ASX Release
Tuesday 31 October 2017

ASX Code: SAU

Quarterly Activities Report

30 September 2017 – Key Points

- **Cash flow continues**: $2.1m received in September quarter, taking the total received to date of $13.6 million from the Cannon open pit in Kalgoorlie, WA;
- **Maiden dividend paid**: A special unfranked dividend of 3c per share cash, or equivalent in shares, was paid to shareholders registered on 4 July 2017;
- **Cannon Underground Resource confirmed as high grade**: total Indicated and Inferred JORC Resource of 142kt @ 5.2g/t for 23.6koz Au;
- **High grade mineralisation confirmed at Weolyu, South Korea**: drilling intercepts and recent underground access has confirmed multiple epithermal quartz veins in situ.

Corporate

- Maiden special unfranked dividend of 3c per share cash or equivalent in shares under the Dividend Reinvestment Plan (DRP) was paid during the quarter.
- Cash payments of $2.1m as share of profit from the Cannon open pit was received during the quarter. Cash position at quarter end was $4.8 million.

Cannon Gold Mine

- RC drilling of the underground resource target returned multiple very wide and high grade gold intercepts.
- Total Indicated and Inferred Resource defined in accordance with the JORC code of **142kt @ 5.2g/t for 23.6koz Au**.

Exploration – Australia

- Drilling well underway at Glandore Project with Lake Consols and Lankin complete, Doughnut Jimmy and Lavaeolus current. Assays expected shorty.

Development – South Korea: Bluebird Merchant Ventures (BMV)

- Underground access at the Gubong Gold Project has now been achieved and underground assessment works have commenced by BMV.

Exploration – South Korea

- High grade gold grades have now been intersected in drilling with highest grade result of **0.3m @ 21.1g/t Au and 49.1g/t Ag** from 231.4m in WUDD006
- Anomalous pXRF results on veining between 152.9m and 156.5m (3.6m) in WUD007 with assays pending.
- Underground access at Weolyu has been secured with installation of ladders. Multiple epithermal quartz veins confirmed in situ. (see photo left & page 11)

Issued Shares: 49.15M
Share Price: $0.28
Market Capitalisation: $13.7m
Cash at 30 Sept. 2017: $4.8m
Debt: Nil
Enterprise Value: $8.9m

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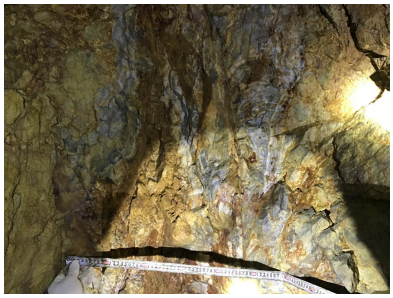
Weolyu Underground Vein: 0.6m



Cannon Gold Mine

Mine Operations

All activities within the Cannon open pit were concluded during the quarter. All Mining activities were suspended in mid-August pending the evaluation of the Cannon Underground proposal. Rehabilitation of the Waste dumps and surface infrastructure were also completed within the quarter. Accruals has been made for rehabilitation of the pastoralist fencing and ongoing environmental monitoring.

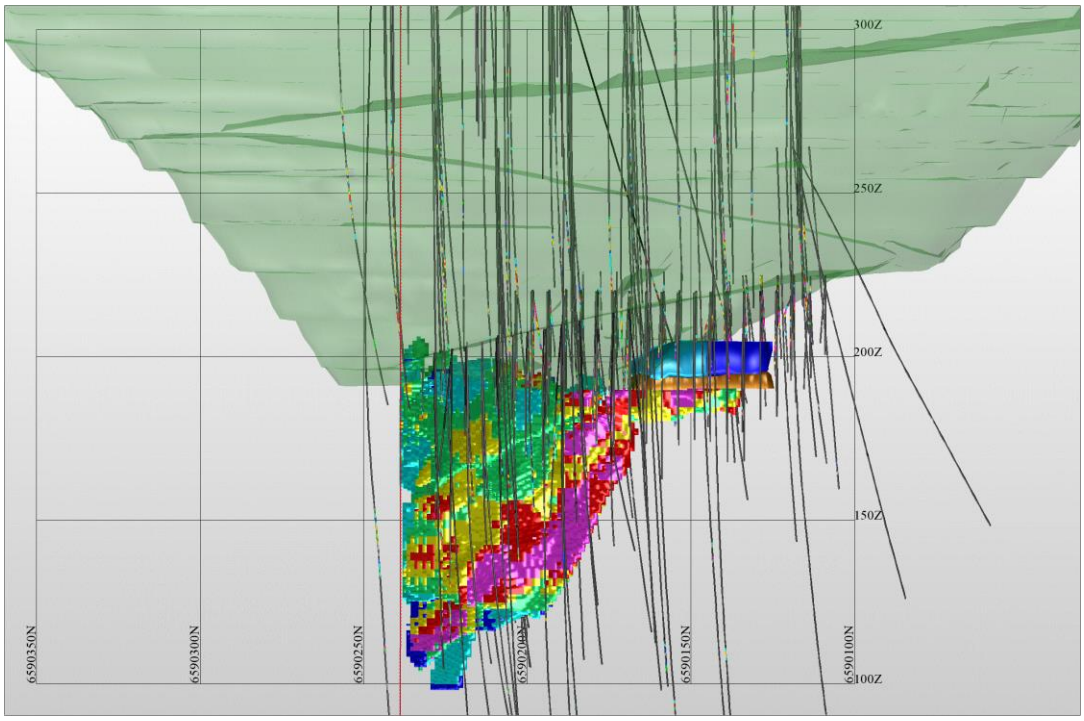
A seventh profit distribution was made in August of $1.5 million and a final distribution made in late September of $0.65 million for a total of $2.1 million during the quarter.

An RC drill program was completed in July with 2,734m drilled to better define the resource beneath the pit in preparation for the evaluation of underground mining scenarios (**Figure 1**). A selection of the more significant Intersection is listed below:

- BSRC276 - 10m @ 18.0g/t Au from 63m, including 5m @ 31.1 g/t Au from 66m
- BSRC279 - 6m @ 25.9g/t Au from 44m, including 4m @ 34.9 g/t Au from 45m
- BSRC283 - 12m @ 11.4 g/t Au from 53m, including 7m @ 17.7 g/t Au from 54m
- BSRC290 - 22m @ 5.36 g/t Au from 44m, including 4m @ 9.9 g/t Au from 47m
- BSRC296 - 12m @ 9.0 g/t Au from 57m, including 8m @ 11.1 g/t Au from 60m
- BSRC301 - 17m @ 7.0 g/t Au from 46m, including 7m @ 7.9 g/t Au from 51m
- BSRC303 - 13m @ 7.5 g/t Au from 56m, including 8m @ 10.8 g/t Au from 60m

In addition, drill hole BSRC290 also identified a new parallel high-grade lens at depth below the main zone with 3m @ 15.2g/t Au from 79m downhole. The full results and details of the significant intersections were outlined in ASX release 29th of August 2017, "*Multiple very high-grade Au results from RC drilling campaign at Cannon Gold Mine, WA*".

