



**SOUTHERNGOLD**

## **GOLD PRODUCTION DRIVING GOLD EXPLORATION**



**The Cannon Gold Mine, late January 2017**

**ASX Ticker: SAU**

**RIU Explorers Conference, Wednesday 22 February 2017**

# Disclaimer

## Forward-looking statements

The information in this presentation is published to inform you about Southern Gold Limited (“Southern Gold”) and its activities. Some statements in this presentation 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 and increasing the company’s resource base

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## Competent Person’s statements

The information in this report that relates to Exploration Results and Exploration Targets has been compiled under the supervision of Mr. Ian Blucher (MAusIMM). Mr Blucher, who is a full time 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 Mineral Resources is based on information compiled by Mr Ian Blucher (MAusIMM). Mr. Blucher is a full time 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.

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

# Kalgoorlie Au Production, Korean Au Exploration



## Australia - Kalgoorlie

- Jurisdiction ticks all the key boxes
- Cannon Gold Mine generating cash
- Potential for additional near term production
- Six (6) key projects being advanced



## South Korea

- Jurisdiction ticks all the key boxes
- Potential near term high grade gold production
- Potential for world class discovery
- Six (6) key projects being advanced

# Corporate Strategy

- Focus on cash generation
- Maintain a tight capital structure
- Expand our exploration budget to >\$5m pa, drilling intensive
- Add to JORC Resource base
- Develop a second mine operation
- Culture of technical excellence and innovation
- Search for 'world class' gold deposits (organically funded)

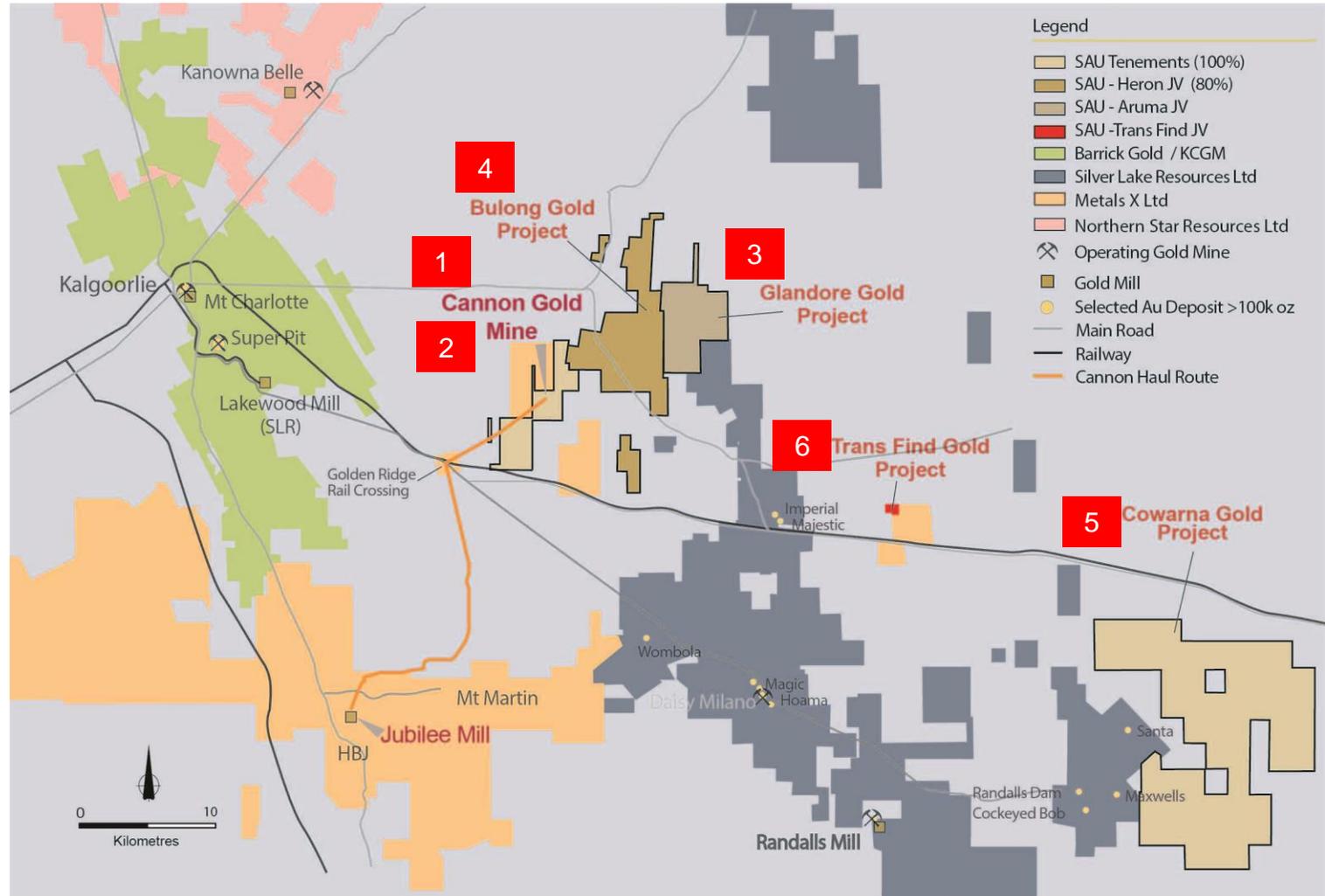
## Total Shareholder Return Benchmark

**Southern Gold to consider a formal dividend/capital return policy at appropriate time**

# Australian Strategy: Find Gold Near A Mill



- 1 Cannon Open Pit
- 2 Cannon Underground?
- 3 Glandore
- 4 Bulong
- 5 Cowarna
- 6 Transfind Extended



Drilling at **2** ... **6**  
planned for 2017.

