ASX Release
Friday 22 July 2016

Extension to Gold Mineralisation Confirmed Below Cannon Open Pit Gold Mine

Significant Advances to Understanding Mineralisation Controls
Deposit Remains Open at Depth within Southern Gold Tenement

- A 10 hole, 1,823.2m drill programme beneath the currently defined resource at the producing Cannon gold mine, 30kms southeast of Kalgoorlie in WA, was completed in June.
- Best results included:
  - 5.22m @ 3.44g/t Au in BSRCD269 (including **0.42m @ 37.7g/t Au**), and
  - 2.5m @ 8.93g/t Au in BSRCD273 (including **0.27m @ 76.4g/t Au**).
- Structural position of high grade mineralisation indicates deposit remains open at depth.
- Revised mineralisation/structural model being developed.

Cannon Depth Extension Drilling

Southern Gold Ltd ('Southern Gold', ASX Code "SAU") is pleased to report the results of the drilling campaign undertaken during June that aimed to evaluate the potential for extensions to the ore zones immediately beneath the producing Cannon Gold Mine in WA. 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.

Programme Objectives

The drilling programme reported here was designed to test the steep southwest plunge of high grade gold mineralisation interpreted within the resource model and to define an extension to the resource below the designed open pit. The holes were also designed to resolve the reasons for an apparent termination of the mineralisation beneath the southern end of the current pit design which had previously been interpreted as due to north plunging ore shoots.

Resource definition drilling prior to the development of the Cannon open pit had previously failed to provide an adequate explanation of this apparent termination, with the current preferred interpretation focusing on the presence of a low-angle, northerly plunging and cross cutting structure or a combination of lithological changes and structural modification.

Southern Gold's Managing Director, Simon Mitchell commented:
"*Strategically these results are very important. While we have intersected very high grade across relatively narrow widths, the important implication of this drilling is that mineralisation has been confirmed in a new structural position. We have more work to do but are encouraged that the mineralised system continues at depth pointing to a system that is perhaps much larger than previously flagged.*"

Shares
ASX Code: SAU
Issued: 42.97M

Directors
Greg Boulton AM (Chairman)
Simon Mitchell (MD)
Michael Billing
David Turvey

Head Office
Southern Gold Ltd
Level 1, 8 Beulah Rd
Norwood SA 5067
Telephone: (08) 8368 8888
Facsimile: (08) 8363 0697
info@southerngold.com.au
www.southerngold.com.au
ABN: 30 107 424 519

Postal Address
Southern Gold Ltd
PO Box 255
Kent Town SA 5071

Outcomes

The 10 hole, 1823.2m programme was undertaken within the Cannon open pit, in parallel with ongoing mining activities, over a period of 12 days (**Figure 2**). The best results obtained (**Table 1**) were:

- 5.22m @ 3.44g/t Au from 128.4m in BSRCD269
  (including **0.42m @ 37.7g/t Au** from133.18m), and
- 2.5m @ 8.93g/t Au from 188.5m in BSRCD273
  (including **0.27m @ 76.4g/t Au** from 188.5m).

The high grade interval 0.27m @ 76.4g/t Au from 188.5m in BSRCD273 is particularly significant as the presence of albite-carbonate-silica-chlorite alteration (**Plate 1**) is similar to that previously identified in high grade intersections from resource drilling prior to mining commencing and is the first occurrence of this style of mineralisation below the interpreted north dipping structure which offsets the mineralisation (Figures 3 & 4).

The interpreted resource extending beneath the current pit design has an apparent irregular, northerly plunging termination at depth (**Figure 1**). Based on the results of this programme, in cross section, this termination is now interpreted as a thinning from wide downhole intervals of medium to high grade mineralisation to relatively narrower zones immediately prior to being off-set by predominantly north-south movement on a low angle north dipping structure (**Figures 3 and 4**).

