ASX Release
Monday 9 October 2017

ASX Code: SAU

New Mineral Resource estimate underpins underground phase at Cannon Gold Mine, WA

- Total JORC Indicated and Inferred Resource of **142,000t @ 5.2g/t Au for 23,600oz Au** using 1g/t cut-off grade and variable top cut by domain.
- The Indicated Resource stands at **122,000t @ 5.7g/t Au for 22,200oz Au**, or 85% of resource tonnes and **94% of the resource ounces**.
- Preliminary underground mine design work indicates possibility of development on 4 levels and the extraction of a significant proportion of the gold resource estimate with potential to extend with more drilling.

Updated JORC Resource

Australian gold producer, Southern Gold Ltd, is pleased to announce a new gold resource estimate, defined in accordance with the 2012 JORC code, at the Company's Cannon gold mine, near Kalgoorlie, WA (**Figure 1**). The underground gold resource is contained on mining lease M25/333 and constrained to its northern boundary at 6590205mN where it abuts the Georges Reward deposit on M25/357 (a Westgold Resources project) and is summarised in **Table 1** by category. **Figure 2** illustrates the modelled shapes used in the detailed estimation.

Table 1: Cannon Underground Resource between 255m RL and 145m RL at 1g/t Au lower cut off and variable top-cut by domain.

JORC Category	Tonnes	Grade g/t Au	Au Troy Ounces
Total Indicated	121,570	5.68	22,180
Total Inferred	20,700	2.10	1,400
Total Resource	**142,270**	**5.17**	**23,580**

Note: totals may differ due to rounding.

Managing Director, Mr Simon Mitchell: "*An evaluation of the Cannon underground resource is now underway to assess the potential for a mineable reserve and to evaluate a suitable cost model to the Company. The high confidence of the Cannon mineralisation, the good history of ore reconciliation within the now fully mined open-pit and good geological understanding points to the underground inventory being a small but high quality resource. Taken with the proximity to Kalgoorlie and the presence of many contractors with experience in underground operations in the Eastern Goldfields, there is every confidence that Cannon will move into its next mining phase.*"

"*Our technical team at Southern Gold is very confident that the Cannon mineralisation below the open-pit can convert to cash flow. Over the next few months the Company will investigate ways to do that and will keep an open mind on the development model. The mineral resource announced today displays consistent high grades and good widths that should result, on current indicators, in very profitable underground mining.*"

Shares on Issue: 49.15m
Share Price: $0.295
Market Capitalisation: $14.5m

Asset Base – WA, Australia
Cannon Gold Mine (100%)
Glandore Gold Project (50%*)
Cowarna Gold Project (100%)
Transfind Extended (Option)
*currently earning 75%

Asset Base – South Korea
Gubong Project (100%*/BMV)
Taechang Project (100%*/BMV)
Kochang Project (100%)
Weolyu Au-Ag Project (100%)
*Currently under BMV farm-in

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Figure 1: Cannon Gold Mine Location

