



Higher Net Profit at Cannon Gold Mine

- New review shows that at current gold price of A\$1,750/oz net profit guidance increases from A\$14.9m to A\$17.2m
- Cash distribution, net of debt facility to Metals X, becomes A\$14.5m to Southern Gold between Dec'16 and Mar'17
- Update follows revised physicals, operating costs, open pit performance and metallurgical recoveries achieved to date

Cannon Open Pit Gold Mine in WA Moves into Cash Generating Phase

Australian gold producer, Southern Gold Ltd ("Southern Gold"), is pleased to announce an improved net profit outcome for the Cannon gold mine, an open pit operation located 30km east of Kalgoorlie in Western Australia (**Figure 1**). The mine is being operated by Metals X Ltd ("Metals X") in a 50/50 profit share arrangement with Southern Gold.

A major cutback at the pit has been completed and the significant ore zone in the lower half of the pit is now being mined. As a result, Cannon Mine ore processing has now recommenced at South Kalgoorlie Operation's Jubilee Mill ("SKO") with the mine now entering into the final phase where the majority of the in-pit gold will be recovered over the next 7 months.

Recent operational performance, in particular the higher than budgeted metallurgical recovery rates achieved at SKO, and a revision of Cannon's ore block model based on recent grade control drilling, has resulted in an improved overall gold recovered estimate, lower operational costs on a per ounce basis and higher net cash generation (**Table 1**).

Table 1: Comparison of Previous Base Case and Current Base Case for Cannon Mine

	Previous Base Case	Current Base Case
Tonnes Mined, tonnes	479,000	542,000
Fully Diluted Head Grade, g/t Au	3.77	3.32
Mined Gold Ounces, koz Au	58.0	57.9
Life of Mine Recovery, %	86.3	89.0
Recovered Gold Ounces, koz Au	50.0	51.5
Total Cash Cost, incl Capex, A\$	A\$1,037	A\$995
Gold Price Assumption, A\$/oz	A\$1,500	A\$1,600
Fixed Gold Price Component	20koz @ A\$1,530	20koz @ A\$1,530
Net Profit (100% Basis)	\$23.2m	\$29.8m
Net Profit to Southern Gold (50%)	\$11.6m	\$14.9m

At the current gold price of A\$1,750/oz the net profit (50% basis) attributable to Southern Gold from Cannon increases from A\$14.9m to A\$17.2m and the cash distribution, net of the debt facility owed to Metals X, becomes A\$14.5m.

Shares

ASX Code: SAU

Issued: 42.9M

Placement: 3.43M*

Shares Post Placement: 46.33M

**Placement subject to shareholder approval on 21 September*

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Photo: Cannon Mine Fleet
Cat 777F 100 tonne trucks

The Cannon open pit is now entering a phase where the majority of the gold ore is extracted and processed over the next 7 months (**Table 2**). Assuming no disruptions to the mine schedule, open pit mining will complete during December 2016 with stockpiled ore processed until the end of March 2017. The project is cumulative cash flow positive in November and cash distributions to MLX and Southern Gold will occur on completion of mining during the December 2016 to March 2017 period. Quarterly production guidance is as follows:

Table 2: Cannon Forward Gold Production Guidance to 31 March 2017 and Processed to Date

		Sept Qtr 2016	Dec Qtr 2016	Mar Qtr 2017	Total FY17	Processed to Date	Total Life of Mine
Ore Milled	tonnes	102,000	110,000	167,000	379,000	163,828	542,454
Head Grade	g/t Au	~3.1	~4.8	~3.3	~3.7	2.50	3.32
Recovery	%	88%	88%	88%	88%	91.7%	89%
Gold Produced	Oz.	8,961	14,832	15,677	39,469	12,073	51,543

