Deep High Grade Gold Intersected

- High grade gold intersected in confirmatory diamond drilling at the base of the current Cannon Mine Stage 2 pit design;
- Intersection in CARD001 returning **19m @ 15.1g/t** gold from 83.0m downhole is the best ever result returned at Cannon;
- Results broadly confirm modelled pit design and highlight the potential for high grade shoot extensions for underground;
- Geotech hole CAGT002 returns 14m @ 2.56g/t gold in potentially new footwall zone.

Deeper Diamond Drilling for Confirmatory Purposes

Southern Gold Ltd ("Southern Gold", ASX Code: SAU) is pleased to provide an update on deep confirmatory drilling activities for its 100% owned Cannon Gold Mine 35km east of Kalgoorlie in Western Australia.

Four reverse circulation, diamond cored tailed holes (CARD001 – CARD004) have been drilled by Metals X Ltd ("Metals X", ASX Code: MLX) for confirmatory purposes to validate and infill the high grade shoots at the base of the open pit in the vicinity of the original holes. The results of all four of these drill holes are listed in **Table 1**.

Table 1: Summary Results of Deep Confirmatory Drilling (Uncut)

Hole No	Hole Type	Interval*	Grade	From*
CARD001	**RC/DDH**	**19.0m**	**15.1g/t Au**	83.0 m
	including	*2.8m*	*34.0g/t Au*	87.4 m
	and	*6.0m*	*22.8g/t Au*	92.0 m
CARD002	RC/DDH	3.0m	10.6g/t Au	106.0 m
CARD003	**RC/DDH**	**23.0m**	**4.8g/t Au**	80.0 m
	including	*6.0m*	*8.9g/t Au*	81.0 m
	and	*3.0m*	*15.5g/t Au*	91.9 m
CARD004	RC/DDH	3.0m	2.2g/t Au	98.0 m

**Downhole intervals and depths, no more than 3m downhole internal dilution*

These results broadly confirm the grade and width tenor of the original drill holes and provide additional confidence in the current block model and pit design. **The results from CARD001 are particularly exciting as this is the best intersection ever returned from drilling at Cannon.**

Southern Gold Managing Director, Mr Simon Mitchell, said: "*it is not often a company can announce an intercept such as that in CARD001 returning around half an ounce per tonne over nearly 20 metres down hole. As a project goes into production the level of information and drill density goes to another level and we should not be surprised if Cannon continues to deliver very good results. I expect the geological, structural and economic story will unfold over the coming year and it should be an exciting one.*"

