium is mainly traded in US dollars;
- political and regulatory factors as uranium can be used for producing nuclear weapons;
- funding requirements as uranium exploration is considered a high risk investment which involves a considerable amount of risks and uncertainties. In Australia, exploration expenditure is mainly funded by producing mines and by the public through listing in the share market.

4 Profile of Southern Uranium

4.1 Company overview

Southern Uranium is an Australian company listed on the ASX. Southern Uranium is mainly engaged in exploration and acquisition of uranium projects in Australia.

4.2 Exploration assets

Southern Uranium has a portfolio of exploration assets in South Australia, Queensland and Northern Territory. As at the date of this report, Southern Uranium has interests in the following exploration assets:

Project	Total area km ²	JV Partner	Manager	Southern Uranium's share of interest
South Australia - IOCGU projects				
Oak Dam	174	Uranium West Pty Ltd	Southern Uranium	75%
Southern Gawler Arc JV	583	Mega Hindmarsh Pty Ltd	Southern Uranium	75%
Kimba/Caralue JV	1,225	Ellembay Resources Ltd	Southern Uranium	0%
Eyre Peninsula	1,352	na	Southern Uranium	100%
Streaky Bay/ Mt Sam/Jumpuppy	1,479	na	Southern Uranium	100%
South Australia - Palaeochannel projects				
Tallaringa JV	1,495	MHP	Mega Hindmarsh Pty Ltd	30%
Challenger West JV	1,510	MHP	Mega Hindmarsh Pty Ltd	49%
Yorke Peninsula	1,000	na	Southern Uranium	100%
Northern Territory - Unconformity projects				
Rum Jungle JV	10	Uranium West Pty Ltd	Southern Uranium	0%
Calvert Hills JV	822	Uranium West Pty Ltd	Southern Uranium	50%
Queensland - Volcanic and sediment-hosted projects				
Pandanus West JV	280	Epsilon Energy Ltd	Southern Uranium	60%*
Cloncurry	779	na	Southern Uranium	100%

* Southern Uranium has 60% interest in Pandanus West tenement and right to earn 100% interest in Montgomery and Wallaroo tenements

Source: Southern Uranium

Southern Uranium has currently focused its exploration activities on developing targets and drill access for priority projects, being Eyre Peninsula in South Australia, Calvert Hills in the Northern Territory and Pandanus West in Queensland. The drill sites and access routes were surveyed at Calvert Hills and drilling of six holes commenced in early August 2009. An aircore drilling program is expected to be conducted at Jungle Dam in September 2009 and a survey to finalise drill positioning at Pandanus West is underway. The drill testing at Pandanus West, subject to various approvals, is scheduled to commence in September 2009.

The details of all the exploration assets of Southern Uranium can be found in the report prepared by AM&A (Appendix C).

4.3 Financial information

4.3.1 Financial performance

Summarised below is the recent financial performance of Southern Uranium:

Southern Uranium Income Statement	FY07	FY08	1H09
	Audited	Audited	Reviewed
	\$'000	\$'000	\$'000
Revenue	-	-	-
Administrative expenses	(218)	(1,234)	(619)
Employee benefit expenses	(50)	(504)	(307)
Exploration and evaluation expenses	(11)	(102)	(47)
EBITDA	(278)	(1,840)	(973)
Depreciation and amortisation	(1)	(54)	(67)
Impairment losses	-	-	(57)
EBIT	(279)	(1,894)	(1,096)
Interest income	141	680	294
Earnings before tax	(138)	(1,213)	(802)
Tax expenses	(239)	-	-
NPAT	(377)	(1,213)	(802)

Source: Southern Uranium annual and mid year reports

As the exploration assets owned by Southern Uranium are still in their exploration phase, Southern Uranium has not generated any revenues over the years.

As at the date of this report, full year results for the year ended 30 June 2009 were not available.

4.3.2 Financial position

The financial position of Southern Uranium as at 30 June 2008 (audited) and 31 December 2008 (reviewed) is set out in the table below:

Southern Uranium Balance sheet	As at	As at
	30-Jun-08	31-Dec-08
	Audited	Reviewed
	\$'000	\$'000
Current assets		
Cash and cash equivalents	9,565	7,278
Trade and other receivables	871	15
	10,436	7,293
Non current assets		
Other financial assets	26	33
Plant and Equipment	270	298
Exploration and evaluation	3,463	5,095
	3,759	5,426
Total assets	14,196	12,719
Current liabilities		
Trade and other payables	1,178	504
Total liabilities	1,178	504
Net assets	13,018	12,215
Equity		
Share capital	14,524	14,524
Reserves	84	84
Retained earnings/(accumulated losses)	(1,590)	(2,392)
	13,018	12,215

Source: Southern Uranium annual reports and management

Based on the accounting policy of Southern Uranium, exploration and evaluation expenditure is capitalised when incurred. However, 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 which permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned project are written off.

Grant Thornton Corporate Finance notes that the carrying amount of the exploration and evaluation expenditure using this accounting policy does not necessarily equal the fair market value of Southern Uranium's exploration assets.

The Directors of Southern Uranium regularly review the appropriateness of the carrying amount of the capitalised exploration and evaluation expenditure in accordance with the accounting policy and Australian Accounting Standard AASB 6 "Exploration for and evaluation of Mineral Resources" ("AASB6"). In this regard, Directors of Southern Uranium have advised that the carrying amount of the exploration and evaluation expenditure is typically impaired if any of the following conditions exist:

- the right to explore in the specific area has expired or will expire in the near future, and the right to explore is not expected to be renewed;

- substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is not budgeted or planned;
- exploration for, and evaluation of, mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation expenditure is unlikely to be recovered in full from successful development or by sale.

Based on the above criteria, the Directors of Southern Uranium have reviewed the total exploration and evaluation expenditure of approximately \$6.26 million as at 30 June 2009 and have written off expenditure of approximately \$1 million. Accordingly, the Directors of Southern Uranium have determined that the appropriate carrying value of the exploration and evaluation expenditure as at 30 June 2009 is approximately \$5.2 million.

We note the following in relation to the other balance sheet items of Southern Uranium:

- as at 30 June 2009, Southern Uranium had cash and cash equivalents of approximately \$5.35 million⁸;
- other financial assets includes bonds and deposits paid by Southern Uranium;
- trade and other receivables include reimbursements of exploration expenditure made on behalf of joint venture partners; and
- no material movements in the assets and liabilities of Southern Uranium between 30 June 2009 and the date of this report.

4.4 Capital structure

As at 28 July 2009, Southern Uranium has on issue:

- 115,000,000 Southern Uranium Shares; and
- 9,800,000 share options (“Uranium Options”).

⁸ Quarterly Activities Report for the period ending 30 June 2009

4.4.1 Southern Uranium Shares

The top 10 shareholders of Southern Uranium as at 15 June 2009 are set out below:

Shareholder	No of shares	% of issued shares
Southern Gold Limited	45,000,000	39.13%
Talbot Group Holdings Limited	10,049,406	8.74%
Citic Australia Pty Ltd	10,000,000	8.70%
Mr Dezong Yuan	1,973,393	1.72%
Mr Yu Xuan Yuan	1,246,996	1.08%
Ms Yu Chuan Chen	865,888	0.75%
Dr Leon Eugene Pretorius	800,000	0.70%
Plaisance Pty Ltd	725,000	0.63%
Boulevade Investments Pty Ltd	600,000	0.52%
Mr Allen John Tapp & Ms Maria Polymeneas	600,000	0.52%
Total Top 10 Shareholders	71,860,683	62.49%
Other shareholders	43,139,317	37.51%
Total	115,000,000	100.00%

