



Farm-In by Asian mine specialists to fast track re-opening of two historic Korean gold mines

- London listed Bluebird Merchant Ventures to farm into Southern Gold's Gubong and Taechang gold projects in South Korea
- Bluebird team has proven track record of building and optimising underground gold mines in the South East Asian region
- Bluebird to spend **US\$1,000,000** (A\$1,300,000*), or US\$500,000 per project, investigating the feasibility of re-opening the historic gold mines targeting a mine re-start capital cost of less than US\$10 million
- Bluebird to subscribe for **A\$500,000** of Southern Gold shares at \$0.386 per share (a 35% premium[#]) as a condition to commencing the 50/50 joint venture for both projects, or A\$250,000 for each project

Introduction

Australian gold producer, Southern Gold Ltd ("Southern Gold") is pleased to announce that it has executed conditional agreements with London Stock Exchange (LSE) listed Bluebird Merchant Ventures Ltd ("Bluebird") for Bluebird to farm-in to two of Southern Gold's 17 gold projects in South Korea (the "Farm-In"). During the Farm-in, Bluebird will undertake initial feasibility studies over a 12 month period, investing US\$1 million in its investigation of the reopening of the Gubong and Taechang gold mines (**Figure 1**) after which the two parties will form a 50/50 Joint Venture. The Gubong and Taechang projects represent 2 of the 17 projects acquired as a package from Asiatic Gold Ltd in July 2016. Details on the Farm-In terms, Bluebird and the projects are provided on the following pages.

Southern Gold Managing Director, Mr Simon Mitchell: *"Since acquiring our South Korean tenement package from Asiatic Gold, we have sought opportunities to fast track the re-opening of historic mines on selected projects whilst conserving Southern Gold's capital and sharing the risk with proven mine operators.*

This agreement introduces an experienced South East Asian-based mining team with extensive experience in advancing similar narrow vein underground gold projects. There are accessible old mine workings still in place at the Gubong and Taechang projects which were significant gold producers in the past. There remains an enormous amount of value embedded in the extensive underground development at these projects and I am confident Bluebird will unlock this value by assisting Southern Gold to fast-track a new, low cost gold mining development.

Importantly, Southern Gold still retains 100% ownership of the remainder of our extensive South Korean gold portfolio and our Korean exploration budget can be directed to other exciting projects such as Weolyu, Kochang and Hampyeong where there is potential for new discoveries."

