



Issued Shares: 46.4M  
Share Price: \$0.295  
Market Capitalisation: \$13.7m  
Unaudited Cash Est.: \$5.5m  
Debt: Nil  
**Enterprise Value: \$8.2m**

**Directors**

Greg Boulton AM (Chair)  
Simon Mitchell (MD)  
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## Quarterly Activities Report

31 March 2017

**Key Points**

- **Cash building in the company:** \$7.5m received in March quarter, all debt repaid and another \$3 million received late April;
- **Drilling season commenced:** drilling at Glandore Project, WA, and at Weolyu Project, South Korea, commenced March-April;
- **Mapping unearthing new targets:** fieldwork in March has unearthed encouraging results at both Weolyu and Kochang.

**Cannon Gold Mine**

- Quarterly production of 17,898oz Au from the seventh and eighth processing campaigns with metallurgical recovery averaging 90.55%.

**Exploration – Australia**

- Several drill targets being identified at multiple projects.
- Excellent progress at the Glandore Gold Project with Aboriginal heritage surveys allowing exploration to proceed.
- Diamond drilling at Glandore commenced.

**Exploration – South Korea**

- Expert geological consultants completed second field programs:
  - Weolyu new rock samples show very encouraging epithermal textures, assays pending;
  - Kochang new rock samples on veins show >1km strike length extents on parallel veins, assays pending.
- Commencement of diamond core drilling at Weolyu South.

**Corporate**

- Cash position at quarter end was \$2.8 million with further \$3.0 million received in late April taking **current cash balance to around \$5.5 million.**

**Upcoming Quarterly Outlook**

- Small underground adit to commence at Cannon in the coming quarter and work on broader underground mining opportunities to be developed.
- Approximately 4koz Au expected to be produced at the Cannon Mine.
- Complete drill programmes at Glandore, WA and Weolyu, South Korea.

## Cannon Gold Mine

### Mine Operations

Open pit mining at Southern Gold's flagship Cannon Mine, 35km east of Kalgoorlie, WA, was completed during the March quarter. The Cannon Open Pit Mine is being financed and operated by development partner Westgold Resources Ltd ('Westgold') in a profit share arrangement, with both parties entitled to 50% of the profits after repayment of costs which are charged on an "at-cost open book" basis by Westgold.

Mining progress during the quarter was delayed by movement of waste material derived from localised failures on the eastern wall which resulted in access to portions of high grade blocks at the southern end of the open pit being restricted due to safety concerns. Access to the base of the pit to enable the mining of the remaining ore blocks was achieved through developing a new ramp at 1 in 6 and the placement of waste rock to stabilise the pit wall. The ore remaining within the open pit design, but not accessible due to access issues, will be mined from a short adit to be developed at the southern end of the Cannon open pit. Permitting to enable the adit to be constructed was underway with the Western Australian Department of Mines and Petroleum at the end of the quarter and it is anticipated that mining of ore accessible from the adit will be completed by the end of the June quarter.

**Photo 1:** Cannon open pit looking north at completion of mining (30<sup>th</sup> March, 2017)



Significant mining statistics (**Table 1**) for the March quarter include:

- Mine operations saw the pit developed from the 257mRL down to the 246mRL;
- Heavy rain impacted on mining and haulage schedules which combined with geotechnical issues have pushed the final extraction of ore from the open pit to late in the March quarter;
- The ongoing, localised instability on the eastern walls required regular monitoring of all pit walls and the placement of backfill to stabilize the ramp;
- Access to the base of the pit was maintained through the implementation of a 1 in 6 ramp coupled with the use of 40t articulated trucks;
- Open pit mining was completed on 30 March 2017;
- Preparatory works for commencement of the adit at the southern end of the Cannon pit completed (**Photo 2**);
- No lost time injuries were recorded.