Figure 1: Schematic Long Section of South Plunging High Grade Shoots defined by Grade Control Drilling and Inferred North Plunging Fault

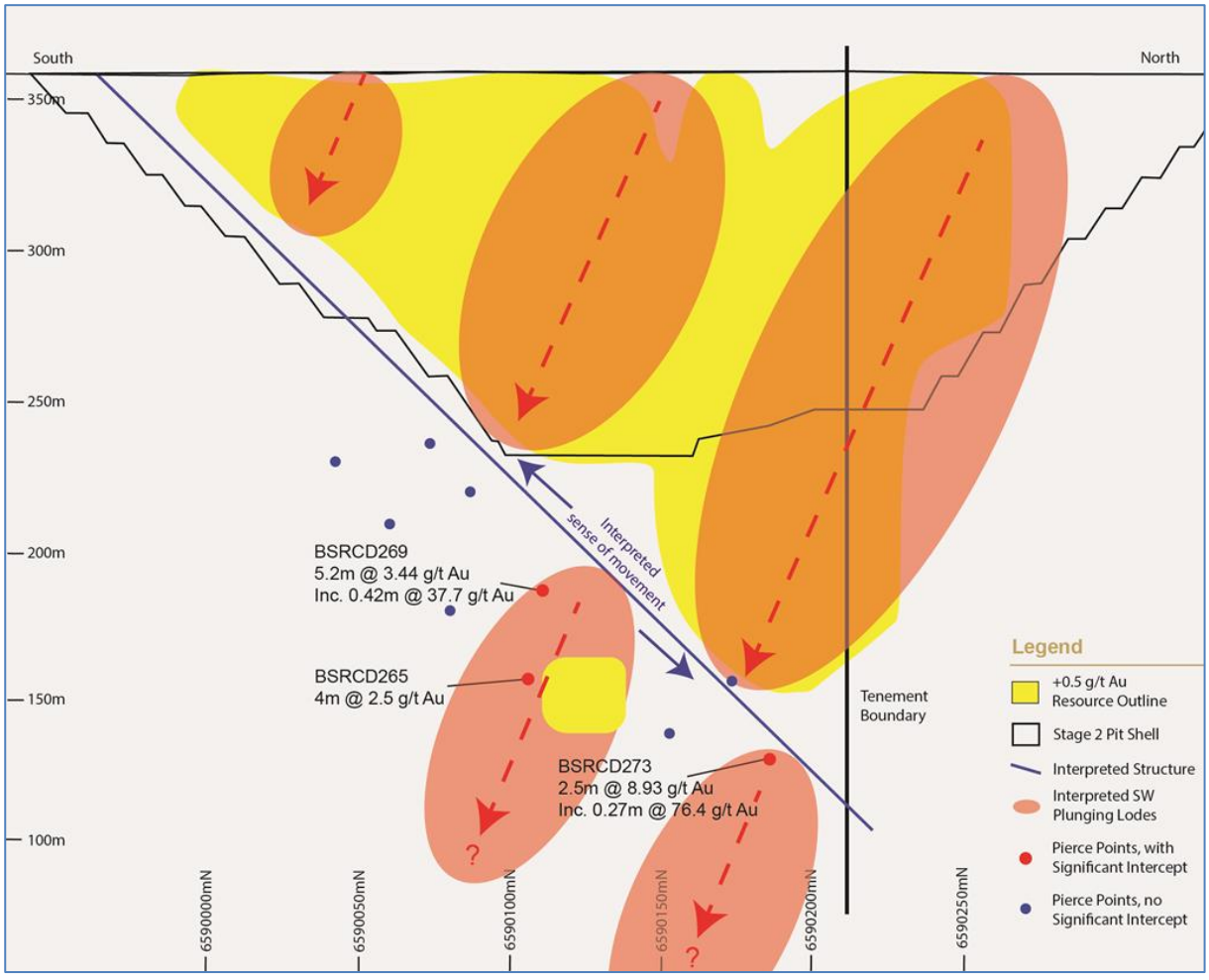


Plate 1: Cannon-style mineralisation intersected in BSRCD273, showing brecciated with strong albite – carbonate – silica – chlorite alteration

