ASX Code: SAU
Issued Shares: 359M
ABN: 30 107 424 519

Directors
Greg Boulton AM
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Top Shareholders
Silverlake Resources Ltd 12.05%
G B Branch 7.56%
JP Morgan Nominees 4.08%
National Nominees 3.37%

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CANNON GOLD DEPOSIT, WA
MINE PERMITTING AND DEVELOPMENT UPDATE

Southern Gold Ltd (Southern Gold or the Company) is pleased to provide an update on the recent positive progress towards permitting and financing the development of the Cannon Gold deposit at its Bulong Gold project, Western Australia.

With a mining lease already granted over the area of Cannon Gold deposit, Southern Gold has taken the next important step in the permitting process and submitted its Project Management Plan to the DMP[1] for approval.

Following this submission and informal discussions with both the DMP and the Environmental Protection Authority ("EPA"), the Company is on track to submit all remaining permits and licence applications, including the Mining Proposal and Closure Plan, required for the commencement of a mining operation.

The Project Management Plan provides an outline of the proposed mining operation and the measures the Company will implement to safeguard the environment. The Mining Proposal details the nature of the proposed development, the method of mining, the impact on the natural and social environments, all infrastructure plans, plus a detailed closure and rehabilitation plan.

The DMP sets out a standard assessment timeline target of 30 days for each of the mine permitting applications. It should be noted that these target timelines exclude any time taken by processes outside of the DMP's control, time referred to as "stop the clock events" ("STC"). Southern Gold is aware that STC's can extend timelines significantly, and therefore aims to work closely with the DMP to ensure such extensions are as limited as possible.

[1] DMP – Government of Western Australian - Department of Mines and Petroleum

The following table outlines the relevant activities required for permitting mining operations, the current progress of Southern's activities and target timelines as set by the Company and/or the DMP. This table demonstrates that Southern Gold is on target to commence development in the first half of 2014.

ACTIVITY	STATUS	TARGET TIMELINE (DMP/SAU)	COMMENT
Mining Lease	Granted		
Project Management Plan	Submitted	DMP – 30 days (excl. STC)	
Mining Proposal and Closure Plan	Being finalised for submission to DMP	SAU – submission Jan/Feb 2014 DMP – 30 days (excl. STC) from date of submission	Timetable dependent on grant of separate permits with 65 days (excl. STC) approval timelines.
Native Vegetation Clearing Permit	Being finalised for submission to DMP	SAU – submission Jan/Feb 2014 DMP – 65 days (excl. STC) from date of submission	SAU has completed relevant flora and fauna surveys over the mine site area, but may need to extend along haulage route as required.
Submission of applications of other permits and licences to DMP and EPA:- - Abstraction licence - Heritage survey - Other (e.g. misc. licence, dangerous goods permit, clearing permit etc)	 Granted Completed Underway	SAU – submissions as and when required Dec to March 2014 DMP – range between 20 to 75 days (excl. STC) and depending on permit	
Stakeholder engagement	Commenced	Ongoing throughout the project	
Prepare request for quotes and/or tenders for Mining/Haulage/Processing Contractors	Commenced	SAU – 30 days	Preliminary discussions held with a number of contractors. Development of the engagement process underway.

Receipt of DMP approval for the Project Management Plan, Mining Proposal and associated licence and permit applications, along with securing project finance, will enable Southern gold to commence initial development works, including infrastructure set up, haulage road construction and other initial site works.

In August 2013 the Southern Gold Board gave approval to proceed with mine development subject to regulatory approvals and finance. Based on the progress of the above activities the Board remain confident that we are on schedule to commence development operations in the first half of 2014.

Southern Gold is also pleased to report that discussions regarding finance options for the project are underway with a number of potential financiers. The Company is continuing to advance these discussions and will assess a number of potential funding packages for development of the project before finalising.

The Pre-Feasibility study (see ASX announcement 29/8/13 for details) has demonstrated that as a toll treatment operation the project has a low capital cost, therefore with low capital requirements and a view to minimising dilution to Southern Gold shareholders, the Company believes the project lends itself to a relatively simple project finance package.

With Southern Gold's Rights Issue closing today, the funds invested from this raising will assist in funding the final steps to completion of the Mining Proposal and Approvals process and will also be made available for any initial site preparation works that can commence prior to a formal finance package being finalised. Any works undertaken at this early stage will effectively fast track the mine development timeline.