# Cannon Gold Mine: Cash Generation



Timeline  
First Ore Load  
Aug '15



Maiden Gold Pour  
Nov '15



Pay Day  
Dec '16

Maiden Project  
Distribution

**\$2.0m**

Debt Repaid  
Jan '17

WGX Loan Fully  
Repaid

**\$1.5m**

Cash Distributions  
Feb '17 – June '17

Profit Share Base  
Case Model

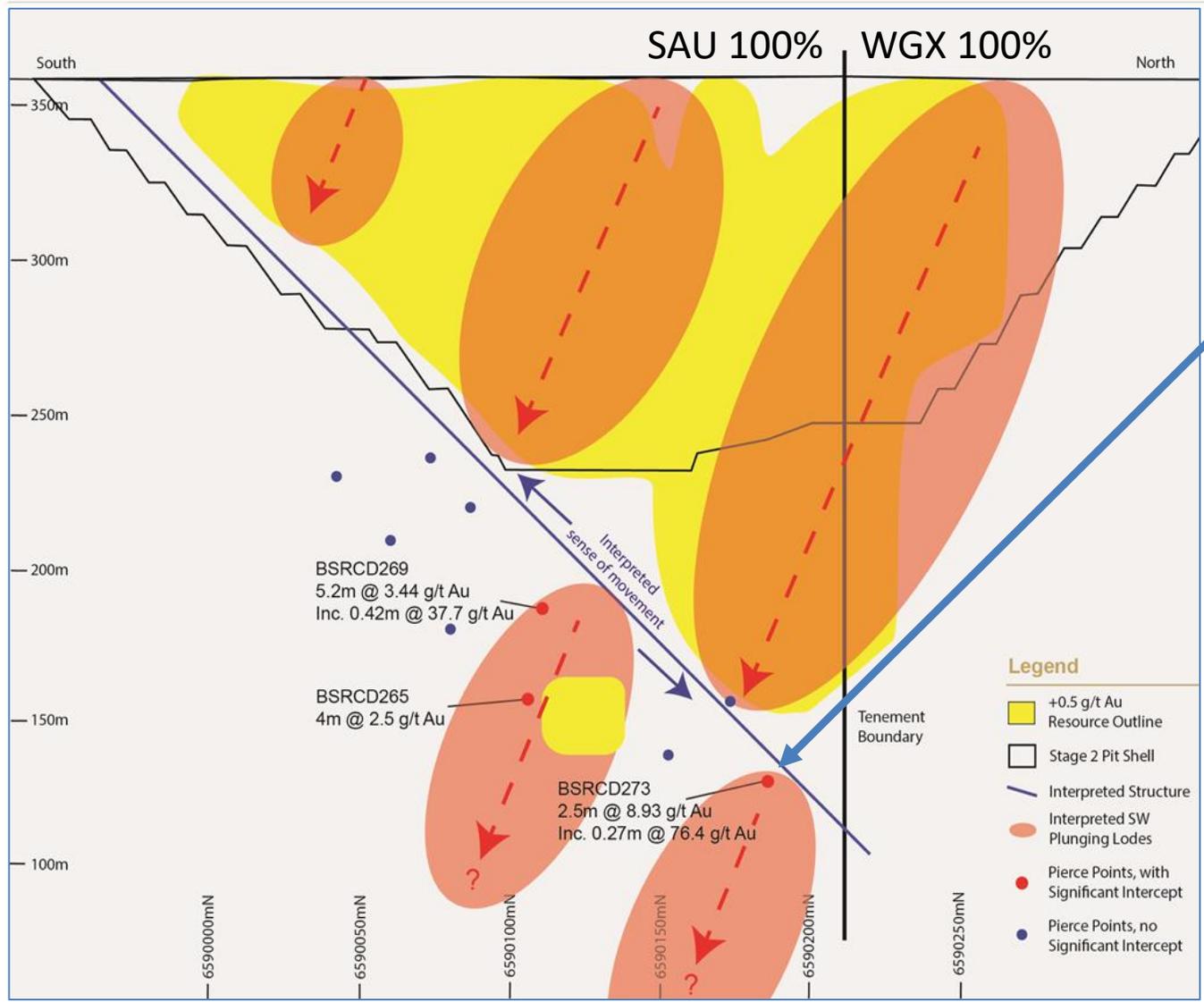
**>\$12m**

Life of Mine to June 2017 @ A\$1500/oz Au	LOM Estimate as at February 2016	LOM Estimate as at February 2017	Actuals to end December 2016	Estimates to end June 2017
Mined Ounces Au	57.9koz	61.4koz	33.1koz	27.5koz
Recovery (LOM average)	86.3%	90%	91.43%	90%
Recovered Ounces	~50koz	~55koz	30.3koz	24.8koz
Total Cash Cost/oz, including capital	\$1037/oz	\$950/oz	\$1385/oz	\$410/oz
Profit to Southern Gold (50%)	\$11.6m	\$15.7m	\$2.0m	\$13.7m
Repay WGX Debt, including interest	A\$2.7m	A\$2.7m	\$1.5m	\$1.2m
Cash to Southern Gold Net of Debt	~A\$8.9m	~A\$13m	\$0.5m	\$12.5m



Equivalent of  
27c/share

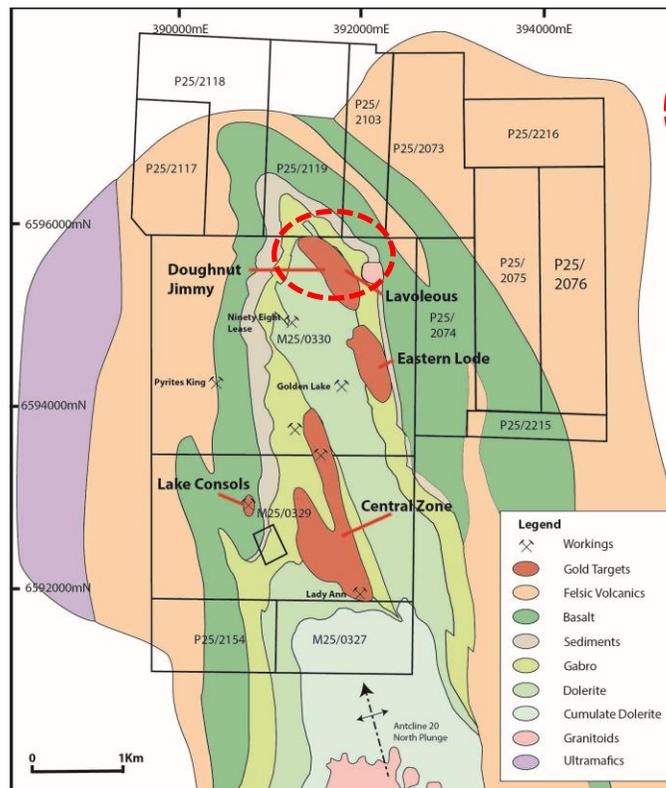
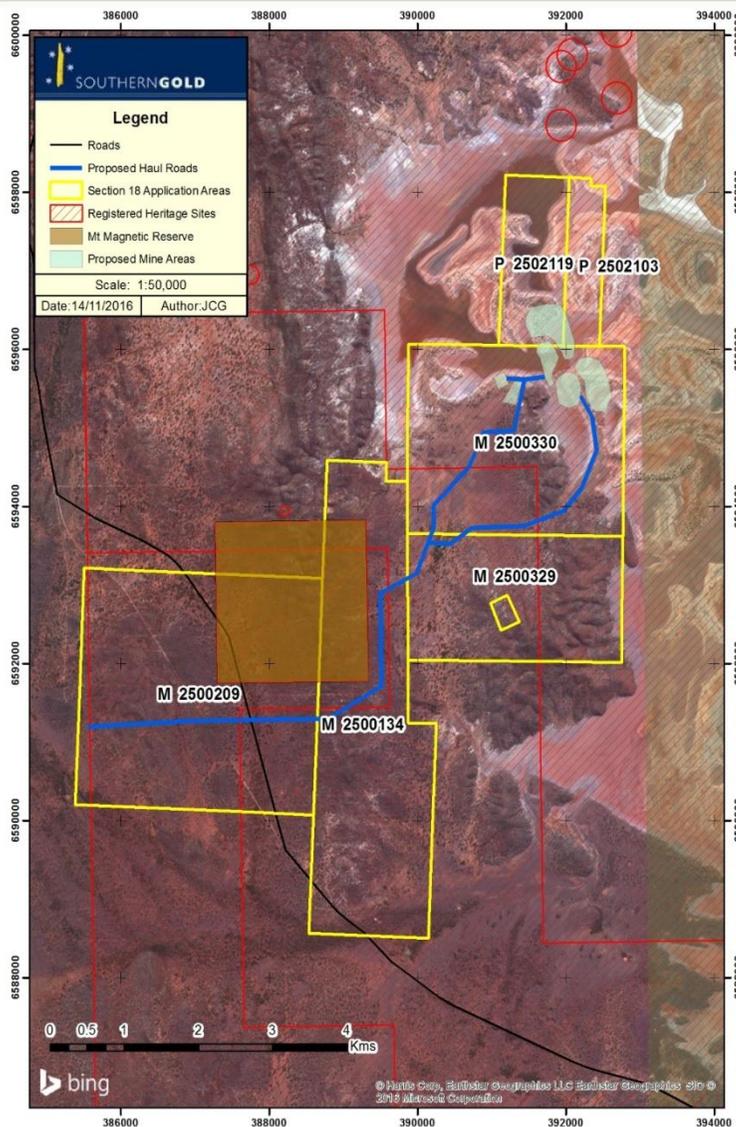
# 2 Cannon Underground?