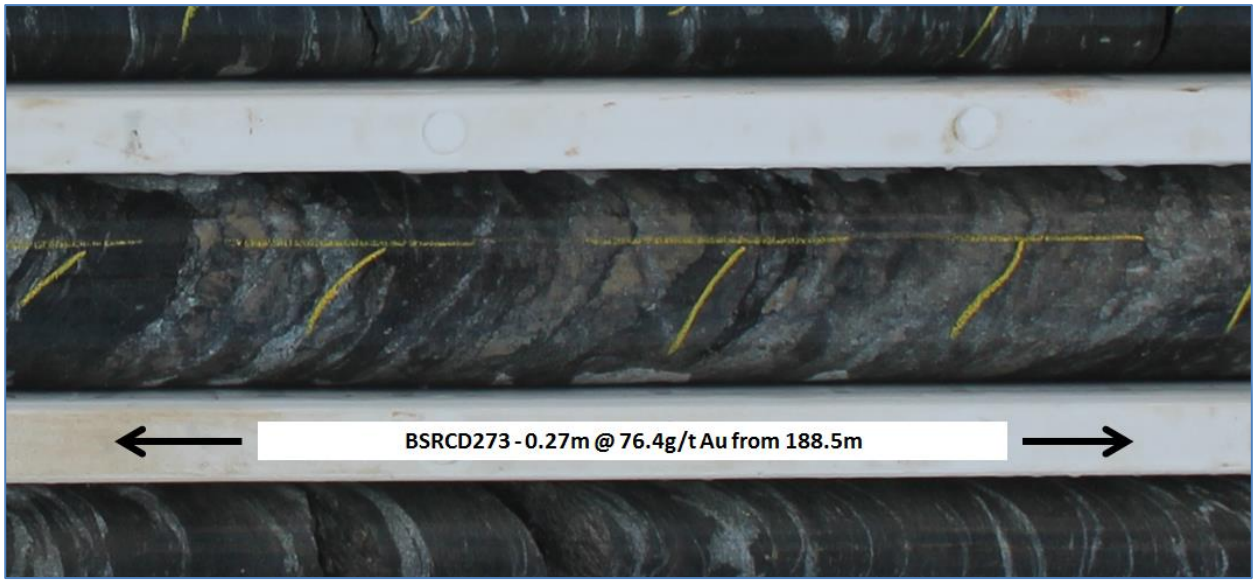
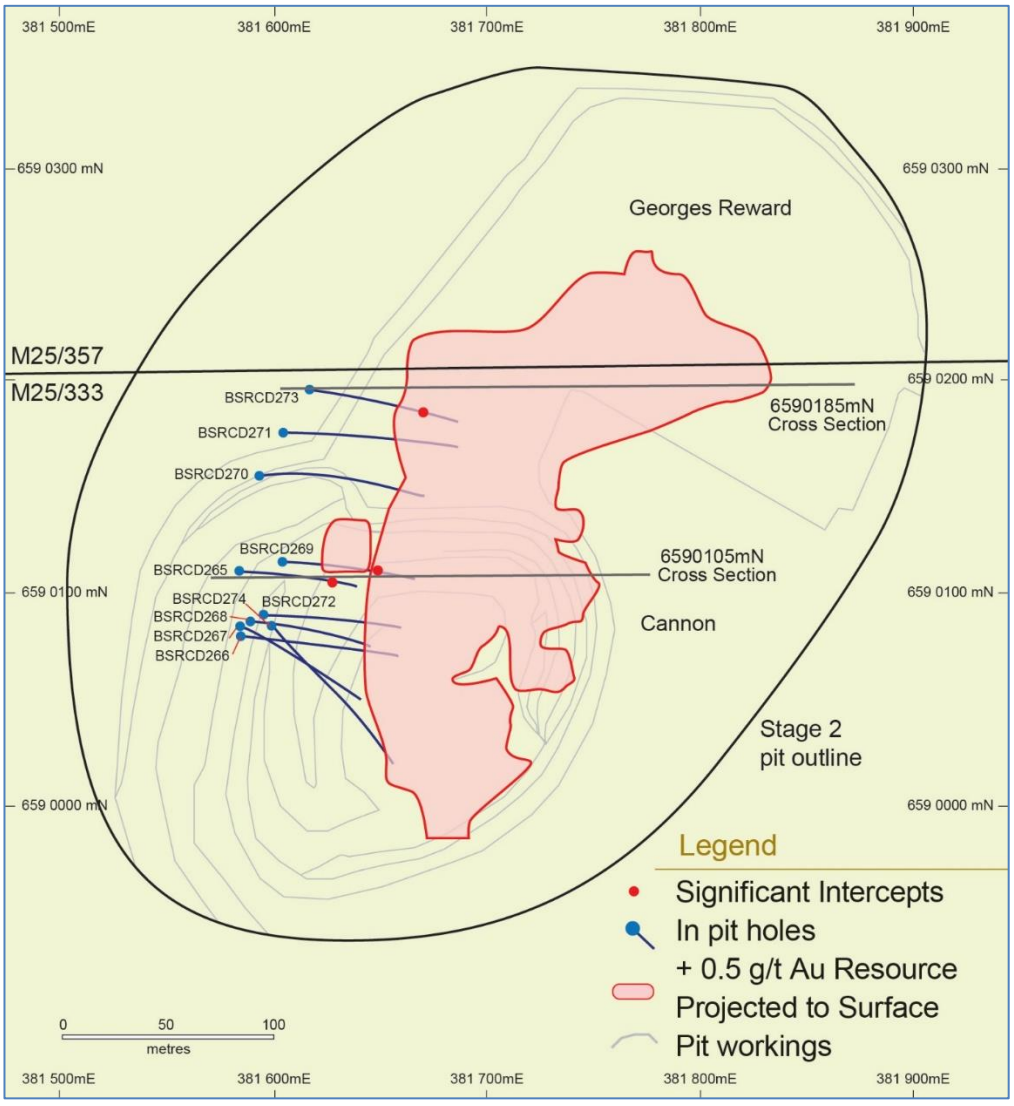


