



SOUTHERN GOLD LIMITED
NOTICE OF ANNUAL GENERAL MEETING
ACN 107 424 519

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Southern Gold Limited
will be held at Southern Gold Limited,
Level 1, 8 Beulah Road, Norwood, South Australia, 5067
on Friday 30 November 2018 at 4pm (CST).

NOTICE OF ANNUAL GENERAL MEETING

Ordinary Business

Financial Report

To receive and consider the Company's financial statements and independent audit report for the year ended 30 June 2018.

The 2018 Annual Report will be available to view online at www.southerngold.com.au and dispatched to those Shareholders who elected to receive the report by mail by 30th September 2018.

Resolution 1 - Adoption of the Remuneration Report for the year ended 30 June 2018

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That, for the purposes of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report for the period ended 30 June 2018 as set out in the Directors' Report in the 2018 Annual Report.

Voting Exclusion Statement

The Company will disregard any votes cast (in any capacity) on Resolution 1 by any Key Management Personnel, the details of whose remuneration are included in the Remuneration Report, and any Closely Related Party of such Key Management Personnel.

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person described above and either:

- (a) the person does so as proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution; or
- (b) the Chair of the meeting is appointed as proxy and the proxy form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Resolution 2 - Re-election of Mr Greg Boulton AM as a Director

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That Mr Greg Boulton, having retired by rotation in accordance with Listing Rule 14.4 and rule 117 of the Company's Constitution and being eligible and having offered himself for re-election, is re-elected as a Director of the Company with immediate effect.

Resolution 3 - Election of Mr Peter Bamford as a Director

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That Mr Peter Bamford, having been appointed as an addition to the board, in accordance with Listing Rule 14.4 and rule 110 of the Company's Constitution and being eligible and having offered himself for election, is elected as a Director of the Company with immediate effect.

Other Business

Resolution 4 - Ratification of previous issue of Shares

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That for the purpose of Listing Rule 7.4 and for all other purposes, the issue and allotment by the Company of 647,668 Share to certain sophisticated investors on 20 August 2018 is approved.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 4 by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 - Ratification of previous issue of Shares

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That for the purpose of Listing Rule 7.4 and for all other purposes, the issue and allotment by the Company of 1,689,965 Shares on 15 October 2018 and 80,000 Shares on 16 October 2018 under Listing Rule 7.1 to certain sophisticated investors is approved.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 5 by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 - Ratification of previous issue of Shares under 7.1A

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That for the purpose of Listing Rule 7.4 and for all other purposes, the issue and allotment by the Company of 4,267,387 Shares on 15 October 2018 under Listing Rule 7.1A to certain sophisticated investors is approved.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 6 by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 - Approval of 10% Placement Facility

To consider, and if thought fit, pass the following resolution as a special resolution:

That, for the purposes of Listing Rule 7.1A and all other purposes, Shareholders authorise the Company to have the additional capacity to issue Equity Securities comprising up to 10% of the issued capital of the Company under Listing Rule 7.1A calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 7 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any of their respective associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 - Approval of Employee Share Option Scheme

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That, for the purpose of Listing Rule 7.2 Exception 9 and for all other purposes, any issue of securities made within the period ending on the third anniversary of the date of the passing of this Resolution under the terms and conditions of the Southern Gold Limited Employee Share Option Plan (as amended from time to time to the extent permitted for the purposes of Listing Rule 7.2 Exception 9), is approved as an exception to Listing Rule 7.1.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 8:

- (a) by the Directors, and any of their respective associates; or
- (b) by a person appointed as proxy if that person is either a member of the Key Management Personnel or a Closely Related Party of a member of the Key Management Personnel and the appointment does not specify the way the proxy is to vote on the relevant Resolution.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides and the appointment expressly authorises the Chair of the meeting to exercise the proxy even though the Resolution is connected with the remuneration of a member of the Key Management Personnel.

By order of the Board



D Hill
Company Secretary
Dated this 26th Day of October 2018

Voting Entitlements

Pursuant to Regulation 7.11.37 of the Corporations Regulations 2001, made pursuant to Section 1074E(2)(g) of the Corporations Act, the Directors have determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Annual General Meeting will be as it appears in the share register on Wednesday 28 November 2018 at 4pm (CST).

Proxies

A Shareholder entitled to attend and vote at the meeting has the right to appoint a proxy, who need not be a Shareholder of the Company. If a Shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy Form must be posted to the Company at PO Box 255, Kent Town, SA 5071 or sent by facsimile to Southern Gold Ltd on +61 8 8363 0697, not later than 48 hours before the commencement of the Annual General Meeting.

Corporate Representative

A corporation that is a Shareholder or a proxy may elect to appoint a person to act as its corporate representative at the meeting, in which case the corporate Shareholder or proxy (as applicable) must provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that Shareholder's or proxy's (as applicable) corporate representative. The authority must be sent to the Company and/or the Company's Share Registry (detailed above) in advance of the meeting or handed in at the meeting when registering as a corporate representative.

Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting and should be read in conjunction with this Notice. The Explanatory Memorandum contains a glossary that defines capitalised terms as used in both this Notice of Annual General Meeting and the Explanatory Memorandum.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist Shareholders in consideration of resolutions proposed for the Annual General Meeting of the Company to be held on Friday 30th November 2018 at the Southern Gold Ltd, Level 1, 8 Beulah Road Norwood, Adelaide, South Australia, commencing at 4pm (Adelaide time).

It should be read in conjunction with the accompanying Notice of Annual General Meeting.

Resolution 1 – Adoption of the Remuneration Report for the year ended 30 June 2018

In accordance with Section 250R(2) of the Corporations Act, Shareholders are required to vote on the Company's Remuneration Report for the year ended 30 June 2018.

The Remuneration Report is contained in the Directors' Report in the 2018 Annual Report, which will be available to view online at the Company's website www.southerngold.com.au and dispatched to those Shareholders who did not elect to receive Company reports electronically.

The Remuneration Report describes the underlying policies and structure of the remuneration arrangements of the Company and sets out the remuneration arrangements in place for Directors and senior executives for the year ended 30 June 2018.

The Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote at the annual general meeting of the Company. Members should note that the vote on Resolution 1 is not binding on the Company or the Directors.

Since 1 July 2011, if more than 25% of the votes cast on a resolution to adopt the remuneration report are against the adoption of the remuneration report for two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution ("Spill Resolution") that another meeting be held within 90 days, at which all of the Company's Directors must go up for re-election.

At the 2017 AGM, the Company's remuneration report for the year ended 30 June 2017 did not receive a 'no' vote of 25% or more.

The Directors unanimously recommend Shareholders vote in favour of Resolution 1. The Chairman intends to vote undirected proxies in favour of Resolution 1.

Important information for Shareholders:

Please note, in accordance with sections 250R(4) and (5) of the Corporations Act, the Chair will not vote any undirected proxies in relation to Resolution 1 unless the Shareholder expressly authorises the Chair to exercise the proxy even though it is connected directly or indirectly with the remuneration of a member of Key Management Personnel. Please note that if the Chair of the meeting is your proxy (or becomes your proxy by default), by completing the attached proxy form, you will expressly so authorise the Chair.

Alternatively, if you appoint the Chair as your proxy, you can direct the Chair to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the proxy form.

As a further alternative, Shareholders can nominate as their proxy for the purposes of Resolution 1, a proxy who is not a member of the Company's Key Management Personnel or any of their Closely Related Parties. That person would be permitted to vote undirected proxies (subject to the Listing Rules).

Resolution 2 – Re-election of Mr Greg Boulton AM as a Director

In accordance with Listing Rule 14.4 and rule 117 of the Constitution, at every annual general meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement. This rule does not apply to the Managing Director.

The Directors presently in office are Mr Greg Boulton AM, Mr Simon Mitchell, Mr Peter Bamford, Mr Michael Billing and Mr David Turvey.

Mr Boulton has been longest in office since his last re-appointment and will retire by rotation at the Annual General Meeting. Mr Boulton is eligible for, and has offered himself for, re-election.

The resume of Mr Boulton is as follows:-

Mr Greg Boulton AM FCA, FCPA, FAICD (Non-Executive Chairman)

Mr Boulton is an accountant and has extensive commercial experience spanning over 30 years as CEO and Non-executive Director for many private and public companies. He has broad experience in capital raisings, acquisitions and commercial negotiations and is a Fellow of the Institute of Chartered Accountants, CPA Australia and the Institute of Company Directors. Mr Boulton is currently on the board of the Statewide Superannuation Trust and Kangaroo Island Plantation Timbers Limited.

An assessment of the performance of Mr Boulton has been conducted in the context of his skills, experience, knowledge and understanding of the Company's business. The Directors (other than Mr Boulton) recommend Shareholders vote in favour of Resolution 2. The Chairman intends to vote undirected proxies in favour of Resolution 2.

Resolution 3 – Election of Mr Peter Bamford as a Director

In accordance with Listing Rule 14.4 and rule 110 of the Constitution, a director that has been appointed as an addition to the board must not hold office, without re-election, past the next annual general meeting of the Company. This rule does not apply to the Managing Director.

The Directors presently in office are Mr Greg Boulton AM, Mr Simon Mitchell, Mr Peter Bamford, Mr Michael Billing and Mr David Turvey.

Mr Bamford was appointed on 13 February 2018. Mr Bamford is eligible for, and has offered himself, for election.

The resume of Mr Bamford is as follows:-

Peter Bamford BSc (Eng) Mining, ARSM, MAICD, FAusIMM

Mr Bamford has a career spanning more than 40 years in the construction and mining industries, principally in underground mining operations as a mining engineer and corporate executive. His experience includes senior appointments with Mount Isa Mines, Metana/Gold Mines of Australia, and Doray Minerals and he has served as a director on the Boards of Maiden Gold, Heron Resources and Dominion Mining. His responsibilities have included reviewing merger and acquisition opportunities as well as development and project oversight including accountability for establishing Challenger, Andy Well and Deflector gold mines in Australia. He also served for nine years until 2017 as a member of the Executive Council for the Chamber of Minerals and Energy of Western Australia.

