

Cannon Mine – Second Processing Campaign

- 3,504oz gold produced in January – 1 month ahead of schedule
- 92.9% recovery achieved – well ahead of budget

January 2016 Processing Campaign

Southern Gold Ltd ('Southern Gold', ASX Code "SAU") is pleased to report the results of the second processing campaign of ore treated from the Cannon Gold Mine during January 2016. The mine is being managed by development partner Metals X Ltd ('Metals X', ASX Code "MLX") with ore being treated at MLX's South Kalgoorlie Operations (SKO) Jubilee plant, approximately 35km to the south west.

The results of this processing campaign are summarised in **Table 1** below.

Table 1: January Cannon Processing Campaign (M25/333 Only)

Tonnes Milled (dry)	tonnes	43,790
Mill Head Grade	Au g/t	2.68
Recovery	%	92.85%
Gold Produced	oz. Au	3,504

At the end of the campaign 4,256 wet tonnes at 2.55g/t Au remained unprocessed and will constitute part of the next batch. Mining continues at Cannon with the Stage 2 cut-back and operations remaining ahead of schedule.

When the results of this campaign are added to the first processing campaign in November 2015, **total gold produced at Cannon now stands at 9,978 oz. gold**, or approximately 20% of the gold estimated to be recovered under the Metals X base case. The cumulative results to date are in **Table 2** below.

Table 2: Cannon Processing Summary to Date (M25/333 Only)

		Nov '15	Jan '16	Total
Tonnes Milled (dry)	tonnes	86,333	43,790	130,123
Mill Head Grade	Au g/t	2.57	2.68	2.61
Recovery	%	90.92%	92.85%	91.60%
Gold Produced	oz. Au	6,474	3,504	9,978

Southern Gold is particularly pleased with the **excellent recovery achieved in this second campaign of 92.9%**, reflecting adjustments made at the Jubilee mill based on experience derived from the first processing campaign.

Note: economic guidance in previous ASX releases indicated a Life of Mine estimated recovery of approximately 86.3% under the Metals X base case, and approximately 89% - 90% under Southern Gold estimates.



Shares

ASX Code: SAU
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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 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.