ASX Code: SAU
Issued Shares: 36.53M

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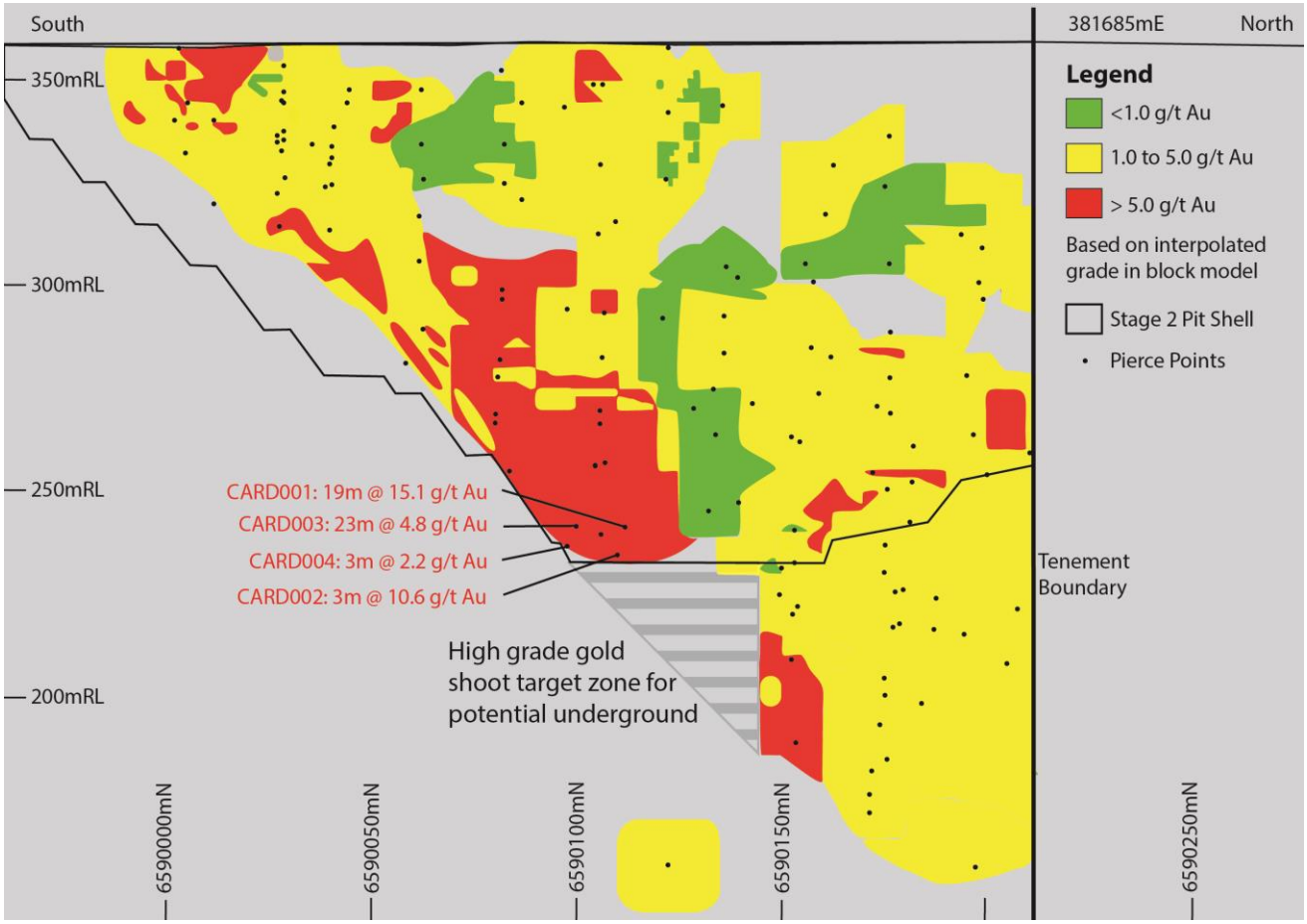
Stage 2 Diamond Drill holes for Confirmatory Purposes

The southern portion of Cannon Stage 2 pit is designed to capture the high grades intersected in three holes drilled previously by Southern Gold, the results of which are reflected in the block model slice shown in **Figure 1**, including a high grade zone at the base of the open pit (see red section >5g/t block model below).

Figure 1: Long Section View of Cannon Mine



Four reverse circulation, diamond cored tailed holes (CARD001 – CARD004, 507.7m total drill hole length drilled from within the Cannon pit) have been drilled by MLX to validate and infill the high grade shoots at the base of the pit with an objective to complete the drilling before access is lost by the pit void. In particular the holes were designed to confirm the high grades and extensive widths such as in Southern Gold holes BSRC125 (original intercept 20m @ 11g/t Au) and BSRC128 (original intercept 16m @ 5.8g/t Au). These drill intercepts were essentially twinned by drill holes CARD001 and CARD003 respectively.

The results summarised in **Table 1** broadly confirm the grade and width of the original drill holes and provide additional confidence in the current block model and pit design. The surveyed path of these holes in relation to resource wire frames are shown in **Figures 2 and 3** (next page) with survey data relating to the positions of drill collars provided in Appendix 1.

The results of these drill holes are likely to result in some modification to defined mineralised domains but the overall geometry of the orebody and the pit design is not anticipated to alter materially. More importantly, the results of CARD001 and CARD003 will help our interpretation of the extensions to the currently known orebody and **assist in future targeting of the high grade ore shoot with the potential for future underground mining**.