**Table 1:** Cannon Mining Actuals vs Budget Forecast for Q1CY17 (M25/333 Only)

	Actual	Budget	Variance	Variance%
Total BCM Moved	110,758	60,203	50,555	+84.0
Ore Mined tonnes	102,833	53,288	49,545	+93.0
Ore Mined g/t	3.08	5.48	-2.40	-56.2
Ore Mined oz	10,190	9,385	805	+8.6

**Photo 2:** Portal Location of Adit, base of Cannon open pit (looking south)



The seventh and eight processing campaigns of ore from the Cannon Gold Mine were completed during the quarter with metallurgical recovery continuing to be ahead of budget (90.55%, see **Table 2** below).

**Table 2:** Cannon December Quarter (Campaign 5+6) and Project to Date Processing Statistics

		Campaign 7	Campaign 8	Qtr	Qtr Guidance	Qtr Variance+%	Project to Date
Ore Milled	tonnes	136,272	40,810	177,082	150,000	+18%	<b>555,290</b>
Head Grade	g/t Au	3.59	3.08	3.47	~4	-13%	<b>2.96</b>
Recovery	%	90.67	90.10	90.55	90%	+0.6%	<b>91.10</b>
Gold Produced	Oz.	14,257	3,641	17,898	17,000	+5.3%	<b>48,217</b>

A summary of the gold campaigns to this point are provided in **Table 3** and highlight the consistently excellent recovery achieved by the SKO Jubilee mill.

**Table 3:** Cannon Gold Production by Campaign (1 to 8)

	1	2	3	4	5	6	7	8	PTD
Tonnes	86,333	43,790	33,704	73,751	49,203	91,426	136,272	40,810	<b>555,290</b>
Gold (oz)	6,474	3,505	2,095	5,588	4,372	8,286	14,257	3,641	<b>48,217</b>
Mill Grade (g/t)	2.57	2.68	2.09	2.57	3.03	3.10	3.59	3.08	<b>2.96</b>
Recovery (%)	90.92	92.85	92.49	91.71	91.17	90.91	90.67	90.1	<b>91.1</b>

The project is on track to complete mining in the June 2017 quarter (the small adit being the final phase of the open pit extraction) and ore processing should also be completed in the June 2017 quarter. The approximate production guidance provided in **Table 4** below gives an indication of Southern Gold's expectations over the June 2017 quarter.

**Table 4:** Approximate Cannon Forward Gold Production Guidance to 30 June 2017

		June Qtr
Ore Milled	tonnes	<b>35,000</b>
Head Grade	g/t Au	<b>~4</b>
Recovery	%	<b>90%</b>
Gold Produced	Oz.	<b>~4koz</b>

The Cannon Operations Committee resolved to pay further net profit distributions of \$11 million, or \$5.5 million to each of Southern Gold and Westgold Resources during the quarter. See Corporate section below for further details.

### Evaluation of Cannon Orebody at Depth

Design of a drill programme for testing structural models for delineating the high grade shoots within the ore zones known to exist beneath the pit floor is ongoing, with drilling anticipated to commence once mining of the remnant ore from the adit from the base of the pit has been completed.

Successful implementation of this programme is anticipated to enable a modest scale resource amenable to underground extraction to be defined.



