ASX Release
8 July 2016

High grade South Korean gold projects acquired under strategic overseas expansion

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Placement Shares: 3.43M
Shares Post Acquisition: 46.25M

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Transaction Highlights:

- Southern Gold acquires 100% interest in multiple high grade gold projects across southern Korea
- Represents strategic international acquisition under expansion strategy providing opportunity for additional gold production and new discovery
- Operating Cannon gold mine in Western Australia remains core business
- High calibre in-country technical team including internationally renowned consultant Mr. Douglas Kirwin and Exploration Manager Dr. Chris Bowden
- Additional A$1.2 million cornerstone placement to three Asiatic shareholders at $0.35/share, a 18% premium to the 20 day VWAP, subject to shareholder approval

Assets acquired:

- Korean assets cover 44 granted tenements across 17 project areas
- All host historic gold (+/- silver) mining operations with formal underground mine or artisanal workings, many over large surface areas
- High potential for extensions to orogenic quartz veins in historic gold mines with potential for production in the medium term
- Highly prospective greenfield epithermal gold targets offering potential new discovery upside

Immediate Government-backed drill start:

- At least four of six highest priority targets to be drilled within 18 months
- First drilling commences in just two weeks with drill funding support from Government-backed Korean Resources Corporation (KORES)

Terms of acquisition:

- Acquired from unlisted public company Asiatic Gold Ltd for 6.29m SAU shares, A$116,000 cash and assumption of approximately A$70,000 debt
- Shares to be distributed 'in-specie' to 77 Asiatic Gold shareholders
- Values acquisition at approximately A$2 million

Managing Director's Comment: *"Southern Gold has a very solid cash flow story with our Kalgoorlie region exploration position and current gold mining at Cannon and that will remain our focus. Today's acquisition announcement, part of our strategic expansion strategy, provides investors with exciting exposure to a new and truly world class gold exploration opportunity. These assets are located in areas of exceptional geological prospectivity, backed by a first class exploration team and multiple, very promising drill targets. The acquisition provides Southern Gold with the potential for additional high grade gold production sources in the medium term as well as the possibility of new greenfield discoveries in a jurisdiction that has seen very limited modern exploration. I also believe this to be the most significant package of fully granted tenure held by a foreign company in South Korea, a jurisdiction where tenure is difficult to acquire and therefore a very valuable and strategic asset."*

Introduction

Southern Gold Limited ("Southern Gold") has executed binding legal documentation with unlisted public company, Asiatic Gold Ltd ("Asiatic") to acquire its wholly-owned Singaporean registered company, International Gold Private Ltd ("IGPL"), itself 100%-owner of Korean company, Hee Song Metals Co. Ltd ("HSML"). The consideration includes 6,294,942 Southern Gold ordinary shares and A$116,000 cash. Further, Southern Gold has agreed to assume certain liabilities in HSML to the value of $70,000. The Southern Gold consideration shares will be distributed to 77 Asiatic shareholders on a 38 Asiatic shares to 1 Southern Gold share basis (subject to Asiatic shareholder approval).

HSML holds significant mineral tenure in South Korea, consisting of 44 granted tenements across 17 project areas (**Figure 1, Figure 2, Appendix 2**) totaling some 119km^2.

The Key Projects

While the portfolio of 17 projects is an exciting and very substantial ground position in South Korea (**Figure 2**), there are 6 projects that stand out with excellent near term potential. These include the following (**Figure 1**):

- **Weolyu**: historically a silver-gold-germanium mine, recent exploration has discovered classic high level low sulphidation epithermal veining in a district yet to see a single drill hole and with rock float sampling at surface generating up to 17.6g/t Au and 820g/t Ag. Priority drill target.
- **Gubong**: historically a significant orogenic gold mining district and Korea's second largest producer, this project has the potential to open up underground workings and fast track development. Potential for large gold system and significant exploration target range (see below).
- **Hampyeong**: up to 21g/t Au in rock chip samples in classic epithermal quartz veins. New 'A-Cha' vein discovery points to the potential for an epithermal gold system at depth. Priority drill target.
- **Kochang**: historically extremely high grade gold and silver in narrow veins were mined with old mine workings still in place. Potential to open up old mine to fast track development. KORES supported drilling (where KORES provides 70% of the direct drilling cost) to commence in the next few weeks.
- **Heungdeok**: extensive area of artisanal mining across several parallel quartz veins in a district that has seen no drilling. Also potential for large tonnage Intrusion Related Gold mineralization.
- **Taechang**: Historically mined very high grade gold deposit with old mine workings still in place and potentially accessible to fast track underground exploration and development.

The potential significance of the **Weolyu** system is highlighted by the recent location of a number of previously unrecorded adits 250m to the south of the main mine which apparently contain at least one stope. These adits are proximal to float and sub-crop of classic high-level, low-sulphidation epithermal

veining hosted by Cretaceous volcanic (extrusive and sub-volcanic intrusive) rocks that show significant propylitic - sericitic and acid sulfate alteration. Combined, these features suggest that the Weolyu system is much larger than previously thought and as such is considered to be a high priority re-development and exploration target.

The **Gubong** area in particular is a significant acquisition in its own right containing the historically 2nd largest gold mine in Korea with more than 400koz Au production. The tailings from this production have not been reprocessed and remain onsite in a rehabilitated Tailings Storage Facility (**Photo 6** and **Figure 8** in **Appendix 2**), offering a potential early cashflow opportunity if appropriate permitting can be obtained.

Southern Gold intends to deploy specialist geological expertise onto both Weolyu and Gubong projects to fast track their assessment.

More technical detail around these projects is in the **Project Highlights** section on page 8 and **Appendix 1**.

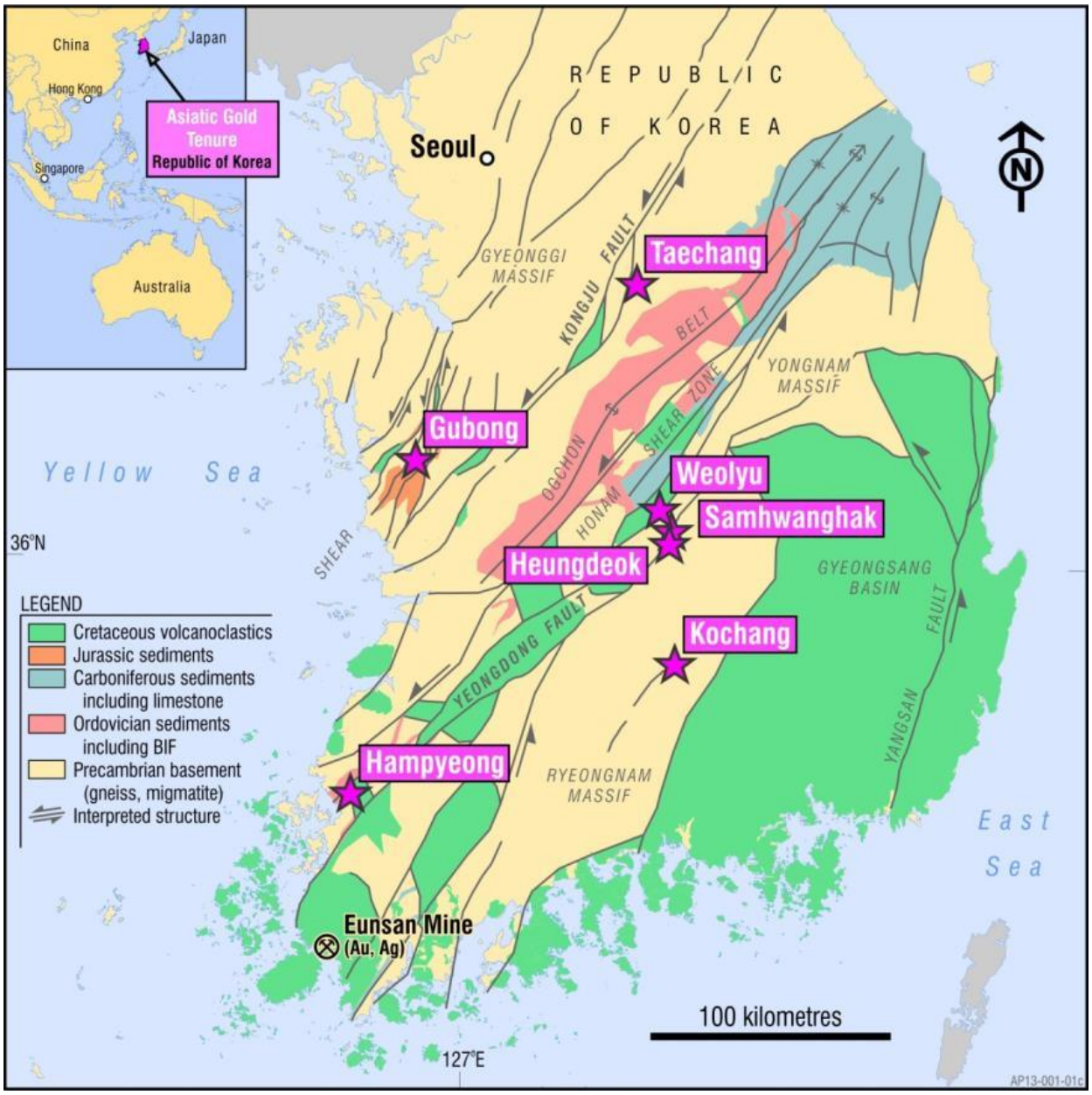


Figure 1: Major Projects in South Korea (map courtesy of Asiatic Gold Ltd)

