



ASX Code: SAU
Issued Shares: 346M
ABN: 30 107 424 519

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Top Shareholders

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G B Branch Pty Ltd 7.6%
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Quarterly Activity Report - March 2013

Pre-Feasibility Study (Bulong Gold Project, WA)

- Advanced progress on pre-feasibility study for the development of the Cannon Gold Resource (812,000t @ 3.9g/t Au for 100,400 ounces of gold) as a potential toll treatment operation.
- An upgraded resource grade of 3.9g/t¹ supports a wider range of sensitivity scenarios, including fluctuations in the gold price, foreign exchange rate, cost structures or recoveries.

Regional Exploration (Bulong Gold Project, WA)

- Significant structural targets identified from ground geophysical surveys.
- Systematic ranking of structural targets with associated gold in soil anomalism finalised.

Upcoming work programmes

- Completion of pre-feasibility study on the Cannon Gold Resource.
- Systematic drill testing of Tier 1 targets will commence in late April with the goal of increasing the Project's resource base and/or obtaining significant intersections in new positions.
- Work continues on bringing the next ten high priority targets to drill-ready status for the June quarter.

¹ See SAU's December 2012 Quarterly Report

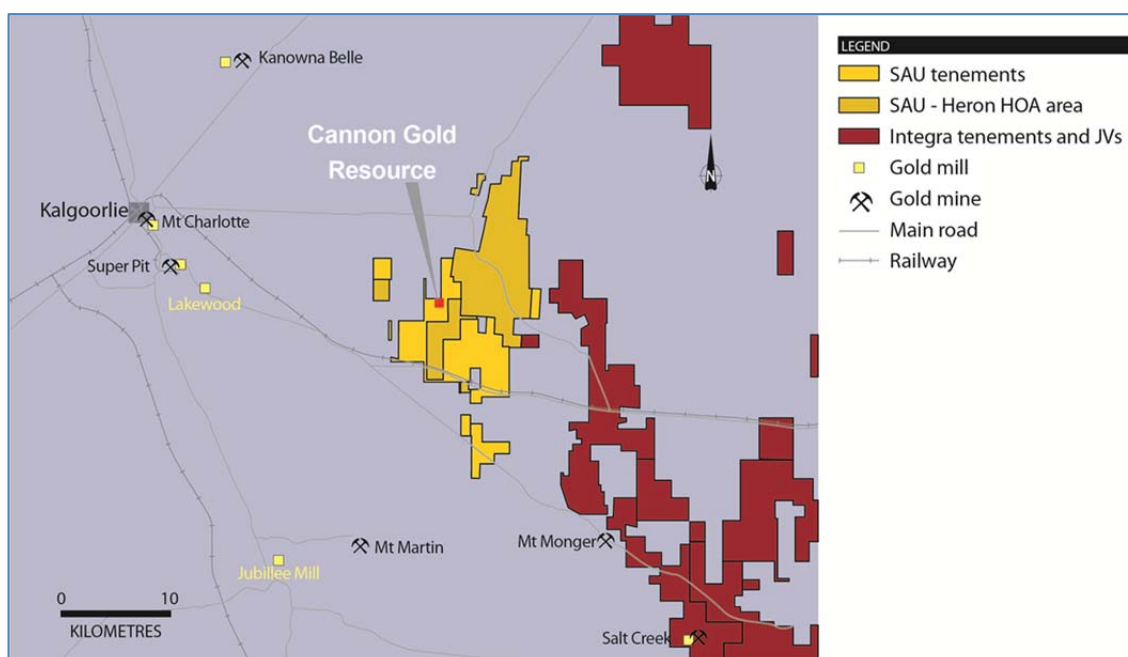


Figure 1. Bulong Gold project showing Heron JV packages and the proximity to cornerstone shareholder Silverlake Resources Ltd and nearby gold processing facilities.

Bulong Gold Project, Western Australia

Southern Gold's Bulong Gold Project is entering an exciting phase, transitioning from gold explorer to a company that is moving towards the final stages of its pre-feasibility study, which will potentially lead to a decision on the manner in which the Cannon resource can be developed.