Shares Issued: 46.4M

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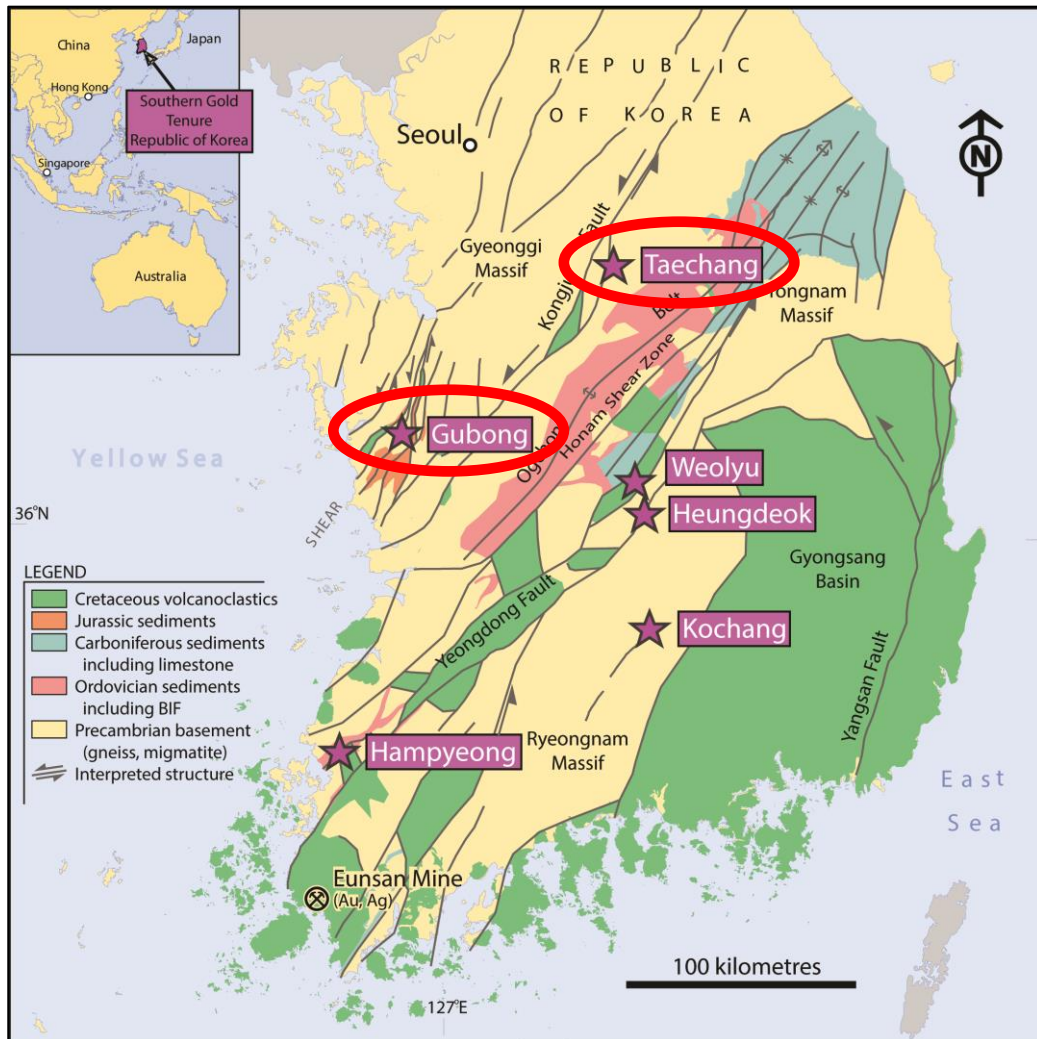


Photo 1: Historic photo of the main entrance to the Gubong mine. (c1960's)

*Exchange rate A\$1:00:US\$0.77

[#]Premium to Southern Gold's 20 day VWAP as at 24 March 2017

Figure 1: Location of Taechang and Gubong projects in South Korea



Terms of the Farm-In

Pursuant to the Farm-In agreements, Bluebird can earn a 50% interest in each (or either) of the Gubong and Taechang gold projects on the following basis:

- Subject to certain conditions precedent, Bluebird to spend US\$500,000 (A\$650,000*) on each project, or a total of US\$1,000,000 (A\$1,300,000*).
- Expenditure to be directed towards investigating the feasibility of re-opening the historic mines.
- Bluebird to undertake a technical and economic assessment of multiple options to re-open the mines and then deliver a feasibility report on the preferred option, targeting a low capital start-up of less than US\$10,000,000.
- Bluebird to subscribe for A\$250,000 of Southern Gold shares at \$0.386 per share for each project, or a total of A\$500,000. The placement was priced at a 35% premium to the 20 day VWAP on execution. This share subscription, if completed with respect to both projects, will require the issuance of 1,295,336 shares representing 2.7% of Southern Gold on an undiluted basis post placement.

- Upon completion of the above steps, and within 12 months of Southern Gold providing access to the projects, a 50/50 unincorporated joint venture will be formed with Bluebird as manager of the operations.
- The Farm-In agreements are not cross-conditional – Bluebird could theoretically complete the above Farm-In conditions for one project, but not the other, although the target is to generate production from both projects in due course.
- The Farm-In Agreements are conditional on access to the relevant old mine workings being obtained and to Korean legal advice on changes required to the agreements to satisfy Korean legal requirements and these being confirmed as reflected in the document, a process that is currently in train. While the deal is currently structured as a non-incorporated joint venture, provision has been made in the Farm-In Agreement to cover the possibility that the Korean tax system may predicate an incorporated joint venture and advice is also currently being sought on this matter.