Source: Southern Uranium

4.4.2 Uranium Options

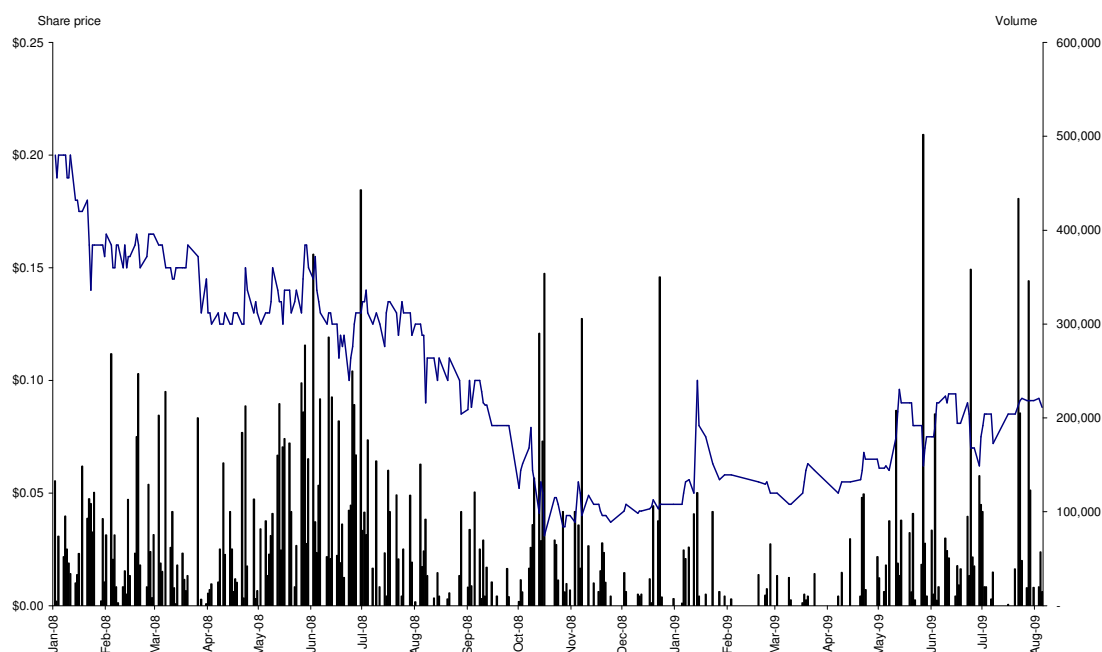
A summary of the Uranium Options outstanding as at 28 July 2009 is set out below:

Option type	Exercise price	Expiry date	Number of options
Options issued to Directors	0.250	31-Mar-10	7,500,000
Options issued to corporate advisors	0.250	2-Apr-11	2,000,000
Options issued to employees	0.180	12-Aug-12	100,000
Options issued to employees	0.184	23-Sep-12	100,000
Options issued to employees	0.205	1-Oct-12	100,000
Total number of options			9,800,000

Source: Southern Uranium annual reports

4.5 Share price performance

The daily share price movements in Southern Uranium's share price and volumes for the period from 1 Jan 2008 to 31 July 2009 is set out below:



Source: Reuters

We note the following with regard to share price history shown above:

Date	Comments
22 February 2008	Southern Uranium announced the commencement of drilling program in Gawler Craton, South Australia. The share price of Southern Uranium closed at \$0.150.
4 March 2008	Southern Uranium announced signing of joint venture with Uranium West Pty Ltd in relation to the Rum Jungle and Calvert Hills. The share price of Southern Uranium closed at \$0.160.
17 April 2008	Southern Uranium announced signing of a farm-in and joint venture agreement with Epsilon Energy Limited in relation to Pandanus West Project located in North Queensland. The share price of Southern Uranium closed at \$0.130.
23 April 2008	Southern Uranium announced positive results from the drill test conducted at Jindivik prospect in the Olympic Dam district. The share price of Southern Uranium closed at \$0.150.
14 May 2008	Southern Uranium announced the signing of farm-in and joint venture agreement with Ellembey Resources Pty Ltd in relation to Kimba and Caralue tenements. The share price of Southern Uranium closed at \$0.135.
9 October 2008	Southern Uranium announced the commencement of exploration program in Western Australia. The share price of Southern Uranium closed at \$0.06.
2 December 2008	Southern Uranium announced that it has earned 51% equity in Pandanus West Project. The share price closed at \$0.042.

Date	Comments
29 June 2009	Southern Uranium and Southern Gold separately announced that Southern Gold intends to divest its 39.1% shareholding in Southern Uranium by way of a pro rata non renounceable offer to the shareholders of Southern Uranium. The share price of Southern Uranium closed at \$0.062.
30 June 2009	Southern Uranium announced that a government grant of \$75,000 has been allocated in relation to Southern Uranium's exploration program at Calvert Hills in Northern Territory. The share price closed at \$0.075.

Source: ASX announcements

Set out below is the share price performance of Southern Uranium since September 2008:

Share price performance of Southern Uranium	Share price			Average weekly volume
	High (\$)	Low (\$)	Close (\$)	
Month ended				
September 2008	0.100	0.080	0.080	197,885
October 2008	0.079	0.031	0.040	437,373
November 2008	0.055	0.035	0.037	345,588
December 2008	0.050	0.041	0.045	282,332
January 2009	0.100	0.045	0.058	244,864
February 2009	0.058	0.050	0.050	134,680
March 2009	0.063	0.045	0.060	83,125
April 2009	0.068	0.050	0.065	268,409
May 2009	0.096	0.060	0.075	428,710
June 2009	0.094	0.062	0.075	379,207
July 2009	0.092	0.072	0.091	505,998
Week ended				
22-May-2009	0.094	0.080	0.080	196,000
29-May-2009	0.080	0.062	0.075	622,371
5-Jun-2009	0.090	0.075	0.090	321,705
12-Jun-2009	0.094	0.090	0.094	181,088
19-Jun-2009	0.094	0.081	0.081	113,345
26-Jun-2009	0.090	0.070	0.070	579,012
3-Jul-2009	0.090	0.062	0.085	385,887
10-Jul-2009	0.085	0.072	0.072	42,781
17-Jul-2009	0.085	0.085	0.085	1,100
24-Jul-2009	0.092	0.085	0.092	725,562
31-Jul-09	0.092	0.09	0.091	507,300

Source: Reuters and calculations

5 Valuation methodologies

5.1 Introduction

When assessing whether or not the Proposed Increase in Shareholding by TGH and CITIC is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has assessed the value of Southern Uranium Shares on a controlling basis.

Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- the discounted cash flow (“DCF”) method;
- the capitalisation of earnings method;
- orderly realisation of assets;
- the quoted price of listed securities; and
- the amount a potential acquirer may be prepared to pay for the business.

We have outlined these methodologies in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

5.2 Methodology selected to value Southern Uranium Shares

In assessing the fair market value of Southern Uranium, Grant Thornton Corporate Finance has aggregated:

- the carrying value of its exploration assets;
- the value of other assets and liabilities owned by Southern Uranium; and
- deducted the capitalised value of corporate overheads.

Based on Regulatory Guide 112 “Independence of experts” and market practice, valuation of mining assets for independent expert’s report purposes are typically carried out in conjunction with an independent technical specialist with expertise in the relevant minerals. Valuations of exploration assets, which are typically highly judgemental, are typically carried out by the independent technical specialist using methodologies which require a high degree of industry knowledge.

Based on exploratory nature of Southern Uranium's exploration assets and the information provided, Grant Thornton Corporate Finance has engaged AM&A to value the exploration assets of Southern Uranium for the purpose of this report.

A copy of AM&A report is included as Appendix C to this report.

Prior to reaching our valuation conclusions, we have considered the reasonableness of our valuation by comparing our results to the share market prices of Southern Uranium Shares.

6 Valuation of Southern Uranium Shares

6.1 Exploration assets

For the purpose of this report Grant Thornton Corporate Finance has engaged an independent technical specialist, AM&A, to value the exploration assets of Southern Uranium in accordance with the VALMIN Code⁹.

We have reviewed the report by AM&A and have discussed the valuation approach and conclusions with representatives of AM&A. Specifically, AM&A has advised that:

- information in relation to specific exploration expenditure for each tenement has not been made available for the purpose of AM&A's report;
- based on the incomplete information made available to AM&A, AM&A has used the empirical approach to value Southern Uranium's exploration assets;
- in AM&A's opinion, the results of the empirical approach is typically subjective;
- the multiple of exploration expenditure method ("MEE"), which is also a subjective method, is also typically used to value exploration assets. However, AM&A could not apply the MEE method as specific exploration expenditure was not made available to AM&A;
- AM&A concluded that the fair market value of Southern Uranium's exploration assets is in the range of \$252,000 to \$308,000 as at 31 July 2009, with a mid-point of \$280,000; and
- AM&A has not performed a reasonableness assessment of its valuation conclusion using an alternate valuation approach.

In this regard, Grant Thornton Corporate Finance notes that:

- valuation of exploration assets is typically a highly subjective exercise. Whilst there are a number of generally accepted methodologies used to value these assets, none of these methodologies are considered 'perfect' and the valuation process typically involves a high degree of subjectivity;
- the fair market value provided by AM&A represents a significant discrepancy to the carrying value of Southern Uranium's exploration and evaluation expenditure asset of approximately \$5.2 million as at 30 June 2009. Based on discussions with AM&A, it is our opinion that the magnitude of the discrepancy may be related to the additional information available to the Directors of Southern Uranium which has not been made available to AM&A; and

⁹ The VALMIN Code is binding on members of the Australasian Institute of Mining and Metallurgy when preparing public independent expert reports required by the Corporations Act concerning mineral and petroleum assets and securities. The purpose of the VALMIN Code is to provide a set of fundamental principles and supporting recommendations regarding good professional practice to assist those involved in the preparation of independent expert reports that are public and required for the assessment and/or valuation of mineral and petroleum assets and securities so that the resulting reports will be reliable, thorough, understandable and include all the material information required by investors and their advisers when making investment decisions.