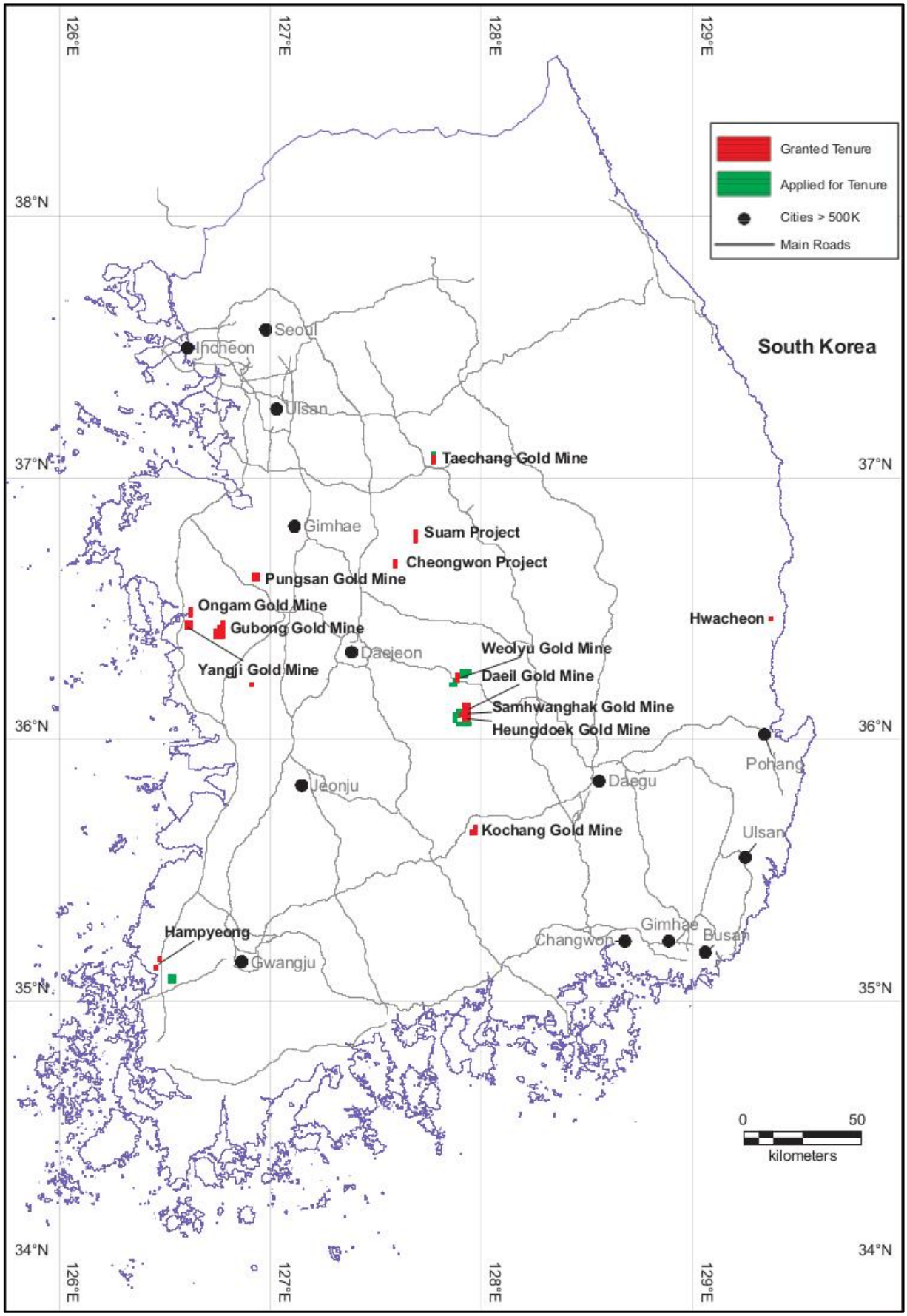


Figure 2: HSML Tenure in South Korea

The Potential

The portfolio of gold projects acquired in South Korea has resource estimates published by Korean Government sources or semi-government entities such as Korean Resources Corporation (KORES). These resource estimates have not been estimated in accordance with the JORC Code 2012 and are considered 'Foreign Estimates' under those guidelines. Nevertheless, Southern Gold has completed extensive research into the nature of these estimates and the veracity of the information provided. This is outlined in detail in **Appendix 4** to this release.

Table 1 below is a summary of the historic estimates on five of the priority targets and readers are directed to a more detailed version of this table in Appendix 3, including a complete list of source documentation.

Table 1: List of Foreign Estimates for HSML Portfolio Projects (References in **Appendix 2**)

Mine Name	Vein Width Range (m) [2]	Au Avg. Grade (g/t)	Ag Ave. Grade (g/t) [2]	Korean Tonnage Classification[1]			Total Tonnes	Ref. No.
				Secured Reserve (Tonnes)	Estimated Reserve (Tonnes)	Presumption (Tonnes)		
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
Total Gubong Area				**103,148**	**313,550**	**2,490,993**	**2,907,691**	
Sobo	0.1 – 1.0	17.2	44	20,790	25,600	-	46,390	3,5
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
Total Taechang Area				**21,250**	**27,049**	**1,352,175**	**1,400,474**	
Heungdeok	0.5 – 1.0	25		66,434	237,807	-	304,241	3,4
Weolyu	0.3 – 0.1	10.99	200-1,000	1,140	23,650	297,179	321,969	2,3
SH[3] #1		15		-	-	163,000	163,000	8
SH[3] #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
Kochang		12	3 - 217	-	104,700	77,490	182,190	3
Total Yeongdong Area				**137,492**	**459,446**	**549,639**	**1,146,577**	

(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

The Directors of Southern Gold emphasise that these figures are not quoted in accordance with the JORC code and do not represent Resources, Inferred or otherwise (terms such as "Secured Reserve" and "Estimated Reserve" are not recognized under the JORC Code). Nevertheless, these estimates are more in line with Exploration Target Range figures that are used under the Code. In this respect, the portfolio of projects gives an indicative exploration target range of 1Mt to 4.5Mt at between 6g/t Au and 12g/t Au (or approximately 500,000oz Au to 1,500,000oz Au) 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 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**. This information is available from these agencies on request. In addition to the documentation relating to the tonnage estimates provided for the underground mineralisation, the estimates on grade ranges is supported by the drilling undertaken by KORES at Gubong and Weolyu (**Appendix 3**), which correlate well with the historical grades used in the Foreign Estimate for these prospects. In addition to this information, recent exploration results generated by Asiatic (**Plates 1 to 4**) provides additional support for the range of grades potentially present at these targets.

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.

An important factor to consider in the interpretation of the above, is the fact that all of these projects either have formal underground mine workings and/or artisanal workings, sometimes over substantial surface areas and are best described as 'brownfield' in nature given near mine drilling will be taking place.

Photo 1: Adit at the Kochang Project
Example of 'Brownfield' Project

Photo 2: 8m wide "A-Cha" Vein – Hampyeong Project
Example of 'Greenfield' Project

Photo 3: Example of Asiatic drilling activity in rice fields.

Photo 4: Example of good local engagement - Drill core laid out at local village town centre.

The Team

The IGPL acquisition is unique for the quality of its technical and management team that is in place for a company of its size. The following is a brief description of the key people:

Exploration Manager – South Korea
Dr Chris Bowden, PhD, GCMEE, FAusIMM(CP), FSEG: more than 20 years' experience with an excellent discovery record and a PhD completed on the epithermal gold mineralisation in South Korea. Chris has previous experience in South Korea having worked for Ivanhoe Mines on the Eunsan/Moisan discoveries. Chris was also responsible for the discovery and delineation of Dish Mountain in Ethiopa (2Moz JORC compliant deposit) and is experienced in the delineation of JORC/NI43 -101 compliant resources.

Country Manager – South Korea
Joseph Lee: Korean born Australian finance and business development professional with over 12 years' experience, including capital raisings, IPO's, M&A, and investor relations. Joseph has also had extensive experience in South Korea as a corporate advisor, including for Korean Coal Corporation and a KOSDAQ listed mining company. Educated in Australia, Joseph is bilingual and now based in South Korea.

Senior Consulting Geologist and Advisor – South Korea
Douglas Kirwin: a world renowned geologist with more than 45 years international exploration experience and with an excellent discovery record including the Hugo Drummett deposit at Oyu Tolgoi in Mongolia, Jelai Mewet and Seryung epithermal deposits in Kalimantan, the Eunsan-Moisan gold mines in South Korea, the Moditaung gold deposit in Myanmar and the Merlin Re-Mo deposit in Australia. Doug has held senior positions with Anglo American, Amax, Indochina Goldfields and Ivanhoe Mines Ltd until it was acquired by Rio Tinto in 2012. Doug's experience is backed-up by an extensive database particularly relating to the geology of the western Pacific Rim.

In addition, **Southern Gold's Managing Director, Simon Mitchell**, spent 2 years as Managing Director of Asiatic Gold during 2013-2014, is very familiar with the assets and has a well established business network in South Korea. Prior to the Asiatic role, Simon also spent considerable time in country while he was General Manager Business Development for Toro Energy Ltd due to South Korea's substantial nuclear industry.

The Commercial Terms

After completing substantial technical, legal, tax and accounting due diligence, Southern Gold has executed a binding Share Purchase Agreement with Asiatic Gold Ltd. This agreement provides a framework for sale of Asiatic subsidiary IGPL in exchange for:

- 6,294,942 Consideration Shares in Southern Gold, to be issued within the company's placement capacity under Listing Rule 7.1 and 7.1A;
- $116,000 cash and the assumption of approximately $70,000 liabilities in Korean company HSML.

On the basis of Southern Gold's 20 day VWAP of $0.297/share on 6 July, the offer for IGPL is valued at approximately $2 million. The Consideration Shares will constitute 13.6% of the company post transaction (**Table 2**) with an average holding of approximately 81,000 shares/ shareholder.

Table 2: Relative Ownership Position Post Transaction

Southern Gold - Current Shares on Issue	36,671,233	79.0%
Consideration Shares	6,294,942	13.6%
$1.2m Placement @ $0.35	3,428,571	7.4%
Total Post Deal	**46,394,746**	**100%**

A condition of the sale is the requirement to complete an 'in specie' distribution of the Consideration Shares to Asiatic shareholders over the next few months. The 6,294,942 Southern Gold shares will be distributed to 77 Asiatic shareholders on a 38 Asiatic shares to 1 Southern Gold share basis (subject to Asiatic shareholder approval). Asiatic shareholders are considered to be 'sophisticated' investors, high net worth individuals or boutique institutions. Until the distribution is complete or 12 months, whichever is the shorter, the Consideration Shares will remain in escrow and are non-voting.

Furthermore, several of Asiatic's major shareholders (offshore based sophisticated investors) have agreed to subscribe for $1.2 million of Southern Gold shares at $0.35/share, an 18% premium to 20 day VWAP of $0.297 on 6 July. The issuance of these shares will be subject to Southern Gold shareholder approval, to be sought at an Extraordinary General Meeting (EGM) to be held in August. This cornerstone funding helps Southern Gold preserve cash flow from the Cannon gold mine for Australian based project development activities and to provide flexibility on potential dividends (or capital return) to be considered at the appropriate time.

In addition, Southern Gold's Managing Director holds a small parcel of shares in Asiatic, and should Asiatic shareholders approve the in-specie distribution, he will receive 93,421 Southern Gold shares in two entities as a consequence of this transaction. Approval from shareholders will be sought under the ASX Listing Rules, if required, to enable the distribution to the Managing Director to proceed.

Further information on the EGM will be distributed to shareholders shortly.

As some of the consideration shares are being issued under Listing Rule 7.1A the following additional disclosures are made:

- After the acquisition but before the $1.2m placement is completed, Asiatic shareholders will hold 14.7% of the issued capital in Southern Gold. As a consequence, the original Southern Gold shareholders are diluted by approximately that amount.
- The acquisition is non brokered and the only fees associated with the issue are $10,000 to complete an independent valuation with respect to confirming the issue is a minimum of 80% of the 15 day VWAP required under Listing Rule 7.1A.

Managing Director's Comments – The Strategic Rationale

Southern Gold Managing Director, Mr. Simon Mitchell:

"*While this is a significant strategic move for Southern Gold it is important for current shareholders and potential new investors to bear in mind that the South Korean assets constitute 13.6% of the enlarged company and by extension the focus and core of the business remains our Kalgoorlie Cannon Gold Mine and regional projects. We see the Cannon Project and satellite gold projects such as Glandore as continuing to be the engine room of the company and likely to be the source of continued cash flow in the near term.*

"However, the Korean gold opportunity will provide us with two critical elements in the short to medium term: the potential for new discovery in a first class gold exploration district and the potential for a new source of cash flow from the re-invigoration of old closed mines with excellent brownfields potential.