Figure 1: Cannon Block Model with drill traces viewed to the East.



Cannon Underground Resource Estimation

Results from this RC program in July enabling the completion of the 2017 Cannon Underground Resource Estimate in late September and released via the ASX on the 9th of October 2017. The total Resource, Indicated plus Inferred, defined in accordance with the JORC code, is 142kt @ 5.2g/t Au for 23.6koz Au contained. See **Table 1** for details. This Cannon Resource is predominantly categorised as Indicated (94% of the gold ounces), which is attributed to the high confidence in the close-spaced drill hole density and continuity of mineralisation along strike as well as the high-grade consistency within these zones.

The high-grade nature of the Cannon ore mineralisation zones, the existing infrastructure of the open pit for portal establishment, surface infrastructure including haul roads and toll treatment facilities and proximity to Kalgoorlie, suggests that the project has very high prospects for economic extraction.

Table 1: Cannon Resource between 240m RL and 145m RL at 1g/t Au lower cut off and 25g/t top-cut, inverse distance weighted (IDW) estimation.

Category	Tonnes	Grade g/t	Ounces
Total Indicated	121,600	5.68	22,170
Total Inferred	20,700	2.21	1,470
Total Resource	**142,200**	**5.18**	**23,640**

Note that, on a 2.5g/t Au lower cut-off the total resource (Indicated and Inferred) becomes **109kt @ 6.2g/t Au for 21.7koz Au**. This results in the loss of only 8% of the gold at the higher cut off compared to the 1g/t Au "base case" in Table 1.

Proposed Cannon Underground Development

There is high confidence in the Cannon mineralisation, being well defined on 5m sections, having a good history of reconciliation within the mined pit and good local geological understanding of the ore, which will lend itself to be a small but quality mineable resource.

Southern Gold intends to evaluate a range of options for the underground and has engaged an independent mining engineering consultant to produce a 'base case' design, schedule and cost model to benchmark all external third party evaluations against. This work is also expected to be iterative and completed within October and November following the geotechnical review and fine tuning of the base case assumptions.

The designs will factor in sensitivities for up front capital investment as well a range of mining methods and scenarios for early cash flow. While design and costs are at initial stages, the key outcome will be dependent on the revised geotechnical review as this will determine the maximum size of the possible stope voids and hence the best mining method for extracting the ore economically.

The outcomes are to deliver a range of options for the Cannon underground that will encompass mining scenarios from owner–operator, contacting mining and alliance partnerships, from purchasing equipment to leasing and dry hiring. Discussions are currently being held with various service providers and potential development partners with the aim of concluding a pathway forward over the coming quarter.

Exploration – Australia

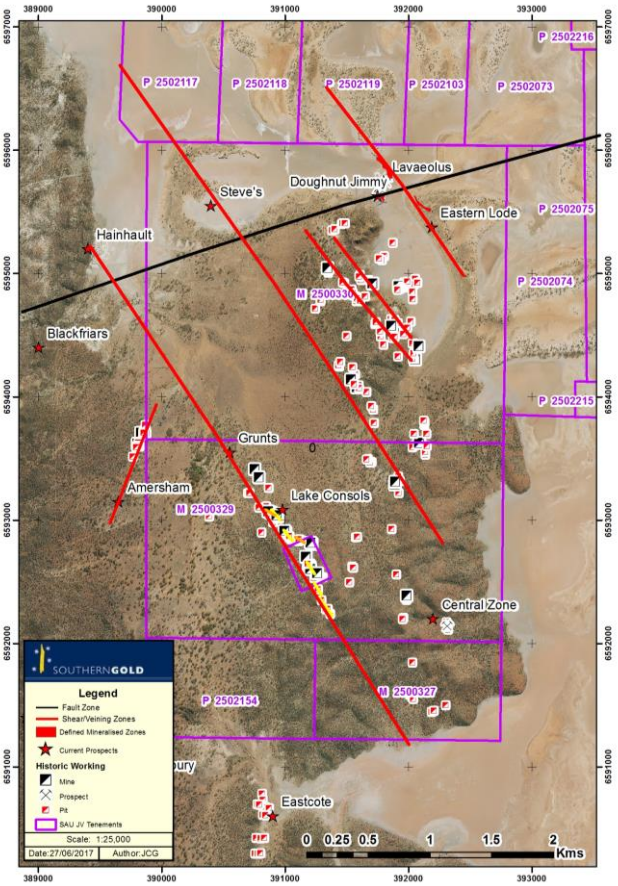
Glandore Farm In and JV

Southern Gold is farming into the Glandore Project, currently held by Aruma Resources, and can earn up to 90% of the project after expenditure of $1.2m (see ASX Release 4 April 2016). Southern Gold has now completed expenditure of $700,000 part way through the second year and earnt the right to 75% of the project. Our Joint Venture partner, Aruma Resource Ltd, has opted not to fund its 25% interest and will therefore dilute to 10%. Southern Gold is now in the third expenditure period where another $500,000 exploration spend increases project ownership to 90%.

Heritage and archaeology surveys within the registered heritage Sites DAA 30602 "Lake Yindarlgooda Mammu Tjukurrpa" were completed during the previous quarter and a Section 18 Ministerial consent to disturb a heritage site was approved post quarter end. This Section 18 approval allows for exploration and mining of the Doughnut Jimmy and Lavaeolus prospects.

Drilling has re-commenced at the Glandore Project with a program of air core and RC drilling to resolve the JORC resource at Doughnut Jimmy, confirm high-grade shoots and near surface mineralisation at Lavaeolus, infill the very wide spaced drilling at Lankin and test rockchip results at the Lakes Consols trend (**Figure 2**). Resource Drilling Australia was contracted for the Glandore drilling as it is an indigenous training organisation.

Figure 2: Overview of the Glandore Area highlighting project areas Doughnut Jimmy and Lavaeolus in the north-east and the Lake Consols area to the central-south-west of the tenement group.



Drilling has commenced with a program of RC drilling to infill very wide spaced drilling at the Lankin and test rockchip results at Lakes Consols. The air core and RC drilling program at Doughnut Jimmy and Lavaeolus was delayed due to the incapacity of the drilling rig to operate on the lake. A total of fifteen (15) holes for 1209.5m have been drilled at Lakes Consol and Lankin Prospects so far:

- 4 holes (**Figure 3**) for 352m were drilled at Lankin (GLRC012-015). Each drillhole intersected a +10m wide zone of intense quartz veining proximal to the contact of an amagnetic to magnetic dolerite. This zone corresponds with the location of interpreted gold mineralisation from widely spaced historical drill holes.
- 11 holes (GLRC001 – 011) for 857.5m were drilled at Lakes Consol, targeting Librarian, Knurd and Dibbler Au surface mineralisation (**Figure 4**). Dominant downhole lithologies consisted of basalt, dolerite and sediment with numerous, steep, westerly dipping shear zones, typically defined by chlorite and sericite alteration, variable disseminated pyrite and quartz-carbonate veining. The remaining Lakes Consol holes are targeting the Knurd and Dibbler prospects, where surface grab samples are consistently higher than the Librarian zone and are therefore potentially targeting a more fertile part of the Lakes Consol trend.