Figure 2: Drillhole Locations and Resource Outline



In addition, this interpretation has enabled the extent of the un-mineralised zone beneath the current resource to be broadly redefined, with gold mineralisation intersected beyond this structure.

Significantly, previously identified mineralisation has been extended with the high grade intersection in BSRCD269 and, in addition, a new zone of high grade mineralisation with typical Cannon-style textures and alteration has been intersected in BSRCD273, in a structural setting which implies that the deposit remains open at depth.

Ongoing Work

While there is still a substantial body of structural and geological information to assimilate from this programme, an initial conclusion is that the combination of lithologies and structures intersected may not provide suitable sites for gold mineralisation to occur in the majority of the vertical section drilled. It follows that the mineralised system may continue and/or repeat at depth where more favourable conditions are present.

The potential for "repeats" at depth is supported by the new drilling extending a previously defined gold mineralised zone below the main Cannon orebody (**Figures 3 and 4**). In addition, it is important to note that all three significant intersections reported herein are below the interpreted basal structure which defines the lower extent of the current orebody.

It is believed that the three intersections may represent the up-dip extension of mineralisation at depth.

Following the completion of detailed analysis of the structural data obtained from this programme, it is anticipated that hyperspectral scanning of both new and old drillholes will also be undertaken to define a detailed 3D model of the alteration halo surrounding the gold mineralisation. Once these programmes have been completed, all available data will be assessed to determine the best targets for assessing the continuation or repeat of the ore body both laterally and at depth.

Table 1: Significant Intercepts (Uncut)

Hole ID	Downhole Interval (m)	Uncut Au Grade (g/t)	Depth From (m)	Comments
BSRCD265	4	2.5	159	Strike extension of known mineralisation
BSRCD266	-	-	-	No significant result
BSRCD267	-	-	-	No significant result
BSRCD268	-	-	-	No significant result
BSRCD269	5.22	3.44	128.4	Up-dip extension of known mineralisation
Incl.	*0.42*	*37.7*	*133.18*	
BSRCD270	-	-	-	No significant result
BSRCD271	-	-	-	No significant result
BSRCD272	-	-	-	No significant result
BSRCD273	2.5	8.93	188.5	Down thrown extension of mineralisation
Incl.	*0.27*	*76.4*	*188.5*	
BSRCD274	-	-	-	No significant result