- AM&A has not been able to cross check its results to the MEE method as information necessary for the application of the MEE method has not been made available.

Based on the above, it is our opinion that the fair market value provided by AM&A is not conclusive and may not represent the true fair market value of Southern Uranium's exploration assets. Accordingly, Grant Thornton Corporate Finance has not adopted AM&A's valuation for the purpose of this report.

Grant Thornton Corporate Finance further notes that the amount spent on exploration of a tenement is commonly used as a guide in determining the value of exploration tenements. The rationale is that well directed exploration activities typically add value to the exploration tenements. In this respect, Grant Thornton Corporate Finance has had regard to the total exploration and evaluation expenditure spent by Southern Uranium and the procedures adopted by the Directors of Southern Uranium in evaluating the carrying value of Southern Uranium's exploration assets (Section 4.3.2). As a result, we have adopted the carrying value of Southern Uranium's exploration assets of approximately \$5.2 million as at 30 June 2009, which was estimated by the Directors of Southern Uranium in accordance with AASB 6.

As discussed in Section 4.2, Southern Uranium is currently conducting certain drilling programs. We have made enquiries with the Directors of Southern Uranium in relation to the outcome of the drilling programs.

We note that the fair market value of the Southern Uranium's exploration assets may be materially affected by the outcome of the drilling programs. As at the date of this report, the drillings are incomplete and have not been fully analysed. Accordingly, the Directors have not provided us with any drilling results.

Based on the above, we have not incorporated any potential uplift or impairment in the value of the exploration assets for the purpose of this report.

6.2 Other assets and liabilities

For the purposes of the valuation, Grant Thornton Corporate Finance has considered the realisable value of other assets and liabilities of Southern Uranium.

Based on discussions with management of Southern Uranium, we have assessed the total value of other assets and liabilities of Southern Uranium to be \$5.04 million (net), which include cash of approximately \$5.35 million.

6.3 Corporate overheads

Management of Southern Uranium have advised that the company incurs corporate costs of approximate \$1.5 million per annum that are not directly related to the exploration activities. These costs include costs associated with maintaining office premises, the executive management teams, finance and corporate administration and costs associated with the listing status of Southern Uranium.

When considering the fair market value of Southern Uranium on a 100% basis, we have assumed Southern Uranium is a privately held entity. Accordingly, we have excluded those costs which could be potentially saved by a hypothetical purchaser of Southern Uranium by privatising the entity. In this regard, management of Southern Uranium have advised that a total of approximately \$0.2 million per annum of corporate overheads is related to Southern Uranium being a publicly listed company.

We also considered the amount of costs that could potentially be saved by a hypothetical purchaser of Southern Uranium who has an established portfolio of exploration assets. In our opinion, the amount of corporate overheads, in addition to the listing costs that would potentially be saved by the hypothetical purchaser are likely to be approximately \$0.3 million per annum.

For the purpose of the valuation, we have capitalised the corporate overheads, excluding costs associated with the listing status and potential savings by the hypothetical purchaser of Southern Uranium using the capitalisation of earnings methodology at a multiple range of 2 to 3 times.

Corporate overheads	Low	High
	\$'000	\$'000
Corporate overheads per annum	1,500	1,500
Administration costs related to the listing status of Southern Uranium	(200)	(200)
Potential savings available to a hypothetical purchaser	(300)	(300)
Ongoing corporate overheads	1,000	1,000
Capitalisation multiple for ongoing corporate costs	2	3
Capitalised value of corporate overheads	2,000	3,000

Source: calculations

Based on the above, Grant Thornton Corporate Finance has assessed the capitalised value of corporate overheads in the range of \$2.0 million to \$3.0 million.

6.4 Tax losses

Southern Uranium has approximately \$5 million in accumulated tax losses which could potentially be used to offset against future taxable income. However, the amount has not been recognised as an asset for financial reporting purposes as it does not satisfy the recognition criteria under the relevant accounting standards.

For valuation purposes, unutilised tax losses may have a value as the hypothetical purchaser of company can use the tax losses to offset against future taxable income, subject to satisfying certain taxation rules.

With respect to the potential utilisation of tax losses by Southern Uranium, Grant Thornton Corporate Finance notes that:

- Southern Uranium does not currently generate any material earnings or positive cash flows; and

- management of Southern Uranium have advised that in order to utilise the tax losses to offset future taxable income, Southern Uranium needs to reach the production phase, which is remote as at the date of this report.

Based on the above, it is not possible to predict whether or not Southern Uranium will be able to generate any material earnings in the future and as a result be able to utilise the tax losses. Accordingly, we have not ascribed a value to Southern Uranium's unutilised tax losses.

6.5 Exercise of options

Southern Uranium has 9,800,000 Uranium Options outstanding with exercise prices ranging between \$0.18 and \$0.25. Furthermore, we note that 7,500,000 of the total number of Uranium Options are due to expire on 31 March 2010.

As the exercise prices of the Uranium Options are well above the current share market price of Southern Uranium Shares, we have not considered the potential impact of the exercise of the these options.

6.6 Summary of valuation

Our valuation of Southern Uranium Shares is summarised in the table below:

Fair market value of Southern Uranium	Low	High
	\$'000s	\$'000s
Mineral assets	5,200	5,200
Other assets and liabilities (net)	5,044	5,044
Corporate overheads	(3,000)	(2,000)
Fair market value of Southern Uranium	7,244	8,244
Total number of Uranium Shares on issue ('000)	115,000	115,000
Value per Southern Uranium Share (cents)	6.30	7.17

Source: Calculations

Based on the above, we have assessed the value of the Southern Uranium Shares in the range of 6.30 cents to 7.17 cents per share.

Grant Thornton Corporate Finance notes that our assessed value of Southern Uranium Shares is on a 100% basis and inclusive of a control premium.

6.7 Valuation cross check

Prior to reaching our valuation conclusion we have considered the reasonableness of our valuation by comparing our results to the recent share market prices of Southern Uranium Shares.

We have selected the share market prices of Southern Uranium Shares prior to the announcement of the Entitlement Offer and the Underwriting Arrangement for reference as share market prices

post the announcement may be affected by the terms of the Entitlement offer and the Underwriting Arrangement and speculation of the proposed transaction.

Set out below is a summary of the share market prices at which Southern Uranium Shares have traded on the ASX for various periods prior to the announcement of the proposed transaction:

Share market price of Uranium Shares prior to the announcement of the Proposed Transaction	\$
26 June 2009 (last trading day before the announcement of proposed transaction)	0.070
1 week prior to 26 June 2009 (VWAP)	0.079
1 month prior to 26 June 2009 (VWAP)	0.079
2 months prior to 26 June 2009 (VWAP)	0.079
3 months prior to 26 June 2009 (VWAP)	0.076

Source: Reuters

We note that our assessed value of Southern Uranium Shares is within the range of the share market price immediately before the announcement of the Entitlement Offer and the Underwriting Arrangement.

Based on the above, we consider our valuation of Southern Uranium Shares is reasonable.

7 Evaluation of the proposed transaction

7.1 Fairness

For the purpose of assessing whether the Proposed Increase in Shareholding by TGH and CITIC is fair to the Non-Associated Shareholders, we have compared the value of Southern Uranium Shares inclusive of a control premium, as required by Regulatory Guide 111 “Contents of expert reports” issued (“RG 111”) by the Australian Securities and Investments Commission (“ASIC”), with the offer price of 5.5 cents per share under the Entitlement Offer and the Underwriting Arrangement.

The following table summarises our assessment:

Assessment of fairness	Reference	Low Cents	High Cents
Offer price under the Entitlement Offer and Underwriting Agreement	<i>Section 1.2 & 1.3</i>	5.50	5.50
Value of Southern Uranium Shares - control basis	<i>Section 6.6</i>	6.30	7.17
Discount		(0.80)	(1.67)
Discount %		(13%)	(23%)

Source: Calculations

Grant Thornton Corporate Finance notes that the value of Southern Uranium Shares (inclusive of control premium) is higher than the offer price of 5.5 cents per Southern Uranium Share under the Entitlement Offer and the Underwriting Arrangement.

As the Southern Uranium Shares will be issued at a discount for the purpose of the Proposed Increase in Shareholding by TGH and CITIC, we have concluded that the Proposed Increase in Shareholding by TGH and CITIC is not fair to the Non-Associated Shareholders.

