ASX Announcement
28 October 2014

Share Purchase Plan with free Attaching Options

Funds for the planned WA Development and Production of the Cannon Gold Resource in 2015

ASX Code: SAU

Issued Shares: 386M

ABN: 30 107 424 519

Directors

Greg Boulton AM

Nanette Anderson

Michael Billing

David Turvey

Top Shareholders

Silver Lake Resources Ltd 11.21%

G B Branch 7.03%

JP Morgan Nominees 4.28%

National Nominees 3.03%

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Southern Gold Ltd ("Southern Gold", "Company" – SAU) is pleased to advise that a Prospectus dated 28 October 2014 was today lodged with ASIC in connection with an Offer under its Share Purchase Plan (SPP) for approximately 115 million New Shares at an Offer Price of $0.009 (0.9c) per New Share.

The Company is set to begin an exciting new chapter in its growth as it teams up with the prominent, experienced ASX-Listed mining company, Metals X Limited ("Metals X", MLX.ASX), to develop the Cannon Gold Project. The Company is expecting to formalise the non-binding Mine Finance and Profit Term Sheet ("Term Sheet") with Metals X as a formal agreement (refer 4 August 2014 ASX announcement for further details), which will see the Company transition from gold explorer to gold producer.

The Company is seeking to raise up to approximately $1.04 million through the SPP Offer to progress the Company's existing core business.

Under the SPP Offer, Eligible Shareholders have the opportunity to invest up to $15,000 in New Shares at an offer price of $0.009 (0.9c), free of brokerage and other transaction costs. The Offer price represents a 10% discount to the closing price prior to announcement of the Offer.

In addition, Eligible Shareholders will receive one Free Option for every two New Shares applied for. They will have an exercise price of $0.015 (1.5c) and a 12 month term.

The Company will apply to the ASX for Official Quotation of the Free Options, allowing them to be traded during their term (if the conditions for quotation are met).

With the Term Sheet in place, the $500,000 loan facility from Metals X secured and further funding to be obtained through the Offer, Southern Gold has a strong platform from which to develop the Cannon Gold Project, paving the way for near-term production and cashflow. The SPP provides Eligible shareholders with an opportunity to participate in the positive development of the Cannon Gold Project.

The Directors of Southern Gold intend to subscribe for shares under the SPP.

Full and further details with respect to the SPP Offer and the Option Offer, and how to participate, are set out in the Prospectus.

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Share Purchase Plan Timetable*

Record Date	8pm AEDT Monday, 27 October 2014
Lodge Prospectus with ASIC	Tuesday, 28 October 2014
Prospectus despatched to Eligible Shareholders	Friday, 31 October 2014
Opening Date	Thursday, 30 October 2014
Closing Date – (8.00pm AEDT)	Friday, 21 November 2014
Issue Date	Friday, 28 December 2014
Despatch of holding statements	Monday, 1 December 2014
Quotation of New Shares (and Free Options, if granted quotation)	Monday, 1 December 2014

*These dates may be varied by the Company at its discretion in accordance with the Corporations Act and the Listing Rules. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. As such, the date the New Shares are expected to commence trading on ASX may vary.

BACKGROUND - PFS OPTIMISATION UNLOCKS FURTHER VALUE AT CANNON PROJECT

Southern Gold completed a positive Pre-Feasibility Study (PFS) on the Cannon Gold Project in September 2013, confirming the viability of an open pit and underground development strategy and toll-treatment scenario. The resource is located within the Company's Bulong Project area, situated 30km south-east of Kalgoorlie, and is within economic haulage distance of a number of third party gold processing facilities (Figure 1).

On the strength of the positive results of the PFS, the Company's Board made the decision to proceed with developing the Cannon Project (ASX, 29 August 2013). Since then it has made significant progress towards achieving this goal.

Following detailed discussions with mining and transport contractors and processing operators, Southern was able to further refine operating costs and optimise a number of parameters, including alternative haulage routes. The results of this work have significantly strengthened project economics (ASX, 13 February 2014).

The key outcome of these changes is a reduction of the operating costs to A$964/oz. Based on the current mine plan and the reduction in the cost inputs, there is also a significant impact on the forecast free surplus cash flow from A$8.0 million to an estimated A$12.4 million, as set out in Table 1 below.

The forecast free surplus cash flow estimates in the following table are calculated at a nominal gold price, after infrastructure and operating costs, but do not include any potential cost benefits that may be achieved under the terms of the Metals X Mine Finance and Profit Share Term Sheet.

Table 1 – Forecast Free Surplus Cash Flow (ASX, 13 February 2014).

Item	Units	Revised Costs Scenario 1 A$1,350/oz Au	Revised Costs Base Case A$1,400/oz Au	Revised Costs Scenario 2 A$1,500/oz Au
Mine Life (Phase 1 & 2)	Months	36	**36**	36
Mined Ounces[1]	oz Au	68,200	**68,200**	68,200
Recovery (ave)	%	92	**92**	92
Operating Cost (C1)	A$/oz	964	**964**	964
WA State Royalty[2]	%	2.5	**2.5**	2.5
Free surplus cash flow[3]	A$M	9.3	**12.4**	18.5

Note 1: Mined ounces and grade calculated, based on cut-off grade from $1400/oz base case scenario.