**BSRCD273**  
**0.27m @ 76.4g/t**

- “Cannon style” mineralisation intersected below resource envelope
- Deposit open at depth
- Discussions with WGX on potential below pit drilling campaign
- Drilling to commence at end of mine operations

# Glandore Gold Project: Cannon #2?



## Stage 1 Targets

Lavaeolus

Doughnut Jimmy

Drilling: March 2017

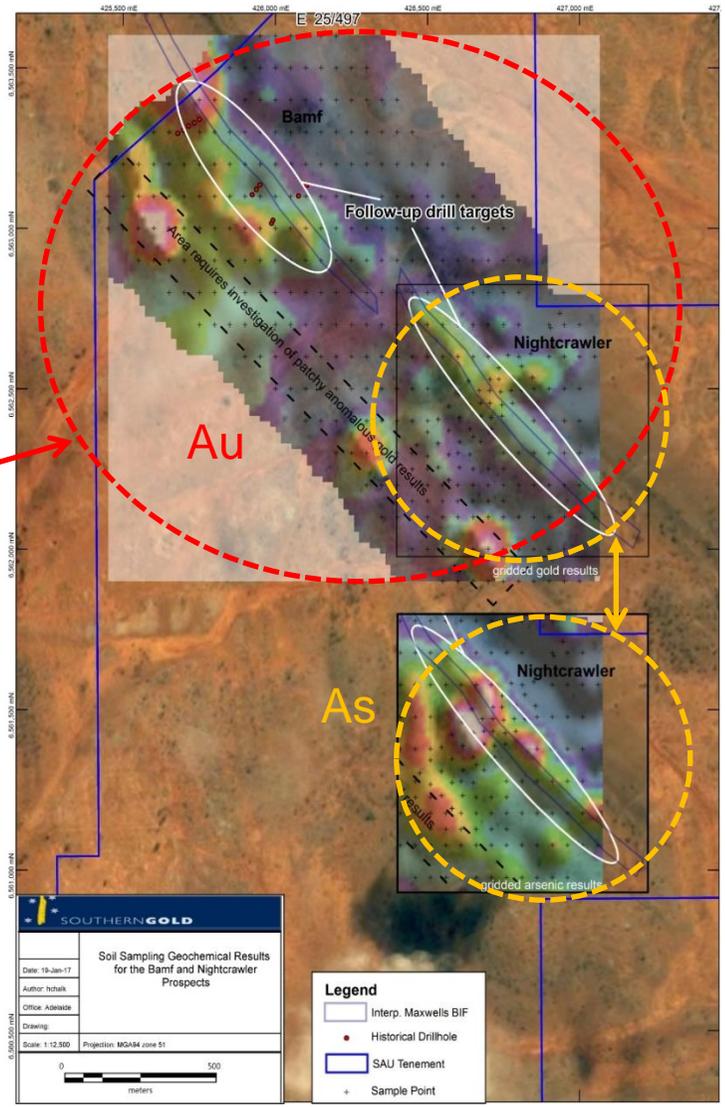
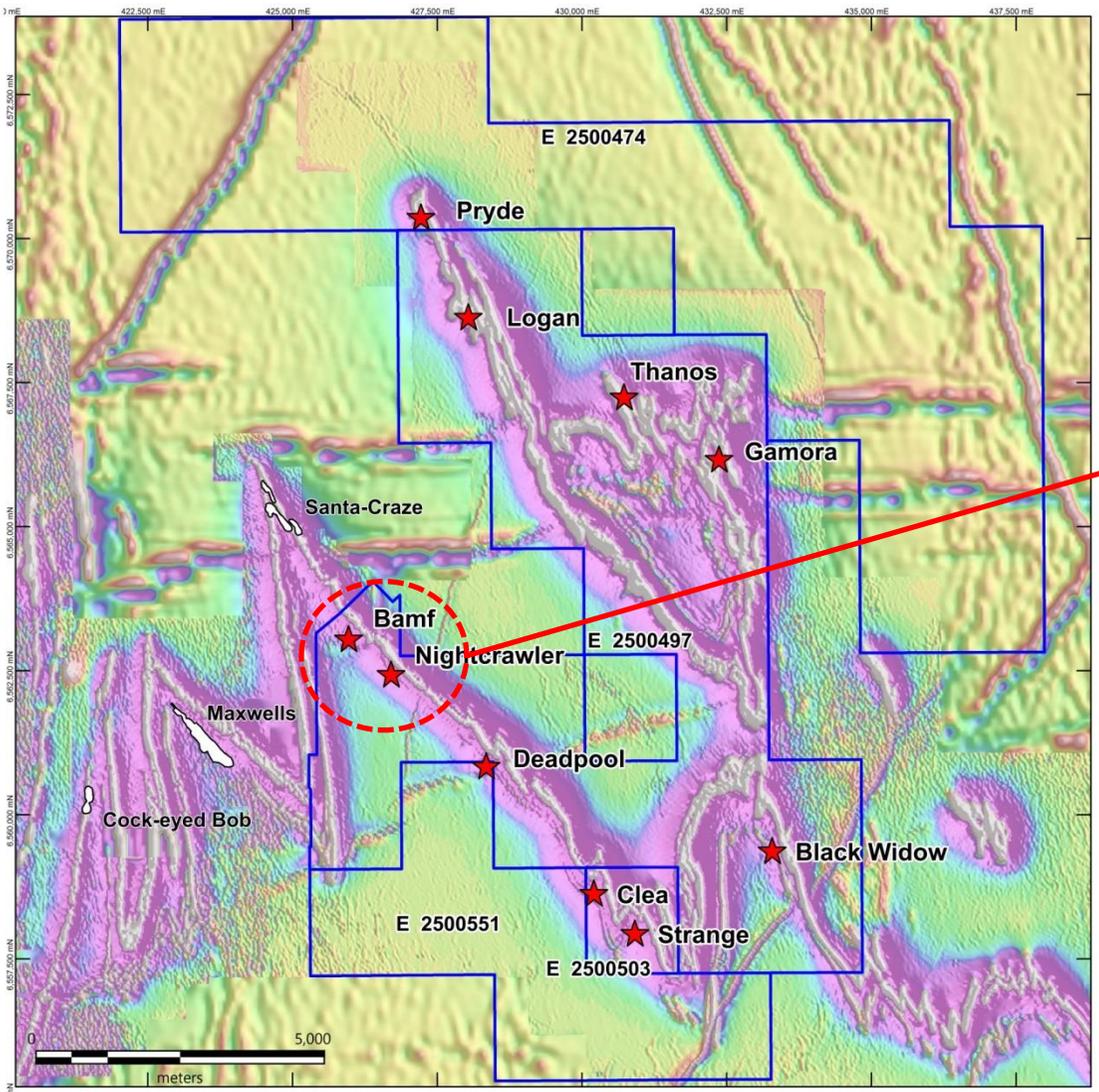
Aim: JORC Resource  
then mining studies  
late 2017

Heritage clearance and  
environmental studies  
well advanced.