Southern Uranium Shareholders should note the following factors in relation to our analysis:

- our assessment of Southern Uranium Shares is primarily based on the carrying value of Southern Uranium’s exploration assets as at 30 June 2009, which we understand has been reviewed by the Directors of Southern Uranium for impairment purposes in accordance with the requirements of AASB 6. Southern Uranium is currently conducting certain drilling programs. We note that the carrying value of the Southern Uranium’s exploration assets may be materially affected by the outcome of the drilling programs. As at the date of this report, the drillings are incomplete and have not been fully analysed. Accordingly, we have not incorporated any potential uplift or impairment in the value of the exploration assets for the purpose of this report;
- Grant Thornton Corporate Finance has been provided with the information to be included in the Southern Uranium’s draft financial statements for the year ended 30 June 2009. This information indicates that the carrying value of the exploration and expenditure assets as at 30 June 2009 was \$5.2 million;
- it is our opinion that the valuation of Southern Uranium’s exploration assets by AM&A of \$280,000 (mid-point) does not appear to be conclusive as AM&A was not provided with access to information in relation to the individual tenement exploration expenditure. The fair market

value provided by AM&A represents a significant discrepancy to the Directors' estimate of the carrying value of Southern Uranium's exploration assets of approximately \$5.2 million as at 30 June 2009 (Section 4.3.2). Based on our discussion with AM&A, we believe the magnitude of this discrepancy may be related to the additional information available to the Directors of Southern Uranium which has not been provided to AM&A. Accordingly, AM&A was precluded to use the Multiple of Exploration Expenses¹⁰ ("MEE") valuation methodology to assess the fair market value of the Southern Uranium's exploration assets. As set out in the AM&A's report, the technical specialist believes that "*a higher valuation may be determined if the individual tenement exploration expenditure details are made available*". Accordingly, we have not relied on AM&A's report on Southern Uranium's exploration assets in our assessment of the fairness of the Proposed Increase in Shareholding by TGH and CITIC; and

- the fair market value of exploration assets is sensitive to a wide range of factors, including commodity prices and the future prospects of the project. Additionally, it is often the case that as further information is gathered in relation to the project, the value of the project can change materially.

Grant Thornton Corporate Finance notes that our valuation of Southern Uranium Shares is only relevant as at the date of this report.

7.2 Reasonableness

For the purpose of assessing whether the Proposed Increase in Shareholding by TGH and CITIC is reasonable to the Non-Associated Shareholders, we note that RG 111 states that if the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is reasonable if it has assessed the issue price as being not fair applying the test in RG111.10.

Our reasonableness considerations have had regard to the potential adverse impact on the share price of Southern Uranium if the Underwriting Agreement is removed or if Southern Gold undertakes an orderly realisation process of its interest in Southern Uranium.

Based on the above and the following likely advantages and disadvantages associated with the Proposed Increase in Shareholding by TGH and CITIC, we have concluded that the Proposed Increase in Shareholding by TGH and CITIC is reasonable to the Non-Associated Shareholders.

7.2.1 Likely advantages associated with the Proposed Increase in Shareholding by TGH and CITIC

7.2.1.1 *Stabilises the share market prices of Southern Uranium Shares*

If the Proposed Increase in Shareholding by TGH and CITIC is not approved, the Underwriting Arrangement will be terminated. In this regard, if Southern Gold proceeds with the Entitlement Offer, it may dispose the Southern Uranium Shares which would have been acquired by TGH and CITIC as a result of the Underwriting Arrangement on the market. Based on the liquidity of

¹⁰ Refer to section 2.5 of the AM&A's report for details in relation to the MEE valuation methodology for exploration assets.

Southern Uranium Shares, any such disposals is likely to depress the share market price of Southern Uranium.

7.2.1.2 Implications if the Proposed Increase in Shareholding by TGH and CITIC is not approved

If the Proposed Increase in Shareholding by TGH and CITIC is not approved and the Underwriting Arrangement is terminated, Southern Gold may terminate the Entitlement Offer. Accordingly, the Non-Associated Shareholders may not have the opportunity to purchase Southern Uranium Shares at a discount to the current share market prices.

7.2.1.3 Implications on the share price if the Proposed Increase in Shareholding by TGH and CITIC is not approved

If the Proposed Increase in Shareholding by TGH and CITIC is not approved and the Underwriting Agreement and Entitlement Offer is terminated, the market price of Southern Uranium Shares is likely to be adversely impacted by Southern Gold's effective or perceived desire to divest their holding in Southern Uranium;

7.2.1.4 Future fund raising

If Southern Gold remains a substantial shareholder of Southern Uranium, it may constrain the ability of the Company to undertake future fund-raising at the prevailing market price by virtue of new investors being able to acquire Southern Uranium Shares held by Southern Gold for a price less than the market price;

7.2.1.5 Access to business opportunities

TGH and CITIC are Southern Uranium's strategic investors. Management of Southern Uranium have advised that the relationship with TGH and CITIC allows Southern Uranium:

- to gain access to funding resources to further develop its uranium exploration;
- to gain access to the international uranium market, particularly in China; and
- to potentially gain future financial support from TGH and CITIC.

We further note that based on the Priority Agreement, TGH and CITIC have agreed to maintain their combined shareholding in Southern Uranium of at least 15%. The Proposed Increase in Shareholding by TGH and CITIC further reinforces the relationship between TGH/CITIC and Southern Uranium in order to secure the abovementioned opportunities for Southern Uranium.

7.2.1.6 Enhances opportunities to receive future takeover offers

Based on the existing shareholding structure of Southern Uranium, the top three shareholders collectively own approximately 56.57% of the total issued capital.

If the Entitlement Offer is implemented, the number of substantial shareholders will reduce to two and the total shareholdings of the substantial shareholders is likely to reduce, subject to the acceptance level of the Entitlement Offer.

In our opinion, both factors enhance Southern Uranium's opportunity for receiving takeover offers¹¹.

7.2.2 Likely disadvantages associated with the Proposed Increase in Shareholding by TGH and CITIC

7.2.2.1 *TGH and CITIC potentially gaining control of Southern Uranium without paying premium*

Based on the terms of the Entitlement Offer and the Underwriting Arrangement, TGH and CITIC will subscribe for Southern Uranium Shares at the same price as other Southern Uranium Shareholders. Accordingly, as there is a possibility for TGH and CITIC to own more than 50% of the total issued capital in Southern Uranium, TGH and CITIC will potentially gain control over Southern Uranium without paying any control premium.

7.2.2.2 *Impact on voting power*

If the Proposed Increase in Shareholding by TGH and CITIC is approved, TGH and CITIC will together own between 28.64% and a maximum of 56.56% of the issued share capital in Southern Uranium. TGH and CITIC will become the largest shareholders in Southern Uranium and can exercise their voting rights in shareholder's meetings.

7.2.3 Other factors

7.2.3.1 *Implications of outcomes from drilling program*

Southern Uranium is currently conducting certain drilling programs, however as at the date of this report, the drillings are incomplete and have not been fully analysed. Accordingly, we have not incorporated any potential uplift or impairment in the value of the exploration assets for the purpose of this report. The public announcement of the outcome of drilling programs has the potential to significantly increase or impair the value of Southern Uranium's exploration assets.

7.2.3.2 *No direct impact on the business and operations of Southern Uranium*

The Entitlement Offer is between Southern Gold and Southern Uranium Shareholders. It does not impact Southern Uranium's business affairs. Accordingly, irrespective of whether the Entitlement Offer is implemented or not, Southern Uranium is not expected to be affected.

7.3 Overall conclusion

Grant Thornton Corporate Finance has concluded that the Proposed Increase in Shareholding by TGH and CITIC is not fair but reasonable to the Non-Associated Shareholders.

¹¹ Grant Thornton Corporate Finance notes that for a takeover to be successful, more than 90% of the shareholders (by shareholding) need to accept the offer.

8 Sources of information, disclaimer and consents

8.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Underwriting Agreement dated 4 August 2009;
- Priority Agreement dated 21 December 2007;
- Offer Implementation Deed dated 3 July 2009;
- Interim report of Southern Uranium for half year ended on 31 December 2008;
- Annual reports of Southern Uranium for FY07 and FY08;
- Releases and announcements by Southern Uranium on ASX;
- Releases and announcements by Southern Gold on ASX;
- Southern Uranium and Southern Gold websites;
- The Australian Bureau of Agricultural and Resource Economics (“ABARE”);
- IBISWorld Industry Report, ‘Mineral exploration in Australia’;
- Briefing note to Independent expert dated 14 July 2009
- Reuters;
- Onesource;
- Various broker reports; and
- Other publicly available information.