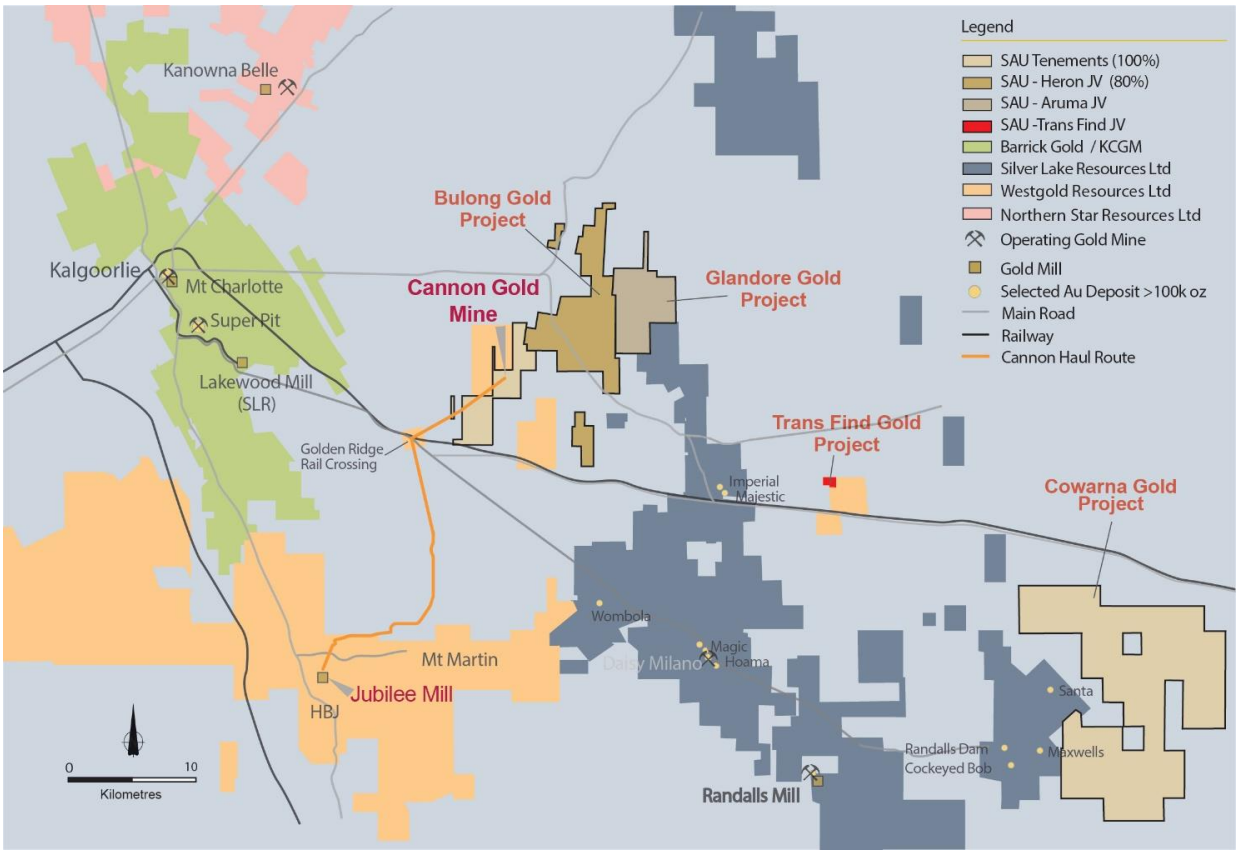
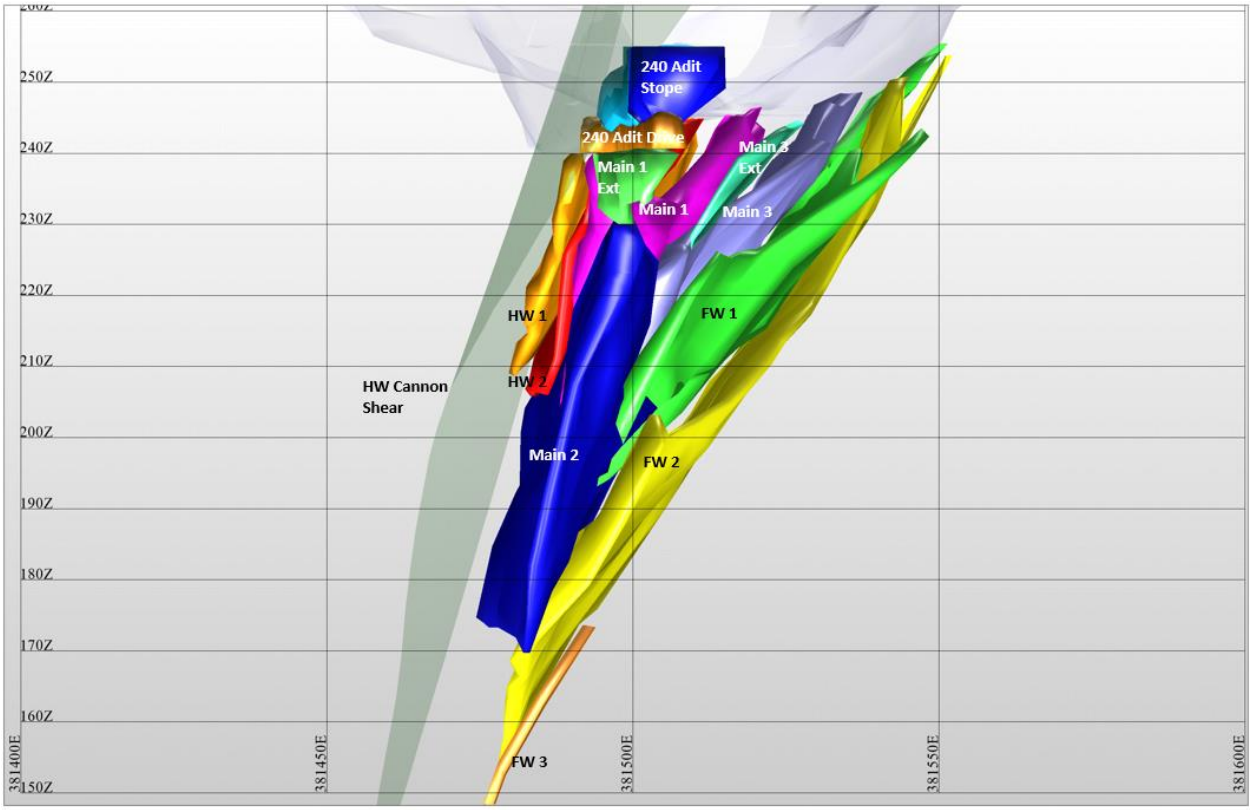


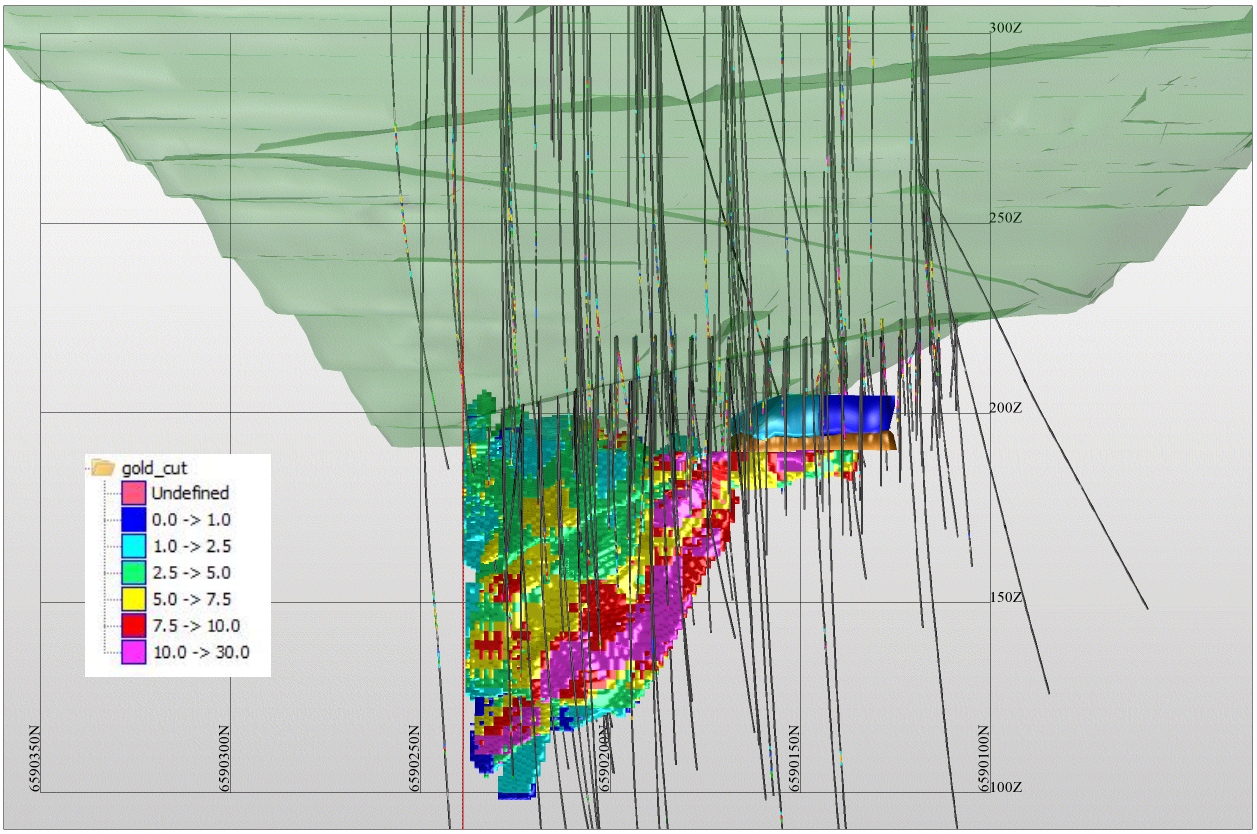
Figure 2: Cannon Gold Mine resource modelling shapes below the open pit and in footwall of Cannon Shear.