An assessment of the performance of Mr Bamford has been conducted in the context of his skills, experience, knowledge and understanding of the Company's business. The Directors (other than Mr Bamford) recommend Shareholders vote in favour of Resolution 3. The Chairman intends to vote undirected proxies in favour of Resolution 3.

Resolution 4 - Ratification of previous issue of Shares

The Company seeks approval for the purposes of Listing Rule 7.4 to the issue and allotment on 20 August 2018 of 647,668 Shares to a sophisticated investor such that those securities will not be counted towards the 15% limit on the issue of securities without Shareholder approval pursuant to Listing Rule 7.1, or the 10% limit on the issue of securities without Shareholder approval pursuant to Listing Rule 7.1A. If Resolution 4 is passed then those Securities will be deemed to have been issued with Shareholder approval and will, therefore, not be counted towards the aforementioned 15% limit or 10% limit.

On 20 August 2018 the Company announced a placement at \$0.386 per share to a sophisticated investor. The placement was completed within the Company's placement capacity under Listing Rule 7.1A. Resolution 4 relates to 647,668 Shares that were issued pursuant to Listing Rule 7.1A and the issue of which can therefore be ratified under Listing Rule 7.4.

Listing Rule 7.5 requires the following information to be provided to Shareholders for the purposes of obtaining shareholder approval pursuant to Listing Rule 7.4:

- a) 647,668 Shares were issued;
- b) the Shares were issued \$0.386 per share;
- c) the sophisticated investor was Bluebird Merchant Ventures Limited;
- d) the funds raised by the issue of the Shares were used for general working capital;
- e) a voting exclusion statement has been included in the Notice of Annual General Meeting.

The Directors unanimously recommend Shareholders vote in favour of Resolution 4. The Chairman intends to vote undirected proxies in favour of Resolution 4.

Resolution 5 - Ratification of previous issue of Shares

The Company seeks approval for the purposes of Listing Rule 7.4 to the issue and allotment on 15 October 2018 for 1,689,965 Shares, and on 16 October 2018 for 80,000 Shares to sophisticated investors such that those securities will not be counted towards the 15% limit on the issue of securities without Shareholder approval pursuant to Listing Rule 7.1. If Resolution 5 is passed then those Securities will be deemed to have been issued with Shareholder approval and will, therefore, not be counted towards the aforementioned 15% limit.

On 12 October 2018 the Company announced a placement at \$0.17 per share to sophisticated investors. The placement was completed within the Company's placement capacity under Listing Rule 7.1 and Listing Rule 7.1A. Resolution 5 relates to 1,769,965 Shares that were issued pursuant to Listing Rule 7.1 and the issue of which can therefore be ratified under Listing Rule 7.4.

Listing Rule 7.5 requires the following information to be provided to Shareholders for the purposes of obtaining shareholder approval pursuant to Listing Rule 7.4:

- a) 1,769,965 Shares were issued under Listing Rule 7.1;
- b) the Shares were issued \$0.17 per share;
- c) the sophisticated investors were Ilwella Pty Ltd, Valbonne II, Potezna Gromadka Ltd, Mr Pio Liberale and Mr Chu Joel Jens;
- d) the funds raised by the issue of the Shares will be used for exploration in South Korea;
- e) a voting exclusion statement has been included in the Notice of Annual General Meeting.

The Directors unanimously recommend Shareholders vote in favour of Resolution 5. The Chairman intends to vote undirected proxies in favour of Resolution 5.

Resolution 6 - Ratification of previous issue of Shares under 7.1A

The Company seeks approval for the purposes of Listing Rule 7.4 to the issue and allotment on 15 October 2018 for 4,267,387 Shares to sophisticated investors such that those securities will not be counted towards the 10% limit on the issue of securities without Shareholder approval pursuant to Listing Rule 7.1A, or the 15% limit on the issue of securities without Shareholder approval pursuant to Listing Rule 7.1. If Resolution 6 is passed then those Securities will be deemed to have been issued with Shareholder approval and will, therefore, not be counted towards the aforementioned 10% limit or 15% limit.

On 12 October 2018 the Company announced a placement at \$0.17 per share to sophisticated investors. The placement was completed within the Company's placement capacity under Listing Rule 7.1 and Listing Rule 7.1A. Resolution 6 relates to 4,267,387 Shares that were issued pursuant to Listing Rule 7.1A and the issue of which can therefore be ratified under Listing Rule 7.4.

Listing Rule 7.5 requires the following information to be provided to Shareholders for the purposes of obtaining shareholder approval pursuant to Listing Rule 7.4:

- a) 4,267,387 Shares were issued under Listing Rule 7.1A;
- b) the Shares were issued \$0.17 per share;
- c) the sophisticated investors were Ilwella Pty Ltd, Valbonne II and Potezna Gromadka Ltd;
- d) the funds raised by the issue of the Shares will be used for exploration in South Korea;
- e) a voting exclusion statement has been included in the Notice of Annual General Meeting.