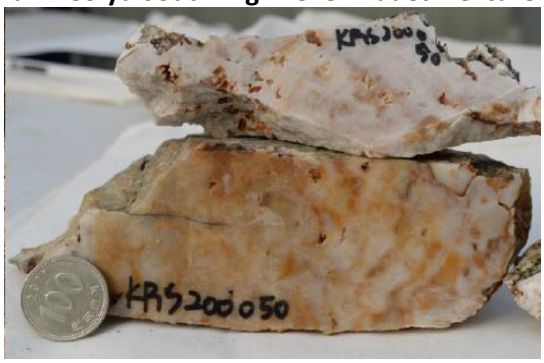
"Korea isn't just an excellent exploration opportunity; it is an excellent jurisdiction to get something into production quickly and at modest cost. Korea manufactures just about anything of an industrial nature that you care to name and its cost profile and fiscal regime is extremely competitive. And all of this comes with regulatory risk that is on a par with Australia but with mineral districts that haven't seen significant modern exploration. In many cases there is a complete lack of drilling, perhaps being akin to Australia back in the 1960 or 70's.

"The acquisition is a compelling one for our shareholders. We take ownership of a great asset without much dilution and with the $1.2 million cornerstone placement we are able to fund the near term activities of the acquisition at a premium to our recent share price. We are also ready to 'hit the ground running' with a first class technical and management team in place and drilling to commence on the first target within weeks."

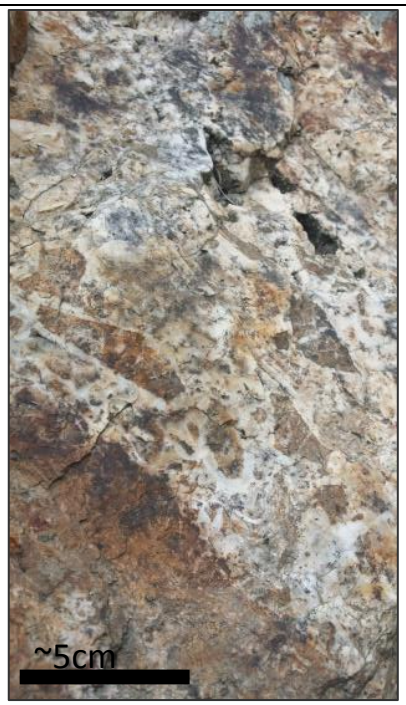
Project Highlights

The following are some extracts from the more exciting projects in the portfolio. These four projects are targeted for drilling within the next 18 months. In several cases, the projects will be advanced significantly with underground mine access. Discussions have commenced with a mining group that is experienced in narrow vein underground mining and can assist in opening up the old mines.

Weolyu is an exciting project with several parts to it. Weolyu North is where exploration started looking for extensions to the silver-germanium mine closed in the 1990's. Subsequent to this, Asiatic has discovered classic high level low sulphidation epithermal veining distal to the previous mining. This points to a major district wide system, potentially even a porphyry association.

<table>
<tr><th colspan="2">Plate 1: Weolyu</th></tr>
<tr><td>a. Weolyu South High Level Bladed Texture
  </td><td>b. Classic epithermal banded quartz texture
  </td></tr>
<tr><td>0.47g/t Au & 3.5g/t Ag (on surface)</td><td>17.6g/t Au & 820 g/t Ag (from mullock)</td></tr>
<tr><td>c. Multiphase banded epithermal texture
  </td><td>d. Fluid flow breccia
  </td></tr>
<tr><td>8g/t Au & 280g/t Ag (from adit)</td><td>9.6g/t Au & 260g/t Ag (from adit)</td></tr>
</table>

Hampyeong is a project in the southwest of the country that is a new discovery by Asiatic of a large low sulphidation epithermal system. The interpretation at this stage is that erratic, low level gold grades are being returned because the system is highly silica altered and represents the upper levels of the epithermal system. Deeper drilling in the right locations should uncover economic gold grades although much more on the ground work needs to be done here before drilling.

Plate 2: Hampyeong	
	
a. Example Texture At Outcrop (scale approx.)	**b. 1.6g/t Au & 1.0g/t Ag (from channel)**

Kochang also represents a very simple and exciting opportunity to drill adjacent to historic mines using Australian exploration techniques to delineate high grade gold resources. Large areas have not seen any drilling although KORES supported drilling will commence at this project within two weeks.

Plate 3: Kochang	
	
a. 13.9g/t Au & 52g/t Ag (from mullock)	**b. 8.5g/t Au & 31.1 g/t Ag (from mullock)**

Gubong represents a different exploration scenario, with an exploration target range (see Appendix 3 for details) already established for Vein 6 extension through work undertaken by Asiatic, as follows:

- Lower Range Exploration Target - 1.21 million tonnes at 6 g/t gold (230,000oz Au);
- Upper Range Exploration Target - 2.28 million tonnes at 8 g/t gold (580,000oz 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.

This project has the potential to be advanced relatively quickly with the right backing on underground mine execution to allow access to historically worked drives and crosscuts. The district has also not seen systematic modern exploration and several quartz veins remain to be defined: e.g. the Guryeong and Bongam veins.

Plate 4: Gubong (reconnaissance rock chips)

a. 6g/t Au & 8.7g/t Ag (from Guryeong vein)

b. 25.4g/t & 8.4g/t Ag (from Bongam vein)

South Korean Geology – Incredible Prospectivity

Korea is part of a tectonic continuum with China, Japan and Russia, all of which host world class mineral deposits. It is the view of Southern Gold Directors that North and North East Asia are currently underrepresented in terms of world class discoveries (when compared to the western Pacific Rim for example) and that South Korea has all the right geological building blocks for the formation of significant metal deposits.

The geology is dominated by Cretaceous-Jurassic rocks bounded by significant belts of older Precambrian basement (**Figure 3**). During the Cretaceous a trans-tensional structural setting resulted in sinistral faulting forming volcaniclastic basins. Peninsula wide major fault transects such as the Yeongdong fault system are a major structural target, in particular secondary and tertiary subsidiary faults bounding the Cretaceous basins. These features provide the most favorable structural setting for mineral deposition.

Most targets in the portfolio have previous mine production or at least artisanal scale gold-silver workings. These projects are generally in the Precambrian basement rocks and are structurally controlled. Two important features of these types of orogenic gold deposits are their relatively high grade and the tendency to be mineralised to great depth. The scale of these deposits can result in significant gold camps on a regional scale as well.

Several of the targets in the portfolio are in the Cretaceous basins themselves (or on their margins) and these targets tend to display epithermal associations. Two projects, Weolyu and Hampyeong, represent first class

epithermal gold targets, with both localities displaying classic epithermal quartz textures and grades indicative of deeper mineralization.

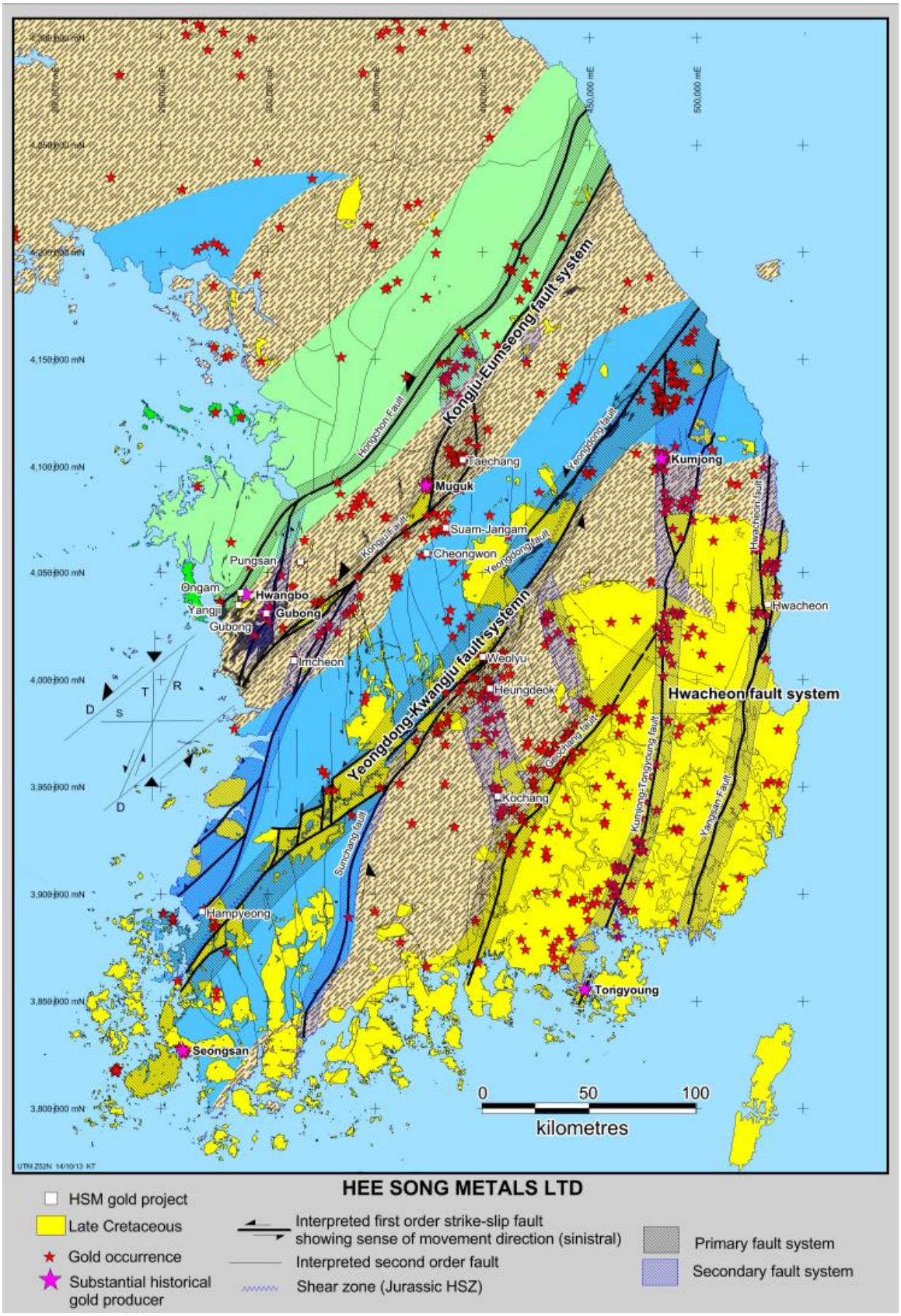


Figure 3: Geological Setting of South Korea (Map courtesy of Asiatic Gold)

South Korea as a Jurisdiction

The Republic of Korea is a unique jurisdiction. Situated in north Asia with land area of 96,920km^2, it is larger than Tasmania but smaller than Victoria. It has a population of around 50 million people and is a fully industrialised society with advanced manufacturing, legal and regulatory systems and very advanced and ubiquitous energy, road, rail, water and internet infrastructure.

South Korea has a deep history in gold mining with accounts going back to the 9th Century, although the majority of the gold mining in terms of production appears to have been prior to and during the second World War.