Overview of Bluebird

Bluebird is listed on the London Stock Exchange and is a South East Asian focused mining development and commodity trading group. Bluebird is led by professional mine operators that have many years of experience in all aspects of mining throughout South East Asia (where many of the executives are based).

Bluebird's newly appointed CEO, Mr Colin Patterson, and Chief Operating Officer, Mr Charles Barclay, will have lead roles in the Farm-In activities. **Mr Patterson** has more than 40 years' experience in the gold mining industry, 25 of those in senior executive positions in gold mining companies in the Asia Pacific region. His roles have included senior operational, CEO and Chairman positions with various mine operators, including Chairman of Apex Mining (Philippines), CEO and President of Olympus Pacific (Vietnam) and Managing Director of Emperor Mines (Fiji). More recently, he has managed his own consulting company, assisting many companies with development and optimisation of mines throughout South East Asia. **Mr Barclay** has more than 25 years of experience in senior operational and consulting roles for the gold mining industry. Highlights include roles as the Chief Operating Officer for Olympus Pacific where he oversaw the construction and commissioning of the Phuoc Son gold mine in Vietnam, Mine Development Manager for Highlands Pacific's Kainantu gold mine in Papua New Guinea and General Manager of the Vatukoula gold mine in Fiji.

Standing behind Mr Patterson and Mr Barclay is a seasoned team of very experienced corporate and mining executives with backgrounds in mine finance and development, mining and social engagement particularly in various jurisdictions of Asia. The team specialises in narrow vein underground gold mining and they have the skill sets to move both Taechang and Gubong forward at a relatively rapid rate.

Bluebird will be making an announcement to the LSE in regard to this deal at 7am London time today, which is 5pm Australian Eastern Standard Time.

Overview of the Gubong Gold Project

Up until the early 1970s, the Gubong mine exploited six high-grade quartz veins (No.1 to No.6 Veins) within gneissic granite over an area of some 14 square kilometres (**Figure 2, Photos 1 to 3**). The most extensive workings were on the No.6 Vein that was mined down-dip for approximately one kilometre or 550 vertical metres below surface. Bluebird estimates that historical infrastructure includes major adits, two vertical shafts, an incline shaft and several hundred kilometres of underground development.

Southern Gold has previously announced an Exploration Target Range of 1.0 to 4.5Mt at 6-12g/t (500koz-1,500koz Au) for Gubong. This exploration target is not a mineral resource and is conceptual in nature. The

estimate is based on the substantial body of information relating to the mineralisation documented for the targets referred to here, which has been generated by government and semi-government agencies as documented in Table 1 and Table 3 in Appendix 4 of the ASX release 8 July 2016.

Figure 2: Gubong Project illustrating relative position of Gubong No 6 Vein and Extensive Development.