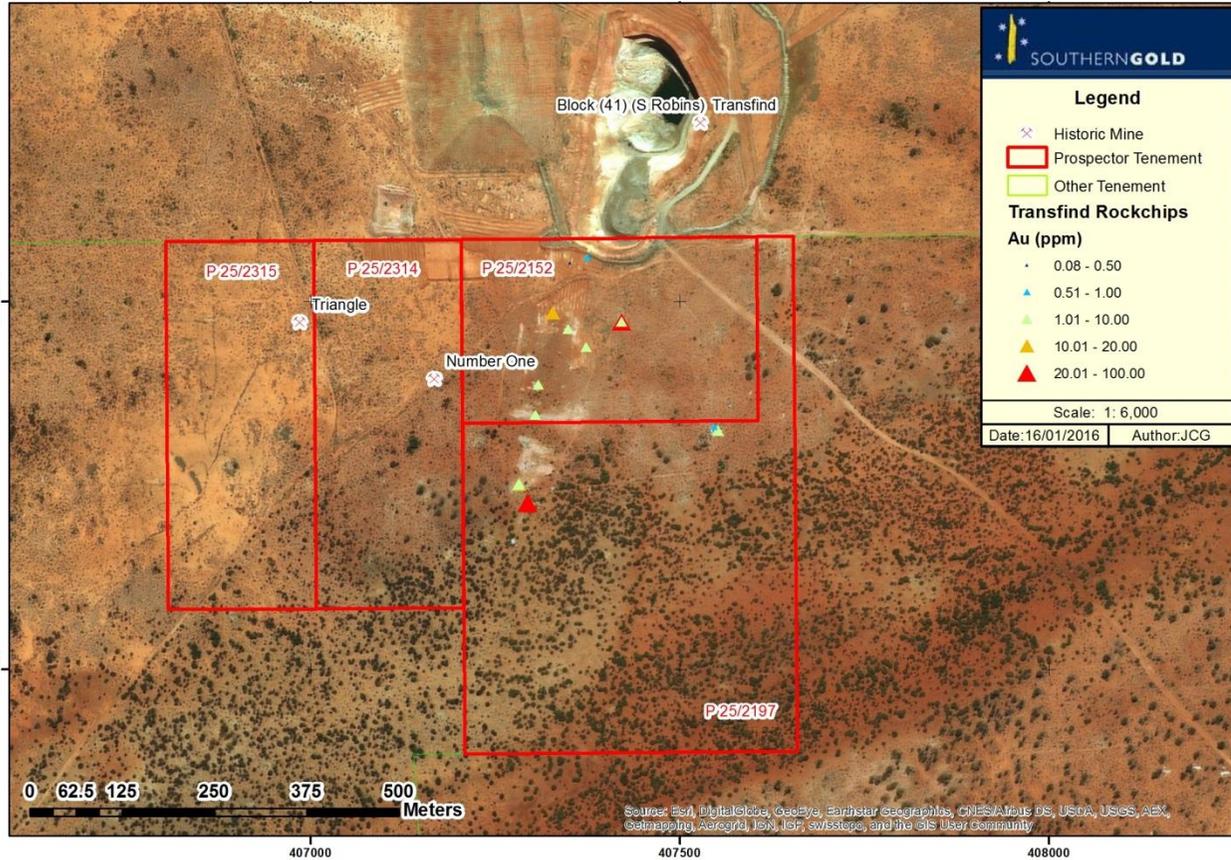
**Exploration target: 0.5 to 2.5 Mt with grades in the range of 2.4 – 3.0 g/t Au**  
(or 50koz – 200koz Au located in several deposits).

*This exploration target is not a mineral resource and is conceptual in nature. The estimate is based on the substantial body of information generated by previous explorers that is publicly available either in ASX announcements or via the Western Australian Department of Mines and Petroleum WAMEX web site. See ASX release 4 April 2016.*

# Cowarna Gold Project: new drill targets



# 6 Transfind Extended Prospect: high grade Au

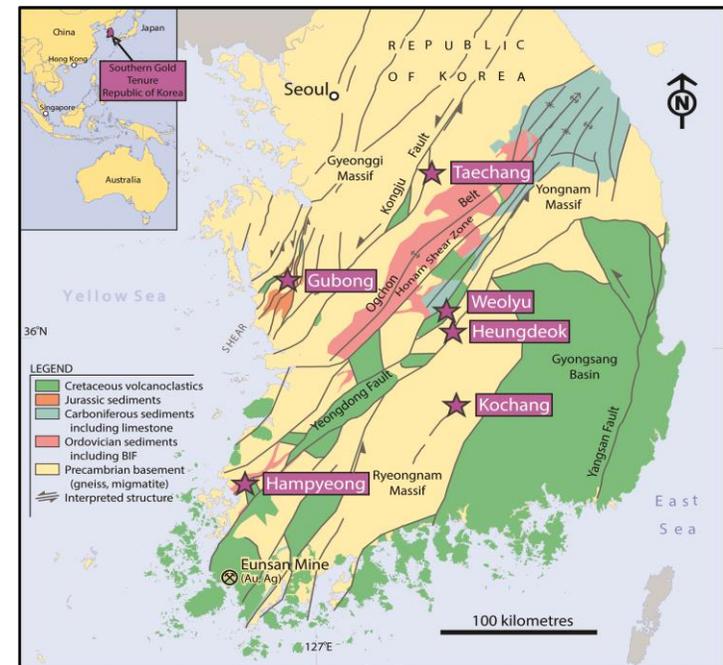


Surface rock chips returned up to 50g/t Au.  
 12 out of 15 samples returned >1g/t.  
 Visible gold in some hand specimens.  
 SAU has option to acquire after completing 2000m RC drilling.

