


Shares

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Cannon Mine – Third Processing Campaign

- 2,095 oz gold produced in June from transitional ore
- 92.49% recovery achieved – again, well ahead of budget

June Processing Campaign

Results of the third processing campaign of ore treated from the Cannon Gold Mine during June 2016 are reported below. The mine is managed by development partner Metals X Ltd (ASX Code “MLX”) with ore being treated at their South Kalgoorlie Operations (SKO) Jubilee plant, approximately 35km to the south west.

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

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

		June Campaign	Total To-date
Tonnes Milled (dry)	tonnes	33,704	163,827
Mill Head Grade	Au g/t	2.09	2.50
Recovery	%	92.49%	91.75%
Gold Produced	oz. Au	2,095	12,074

The June campaign gold grade of 2.09g/t, while lower than previous head grade levels, is in line with expectations given ore from this parcel was primarily lower grade blocks in the cutback between the Stage 1 and Stage 2 pits. Gold grades are expected to improve as deeper parts of the orebody are accessed with a projected remaining average gold grade for the open pit of 3.84g/t Au.

A total of approximately 14,600t @ 2.67g/t Au was unable to be processed due to wet weather halting transport from the Cannon ROM. This material will constitute part of the next batch, currently scheduled for August 2016 at which point processing is anticipated to be relatively continuous until March 2017.

Reconciliation between mill, mine and reserve continues to be excellent.

Southern Gold is very pleased with the continuing excellent recovery achieved in this campaign of 92.5%, reflecting adjustments made at the Jubilee mill. The previously reported ‘Life of Mine’ metallurgical recovery estimate by Metals X was 86.3%.

Under the base case financial model and **assuming a 90% Life of Mine metallurgical recovery factor and assuming a spot gold price of A\$1795/oz (spot price at time of writing is \$1799/oz) net profit attributable to Southern Gold is projected to be A\$17.2 million, the equivalent of \$0.47/Southern Gold share.** Actual cash distribution to Southern Gold is scheduled for December 2016 to March 2017 and will be net of MLX debt repayments currently estimated to be \$2.18m, or \$0.06/share, implying total net open pit ‘Life of Mine’ cash of \$0.41/share.

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 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.