8.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act 2001 and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Southern Uranium and all other parties involved in the proposed transaction with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We conclude that there are no conflicts of interest with respect to Southern Uranium, its shareholders and all other parties involved in the Proposed Transaction.

Entities controlled by Grant Thornton Australia Limited are the auditors of Southern Uranium and Southern Gold. Despite the above relationships, it is our opinion that there are no conflicts of interest with respect to Southern Uranium, Southern Uranium Shareholders or other parties involved in the proposed transaction.

Except for the above, Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Southern Uranium or its associated entities that could reasonably be regarded as

capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the proposed transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the proposed transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

8.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by Southern Uranium and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by Southern Uranium and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Southern Uranium.

This report has been prepared to assist the directors of Southern Uranium in advising the Southern Uranium Shareholders in relation to the proposed transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable.

Southern Uranium has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by Southern Uranium, which Southern Uranium knew or should have known to be false and/or reliance on information, which was material information Southern Uranium had in its possession and which Southern Uranium knew or should have known to be material and which Southern Uranium did not provide to Grant Thornton Corporate Finance. Southern Uranium will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

8.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Memorandum to be sent to the shareholders of Southern Uranium. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounting projected cash flows

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Net asset backing / Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Glossary

ABARE	Australian Bureau of Agricultural and Resource Economics
APES	Australian Professional and Ethical Standard Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CAPM	Capital Asset Pricing Model
CITIC	CITIC Australia Pty Ltd
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow
EDR	Economic Demonstrated Resources
EU	European Union
FSG	Financial Services Guide
FY	Financial year
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
LME	London Metals Exchange
MEE	Multiple of exploration expenditure
Non-Associated Shareholders	Southern Uranium shareholders other than TGH and CITIC
RG 74	ASIC Regulatory Statement 74 “Acquisitions agreed to by shareholders”
RG 111	ASIC Regulatory Statement 111 “Content of expert reports”
RG 112	ASIC Regulatory Statement 112 “Independence of Expert’s Report”
Southern Gold	Southern Gold Limited
Southern Gold Shareholders	Shareholders of Southern Gold
Southern Uranium	Southern Uranium Limited
Southern Uranium Shareholders	Shareholders of Southern Uranium
TGH	Talbot Group Holdings Pty Ltd
Uranium Options	Share options issued by Southern Uranium
Southern Uranium Shares	Ordinary shares in Southern Uranium
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

Appendix C – AM&A report

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Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT APPRAISAL
AND
VALUATION
OF
EXPLORATION ASSETS
HELD BY
SOUTHERN URANIUM LTD
AUGUST, 2009.

PREPARED FOR

GRANT THORNTON AUSTRALIA LIMITED

Author: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company: Al Maynard & Associates Pty Ltd
Date: 17th August, 2009

EXECUTIVE SUMMARY

This report has been prepared by Al Maynard & Associates (“AM&A”) at the request of Grant Thornton Australia Limited (“Grant Thornton”) who has commissioned this valuation of the Exploration Assets held by Southern Uranium Ltd to provide an independent opinion of the current cash value of those assets for Grant Thornton’s client Southern Uranium Ltd (ASX:SNU).

Southern Uranium (ASX:SNU) has a portfolio of tenements acquired on the basis of prospectivity for uranium in South Australia, Queensland and the Northern Territory.

The tenements are valued at \$280,000 from within a range of \$252,000 to \$308,000

No individual tenement exploration expenditure has been provided thereby precluding the use of the MEE method for determining a value for the properties. An empirical method is used as described below in Section 7.

The writer considers that a higher valuation may be determined if the individual tenement exploration expenditure details are made available. Without access to such information it is not reasonable to try to determine what that possible valuation may be.



Figure 1: Generalised map of the Project Areas

MAP KEY: 1-JINDIVIK PROSPECT; 2-JUNGLE DAM PROSPECT; 3- EAST EYRE PENINSULA & STREAKY BAY; 4- YARLBRINDA SOUTH (WITHDRAWING), WARRIOR SOUTH, CHALLENGER WEST & TALLARINGA; 5 RUM JUNGLE; 6-CALVERT HILLS; 7-TOOLEBUC; 8-PANDANUS WEST; 9-THREE SPRINGS (WITHDRAWING).

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The Directors,
Grant Thornton Australia Limited
Level 17, 383 Kent Street,
Sydney NSW 2000
Dear Sirs,

17th August, 2009

1.0 Introduction

This report has been prepared by AM&A at your request to provide an independent appraisal of the current cash value of the exploration assets held by SNU for inclusion in your Independent Expert's Report ("IER") to your client SNU.

1.1 Scope and Limitations

This independent valuation and its accompanying geological description have been prepared at the request of Mr. R. Kwok, Associate Director of Grant Thornton, Sydney to provide the writer's opinion of the current value of the properties described in this report to be relied upon, in turn, for Grant Thornton's IER for SNU.

This valuation has been prepared in accordance with the requirements of the Valmin code (1999, 2005) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

This valuation is valid as of 17th August, 2009 and refers to the writer's opinion of the value of the SNU exploration assets at this date. This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

In order to form an opinion as to the value of any property, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writer's technical training and experience in the mining and exploration industry. The opinions expressed represent the writer's fair professional opinion at the time of this report. These opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral property.

The valuation methodology of mineral properties is exceptionally subjective. If an economic reserve or resource is subsequently identified then this valuation will be dramatically low relative to any later valuations, or alternatively if further exploration is unsuccessful it is likely to decrease the value of the tenements.

The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code.

There are a number of generally accepted procedures for establishing the value of

mineral properties with the method employed depending upon the circumstances of the property. When relevant, AM&A uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified.

The readers should therefore form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

The information presented in this report is based on publicly available information provided by SNU supplemented by our own inquiries. At the request of AM&A, copies of relevant technical reports and agreements were made available *excluding specific tenement expenditure details not in the public domain*.

SNU will be invoiced and expected to pay a fee for the preparation of this report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent of the results of this report or the success of any subsequent public fundraising. Except for these fees, neither the writers nor their families nor associates have any interest in the properties reported upon nor in SNU or Grant Thornton. SNU has confirmed that all technical data known to the public domain is available to the writer. *This does not include individual tenement exploration expenditure details*.

The valuation presented in this document is restricted to a statement of the fair value of the tenement package. The Valmin Code defines fair value as “The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms length transaction, wherein each party had acted knowledgeably, prudently and without compulsion”.

It should be noted that in all cases, the fair valuation of the mineral exploration properties presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the properties have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral or exploration assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in Table 3, section 7. Regarding the project areas it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of them to enable an understanding of the geology. This, coupled with general knowledge of the areas provides sufficient information to form an opinion as to the current value of the exploration assets. *This opinion could be modified if expenditure details are provided*.

1.2 Statement of Competence

This report has been prepared by Allen J. Maynard BApp.Sc(Geol) MAusIMM and Member of AIG, a geologist with 30 continuous years in the industry and 25 years in mineral asset valuation. The writer holds the appropriate qualifications, experience and independence to qualify as an independent “Expert” under the definitions of the Valmin Code.

2.0 Valuation of the Exploration Assets – Methods and Guides

Without proven ore reserves it is difficult to place a 'singular dollar value' on any mining tenement. However, with due regard to the guidelines for assessment and valuation of mineral exploration assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17 February 1995 – the Valmin Code (updated 1999 & 2005) – we have derived the estimates listed below using the appropriate method for the current technical value of the mineral exploration properties as described.

The following ASIC publications have also been duly referred to and considered in relation to the valuation procedure: Practice Note (“PN”) 42 on Independence of Expert’s Reports which is read in conjunction with Practice Note 43 (Valuation Report and Profit Forecasts), Policy Statement (“PS”) 74 (Acquisitions agreed to by shareholders) and Policy Statement 75 (Independent Expert Reports to Shareholders). These PNs & PSs were replaced by ‘Regulatory Guidelines’ 111 & 112 on 30th October, 2007.

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms length purchaser will pay for a mining (or other) property in a transaction devoid of “forced sale” circumstances. Tenement applications are treated as though granted for valuation purposes with the clear understanding that if not granted then their value falls to zero.

2.1 General Valuation Methods

The Valmin Code identified various methods of valuing mineral and exploration assets, including:-

- Discounted cash flow,
- Capitalisation of earnings,
- Joint Venture and farm-in terms for arms length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Empirical or yardstick approach.

2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a property with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. Alternatively a value can be assigned on a royalty basis commensurate with the in situ contained metal value.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

2.4 Similar Transactions

When commercial transactions concerning properties in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the property under consideration.