## Exploration – Australia

### Glandore Farm In and JV

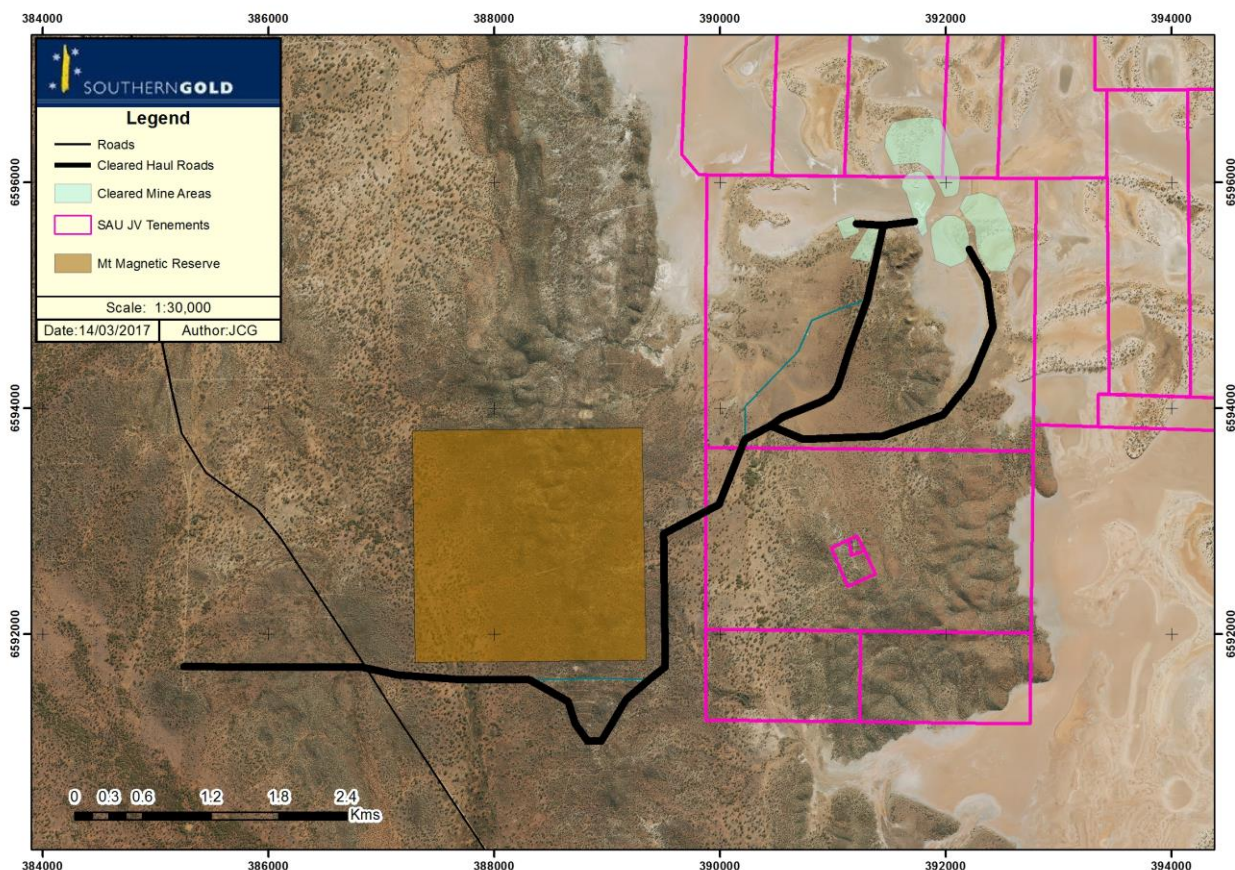
All heritage and archaeology surveys were completed during the quarter, within the registered heritage Sites DAA 30602 “Lake Yindarlgooda Mammu Tjukurrpa”. These surveys will enable Section 18 Ministerial consent to disturb a heritage site application to be submitted in the next quarter (**Figure 1**).

The planned diamond drilling programme on the Doughnut Jimmy and Lavaeolus prospects was able to commence in the second quarter of 2017. Pending positive results from this programme, an infill RC drilling campaign is being planned which will enable the definition of a Resource defined in accordance with the JORC code.

Diamond drill core from five historical diamond drill holes was retrieved from the temporary core store on Hampton Hill Station. These were examined, in light of previous interpretations, to aid in planning the upcoming drilling program. This work is ongoing.

Mapping and rock chip sampling of vein systems and historic workings is also ongoing in an effort to build a more accurate database of geological information across the Glandore Prospects. Several new targets have already been defined from early stages of this process.

