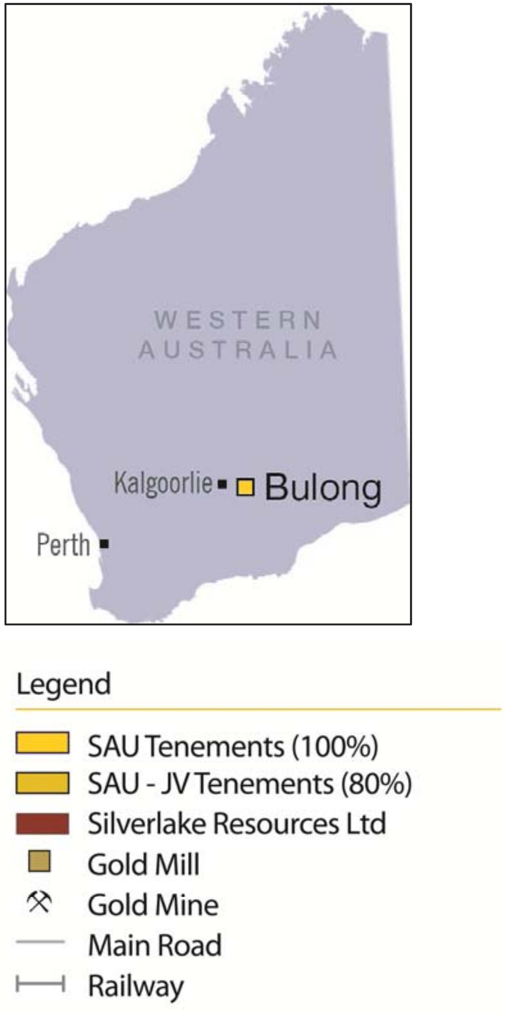
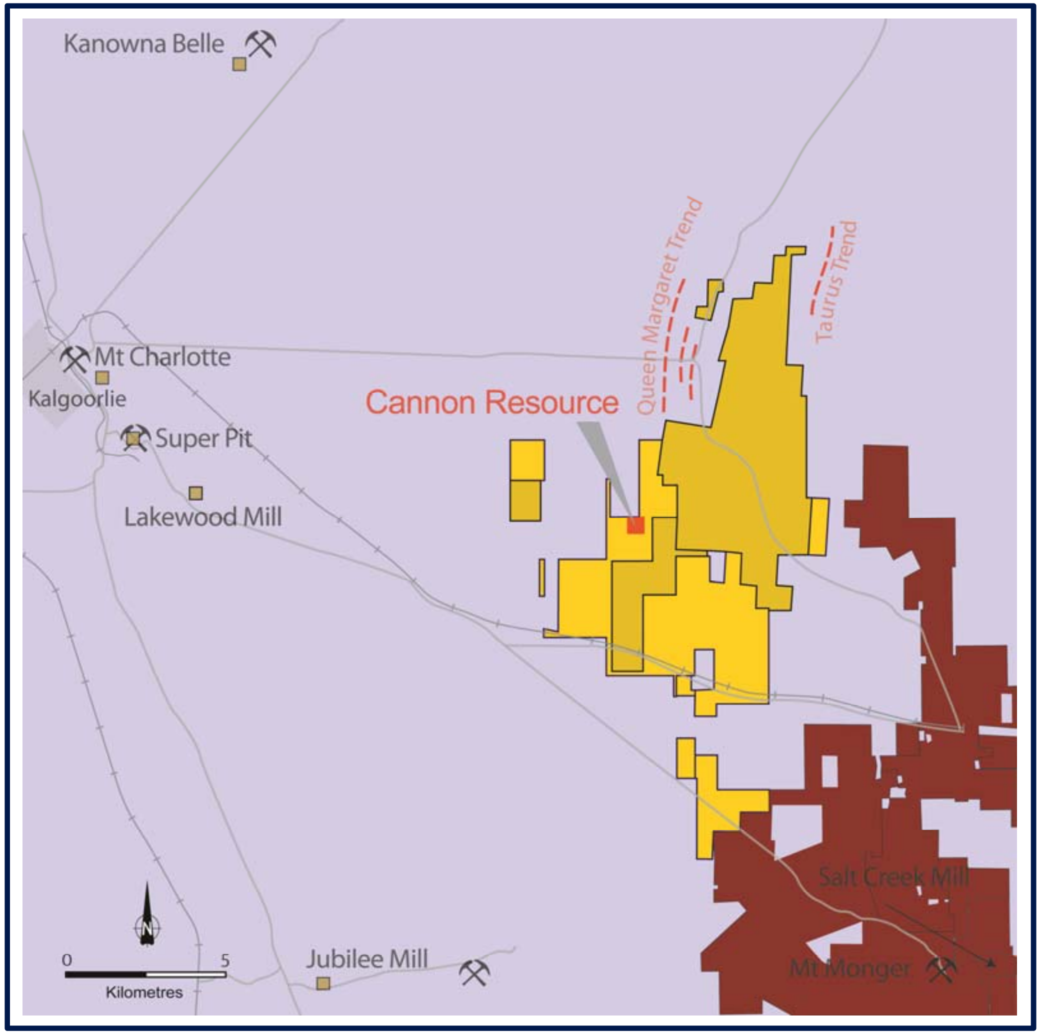
Southern Gold Limited

# Cannon Gold Resource - Pre-Feasibility Study Completed

Mining 2013 Resources Convention
October 2013

# The Bulong Gold Project

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*The information in this presentation that relates to Mineral Resources is based on information compiled under the supervision and guidance of Mr Trevor Stevenson. Mr Stevenson (FAusIMM(CP) is a full time employee of RungePincockMinarco 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 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC, 2004). Mr Stevenson consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.*