The Directors unanimously recommend Shareholders vote in favour of Resolution 6. The Chairman intends to vote undirected proxies in favour of Resolution 6.

Resolution 7 – Approval of 10% Placement Facility

Background to Resolution 7

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1. An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company's market capitalisation as at 15 October 2018, being the last practicable date prior to finalisation of the Notice of Meeting, was \$10.05 million (55,835,573 issued shares at \$0.18 closing price per share). Further, the Company is not included in the S&P/ASX 300 Index, and is therefore an eligible entity for the purposes of Listing Rule 7.1A.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2. It is the Company's intention that funds received under the 10% Placement Facility will be used for the exploration of tenements in Australia and South Korea. Funds raised under the 10% Placement Facility may also be used to supplement the Company's working capital requirements and undertake further transactions to acquire new assets or investments should the Directors determine this to be in the best interests of the Company.

Description of Listing Rule 7.1A

a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of this Notice, has on issue two classes of Equity Securities being Listed Shares and Unlisted Options.

c) *Formula for calculating 10% Placement Facility*

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- 1) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- 2) plus the number of partly paid shares that became fully paid in the 12 months;
- 3) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- 4) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 55,835,573 Shares and would have capacity to issue:

- 1) 8,375,336 Equity Securities under Listing Rule 7.1, subject to Shareholder approval being sought under Resolution 5; and
- 2) 5,583,557 Securities under Listing Rule 7.1A, subject to Shareholder approval being sought under Resolution 4, 5 and 6.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must not be less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- 1) the date on which the price at which the Equity Securities are to be issued is agreed; or
- 2) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the Equity Securities are issued.

The Company may also issue Equity Securities under the 10% Placement Facility as consideration for the acquisition of a new asset, in which case the Company will release to the market a valuation of those Equity Securities that demonstrates that the issue price of the securities complies with the rule above.

10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- 1) the date that is 12 months after the annual general meeting at which the approval is obtained; or
- 2) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), or such longer period if allowed by ASX (**10% Placement Period**).

Listing Rule 7.1A

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's placement capacity under Listing Rule 7.1.

Resolution 7 is a Special Resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- a) the Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - 1) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - 2) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the Equity Securities are issued.
- b) if Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, existing Shareholders may be subject to both economic and voting power dilution. There is a risk that:
 - 1) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting;
 - 2) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date; and
 - 3) the Equity Securities are issued as part of consideration for the acquisition of a new asset, in which case, no funds will be raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- 1) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or script issued under a takeover) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- 2) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.090 50% decrease in issue price	\$0.180 Issue price	\$0.360 100% increase in issue price
Current Variable A 55,835,573 Shares	10% voting dilution	5,583,557 Shares	5,583,557 Shares	5,583,557 Shares
	Funds raised	\$502,520	\$1,005,040	\$2,010,081
50% increase in current Variable A 83,753,360 Shares	10% voting dilution	8,375,336 Shares	8,375,336 Shares	8,375,336 Shares
	Funds raised	\$753,780	\$1,507,560	\$3,015,121
100% increase in current Variable A 111,671,146 Shares	10% voting dilution	11,167,115 Shares	11,167,115 Shares	11,167,115 Shares
	Funds raised	\$1,005,040	\$2,010,081	\$4,020,161

The table has been prepared on the following assumptions:

- i. the Company issues the maximum number of Equity Securities available under the 10% Placement Facility;
 - ii. no Unlisted Options (including any Unlisted Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities;
 - iii. the 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
 - iv. the table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting;
 - v. the table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1. Dilution experienced by Shareholders may be greater if issues have been made utilising the capacity in Listing Rule 7.1 as well;
 - vi. the issue of Equity Securities under the 10% Placement Facility consists only of Shares;
 - vii. the issue price is \$0.18, being the closing price of the Shares on ASX on 16 October 2018, being the last practicable date prior to finalisation of the Notice of Meeting;
- c) the Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 7 for the issue of Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- d) the Company may seek to issue the Equity Securities for the following purposes:
- i. non-cash consideration for the acquisition of new resources, assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - ii. cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisitions or investments), continued exploration and development expenditure on the Company's current assets (including its Cannon Gold Project in Western Australia and in South Korea) and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A (4) and 3.10.5A upon issue of any Equity Securities.

- e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- i. the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - ii. the effect of the issue of the Equity Securities on the control of the Company;
 - iii. the financial situation and solvency of the Company; and
 - iv. advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company acquires new assets, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets.

If Resolution 7 is approved by Shareholders, the Company may issue Equity Securities under the 10% Placement Facility during the Placement Period as and when the circumstances of the Company require.

