



**SOUTHERNGOLD**

## **GOLD PRODUCER**



**Cannon Mine, Early February 2016**  
**ASX Ticker: SAU**

# Disclaimer

## Forward-looking statements

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- Estimates of future metal production; and
- Estimates of the resource base and statements regarding future exploration results and increasing the company’s resource base

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## 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 a full time 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 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.

# Southern Gold – why are we different?

- ❑ A Gold Explorer with Gold Production
- ❑ Expected cash generation of \$18m in 12 months > market cap
- ❑ Cannon Gold Mine is ‘tip of the iceberg’
- ❑ Multiple projects with embedded real option value
- ❑ Tight capital structure & focus on Total Shareholder Return

# Southern Gold - Today

## Cannon Gold Mine, Kalgoorlie WA

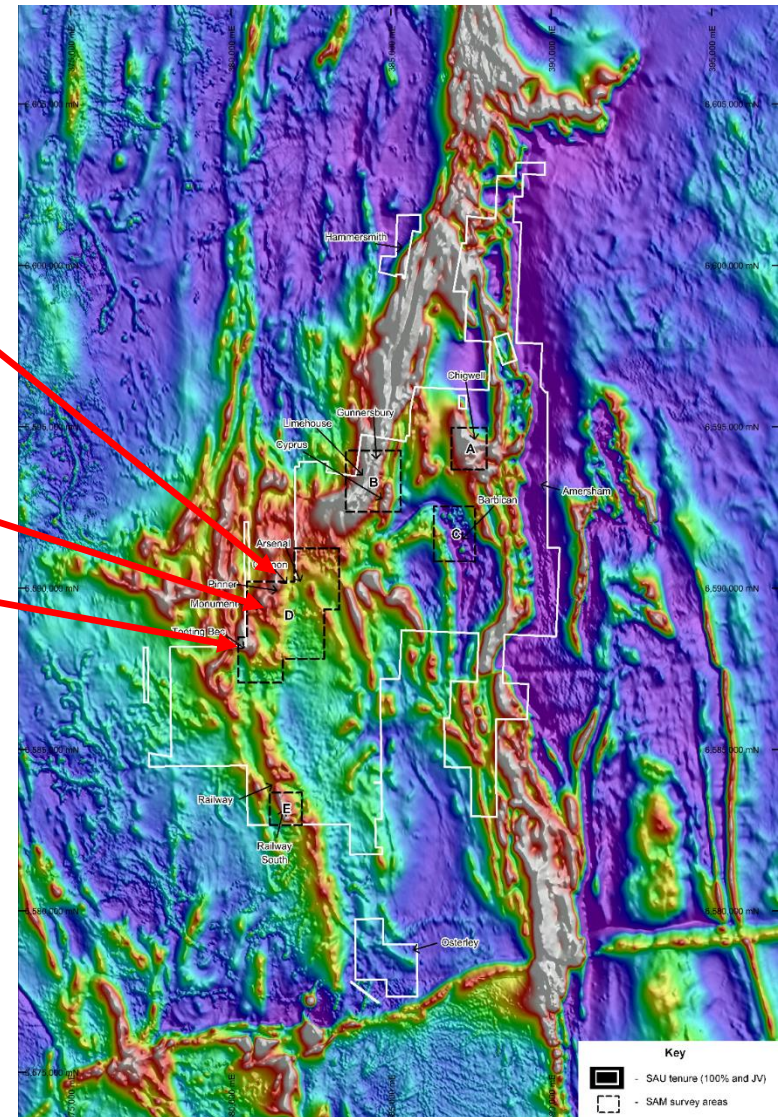
- ❑ Financed and operated by Metals X Ltd
- ❑ First gold pour on 10 November 2015
- ❑ Production to date ~10koz Au
- ❑ Net cash flow positive in 2016Q4
- ❑ Cash to SAU of ~**A\$14m to A\$18m** expected at >\$1500/oz Au price



# Southern Gold - Tomorrow

## Future Upside

- ❑ Cannon Mine - underground extension (tbc)
- ❑ Satellite Targets - near term drilling
- ❑ Regional Projects - close to Metals X haul road
- ❑ New Projects - organic growth
- ❑ Acquisition or JV - JORC Resource potential