# Corporate Snapshot

| ASX Code | SAU |
|---|---|
| Issued Shares | 359.02 m |
| Market Cap (@ 1.7c) | $6 m |
| Cash (@ 30 Jun 2012) | $1.02 m |
| **Shareholdings** | |
| Trafford Resources Ltd (@ 13c) | $390 k |

| Major Shareholders (@ 1 Aug 13) | |
|---|---|
| Silverlake Resource Ltd | 12.05% |
| Gary B Branch Pty Ltd | 7.56% |
| JP Morgan Nominees Pty Ltd | 4.08% |
| National Nominees Pty Ltd | 3.26% |


SAU share price (blue) – COMEX US Gold (grey) – S&P/ASX All Ord Gold (red)

# Board of Directors & Key Management

## Greg Boulton AM BA FCA FAICD

Non-Executive Chairman

- 25 years of corporate experience in a finance capacity
- Experience in capital raisings, acquisitions and commercial negotiations.
- Chairman of Paragon Equity Ltd, K&S Corporation.
- Non Executive Director of Statewide Superannuation Trust.

## Nanette Anderson BSc MAICD AusIMM

Managing Director

- Geologist, with corporate and technical experience in the resource sector for 18 years.
- Project evaluation, exploration and development experience throughout Australia and SE Asia.
- Corporate experience in equity raisings, project sales through to acquisitions and joint ventures.
- Previously director of Jaguar Minerals Ltd.

## David Turvey BSc AusIMM

Non-Executive Director

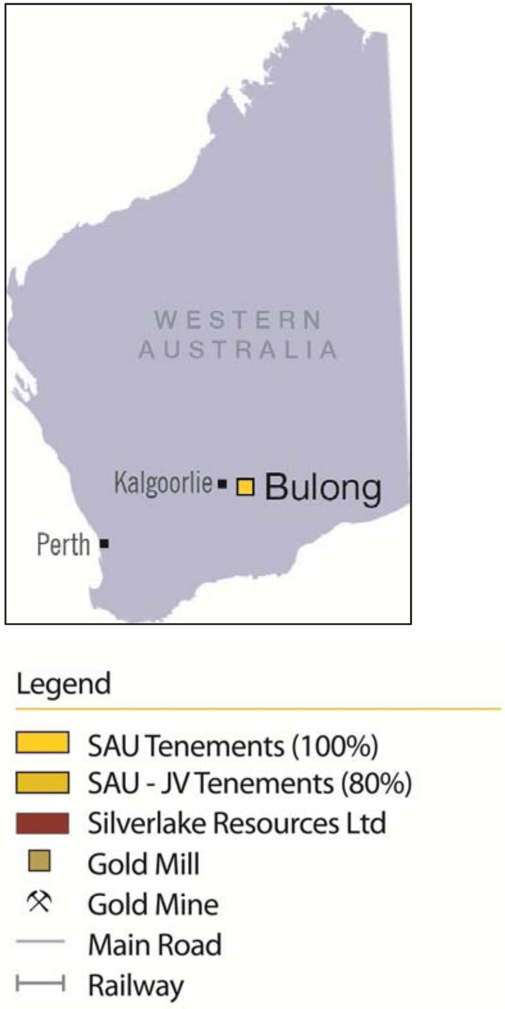
- Geologist with over 27 years experience in the Australian and Asian resource sector
- Driven business development, corporate merger and acquisition activities in precious metals, bulk commodities and industrial minerals.
- Experiences in minerals exploration, project development and commercial evaluation of mineral assets.
- Previous directorships with FerrAus Ltd & Lawson Gold Ltd