**Figure 1:** Glandore areas cleared (proposed mine and haul road areas) for exploration and mining in the November 2016 to March 2017 heritage survey.



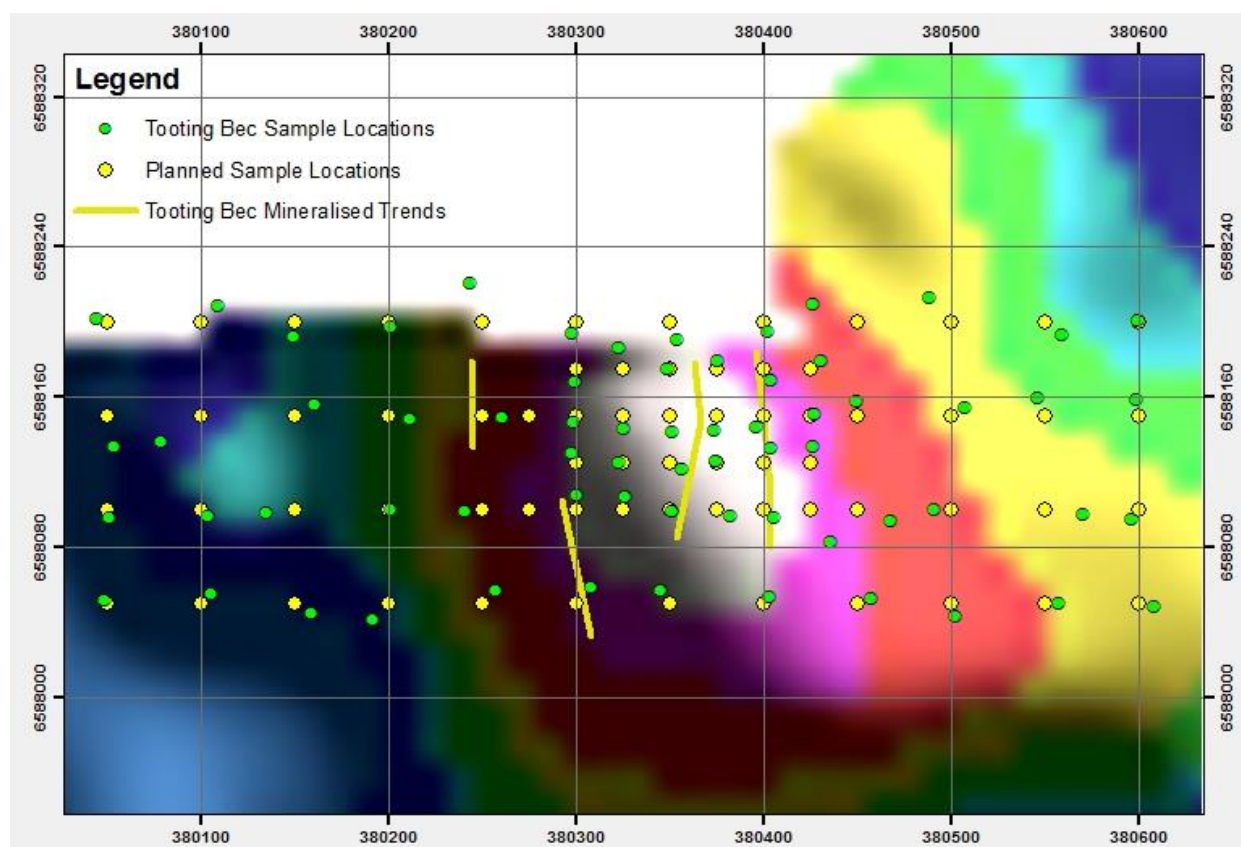
## Bulong Soil Sampling Trial

Southern Gold has completed the collection of geochemical sample media over mineralisation at Tooting Bec. The program covered 66 sites, with 64 biogeochemical samples collected and submitted and 228 soil samples with standards and blanks (ultrafine, interface and partial leach) collected and submitted (**Figure 2**).