Detailed Methodology and Results

The resource was estimated using the Inverse Distance Weighting (IDW) method based on the results of 126 drill holes (105 RC, 21 DDH through the mineralized zone) using a nominal 1g/t Au cutoff grade and a maximum internal dilution of 3m downhole. The drill hole spacing across the resource ranges from 5m to 10m along strike and is considered close spaced drilling providing a very high confidence in the data and resource estimate. See **Figure 3** for drill density illustration. A variable high grade top cut was applied to each domain based on statistical data.

Figure 3: Block model with drill traces, viewed to the East, with ML25/333 tenement boundary (red line).



The Cannon underground gold resource is predominantly categorised as Indicated due to the high confidence in the close spaced drilling density, the along-strike continuity of mineralisation and high grade consistency within each zone. See **Figure 4** for an oblique view of the block model. There are two footwall lodes that have been categorised as Inferred. However, with some additional drilling from underground, these lodes should be upgraded to Indicated in due course.

Analysing the resource model for various cut-off grades results in grade-tonnage distributions as illustrated in **Table 2** and **Graph 1** below. For example, a higher lower bound cut-off could be employed such as 2.5 g/t, which results in a resource of **109kt @ 6.2g/t Au for 21,700oz Au** and results in only an -8.2% variance in total gold contained.

The 1 g/t Au lower cut allows for increased continuity, access to upside from sub-parallel lower grade lodes and maximising the economics of the resource. The technical lower bound cut-off may well be somewhere between 1.0 and 2.0 g/t after more detailed economic analysis. The majority of the high grade is contained with the main lodes and the study to convert these to a Reserve inventory will analyse the grade continuity between and along lodes in more detail.

Figure 4: Cannon Gold Mine – Oblique view (~032.5^0) of Cannon Block Model > 1 g/t Au.

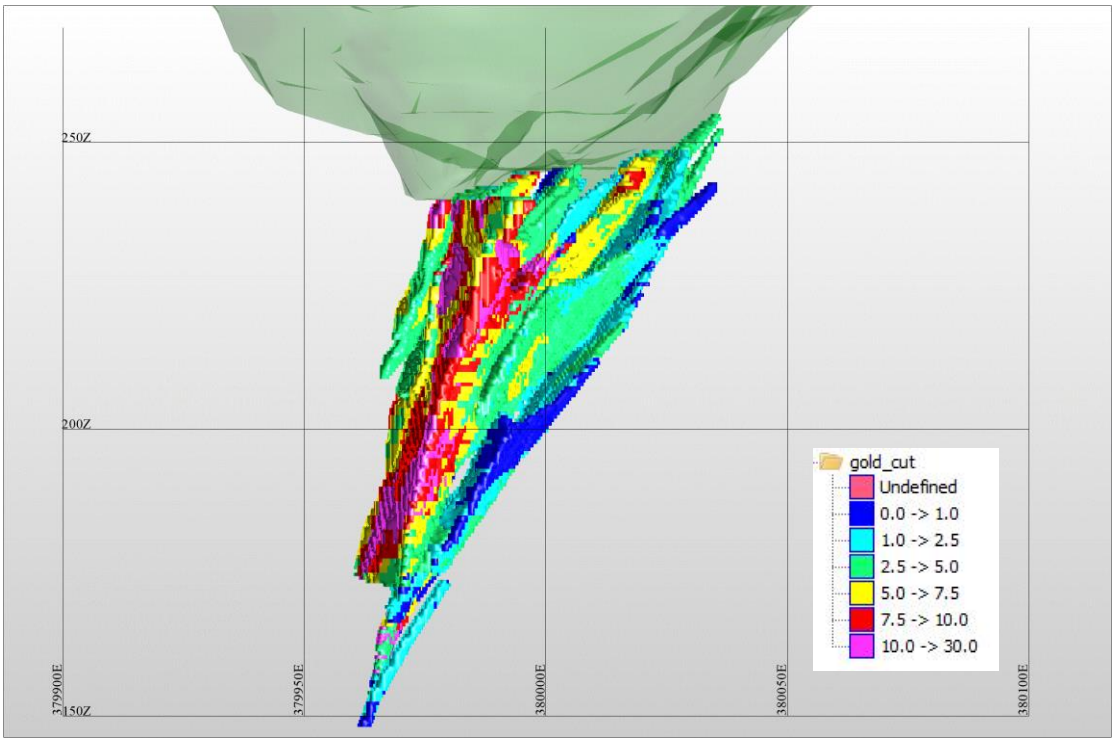
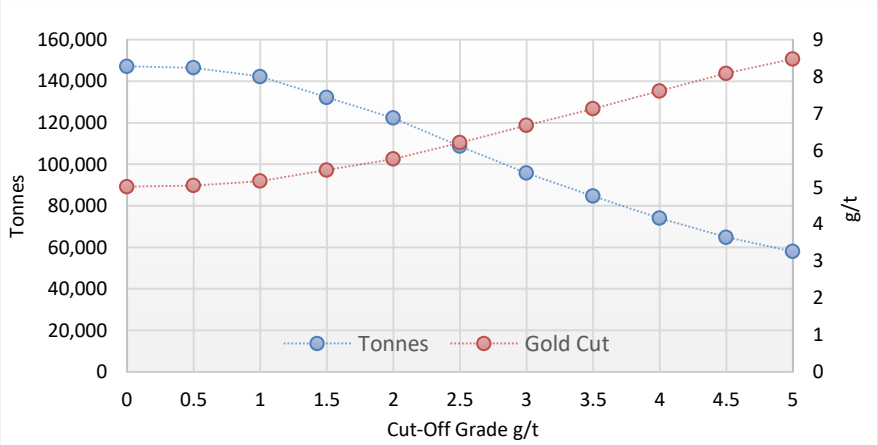


Table 2: Cannon Resource Cut Off Grade Comparisons. Gold cut by domain and results not rounded.