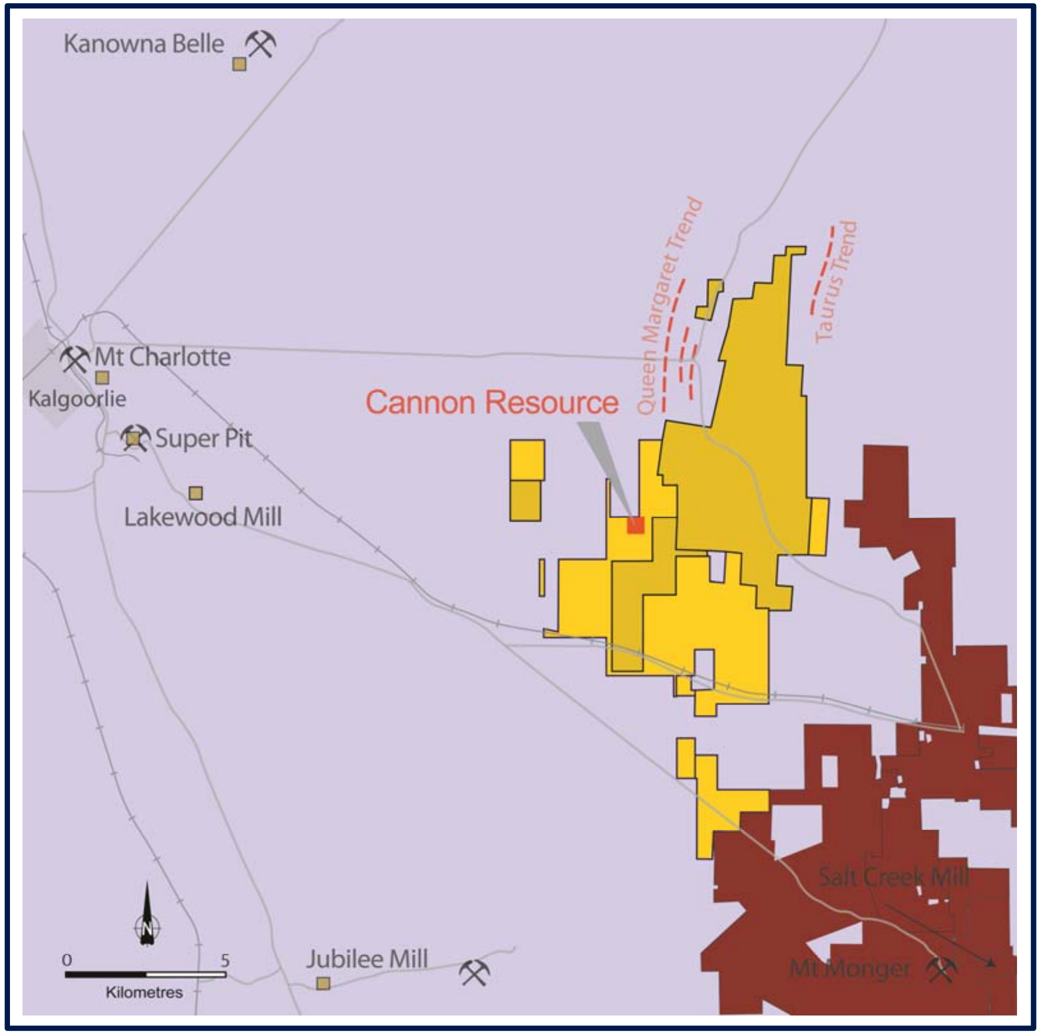
## Mick Billing BBus MAICD

Non-Executive Director

- 35 years of mining industry experience
- Worked in a finance capacity, company secretarial, non-executive and managing director roles
- Experience in debt and equity raising, project evaluation and feasibility studies in Australia and overseas.
- Executive Chairman/CEO - AIM listed Thor Mining PLC
- Non-Exec. Director – ASX listed Blackfire Minerals Ltd

# The Bulong Gold Project

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# Cannon Gold Resource Table

**Updated Resource sees 93% of the resource in Indicated Category at an average grade of 4 g/t**

| Type | Indicated | | | Inferred | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes | Au | Au | Tonnes | Au | Au | Tonnes | Au | Au |
| | t | g/t | Ounces | t | g/t | Ounces | t | g/t | Ounces |
| **Oxide** | 8,000 | 3.0 | 800 | 1500 | 2.4 | 100 | 9500 | 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** |

Note: Rounding of tonnes can affect totals. Details of deposit geology, the drilling, QA/QC procedures and the mineral resource estimation methodology employed are appended.

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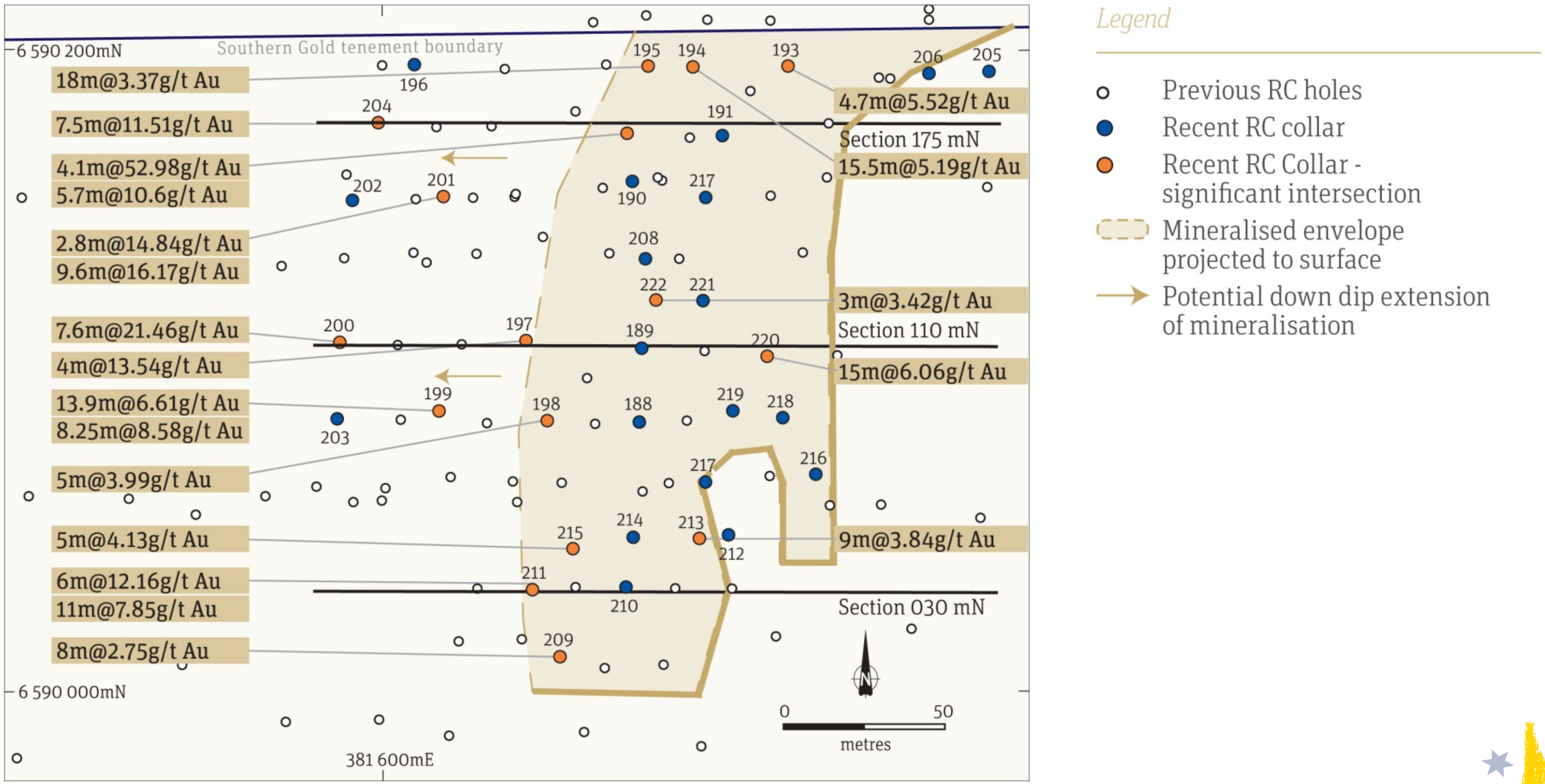
# Cannon Gold Resource – Upgraded Jan 2013