In addition to the anticipated favourable outcomes of the current pre-feasibility study, the application of modern ground geophysical survey techniques has enabled important advances to be made in understanding the significance of the structural and regolith settings of the numerous gold-in-soil anomalies present.

Pre-Feasibility Study

Following the successful completion of preliminary economic studies into the development of the Cannon Gold Resource, and the publication of a significant upgrade to the Cannon resource (ASX: 21 January 2013, Table 1), a pre-feasibility study (PFS) in relation to developing the Cannon resource has commenced.

The PFS uses the geotechnical and metallurgical parameters derived from the preliminary studies, and, subject to detailed review, interim results suggest that it may be possible to develop an open pit to approximately 65m in depth followed by an underground mine over a further 120 vertical meters.

The proximity of the upgraded resource to the surface leads the Company to believe that there is excellent potential for additional resources to be located at depth, down dip of the currently known ore positions which in turn, may enhance the anticipated positive outcome of the PFS over time.

Table 1. Bulong Gold Project Global Resources: Mineral Resource Estimate (1.0g/t Au Cut-off)(1)

Deposit & Weathering Type	Indicated			Inferred			Total		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces	Tonnes T	Au g/t	Au Ounces
Cannon									
Oxide	8,000	3.0	800	1,500	2.4	100	9,500	2.9	900
Transitional	137,600	3.1	13,900	34,100	2.6	2,900	171,700	3.0	16,800
Fresh	573,500	4.3	78,500	57,500	2.3	4,200	631,000	4.1	82,800
Total:	719,100	4.0	93,200	93,000	2.4	7,200	812,200	3.9	100,400
Pinner									
Oxide	-	-	-	600	3.0	200	600	3.0	200
Transitional	-	-	-	76,400	2.2	5,400	76,400	2.2	5,400
Fresh	-	-	-	94,900	2.0	6,100	94,900	2.0	6,100
Total:	-	-	-	172,000	2.1	11,500	172,000	2.1	11,500
Total Resources:	719,100	4.0	93,200	265,000	2.2	18,700	984,100	3.5	111,900

Note: Rounding errors affect totals

Ethnographic Field Survey – Clearance

Southern Gold completed an ethnographic field survey over the proposed Cannon pit area and haul road. The survey followed a work area clearance model as delineated in the Draft Guidelines for Aboriginal Heritage Assessment in Western Australia (Department of Aboriginal Sites - 1993).

Results received from the work area clearance survey indicate that no previously recorded, or new ethnographic Aboriginal sites, or locations of Aboriginal heritage significance, were located or recorded within the proposed Cannon pit area and/or on the proposed haul road.

Exploration

Work completed in the previous two quarters has seen the Company consolidate a number of new and existing datasets relating to the geology, structure and gold mineralisation potential of the Bulong Project area. The integration of these datasets has been an iterative process, greatly assisted by an evolving understanding of the significance of the structural and alteration history of the Cannon mineralisation. These data have been used as criteria to evaluate the significance of on-ground observations in the project area and evidence provided in the regional data.

- **Soil Geochemistry** – The project-wide regional soil sampling generated multiple anomalies returning greater than 20ppb Au. The trace element signatures of the more favourable anomalies were then assessed against the trace element signatures that characterise the Cannon mineralisation, providing a mechanism for prioritising individual anomalies.
- **Regolith** – The significance of each gold-in-soil anomaly has been assessed against its regolith setting and the underlying geology determined by field assessment and interpretation of geological and geophysical datasets.