Results of the program are pending and once evaluated it is anticipated that the program will be extended during the next quarter, covering the wider Tooting Bec area, Arsenal North-East, Hammersmith and Transfind areas.

Regolith-landform mapping is being undertaken to support the interpretation of the results of this geochemical program. This ongoing project aims to cover the majority of the Bulong project area by the end of 2017.

**Figure 2:** Tooting Bec trial biogeochemistry sample locations with respect to the pre-existing auger geochemistry (Au ppb).



## Cowarna Project

Planning continued on a follow-up RAB drilling program at the Bamf and Nightcrawler anomalies. The drill program will consist of 2-3 drill transects, of 20m spaced holes, angled at -60° towards 040°, at each of the Bamf and Nightcrawler anomalies. This drilling program will determine if there is significant, shallow Au mineralisation, the geometry of the local geology, and location of the prospective Maxwells Banded Iron Formation (BIF) Member.



Further programs of hand auger sampling will be undertaken across several target areas in the Cowarna project in the second half of the year.

A deep (>300m) Reverse Circulation drilling program on the Pryde and Logan targets will also be conducted in the second half of the year once modelling of the magnetics to refine targets has been completed.

### Bulong Gold Project Regional Exploration – CSIRO Hyperspectral Research project

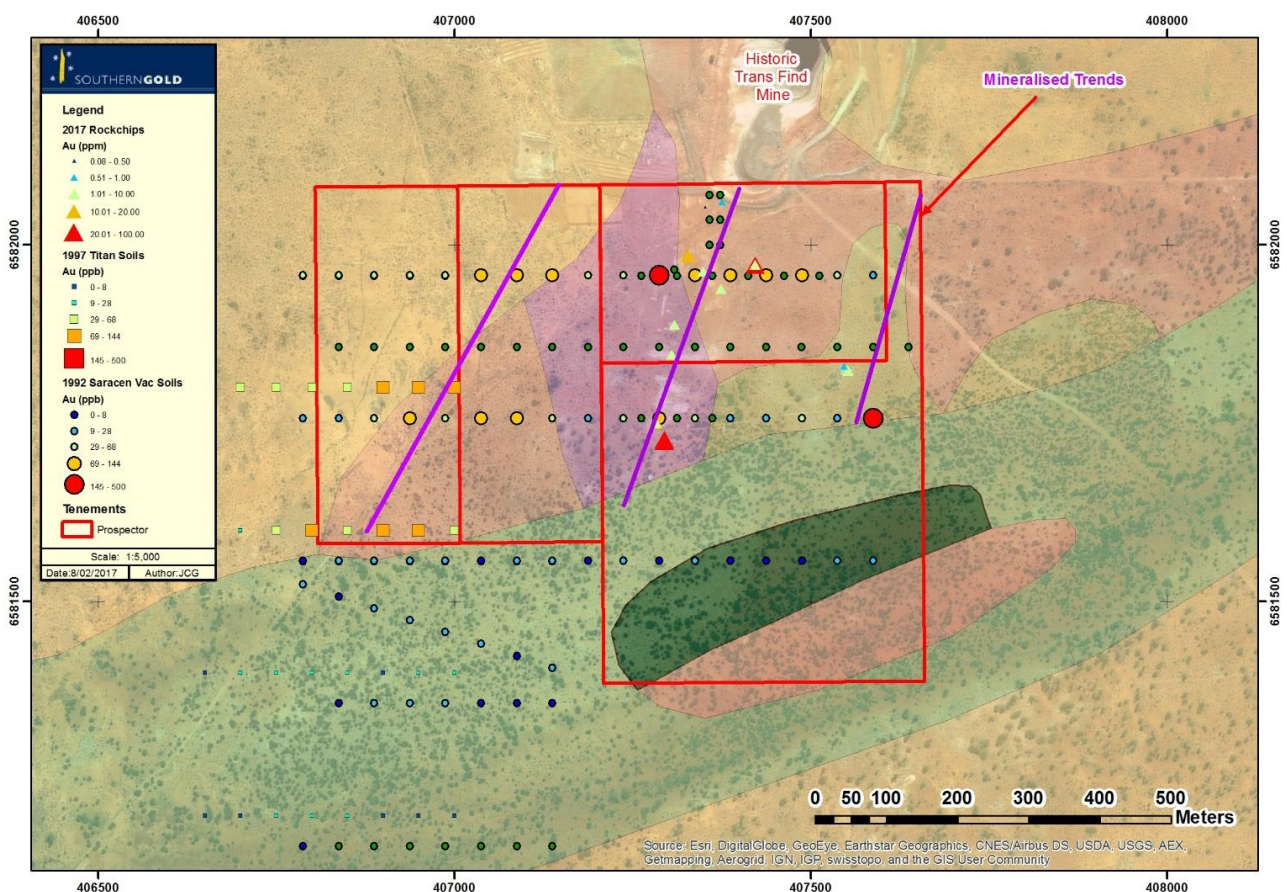
The Hyperspectral research project being conducted in collaboration with CSIRO is scheduled to conclude at the end of May 2017. The project was extended due to difficulties in flying the HyVista regional survey across the Bulong region. This was completed at the end of March and the data is currently being processed.