Cutoff g/t Au	Tonnes	Gold Grade g/t Au	Ounces	Variance from 1 g/t Au
0	147,183	5.02	23,755	-0.5%
0.5	146,505	5.05	23,787	-0.6%
1	142,237	5.17	23,643	0.0%
1.5	132,270	5.47	23,262	1.6%
2	122,272	5.77	22,683	4.1%
2.5	**108,704**	**6.21**	**21,703**	**8.2%**
3	95,797	6.68	20,574	13.0%
3.5	84,683	7.13	19,412	17.9%
4	74,038	7.61	18,115	23.4%
4.5	64,865	8.09	16,871	28.6%
5	57,968	8.48	15,804	33.2%

Graph 1: Cannon Resource – Global Grade Tonnage Curve



Preliminary Underground Mine Design – What might be possible at Cannon?

The high grade nature of the main ore mineralisation zones, the existing infrastructure of the open-pit for portal establishment, surface infrastructure including haul roads and toll treatment facilities in the Kalgoorlie district, suggest that the proposed underground mine extension project has very high prospects for economic extraction. Preliminary internal assessment by Southern Gold has resulted in a conceptual 4 level mine design exploiting the 80m vertical of high grade mineralisation (**Figures 5 and 6**).

Figure 5: Cannon updated block modelled interpolation, with conceptualised 4 level underground development, Cannon Pit and 240mRL WestGold adit and stope (in Blue).

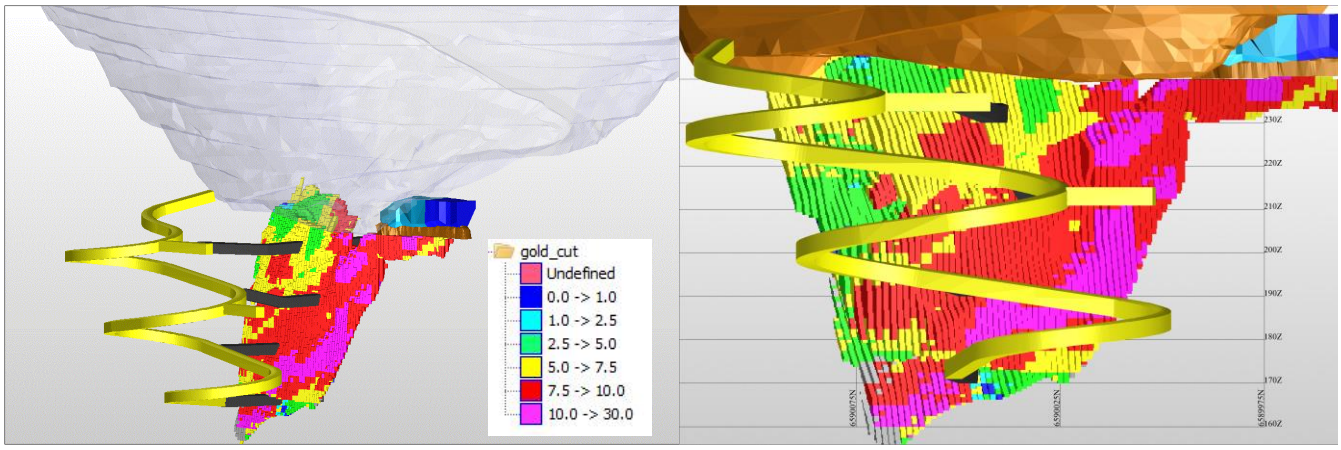
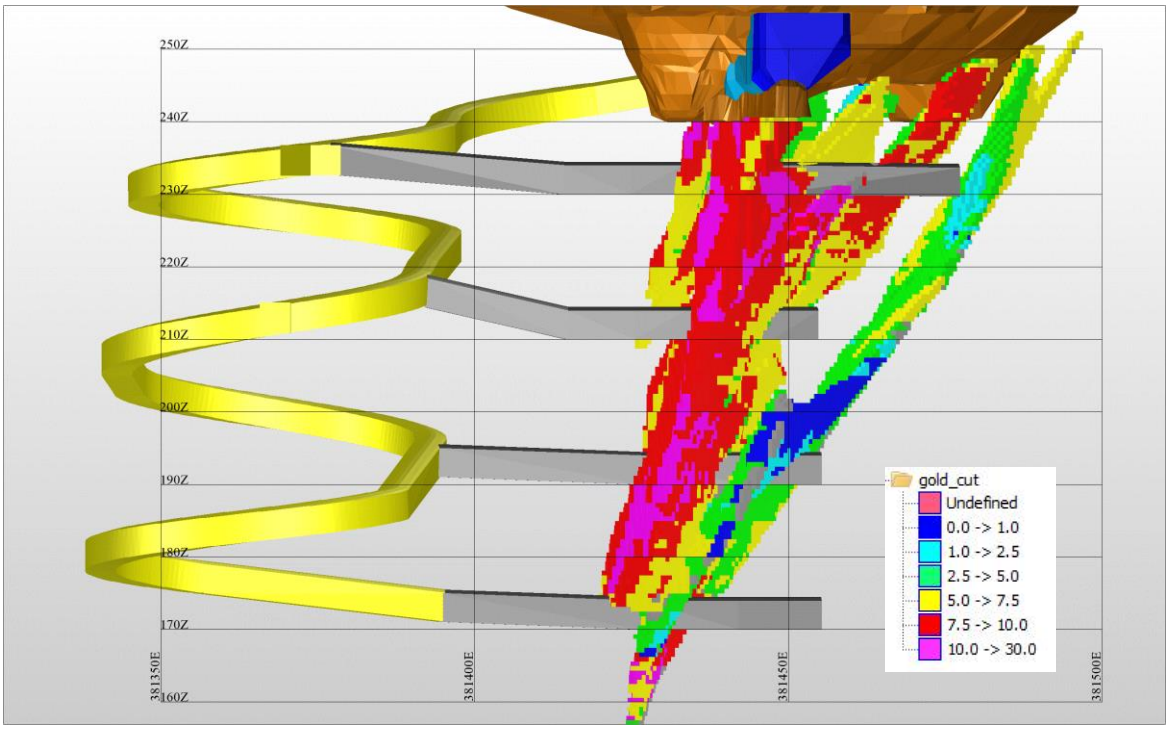