Assays for the above drill programmes are expected shortly.

In addition to the above drilling works, 63 hand auger holes were completed west of Lakes Consol at the Hammerhock prospect following up a 4g/t Au quartz vein surface sample anomaly. A significant soil anomaly was subsequently defined at this prospect and will be a potential drill target in the next round of drilling.

Figure 3: Plan view, showing planned drill collar locations. Lankin drilling complete. Doughnut Jimmy and Lavaeolus drilling in process.

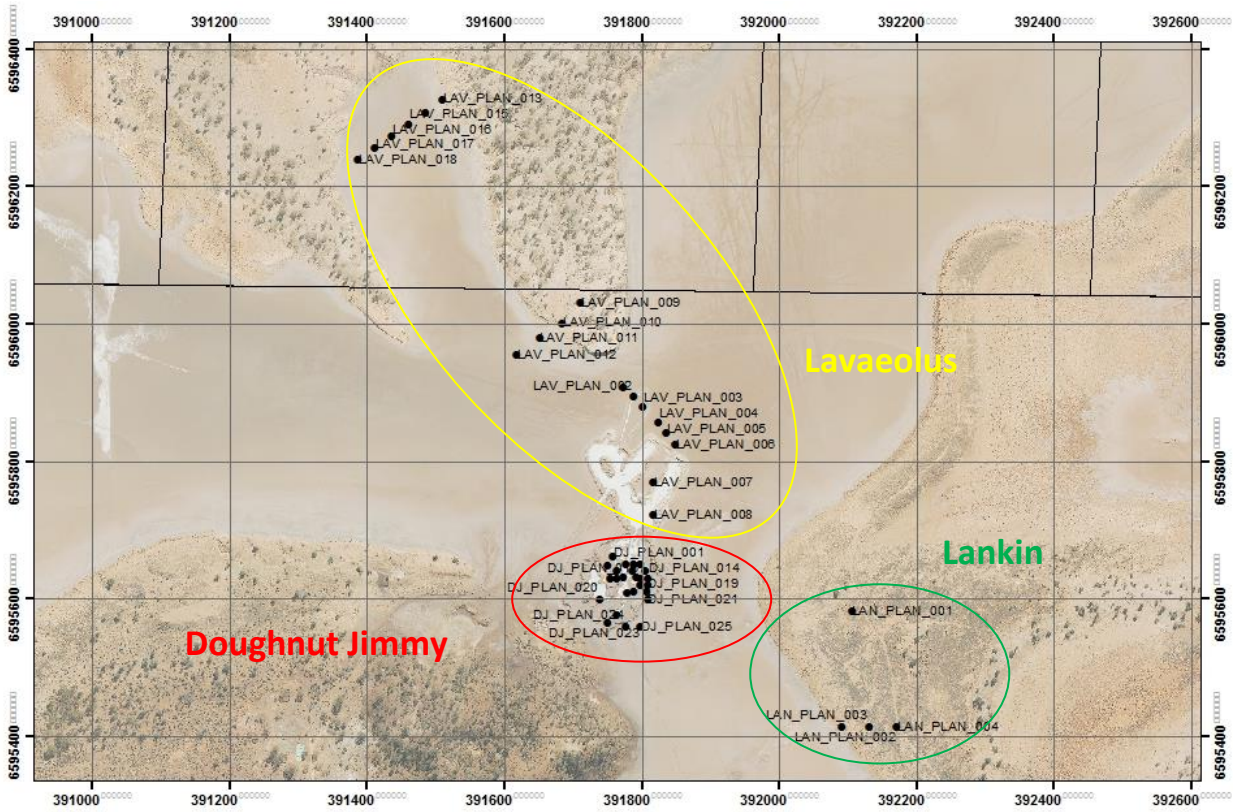
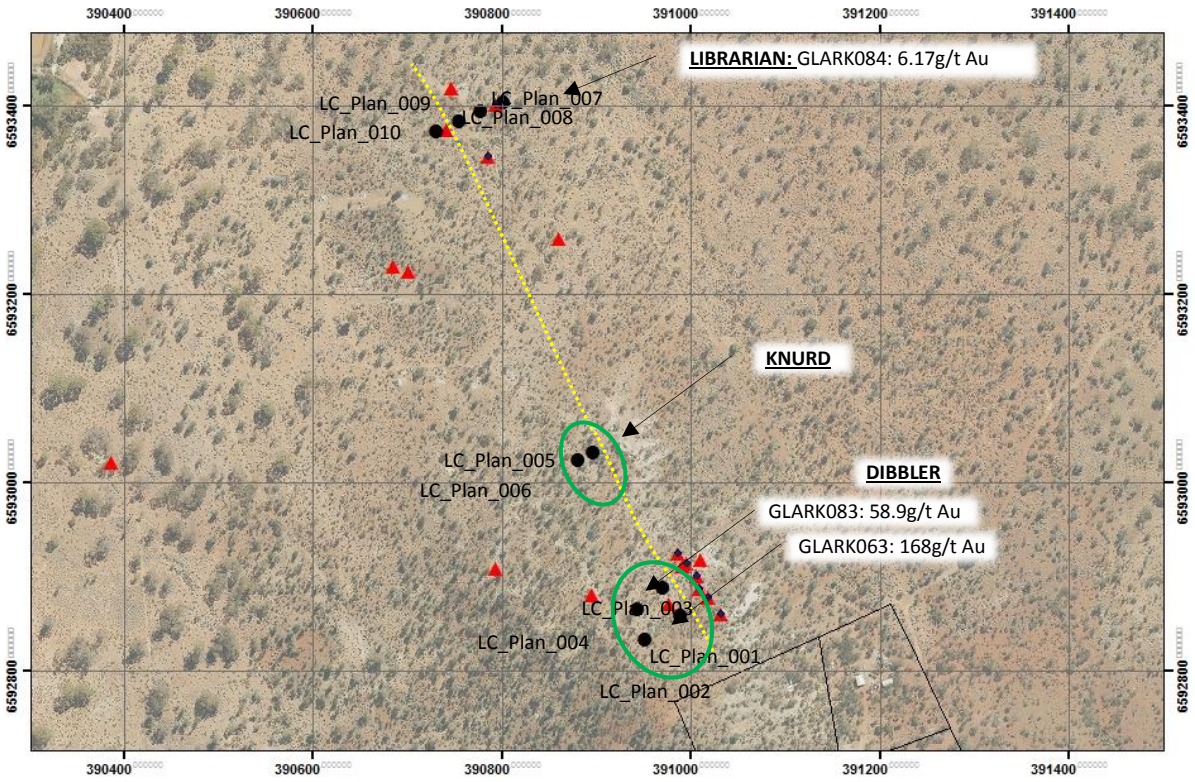


Figure 4: Plan view Lake Consols trend, showing planned collar locations (black circles), rock chip samples (red triangles) and Lakes Consol line of lode (yellow line)



Cowarna Project

Due to the presence of a timber reserve, no field work can be conducted on the Cowarna targets until a Conservation Management Plan has been approved. Southern Gold has completed a Conservation Management Plan for all exploration and this has been submitted to the relevant government departments and is in the process of being approved by the respective Ministers.