### Transfind Project

A JV agreement was entered into on four Prospecting Licenses on the southern side of the historic Transfind Pit (**Figure 3**). Preliminary rock chip sampling of surface and underground workings has confirmed the extension of high grade mineralised veining and alteration onto these tenements.

A detailed soil sampling program using the most suitable method (as determined by the Tooting Bec trial program) will be undertaken as soon as the analysis of the trial is complete. This will be followed up with an RC drilling program before the end of the year.

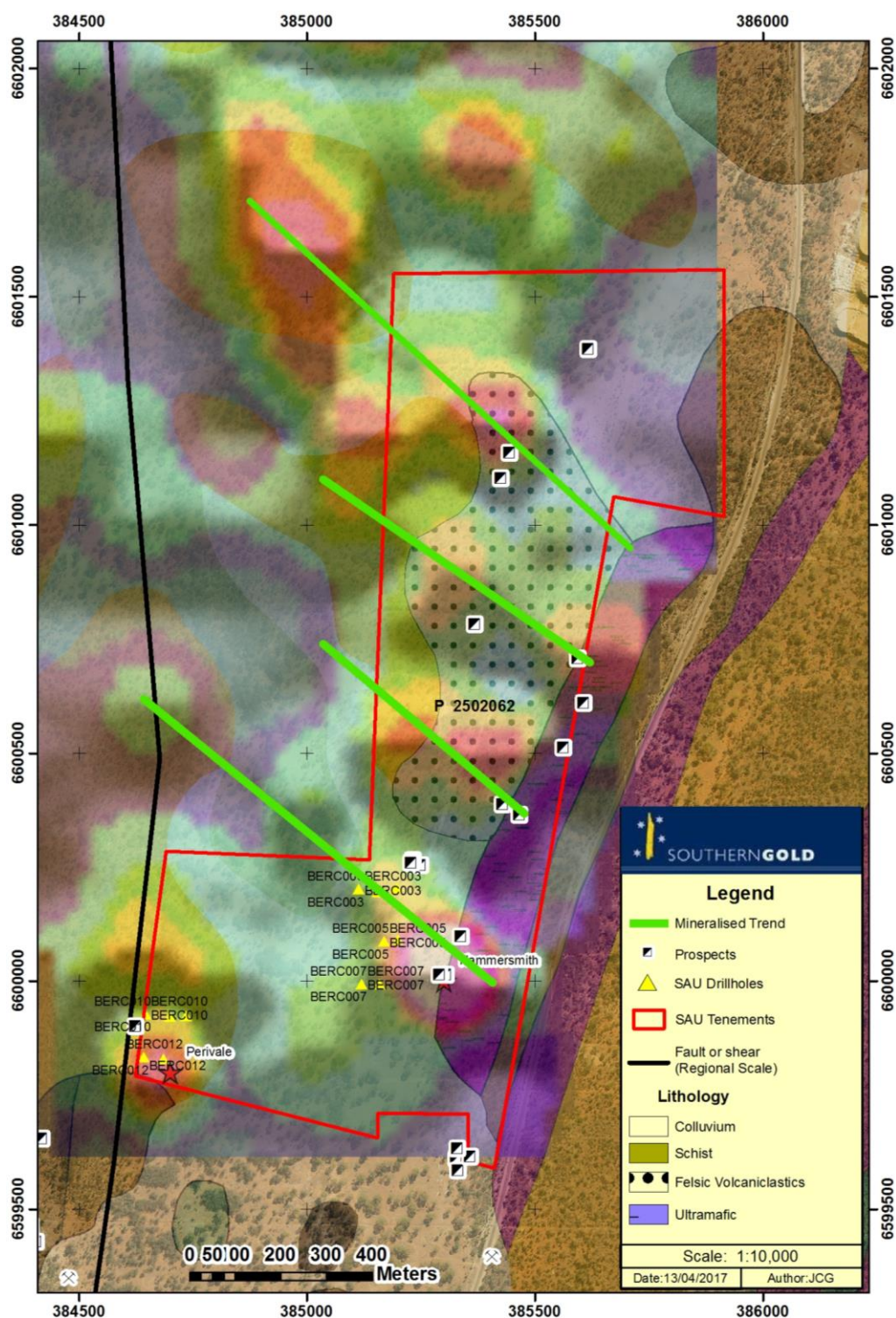
**Figure 3: Historic Rock Chip/Soil results at Transfind.**