The focus for Southern Gold in 2013 has been unlocking the value of Cannon Gold deposit, based on the view that it could act as a distinct catalyst in the growth of Southern's business.

With the planned development of the Cannon deposit to commence in the first half of 2014, the key objective is to generate an early cash flow from the toll treatment operation. This will then pave the way for Southern to recommence its exploration programmes of Tier 1 targets and Tier 2 targets.

Based on the positive progress to date of the permitting schedule, the Company looks to capitalise on this opportunity by setting the foundation for longer term growth and shareholder value. Through this approvals phase Southern Gold continues with a measured approach to its near term exploration programmes.

Contact

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Background

Southern Gold recently completed a Pre-Feasibility Study (PFS) for the proposed development of the Cannon Gold deposit (see 2013 Annual Report lodged on 22 October 2013). Located within the company's 100% owned Mining Lease (M25/333), 30km south east of Kalgoorlie in WA, the Project lies within economic haulage distance of several gold processing facilities (Figure 1). This has given Southern Gold a strategic advantage to consider a toll treatment operation and unlock value at an early stage in the Project's development (see PFS ASX announcement dated 29 August 2013).

The company confirms that all material assumptions and technical parameters underpinning the estimates in the market announcements of 29/8/2013 for the PFS and 22/10/2013 for the deposit, continue to apply and have not materially changed. The Company confirms that the form and context in which those Competent Person's findings were presented have not been materially modified.

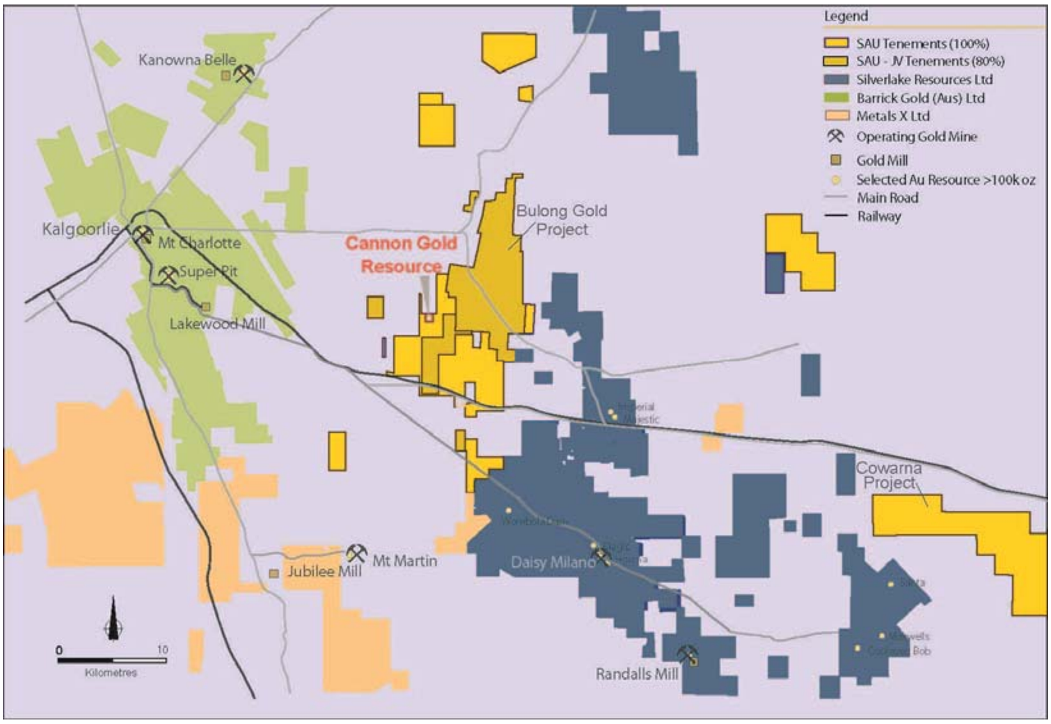

Figure 1. Bulong Gold Project: located 30km east of Kalgoorlie, WA. Map shows the proximity to neighbouring companies with market capitalisation > $100m and nearby gold processing facilities.