**Current resource estimate – 100k ounces gold**
**812,200 tonnes @ 3.9g/t gold**

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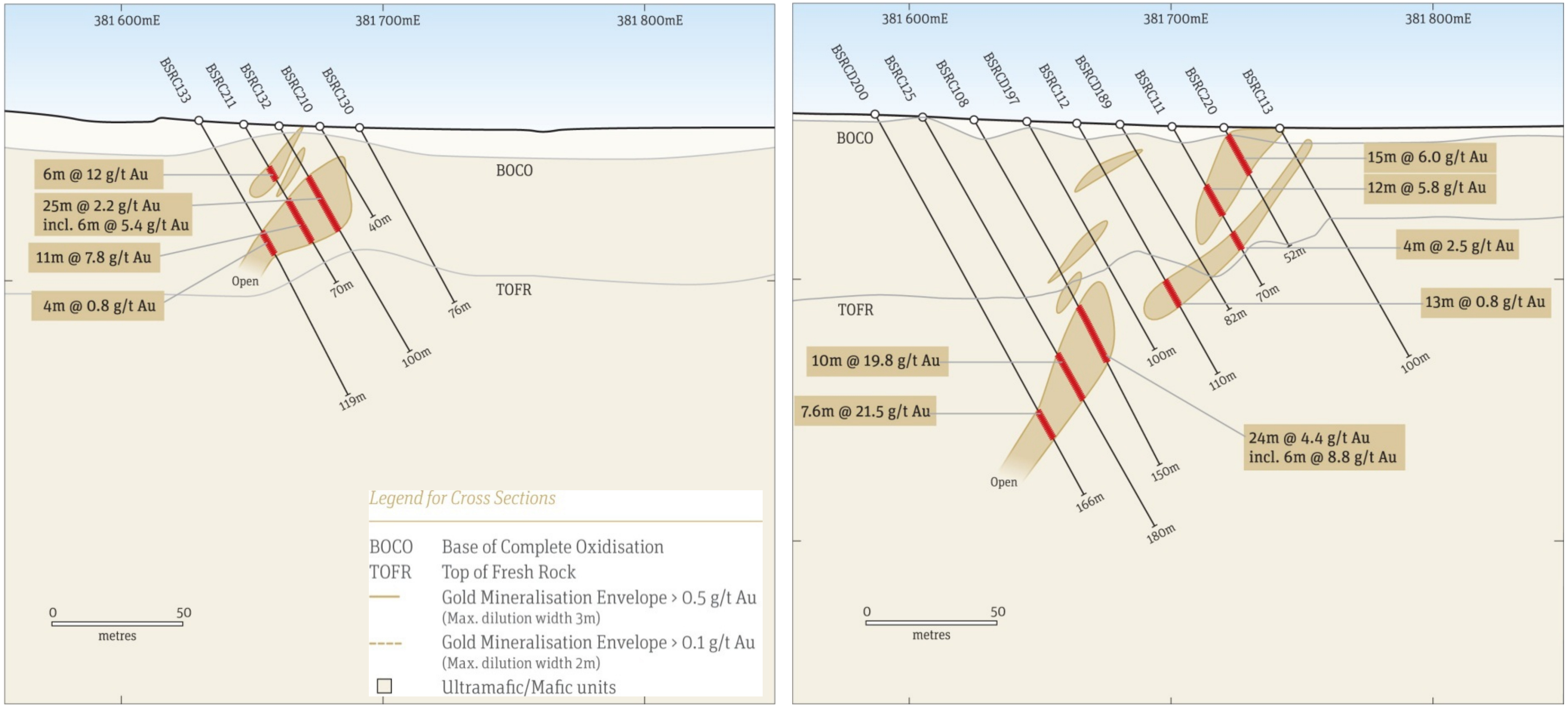
# Cannon Gold Resource – Cross Sections