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

Note 3: See ASX Announcement 13 February 2013 for details

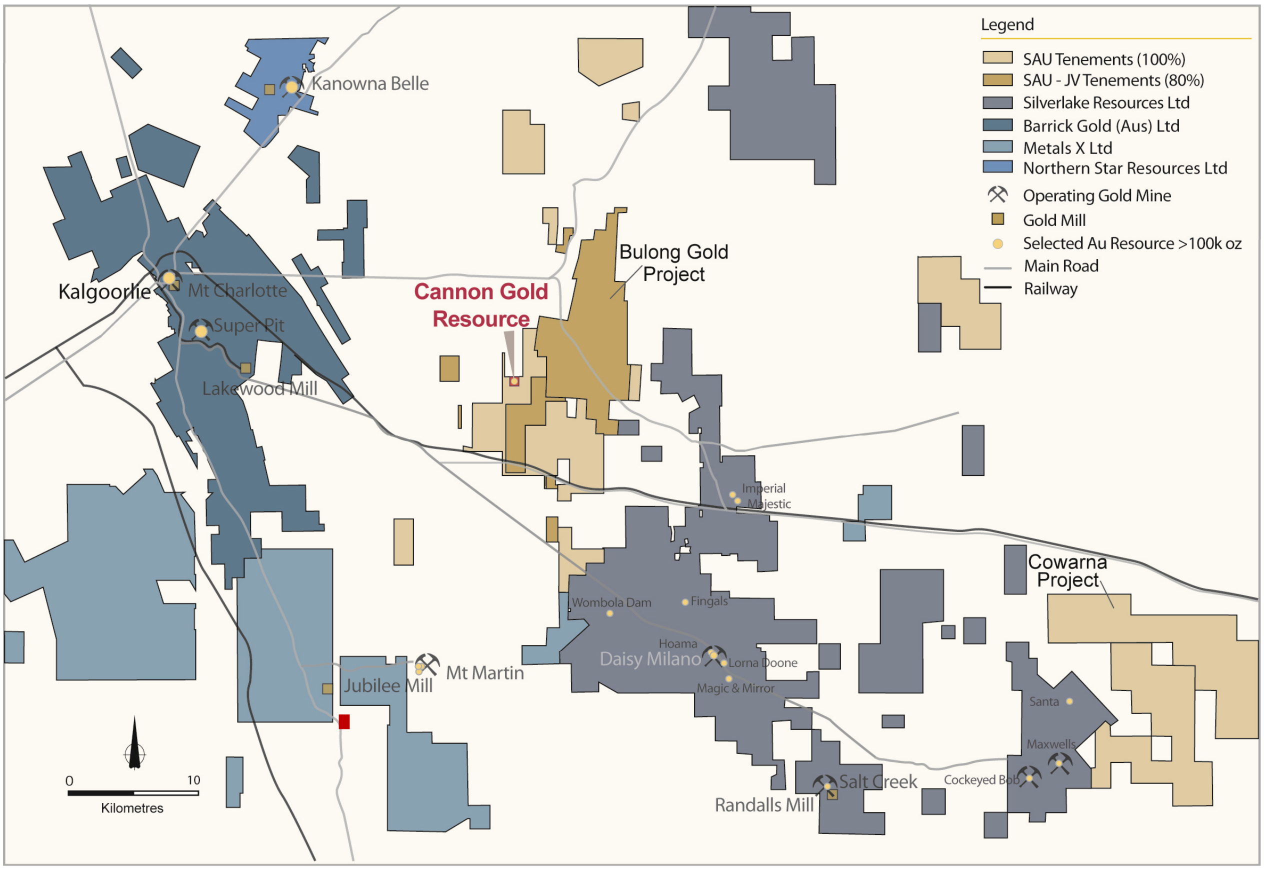

Figure 1. Southern Gold's tenement holding. The Bulong Project is located 30km east of Kalgoorlie, WA. The map shows the proximity of Southern Gold's tenements to neighbouring tenements held by companies with market capitalisations greater than $100m. It also shows the proximity to Metals X's Jubilee Mill.

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CONTACT

Your continuing support as a shareholder of Southern Gold is appreciated.

For further information contact:
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Managing Director

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Competent Person's Statements

The information in this report that relates to Mineral Resources is based on information compiled by Mr Ian Blucher (MAusIMM). Mr. Blucher is a full time 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.

Pre-Feasibility Study Results

The Optimisation announcement dated 13 February 2014 had no material changes to the methodology and assumptions used to determine the production target as detailed in the PFS announcement of 28 August 2013, and all of the key parameters continue to apply. The Optimisation announcement provided an update to the market of the reduction in the forecast operating costs. There have been no material changes to the methodology used to determine the operating costs as outlined in the PFS announcement.