Figure 6: Cannon oblique cross section view looking to the north-north-east, showing Cannon Pit, conceptualised UG development, 240mRL WestGold adit and stope (in Blue).



The mineralised lodes vary from thick steeply dipping high grade zones up to 12m in width, to narrow, low to moderate grade, steep to moderate dipping lodes. These lodes potentially represent readily extractable ore depending on a geotechnical review to guide the most economic mining method employed.

Additional drilling would be required on the peripheral footwall lodes to determine if they are mineable and lift them to an Indicated Resource category. They can also be mined above the pit floor, up dip into the north-eastern wall, ground conditions permitting.

Next Steps

The Cannon underground resource represents a sound opportunity to mine a high confidence, closely defined zone of gold mineralisation from the base of the Cannon pit to at least 90m below. The ore body consists of 5-6 separate lodes or shoots that compress together as they plunge and dip into the hanging wall contact of the Cannon shear.

The Cannon underground resource is **142,000t @ 5.2 g/t for 23,600** contained ounces of gold. **It is highly probable that this resource can be increased with further drilling.**

Potential upside to Southern Gold from the Cannon mine extension can be summarised as follows:

- The high ratio conversion of mineral resources to ore reserves and the generation of further significant cash flow to the Company (more than net $13.6m has been received by Southern Gold from the open-pit operation);
- The deposit is currently untested at depth and additional footwall lodes can add to the mineral resource after infill and extensional drilling;
- Should Southern Gold proceed with an underground development, there is the opportunity to drill from the 190mRL horizon (i.e. from underground) and explore for repeat structures sitting in parallel or structurally offset positions; and
- Stepping back from the Cannon deposit itself, Southern Gold geologists are now targeting the Cannon shear as a potential host for additional mineralisation along strike, particularly to the north-east where additional old mine workings have been noted on surface.

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. An underground mining phase at Cannon is currently being assessed.

Southern Gold is also exploring at projects such as Glandore, Transfind Extended and Cowarna, looking for additional small high grade open pit-able gold resources and potential new discoveries.

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 combination of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold targets. Southern Gold's aim is to move one or more of the orogenic gold mines such as Gubong and Taechang into production in the short to medium term utilising the technical expertise of its joint venture partner and London Stock Exchange listed Bluebird Merchant Ventures Limited as well as explore 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 Mr. Paul Androvic (AusIMM). Mr Androvic who is an employee of Southern Gold Limited and a Member 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 Mineral Resources and Ore Reserves. Mr Androvic 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 presentation, 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.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30-g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	***Exploration and Resource Definition Drilling*** • The mineralisation of the Cannon deposit was sampled using face sampling reverse circulation (RC) percussion and diamond core drilling techniques. • RC drill holes and RC pre-collars were sampled at 1m intervals followed by riffle splitting and collection into plastic bags for non-pre-collared holes or as four metre, spear sampled, composite samples for RC pre-collars. Individual 1m samples from RC composites returning anomalous gold values were subsequently re-split by sample spear and assayed. • Individual RC drilling samples riffle split from the drill rig were collected into pre-numbered calico bags. • Diamond core was sampled as half core at intervals not less than 0.1m and no greater than 1.3m lithological boundaries. Sampling intervals were controlled by geological boundaries. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • Drill holes were sampled using face sampling reverse circulation (RC) percussion drilling. • Drill holes were sampled at 1m intervals via a cone-splitter connected via a cyclone directly to the drill stream. • Individual RC drilling samples were cone split from the drill rig and collected into pre-numbered calico bags. • Holes BSRC275 to BSRC303: Each sample was completely pulverised to produce a 50g charge for fire assay. • Holes BSRC304 and BSRC305: Each sample was completely pulverised to produce a 10g charge for multi-element analysis.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what*	***Exploration and Resource Definition Drilling*** • Diamond or face sampling reverse circulation percussion drilling were the primary drilling techniques used to evaluate the Cannon resource. • The Original Cannon resource has been estimated using 57 RC holes, four diamond holes drilled from surface and 15 RC pre-collared holes with diamond tails. • RC percussion drilling downhole depths range from 34m to 240m. • Diamond drill holes and diamond tails to RC pre-collars downhole depths range from 78m to 225m.

