


Shares on Issue: 49.15m

Share Price: \$0.265

Market Capitalisation: \$13.0m

Asset Base – WA, Australia

Cannon Gold Mine (100%)

Glandore Gold Project (75%*)

Cowarna Gold Project (100%)

Transfind Extended (Option)

*currently earning 90%

Asset Base – South Korea

Gubong Project (100%*/BMV)

Taechang Project (100%*/BMV)

Kochang Project (100%)

Weolyu Au-Ag Project (100%)

Hampyeong Au-Ag Proj. (100%)

*Currently under BMV farm-in

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Southern Gold's Cannon gold mine in WA to proceed to underground phase

- Proven underground gold mine operator Westgold Resources Ltd to pay A\$1.5 million upfront to Southern Gold for a 5 year right-to-mine within a defined area at the Cannon gold project east of Kalgoorlie.
- Southern Gold to be paid A\$160/oz Au by Westgold for the first 15koz gold produced and then A\$180/oz for production in excess of this.
- The rate increases to A\$190/oz and A\$210/oz respectively if the gold price averages in excess of A\$1,800/oz in the previous reporting quarter.
- JORC Indicated Resources of 22koz @ 5.68g/t Au at Cannon ensures cash flow from production. With the deposit remaining open at depth Southern Gold retains excellent exposure to future upside.
- The arrangement removes the need for mine financing, minimises shareholder dilution and shifts underground operating risk to Westgold.

A New Deal with Westgold

Australian gold producer, Southern Gold Ltd, has announced a new agreement with development partner, Westgold Resources Ltd ('Westgold', ASX code "WGX") for the underground development phase at Southern Gold's Cannon gold mine, near Kalgoorlie, WA (**Figure 1, next page**). The features of the agreement comprise:

- Westgold to have a 5 year right-to-mine over a defined 1km radius on mining license M25/333 which essentially covers the Cannon Gold deposit (see **Figure 2, next page**) with Westgold assuming all financing and operating risk;
- Westgold will have the right and flexibility to devise its own mine plan;
- In exchange for this right to mine, Westgold will pay Southern Gold \$1.5 million within 5 business days and a production payment on a \$/troy oz of gold produced as follows:

Table 1: Production Payment Matrix

Au Produced	Quarterly Au Price <A\$1800/oz	Quarterly Au Price ≥A\$1800/oz
Production up to 15koz Au	\$160/oz	\$190/oz
Production over 15koz Au	\$180/oz	\$210/oz

Southern Gold Managing Director, Mr Simon Mitchell: "Southern Gold has turned a cash consuming asset into a cash generating one. And it has done so in alignment with Southern Gold's development philosophy of bringing in third parties who know how to mine and manage risk, particularly the elevated risks of underground mining. This deal with Westgold should generate cash for Southern Gold based on the high grade gold resource at Cannon which stands at 24koz Au at 5.2g/t gold in the Indicated and Inferred categories. The arrangement also ensures Southern Gold remains significantly exposed to the upside should the deposit continue at depth."