Once approval has been granted, Southern Gold has defined drill targets ready for testing and field work will begin as soon as possible.

Transfind Extended Project

Soil sampling has highlighted two parallel shear zones extending from the Transfind pit. These correspond with previous sampling and drilling results and reinforce the quality of the drill target at Transfind Extended. Analysis of previous work and field mapping has defined several structural intersections for drill targeting with a programme planned in early 2018. Preparations for a Programme of Work (PoW) application and organising a drilling contractor are underway.

South Korean Development –Farm In and JV with Bluebird Merchant Ventures

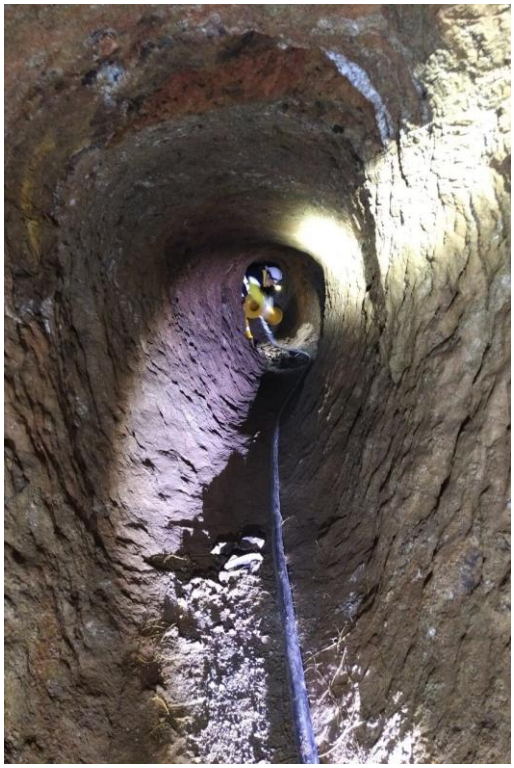
Gubong

Southern Gold wholly-owned subsidiary, Southern Gold Korea (SGK) has been working with development partner, London Stock Exchange-listed Bluebird Merchant Ventures Ltd ('Bluebird'), to access the Gubong project and begin its process of project assessment under the Farm-In and Joint Venture Agreement signed with Bluebird in March this year (see ASX Release 27 March 2017).

The Gubong Gold Mine was historically South Korea's second largest gold mine with multiple gold bearing quartz veins being mined over a 60 year period. Bluebird indicates that there is more than 100km of level development accessed by 2 vertical shafts and 6 inclined shafts in what was a substantial mining operation in its day.

Post quarter end Bluebird announced it had achieved physical access to the mine (**Photos 1 and 2**) and will now proceed with preliminary assessment works and complete an evaluation of re-starting operations at the mine. This evaluation will take 6-9 months and cover modern era resource estimation, mining methodology, metallurgical studies, capital and operating cost estimates and financial analysis. The results of this work are expected to be reported in around April/May 2018.

Photo 1 and 2. Underground Access at Gubong is achieved and sampling works have begun.



A preliminary review of the recently opened workings indicates that these upper levels of the mine were likely mined well before the main Gubong mine on Vein 6 which extended below the water table. It is possible that the mine is more extensive than previously thought and that much of the old workings are 'informal' in nature. It is currently thought that much remnant ore remains in the walls and should be amenable to future extraction. It is also encouraging that workings as old as these still remain relatively intact which bodes well for the main part of the mine and the ability to get access to the deeper levels.

Exploration – South Korean Gold

Weolyu – Drilling Confirms High Grade Zones at Depth

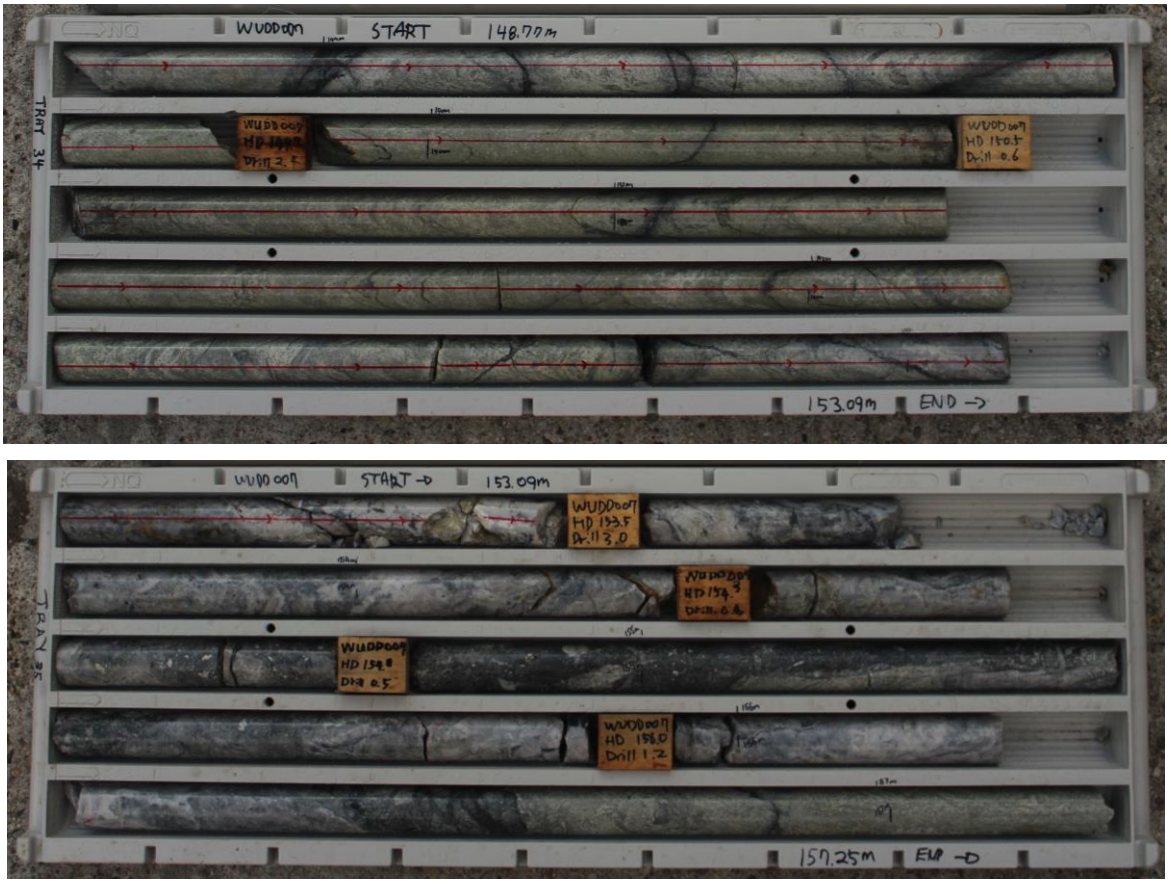
Significant progress has been made at the Weolyu Project in the last quarter. Core drilling has intercepted gold-silver mineralisation on the Summit Vein target (**Table 2** for "Significant Intercepts"). Furthermore, recent core samples from the current drill hole beneath Cavers Adit and targeting Moonlight Vein (**Photo 3 & 4**) is intercepting intervals of banded epithermal quartz veining with anomalous pXRF analyses – core samples are being sent to laboratory for assay.