## Hammersmith and Perivale Projects (Tenement P25/2062)

Mapping and sampling is underway on this tenement (P25/2062) as review of the previous work has shown that significant anomalous geochemistry was not adequately tested with the original drilling program (**Figure 4**). Results of rock chip sampling are being compiled with historic exploration data to define new drill targets to be tested in the second half of the year.

**Figure 4: Hammersmith/Perivale Geochemistry**





## Exploration – South Korean Gold

### Weolyu

An expert consultant in volcanic rocks and epithermal systems has completed a second program of detailed field work at Weolyu. In addition to previously reported outcomes from field work undertaken in November 2016 (ASX release: 12 Dec 2016), new “mineralised” corridors have been identified to the previously reported Summit, Moonlight, and Mystery Vein Zones. The March 2017 field mapping has also taken 116 new rock samples for assay – slabs of these samples show encouraging epithermal vein textures indicative of mineralisation (**Photo 3**, assays pending).

**Photo 3:** New rock slabs from Weolyu mapping as of March 2017. *Left: KRS202077. Right: KRS202079.*



Core drilling at Weolyu South is imminent, with up to 6 holes for 1,400m to be drilled. The program is the first known drilling at Weolyu South and is targeting the along-strike and down-dip extensions to mapped and sampled veins at surface.

A number of external service providers are to provide quotation for services to secure safe underground access at Weolyu South, including relevant approvals to progress underground development including blasting. Southern Gold is reviewing options to decide the best cost-effective and safe, efficient, fit-for-purpose method to proceed.

### Kochang

New field mapping in March 2017 has identified multiple strike parallel veins from Kochang Gold Mine in the east, through to Kochang Silver Mine in the west (i.e. what has previously been referred to as “Kochang Gap” or “KCGap”). Parallel veins in outcrop over 1km strike length, some showing vein zone widths of up to 0.5m, with wider alteration selvages of 0.5m in hangingwall and footwall host rocks. Assays are pending on 99 new rock samples taken, mostly on in-situ veining, across the Kochang project area.