Figure 3: Schematic of section 6590105mN showing interpreted lateral offset on north plunging fault

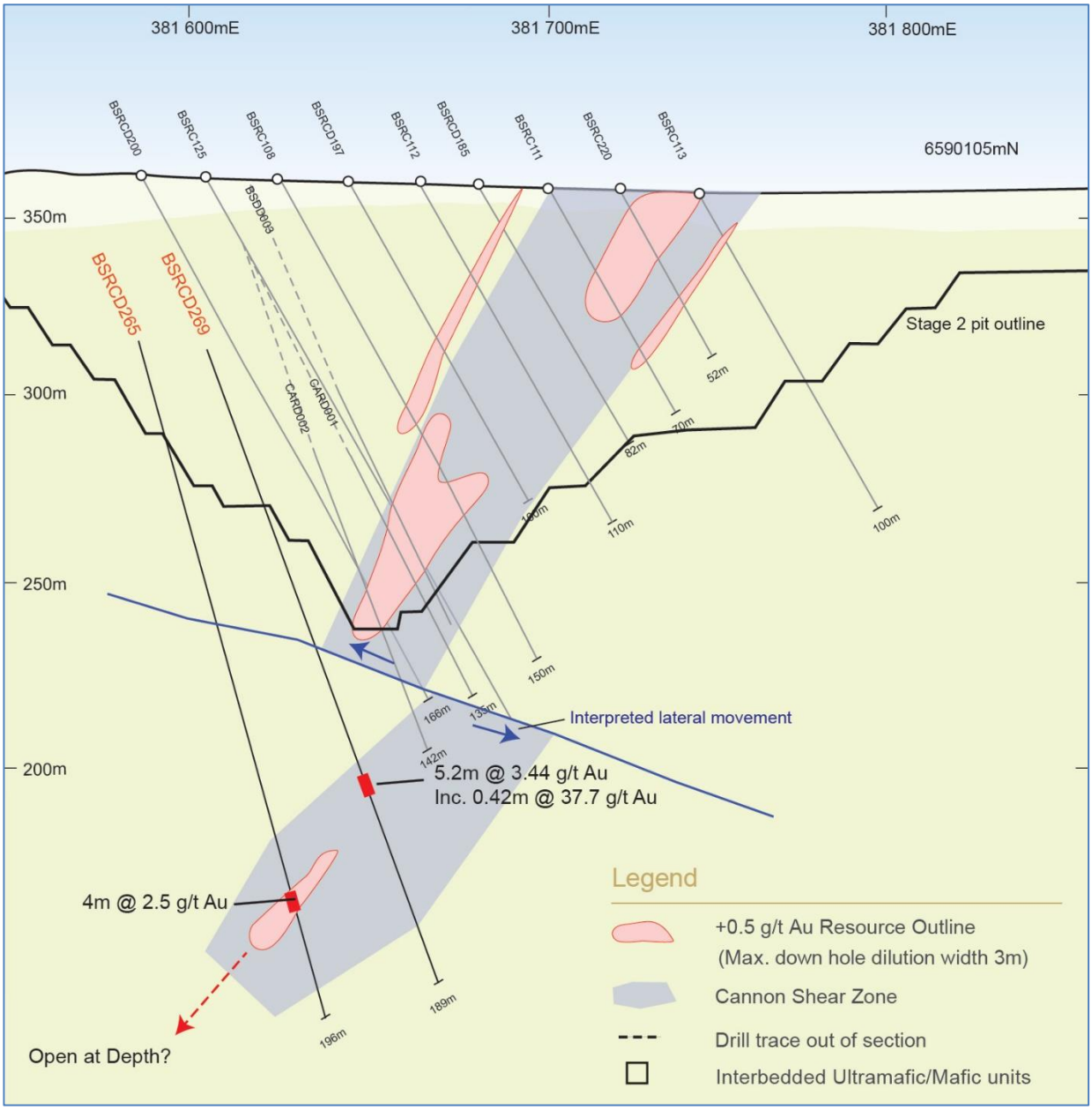
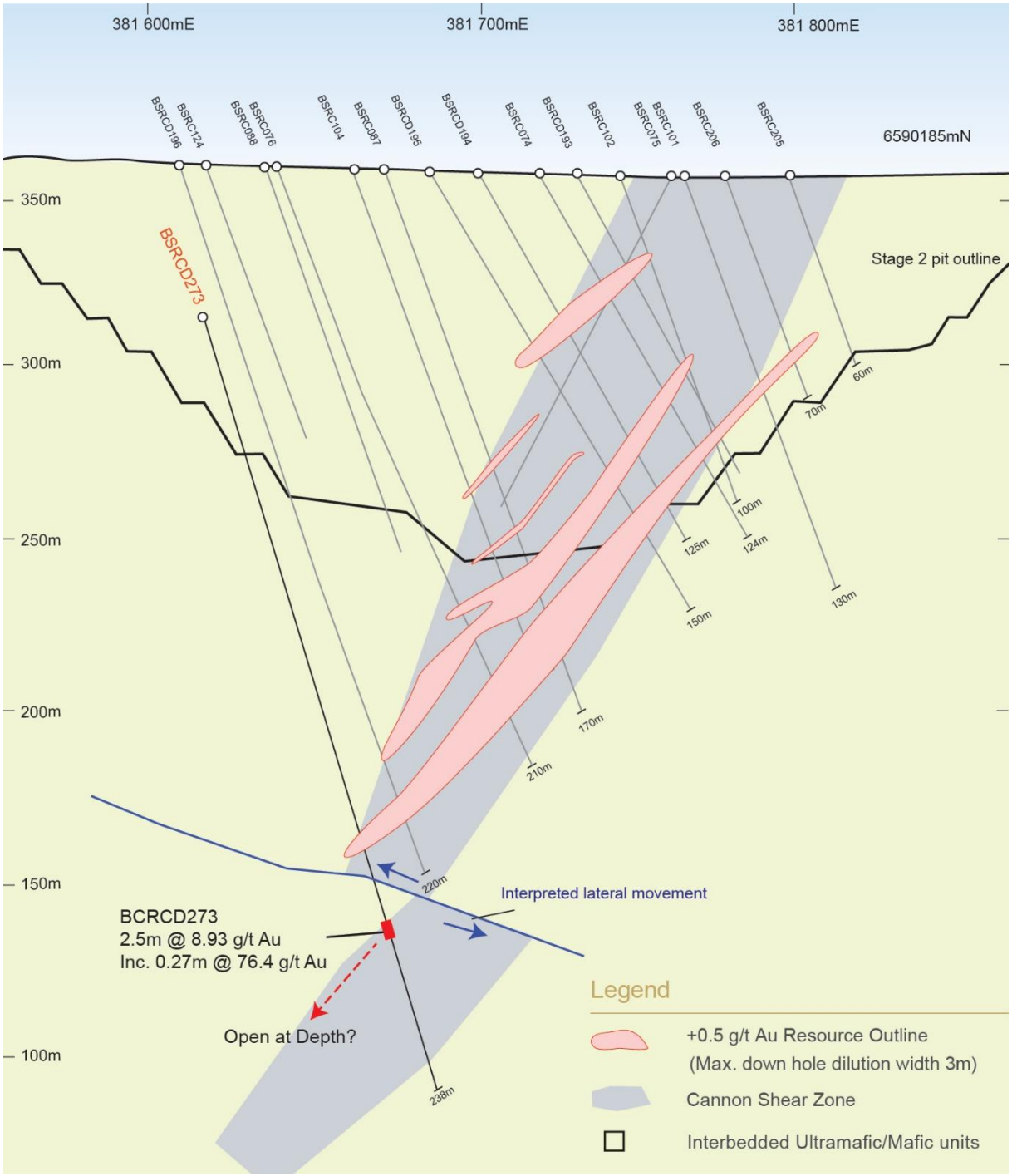