Some of the key features of South Korea as a jurisdiction are as follows:

- There is a Free Trade Agreement between Australia and South Korea;
- There are no government (local or national) mining royalties;
- There is no requirement for a government free carry;
- The corporate tax rate is approximately 24.2%;
- There is the potential for government financial subsidies for exploration and mine capital expenditure; and
- It has a low cost base compared to Australia with salaries perhaps 50% Australian equivalents, electricity up to 8c/kwh peak and earthmoving contract rates up to 30% below Australia equivalents.

An example of the sort of support available in country is KORES funded drilling. KORES is supporting drilling at one of the projects (Kochang) with a drilling grant for up to 70% of direct drilling costs, anticipated to commence in mid-July. The grant aims to support the local mining sector and to stimulate exploration activity (a similar concept applies to grants/ support programs in South Australia and Western Australia). The grant is awarded on the basis of:

(1) geological merit of the target; and

(2) HSML's operational capabilities in executing the drilling, environmental compliance, local community engagement and government approvals, all of which HSML has demonstrable experience in.

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 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 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.

The information in this report that relates to Exploration Targets 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.

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.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
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 (e.g. '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 (e.g. submarine nodules) may warrant disclosure of detailed information.*	• Core drill holes were sampled, predominantly from HQ3 half core, otherwise from NQ3 half core. • Sample intervals were chosen selectively to reflect geological boundaries and representative material. Not all core was sampled. • Half-core samples were double bagged (plastic inner with ticket book tag, calico outer), bags both labeled with sample number, and recorded in a hard-copy sample register and digital database. • Coarse/field duplicate samples were taken one in every 16 regular samples (as quarter core of the same interval) as a measure of sample representivity. • All on-site sampling was done under the supervision of the Competent Person. • All samples (drill core and rock chips) were sent to MAS laboratories in Thailand for further preparation and assay. MAS is an ISO/IEC 17025:2005 certified laboratory.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	• Drill holes were drilled from surface using triple tube diamond core drilling, at HQ3 and NQ3 diameters. • Drill core was oriented by spear method downhole between every drill run (3m), and checked for consistency between orientation marks. • Two drilling companies (DSI Drilling and IOGeo) have been utilized. • DSI Drilling surveyed drill holes by digital gyroscopic downhole survey tool (Shangyi JTL-40FW) in the rod string every 30m. • IOGeo surveyed drill holes by Borehole Image Processing System (BIPS) as post drilling downhole continuous reading survey and optical image.

Criteria	JORC Code explanation	Commentary
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.*	• Drill core recovery was calculated per run by measuring core length recovered against drilling depth as reported on core blocks. Measured core recovery was very high. Drilling depths were cross-checked by visual validation of drill rods downhole. • Core drilling was done triple tube to maximize sample recovery. • No relationship or bias appears to exist between sample recovery and grade. • No recovery issues were identified with the drilling or sampling procedures.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	• All logging of drillholes was qualitative in nature, covering 100% of the drilling, and done on-site proximal to and during the drilling operations. • Interpretive hard-copy cross sections as well as quantitative summary geological logs were done, to a level suitable to inform the selective sampling. • RQD logs and core photography were completed on site including mark-up of core boxes, prior to transportation to the long-term core storage facility. Post transportation visual inspection of core shows minimal disruption occurred. • Logs were recorded in hardcopy and later transposed into Company digital excel templates, and then imported into the Company's database.
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.*	• Drill core was sawn in half lengthwise using a Clipper core saw. Core cutting was supervised. • Individual samples of half core were taken at minimum or greater lengths to meet or exceed laboratory requirements for sample preparation weights, and are considered appropriate for the style of mineralisation being targeted and grain size of the material being sampled. • Coarse/field duplicate samples were taken one in every 16 regular samples (as quarter core of the same interval) as a measure of sample representivity.

Criteria	JORC Code explanation	Commentary
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 (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	• All samples were sent to MAS laboratories in Thailand for further preparation and assay. MAS is an ISO/IEC 17025:2005 certified laboratory. • Samples were dried and pulverized to 90% passing 150 mesh. • Gold was analysed by fire assay using a 50g charge with atomic absorption spectroscopy finish. Detection limit range is 0.01ppm to 100ppm Au. • A 23 multi-element suite was done via aqua regia leach and ICP-ES finish. • The nature of the laboratory preparation and assay sampling techniques are considered appropriate. • Rigorous QA/QC procedures were implemented, including one coarse duplicate, one laboratory pulp duplicate, one Certified Reference Material (CRM standard, randomised) and one blank for every 16 regular samples, making a batch of 20, sent as one dispatch for fire assay in the same run. • Preliminary analysis of the QA/QC results suggests suitable accuracy and precision is being obtained, with no contamination between samples. • No data from geophysical tools were used to determine analytical results.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Significant intersections were visually inspected and verified by the Competent Person (Dr Chris Bowden), as well as alternative company personnel. • Twinned holes have not been drilled. • Geological and RQD logs are initially recorded in hardcopy and later transposed into Company Microsoft Excel templates, and then imported into the Company's database under validation and verification rules. Failures are sent back to the responsible geologist for correction and re-submission. • Sample weights are recorded in a hardcopy sample register, and imported into the Company

Criteria	JORC Code explanation	Commentary
		database. • All original hardcopy logs and sample ticket-book stubs are kept for reference. • Assay data is imported into the Company database from original lab files via automated queries, thus minimizing error in tagging samples with results. • The Company database is a custom MSAccess database managed by a data administrator. The database is hosted on an off-site server, and is mirrored daily providing on- and off-site backups. • No adjustments are made to the assay data.
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.*	• Field location data is initially obtained by GPS or Trimble (via Discover Mobile). • Drill hole collar positions are subsequently surveyed by differential GPS (by contracting company IOGeo) to an accuracy of +/- 1cm. • Two drilling companies (DSI Drilling and IOGeo) have been utilized. • DSI Drilling surveyed drill holes by digital gyroscopic downhole survey tool (Shangyi JTL-40FW) in the rod string every 30m. • IOGeo surveyed drill holes by Borehole Image Processing System (BIPS) as post drilling downhole continuous reading survey and optical image. • The grid system used is Universal Transverse Mercator (WGS84), Zone 52 Northern Hemisphere.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Drilling done to date has been variably spaced, with the closest drillhole collars over 200m apart at surface. • No Mineral Resource has been estimated. • No sample compositing has been applied.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Core orientation data and correlation with surface geology suggests the drilling is at a high enough angle to lithological boundaries and structural trends to indicate that sampling is unbiased by the direction of drilling.

Criteria	JORC Code explanation	Commentary
Sample security	• *The measures taken to ensure sample security.*	• From the point of sample generation to courier pickup and delivery to the laboratory, samples are under the full security and custody of the Company. This is done by the following procedures: • Drill core produced at the rig is inspected regularly (multiple times daily) and collected by the Company at end of dayshift. Core is securely locked overnight on-site in a secure facility. Post on-site logging and processing, core is transported to the Company's long-term core storage facility under the direct supervision of a Company representative. Core is securely locked at the long term storage. Core is further processed for sampling by Company representatives under supervision of the Competent Person. Bagged samples are secured by tags and delivered by a Company representative to a courier service to deliver to the laboratory. The laboratory reports if any tampering is evident (none to date).
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No audits or reviews have been undertaken.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.*	• Refer to Appendix 2 and figures in the body of this release. • The portfolio of tenements are held by Hee Song Metals Co. Ltd. See Appendix 2 and body of release for details. • There are no material issues with third parties. • There are no known impediments to obtaining a license to operate.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Historical drilling (by KORES) has been done on a number of the projects, but not all, and has intersected significant Au, Ag mineralisation in a number of holes in a number of projects. See Appendix 3 for examples.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Exploration is targeting both epithermal precious metal (Au, Ag) and orogenic gold mineralisation in Cretaceous volcanic rocks of the Korean Peninsula.

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in meters) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		• A summary of exploration results showing the range of downhole intercept widths and associated grades is shown in Appendix 3 of this release.

Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• No data aggregation methods have been used. • No metal equivalent values have been reported.

Criteria	JORC Code explanation	Commentary
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	• All drillhole depths and sample intervals are reported as downhole measurements.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Appropriate tables and diagrams have been included.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• Not all drill assay data has been included in this report as it is not considered material.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• All relevant observations have been noted in the release.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Southern Gold is reviewing the data to determine the best way to advance the projects, and will notify such plans once confirmed. • Southern Gold intends to complete substantial surface mapping and sampling, underground mapping and sampling (where access can be made safe) and substantial drilling both from surface and in some cases underground.

Appendix 1 – South Korea: Geology, Structure and Gold Mineralisation

Regional Geology of South Korea

Metamorphism of the Palaeozoic Okcheon belt sediments and volcanics occurred during the late Palaeozoic-Triassic period Daebo Orogeny that commenced around 300 Ma to form the Okcheon Metamorphic Belt (OMB). The orogeny is interpreted by Oh (2005) to have been the result of distal compression resulting from northwest (orthogonal) subduction of the Farallon-Izanagi plate under the Asian continent. As such it is a compressional (vs. transpressional) tectonic setting that is considered to be an unfavourable structural setting for the formation of world-class mineral deposits.

Triassic-Jurassic granite intrusions were widespread across South Korea during the Daebo Orogeny (**Figure 4**), with the majority of granitoids being emplaced during the Jurassic between 165 Ma and 179 Ma. The Jurassic granites intruded all the tectonic units including the Palaeozoic OMB and occur in northeast trending belts that are broadly parallel to the tectonic units, suggesting a primary structural control.

Foliated (deformed) Triassic-Jurassic granites (are proposed by researchers such as Oh, 2005) to be the result of Middle Jurassic dextral strike–slip faulting along the Honam Shear Zone which largely formed along the boundary of the OMB and the Precambrian Yeongnam massif (**Figure 4**). Parts of the OMB belt were thermally metamorphosed by the Triassic- Jurassic granites to amphibolite-grade facies.

Gold Mineralisation

North-east Asian gold mineralisation in China, Korea and Japan is associated with sinistral faulting and associated granitoid intrusion during the Cretaceous (**Figure 5**). Gold mineralisation becomes progressively younger towards the south-east as a result of southeast migrating subduction zones (**Figure 6**); gold mineralisation within the Jiaodong gold province in China, which in 2003 had recorded gold reserves of over 900 tonnes is Early Cretaceous (c.120 Ma); most of the Korean gold mineralisation occurred during the Late Cretaceous Bulguksa Orogeny (c. 90 Ma); and the world-class (10Moz) Hishikari deposit in Japan is Quaternary c.1 Ma.

Bowden (2007) notes the following points in regards to the timing of gold mineralisation in South Korea:

- Historic gold production in South Korea has predominantly come from mesothermal high-grade gold-silver quartz veins associated with deeper level intrusives of the Jurassic-Early Cretaceous Daebo series granites (“Korean type” Au-Ag deposits), and
- Epithermal gold mineralisation occurred during the Late Cretaceous to Early Tertiary in the Seongsan and Tongyoung metallogenic provinces where gold is hosted by Cretaceous Yuchon group volcanics.

Alternatively, the majority of gold mineralisation within the Republic of Korea occurred during the Late Cretaceous as a result of oblique north-directed subduction that generated sinistral strike-slip faults, subvolcanic granitoid intrusions and volcanoclastic basins.