Figure 2: Section View of Cannon Mine on 6590108mN

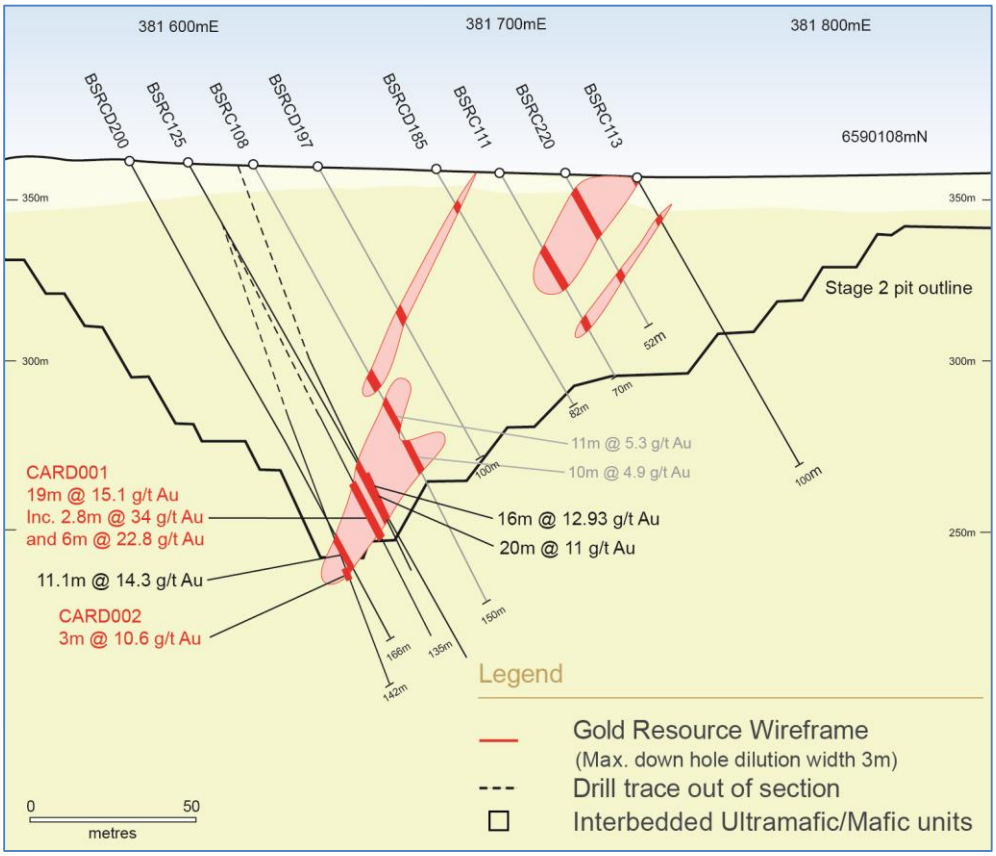
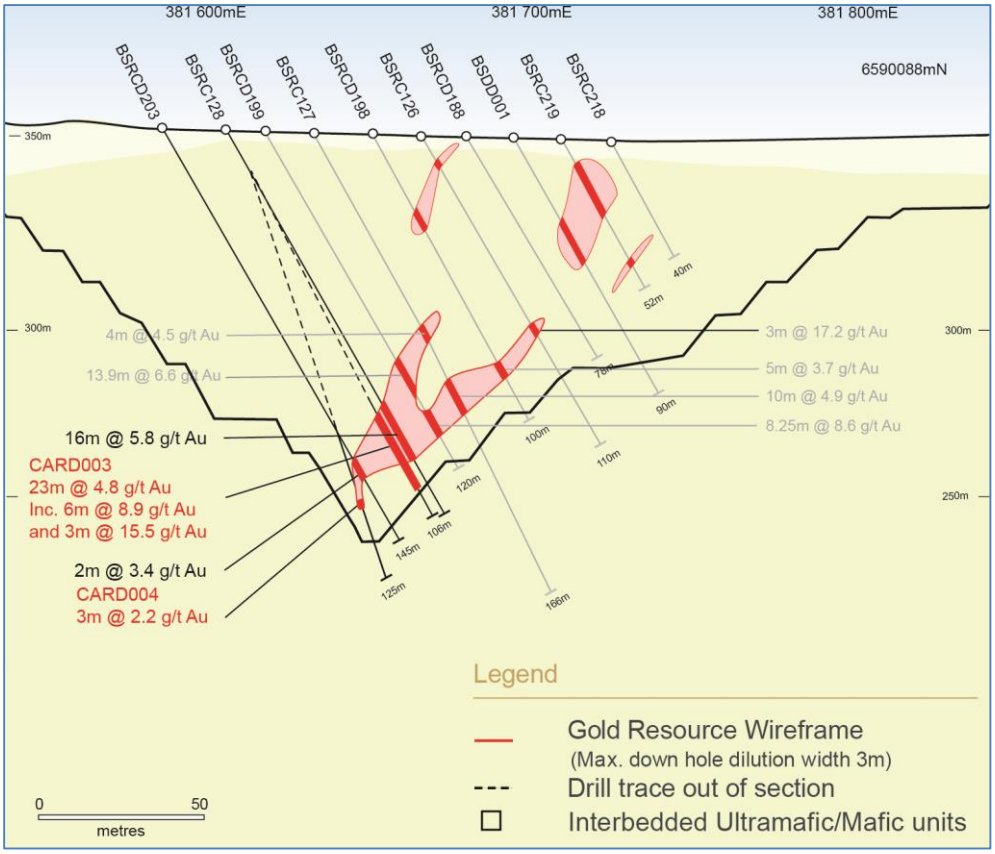