Table 2: Significant Intercepts from Weolyu drilling.

HoleID	From (m)	Interval (m)	Au (g/t)	Ag (g/t)	Target
WUDD005	169.94	8.54	0.22	3.57	Summit Vein Zone
WUDD006	222.4	2.47	2.36	37.64	Summit Vein Zone
including	*222.4*	*0.70*	*3.19*	*64.6*	Summit Vein Zone
	231.4	0.30	21.1	49.1	Summit Vein Zone
WUDD007	152.9	3.60	pXRF	pXRF	Surprise / Moonlight Veins

Note to Table 2: See Appendix for further collar and drill hole information. Significant Intercept intervals are apparent widths only. Some drill holes, due to topographical constraints, have required drilling from the footwall of target, and do not represent true widths.

Photo 3 & 4: WUDD007 NQ drill core from current drilling with epithermal banded quartz veining mineralization between <u>152.9m to 156.5m (3.6m)</u>, with anomalous pXRF analyses (pending assays).



Surface drilling at Weolyu South with local drilling contractors has been unexpectedly slow, and has required drill rig modifications to enable sub-horizontal drilling due to topographical constraints (see 2Q17 ASX Quarterly Report, Photo 6). To date, a total of 1,561.7m from 5 drillholes (WUDD003 to WUDD007) has been completed, with current drill hole WUDD007 still in progress and not yet at final target depth.

Weolyu – Underground Access Now Achieved

Safe underground access at Cavers Adit at Weolyu South has recently been achieved (**Photos 5, 6, 7**). This underground access has been a critical task which has facilitated a number of other access-dependent high priority tasks to be implemented, such as:

- Initial reconnaissance observations underground show significant amounts of historical in-situ veining remains unmined, typically showing visually distinct banded epithermal quartz vein textures (typically 0.5m to 1m wide), with anomalous pXRF analyses (**Photo 8**).
- Detailed LIDAR CMS underground survey has been completed to millimetre accuracy. This survey will form the location base for future underground works, including modelling underground face samples and drilling (**Figure 6**).
- An extensive program of underground mapping and face sampling in-situ veining is in progress, with samples to be sent for laboratory preparation and assay. The results (mapped veining, assay results, host rock, structures) will be incorporated into 3D models, to better inform future work programs, such as additional drill programs, and potential resource estimations.

Photos 5, 6 and 7: Weolyu sublevel platform and access with Top level ladder way access at 325mRL.

The style of mineralisation seen at Weolyu has the potential to return bonanza grade gold and silver and the underground access will ensure very detailed analysis of the mineralisation and enable the 3 dimensional definition of the high grade ore zones. Recent sampling of the material in mullock adjacent to these underground workings returned a new peak result of **30.4g/t Au and 1,240g/t Ag** from an epithermal quartz mineralised sample (see KRS202265 in Photo 9) displaying classic banded textures.

The aim now is to find these sorts of grades in-situ.

Figure 5. Weolyu map highlighting current drill program showing drill traces at surface, with significant rock sample results. WUDD007 is still in progress (EOH plotted at 250m).