# South Korea: North Asia, not SE Asia



- ❑ No royalties, no government free carry
- ❑ Corporate tax rate is 24.2%
- ❑ Government funding available (e.g.: KORES)
- ❑ Ubiquitous road, rail, electricity infrastructure
- ❑ Low cost base (people, electricity, capex)
- ❑ Large manufacturing base
- ❑ Population of 50 million
- ❑ “Ring of fire” geology with limited exploration



# South Korean Assets

- ❑ 44 granted tenements
- ❑ Historic gold/silver mining operations
- ❑ 3 Potential **Production Centres**:

1. Taechang **1**

2. Gubong **2**

3. Yeongdong

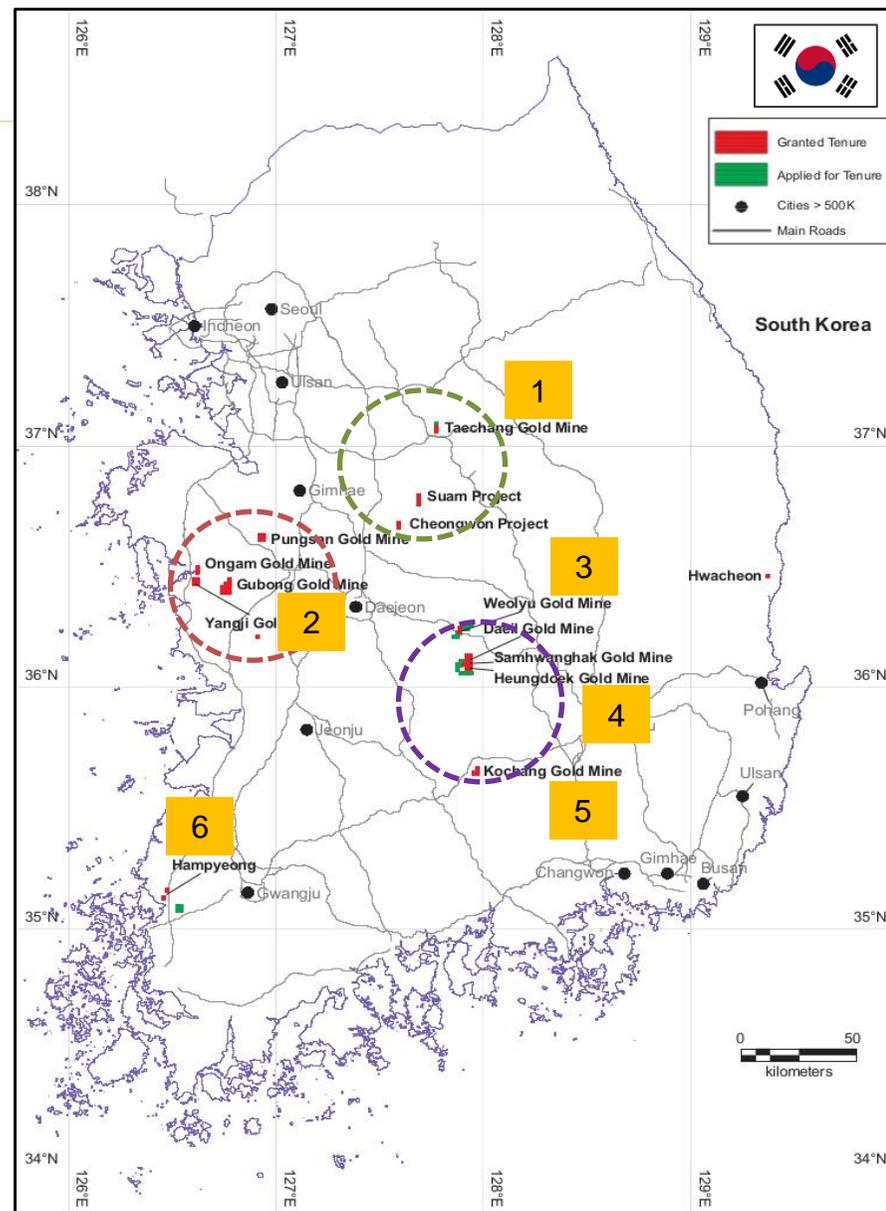
Weolyu **3** – epithermal Au-Ag **Exploration**

Heungdeok **4**

Kochang **5**

- ❑ Active **Project Generation**

Eg: Hampyeong **6** – epithermal Au-Ag exploration



# Foreign Estimates of Resources



Mine Name	Vein Width Range (m) <sup>(2)</sup>	Au Avg. Grade (g/t)	Ag Ave. Grade (g/t) <sup>(2)</sup>	Korean Tonnage Classification <sup>(1)</sup>			Total Tonnes	Ref. No.
				Secured Reserve (Tonnes)	Estimated Reserve (Tonnes)	Presumption (Tonnes)		
2 Gubong	0.6 - 1.5	7.3	5 - 6	-	-	2,346,440	2,346,440	3,7
Ongam	0.5 - 1.0	24		42,720	144,311	-	187,031	3
Yangji		17		15,016	101,797	-	116,813	3
Imchon	0.2 - 0.6	14.66	40 - 60	45,412	67,442	-	112,854	3
Pungsan	0.1 - 1.5	10		-	-	144,553	144,553	2
<b>Total Gubong Area</b>				<b>103,148</b>	<b>313,550</b>	<b>2,490,993</b>	<b>2,907,691</b>	
Sobo	0.1 - 1.0	17.2	44	20,790	25,600	-	46,390	3,5
1 Taechang	0.1 - 0.3	16	6 - 114	-	-	1,106,283	1,106,283	2
Jang Am		6		-	-	245,892	245,892	2
Suam	0.2 - 0.6	10		460	1,449	-	1,909	3
<b>Total Taechang Area</b>				<b>21,250</b>	<b>27,049</b>	<b>1,352,175</b>	<b>1,400,474</b>	
4 Heungdeok	0.5 - 1.0	25		66,434	237,807	-	304,241	3,4
3 Weolyu	0.3 - 0.1	10.99	200-1,000	1,140	23,650	297,179	321,969	2,3
SH <sup>(3)</sup> #1		15		-	-	163,000	163,000	8
SH <sup>(3)</sup> #2		6.42		65,968	84,389	-	150,357	8
Daeil	0.1 - 2.0	15	<1 - 119	3,950	8,900	11,970	24,820	3,6
5 Kochang		12	3 - 217	-	104,700	77,490	182,190	3
<b>Total Yeongdong Area</b>				<b>137,492</b>	<b>459,446</b>	<b>549,639</b>	<b>1,146,577</b>	

(1) Korean Tonnage Classifications are "Foreign Estimates" and are not compatible with JORC (2012).

(2) Not all categories of information are provided in every reference.