Note: minor differences may appear due to rounding

Managing Directors Comment

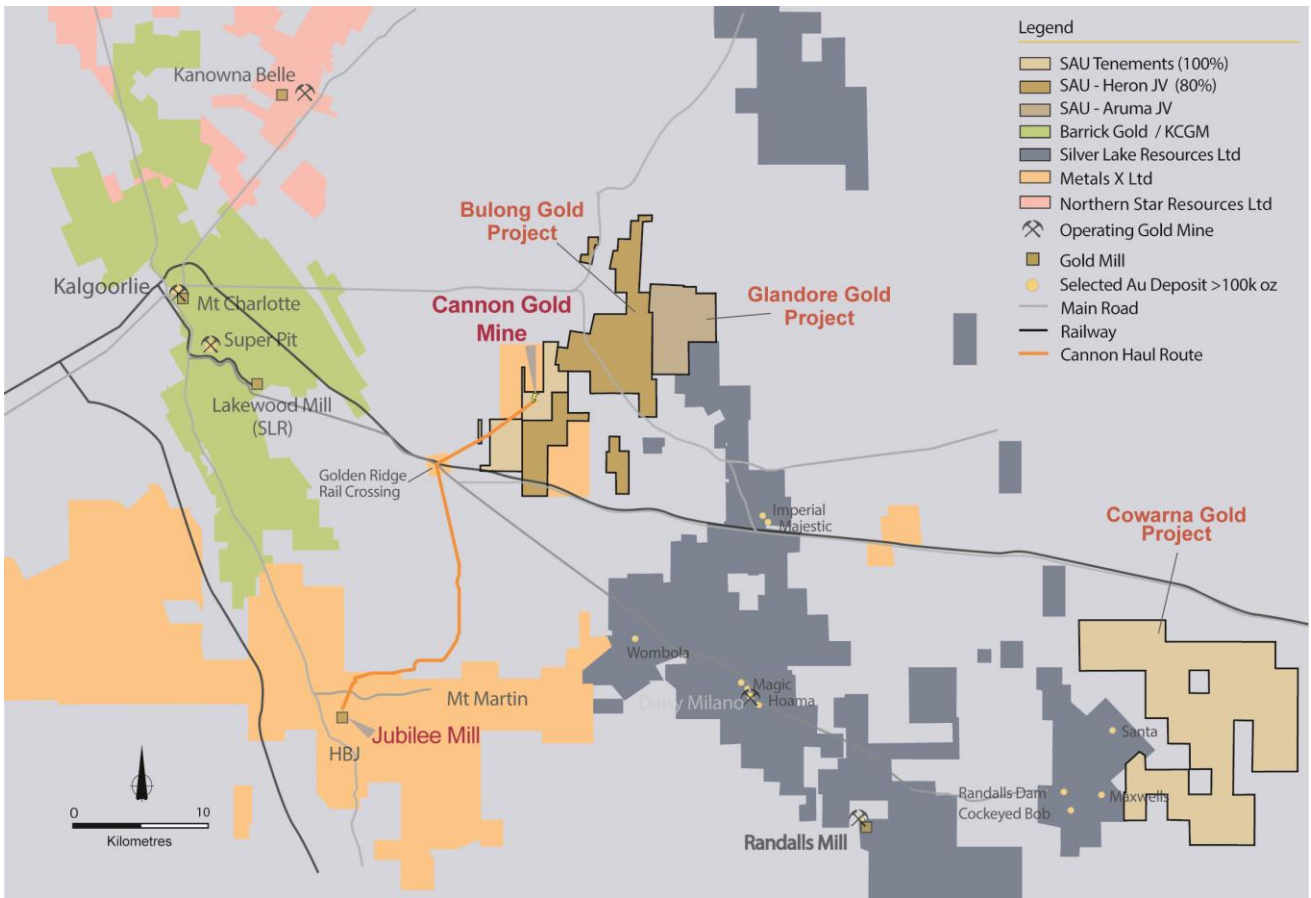
Southern Gold Managing Director, Mr Simon Mitchell: “We are very pleased with progress at the Cannon Gold Mine, with minimal schedule slippage, even with the high level of rainfall which has caused some disruption, and with good work being done by the Metals X team in pit and at the Jubilee Mill. Broadly speaking Southern Gold appears to be well on track to previous guidance, potentially exceeding it and with the tail wind of the higher gold price cash flow to Southern Gold should well and truly exceed previous forecasts. It is particularly pleasing to see the total cost base drop below A\$1,000/oz.

“Given the brownfield and greenfield asset base outside Cannon, Southern Gold will continue to emerge over the next 12 months as a solid ASX listed gold play with significant cash backing, a strategic land position in an iconic Australian gold region and potential for additional mine projects both at Kalgoorlie and our new push into a unique and significant portfolio of vastly underexplored or developed high grade gold projects in South Korea.”

Cannon Mine, late July 2016



Figure 1: Location of Cannon with respect to Kalgoorlie and SAU's other gold projects



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.