Criteria	JORC Code explanation	Commentary
	method, etc.).	• Exploration RC drilling was undertaken by Ausdrill, Strange Drilling and Andrews Drilling, all of Kalgoorlie, using 5½ inch diameter face sampling hammers. • Exploration and Resource Diamond core drilling was undertaken by Ausdrill Ltd. Diamond tails were drilled as NQ (47.6mm diameter) and NQ2 (50.8mm diameter). Drill holes used for geotechnical or metallurgical data acquisition were drilled using triple tubed HQ3 core with a diameter of 61.1mm). • All cored holes were routinely orientated using an ACE electronic tool. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • In pit Face sampling RC percussion drilling was undertaken from surface to depths ranging from 6 to 55m • Grade control RC drilling in the Cannon Pit was undertaken by VM Drilling and Blue Spec Mining of Kalgoorlie. • UG RC Ramp drilling Face sampling reverse circulation percussion drilling was the drilling technique used. • Holes were surveyed by Gyro tool (Reflex EZ Gyro) in the rod stream by Ausdrill of Kalgoorlie, WA.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	***Exploration and Resource Definition Drilling*** • Sampling intervals during RC drilling were routinely checked by comparing the position of the drill rod against the sample bag being filled. • Cored hole depths were measured by Company geologists and reconciled with core markers prepared by the driller. • Drilled cored meters compared well to recovered meters. Overall recoveries are estimated at 98% for core drilling. • Drilling of core and RC holes were conducted with machinery and using drilling techniques appropriate to the terrain and with drillers experienced in the area. • Core and RC sample loss was kept to a minimum by good sampling practices. • Riffle splitting of RC samples and sampling of half core from diamond holes provided good representation of the intervals sampled. • No recovery issues were identified with the RC drilling. Loss of fines at the cyclone was minimal and is not considered to have had a significant effect on sample recovery. • No relationship has been noted between sample recovery and grade. Overall, sample recoveries were very high and did not present a problem. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • Sampling intervals during RC drilling were routinely checked by comparing the position of the drill rod against the sample bag being filled. • Drilling of RC holes was conducted with machinery and using drilling techniques appropriate to the terrain and with drillers experienced in the area. • Sample loss and contamination was kept to a minimum by good sampling practices. • Cone splitting of RC holes provided good representation of the intervals sampled. • No recovery issues were identified with drill holes within ore zones. Loss of fines at the cyclone was minimal and is not considered to have had a significant effect on sample recovery. • No relationship has been noted between sample recovery and grade. Overall, sample recoveries were very high and did not present a problem.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource*	***Exploration and Resource Definition Drilling*** • All drill holes have been geologically logged by Company geologists using a standard format over the whole length of each hole. Features for each sample or geological interval recorded included weathering, lithology, alteration mineralogy, structural information, mineralisation mineralogy, veining, vein mineralogy and orientation and

Criteria	JORC Code explanation	Commentary
	estimation, mining studies and metallurgical studies. • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	proportions of non-economic minerals. This level of detail is considered appropriate to support the 2015 Mineral Resource estimate. • Geological logging recorded factual data (e.g. colour, grain size, percentage of identifiable minerals present) and interpretative data (e.g. lithology). • A subsample of washed and sieved RC chips from each metre was collected and stored sequentially in numbered plastic chip trays. Chips trays representing each RC drill hole are stored in the Company's head office in Adelaide. • All drill core has been photographed. Detailed geotechnical logging and geotechnical tests were undertaken on three holes drilled to provide open pit design parameters and preliminary underground design parameters. • All intervals used in the 2015 Mineral Resource estimate have been fully logged. • The level of detail recorded during logging is sufficiently detailed to support appropriate 2015 Mineral Resource estimation, mining studies and metallurgical studies. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • All drill holes have been geologically logged by Company geologists using a standard format over the whole length of each hole. Features for each sample or geological interval recorded, where observable, included weathering, lithology, alteration mineralogy, structural information, mineralisation mineralogy, veining, vein mineralogy and proportions of non-economic minerals. • Geological logging recorded factual data (e.g. colour, grain size, percentage of identifiable minerals present) and interpretative data (e.g. lithology). • A subsample of washed and sieved RC chips from each metre was collected and stored sequentially in numbered plastic chip trays. Chips trays representing each RC drill hole are stored in the Company's field office in Kalgoorlie.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	***Exploration and Resource Definition Drilling*** • RC samples were riffle split at 1m intervals and rejects collected into green plastic bags. • Riffle split samples were taken dry. On rare occasions when a moist or wet sample was returned, a PVC spear or scoop was used to avoid contamination of the riffle splitter (three samples). This was noted in the sample register and subsequently entered into the Company's database. • Composite RC samples were taken from the plastic bags using a PVC spear. Original 1m samples were submitted for assay if initial composite analyses were considered anomalous. • All mineralised intervals of diamond drill core were sampled as half core with intervals ranging from 0.3m to 1.3m. A minimum of three meters either side of mineralised intervals was also sampled. Sampling intervals were controlled by geological boundaries. • Sample size presented for analysis was typically 1 to 3kg. • Preparation and analysis of RC and diamond core samples was undertaken by crushing and pulverizing at Intertek Genalysis' Kalgoorlie laboratory, followed by analysis at Intertek Genalysis' facility in Perth. 2016 DDH program, samples analysed through Bureau Veritas Kalgoorlie. • Samples were pulverised to 85% passing 75 micron. Consultation between the Company and the lab concluded this particle size was suitable for the Cannon samples. • Field duplicates were collected every 20th sample from 2010 onwards and results obtained compared well with the original sample. • Sampling procedures utilised for the Cannon exploration and resource definition drilling were reviewed previously by external consultant RungePincockMinarco (Runge, 2010, 2011 and RPM 2012) and are considered to be of a high

Criteria	JORC Code explanation	Commentary
		standard. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • RC samples were sampled from a cone splitter attached to the drill rig at 1m intervals and rejects collected placed in sequential order on the ground adjacent to the drill rig. Samples were taken dry. • Sample size presented for analysis was approximately 3kg. • Preparation and analysis of samples was undertaken by Minanalytical at their Kalgoorlie and Perth facilities. • Samples were pulverised to 85% passing 75 micron. • Field duplicates were collected at every 20th metre mark on each hole and results obtained returned a correlation coefficient of 0.988. One duplicate result failed, this was of a different mineralisation style outside of the targeted zone.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	***Exploration and Resource Definition Drilling*** • The analytical method used for samples used in the resource estimation was Genalysis method FA25/AA, consisting of a 25-g charge fire assay with detection by atomic absorption at a detection limit of 0.01ppm Au (gold). Fire assay is considered the most appropriate analysis method for the deposit and is a total digest technique. No strong nugget effect was observed in repeated assays and screening of samples prior to fire assay was not considered necessary. • No assay data from geophysical tools were used in the 2015 Mineral Resource estimate. • The QAQC protocol used for drilling undertaken in 2009 consisted of certified standards inserted at a rate of approximately 1 in 100, a small number of blanks and laboratory repeats. • The QAQC protocol used for drilling undertaken in 2010 consisted of certified standards plus blanks inserted at a rate of 1 in 15. Duplicate sampling was also undertaken. • The QAQC protocol used for drilling undertaken in 2012 and 2016 drilling consisted of certified standards plus blanks inserted at a rate of approximately 1:20. • Field duplicates were collected every 20th sample from 2010 onwards and results compared well. • Results from QAQC monitoring of the accuracy and precision of the analytical methods employed which were at variance with accepted values were discussed with the analysing laboratory and resolved to the satisfaction of the Company. • A review of the analytical performance of the external standards and blanks used in exploration and resource definition drilling was previously assessed (Runge, 2010, 2011 and RPM 2012) which indicated that these results were acceptable in the majority of samples and that the assay data was considered acceptable for resource estimation purposes. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • Holes BSRC275 to BSRC303: Gold was analysed by Minanalytical method FA50AAS, consisting of a 50g charge fire assay followed by atomic absorption spectroscopy at a detection limit of 0.005ppm Au (gold). No strong nugget effect was observed in repeated assays and screening of samples prior to fire assay was not considered necessary. Holes BSRC304 and BSRC305: Aqua regia digest was used to produce a solution which was then analysed for a 61 element suite with detection by ICP-OES / ICP-MS (AR1031) methods. • No data from geophysical tools were used to determine grade control assay results. • The QAQC protocol used consisted of certified reference materials plus blanks, each inserted at a rate of 1:20. • Field duplicates were collected every 20th metre mark and results compared well (R=0.988).