(3) Project called Samhwanghak

See ASX Release 8 July 2016

### Foreign Estimate

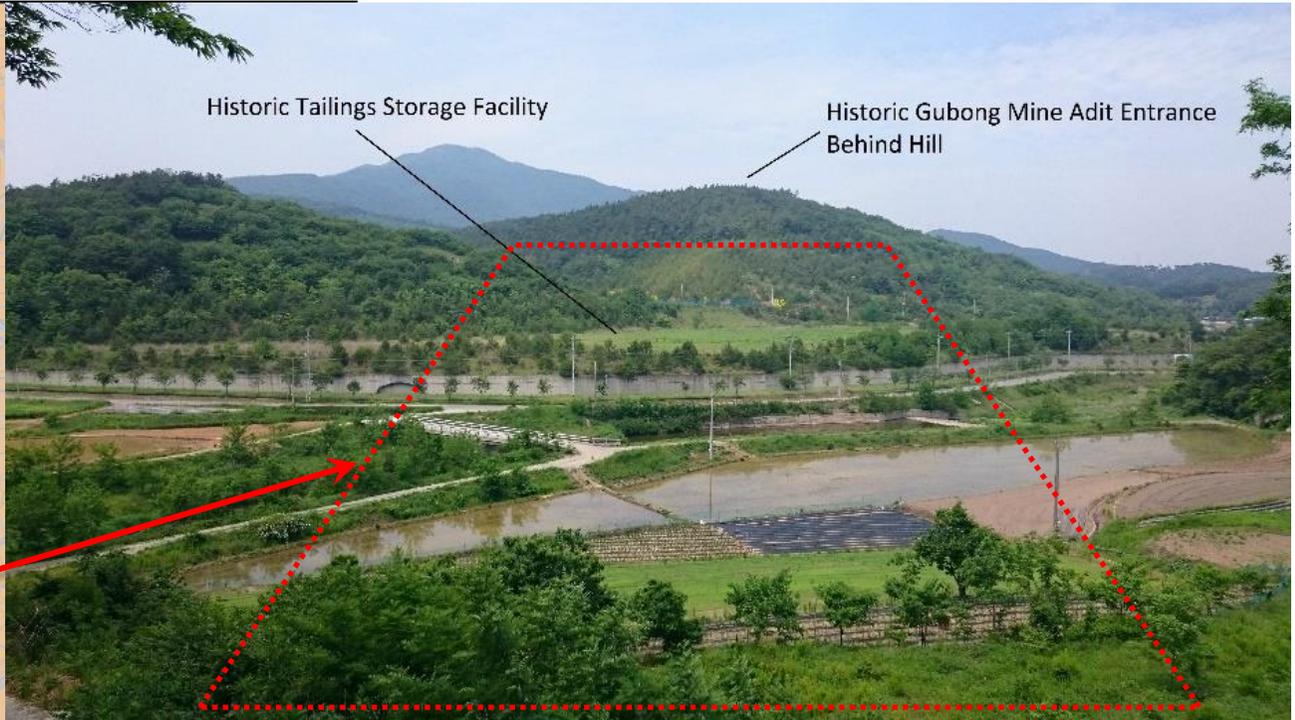
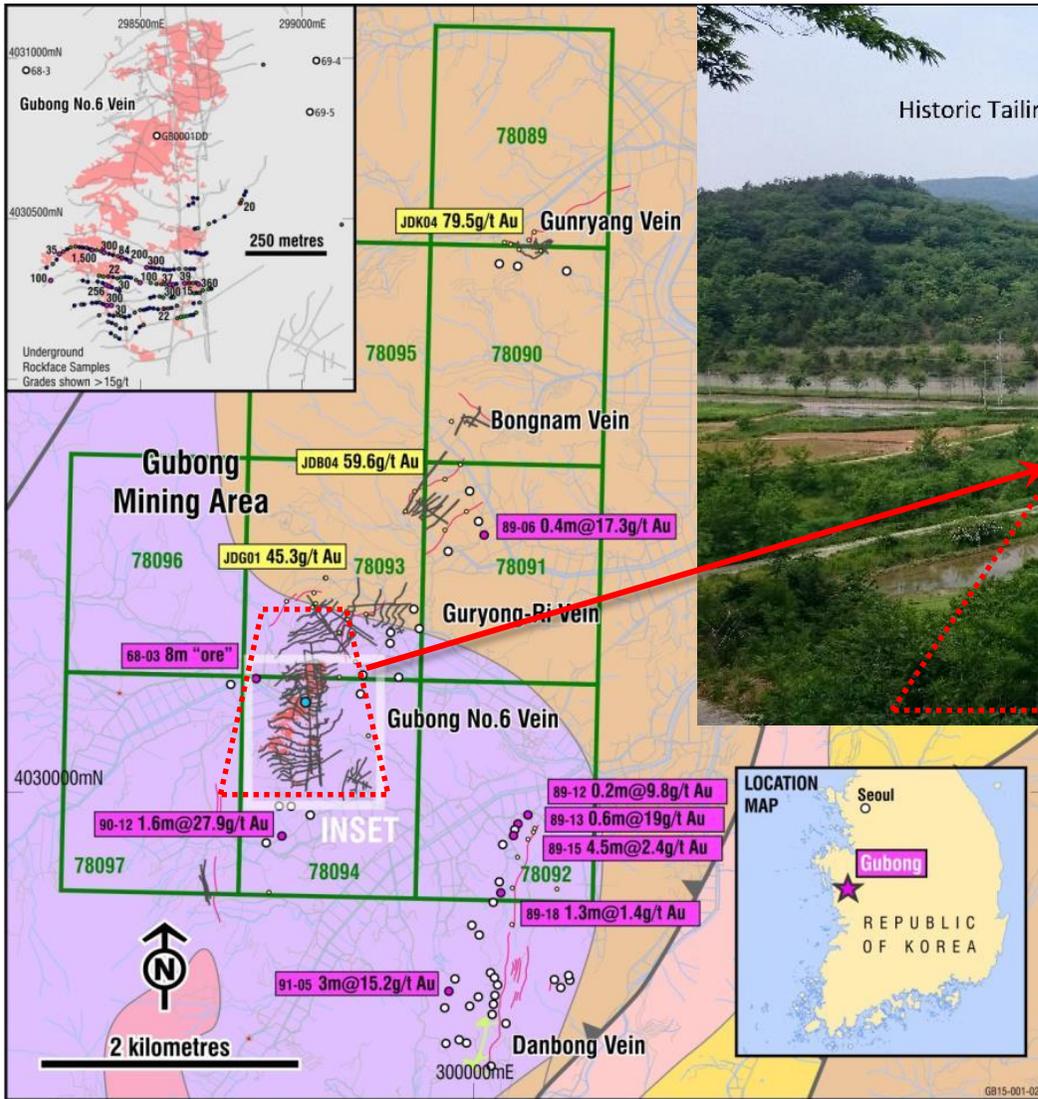
In line with JORC "Exploration Target", suggesting a potential range of: 1Mt to 4.5Mt at between 6g/t and 12g/t Au (or ca. 500,000oz to 1.5Moz of Au).

The exploration carried out to-date is insufficient to estimate a resource and it is uncertain whether further exploration will result in the estimation of a resource. Future exploration activities that will test the validity of this exploration target will include drill testing of the historical and newly discovered zones of mineralisation, diamond drilling and underground sampling, which is expected to be undertaken over the next 18 months.