Gold mineralisation is concluded to have formed within or adjacent to Cretaceous pull-apart basins developed by the left-lateral (sinistral) strike-slip shearing along the Kongju-Eumseong and the Yeongdong-Kwangju fault systems. By comparison, Jurassic gold mineralisation is concluded to be relatively minor but is also localised within the same two major fault systems.

The Yeongdong and Buyeo gold provinces are the only provinces that were apparently mineralised during both the Jurassic and the Cretaceous, making them high priority gold target areas. The Yeongdong gold

province contains the HSML Heungdeok and Weolyu gold projects and Buyeo province hosts the HSML Imcheon gold project.

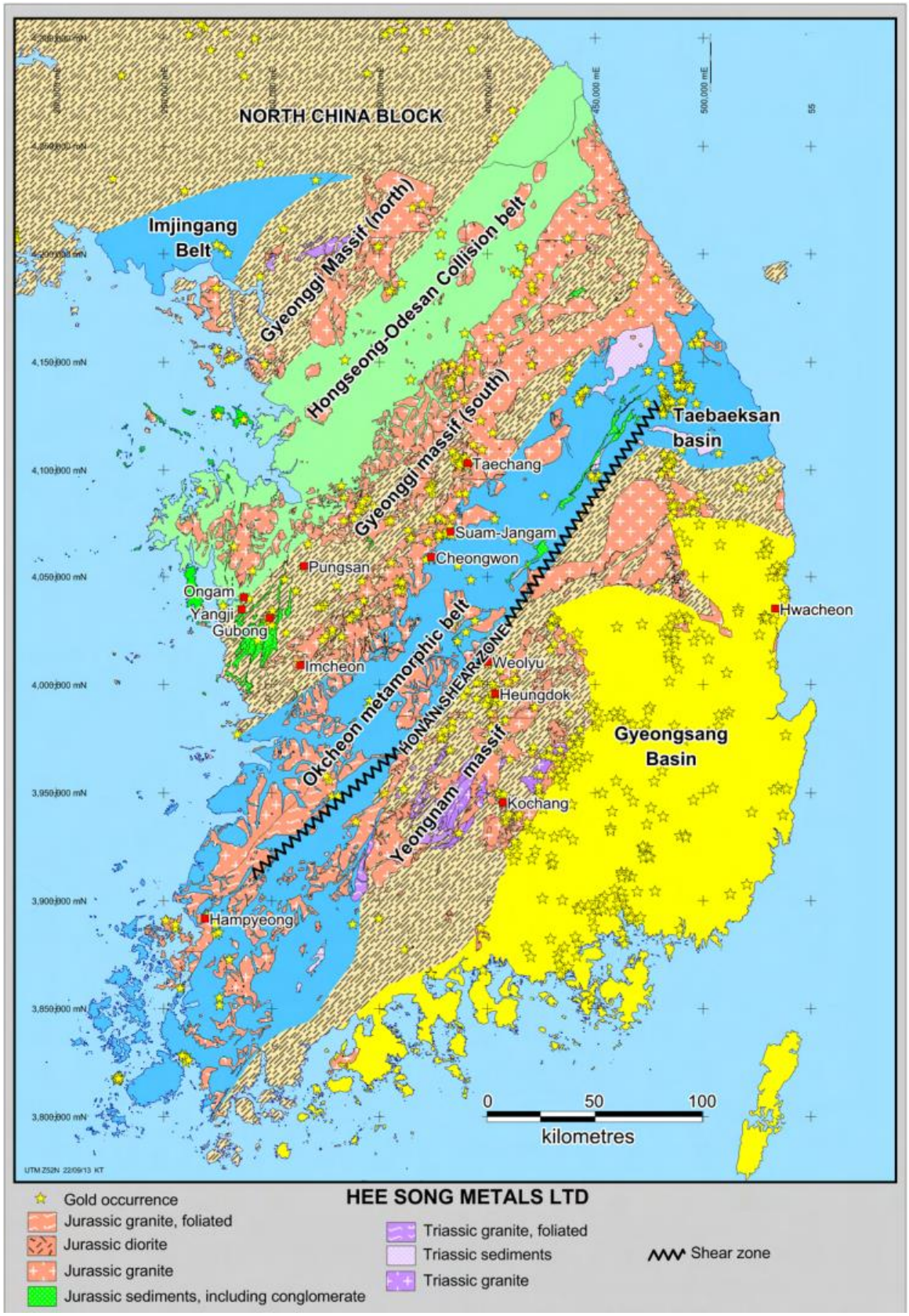


Figure 4: Triassic - Jurassic Daebo Orogeny Geology

The geological evidence supporting the proposed Cretaceous gold mineralisation timing is as follows:

- Muguk, Gubong and Imcheon historical gold mines are adjacent to pull-apart sub- basins that can readily be interpreted to have formed at regional-scale dilational sinistral fault bends;
- At Gubong, the documented presence of diorite, lamprophyre and quartz porphyry are interpreted as probably Cretaceous in age (Sennitt, 2010);
- The spatial association of gold mineralisation at Kochang with a Bulguksa granite intrusion;
- The documented association of gold mineralisation at the Taechang mine with a Late Cretaceous Bulguksa Series granitoid intrusion (the Cheongju granite), and
- The common occurrence of silver and base metals with the gold mineralisation.

Because the Late Cretaceous Bulguksa gold mineralisation is associated with shallow level granitoids, the resulting shear and fracture gold deposits are classified as epi-zonal deposits that formed within six kilometres of the surface (Groves, 1998).

The Yeongdong Fault zones is a major mantle tapping tier 1 fault that transects the South Korean peninsula and represents a prime target for world class ore deposits, especially in secondary splay structures proximal to the fault or associated with major intrusive centres that have used the fault as a pathway. The fault has been active over a long time period so significant movement has occurred in geological time (**Figure 5** and **Figure 6** below)