Figure 3: Section View of Cannon Mine on 6590108mN



With the results in CARD001 (19m @ 15.1g/t) being the best encountered at Cannon so far, Southern Gold is encouraged that the deposit appears to be improving with depth, albeit with structural complexities that are still being defined. This deep confirmatory drilling will form part of the assessment of potential underground development on completion of the open pit.

Both Metals X and Southern Gold believe the results to date reflect the metrics for an underground mine.

Geotechnical drilling and potential new gold mineralised zone?

With the development of a larger open pit encompassing Georges Reward to the north and the deeper parts of Cannon, further geotechnical drilling has been completed to provide greater confidence in the pit design parameters. Two diamond holes (CAGT002 and CAGT003, **Figure 4** next page) for 330m have been completed, geotechnically logged and any mineralisation intersected was sampled and assayed.

One of these drill holes, CAGT002, encountered mineralisation from shallow depth outside the current resource model as follows:

Table 2: Summary Result from Geotechnical Drilling

Hole No	Hole Type	Interval*	Grade	From*
CAGT002	DDH	14.0m	2.56g/t Au	62.06m

**Downhole intervals and depths, no more than 3m downhole internal dilution*

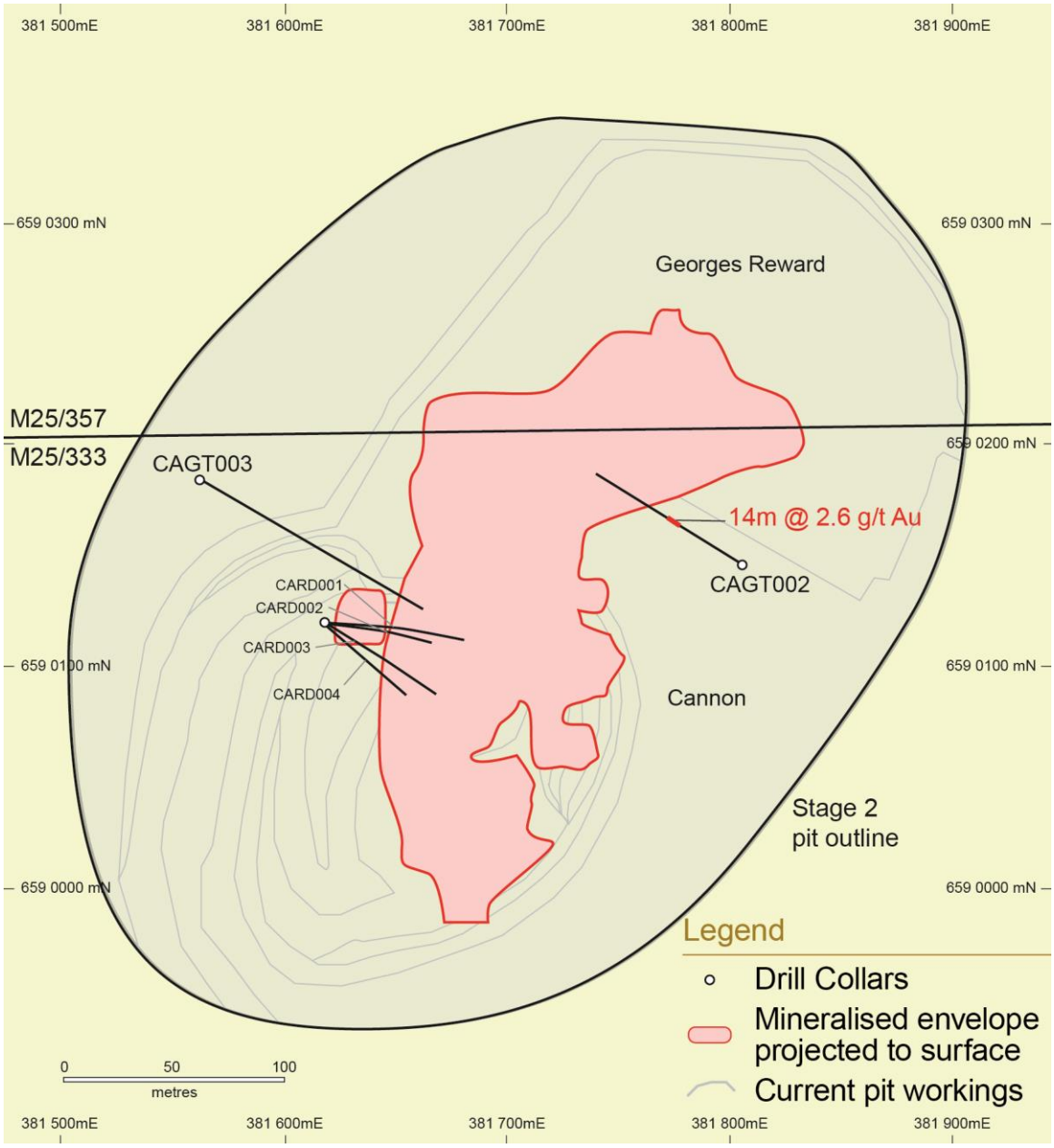
The implications of this intersection will be investigated with follow up drilling however Southern Gold is encouraged by the fact that Cannon continues to reveal additional mineralisation through the course of mining operations and the higher density drill coverage that comes with it.

Targeting the High Grade Gold Shoot – Exploring the Underground Mine Scenario

