

Second Profit Share Payment Received

- Cannon Gold Mine profit share of \$1.5 million received
- \$1.2 million of this distribution applied to Westgold debt facility
- The Westgold debt facility is now fully repaid
- Further significant cash distributions expected in coming months

\$1.5 Million Profit Share Distribution Paid

The Directors of gold producer, Southern Gold Ltd ('Southern Gold', ASX Code "SAU") are very pleased to advise the payment to the Company of a second profit share distribution from the Cannon Gold Mine 30km east of Kalgoorlie in WA's Eastern Goldfields. The Cannon Gold Mine Operations Committee resolved to pay a total of \$3 million in distributions, or \$1.5 million to each of Westgold Resources Ltd ('Westgold', ASX Code "WGX", formally Metals X Ltd) and Southern Gold.

Westgold is managing operations at the Cannon gold mine and processing the ore at the South Kalgoorlie Operations Jubilee plant 35km to the south west of Cannon, under a 50:50 profit sharing arrangement with Southern Gold.

Southern Gold has applied \$1.2 million of the latest \$1.5 million distribution to the repayment of the **working capital debt facility provided by Westgold which is now fully repaid**. The remainder of this second distribution will be received as cash.

The Current Gold Ore Processing Campaign and Further Cash Distributions

As outlined in the ASX release of 28 December 2016, which announced the maiden profit share distribution to Southern Gold, the seventh processing campaign of Cannon ore commenced on the 7 January and will continue to 23 February 2017.

It is expected that further significant cash distributions as per previous guidance will be paid by the Cannon operation to Southern Gold over the next 4-6 months.

Due to delays caused by geotechnical issues and inclement weather, mining at Cannon will continue until the end of February or March. Final mine designs for the last phase of the operation are being completed, including the potential for a 'goodbye cut'. This creates some variability in the exact timing and quantum of future profit share distributions but the macro picture remains one of significant cash flow to Southern Gold over the course of the first half of this year.

Southern Gold Managing Director, Simon Mitchell: "Having fully paid off the Westgold debt facility from the proceeds of just our first two profit share payments, Southern Gold is now seeing the direct benefits of being a true gold producer: significant cash flow over the next few months. This puts the company into a unique class in the junior gold space and one with a very compelling economic return for its shareholders."



Shares

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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.