- f) The Company has previously obtained Shareholder approval under Listing Rule 7.1A on 25 October 2017. The following is detailed information required under Listing Rule 7.3A.6 regarding Equity Securities issued since 25 October 2017;
- i) The total number of Equity Securities issued since 25 October 2017 is 6,685,020 Shares, representing 13.4% of the total number of Equity Securities on issue at 25 October 2017;
 - ii) The details comprising the issue of 6,685,020 Shares are as follows;
 - a. 647,668 Shares were issued on 20 August 2018, from a placement at a price of \$0.386 per share, issued to Bluebird Merchant Ventures Limited. The shares were issued at a 79.5% premium to the closing market price on the date of issue. The \$250,000 cash raised from the placement will be used for Australian and Korean based project development and exploration activities, along with general working capital. None of the proceeds as at the date of this Notice has been spent.
 - b. 5,957,352 Shares were issued on 15 October 2018, from a placement at a price of \$0.17 per share, issued to various sophisticated investors. The shares were issued at a 5.5% discount to the closing market price on the date of issue. The \$1,012,750 cash raised from the placement will be used for Korean based project development and exploration activities, along with general working capital. None of the proceeds as at the date of this Notice has been spent.
 - c. 80,000 Shares were issued on 16 October 2018, from a placement at a price of \$0.17 per share, issued to a sophisticated investor. The shares were issued at a 5.5% discount to the closing market price on the date of issue. The \$13,600 cash raised from the placement will be used for Korean based project development and exploration activities, along with general working capital. None of the proceeds as at the date of this Notice has been spent.
 - g) A voting exclusion statement is included in the Notice of Annual General Meeting. At the date of the Notice of Annual General Meeting, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Annual General Meeting.

The Board considers that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should it be required. At the date of the Notice of Annual General Meeting, the Company has no plans to use

the 10% Placement Facility should it be approved. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 7. The Chairman intends to vote all undirected proxies in favour of Resolution 7.

Resolution 8 - Approval of Employee Share Option Scheme

The Company currently has in place the Southern Gold Employee Share Plan under which Eligible Persons may be offered the opportunity to receive Options in order to assist in the attraction, retention and motivation of employees and Directors. The Directors consider that Options are a cost effective and efficient means of incentivising employees and Directors.

Under the Plan, the Board may offer Eligible Persons the opportunity to receive such number of Options in the Company as the Board may decide on the terms and conditions set out in Annexure A of the Explanatory Memorandum.

Listing Rule 7.1 restricts the number of the equity securities a listed entity can issue without shareholder approval. Listing Rule 7.2 contains a number of exceptions to Listing Rule 7.1. Exception 9(b) of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within 3 years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1. In order for future issues of securities made under the Plan and within the three year period from the date of the passing of Resolution 8 to come within Exception 9(b) of Listing Rule 7.2, the Company is seeking Shareholder approval for such issues of securities.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) A copy of the terms and conditions of the Plan is attached as Annexure A to this Explanatory Memorandum.
- (b) 2,000,000 options have been issued under the Plan since the date of its last approval on 22 October 2015.
- (c) A voting exclusion statement is set out in the Notice of Annual General Meeting.

The Board has the power to vary the terms of the Plan (other than in respect of the maximum number of Options that may be issued under the Plan). There has been no changes made to the terms at Annexure A.

As the Directors are excluded from voting on Resolution 8 they do not wish to make a recommendation as to how shareholders ought to vote in respect of this Resolution. The Chairman intends to vote any undirected proxies in favour of Resolution 8.

Important information for Shareholders

The Chair will not vote any undirected proxies in relation to Resolution 8 unless the Shareholder expressly authorizes the Chair to exercise the proxy even though it is connected directly or indirectly with the remuneration of a member of Key Management Personnel. Please note that if the Chair of the meeting is your proxy (or becomes your proxy by default), by completing the attached proxy form, you will expressly so authorize the Chair.

Alternatively, if you appoint the Chair as your proxy, you can direct the Chair to vote for or against or abstain from voting on Resolution 8 by marking the appropriate box on the proxy form.

As a further alternative, Shareholders can nominate as their proxy for the purposes of Resolution 8, a proxy who is not a member of the Company's Key Management Personnel or any of their Closely Related Parties. That person would be permitted to vote undirected proxies (subject to the Listing Rules).

No other material information

Other than as set out in this document, and previously disclosed to the Shareholders, there is no other information that is known to the Directors which may reasonably be expected to be material to the making of a decision by the Shareholders whether or not to vote in favour of any of the Resolutions.

GLOSSARY

In this Explanatory Memorandum, the following terms have the following unless the context otherwise requires:

"Annual General Meeting" means the annual general meeting of Shareholders convened by the Notice of Annual General Meeting.

"ASX" means ASX Limited ACN 008 624 691 or the securities exchange operated by ASX Limited (as the context requires);

"Board" means the Board of Directors from time to time.

"Closely Related Party" of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member, in the member's dealings with the Company; or
- (e) a company that the member controls.

"Company" means Southern Gold Limited (ACN 107 424 519).

"Constitution" means the constitution of the Company.

"Corporations Act" means the Corporations Act 2001 (Cth).