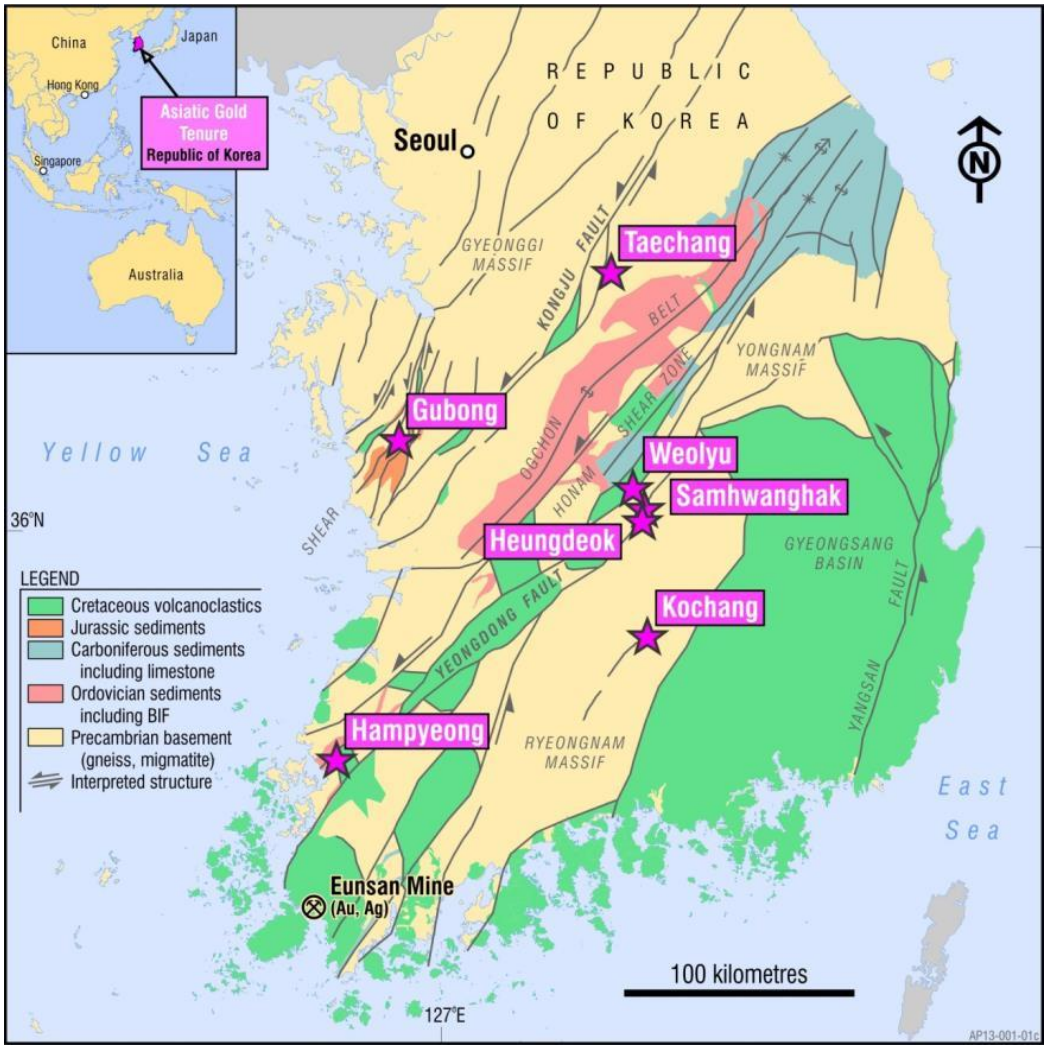


Figure 5: Korean Regional Geology, Structure and Project Locations

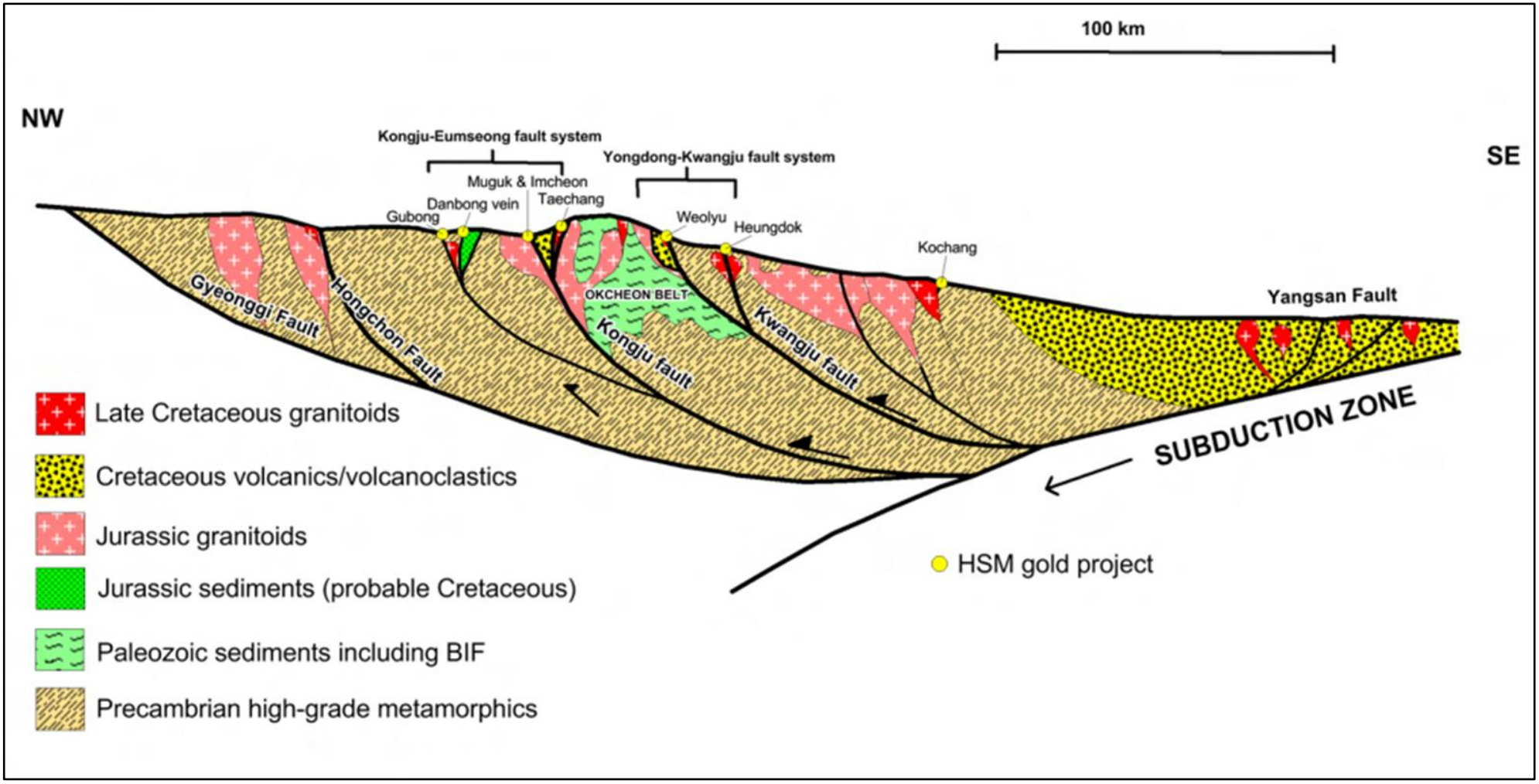


Figure 6: Schematic Northwest – Southeast Showing Interpreted Relationship between Regional Structure and Mineralisation

Project Geology

In addition to the details of significant hand specimen sampling results from individual projects summarised above (**Plates 1 to 4**) and the ranges of gold grades shown in **Table 1** present in the historical mines the following provides information regarding prospect geology, mining history and prospectivity.

Weolyu

The Weolyu to Heungdeok region boasts a large number of gold occurrences and numerous quartz vein outcrops. The historical gold tenor in the region is high with grades in the 15-25g/t Au range reported for the Heungdeok and Samhwanghak mines over relatively narrow widths.

Weolyu is an epithermal silver-gold mine which has produced ca. >180kg Au and 1,1811kg of Ag with a strike extent of over 500m (**Figure 7**), which is located within a regionally extensive alteration system.

Mapping in the mine area has identified the widespread presence of vesicular andesitic volcanic lava and pyroclastics outcrop hosting thin pyritic/gossanous quartz veins formed along conjugate fracture sets and a 2-4m wide strongly pyritic, north-striking mineralised alteration zone. Within an adit adjacent to the river siliceous pyritic altered andesitic volcanic within a steeply dipping fracture zone is exposed. Elsewhere in the district an extensive limonite-stained clay-silica-pyrite altered rhyodacite lava dome has been documented.

The potential significance of the Weolyu system is highlighted by the recent location of a number of previously unrecorded adits 250m to the south of the main mine which apparently contain at least one stope (**Figure 7**). These adits are proximal to float and sub-crop of classic high-level, low-sulphidation epithermal veining hosted by Cretaceous volcanic (extrusive and sub-volcanic intrusive) rocks that show significant propylitic - sericitic and acid sulfate alteration.

Combined, these features suggest that the Weolyu system is much larger than previously known and as such is considered to be a high priority re-development and exploration target.

Photo 5: Recently Located Adit to the South of the Main Weolyu Mine

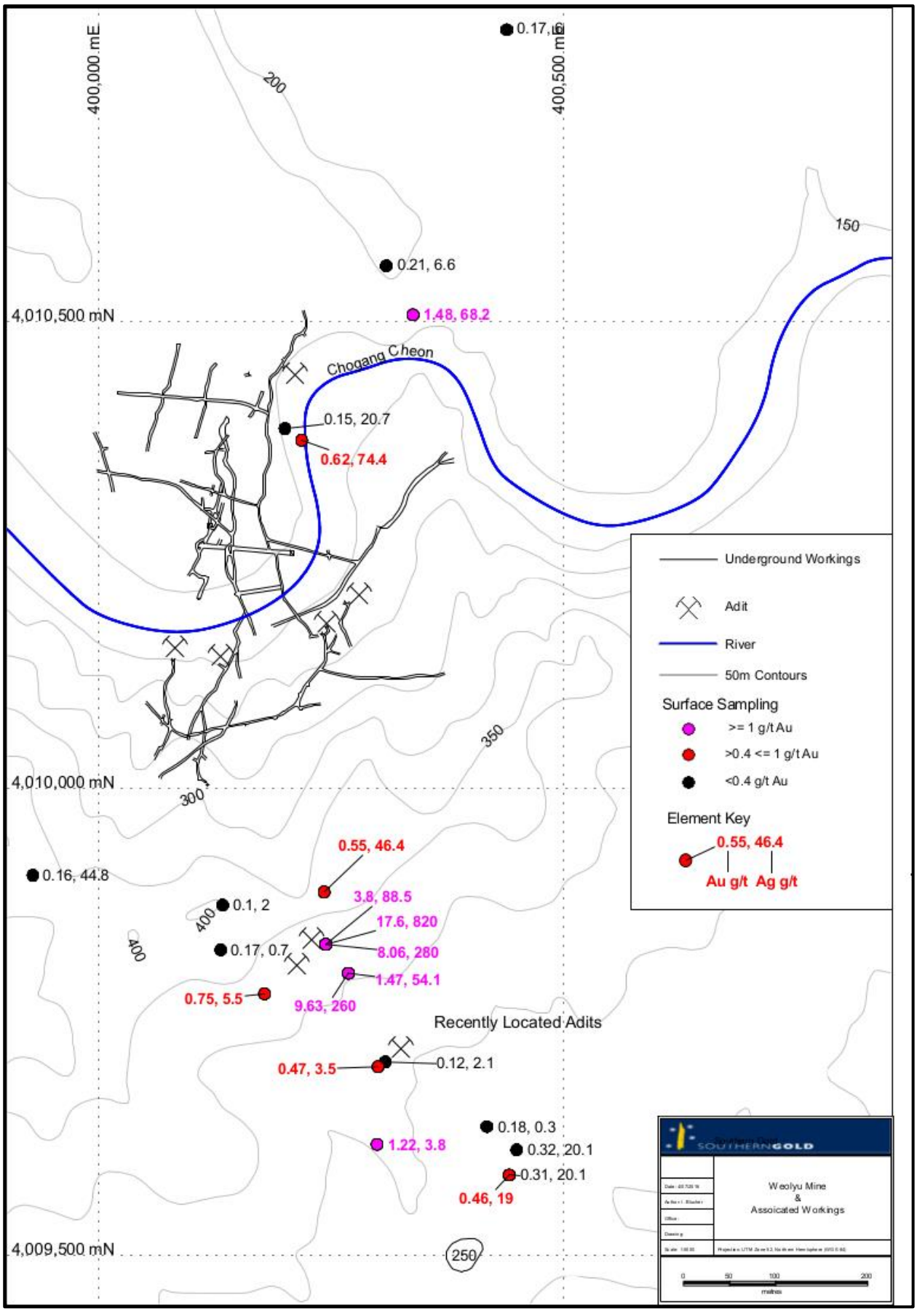


Figure 7: **Weolyu Mine Area**

Gubong

Based on similar host rocks (granites/gneiss/ volcanics ca. 160Ma), similar age of mineralisation (ca. 130-120Ma) and the similar structural setting (NE sinistral faults with bounding thrusts to the SE, the Gyeonggi Massif (host to Gubong) is considered to show potential association to the orogenic gold deposits of the Jiaodong Peninsular in China (>600t Au @ ~10g/t Au).

The Gubong area is a significant orogenic gold mining district containing the historically 2nd largest gold mine in Korea with >400koz Au production; the tailings from this production have not been reprocessed and remain onsite in a rehabilitated Tailings Storage Facility ('TSF', **Photo 6** and **Figure 8**), offering a potential early cashflow opportunity if appropriate permitting can be obtained.

The Gubong project area hosts five historical underground mines with the largest being the Gubong mine which exploited six narrow high grade quartz veins numbered 1 to 6, (with Vein No.6 being the main lode) hosted in gneissic granite and mined to a vertical depth of approximately 550m via several underlay shafts.

Vein No. 6 was found as a blind vein in the hangingwall during mine development work on the other veins which when taken in conjunction with the other historical mine development distributed over a strike length of ca. 1.5km, with down-dip development on Vein 6 extending to a vertical depth in excess of ca. 500m in the immediate vicinity highlights the prospectivity of the area (**Figure 8**).