Figure 4: Schematic of section 6590185mN showing interpreted lateral offset on north plunging fault



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).

In addition to its cornerstone position in Kalgoorlie, Southern Gold has recently acquired a portfolio of high grade gold projects in South Korea. These projects are a mix of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold targets. The aim is to move one or more of the orogenic gold mines into production in the medium term as well as test for world-class epithermal gold deposits.

Competent Person's Statements

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

The information in this report that relates to Cannon Mineral Resources is based on information compiled by Mr Ian Blucher (MAusIMM). Mr Blucher is an employee of Southern Gold Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC, 2012). Mr Blucher consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Forward-looking statements

Some statements in this release regarding estimates or future events are forward looking statements. These may include, without limitation:

- *Estimates of future cash flows, the sensitivity of cash flows to metal prices and foreign exchange rate movements;*
- *Estimates of future metal production; and*
- *Estimates of the resource base and statements regarding future exploration results.*

Such forward looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. Such statements are expressed in good faith and believed to have a reasonable basis. However the estimates are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from estimated results.

All reasonable efforts have been made to provide accurate information, but the Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, except as may be required under applicable laws. Recipients should make their own enquiries in relation to any investment decisions from a licensed investment advisor.

Appendix 1: Drilling Details

Hole ID	MGA East	MGA North	AHD RL	Total Depth (m)	Azimuth MGA	Dip
BSRCD265	381585	6590109	315	195.7	90	-75
BSRCD266	381585	6590080	315	128.7	95	-55
BSRCD267	381585	6590085	315	153.6	120	-65
BSRCD268	381590	6590087	315	183.5	95	-75
BSRCD269	381605	6590115	315	189.3	90	-70
BSRCD270	381595	6590155	315	238.8	90	-75
BSRCD271	381605	6590175	315	217.5	90	-70
BSRCD272	381596	6590090	315	137	90	-65
BSRCD273	381617	6590194	315	237.7	90	-75
BSRCD274	381600	6590085	315	141.4	140	-55

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 (eg 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.*	• *Pre-collars were sampled using face sampling reverse circulation (RC) percussion drilling. Diamond tails were NQ3 core. One hole (BSRCD273) was drilled with NQ2 core followed by NQ3.* • *RC drill holes were sampled at 1m intervals via a cone-splitter connected via a cyclone directly to the drill stream. Diamond core was sampled at intervals no greater than 1.25m and no less than 0.25m. Sampling did not cross lithological boundaries.* • *Individual RC drilling samples were cone split from the drill rig and collected into pre-numbered calico bags. Diamond core was sampled as half core.* • *Each sample was completely pulverised for multi-element analysis to produce a 40g charge for fire assay.*
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg 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).*	• *Face sampling reverse circulation percussion drilling, NQ2 and NQ3 diamond core were the drilling techniques used.* • *Holes were surveyed by Gyro tool (Reflex EZ Gyro) in the rod stream by DDH1 Drilling of Perth, WA.*
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.*	• *Sampling intervals during RC drilling were routinely checked by comparing the position of the drill rod against the sample bag being filled. Diamond core recovery was reconciled using a tape measure and driller's markings.* • *Drilling of diamond core and RC holes were conducted with machinery and using drilling techniques appropriate to the terrain and with drillers experienced in the area.* • *Sample loss was kept to a minimum by good sampling practices.* • *Cone splitting of RC holes and informed sampling of diamond core provided good representation of the intervals sampled.* • *No recovery issues were identified with the RC or core drilling. Loss of fines at the cyclone was minimal and is not considered to have had a significant effect on sample recovery. Core recovery was very close to 100%.* • *No relationship has been noted between sample recovery and grade. Overall, sample recoveries were very high and did not present a problem.*