2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. MEE factors can typically range between 0 to 3.0 and occasionally up to 5.0 applied to previous exploration expenditure to derive a dollar value. Please note that as no details of exploration expenditure have been provided by SNU then this method is not applicable in this case.

2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the tenement that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the property. The factors are then applied serially to the BAC of each tenement in order to derive a value for the property. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be

estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a “Yardstick” or a “Real Estate” approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

2.8 General Comments

The aims of the various methods are to provide an independent opinion of a “fair value” for the property under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the property valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to properties without an identified resource.

The values derived for this report have been concluded after taking into account:-

- The general geological environment and setting of the property under consideration is taken into account to determine the exploration potential;
- Current market values for properties in similar or analogous locations;

2.9 Environmental implications

Information to date indicates that the project areas do not contain fauna or flora species regarded as being rare, threatened or endangered. This requires validation by relevant parties and is not in the scope of this report.

2.10 Native Title Claims

The tenements may be subject of Native Title Claims and will be dealt with through the normal administrative process. AM&A is not aware of any sacred sites or areas of significance within the tenements.

2.11 Commodities-Metal prices

Where appropriate, current metal prices are used sourced from the usual metal market publications.

2.12 Resource/Reserve Summary

No JORC compliant resources have yet been identified.

2.13 Previous Valuations

A copy of this valuation dated 31 July, 2009 was provided to Southern Gold Ltd and Leadenhall VRG Pty Ltd for inclusion in Leadenhall’s Independent Experts’ Report to Southern Gold. The same value range and preferred value as in this report was stated. No other previous valuations have been declared within the last two years

2.14 Encumbrances/Royalty

There may be statutory Government royalties due on any future production.

3.0 Background Information

3.1 Introduction

Initially SNU acquired from Southern Gold Ltd interests in certain exploration tenements within the highly prospective Gawler Craton in South Australia that has a favourable geological setting for the discovery of world-class uranium deposits and hosts two of the three operating mines in Australia. Over one third of the world's known uranium resources are located within the Gawler Craton.

SNU has interests in a number of exploration projects covering the Gawler Craton in South Australia that have potential for the discovery of commercial deposits of uranium in three different geological settings: They are: as sedimentary roll front uranium deposits in Tertiary palaeochannels; in Mesoproterozoic and Palaeoproterozoic basement rocks, associated with Olympic Dam style IOCGU deposits or as structurally controlled deposits in faults; and as unconformity related uranium deposits associated with Mesoproterozoic redbeds of the Pandurra Formation

SNU has expanded its uranium search in other parts of Australia. Two projects are in the Northern Territory. They are the Rum Jungle Project which covers a portion of the historical Rum Jungle Uranium province and Calvert Hills Project. The Rum Jungle Project is prospective for vein and sediment hosted uranium and copper uranium style mineralisation. The Calvert Hills Project occurs over the western extension of the highly prospective Westmorland uranium province with uranium mineralisation having a spatial association with the unconformity between Westmorland conglomerate and the underlying basement volcanics and granite.

Two projects are in Queensland; the Pandanus West and the "Toolebuc" Cloncurry-Boulia Projects. The Pandanus West Project is prospective for volcanic- and sandstone-hosted style uranium deposits. The Toolebuc Project is prospective for roll front style deposits in reduced palaeochannel sediments with targets modelled on the Beverly Four Mile style deposit. In Western Australia the Three Springs Project is being dropped.

The areas under review comprise 25 exploration licences and six exploration licence applications that have the potential to host uranium resources. Our full geological report is included as a separate report available in the offices of Grant Thornton and SNU.

3.2 Specific Valuation Methods

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Reserves/Resources to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed in Section 2.0.

For the SNU tenements an empirical approach is adopted as specific exploration expenditure for each tenement is not available. We have used a value range from \$5.00 to \$290 per square kilometre depending upon the perceived prospectivity of the area in question.

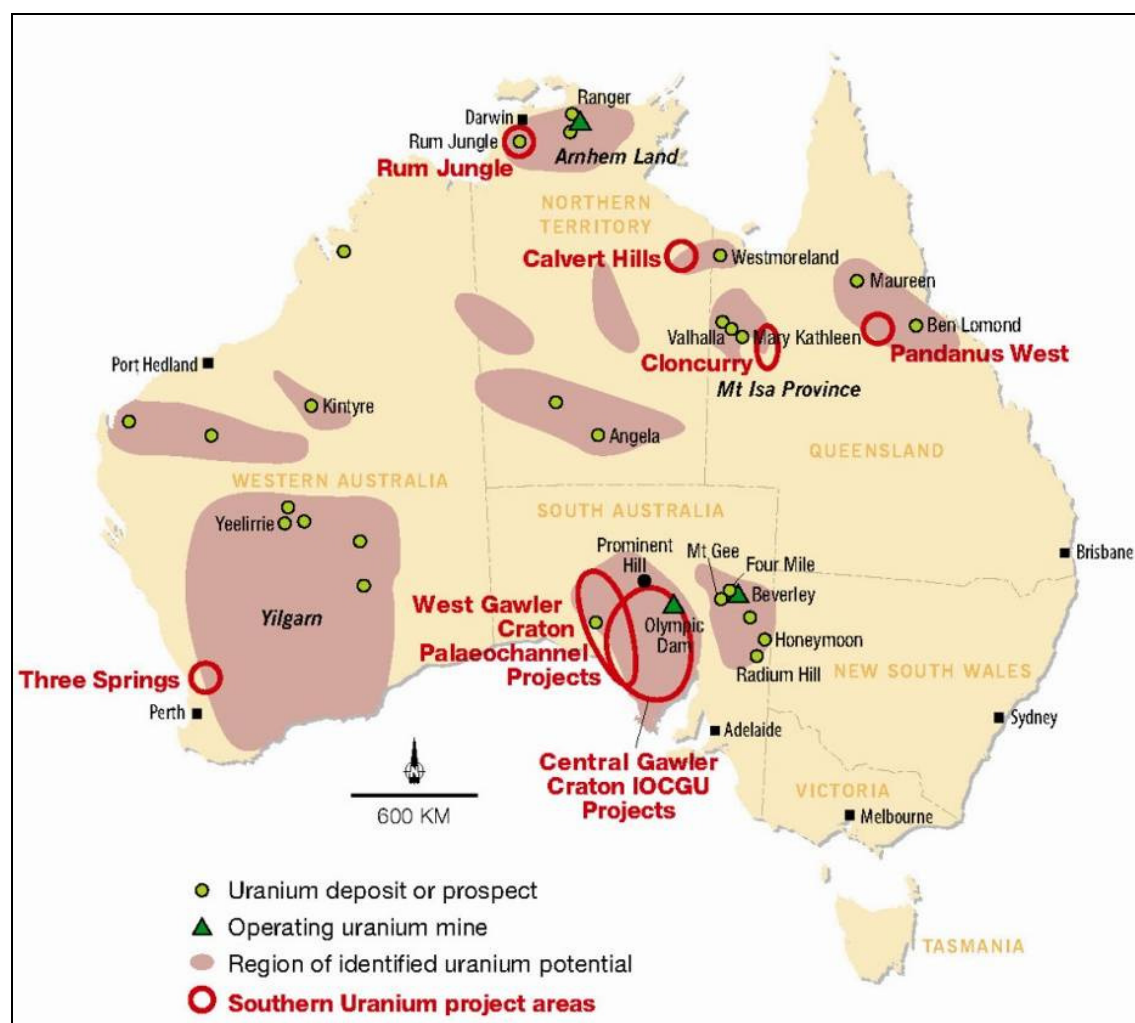


Figure 2: Location Map of the SNU Project Areas.

4.0 South Australian Uranium Projects

4.1 Introduction

SNU, along with many other explorers, consider the Gawler Craton and environs to be highly prospective for the occurrence of one or more styles of uranium mineralisation to continue ongoing exploration activities. Consequently SNU's portfolio within the Gawler Craton was carefully selected priority ground considered prospective for palaeochannel roll front uranium deposits, unconformity uranium deposits and iron oxide copper gold uranium (IOCGU) deposits, the latter well exemplified by the giant Olympic Dam Mine.