"Directors" means the directors of the Company from time to time and **"Director"** means any one of them.

"Equity Securities" has the meaning given to that term in the Listing Rules.

"Explanatory Memorandum" means this explanatory memorandum.

"Key Management Personnel" means those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any Director.

"Listing Rules" means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

"Notice of Annual General Meeting" means the Notice of Annual General Meeting to which the Explanatory Memorandum is attached.

"Option" means an unlisted option to subscribe for a Share.

"related party" has the meaning given to that term in Section 228 of the Corporations Act.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a holder of Shares in the Company.

"Trading Day" means a day determined by ASX to be a trading day in accordance with the Listing Rules.

"VWAP" means Volume Weighted Average Price of the Company's ASX-listed Shares trading under the code SAU.

ANNEXURE A

RULES OF THE SOUTHERN GOLD LIMITED EMPLOYEE SHARE OPTION PLAN

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Rules, unless the contrary intention appears:

“Associated Company” means at any time any body corporate that at that time is a related body corporate of the Company within the meaning of section 50 of the Corporations Law;

“ASX” means ASX Limited and includes any body corporate which may hereafter succeed to the powers, functions and duties of ASX Limited;

“Board” means the directors acting as the board of directors of the Company;

“Business Day” means a day on which the stock market of ASX is open for trading in securities;

“Certificate” means the certificate issued by the Company to a Holder in respect of an Option;

“Company” means Southern Gold Limited ACN 104 757 904;

“Corporations Act” means Corporations Act 2001 (Cth);

“Director” means a director of a Group Company from time to time;

“Eligible Person” means at any time a person who then is an employee, or a director of Southern Gold Limited (whether full-time or part-time);

“Exercise Price” means, in respect of an Option, the subscription price per Share, determined in accordance with clause 12, payable by a Holder on exercise of the Option;

“Expiry Date” means, in relation to an Option, the period of 5 years from and including the Issue Date of the Option;

“Group” means, collectively the Company and each of the Associated Companies;

“Group Company” means the Company or any Associated Company;

“Holder” means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company’s register of options as the holder of that Option;

“Issue Date” means, in relation to an Option, the date on which the Company grants that Option;

“Listing Rules” means the Official Listing Rules of ASX;

“Market Value” means:

- a) the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the day on which the Board resolves to offer an Option (excluding special crossings and overnight sales); or
- b) in circumstances where there has been no trading in the Shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX (excluding special crossings and overnight sales);

“Option” means an Option issued under the Plan to subscribe (subject to clause 11) for a Share;

“Permanent Disablement” means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience;

“Permitted Nominee” has the meaning given to it by clause 5.4;

“Plan” means the Southern Gold Limited Employee Share Option Plan established in accordance with these Rules;

“Redundancy” means, in relation to an Eligible Person, a determination by the Board that the relevant Group Company’s need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of any Group Company of his own accord);

“Retirement” means, in relation to an Eligible Person, retirement by that Eligible Person from any Group Company at age 60 or over or such earlier age as considered appropriate by the Board;

“Rules” means these rules, as amended from time to time;

“Shares” means fully paid ordinary shares in the capital of the Company.

“Trigger Event” means:

- a) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or any members or members or any class thereof pursuant to section 411 of the Corporations Act;
- b) the service of a bidder’s statement or a like document on the Company
- c) the date upon which a person or a group of associated persons becomes entitled, subsequent to the Issue Date of the Option, to sufficient Shares to give it or them the ability in general meeting to replace all or elect a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

1.2 Interpretation

In these Rules, unless the contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the Corporations Act or the Listing Rules has the same meaning where used in these Rules.

2. ESTABLISHMENT AND TERMINATION OF THE PLAN

2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute and uncontrolled discretion.

2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.

2.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

3. NUMBER OF OPTIONS TO BE ISSUED

The Company shall not offer or issue Options to any Eligible Person in accordance with the plan if the total number of shares the subject of Options, when aggregated with:

3.1 the number of shares in the same class which would be issued were each outstanding offer or invitation or option to acquire unissued shares in the Company, being an offer or invitation made or option acquired pursuant to the Plan or any other employee share scheme extended only to employees (including directors) of Group Companies, to be accepted or exercised (as the case may be); and

3.2 the number of shares in the same class issued during the previous five years pursuant to the Plan or any other employee share scheme extended only to employees (including directors) of Group Companies,

(disregarding any offer or invitation made, or option acquired or share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or any offer or invitation which, pursuant to Chapter 6D of the Corporations Act, does not need disclosure to investors), would exceed 5% of the total number of issued shares in that class of the Company as at the time of the proposed offer or issue.

4. ENTITLEMENT TO PARTICIPATE

4.1 The Board may from time to time determine in its absolute and uncontrolled discretion that any Eligible Person is entitled to participate in the Plan and the extent of that participation. The determination of the Board shall be binding and neither the Board nor any director of the Company shall be obliged to give any reason for a determination.

4.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.

4.3 An Eligible Person may not participate in the Plan unless that Eligible Person has been in continuous employment with a Group Company for at least 6 months prior to the Issue Date.