Figure 1: Cannon Gold Mine Location

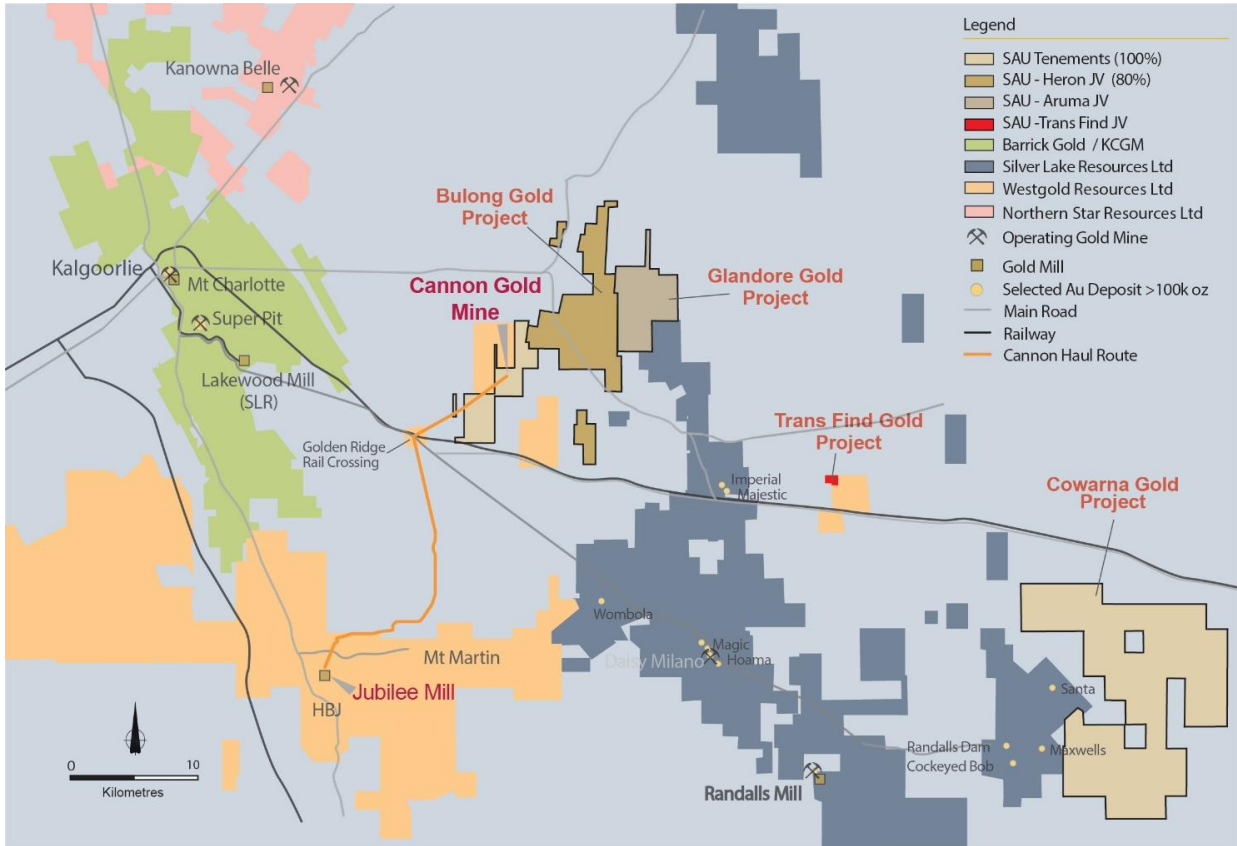
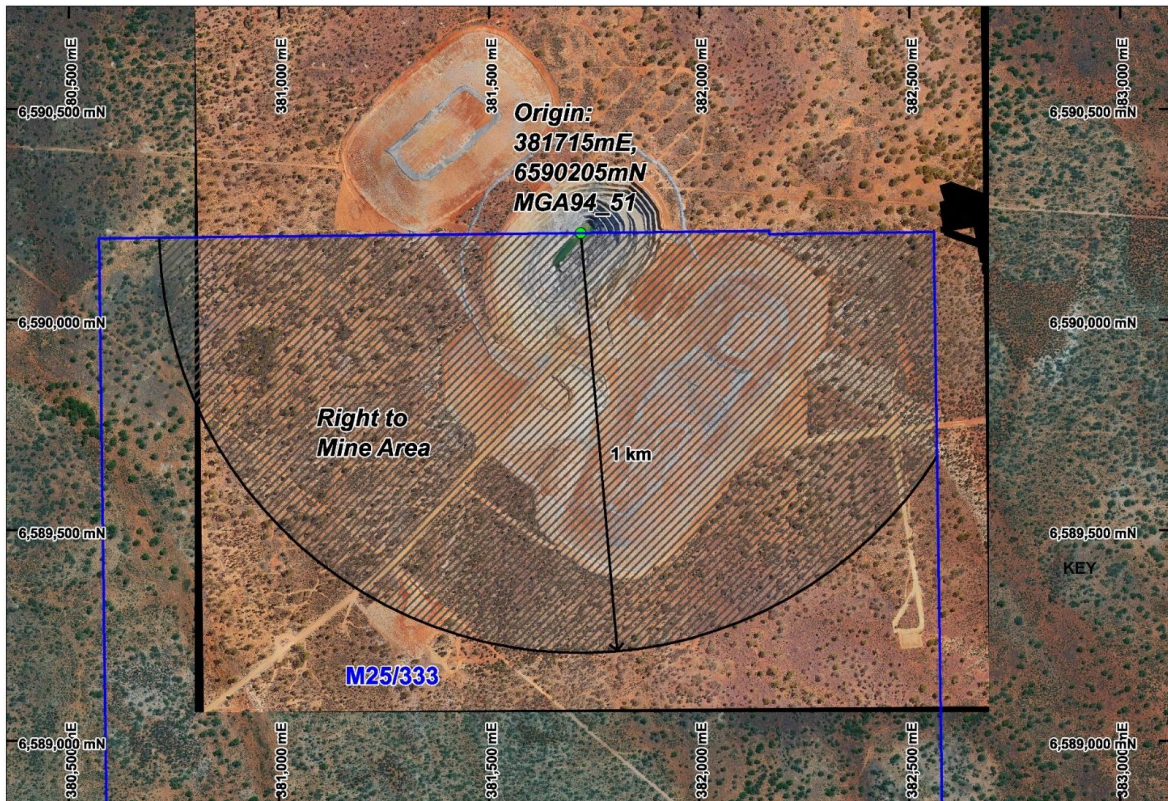


Figure 2: Defined Westgold Right-To-Mine Area on M25/333, Cannon Deposit



Various Development Scenarios Considered

Southern Gold engaged an external consultant to complete an underground mine study based on the JORC Resource announced to the ASX on 9 October 2017 (**Table 2**). The results of the study concluded that the Cannon underground phase was economic and that the project could recover a significant proportion of the JORC Resource. However, financing requirements for the underground mine expansion were estimated to be between A\$8 - 10 million.