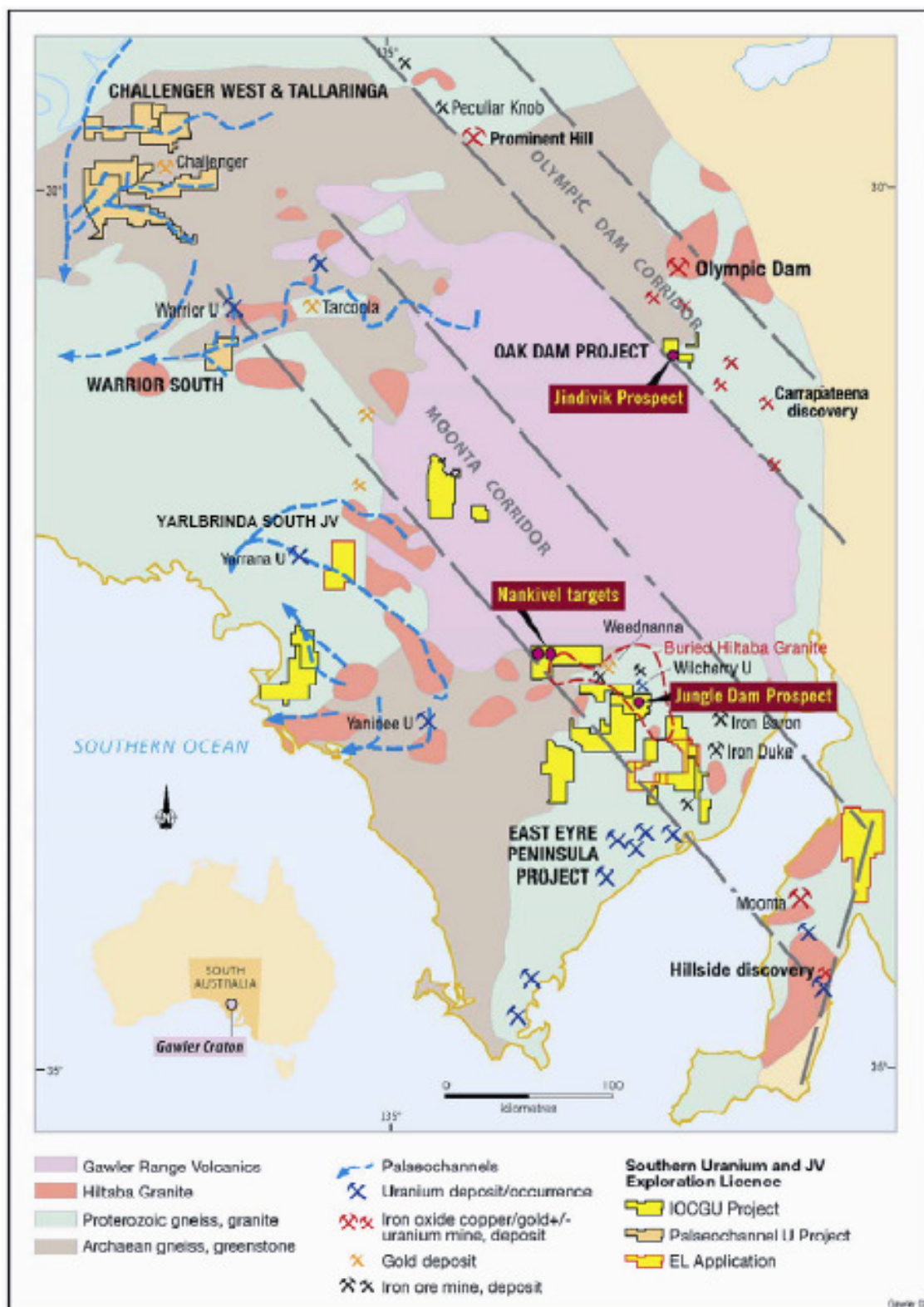


Figure 3: South Australian Map of the SNU Project Areas.
(From SNU June Qtr. 2009 Report).

4.2 Tenure

Ten ID	PROJECT	SNU % Held	AREA km2	Granted / Applied	Expiry
SA IOCGU & Related Types					
3603	Oak Dam	75	174	17-Jul-06	16-Jul-09
Sthn Gawler Arc JV					
4228	Peterlumbo	75	583	03-Mar-09	02-Mar-10
East Eyre Peninsula					
3479	Lake Giles J Dam	100	605	22-Dec-05	21-Dec-10
3552	Moonabie	100	402	01-May-06	30-Apr-10
3594	Moseley Nobs	100	253	05-Jul-06	04-Jul-10
4257	Botenella Gate	100	66	20-Apr-09	19-Apr-10
79/09	Lincoln Gap	100	93	24-Mar-09	
83/09	Mount Middleback	100	26	30-Mar-09	
116/09	Carpie Puntha Hill	100	189	29-Apr-09	
Streaky Bay /Mt Sam/ Jumpuppy					
3512	Streaky Bay	100	551	31-Jan-06	30-Jan-10
4195	Corvisart Bay	100	10	03-Nov-08	02-Nov-09
3766	Courela	100	266	11-May-07	10-May-10
3675	Mount Sam	100	652	11-Dec-06	10-Dec-09
Tallaringa JV					
3395	Tallaringa South	30	990	15-Aug-05	14-Aug-09
3396	Tallaringa North	30	505	17-Aug-05	16-Aug-10
Challenger West JV					
4161	Garford	49	497	24-Jun-08	23-Jun-09
4165	Indooroopilly	49	496	15-Jul-08	14-Jul-09
3308	Half Moon Lake	49	517	17-Feb-05	16-Feb-10
Yarlbrinda South JV					
4265	Yarlbrinda South	35	470	15-Jun-09	14-Jun-10
Yorke Peninsula					
4278	The Hummocks	100	1000	30-Jun-09	29-Jun-10
Warrior South JV					
3284	Warrior South	40	321	02-Dec-04	01-Dec-10
Comet Well					
144/09	Yalanda East	100	144	15-May-09	

Table 1: SA Tenement Information Summary.
(Tenement Details supplied by SNU).

4.3 Resources and Potential

Exploration priority programs within the Gawler Craton will be to target IOCGU deposits with more than 10 prospective gravity targets identified within the Company's tenements. By employing refined geological models and new proven exploration technologies, developed by the resources industry, in approximately 260km of prospective palaeochannels with potential for roll-front uranium style deposits and in the newly recognized opportunities for unconformity style uranium deposits.

5.0 Northern Territory Uranium Projects

5.1 Summary

The Calvert Hills project comprises one tenement that is located some 100km west of the Westmoreland Uranium Field and has similar geology and structural characteristics of the shallow covered Moreland unconformity style uranium deposits.

5.2 Exploration Potential

The project area covers a portion of the western extension of the Westmorland uranium field. It has similar geology and therefore has good potential to contain similar styles of uranium mineralisation as found in the neighbouring Westmorland Uranium field in Queensland. Potential targets defined by SNU are illustrated in Figure 4.

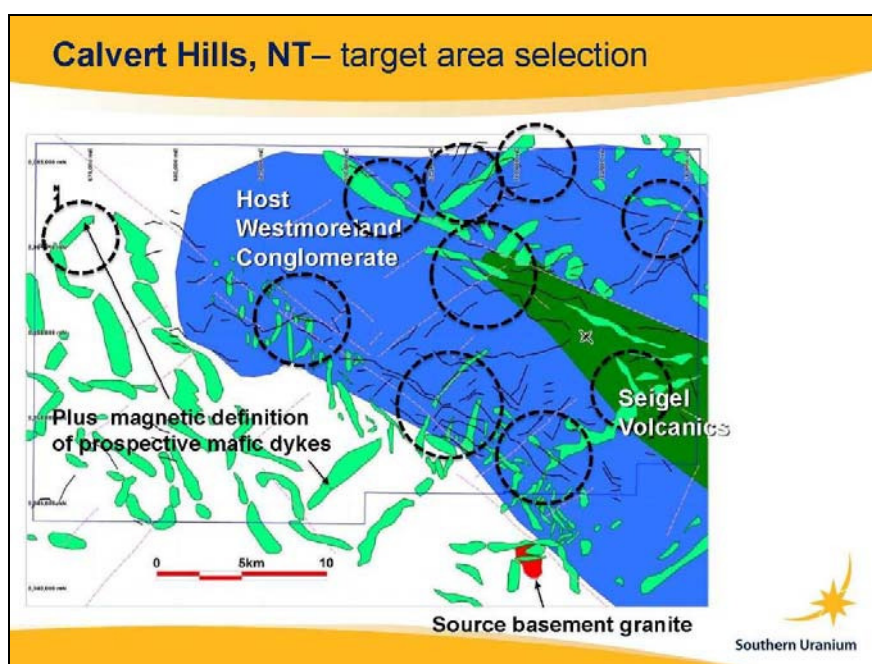


Figure 4: Potential Uranium Targets at Calvert Hills.