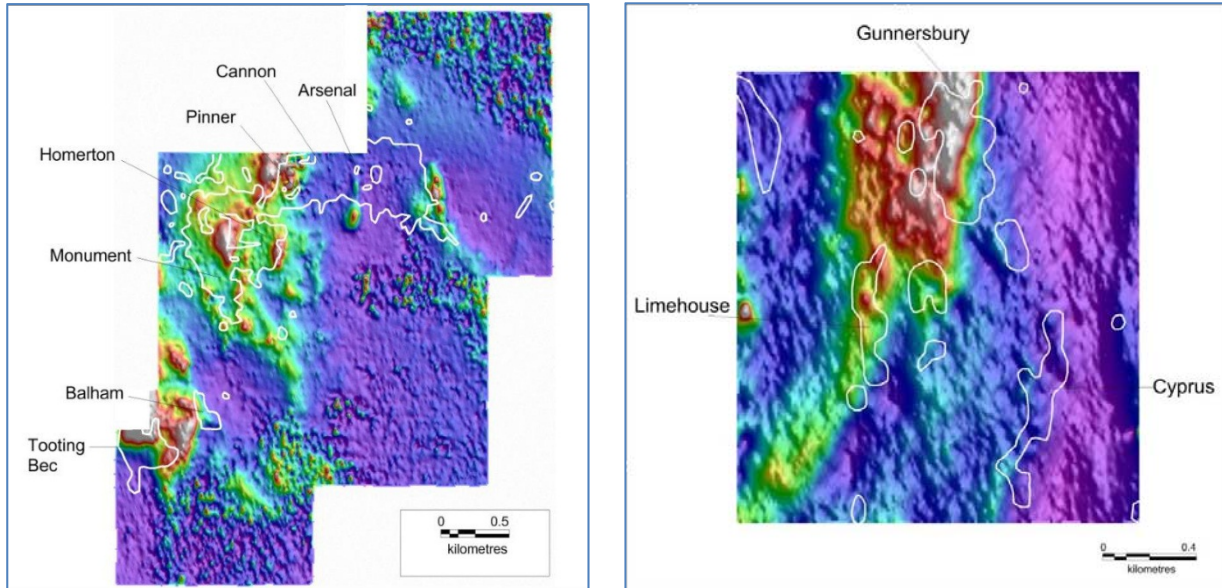
- Regional geophysics – Regional geophysical datasets were combined with structural data derived from the drilling of the Cannon resource [such as shown in Figure 2] providing new insight into the structural architecture of the Bulong area. In turn, this has allowed each gold-in-soil anomaly to be further ranked in terms of its relationship to favourable structural and geological settings.

The Company believes that this combined data set provides a step-change advantage not available to previous gold explorers in the district.



Figure 2. Small scale brittle-ductile deformation of albite-biotite-carbonate breccia vein (BSRCD201, 146.65m; 32ppm Au) producing parasitic fold hinge.

- Ground geophysics – Detailed ground geophysical surveys (SAM, Sub-audio magnetics) focussing on the “Cannon Trend” and selected areas highlighted by the ranking process described above (Figures 3) have provided additional fine detail of structures in the areas of interest, enabling better target definition.



(a)

(b)

Figure 3. Detailed ground geophysical surveys ((a) magnetic surveys and (b) SAM surveys correlated with regional geochemical (+20ppb Au anomalies shown in white) and geological datasets. A number of targets have been prioritised in the vicinity of the Cannon mineralisation, or along the “Cannon trend” (a), that have similar attributes to the structural setting of the Cannon Gold Resource. Regional targets have also been identified within the Bulong Gold project, with strong correlation between structural and geochemical anomalies(b).

Upcoming Work Program

The systematic evaluation of the combined datasets now available for the Bulong project, and the resultant ranking of targets, provide the framework for the on-going evaluation of the project area as a whole over the coming year. Work will concentrate on the first order targets as these have the potential to offer the best outcomes in terms of either growing the project's resource base in the vicinity of Cannon or delivering significant drill intersections. Pending approval of work permits, drill testing of the first three targets will commence towards the end of April.

The planned work programme will be complemented further by the Western Australian Department of Mines and Petroleum (DMP) award, to co-fund up to A\$150,000 for a drilling programme south of the Cannon resource. The proposed programme is designed to provide information that will assist in further refining the structural and stratigraphic model in a geologically complex area. Completion is anticipated in the second half of 2013.

CONTACT

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Competent Person's Statements

Resource Table

The information in this report that relates to Mineral Resources is based on information compiled by Mr Aaron Green. Mr Green, is a full time employees of Runge Limited and a Member of the of the Australian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and for the activity he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Mr Green consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Exploration Results

The information in this report concerning Australian exploration has been compiled by Mr I Blucher (MSc) as an employee of Southern Gold and who is a member of the AusIMM and is bound by and follows the Institute's codes and recommended practices. As a Competent Person, as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve.'- he has a minimum of five years relevant experience in the style of mineralisation and types of activities being reported and has given written consent to the above report in the form and context in which it appears.