## Cross Sections show continuity of broad high grade gold zones

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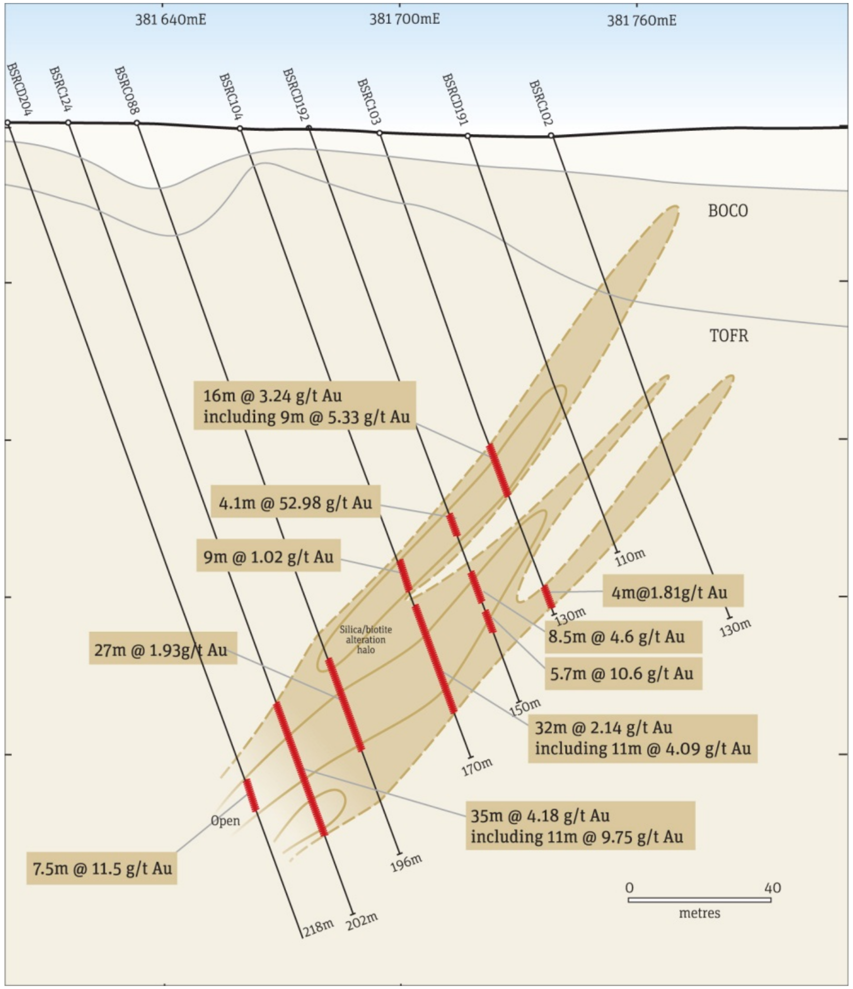
# Cannon Gold Resource




*Legend for Cross Sections*

| | |
|---|---|
| BOCO | Base of Complete Oxidisation |
| TOFR | Top of Fresh Rock |
| —— | Gold Mineralisation Envelope › 0.5 g/t Au (Max. dilution width 3m) |
| ---- | Gold Mineralisation Envelope › 0.1 g/t Au (Max. dilution width 2m) |
| ☐ | Ultramafic/Mafic units |

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# Cannon Gold Resource - Pre-Feasibility Study

## Key Outcomes

- Pre-Feasibility Study (PFS) demonstrates that development of the Cannon Gold Resource as a toll treatment operation delivers positive economic returns with a low capital cost structure.

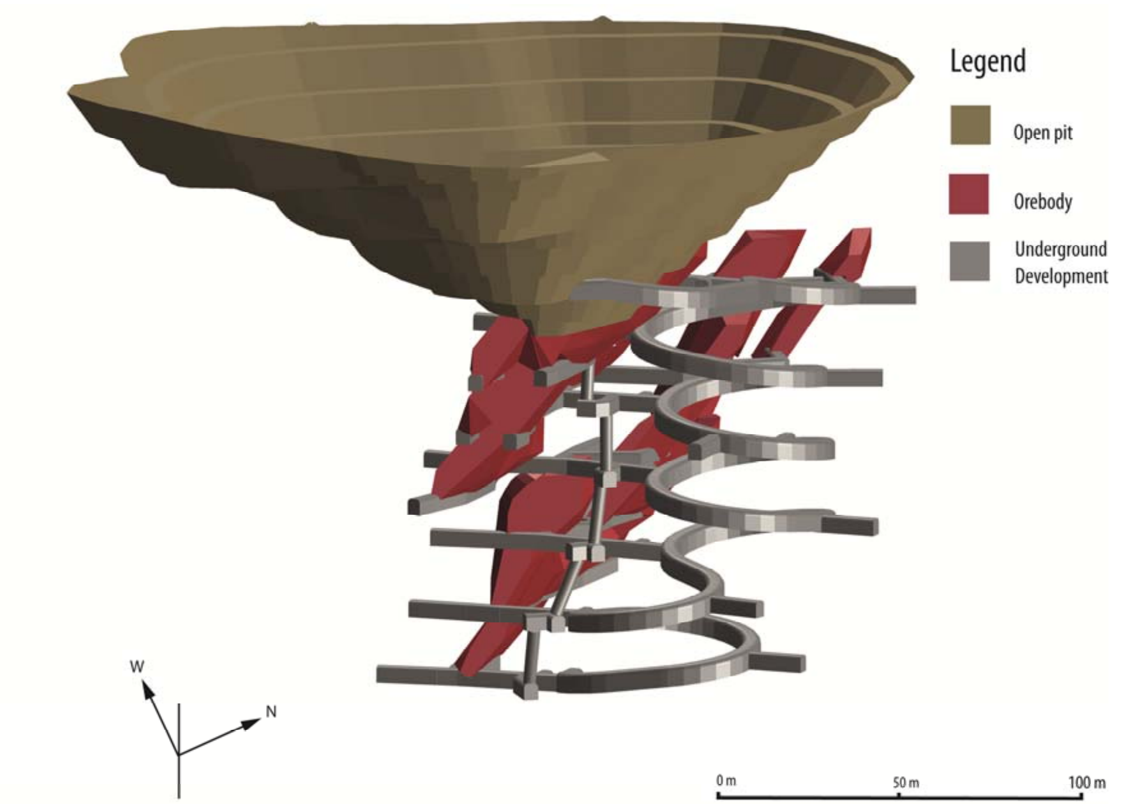
| Item | Units | Scenario 1 A$1350/oz Au | Base Case A$1400/oz Au | Current Case A$1500/oz Au | Scenario 2 A$1600/oz Au |
|---|---|---|---|---|---|
| Mine life | Months | 36 | 36 | **36** | 36 |
| Mined ounces | oz Au | 68,200 | 68,200 | **68,200** | 68,200 |
| Recovery (ave) | % | 92 | 92 | **92** | 92 |
| Operating costs | A$/oz | 1028 | 1028 | **1028** | 1028 |
| WA State Royalty[1] | % | 2.5 | 2.5 | **2.5** | 2.5 |
| Free Surplus Cashflow | A$M | 4.95 | 8.02 | **14.15** | 20.28 |