4.4 Future entitlements under the Plan shall not form part of any contract of employment between any Group Company and any of its employees. Participation in the Plan by an Eligible Person shall not confer directly or indirectly on any such employee any legal or equitable right whatsoever against any Group Company.

5. OFFER OF OPTIONS

5.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Persons at such times and on such terms as the Board considers appropriate in its absolute and uncontrolled discretion. Each offer must state:

- (a) that the Eligible Person to whom it is addressed may accept the whole or any lesser number of Options offered. The offer may stipulate a minimum number of Options and any multiple of such minimum or any other number which may be accepted;
- (b) the period within which the offer may be accepted;
- (c) any conditions which must be met prior to the vesting of the Options;

- (d) any restrictions on the disposal of the underlying Shares that will be issued on exercise of the Options; and
- (e) any other matters which the Board may determine.

5.2 Upon receipt of an offer of Options, an Eligible Person may, within the period specified in the offer;

- (a) accept the whole or any lesser number of Options offered by notice in writing to the Board;
- (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing to the Board. The Board may, in its absolute and uncontrolled discretion, resolve not to allow such renunciation of an offer in favour of a nominee without giving any reason for such decision; or
- (c) reject the offer.

5.3 Each Option will be issued free.

5.4 Upon:

- (a) receipt of the acceptance referred to in paragraph 5.2(a); or
- (b) the Board resolving to allow a renunciation of an offer in favour of a nominee (“**Permitted Nominee**”) and the Permitted Nominee accepting as Holder or joint Holder the whole or any lesser number of Options offered by notice in writing to the Board,

then the Eligible Person and/or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be issued Options subject to these Rules.

5.5 Certificates for Options will be dispatched within 10 Business Days after their Issue Date (or within such lesser period (if any) as may be required by the Listing Rules). Certificates will be accompanied by advice of the Issue Date, Number of Options, Exercise Price, Expiry Date, and any additional terms or conditions attaching to the offer.

5.6 If Options are issued to a Permitted Nominee of an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

6. QUOTATION

6.1 The Company will not apply for official quotation by ASX of any Options under this Plan

6.2 Application will be made to ASX within 10 business days after the date of allotment (or within such lesser period as may be required by the Listing Rules) for official quotation of Shares issued pursuant to the exercise of Options, if the Shares are listed on ASX at that time.

7. NOT TRANSFERABLE

7.1 Subject to clause 10.3, Options are not transferable.

7.2 Options will lapse upon receipt by the Company of a notice of surrender from a Holder, specifying the details of the Options to be surrendered, and accompanied by the relevant Certificate.

8. EXERCISE OF OPTIONS

8.1 Subject to these Rules, Options may be exercised at any time during the period commencing on the later of the Issue Date and the date the Option vests in accordance with its terms and conditions of issue and ending on the Expiry Date.

8.2 Options not exercised on or before the Expiry Date will automatically lapse.

8.3 Options may only be exercised by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:

- (a) the Exercise Price for the number of Options specified in the notice; and
- (b) the Certificate for those Options, for cancellation by the Company.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).

8.4 Subject to clause 8.2, within 10 Business Days after the notice referred to in clause 8.3 becomes effective (or within such lesser period (if any) as may be required by the Listing Rules), the Board must;

- (a) allot and issue the number of Shares specified in the notice to the Holder;
- (b) cancel the Certificate for the Options being exercised; and
- (c) if application, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.

9. SHARES ALLOTTED ON EXERCISE OF OPTIONS

All Shares allotted upon exercise of Options rank pari passu in all respects with Shares previously issued and, in particular, entitle the Holders to participate fully in;

- 9.1 dividends declared by the Company after the date of allotment; and
- 9.2 all issues of securities made or offered pro rata to holders of Shares.

10. CEASING TO BE AN ELIGIBLE PERSON

10.1(a) If at any time prior to the Expiry Date of any Options, an Eligible Person ceases to be an Eligible Person for any reason other than Retirement, Permanent Disability, Redundancy or death, all Options held by such Eligible Person or his Permitted Nominee (as the case may be), will, to the extent that they have not been exercised beforehand, automatically lapse on the first to occur of;

- i. The expiry of the period of 3 calendar months from the date of such occurrence, and
- ii. The Expiry Date.

10.1 (b) Notwithstanding the provisions of Clause 10.1(a), in the event that in the reasonable opinion of the Board an Eligible Person is dismissed for a reason which entitles a Group Company to dismiss that person without notice, or in circumstances of an act of fraud, defalcation or gross misconduct in relation to the affairs of a Group Company or doing any act which brings a Group Company into disrepute, then Options held by the person or their nominee will lapse forthwith

10.2 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be

conclusive for the purposes of the Plan, both as to such occurrence and the date of such occurrence.

10.3 If at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's legal personal representative may:

- (a) elect to be registered as the new Holder of the deceased Holder's Options;
- (b) whether or not he becomes so registered, exercise those Options as if it were the Holder of them in accordance with these Rules; and
- (c) if the deceased Holder had already given the Company a notice of exercise of his Options, pay the Exercise Price in respect of those Options.