Criteria	JORC Code explanation	Commentary
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	***Exploration and Resource Definition Drilling*** • Significant intersections were visually inspected and verified by the Competent Person (Mr Ian Blucher). • A total of 361 samples were submitted to an umpire laboratory (ALS Kalgoorlie) for sample preparation and analysis at the Perth ALS laboratory in 2010 with results comparing well. • Twinned holes have not been drilled. • All sampling data is recorded by hand onto logging sheets and re-checked before submission to the lab. Data is then entered into digital form and stored on the Company database after validation. Original logging sheets are filed in the Company's Head Office in Adelaide. • The assay database is stored securely on the Company's server which is backed up routinely both on and offsite. • No adjustments are made to the assay data after review of QAQC measures as stated above. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • Significant intersections were visually inspected and verified by the Competent Person (Mr Paul Androvic). • Twinned holes have not been drilled. • All sampling data is recorded on computer spreadsheets or by hand onto logging sheets and re-checked before submission to the lab. Data is then entered into digital form and stored on the Company database after validation. Original logging sheets are filed in the Company's field Office in Kalgoorlie. • The assay database is stored securely on the Company's server which is backed up routinely both on and offsite. • No adjustments are made to the assay data after review of QAQC measures as stated above.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	***Exploration and Resource Definition Drilling*** • Drill hole collar positions have been accurately surveyed by registered surveyors utilising DPGS survey equipment to an accuracy of +/- 0.01m. • 71% of holes were surveyed downhole by Gyro Inclinometer with the remaining 29% by electronic multi-shot tool. • The grid system used for locating the collar positions of drill holes is the Geocentric Datum of Australia (GDA94), Zone 51 (MGA Projection). Elevations are recorded in Australian Height Datum (AHD). • Topographic control in the immediate vicinity of the Cannon resource is provided by topographic mapping undertaken by Whelans of Kalgoorlie with an estimated RMS accuracy of 0.05m horizontal and 0.05m vertical. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • Drill hole collar positions have been surveyed by Differential GPS to an accuracy of +/- 0.1m. • Holes were surveyed by Gyro tool (Reflex EZ Gyro) in the rod stream by Ausdrill of Kalgoorlie, WA. • The grid system used for locating the collar positions of drill holes is the Geocentric Datum of Australia (GDA94), Zone 51 (MGA Projection). Elevations are recorded in Australian Height Datum (AHD). • Topographic control in the area is provided by SRTM data and mine site surveying.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.*	***Exploration and Resource Definition Drilling*** • The average drill hole spacing in the main portion of the resource is approximately 20m along strike and 20m down dip. With the good continuity of structure evident at the deposit, this spacing is considered adequate to allow some parts of the deposit to be classified as an Indicated Mineral Resource. The portions of the deposit drilled at spacings of greater than 20m, or where continuity of structure is uncertain, have been classified as Inferred Mineral Resource. • The Cannon deposit shows reasonable continuity of the main mineralised zones allowing the drill hole intersections to be modelled into coherent, geologically robust wireframes. Reasonable consistency is evident in the thickness of the structure, and the distribution of grade appears to be reasonable along strike and down plunge.

Criteria	JORC Code explanation	Commentary
	• *Whether sample compositing has been applied.*	• Samples were composited to 1m intervals for use in the 2015 Mineral Resource Estimation. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • The average in-pit drill hole spacing used was 10 m grid east west and 5 m grid north – south. This spacing provides information to infill between existing resource drilling and is adequate to inform the mining process. • Compositing of samples reported has not been applied. • UG RC Ramp infill drilling was undertaken on 5m grid north- south spacing over 70m with 1-4 holes per line.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	***Exploration and Resource Definition Drilling*** • The orientation of the drilling direction is to the east, which is approximately perpendicular to the general strike of structures controlling mineralisation which dip to the west. A number of holes have been drilled at a close angle to the dip due to the steep nature of the lodes and varying strike of the mineralisation. • The majority of holes have been drilled to the east, with one scissor hole drilled to the west. Three geotechnical holes drilled for mine design purposes were drilled at bearings of 120, 235 and 300 magnetic. Data obtained from these holes has also been incorporated in the 2015 Mineral Resource estimate. • The relationship between the orientation of drilling and orientation of mineralised structures is not considered to have introduced a sampling bias. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • All drilling was undertaken to the east, parallel to the majority of the Cannon resource and Grade Control drilling. • No twinned-holes were drilled.
Sample security	• *The measures taken to ensure sample security.*	***Exploration and Resource Definition Drilling*** • RC drilling samples are placed into pre-numbered calico bags directly from the splitter under the supervision of the rig geologist. • Diamond core is transported from site by Company personnel to a secure facility in Kalgoorlie where it is logged and sampled then stored. • The rig geologist places the calicos bags containing the samples into polyweave bags and transports them to the sample preparation laboratory where a sample submission form is completed. The details entered onto the sample submission form are the means by which the samples are tracked through the laboratory. • Samples are transported by internal courier from the preparation facility to the analytical laboratory. • The laboratory provides the Company with a reconciliation of samples submitted compared to samples received. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • Security measures employed for grade control samples were the same as for the exploration and resource drilling. • RC samples are placed into pre-numbered calico bags directly from the splitter under the supervision of the rig geologist. • The geologist places the calicos bags containing the samples into polyweave bags and transports them to the sample preparation laboratory where a sample submission form is completed. The details entered onto the sample submission form are the means by which the samples are tracked through the laboratory. • The laboratory provides the Company with a reconciliation of samples submitted compared to samples received.
Audits or reviews	• *The results of any audits or reviews of*	***Exploration and Resource Definition Drilling*** • A site visit was conducted in June 2010 (Runge, 2010) to review the project and deposit geology, drilling, sampling