As discussed in the recent quarterly report, Southern Gold is currently planning the first stage of a deeper diamond drilling programme to target the high grade gold shoot below the limits of the open pit. The aim of this programme will be to define the high grade extensions of the known mineralisation and test gaps in our current drill pattern. (See the grey hashed area in **Figure 1** above for the target zone of the initial programme of drilling.)

Should the results of this first stage deeper drill programme be positive, Southern Gold will be looking to explore options to define and execute an underground mining scenario with the objective of ensuring sustainable cash flow into the medium term.

Figure 4: Plan View of Cannon Mine with geotechnical drilling and new intersection highlighted



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 having 846kt @ 3.6g/t Au or 97koz gold defined in accordance with the JORC code, 94% of which is in the Measured and Indicated categories.

Mining at Cannon has commenced with Metals X Ltd financing and developing the deposit under a 50/50 profit share arrangement. Metals X 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).

By monetising the Cannon Gold resource, the company will look to accelerate project development opportunities within its broader tenement holdings to ensure continuity of cash flow into the medium term.

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.

Appendix 1

Details for confirmatory drill holes CARD001 – CARD004 are provided in the following table. Drill hole collars were picked up using a Trimble R8 RTK GPS. Coordinates reference GDA94, Zone 51.

Hole No	Hole Type	MGA East	MGA North	MGA RL	Depth (m)
CARD001	RC/DDH	381620	6590119	338.84	134.6
CARD002	RC/DDH	381618	6590119	338.78	142.2
CARD003	RC/DDH	381619	6590119	338.87	105.6
CARD004	RC/DDH	381618	6590120	338.81	125.3

Geotech drill holes CAGT001 – CAGT003 are provided in the following table. Drill hole collars were picked up using a Trimble R8 RTK GPS. Coordinates reference GDA94, Zone 51.