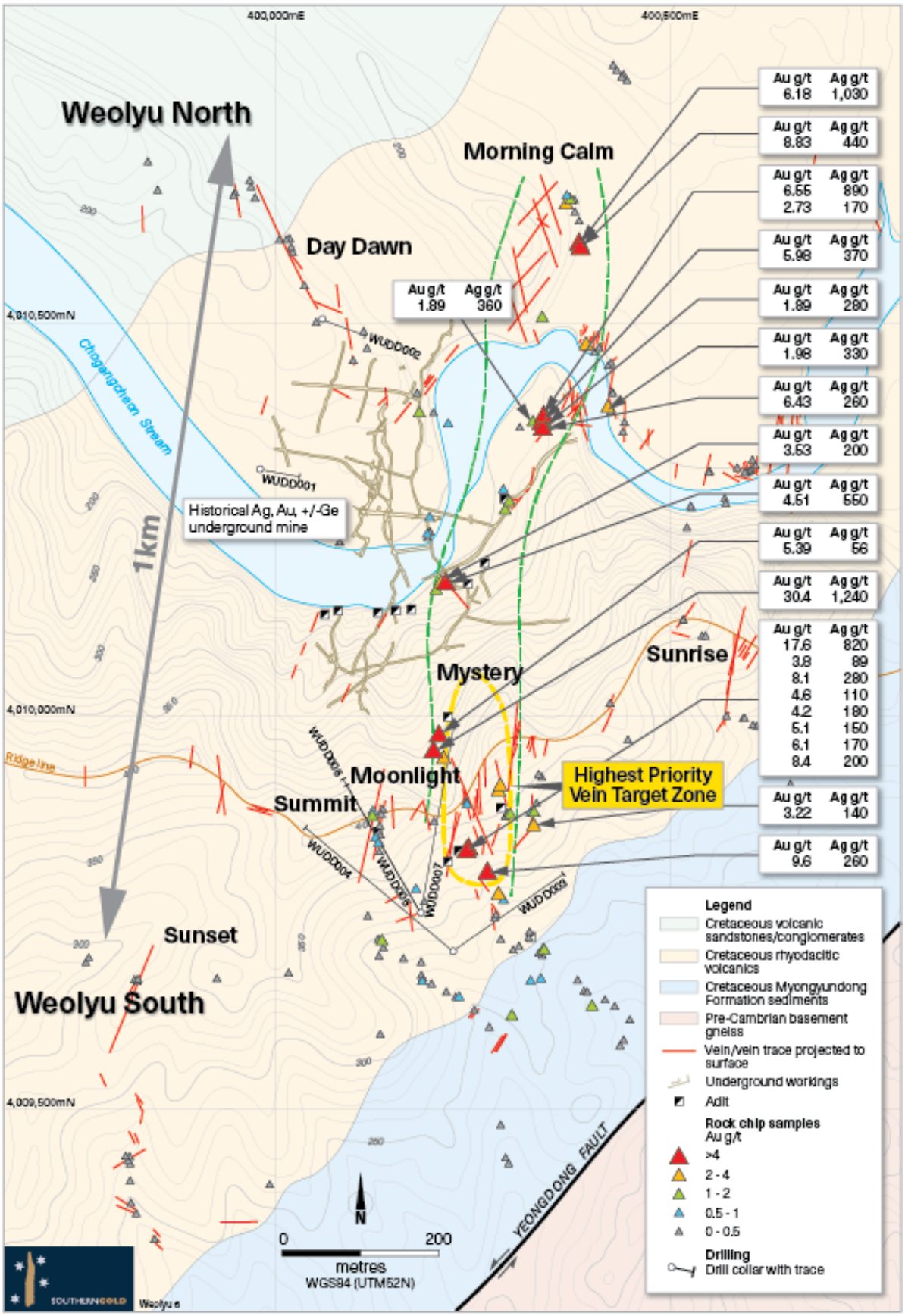


Photo 8: Cavers Adit, Weolyu South. Underground in-situ historically unmined quartz veining (vein width ~0.6m) clearly showing typical banded texture, and preliminary pXRF analysis indicates highly anomalous (assays pending). Significant amounts of epithermal quartz veining remain in-situ throughout Cavers Adit, with anomalous pXRF analyses.

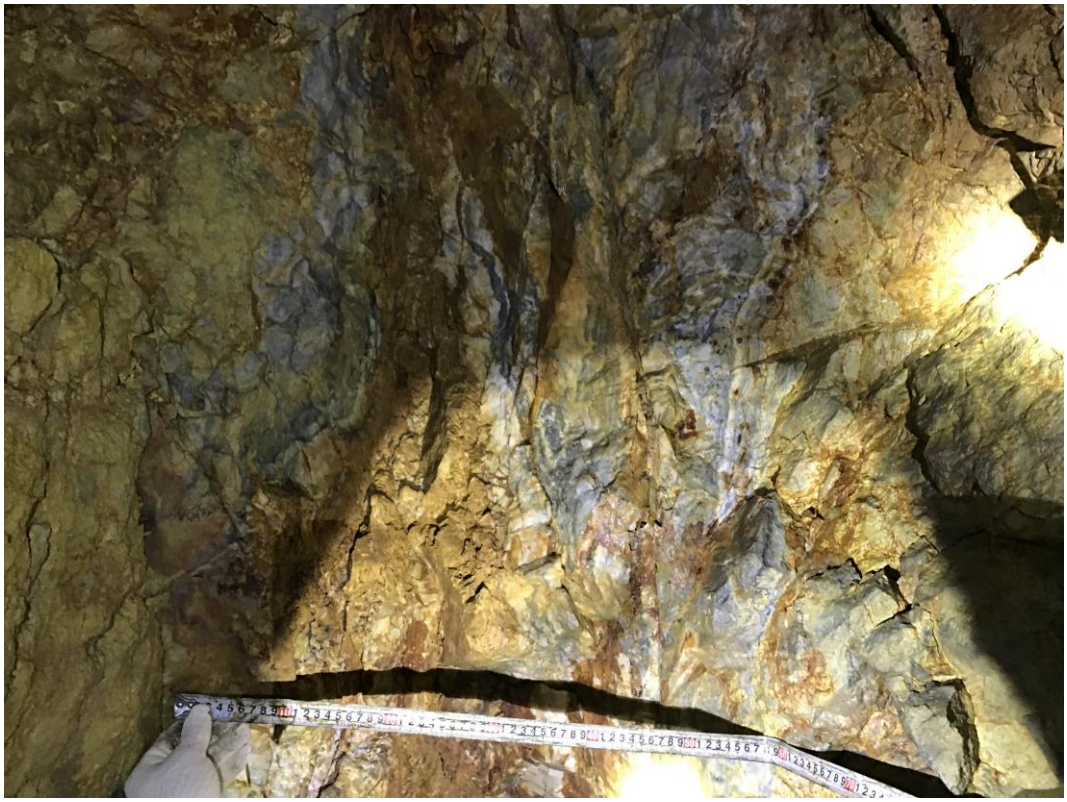


Figure 6. Weolyu South. New high-resolution imaging from LIDAR CMS underground survey. The high-resolution detail shows unmined historical in-situ veining and structures that will be mapped and sampled and included into future 3D models to assist targeting drilling and resource estimation.

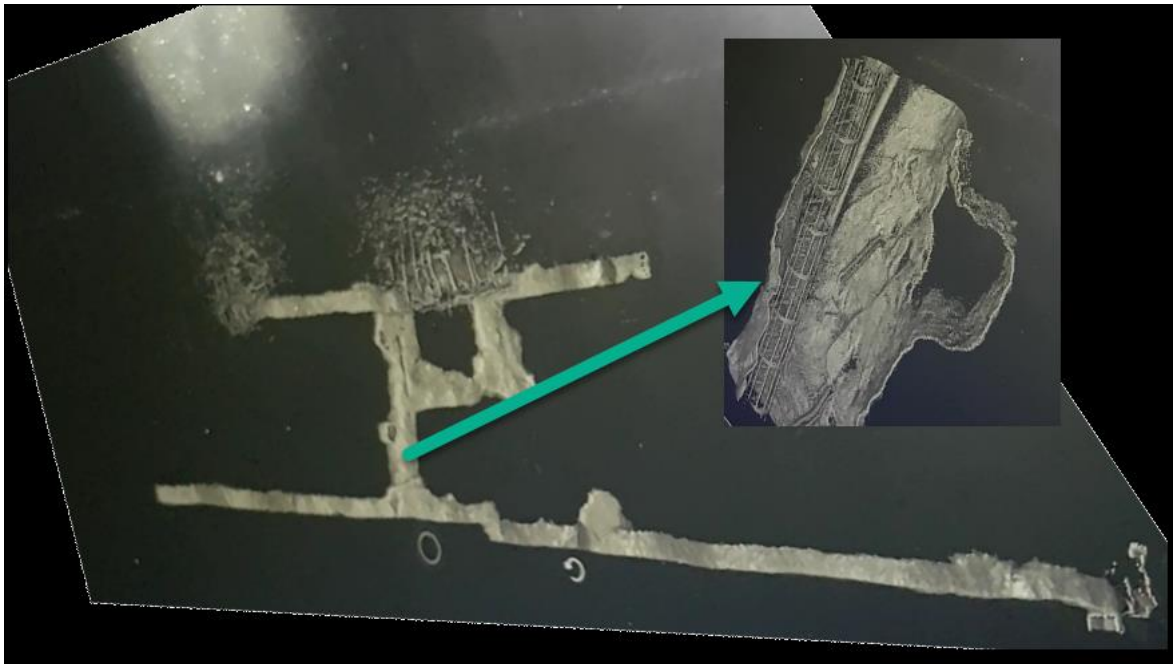


Photo 9: Grab sample from mullock on the Moonlight Vein north of the ridgeline. This sample shows well-developed banded epithermal vein textures, hosting significant gold-silver grades (KRS202265: 30.4g/t Au and 1,240g/t Ag).

