



Shares

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Cannon “Pay Day” – First Profit Share Paid

- Maiden profit share distribution of \$2 million paid
- \$1.5 million of the distribution applied to Westgold debt facility
- Additional distributions expected over the coming months

\$2 Million Maiden Profit Share Distribution Paid

The Directors of Southern Gold Ltd (“Southern Gold”) are very pleased to advise the payment of the first profit share distribution from the Cannon gold mine. The Cannon gold mine operations committee resolved to pay \$4 million in distributions, or \$2m to each of Westgold Resources Ltd (“Westgold”, ASX Code “WGX”) and Southern Gold.

Westgold is managing operations at the Cannon gold mine and processing Cannon ore at the South Kalgoorlie Operations Jubilee plant approximately 35km to the south west of Cannon.

Southern Gold has applied \$1.5 million of the \$2 million distribution to the repayment of the working capital facility provided by Westgold. The balance of this Westgold loan is approximately \$1.2 million and it is anticipated that this will be paid back in full on receipt of the next distribution. The remainder of the maiden distribution, or \$0.5 million, has been received as cash.

The Next Processing Campaign and Further Distributions

As outlined in the ASX release of 23 December 2016, the seventh processing campaign of Cannon ore is anticipated to commence on about the 7th January 2017 and continue to approximately 23rd February. It is expected that further cash distributions will be paid by the Cannon operation over the coming months.

Southern Gold Managing Director, Simon Mitchell: “It’s nice to receive the Christmas present of our maiden profit share distribution from the Cannon Gold Mine. Since early 2016 Southern Gold has flagged a maiden distribution “by the end of the year” and it is satisfying to deliver on this promise to our shareholders.

Cash flow from Cannon has been many years in the making and is the culmination of a lot of work by the Southern Gold team and I would like to take this opportunity to thank the staff who have persevered during difficult times to deliver this result. I would also like to acknowledge the excellent work of the Westgold Resources team, who have executed the project with professionalism and importantly kept the project broadly on time and on budget.

We are now in the most rewarding phase of the operation, costs have been covered, high grade ore is being mined, processing will continue to pour gold and we expect to receive several profit share payments over the coming months. Southern Gold will be in a very strong capital position doing the equivalent of several ‘placements’ but without issuing any shares! I believe this makes Southern Gold a unique investment opportunity in the junior resources space.”

Southern Gold Limited: Company Profile

Southern Gold Ltd is a successful gold explorer and producer listed on the Australian Securities Exchange (under ASX ticker "SAU"). The Company's main focus is its Bulong Gold Project located 30 km east of the world renowned gold district of Kalgoorlie (WA) with the flagship Cannon Gold Mine projected to produce around 50koz gold.

Mining at Cannon has commenced with Westgold Resources Ltd financing and developing the deposit under a 50/50 profit share arrangement. Westgold is responsible for all mining, haulage and processing activities (ASX announcement 11/11/2014) with this mandate recently expanded to incorporate the commercial terms of a larger open pit development (ASX announcement 3/11/2015).

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

Competent Person's Statements

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

The information in this report that relates to Cannon Mineral Resources is based on information compiled by Mr Ian Blucher (MAusIMM). Mr Blucher is an employee of Southern Gold Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC, 2012). Mr Blucher consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Forward-looking statements

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

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

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

All reasonable efforts have been made to provide accurate information, but the Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this 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.