Hole No	Hole Type	MGA East	MGA North	MGA RL	Depth (m)
CAGT002	DDH	381807	6590145	352.58	150.0
CAGT003	DDH	381562	6590184	361.41	180.0

Appendix 2

JORC Code, 2012 Edition – Table 1 report

Section 1 Sampling Techniques and Data – Cannon Diamond Drilling for Confirmatory Purposes

Note – The information detailed in this Section [Sampling Techniques and Data] relating to confirmatory drilling has been provided by Metals X. The Competent Person (Mr. Ian Blucher) has made appropriate enquiries and on-site observations during drilling and is satisfied that the information provided is of the appropriate standard.

The relevant sections of the Cannon 2013 JORC documentation (ASX announcement December 31, 2013) should also be read in conjunction with the following information to provide context for the drilling undertaken previously by Southern Gold.

Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.* •	Exploration and Resource Definition Drilling • The mineralisation of the Cannon deposit was sampled using face sampling reverse circulation (RC) percussion and diamond core drilling techniques. • RC drill holes and RC pre-collars were sampled at 1m intervals followed by riffle splitting and collection into plastic bags for non-pre-collared holes or as four meter, spear sampled, composite samples for RC precollars. Individual 1m samples from RC composites returning anomalous gold values were subsequently re-split by riffle splitter and assayed. • Individual RC drilling samples riffle split from the drill rig were collected into pre-numbered calico bags. • Diamond core was sampled as half core at intervals not less than 0.1m and no greater than 1.3m lithological boundaries. Sampling intervals were controlled by geological boundaries. Confirmatory Drilling • Confirmatory drilling was sampled using face sampling RC percussion techniques.

		• RC drill holes were sampled at 1m intervals followed from the cyclone into pre-numbered calico bags to provide a sample of approximately 2kg. • Each sample was completely pulverised to produce a 40g charge for fire assay.

Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	Exploration and Resource Definition Drilling • Sampling intervals during RC drilling were routinely checked by comparing the position of the drill rod against the sample bag being filled. • Cored hole depths were measured by Company geologists and reconciled with core markers prepared by the driller. • Drilled cored meters compared well to recovered meters. Overall recoveries are estimated at 98% for core drilling. • Drilling of core and RC holes were conducted with machinery and using drilling techniques appropriate to the terrain and with drillers experienced in the area. • Core and RC sample loss was kept to a minimum by good sampling practices. • Riffle splitting of RC samples and sampling of half core from diamond holes provided good representation of the intervals sampled. • No recovery issues were identified with the RC drilling. Loss of fines at the cyclone was minimal and is not considered to have had a significant effect on sample recovery. • No relationship has been noted between sample recovery and grade. Overall, sample recoveries were very high and did not present a problem.

		Confirmatory Drilling • Confirmatory drilling sample recovery attributes were the same as for exploration RC drilling. • No relationship has been noted between sample recovery and grade. Overall, sample recoveries were very high.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Exploration and Resource Definition Drilling • RC samples were riffle split at 1m intervals and rejects collected into green plastic bags. • Riffle split samples were taken dry. On rare occasions when a moist or wet sample was returned, a PVC spear or scoop was used to avoid contamination of the riffle splitter (three samples). This was noted in the sample register and subsequently entered into the Company's database. • Composite RC samples were taken from the plastic bags using a PVC spear. Re-splitting into 1m riffle split samples was subsequently undertaken and the new samples submitted for assay if initial composite analyses were considered anomalous. • All mineralised intervals of diamond drill core were sampled as half core with intervals ranging from 0.3m to 1.3m. A minimum of three meters either side of mineralised intervals was also sampled. Sampling intervals were controlled by geological boundaries. • Sample size presented for analysis was typically 1 to 3kg. • Preparation and analysis of RC and diamond core samples was undertaken by crushing and pulverising at Bureau Veritas Kalgoorlie laboratory, followed

