

Southern Gold Limited

Securities Trading Policy

1. ***Introduction and purpose***

This Policy summarises the law relating to insider trading and sets out the policy of Southern Gold Limited (SAU) relating to trading in shares of SAU. This Policy assists the Directors, employees and other key management personnel (as defined in the Accounting Standard AASB 124) of SAU to comply with their legal obligations relating to dealings in SAU Securities while they are in possession of non-public, price sensitive information.

If you do not understand any part this Policy or how it applies to you, you should raise the matter with the Company Secretary before trading in any securities which may be affected by the Policy or the law. This Policy is only a summary of complex legal provisions and should therefore only be used as a general guide, not as legal advice.

2. ***The insider trading prohibition***

If you have “inside information” relating to SAU which has not been published or which is not otherwise “generally available”, it is illegal for you to:

- buy, sell or otherwise deal in SAU Securities;
- advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to buy or sell SAU Securities; or
- pass on information to any other person, if you know or ought reasonably to know that the person may use the information to buy or sell (or procure another person to buy or sell) SAU Securities.

It is the responsibility of Directors, employees and key management personnel to ensure that they do not do anything which is prohibited by the insider trading law. The consequences for breach of this law can be severe.

3. ***What is “inside information”?***

“Inside information” means information which:

- (i) is not generally available to the market; and
- (ii) if it were made generally available to the market, a reasonable person would expect it to have a material effect on the price of SAU Securities (i.e. the information would affect a person who commonly acquires shares in deciding whether to buy or sell SAU Securities);

and such information may include matters of supposition, matters that are insufficiently definite to warrant being released to the ASX, and matters relating to the likely intentions of a person.

It does not matter how or where you obtain the inside information and the information does not have to be obtained from SAU to constitute inside information.

Examples of possible inside information include:

- positive drilling results and assay reports;
- the financial performance of SAU against its budget;
- entry into or termination of a material contract (such as a major Joint Venture);
- a material acquisition or sale of tenements by SAU;
- an actual or proposed takeover or merger;

- an actual or proposed change to SAU's capital structure;
- a proposed new share issue;
- a material legal claim against SAU or other unexpected liability;
- material information affecting a significant exploration tenement;
- a significant change in senior management; or
- a change of a significant investor's attitude to investment in SAU.

4. When is the information "generally available"?

Information is generally available (and consequently will not be inside information) if it:

- is readily observable;
- has been made known in a manner likely to bring the information to the attention of people who commonly invest in securities of a kind whose price or value might be affected by the information and a reasonable period for it to be disseminated among such persons has elapsed; or
- consists of observations, deductions, conclusions or inferences made or drawn from other generally available information.

It should be noted that where a matter that is readily observable or has been made public will have a specific impact upon SAU that would not be apparent to people who invest in SAU Securities, the nature of that impact may still be inside information. For example, if new legislation was enacted that imposed a significant operational constraint or cost burden on SAU, the nature of that operational constraint or cost burden may be inside information.

5. Penalties

Breach of the insider trading prohibition by you or family members could expose you or them to criminal and civil liability.

The criminal penalties for a breach of the insider trading prohibition include:

- for an individual – a fine of up to \$220,000 and a jail term of up to 5 years; and
- for a corporation – a fine of up to \$1,100,000.

In addition, the insider trader and any other persons involved in the contravention may also be liable to compensate third parties for any resulting loss.

Breach of insider trading law or this Policy will also be regarded by SAU as serious misconduct which may lead to disciplinary action and / or dismissal.

6. Dealing in shares of other companies

If you have "inside information" relating to a company other than SAU which is not "generally available" the same insider trading rules outlined above apply to buying and selling shares in that company.

In the course of performing your duties as an officer, member of management or employee of SAU, you may obtain inside information relating to another company in a variety of circumstances. Examples include:

- another company (eg, a major customer, supplier or competitor) may provide inside information about itself to SAU in the course of a proposed transaction;
- another company with whom SAU is dealing may provide inside information about a third party company; or
- information concerning SAU or actions which may be taken by SAU (i.e. a planned transaction or strategic change) could reasonably have a significant effect on a third party company (eg, a supplier or competitor).

Apart from the application of the insider trading rules to shares in other companies, employees are also bound by a duty of confidentiality in relation to information obtained in the course of their duties in respect of third parties.

7. Trading window

Directors, employees and key management personnel of SAU can buy, sell or otherwise deal in SAU Securities **except** for:

- during the period of 3 days commencing before and 1 day after the:
 - a) release of SAU's quarterly, half yearly and annual financial results to the ASX;
 - b) SAU's annual general meeting; or
 - c) release to the ASX of any other price sensitive announcement by SAU; or
- outside of the above **only** if the prior approval of the Chairman has been obtained (or if the Chairman wishes to trade, where the prior approval of the other Directors has been obtained). This approval will be in writing to Company Secretary and other Directors.

Where a Director, employee or any key management personnel of SAU is in possession of inside information at any time he or she must not trade in SAU Securities.

8. ASX Notification by Directors

The Corporations Act 2001 obliges a Director to notify the ASIC within 14 days after any dealing in SAU's Securities (either personally or through a third party such as a broker) which results in a change in the relevant interests of the Director in SAU Securities. In addition, under the ASX Listing Rules SAU is required to notify the ASX of such dealings within 5 business days of the dealings taking place. Directors have agreed with SAU to provide notice of such dealings to the Company Secretary of SAU within 3 days after such dealings to enable SAU to comply with its obligations under the Listing Rules. A notice given by SAU to the ASX under the ASX Listing Rules satisfies the Director's obligation to notify the ASIC under the Corporations Act.

9. Margin Loans

Where the holding of a Director, employee or any key management personnel of SAU Securities has been financed via a margin loan or other secured finance arrangement (eg, mortgage, charge or lien (other than a loan from SAU under the SAU Employee Share Plan)), the Company Secretary must be advised and the Company Secretary will inform all other Directors. The Company Secretary will also disclose to the ASX where the Director, employee or any key management personnel holds at least 5% of SAU's issued shares subject to security interests or third party rights. That disclosure to the ASX will not extend to the specific details of the security interests or third party rights such as a trigger price under a margin loan.

10. Additional information

If you have any questions arising from this Policy or its application to you, you should contact the Company Secretary.

Effective Date

This policy is effective from 17 September 2010.