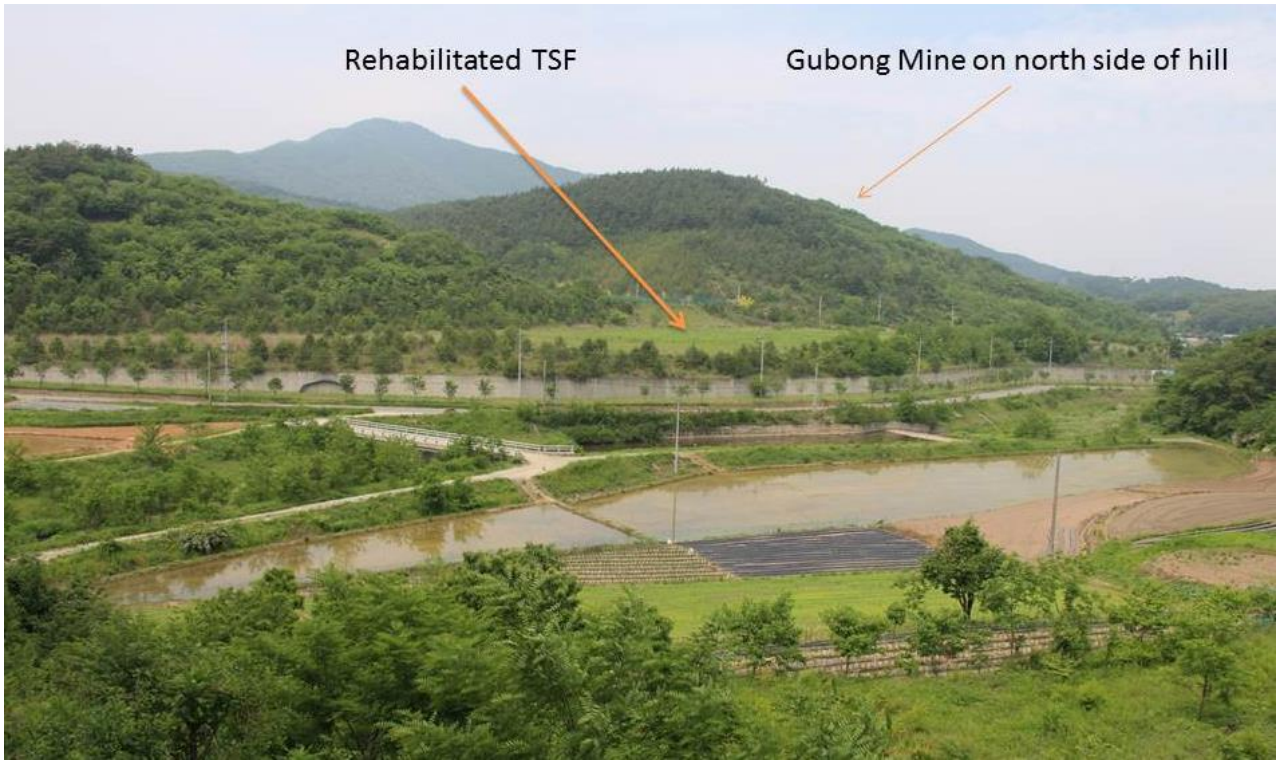


Photo 6: Rehabilitated TSF at Gubong

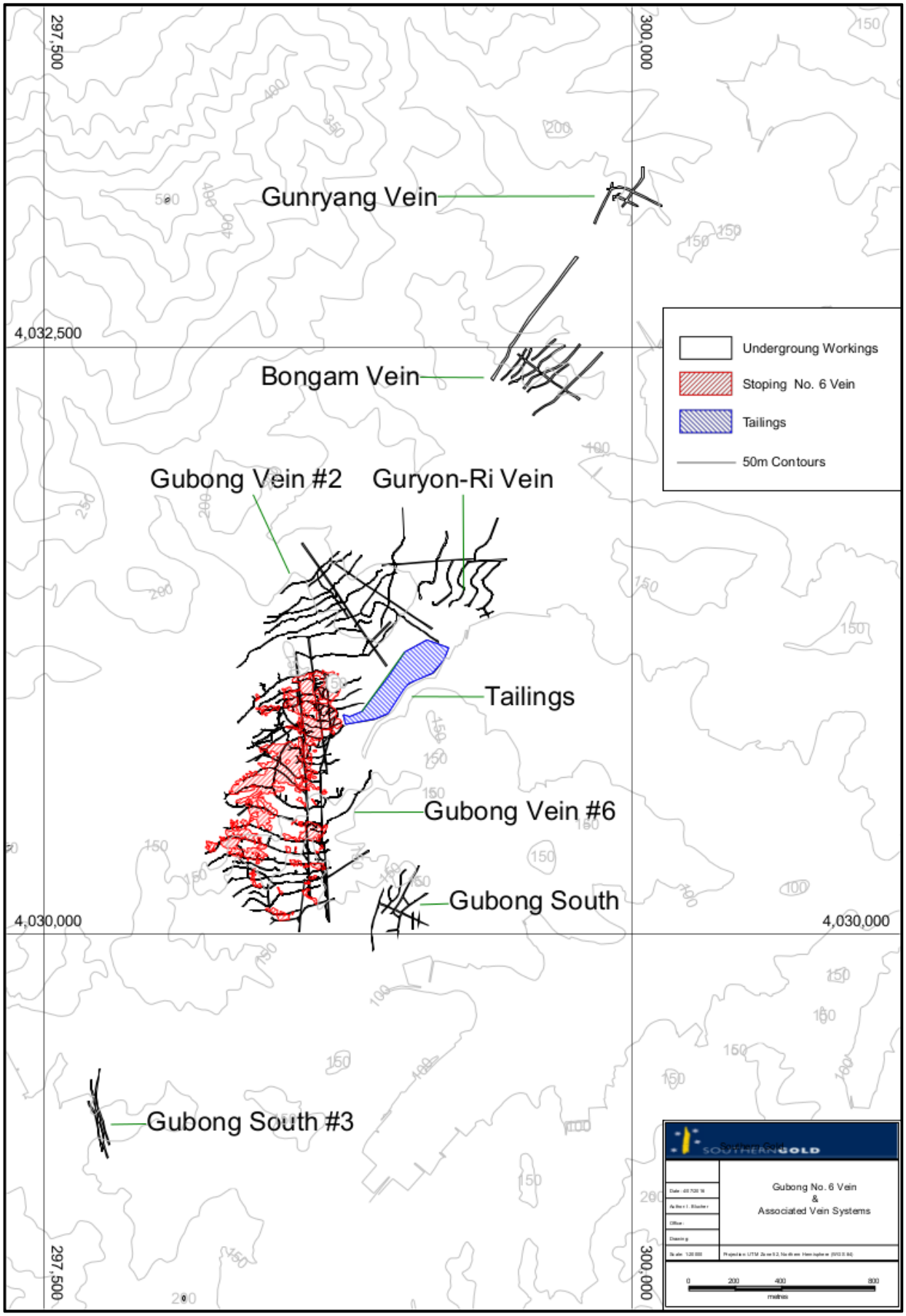


Figure 8: Gubong Mine Area

Kochang

The vein system at Kochang is known extend over a strike length of approximately two kilometres. The unexplored gap of 580m between the old Kochang gold workings in the north east and a silver vein locality along strike to the south west presents an immediate target for future assessments.

Historical sampling of the underground workings has shown there is evidence of higher grade ore shoots over relatively narrow widths (**Table 1** above). Despite the narrowness of the vein system, the gold grades present and the unclosed-off nature of the mineralisation suggest that there is potential for additional higher grade shoots beneath the current mine workings.

Kochang mine plans show that up to nine narrow, shallowly dipping, veins have been mined and that other 'blind' veins may be found through reconnaissance drilling.

Photo 7: Kochang Gold Mine Adit Entrance

Hampyeong

The Hampyeong prospect covers the western sector of a 120km^2 Cretaceous volcano-sedimentary basin that is bracketed within the northeast trending transpressional Yeongdong Fault Zone of the Ogcheon Fold Belt. The western boundary of the basin is in fault contact with Jurassic Daebo granitoids and the southern contact is with Palaeozoic metasediments. The porphyry inliers of the Cretaceous Bulgugsa igneous event are interpreted to be responsible for the generation of hydrothermal systems and associated epithermal gold mineralisation.

Modern exploration for epithermal gold mineralisation in the Hampyeong area commenced with Ivanhoe Mines in 1996 sampling along road cuttings and at clay pits assessing the presence of hydrothermal alteration. Subsequent follow up to this original programme in 2001 identifying the Hampyeong Gold Project area. Extensive, but erratic epithermal gold mineralisation was identified that included hydrothermal breccias and epithermal veins. In the south of the Hampyeong area, two separate alteration horizons were recognised 1500m apart where close interval sampling identified the presence of erratically distributed epithermal mineralisation (breccia samples from the area are interpreted to be vent breccias above the target bonanza grade boiling zone, see **Plate 2** above).

Reconnaissance mapping in this area has outlined a number of divergent corridors of hydrothermal alteration that host several series of narrow quartz veins and breccia dykes which clearly demonstrate the potential for this target to deliver early exploration success.

Taechang

Mineralisation at Taechang is hosted in narrow, shallowly dipping quartz veins with historical back grades reportedly ranging up to 102g/t Au, but more typically 30 – 50g/t Au. The main entrance is in excellent condition and a recent inspection of the main drive for several hundred meters confirms that no adverse conditions are present (**Photo 9**).

Taechang appears to have merit as an early re-development target given the apparently good condition of its workings (**Photo 8 and 9**). This would enable a view to be formed regarding the best methods to employ to reduce dilution if mining was considered justified.

Photo 8: Taechang Quartz Veining

Heungdeok

The Heungdeok gold target comprises a contiguous block of nine licences covering an area of approximately 25km^2 within the high priority Yeongdong gold target area.

Table 1 (above) indicates that there is significant mineralisation present in three mines of this project area:

- The Heungdeok gold mine where Asiatic field work and spatial analysis (Sennitt, 2010) shows that:
  - Historical mining apparently followed four parallel quartz reefs that collectively had an average thickness of 0.8m with thicknesses ranging from 0.5-1.5m
  - The total strike length of the four reefs is 290m.
  - The reefs are sub-parallel, are approximately 20m apart and dip to the northeast between 40-60 degrees
- The two mines where mining exploited three sub-parallel north-striking quartz veins dipping 45 degrees to the west and traceable over a 500m strike length, and
- Daeil gold mine where the workings comprise three north-northeast striking underground drives, which have a strike length of 170m and average recorded vein width is 0.6m.

Photo 9: **Taechang Mine Entrance**

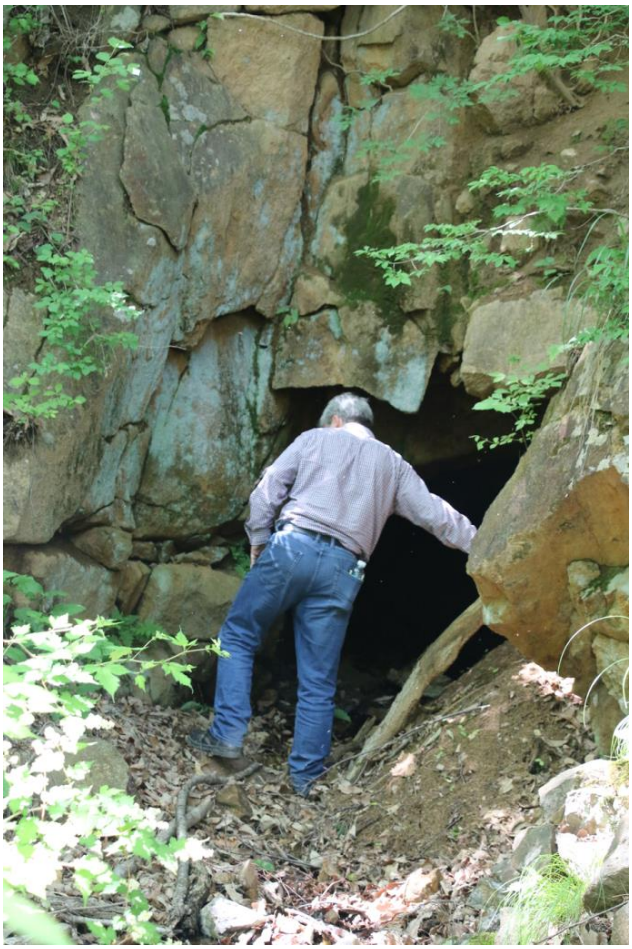


Photo 10: **A Heundgdeok Adit**

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Appendix 2 – Tenement Schedule