Note 1: WA State Royalty of 2.5% is applied to all ounces produced after the first 2,500 oz produced in each financial year.

# Cannon Gold Resource - Pre-Feasibility Study

## Key Outcomes

- The open pit and underground mine design supports the production of 484,000t at an average grade of 4.4g/t Au for 68,200oz.

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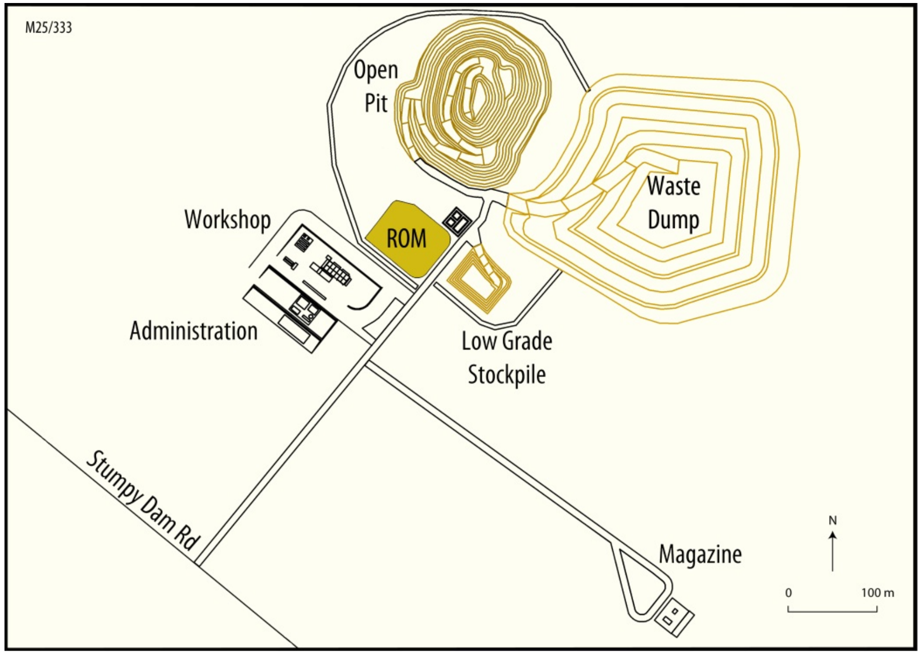
# Cannon Gold Resource - Pre-Feasibility Study

## Mine Development Timetable

- Board approval received to proceed with mine development of the Cannon Gold Resource, subject to securing finance and regulatory approvals.
- Permitting work carried out in parallel with Pre-Feasibility Study to reduce lead times, with the aim to commence mining operations in the first half of 2013.

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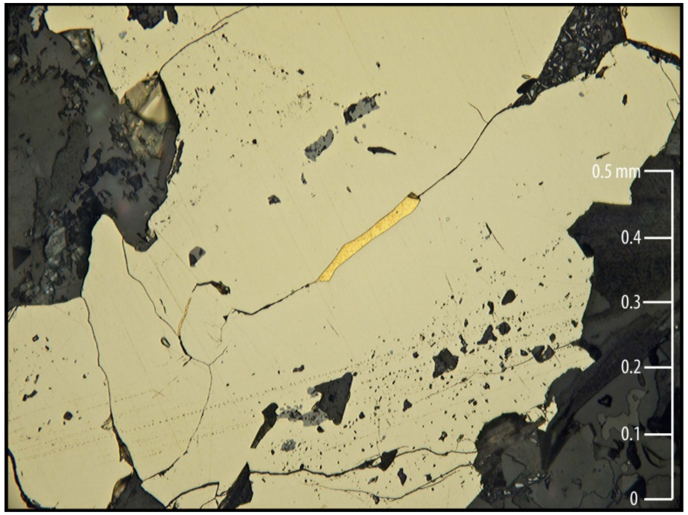
# Cannon Gold Resource - Pre-Feasibility Study

## Value Enhancement Opportunities

- Inferred resource material within the pit design has not been included in the mining inventory nor have any underground inferred resource ounces been included in the PFS (see Cannon Resource table for information on inferred ounces.)
- Resource remains open to the west. Exploration from underground development will be an integral part of the operation to test extensions to the west and south of the current defined resource.



Metallurgical test work shows ave 92% recovery.
Micrograph section showing coarse gold grains

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# Favourable Opportunity

- Proximity to Kalgoorlie – infrastructure, skilled workforce, informed stakeholders, mining and processing plant locally available.
- Development of the Cannon Gold resource in 2014 could provide an early cashflow opportunity and inturn supporting value growth.
- Market conditions favour reductions in capital costs, mining contractor and milling costs.