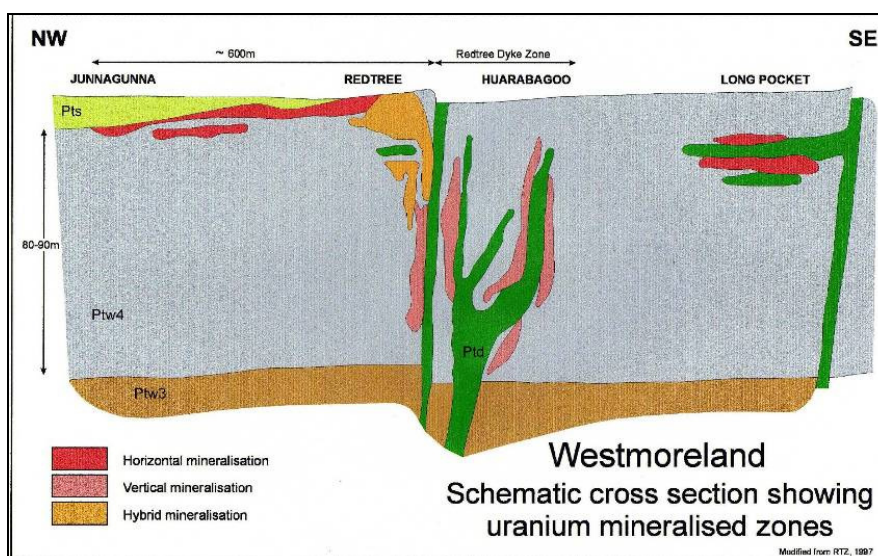


Figure 5: Schematic diagram of uranium mineralised zones found at Westmoreland.

Ten ID	PROJECT	SNU % Held	AREA km2	Grant / Applied	Expiry
Calvert Hills JV NT					
24837	Calvert Hills	50	822	06-Apr-06	05-Apr-12
Rum Jungle JV NT					
24867	Rum Jungle	JV (0)	10	15-Mar-06	14-Mar-12
Boulia Cloncurry Qld					
EPM 16507	Dover	100	222	22-Sep-08	21-Sep-13
EPM 16506	Answer Downs	100	102	25-Jun-08	24-Jun-13
EPM 16513	Strathfield	100	83	25-Jun-08	24-Jun-13
EPM 16509	Corner Creek	100	54	13-Mar-09	12-Mar-14
EPM 16511	Brodes Lookout	100	318	27-Apr-09	26-Apr-14
Pandanus West JV Qld					
EPM 15041	Pandanus West	60	280	08-Jan-07	07-Jan-12
EPMA17940	Montgomery	100	62	28-Nov-08	N/A
EPMA17978	Wallaroo	100	71	02-Jan-09	N/A

Table 2: NT & Qld Tenement Information Summary.
(Tenement Details supplied by SNU).

6.0 Queensland Uranium Projects

6.1 Summary

The Pandanus West EPM applies to a 400km² area located 50km south of Greenvale township between Charters Towers and Georgetown in the region that includes the Ben Lomond and Maureen uranium deposits.

Initially six tenements were applied for in Cloncurry-Boulia Districts east of the dormant Mary Kathleen uranium deposit. The objective is to secure the most prospective parts of uranium targets where ground-waters draining the Eastern Succession basement are likely to form roll front style deposits in reduced palaeochannel sediments.

Three initial tenements have been granted. One tenement was relinquished during the quarter. An agreement was signed with the Kalkadoon People to facilitate the grant of the remaining two tenement applications.

6.1 Exploration Potential

At Pandanus West the recognised deposit styles are volcanic and sandstone-hosted uranium. Furthermore the Pandanus West area directly abuts the Greenvale Uranium project.

At the Cloncurry-Boulia area research of past exploration and water bore drilling is underway and a field reconnaissance of some of the prospective Toolebuc Formation outcrops has been undertaken. Where ground-waters draining the Eastern Succession basement are likely to form roll front style deposits in reduced palaeochannel sediments with targets modelled on the Beverly Four Mile style deposit.

7.0 Valuation of the Projects

7.1 Valuation Methods

As no JORC Resources are available, the Discounted Cash Flow method is not applicable. The Kilburn method is considered to provide a range of values that is so wide that it is not realistic. Expenditure details are not available for the individual tenements so the MEE method is not applicable. An empirical method whereby a dollar value per unit area is applied is considered the most appropriate in this case.

The details of the historical and recent exploration are discussed in the full geological report only summarised in part above and have been sent separately to SNU and Grant Thornton.

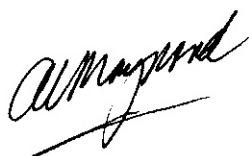
The writer presents the valuation calculations based on varying dollars per unit area in Table 3 below. The amounts range from \$5.00 to \$290 per square kilometre based on the perceived prospectivity of the particular project with adjustments made to allow for SNU's varying percentage holdings as tabulated.

7.2 Valuation Conclusions

The current cash value of the SNU tenements is ascribed at \$280,000 from within the ranges of \$252,000 to \$308,000.

As stated above it may be possible to derive a somewhat different valuation from this current result if the individual tenement expenditure details are ever made available. SNU has a policy of not releasing information not already in the public domain. It is possible that a higher value range and thus increased preferred or most likely value would also be generated. The quantum of this possible increase cannot be determined without knowledge of the specific details.

Yours faithfully,



Allen J Maynard

BAppSc(Geol), MAIG, MAusIMM.

Table 3: Summary of Value Ranges

Ten ID	PROJECT	SNU % Held	AREA km2	COMMENTS	Low \$	High \$	Preferred \$	SNU \$/km	\$/km
SA IOCGU & Related Types									
3603	Oak Dam	75	174	renewal submitted	2349	2871	2610	15	20
Sthn Gawler Arc JV									
4228	Peterlumbo	75	583		5247	6413	5830	10	15
East Eyre Peninsula									
3479	Lake Giles J Dam	100	605		16335	19965	18150	30	30
3552	Moonabie	100	402		7236	8844	8040	20	20
3594	Moseley Nobs	100	253		4554	5566	5060	20	20
4257	Botenella Gate	100	66		1188	1452	1320	20	20
79/09	Lincoln Gap	100	93	Awaiting Grant	1674	2046	1860	20	20
83/09	Mount Middleback	100	26	Awaiting Grant	468	572	520	20	20
116/09	Carpie Puntha Hill	100	189	Awaiting Grant	3402	4158	3780	20	20
Streaky Bay /Mt Sam/ Jumpuppy									
3512	Streaky Bay	100	551		2480	3031	2755	5	5
4195	Corvisart Bay	100	10		45	55	50	5	5
3766	Courela	100	266		1197	1463	1330	5	5
3675	Mount Sam	100	652		2934	3586	3260	5	5
Tallaringa JV									
3395	Tallaringa South	30	990		8910	10890	9900	10	33
3396	Tallaringa North	30	505		4545	5555	5050	10	33
Challenger West JV									
4161	Garford	49	497	JV Partner to renew	4473	5467	4970	10	20
4165	Indooroopilly	49	496	JV Partner to renew	4464	5456	4960	10	20
3308	Half Moon Lake	49	517		4653	5687	5170	10	20

Ten ID	PROJECT	SNU % Held	AREA km2	COMMENTS	Low \$	High \$	Preferred \$	SNU \$/km	\$/km
Yarlbrinda South JV									
4265	Yarlbrinda South	35	470	With drawing from JV	4230	5170	4700	10	30
Yorke Peninsula									
4278	The Hummocks	100	1000		9000	11000	10000	10	10
Warrior South JV									
3284	Warrior South	40	321		8667	10593	9630	30	75
Comet Well									
144/09	Yalanda East	100	144	Awaiting Grant	3888	4752	4320	30	100
Calvert Hills JV									
24837	Calvert Hills	50	822		107271	131109	119190	145	290
Rum Jungle JV									
24867	Rum Jungle	JV (0)	10		0	0	0	0	200
Bouliia Cloncurry									
EPM 16507	Dover	100	222		5994	7326	6660	30	30
EPM 16506	Answer Downs	100	102		4590	5610	5100	50	50
EPM 16513	Strathfield	100	83		3735	4565	4150	50	50
EPM 16509	Corner Creek	100	54		2430	2970	2700	50	50
EPM 16511	Brodes Lookout	100	318		5724	6996	6360	20	20
Pandanus West JV									
EPM 15041	Pandanus West	60	280		12600	15400	14000	50	85
EPMA17940	Montgomery	100	62	Awaiting Grant	2790	3410	3100	50	50
EPMA17978	Wallaroo	100	71	Awaiting Grant	3195	3905	3550	50	50
			Area		\$ 250,268	\$ 305,883	\$ 278,075		
			10,834	Totals (rounded)	252,000	308,000	280,000		

6.0 References

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