Mine Name	Tenement Info			Register Info		
	Korean	English	Block ID	No.	Type	Date of Granting MM/DD/YYYY
Hwangryong (Yangji)	대천	Daecheon	74	79249	Mining	10/02/2011
	대천	Daecheon	84	79250	Mining	10/02/2011
	대천	Daecheon	75	79174	Mining	24/01/2011
	대천	Daecheon	85	79251	Mining	10/02/2011
Weolyu	영동	Youngdong	66	79254	Mining	14/02/2011
	영동	Youngdong	67	79255	Mining	14/02/2011
Hampyeong Sonbul	망운	Mangun	23	79233	Mining	8/02/2011
Hwacheon	영덕	Youngduk	73	79234	Mining	8/02/2011
Ongam	대천	Daecheon	71	79231	Mining	8/02/2011
	대천	Daecheon	72	79232	Mining	8/02/2011
Daeil	설천	Seolcheon	33	79177	Mining	24/01/2011
	설천	Seolcheon	43	79224	Mining	8/02/2011
Heungdok	설천	Seolcheon	36	79223	Mining	8/02/2011
	설천	Seolcheon	46	79226	Mining	8/02/2011
Samhwang-hak	설천	Seolcheon	34	79178	Mining	24/01/2011
	설천	Seolcheon	44	79225	Mining	8/02/2011
	설천	Seolcheon	35	79179	Mining	24/01/2011
	설천	Seolcheon	45	79180	Mining	24/01/2011
	설천	Seolcheon	55	79181	Mining	24/01/2011
Pungsan	대흥	Daehung	33	79227	Mining	8/02/2011
	대흥	Daehung	43	79229	Mining	8/02/2011
	대흥	Daehung	44	79230	Mining	8/02/2011
	대흥	Daehung	34	79228	Mining	8/02/2011

Mine Name	Tenement Info			Register Info		
	Korean	English	Block ID	No.	Type	Date of Granting MM/DD/YYYY
Cheongwon	증평	Jeungpyeong	100	77037	Mining	19/06/2008
	미원	Miwon	91	77028	Mining	16/06/2008
Jangam	증평	Jeungpyeong	34	77066	Mining	24/06/2008
	증평	Jeungpyeong	35	77067	Mining	24/06/2008
Suam	증평	Jeungpyeong	33	77065	Mining	24/06/2008
Gubong	청양	Cheongyang	134	78089	Mining	1/09/2009
	청양	Cheongyang	135	78090	Mining	1/09/2009
	청양	Cheongyang	136	78091	Mining	1/09/2009
	청양	Cheongyang	137	78092	Mining	1/09/2009
	청양	Cheongyang	146	78093	Mining	1/09/2009
	청양	Cheongyang	147	78094	Mining	1/09/2009
	청양	Cheongyang	145	78095	Mining	1/09/2009
	대천	Daecheon	6	78096	Mining	1/09/2009
	대천	Daecheon	7	78097	Mining	1/09/2009
Taechang (Sobo)	목계	Mockgye	136	78645	Mining	1/06/2010
	목계	Mockgye	137	78646	Mining	1/06/2010
Kochang	안의	Aneui	11	78086	Mining	1/09/2009
	안의	Aneui	12	78087	Mining	1/09/2009
	안의	Aneui	22	78088	Mining	1/09/2009
Hampyeong Sonbul	망운	Mangun	11	200136	Exploration	27/08/2012
Imcheon	부여	Buyeo	58	200222	Exploration	14/01/2013

Appendix 3 – Selected "Significant Intercepts" from KORES historical drilling

	KORES Hole ID	Easting	Northing	RL	Dip	Azimuth (grid)	Depth (m)	Drill type	From (m)	Interval (m)	Au (g/t)	Ag (g/t)
Gubong	89-06	300071	4032176	120	-70	305	260	DDH	188.7	0.4	17.3	6
	89-12	300441	2049824	100	-70	110	160	DDH	100.1	0.2	9.8	22
	and								110.7	4.0	1.4	2
	89-13	300356	4029804	100	-75	110	200	DDH	117.1	0.6	19	49
	89-15	300319	4029631	100	-90	0	200	DDH	104.3	4.5	2.4	39
	89-18	300212	4029146	140	-80	100	150	DDH	123.3	1.3	1.4	369
	90-12	298367	4029627	183	-90	0	900	DDH	845.2	1.6	27.9	25
Taechang	DH79-03	390702	4103380	530	-90	0	180	DDH	81.2	0.5	4	17
	and								152.4	0.6	27	10
	DH85-01	390557	4103219	400	-90	0	100	DDH	87.2	0.2	19.4	8
	DH85-03	390808	4103160	340	-90	0	100	DDH	70.9	0.1	127.5	25
Weolyu	DH83-02	399988	4010306	154	-70	100	250	DDH	90.0	2.2	5.07	600
	and								95.5	1.3	49.4	2,773
	and								129.0	0.5	4.03	653
	DH83-03	400029	4010413	185	-70	100	250	DDH	88.4	1.2	10.6	1,890
	and								107.9	1.1	2.7	392
	and								111.5	0.3	1.1	168
Kochang	1984-2	405734	3945825	238	-70	135	100	DDH	26.9	0.6	10.6	12
	and								63.0	2.5	17.6	4
	and								97.6	2.4	-	1,763

** GB 68-03 has no reported assays but recorded 8m of disseminated chalcopyrite (copper).*

Note: KORES do not sample all intervals

Appendix 4 – Foreign Estimates

In accordance with ASX listing rule 5.12, the following information is provided in relation to the foreign estimates shown in Table 3 below:

- The source and date of the foreign estimates shown in Table 3 are provided in the reference list located at the end of this document;
- The categories of mineralisation used in these foreign estimates are based on a length multiplied by width multiplied by grade multiplied by density calculation of material estimated to remain in unmined areas and/or in in close proximity of mine workings. It is not known if modifying factors comparable to those used in the JORC (2012) Code have been used;
- The relevance and materiality of these foreign estimates is that they provide SAU with the basis for indicating the range of grades and tonnages that may be present as exploration targets;
- The reliability of the foreign estimates is unknown. Limited inspection of photographs of core and underground faces indicates that the range of widths of potentially mineralised intervals is likely to be correct however the majority of criteria listed in JORC Table 1 cannot be verified. Relevant unverified matters are (but not limited to):
    - Sample weights relative to the width of mineralisation sampled and / or grain size of the metal being sampled and analysed are unknown;
    - Whether the type of material sampled includes potential dilution from waste material;
    - The method used for obtaining these samples and whether the samples completely represent the interval sampled or are selective in nature is unknown;
    - The location of samples and intervals between samples used in the estimates is either unknown or lacks clear documentation, including whether all sample points have been used in an grade or tonnage estimate or whether the data is selective;
    - It is unknown whether or not the sample intervals used in making the estimates are true widths;
    - Analytical methods have not been stated or are unclear;
    - The QA/QC protocols used, including whether external standards and / or blanks and duplicates have been used or whether inter-laboratory checks have been carried out, is unknown;
    - The sample security and chain of custody methodology used has not been described;
    - Independent verification of sampling results or derived historical estimates cannot be substantiated;
    - It is unknown whether external reviews of the data reported and the methodology used to reach the estimates made have been undertaken and if so, the outcomes of these reviews.
- The nature of work programs on which the foreign estimates are based is unknown. The nature and quantum of the economic parameters used to govern these work programmes is also unknown;
- There is only one recent unpublished estimate or data relevant to the reported foreign estimates available which relates to the depth extensions of the Gubong No. 6 Vein, undertaken by Tigris (2012), which stated that an exploration target for Gubong Vein 6 with the following ranges may be present:
    - Lower Range Exploration Target - 1.21 million tonnes at 6g/t Au.
    - Upper Range Exploration Target - 2.28 million tonnes at 8g/t Au.

  Note: This target range is an extract from an internal, incomplete and unpublished draft Tigris Gold Limited report (subsequently renamed Asiatic Gold) and is used with the permission of Asiatic.

  The Lower and Upper Exploration Target ranges prepared by Tigris Gold have not been reviewed in the light of any subsequent work that may have been undertaken by Tigris and / or Asiatic or, as a consequence, it's ongoing compliance with JORC (2012).

- The evaluation and / or exploration work that needs to be completed in order to verify the foreign estimates as mineral resources or ore reserves in accordance with JORC (2012) requirements will consist of some or all of the following preliminary and follow-up activities which will be undertaken in a staged manner:
    - Stream sampling and outcrop mapping,
    - Surface outcrop mapping, sampling, trenching and or drilling of various types,
    - Conducting surface and airborne geophysical surveys,
    - Re-opening old workings to enable mapping, surveying sampling and
    - Drilling from surface and underground positions.
- Integral to the transaction is funding of $1.2m which is being raised by cornerstone investors which will be sufficient to fund Southern Gold's near term requirements prior to cash flow from our operations. In the next 6 months there will be cash flow from the Cannon open pit gold mine and this will be sufficient to provide funding for a minimum of three years looking forward. Southern Gold does not need to rely on external sources of funding and is fully funded for the foreseeable future

References

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10. Tigris, 2012. Exploration Target estimate for Vein 6, Gubong Property. Extract from an incomplete, internal and unpublished draft report, 4pp.

Cautionary Statement

The tonnes and grade estimates shown in Table 3 are foreign estimates and are not reported in accordance with the JORC Code; a competent person has not done sufficient work to classify the foreign estimates as mineral resources or ore reserves in accordance with the JORC Code; and it is uncertain that following evaluation and/or further exploration work that the foreign estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.

Competent Person's Statement

The information in this report that relates to the compiling of Foreign Estimates has been undertaken by 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. Mr Blucher confirms that the information in this market announcement provided under rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the presented projects.

Table 3: Foreign Resource Estimates

Project	Mine Name	Width Range (m) [2]	Avg. Width (m) [2]	Au Grade Range (g/t) [2]	Au Avg. Grade (g/t)	Ag (g/t) [2]	Korean Tonnage Classification [1]			Total Tonnes	Reference No.
							Secured Reserve (Tonnes)	Estimated Reserve (Tonnes)	Presumption (Tonnes)		
Gubong	Gubong	0.6 - 1.5	0.8	3.8 - 10.92	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		0.4		17		15,016	101,797	-	116,813	3
	Imchon	0.2 - 0.6	0.37		14.66	40 - 60	45,412	67,442	-	112,854	3
	Pungsan	0.1 – 1.5	0.8		10		-	-	144,553	144,553	2
Totals Gubon Project:							**103,148**	**313,550**	**2,490,993**	**2,907,691**	
Taechang	Sobo	0.1 – 1.0		10.4 - 27.0	17.2	44	20,790	25,600	-	46,390	3,5
	Taechang	0.1 - 0.3			16	6 - 114	-	-	1,106,283	1,106,283	2
	Jang Am		1.2		6		-	-	245,892	245,892	2
	Suam	0.2 - 0.6			10		460	1,449	-	1,909	3
Totals Taechang Project:							**21,250**	**27,049**	**1,352,175**	**1,400,474**	
Yeongdong	Heungdeok	0.5 – 1.0			25		66,434	237,807	-	304,241	3,4
	Weolyu	0.3 – 0.1		2 -7.12	10.99	200 - 1,000	1,140	23,650	297,179	321,969	2,3
	Samhwang Hak #1				15		-	-	163,000	163,000	8
	Samhwang Hak #2		0.8		6.42		65,968	84,389	-	150,357	8
	Daeil	0.1 - 2.0	1.1	4.93 - 6.74	15	<1 - 119	3,950	8,900	11,970	24,820	3,6
	Kochang		1.5	<0.1 - 81	12	3 - 217	-	104,700	77,490	182,190	3
Totals Yeongdong Project:							**137,492**	**459,446**	**549,639**	**1,146,577**	

(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.