Furthermore, the final finance requirement was dependent on toll treatment arrangements with larger batch sizes resulting in delays to cash flow and higher financing estimates.

Southern Gold explored the possibility of Cannon's underground mine development utilising Kalgoorlie-based contractors, some of which were prepared to fund the development on their balance sheet. The net profit to Southern Gold in these various development scenarios could not compete with Westgold's offer on a risk adjusted basis.

Table 2: Cannon Underground Resource between 255m RL and 145m RL see ASX Release 9 October 2017.

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

In comparison, the agreed arrangement with Westgold has enabled Southern Gold to:

- Deliver upfront in cash, \$1.5 million of the value in the Cannon underground;
- Remove the need for financing of the working capital and mine development costs;
- Remove the need for a toll milling arrangement and potential counterparty exposure;
- Put the project into the capable hands of a proven underground mine operator in Westgold;
- Secure a significant gold production payment that will provide cash flow to the Company, potentially over several years; and
- Retain exposure to the potential upside in the project if the gold mineralisation is demonstrated to continue at depth and/or the gold price increases significantly.

In short, Southern Gold has secured a significant proportion of the projected profit without taking finance, operating and execution risk, while at the same time retaining excellent exposure to a mine operation that may continue at depth for some years.

Where to from here?

With Cannon now financed and in the process of being developed, the cash injection from the deal and the cash flow expected over the next 12-15 months will underpin the Company's finances without resulting in shareholder dilution through capital raisings. Southern Gold is now focused on 3 key objectives:

- (1) Assessing the possibility of further cash flow from several gold projects such as Doughnut Jimmy and Monument – like Cannon these are not large deposits but the potential cash release can be very important for a junior – and testing the very prospective Cowarna Gold Project area;
- (2) Supporting the Bluebird Merchant Ventures group in moving the Gubong project in South Korea forward to production – this is a very large gold mineralised system and has the potential to be a significant asset to both groups; and
- (3) Testing the epithermal gold-silver projects in South Korea where significant drilling targets are emerging, the chances of new discovery are high and where further additional developments will be reported shortly.

The Deal in More Detail

Southern Gold and Westgold, through wholly owned subsidiary HBJ Minerals Ltd ('HBJ'), have executed a binding agreement that provides HBJ with a 5 year right-to-mine under the following conditions:

- As consideration for the right to mine, HBJ must pay Southern Gold A\$1,500,000 within 5 business days of execution of the agreement;
- HBJ will enjoy the right to place and use infrastructure on the mining lease M25/333 and will have the right to mine, transport and process ore from mining operations situated on the defined area of the lease based on a 1km radius measured from the mid-point of the Cannon open pit between the Cannon and Georges Reward deposits (the origin being 381715mE and 6590205mN) – see **Figure 2** – note that the Mining Tenement M25/333 is retained by Southern Gold at all times;
- HBJ will have the right and flexibility to devise its own mine plan and development strategy (as long as this is to a reasonable standard in line with good Australian mine industry standards);
- For each ounce of gold produced by HBJ from the defined area, HBJ must pay Southern Gold a cash payment equal to A\$160/oz for the first 15,000 oz Au and A\$180/oz for each ounce of gold above 15,000oz;
- Should the spot price of gold (as quoted by the Perth Mint) average more than A\$1800 over the 3 months in a reporting period, the amount due is increased by A\$30/oz (i.e. A\$190/oz for the first 15,000 oz and A\$210/oz for production in excess of 15,000oz);
- The first production payment is to be made within 12 months of agreement execution and is payable quarterly in arrears, within 21 days after quarter end;
- HBJ can blend Cannon ore with ore from other sources, but must secure Southern Gold agreement on the protocol for the tracking and ultimate allocation of gold from Cannon ore sources in this scenario;
- The agreement provides access rights to HBJ and Southern Gold to underground portal and drives for potential future mining operations that might post-date the agreement;
- HBJ will be responsible for rehabilitation obligations and any regulatory requirements (including environmental laws) in conduct of the mine operations while Southern Gold will provide all necessary assistance to secure permits or permissions as the tenement holder; and
- HBJ and Southern Gold will have regular technical meetings to exchange knowledge and better develop exploration models to find repeats of the Cannon ore body.

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 and Cannon Mineral 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 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.