Drilling Productivity and Sample Processing

To improve drilling rates and productivity, Southern Gold is advanced in discussions with several very experienced drill contracting companies with a track record of operating in various jurisdictions of Asia. New drilling arrangements will be put in place over the winter break to enable deployment and elevated drilling productivity into the 2018 field season.

SGS Korea has now established a sample processing facility in country and this was commissioned during the quarter (**Photo 10**). The facility is now operational and taking samples for preparation. Discussions with SGS Korea are also taking place through Bluebird Merchant Ventures on the ultimate establishment of a purpose-built analytical facility. This will negate the need to send samples offshore for processing and analysis as is currently the case.

Photo 10. Sample Preparation Facility

Corporate

The Cannon Operations Committee resolved to pay further net profit distributions of $2.1 million to each of Southern Gold and Westgold Resources during the quarter taking total cash received to date to $13.6m.

Southern Gold's cash position on 30 September 2017 was approximately $4.8 million.

Southern Gold completed the payment of an special unfranked dividend of 3c per share to holders of ordinary shares in Southern Gold registered at 5:00pm AEST on 4 July 2017. The dividend could be taken as cash, shares or a combination of both. Shares were issued at a deemed price of 25c per share under the company's Dividend Reinvestment Plan with approximately 33% of shareholdings taking up this option.

This maiden dividend implied a pre-tax dividend return to Southern Gold shareholders of 12% based on a share price of 25c per share at the time.

Upcoming Quarterly Outlook

- Results of the Cannon underground mining scenario review. An economic and funding framework for the advancement of the Cannon mine will be finalised in the coming quarter.
- Follow up shallow drilling results and resource definition for the Doughnut Jimmy and Lavaeolus projects at Glandore. First pass drilling results from the Lake Consols trend and Lankin prospects will also be received.
- Once regulatory approvals have been received, a maiden drill programme at the highly prospective Cowarna project should commence as soon as possible, starting with percussion drilling of the Bamf and Nightcrawler projects.
- Results from the underground access adits at the Weolyu South project in South Korea will be reported, with 3D interpretation and potentially an initial JORC resource, depending on final results.
- Underground assessment works are expected to commence at the Gubong Project, under the Farm In and Joint Venture Agreement with Bluebird Merchant Ventures (LSE: "BMV").

Recent ASX Releases

• Results of Meeting – AGM & MD's Presentation	25 October 2017
• Bluebird RNS – Physical Access to Gubong Project	25 October 2017
• New JORC Resource for Cannon Underground	9 October 2017
• Bluebird RNS – Gubong Progress Report	4 October 2017
• Cannon Mine Profit Share $0.65m	3 October 2017
• FY17 Financial Results Highlights	20 September 2017
• Very high grade gold in Cannon RC drilling	29 August 2017
• Access points located at Gubong Gold Project	24 August 2017
• Seventh Profit Distribution of $1.5m	8 August 2017

Drill Hole Parameters – Weolyu South, SK

Hole ID	Company	Easting	Northing	RL	Depth (EOH), m	Azimuth (grid)	Dlp
Asiatic Gold							
WUDD001	AGL	399,978	4,010,314	154	150.7	100	-70
WUDD002	AGL	400,058	4,010,505	192	168.0	110	-70
Southern Gold							
WUDD003	SAU/SGK	400,224	4,009,700	285	243.4	55	-45
WUDD004	SAU/SGK	400,224	4,009,700	285	348.0	310	-45
WUDD005	SAU/SGK	400,186	4,009,750	316	198.2	330	-06
WUDD006	SAU/SGK	400,186	4,009,750	316	249.4	330	-17
WUDD007*	SAU/SGL	400,187	4,009,746	316	204*	010	-06

*Note WUDD007 is still currently drilling and not at end of hole.

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 flagship Cannon Gold Mine which is currently being assessed for an underground mining phase. 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 or 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 in Australia has been compiled under the supervision of Mr. Justin Gum (MAIG). Mr Gum who is an employee of Southern Gold Limited and a Member of the Australasian Institute of Geoscientist, 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 Gum 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 Results in South Korea 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 JORC Resources 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 release, except as may be required under applicable laws. Readers should make their own enquiries in relation to any investment decisions and obtain advice 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.*	• Sample sites were chosen selectively to reflect geological features relevant to the style of mineralisation. • Drill holes were sampled as HQ3 or NQ3 diameter drill core lengthwise using a Clipper core saw. Core cutting was supervised. • Individual samples of half core were taken to minimum or grater lengths to meet or exceed laboratory requirements for sample preparation weights, and are considered appropriate for the style of mineralisation being targeted and grain size of the material being sampled. • Half-core samples were double bagged (plastic inner and calico outer), bags both labelled with sample number, and recorded in a hard copy sample register and digital database. • All on-site sampling was done under the supervision of the competent person. • Coarse/field duplicated samples were taken one in every 16 regular samples (as quarter core of the same interval) as a measure of sample retrospectivity. • All samples were sent to MAS laboratories in Thailand for further preparation and assay. MAS is an ISO/IEC 17025:2005 certified laboratory.
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 method, etc.).*	• Drill holes were drilled from surface using triple tube diamond core drilling, at HQ3 and NQ3 diameter. • For sub-horizontal drilling the Hanjin D&B 10D drill rig lowered its mast to facilitate sub vertical drilling. Barrel recovery is performed via

Criteria	JORC Code explanation	Commentary
		wireline method assisted with hydraulic pressure. • Drill core was oriented by Spear method downhole every drill run (3m), checked for consistency between orientation marks. • DSI (the drilling Contractor) surveyed drill holes (every 30m) by Coretell Orishot precision instrumentation.
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.*	• Drill core recovery was calculated per run by measuring core length recovered against drill depth as reported on core blocks. Measured core recovery was very high. Drilling depths were cross-checked by counting drill rods at end of hole and visual validation of drill rods. • Core drilling was done by triple tube to maximise sample recovery.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource 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.*	• All samples were geologically described. • All logging of drillholes was qualitative in nature, covering 100% of the drilling, and done on-site proximal to and during the drilling operations. • Interpretive hardcopy cross sections as well as quantitative geological logs were done, to a suitable level to inform the selective sampling. • RQD logs and core photography were completed on site including mark-up of core boxes, prior to transportation to the secure long-term core storage facility. Post transportation visual inspection of core shows minimal disruption occurred. • Logs were recorded in hardcopy and later transposed into Company digital excel templates then imported into the Company's database. • Sample descriptions were recorded in hardcopy and