Criteria	JORC Code explanation	Commentary
	sampling techniques and data.	and site procedures. Runge (2010) reported that Company procedures and protocols were operating at a high level. • The exploration and resource definition drilling data was audited previously in Surpac by Runge (2010 and 2011) and RPM (2012), with no major issues identified. • An internal review of bulk density data was undertaken by Company geologists in Dec 2012. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • No audits or reviews of grade control sampling techniques have been undertaken.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The Cannon resource is secured by M25/333, located ca. 30km ESE of Kalgoorlie, WA. • The Cannon Mineral Resource is owned 100% by Southern Gold Limited. • There are no material issues with third parties. • There are no known impediments to obtaining a licence to operate.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Exploration prior to 2005 was undertaken by a number of companies and prospectors including Cyprus Gold Limited and Roebuck Resources. Work by Roebuck Resources in 1994 identified a number of surface lag sample anomalies. A 1994 bedrock geochemical RAB drilling program resulted in the identification of at least three areas of significantly anomalous gold anomalous intersections which were not followed up at the time.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Mineralisation is considered to be a mesothermal, vein and alteration style deposit similar to many other deposits in the Kalgoorlie district. The interpretation used for this estimate is based on work completed by Company personnel who logged the holes and mapped the area. • The Cannon gold mineralisation is structurally controlled strikes north-easterly and dips to the west. High grade mineralised zones within the resource appear to be controlled by local scale dilational structures. • Mineralisation is associated with chlorite-biotite-albite-quartz-carbonate-pyrite alteration. The bulk of the gold mineralisation is hosted in a pillowed basalt unit. Other lithologies present include dioritic intrusives, lamprophyre dykes, high magnesium basalts and komatiites.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill*	***Exploration and Resource Definition Drilling*** • A selection of exploration results used in the compilation of the 2015 Mineral Resource Estimate showing the range of downhole intercept widths and associated grades is shown in Table 1 and Figures 1, 2, 3 and 4 of the Southern Gold ASX announcement dated 29 January 2013.

Criteria	JORC Code explanation	Commentary
	holes: ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• Drilling information relevant to the 2015 Mineral Resource Estimate is noted in Section 1 – Sampling Techniques & Data. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • A selection of grade control results used in the compilation of this announcement showing the range of downhole intercept widths and associated grades is shown in Table 1 and Figures 1, 2, 3 and 4 of this report. • Drilling information relevant to the grade control drilling is noted in Section 1 – Sampling Techniques & Data. • The variation of grades and widths intersected in grade control holes and the relationship to the resource drilling results is shown in Table 1 and Figures 1, 2, 3 and 4 of the Southern Gold ASX announcement dated 10 March 2015. • A selection and full table of Underground RC drilling results was shown in Southern Gold ASX announcement dated the 29th of August 2017 – "Multiple very high-grade Au results from RC drilling campaign at Cannon Gold Mine, WA".
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• No weighting average techniques or grade aggregations have been reported in this release in relation to Exploration or grade control results. Results reported were uncut. • No metal equivalent values have been reported.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	***Exploration and Resource Definition Drilling*** • The range of variation in down hole widths and grades and the nature of the continuity established is shown in Table 1 and Figures 1,2, 3 and 4 Table 1 of the Southern Gold ASX announcement dated 29 January 2013. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • The range of variation in down hole widths and grades and the nature of the continuity established is shown in Table 1 and Figures 1, 2, 3 and 4 of the Southern Gold ASX announcement dated 10 March 2015.

Criteria	JORC Code explanation	Commentary
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	***Exploration and Resource Definition Drilling*** • Figures 2, 3 and 4 of the Southern Gold ASX announcement dated 10 March 2015 show a typical range of downhole intercept widths and associated grades that may be found within the Cannon mineralisation. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • A selection and full table of Underground RC drilling results was shown in Southern Gold ASX announcement dated the 29th of August 2017 – "Multiple very high-grade Au results from RC drilling campaign at Cannon Gold Mine, WA".
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	***Exploration and Resource Definition Drilling*** • Figures 2, 3 and 4 of the Southern Gold ASX announcement dated 10 March 2015 show a typical range of downhole intercept widths and associated grades that may be found within the Cannon mineralisation. And is considered to be representative of the variation present in the Cannon Mineral Resource. ***2017 Resource Confirmation RC and In Pit RC Grade Control Drilling*** • A selection and full table of Underground RC drilling results was shown in Southern Gold ASX announcement dated the 29th of August 2017 – "Multiple very high-grade Au results from RC drilling campaign at Cannon Gold Mine, WA".
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Other than the exploration undertaken by other parties documented above, no other substantive exploration data for the 2017 Cannon Mineral Resource exists. • Drilling to obtain both geotechnical and metallurgical information has been undertaken. Where present, intersections of gold mineralisation and associated grades has been utilised in the modelling of the 2017 Mineral Resource.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• The 2017 Cannon Mineral Resource Estimate will be utilised to develop underground mine designs and associated mining schedule scenarios. This data will be incorporated into financial models along with other relevant data. • Information relating to possible extensions of the Cannon Resource is not shown as the information is commercially sensitive.