11. ENTITLEMENT TO PARTICIPATE IN FUTURE ISSUES

11.1 New Issues

Holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least four Business Days' notice (or such greater period of notice (if any) as may be required by the Listing Rules) to Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

11.2 Bonus Issues

If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). Upon issue the Bonus Shares will rank *pari passu* in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

11.3 Pro Rata Issue

If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares, the Exercise Price of an Option will be reduced according to the following formula:

$$A = O - \frac{E[P - (S+D)]}{N + 1}$$

A = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of Shares into which one Option is exercisable

P = the volume weighted average market price per Share, calculated over the 5 trading days immediately preceding the ex rights date or ex entitlements date

S = the subscription price for a security under the pro rata issue

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rate issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

11.4 Reorganisation of Capital

- (a) If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, those Options will be reorganised to the extent necessary to comply with the Listing Rules.
- (b) If, prior to the expiry or lapse of any Options, the Company offers other securities to shareholders, the Board will, subject to compliance with the Listing Rules and without derogating from clause 11.1, determine in its absolute discretion whether the other securities are to be offered to Holders upon the exercise of Options or whether any other equivalent securities, interest or rights will be offered to them, and the basis

thereof, to the intent that on the Exercise of the Options, the Holders may be treated whenever possible as if they were Shareholders at the Issue Date.

(c) If a Trigger Event occurs, the Board may determine:

(i) that a Holder may Exercise the Options at any time after the date of such an event until a date determined by the board acting bona fide so as to permit the holder to participate in any change of control rising from a Trigger Event provided that the Board will as soon as practicable advise each Holder in writing of such determination. Thereafter Options which have not been exercised and have not expired shall lapse.

(ii) to use its reasonable endeavours to procure that an offer is made to Holders on like terms (having regard to the nature and value of the Options) to the terms proposed under the Trigger Event in which case the Board shall determine an appropriate period during which Holders may elect to accept the offer and, if the Holder has not so elected at the end of that period, the Options shall immediately become exercisable, and if not exercised within 10 days or otherwise expired, shall lapse.

11.5 Advice

In accordance with the Listing Rules, the Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe or to the Exercise Price pursuant to the provisions of clauses 11.2, 11.3 or 11.4.

12. EXERCISE PRICE OF OPTIONS

The Exercise Price of each Option will be determined by the Board when it resolves to offer the Option and will be not less than 90% of the Market Value of a Share at that time.

13. AMENDMENTS TO THE RULES

The Board may alter, delete or add to these Rules at any time (save for the provisions of clause 3), but, where the Company is admitted to the Official List of ASX, its resolution to do so has no effect unless the requirements of the Listing Rules in relation to the alteration, deletion or addition have been complied with.

14. NOTICES

Where possible notices will be despatched to Holders electronically to relevant addresses supplied by holders. Otherwise, notices may be given by the Company to any Holder either personally or by sending by post to his address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him to the Company for the giving of notices. Notices of any overseas Holders shall be forwarded and posted by airmail. Where a notice is sent by post the notice shall be deemed to be served on the second day after posting. The signature of any notice may be given by any Director or Secretary of the Company. A notice of exercise of Options shall not be deemed to be served on the Company until actually received.

15. DEFERRED TAX TREATMENT APPLICABLE TO PLAN

Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth) applies to the Plan (subject to the requirements of the *Income Tax Assessment Act 1997* (Cth)).

16. ADVICE

Eligible Persons are to obtain their own advice at their own expense on financial, taxation and other consequences to them of or in relation to their participation in the Plan. By accepting an offer under the Plan, a person acknowledges that they have not relied on representation made by the Company, the Board or any member of the Board.

SOUTHERN GOLD LIMITED
ACN 107 424 519
ANNUAL GENERAL MEETING
30 November 2018 AT 4:00PM (CST)
PROXY FORM

Company Secretary
Southern Gold Limited
PO Box 255,
Kent Town SA 5071

FACSIMILE: +61 (0) 8 8363 0697

I/We

Being a member of Southern Gold Limited,

of (address)

hereby appoint

or failing him/her, the Chairman of the meeting as my/our proxy to vote on my/our behalf at the annual general meeting of the Company to be held on 30 November 2018 at Southern Gold Limited, Level 1, 8 Beulah Road, Norwood, South Australia, and at any adjournment thereof. If no voting directions are given, the Chairman will vote in favour of each resolution.

Instructions on Voting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Greg Boulton as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr Peter Bamford as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of previous issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of previous issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of previous issue of Shares under 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of the Employee Share Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Where I/we have appointed the Chairman as my our/proxy (or the Chairman becomes my/our proxy). I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 even though these Resolutions are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Dated this _____ day of _____ 2018

Individuals and joint holders to sign:

Companies to sign (affix common seal if applicable):

Signature

Director, or sole Director / Secretary

Signature

Director / Company Secretary