Criteria	JORC Code explanation	Commentary
		later transposed into Company digital excel templates, and then imported into the Company's database.
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.*	• Drill holes were sampled as HQ3 or NQ3 diameter drill core lengthwise using a Clipper core saw. Core cutting was supervised. • Sample size is considered appropriate for the style of mineralisation sought. • Sample size for drill core was at an average of 1.3kg • Internal laboratory standards used.
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.*	• All samples were sent to MAS laboratories in Thailand for further preparation and assay. MAS is an ISO/IEC 17025:2005 certified laboratory. • Samples were dried and pulverized to 90% passing 150 mesh. • Gold was analysed by fire assay using a 50g charge with atomic absorption spectroscopy finish. Detection limit range is 0.01ppm to 100ppm Au. • A 23 multi-element suite was undertaken via aqua regia leach and ICP-ES finish. • Silver was analysed as part of the multi-element aqua-regia digest ICP-MS method up to 100ppm Ag. • All silver assays reporting greater than initial upper limit of detection were re-assayed by a four-acid digest and AAS finish with a detection range of 100 ppm to 20,000 ppm (2%) Ag. • The nature of the laboratory preparation and assay sampling techniques are considered appropriate. • Preliminary analysis of the QA/QC results suggests suitable accuracy and precision is being obtained

Criteria	JORC Code explanation	Commentary
		with no contamination between samples. • Rigorous QA/QC procedures implemented including one coarse duplicate, one laboratory pulp duplicate, one Certified Reference Material (CRM standard, Randomised) and one blank for every 16 regular samples, making a batch of 20, sent as one dispatch for fire assay in the same run. • No data from geophysical tools were used to determine analytical results.
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.*	• Samples or intersections returning significant gold and silver values were visually inspected and verified by the Competent Person (Dr. Chris Bowden), as well as alternative company personnel. • Twinned holes have not been drilled. • Geological descriptions of samples are initially recorded in hardcopy and later transposed into Company Microsoft Excel templates, and then imported into the Company's database under validation and verification rules. Failures are sent back to the responsible geologist for correction and re-submission. • Sample weights are recorded in a hardcopy sample register and imported into the Company database. • Geological and RQD logs are initially recorded in hardcopy and later transposed into Company digital excel templates, and then imported into the Company's database under validation and varication rules. Failures are sent back to the responsible geologist for correction and re-submission. • All original hardcopy logs and sample ticket-book stubs are kept for reference.

Criteria	JORC Code explanation	Commentary
		• Assay data is imported into the Company database from original lab files via automated queries, thus minimising error in tagging samples with results. • The Company database is a custom MS Access database managed by a data administrator. The database is hosted on an off-site server, and is mirrored daily providing on- and off-site backups. • No adjustments are made to the assay data.
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.*	• Collar location data was obtained by time averaged GPS readings (for 10 minutes+) to metre accuracy. Final collar surveys will be done by survey contractors to mm accuracy at the completion of the drill program. • The grid system used is Universal Transverse Mercator (WGS84), Zone 52 Northern Hemisphere. • DSI (the drilling Contractor) surveyed drill holes every 30m by Coretell Orishot precision instrumentation.
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.* • *Whether sample compositing has been applied.*	• Drilling done has been based off two drill pads, drill collars vary within each pad in azimuth and dip targeting down dip mineralisation of surface mineralisation. • No Mineral Resource has been estimated. • Sample compositing has been applied, as shown in Table 1 for a weighted average. Individual intervals are also shown.
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.*	• All drillcore samples are cut to reflect an unbiased half-core (or quarter core whre needed) core sample for assay. • Core orientation data and correlation with surface geology suggests the drilling is at a high enough angle to lithological boundaries and structural trends to indicate

Criteria	JORC Code explanation	Commentary
		the sampling is unbiased by the direction of drilling.
Sample security	• *The measures taken to ensure sample security.*	• From the point of sample generation to courier pickup and delivery to the laboratory, samples are under the full security and custody of the Company. This is done by the following procedures: • Drill core produced at the rig is inspected regularly (multiple times daily) and collected by the Company at end of dayshift. • Core and samples are securely locked overnight on-site in a secure facility. Post on-site logging and processing, core is transported to the Company's long-term core storage facility under the direct supervision of a Company representative. Core is securely locked at the long term storage. Core is further processed for sampling by Company representatives under supervision of the Competent Person. Bagged samples are secured by tags and delivered by a Company representative to a courier service to deliver to the laboratory. The laboratory reports if any tampering is evident (none to date).
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No audits or reviews 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 license to operate in the area.*	• The portfolio of tenements is held by Southern Gold Korea, a fully owned subsidiary of Southern Gold. And can be seen in previous ASX release on 8th of July 2016. • There are no material issues with third parties. • There are no known impediments to obtaining a license to operate.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• The Weolyu mine, located 0.5 km to 1 km to the north operated up to mid-1990's. Apart from small scale adits excavated by unknown parties and historical drilling by KORES and Asiatic Gold Ltd at Weolyu. No other details of previous work in the vicinity is known to the best of our knowledge.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Exploration is targeting epithermal precious metal (Au, Ag) and rare earth (Ge) mineralisation in Cretaceous volcanic rocks of the Korean Peninsula.

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 holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in meters) 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.*
		• A summary and details of exploration results and associated grades, and drillhole parameters are shown in this release.

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*	• Weighted average grades have been done on drill core intervals, as clearly stated, as well as showing individual interval assays.

Criteria	JORC Code explanation	Commentary
	values should be clearly stated.	
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').*	• All drillhole depths and sample intervals are reported as downhole measurements.
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.*	• Appropriate tables and diagrams have been included.
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.*	• Not all sample assay data has been included in this report as it is not considered material.
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.*	• All relevant observations have been noted in the release.
Further work	• *The nature and scale of planned further work (eg 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.*	• Southern Gold is reviewing the data to determine the best way to advance the project, and will notify such plans once confirmed. • Southern Gold intends to complete underground mapping and sampling (where access can be made safe) and substantial drilling both from surface and in some cases underground.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SOUTHERN GOLD LIMITED

ABN	**Quarter ended ("current quarter")**
30 107 424 519	30 SEPTEMBER 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(786)	(786)
	(b) underground exploration at Cannon	(340)	(340)
	(c) production	-	-
	(d) staff costs	(246)	(246)
	(e) administration and corporate costs	(439)	(439)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	6
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (Distributions from Cannon)	2,185	2,185
1.9	**Net cash from / (used in) operating activities**	**380**	**380**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(15)	(15)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(15)**	**(15)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(946)	(946)
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(946)**	**(946)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	5,377	5,377
4.2	Net cash from / (used in) operating activities (item 1.9 above)	380	380
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(946)	(946)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**4,796**	**4,796**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	599	1,576
5.2	Call deposits	4,197	3,801
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**4,796**	**5,377**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	149
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

The amount at 6.1 comprises Director fees paid to Directors, or related entities of the Directors, during the quarter.

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	(694)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(278)
9.5	Administration and corporate costs	(411)
9.6	Other	-
9.7	**Total estimated cash outflows**	**(1,383)**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	M25/210	Mining lease	80%	-
		P25/210	Exploration lease	80%	-
		P25/2252	Exploration lease	80%	-
		P25/2253	Exploration lease	80%	-
		P25/2254	Exploration lease	80%	-
		P25/2255	Exploration lease	80%	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date: ..31 October 2017.....

(Company Secretary)

Print name: .....Dan Hill.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.