Criteria	JORC Code explanation	Commentary
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 drill holes have been geologically logged by Company geologists using a standard format over the whole length of each hole. Features for each sample or geological interval recorded, where observable, included weathering, lithology, alteration mineralogy, structural information, mineralisation mineralogy, veining, vein mineralogy and proportions of non-economic minerals.* • *Geological logging recorded factual data (e.g. colour, grain size, percentage of identifiable minerals present) and interpretative data (e.g. lithology).* • *A subsample of washed and sieved RC chips from each metre was collected and stored sequentially in numbered plastic chip trays. Chips trays representing each RC drill hole are stored in the Company's head office in Adelaide. Diamond core was sampled as half core with the remaining half stored at the company's facilities in Kalgoorlie.*
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.*	• *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. Diamond core was cut using a core saw and sampled as half core.* • *Samples were taken dry.* • *Sample size presented for analysis was approximately 2kg.* • *Preparation and analysis of samples was undertaken by Bureau Veritas Australia at their Kalgoorlie, Kalassay laboratory.* • *Samples were pulverised to 85% passing 75 micron.* • *Field duplicates were collected at every 20th metre mark on each hole 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.*	• *Gold was analysed by Bureau Veritas method FA40AAS, consisting of a 40g charge fire assay followed by atomic absorption spectroscopy at a detection limit of 0.01ppm Au (gold). No strong nugget effect was observed in repeated assays and screening of samples prior to fire assay was not considered necessary. A four acid digest was used to produce a solution which was then analysed for a multi-element suite with detection by mass spectrometer or optical emission spectral (MA201) methods.* • *No data from geophysical tools were used to determine grade control assay results.*

Criteria	JORC Code explanation	Commentary
		• *The QAQC protocol used consisted of certified reference materials plus blanks, each inserted at a rate of 1:20.* • *Field duplicates were collected every 20th metre mark and results compared well.* • *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.*
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 (Mr Ian Blucher).* • *Twinned holes have not been drilled.* • *All sampling data is recorded on computer spreadsheets or by hand onto logging sheets and re-checked before submission to the lab. Data is then entered into digital form and stored on the Company database after validation. Original logging sheets are filed in the Company's Head Office in Adelaide.* • *The assay database is stored securely on the Company's server which is backed up routinely both on and offsite.* • *No adjustments are made to the assay data after review of QAQC measures as stated above.*
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.*	• *Drill hole collar positions have been surveyed by Differential GPS to an accuracy of +/- 0.1m.* • *Holes were surveyed by Gyro tool (Reflex EZ Gyro) in the rod stream by DDH1 Drilling of Perth, WA.* • *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 area is provided by SRTM data and mine site surveying.*
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.*	• *The average drill hole spacing was approximately 20m on five drill lines.* • *No Mineral Resource has been calculated.* • *Sample compositing has not 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.*	• *Oriented core measurements show that drilling is at a high enough angle to lithological boundaries and structural trends to indicate that sampling is unbiased by the direction of drilling.* • *Not applicable.*

Criteria	JORC Code explanation	Commentary
Sample security	• *The measures taken to ensure sample security.*	• *RC samples are placed into pre-numbered calico bags directly from the splitter under the supervision of the rig geologist. Core is cut and sampled in a secure facility.* • *The geologist places the calicos bags containing the samples into polyweave bags and transports them to the sample preparation laboratory where a sample submission form is completed. The details entered onto the sample submission form are the means by which the samples are tracked through the laboratory.* • *The laboratory provides the Company with a reconciliation of samples submitted compared to samples received.*
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 licence to operate in the area.*	• *The Cannon Gold Mine is secured by M25/333 and is located ca. 30km E of Kalgoorlie, WA.* • *The tenement is held by Southern Gold Ltd.* • *There are no material issues with third parties.* • *There are no known impediments to obtaining a licence to operate.*
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• *The Cannon Mine was discovered and drilled out to Resource stage by Southern Gold Ltd.*
Geology	• *Deposit type, geological setting and style of mineralisation.*	• *Exploration is targeting extensions of the Cannon orebody which is lode-style gold mineralisation in the greenstone and associated units of the area.*
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 metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth	• *A summary of exploration results showing the range of downhole intercept widths and associated grades is shown in Table 1 of this release.*

Criteria	JORC Code explanation	Commentary
	○ 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.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg 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 weighting average techniques or grade aggregations have been reported in this release in relation to Exploration Results.* • *No metal equivalent values have been reported.*
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 (eg 'down hole length, true width not known').*	• *Structural measurements indicate drill direction is at a high enough angle to lithological contacts and structural trends as to provide non-biased sampling.*
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.*	• *No significant discovery has been reported.*
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.*	• *Results from all holes have been reported.*
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.*