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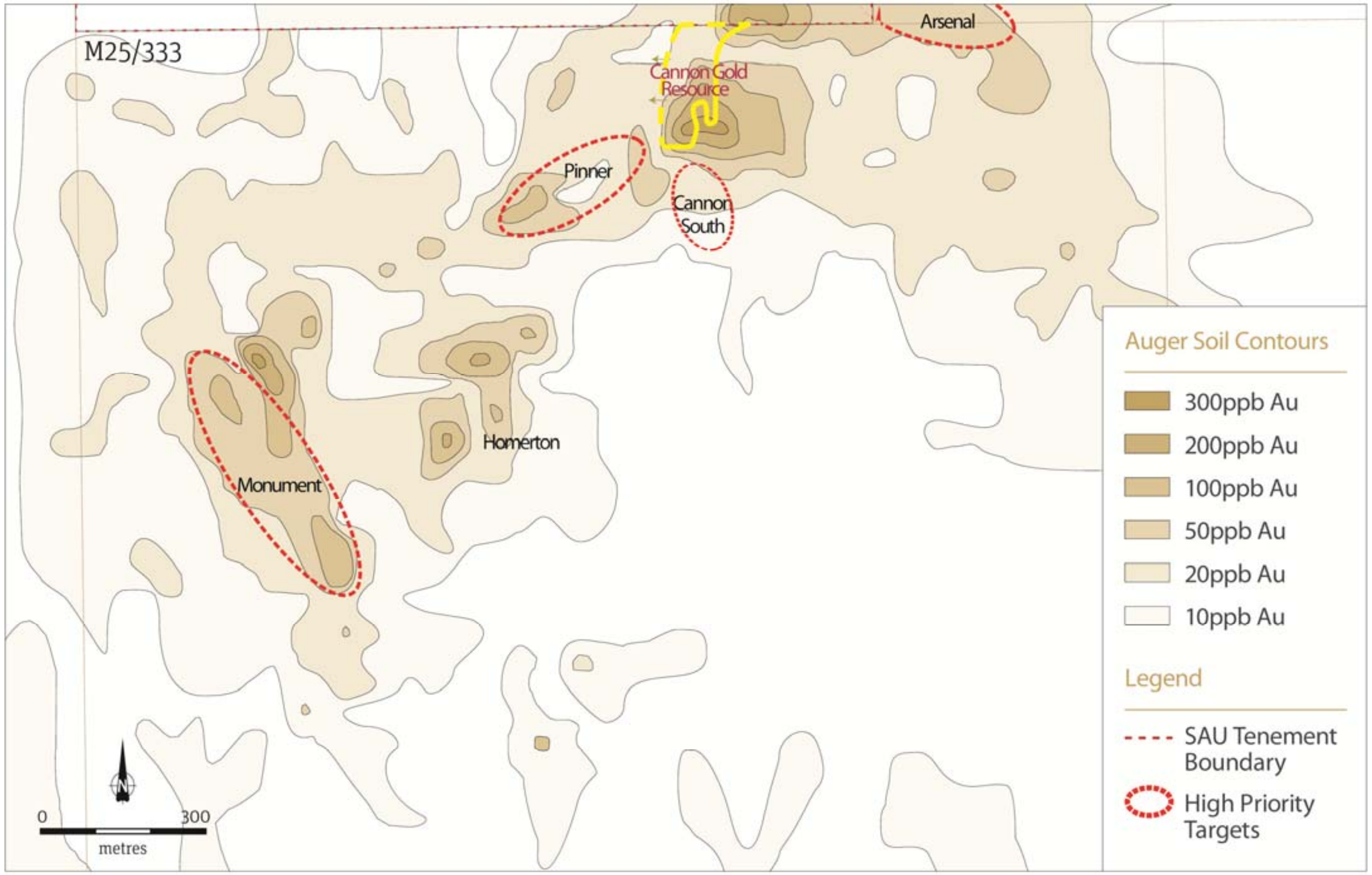
# Building the Resource Base

**CANNON TREND – a 1km long gold in soil anomaly from Cannon.**




Base map: High gold in soil values that define the Cannon Trend.