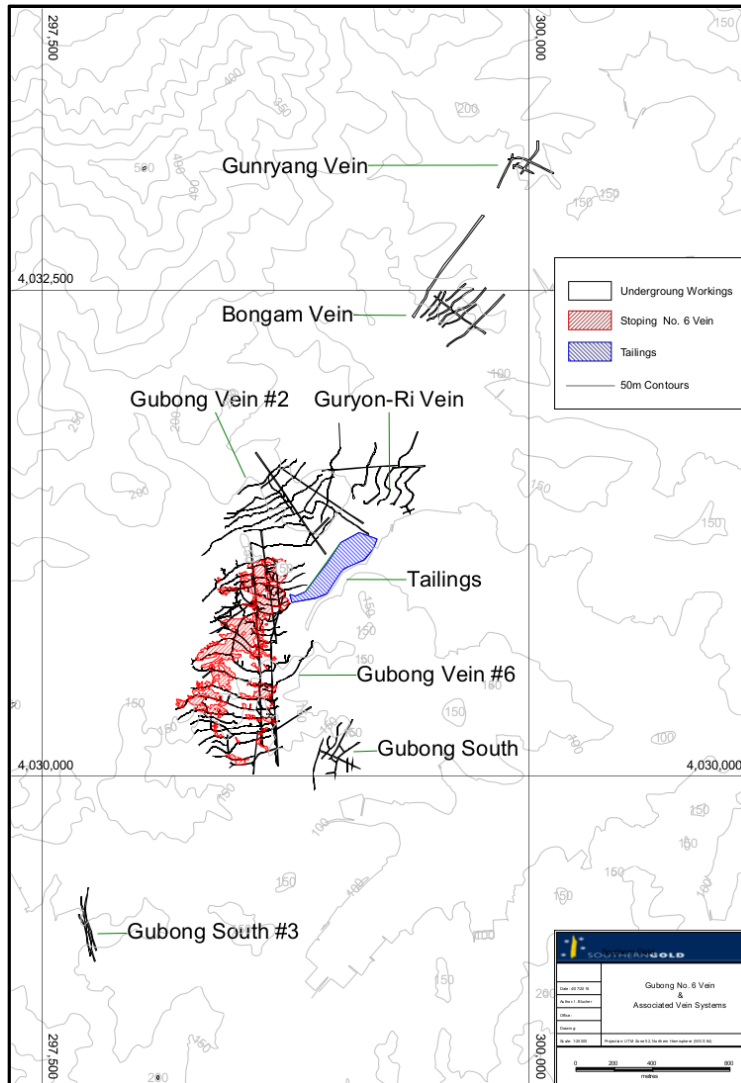


Photo 2 and 3: Photo of historical map of underground workings with main adit entrance indicated (left) and historical photograph of inside the main adit at Gubong (right).



Overview of the Taechang Gold Project

Taechang is smaller scale than Gubong but is typically higher grade. Mineralisation is hosted in narrow shallowly dipping quartz veins with typical grades in excess of 16g/t Au. Underground workings are not as extensive as at Gubong but are significant nonetheless and are in excellent condition (**Figure 3** and **Photo 4**). Physical mine access was confirmed recently by Southern Gold reconnaissance exploration.

Based on Korean government publications the average grade of remnant mineralisation is believed to be very high grade (See ASX release 8 July 2016). Because of the good condition of the workings and the excellent access on site, Taechang is seen as a quick potential development option. As an example of the development options being considered, there is the potential to apply ore sorting techniques to upgrade the ore given the high contrast between the quartz hosted mineralisation (white rock) compared to the dark coloured host gneiss (**Photos 5 and 6**).

Figure 3 and Photo 4: Example of historical mine development plans (left) and one of the two main entrances to the Taechang Gold Project (right)