3 Potential Geographic Based Production Centres



# 2 Gubong: Potential Large Scale Project



**Exploration target: 1.0 to 4.5 Mt with grades in the range of 6.0 – 12.0 g/t Au (or 500koz – 1,500koz Au).**

*This exploration target is not a mineral resource and is conceptual in nature. The estimate is based on the substantial body of information relating to the mineralisation documented for the targets referred to here which has been generated by government and semi-government agency's as documented Table 1 and Table 3 in Appendix 4 of the ASX release 8 July 2016.*

..... Not to scale

# Weolyu South: New Discovery Unfolding



**A** Field reconnaissance - discovery of classic low sulphidation bladed carbonate boulders.

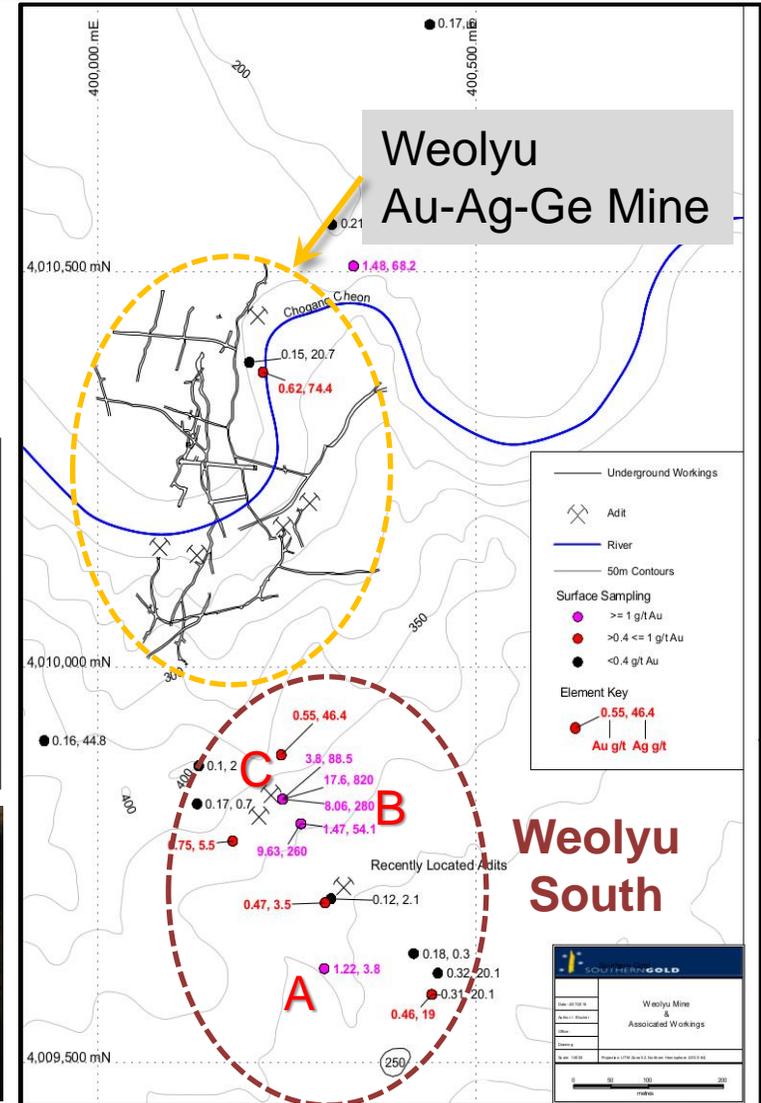


**B** Follow-up field recon – discovery of classic banded low sulphidation mineralised quartz veins.

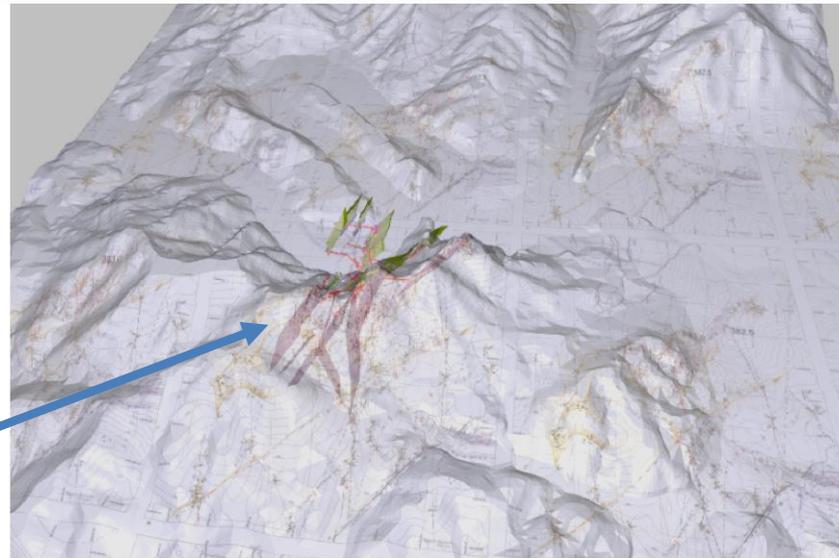
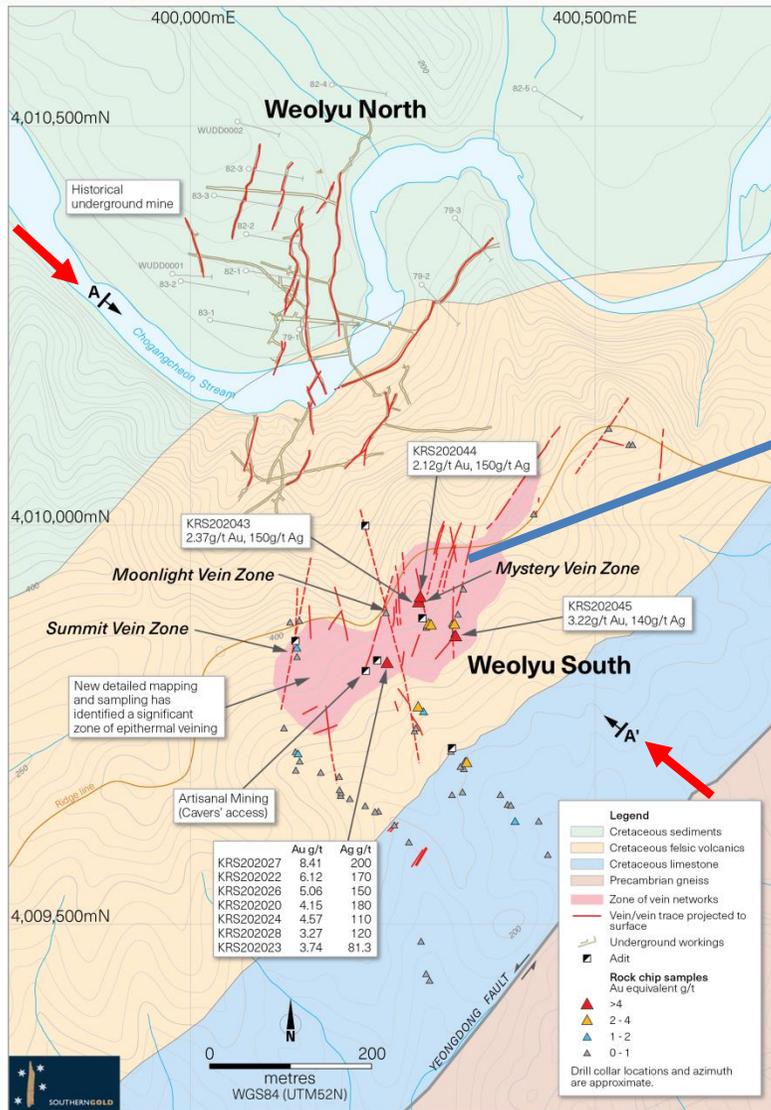
E.g.: KRS200052: **17.6g/t Au, 820g/t Ag**