## Corporate

The Cannon Operations Committee resolved to pay further net profit distributions of \$11 million, or \$5.5 million to each of Southern Gold and Westgold Resources during the quarter. Southern Gold applied \$1.2m of these distributions to the remaining balance of the Westgold working capital facility and a further \$1m to the “Convertible Debt” facility which has also been fully repaid.

Subsequent to quarter end, the fifth Cannon net profit distribution paid to Southern Gold in April was \$3.0 million.

Southern Gold’s cash position on 31 March 2017 was approximately \$2.8 million. With the addition of \$3.0 million in April, **Southern Gold’s current cash position is approximately \$5.5 million and another net profit distribution is expected in June/July post completion of mining operations.**

## Recent ASX Releases

- |  |                  |
|--|------------------|
| • Fifth Cannon Mine Profit Distribution \$3m Received            | 26 April 2017    |
| • Cannon Gold Mine – 8 <sup>th</sup> Processing Campaign Results | 24 April 2017    |
| • Drill Operations Update  | 12 April 2017    |
| • ERA Research Report  | 11 April 2017    |
| • Sale Facility for Unmarketable Holdings                        | 7 April 2017     |
| • Fourth Cannon Mine Profit Distribution \$2m Received           | 28 March 2017    |
| • Farm In and JV at Gubong and Taechang Projects South Korea     | 27 March 2017    |
| • Cannon Gold Mine – 7 <sup>th</sup> Processing Campaign Results | 8 March 2017     |
| • Gold Hedge Executed  | 6 March 2017     |
| • Half Year Financial Report 31 December 2016                    | 1 March 2017     |
| • Third Cannon Profit Distribution \$2m Received                 | 28 February 2017 |
| • Second Cannon Profit Distribution \$1.5m Received              | 24 January 2017  |
| • Option Secured on High Grade WA Gold Project (Transfind)       | 18 January 2017  |

### 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 Westgold Resources Ltd financing and developing the deposit under a 50/50 profit share arrangement. Westgold 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 owns a portfolio of high grade gold projects in South Korea. These projects are a combination of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold targets. Southern Gold's 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 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

SOUTHERN GOLD LIMITED

### ABN

30 107 424 519

### Quarter ended ("current quarter")

31 MARCH 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(615)	(1,536)
(b) development	-	-
(c) production	(76)	(504)
(d) staff costs	(171)	(589)
(e) administration and corporate costs	(480)	(1,368)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	(292)	(292)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	299	299
1.8 Other (Distributions from Cannon)	5,500	7,500
<b>1.9 Net cash from / (used in) operating activities</b>	<b>4,166</b>	<b>3,514</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(80)	(117)
(b) tenements (see item 10)	-	-
(c) investments	-	(116)
(d) other non-current assets	(49)	(49)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(129)</b>	<b>(282)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	1,200
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(13)
3.5	Proceeds from borrowings	-	500
3.6	Repayment of borrowings	(1,967)	(3,467)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(1,967)</b>	<b>(1,780)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	824	1,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4,166	3,514
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(129)	(282)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,967)	(1,780)
4.5	Effect of movement in exchange rates on cash held	2	2
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,896</b>	<b>2,896</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	251	173
5.2 Call deposits	2,645	651
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,896</b>	<b>824</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
115
-

The amount at 6.1 comprises Director fees paid to Directors, or related entities of the Directors, during the quarter.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-



## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Add notes as necessary for an understanding of the position</i>		
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(1,232)
9.2 Development	-
9.3 Production	(77)
9.4 Staff costs	(264)
9.5 Administration and corporate costs	(242)
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>(1,815)</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

## Mining exploration entity and oil and gas exploration entity quarterly report

- 1 This statement has been prepared in accordance with accounting standards and policies which  
comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Date: ...27 April 2017.....

Print name: .....Dan Hill.....

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.