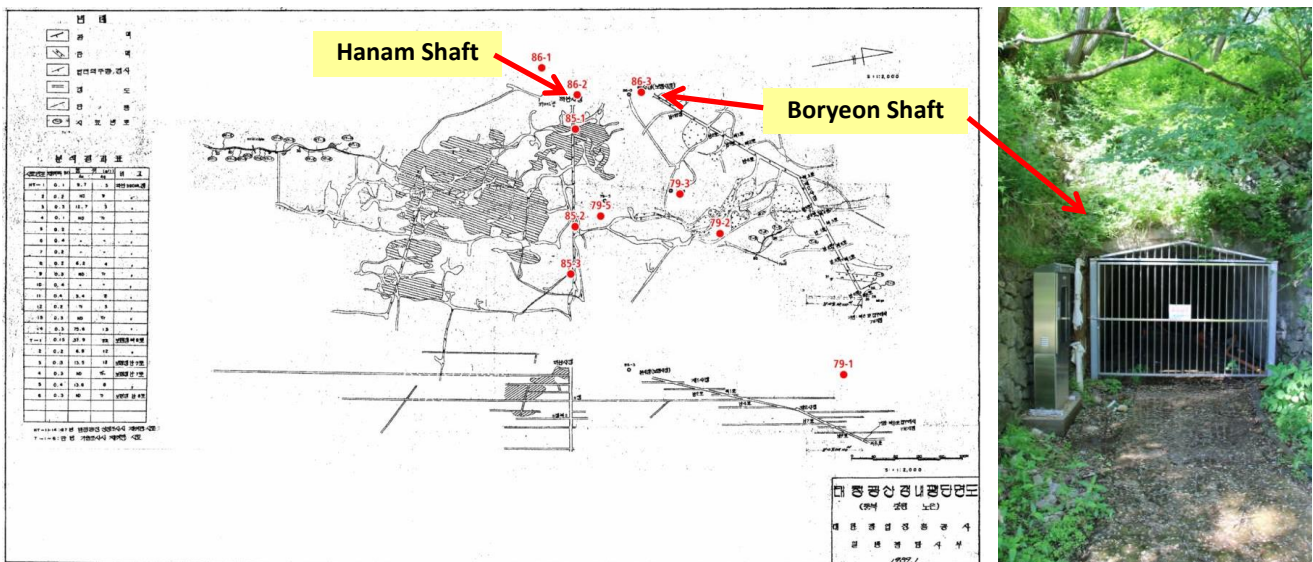


Photo 5 and Photo 6: Examples of mineralization at Taechang – quartz vein in gneiss



Southern Gold Managing Director, Mr Simon Mitchell: *“Bringing Bluebird into the Gubong and Taechang projects as our development partners will potentially see revitalised production from these mines in a much more compressed timeframe. The farm in period will take around 12 months of studies after which we will have a map of a way forward. Should the feasibility study confirm a viable development scenario we are looking at construction at some stage in the second year. If we can deliver this sort of timetable to production in South Korea it will be a huge win for our shareholders.”*

Access to the historical photography in this release is courtesy of Bluebird Merchant Ventures Ltd.

Southern Gold Limited: Company Profile

Southern Gold Ltd is a successful gold explorer and producer listed on the Australian Securities Exchange (under ASX ticker "SAU"). The Company's main focus is its Bulong Gold Project located 30 km east of the world renowned gold district of Kalgoorlie (WA) with the flagship Cannon Gold Mine projected to produce around 50koz gold. Mining at Cannon is now well advanced with Westgold Resources Ltd mining the open pit deposit under a 50/50 profit share arrangement with seven campaigns already processed. The mines underground mining potential is currently under assessment.

In addition to its cornerstone position in Kalgoorlie, Southern Gold owns a portfolio of high grade gold projects in South Korea. These projects are a mix of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold targets. The Company's aim is to move one or more of the orogenic gold mines into production in the medium term as well as test for world-class epithermal gold deposits.

Competent Person's Statements

The information in this report that relates to Exploration Results has been compiled under the supervision of Dr Chris Bowden (FAusIMM(CP)). Dr Bowden, who is an employee of Southern Gold Limited and a Fellow and Chartered Professional of The Australasian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bowden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Exploration Targets has been compiled under the supervision of Mr. Ian Blucher (MAusIMM). Mr Blucher, who is an employee of Southern Gold Limited and a Member of the Australian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Mr Blucher consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Forward-looking statements

Some statements in this release regarding estimates or future events are forward looking statements. These may include, without limitation:

- *Estimates of future cash flows, the sensitivity of cash flows to metal prices and foreign exchange rate movements;*
- *Estimates of future metal production; and*
- *Estimates of the resource base and statements regarding future exploration results.*

Such forward looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. Such statements are expressed in good faith and believed to have a reasonable basis. However the estimates are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from estimated results.

All reasonable efforts have been made to provide accurate information, but the Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this release, except as may be required under applicable laws. Recipients should make their own enquiries in relation to any investment decisions from a licensed investment advisor.