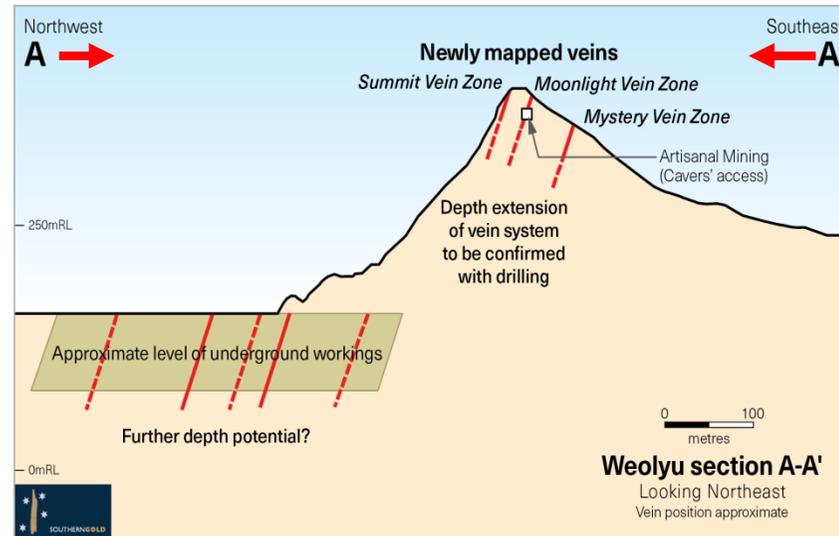
**C** Cave explorers confirm vein in situ in the wall at bottom of artisanal mine (mid 2016).



# Weolyu South: Scale and Regional Potential



Multiple veins + district scale alteration



Significant vertical relief

# Weolyu South: Rocks with Grade



## Weolyu South Rock Slabs from recent detailed mapping and sampling programme

KRS202008: 1.5g/t Au, 120g/t Ag



15 cm wide polyphased vein float, comprised of hydraulic rip-up breccias and crude mesocrystalline to chalcidonic quartz colloform band development.

KRS202022: 6.12g/t Au, 170g/t Ag



Polyphased hydraulic vein breccia & colloform-banded vein comprised of white mesocrystalline quartz with grey-black sulfidic inter-bands and wispy fills

KRS202024: 4.57g/t Au, 110g/t Ag



Polyphased, crudely banded mesocrystalline grey-white quartz vein with localised ghosted quartz pseudomorphs after bladed calcite & wisps of bluish-grey sulfides & sulfosalts

KRS202027: 8.41g/t Au, 200g/t Ag



Polyphased hydraulic vein breccia with rip-up vein fragments and a central black sulfidic band comprised of fine-grained pyrite & sulfosalts

KRS202043: 2.37g/t Au, 150g/t Ag



Hydraulic quartz vein and rhyolite host rock breccia, pervasively flooded by mesocrystalline quartz and fine-grained pyrite. Highly oxidised with ubiquitous limonite after pyrite

KRS202045: 3.22g/t Au, 140g/t Ag



Slip fragment from Mystery Vein Zone, comprised of colloform-banded, sulfide-bearing hydraulic vein breccia.



Evidence of epithermal boiling textures



Vein width ~1.6m at surface @ high grade

See ASX Release 12/12/16 for details.



**Exploration Manager – South Korea, Dr Chris Bowden, PhD, GCMEE, FAusIMM(CP), FSEG:**

- +20 years experience
- PhD on epithermal gold in South Korea
- Experience in South Korea with Ivanhoe Mines
- Discoverer “Dish Mountain” Gold Deposit in Ethiopia (2Moz JORC resource)



**Country Manager – South Korea, Joseph Lee:**

- +12 years experience in finance and business development
- Extensive experience in South Korea as a corporate advisor
- Educated in Australia, Joseph is bilingual and now based in South Korea.



**Senior Consulting Geologist and Advisor – South Korea, Douglas Kirwin:**

- World renowned geologist
- +45 years international exploration experience
- Excellent discovery record including:
  - Hugo Drummett deposit at Oyu Tolgoi in Mongolia
  - Jelai Mewet and Seryung epithermal deposits in Kalimantan
  - Eunsan-Moisan gold mines in South Korea
  - Moditaung gold deposit in Myanmar
  - Merlin Re-Mo deposit in Australia.

# Corporate Overview

## 12 month share price performance



## The Board

<b>Greg Boulton AM</b>	Chairman
<b>Simon Mitchell</b>	Managing Director
<b>Mick Billing</b>	Non Executive Director
<b>David Turvey</b>	Non Executive Director

## Financial information

<b>Number of shares</b>	<b>46.4 m</b>
Call Options (\$0.375, \$0.90)	~0.85m
Call Options (\$0.32, 30 June 2017)	1.39m
Call Options (\$0.40, 30 June 2017)	1.39m
Call Options (\$0.375, 30 June 2021)	1.24m
Total Fully Diluted Shares	51.3m
#Share price (20 February 2017)	A\$0.285
<b>Market capitalisation (undiluted)</b>	<b>A\$13.2m</b>
<b>"Convertible Debt"</b>	<b>A\$1.0m</b>
*Cash (31 December 2016)	A\$0.8m
<b>Enterprise value</b>	<b>A\$13.4m</b>

option  
conversion  
repays  
convertible  
debt  
principal

**\* Cash Expected in next 4 to 5 months = ~A\$13m**

**# Current share price < share price 12 months ago (30c)**

**Shareholder return – Capital return/ special dividend pending cash in the bank**

**6 Oz + 6 SK Projects – Active explorer making discoveries**

# Next 6-12 Months: >\$5m budget, drilling focus

## Australia

- ❑ **Cannon Gold Mine** – bank the cash
- ❑ **Glandore Gold Project** – multiple rounds of drilling, JORC resource + PFS study
- ❑ **Cowarna Gold Project** – project reconnaissance and “boots on the ground” exploration
- ❑ **Cannon Underground?** – investigate below pit for underground, including diamond drilling
- ❑ **Bulong Gold Project** – drilling GLC regional target
- ❑ **Transfind Prospect** – historical data compilation, mapping, soils, first round drilling

## Drilling Schedule

March/April 2017++

May/June 2017

July/August 2017+

Sept./Oct. 2017

2017H2

## South Korea

- ❑ **Weolyu South** – incredible blue sky / new discovery potential, drilling post winter
- ❑ **Taechang** – underground drilling and near term production scenarios investigated
- ❑ **Gubong** – underground drilling and near term production scenarios investigated
- ❑ **Kochang** – mapping post winter, drilling high grade zone at Kochang Gold Mine, drilling the ‘gap’
- ❑ **Hampyeong** – unfolding new discovery, drilling epithermal veins mapped at surface

April/May 2017++

2017H2

2017H2

June/July 2017

2017H2

## Corporate

- ❑ **Return to shareholders** – capital return/ dividend policy to be announced shortly
- ❑ **M&A** – focus on either accretive JORC resource/reserve and/or near term production opportunities
- ❑ **Marketing** – significant lift in marketing profile in 2017

# Research and Contacts

- ❑ RCR Research Report by John Wilson, August 2016 (NAV @ \$0.45/share and price target >\$0.50/share)

<http://www.southerngold.com.au/investors/broker-media-reports/>

New website under construction, to be available shortly.

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**Managing Director**

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South Korean Photography Copyright Erin van der Wyk