		by analysis at Bureau Veritas facility in Kalgoorlie Perth. • Samples were pulverised to 85% passing 75 micron. Consultation between the Company and the lab concluded this particle size was suitable for the Cannon samples. • Field duplicates were collected every 30th sample from 2010 onwards and results obtained compared well with the original sample. • Sampling procedures utilised for the Cannon RC drilling were reviewed by external consultant RungePincockMinarco (RPM) and are considered to be of a high standard. Confirmatory Drilling • Confirmatory RC samples were sampled from a cone splitter attached to the drill rig at 1m intervals and rejects collected placed in sequential order on the ground adjacent to the drill rig. • Samples were taken dry. • Sample size presented for analysis was approximately 2kg. • Preparation and analysis of confirmatory samples was undertaken by crushing and pulverizing at Bureau Veritas Kalgoorlie laboratory, followed by analysis at Bureau Veritas facility in Kalgoorlie. • Samples were pulverised to 85% passing 75 micron. • Field duplicates were collected every 30th sample and results obtained compared well with the original sample.

Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	Exploration and Resource Definition Drilling • The analytical method used for samples used in the resource estimation was Bureau Veritas Genalysis method FA25/AA, consisting of a 40g charge fire assay with detection by atomic absorption at a detection limit of 0.01ppm Au (gold). Fire assay is considered the most appropriate analysis method for the deposit and is a total digest technique. No strong nugget effect was observed in repeated assays and screening of samples prior to fire assay was not considered necessary. • No assay data from geophysical tools were used in the 2013 Mineral Resource estimate. • The QAQC protocol used for drilling undertaken in 2009 consisted of certified standards inserted at a rate of approximately 1 in 100, a small number of blanks and laboratory repeats. • The QAQC protocol used for drilling undertaken in 2010 consisted of certified standards plus blanks inserted at a rate of 1 in 15. Duplicate sampling was also undertaken. Results were satisfactory and confirmed that the data was suitable for use in resource estimation by RPM. • The QAQC protocol used for drilling undertaken in 2012 drilling consisted of certified standards plus blanks inserted at a rate of approximately 1:20. • Field duplicates were collected every 30th sample from 2010 onwards and results compared well. • Results from QAQC monitoring of the accuracy and precision of the analytical methods employed which were at variance with accepted values were

		discussed with the analysing laboratory and resolved to the satisfaction of the Company. • A review of the analytical performance of the external standards and blanks by RPM indicated that the results were acceptable in the majority of samples and that the assay data was considered acceptable for resource estimation purposes. Confirmatory Drilling • The analytical method used for confirmatory samples was Bureau Veritas method FA40AAS, consisting of a 40g charge fire assay with detection by optical emission spectroscopy at a detection limit of 0.005ppm Au (gold). No strong nugget effect was observed in repeated assays and screening of samples prior to fire assay was not considered necessary. • No data from geophysical tools were used to determine confirmatory assay results. • The QAQC protocol used for confirmatory drilling consisted of certified standards plus blanks inserted at a rate of 1:10. • Field duplicates were collected every 30th sample and results compared well. • Results from QAQC monitoring of the accuracy and precision of the analytical methods employed which were at variance with accepted values were discussed with the analysing laboratory and resolved to the satisfaction of the Company. • A review of the analytical performance of the external standards and blanks by Southern Gold staff indicated that the results were acceptable in the majority of samples.

Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	Exploration and Resource Definition Drilling • Drill hole collar positions have been accurately surveyed by registered surveyors utilising DPGS survey equipment to an accuracy of +/- 0.01m. • 71% of holes were surveyed downhole by Gyro Inclinometer with the remaining 29% by electronic multishot tool. • The grid system used for locating the collar positions of drill holes is the Geocentric Datum of Australia (GDA94), Zone 51 (MGA Projection). Elevations are recorded in Australian Height Datum (AHD). • Topographic control in the immediate vicinity of the Cannon resource is provided by topographic mapping undertaken by Whelans of Kalgoorlie with an estimated RMS accuracy of 0.05m horizontal and 0.05m vertical. Confirmatory Drilling • The grid system and topographic control used are the same as used for exploration and resource drilling. The position of each drill collar was laid out under survey control. Following drilling, collar positions were surveyed using Real- Time Kinematic GPS equipment.