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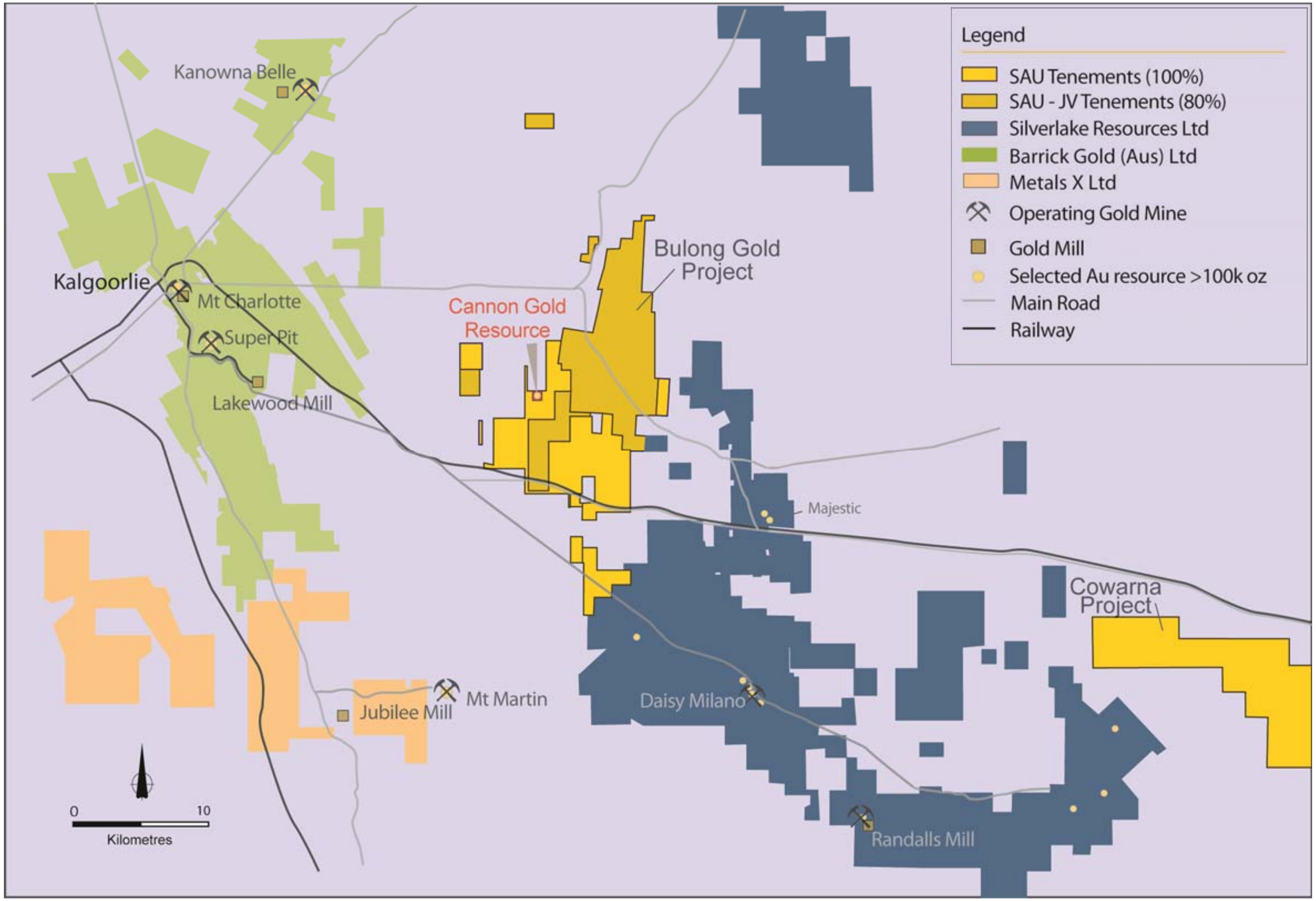
# The Bigger Picture

## Bulong Gold Project – Regional Targets

- 250km$^2$ tenement holding, 30km east of the world class Kalgoorlie goldfield.
- 30 priority anomalies identified from regional geochemical auger programme conducted over the Bulong East tenements.
- Knowledge gained from work at the Cannon Resource provides important structural an geochemical information to assess regional targets for similarities.
- Infill auger sampling and first pass drilling lead to the prioritisation of 12 targets for follow up test work.
- Five targets selected for Sub Audio Magnetic (SAM) ground geophysics survey.

# Regional Exploration - Bulong and Cowarna Project

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# Bulong Gold Project – Focus Value Growth

| | |
|---|---|
| **Focus** | **On the acquiring finance and permitting approvals for development of the Cannon Gold resource in 2014. Adding additional resource ounces through test work of Tier 1 targets.** |
| **Value** | **Ability to consider a low CAPEX, fast-track development pathway based on a toll-treatment scenario of the Cannon Resource.**<br>**Mine inventory of 484,000t at an average grade of 4.4g/t Au for 68,200oz of gold** |

**Growth**

| | |
|---|---|
| **SAU Market Cap (@ 1.5c)** | **A$6.8m** |
| **Cash (at 30/6/2013)** | **A$1.0m** |
| **TRF Shares (as at 1/8/2013)** | **A$300k** |
| **Cornerstone investor SLR** | **12.05%** |
| **Cannon Gold Resource** | **100,400 at an average grade 3.9g/t** (mineralisation from surface) |
| **Build on Resource Base** | **Cannon Trend** |

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# Appendix 1 – Bulong Gold Project Resource Table

| Type | Indicated | | | Inferred | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes | Au | Au | Tonnes | Au | Au | Tonnes | Au | Au |
| | t | g/t | Ounces | t | g/t | Ounces | t | g/t | Ounces |
| Cannon Resource | | | | | | | | | |
| **Oxide** | 8,000 | 3.0 | 800 | 1500 | 2.4 | 100 | 9500 | 2.9 | 900 |
| **Transitional** | 137,600 | 3.1 | 13,900 | 34,100 | 2.6 | 2,900 | 171,700 | 3.0 | 16,800 |
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| **Total** | **719,100** | **4.0** | **93,200** | **93,000** | **2.4** | **7,200** | **812,200** | **3.9** | **100,400** |
| | | | | | | | | | |
| Pinner Resource | | | | | | | | | |
| **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 Resource | **719,100** | **4.0** | **93,200** | **265,000** | **2.2** | **18,700** | **984,100** | **3.5** | **111,900** |

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# Appendix 1

***Resource Estimation Method***

*Perth based independent geological consultants, RungePincockMinarco Limited (RPM), were contracted to undertake the 2013 Mineral Resource estimations for Cannon and Pinner.*

*The estimated resource present was classified into Indicated and Inferred categories based on the number of drill holes used to estimate the grade of each block and the proximity of relevant drill holes. The classified resource was then summarised for all blocks with a gold grade >= 1 g/t*

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*The estimate in the above table prepared by RungePincockMinarco Limited is in compliance with recommendations in the Australasian Code for Reporting Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). This table should be read in conjunction with details of Resource parameters are available in the ASX Announcement dated 29 January 2013.*

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