# Our Strategy – Focus on Cash Flow

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## **Current Cash Flow**

- ❑ Cannon Open Pit, operations until 2017Q1

## **Near Term Cash Flow**

- ❑ Cannon Underground – high probability from mid 2017
- ❑ Monument & Tooting Bec Projects – satellite targets <1km to 5km from Cannon
- ❑ New projects – open pit developments near Cannon haul road

## **Mid Term Cash Flow**

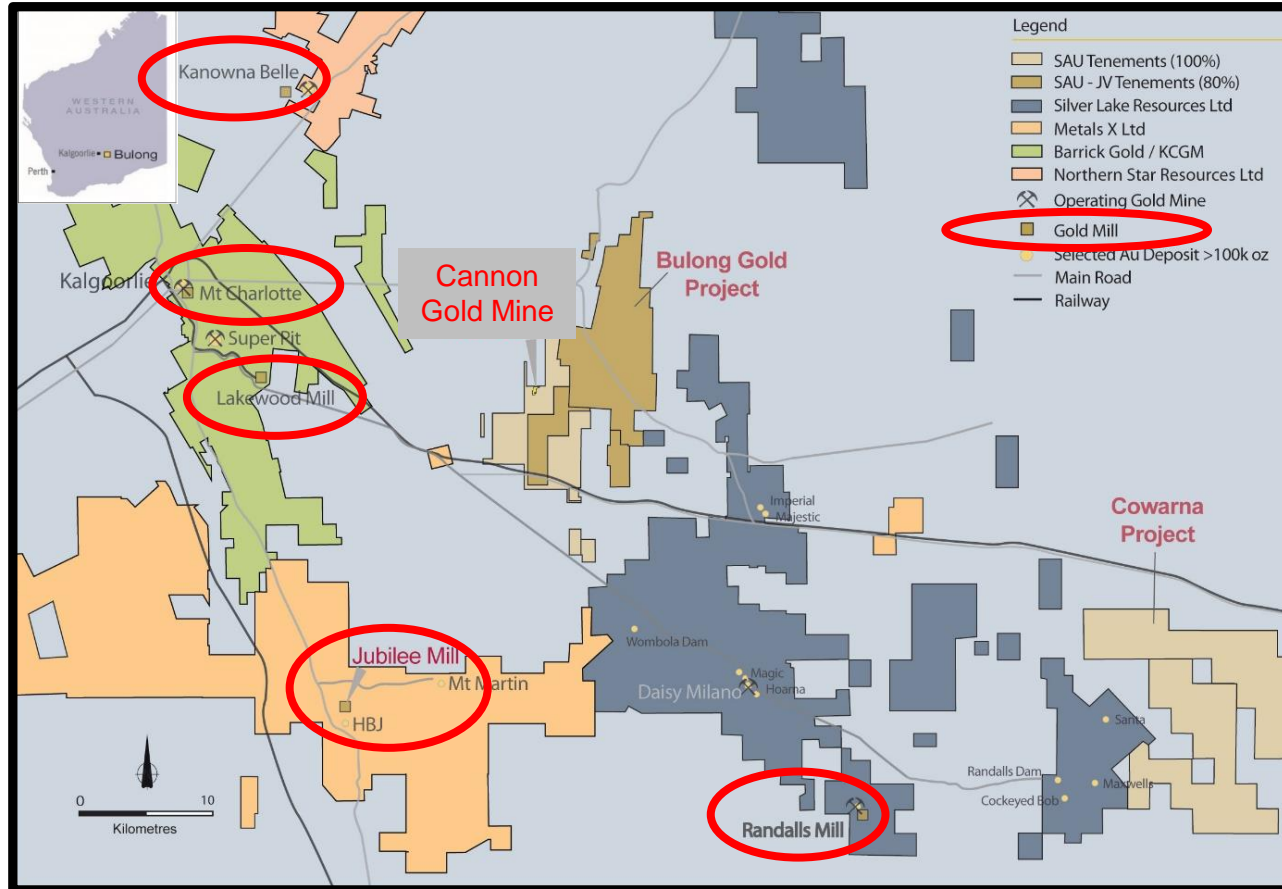
- ❑ Very targeted drilling opportunities in our exploration bank

## **Total Shareholder Return Benchmark**

- ❑ Southern Gold to consider a formal dividend policy at the appropriate time

# Our Strategic Advantage

5 Mills within 50km



- Lower economic hurdle rate
- Low capital intensity
- Rapid regulatory approvals
- Smaller, high grade projects compelling

# Cannon Project: High Grade Gold Production

Looking to N-NW

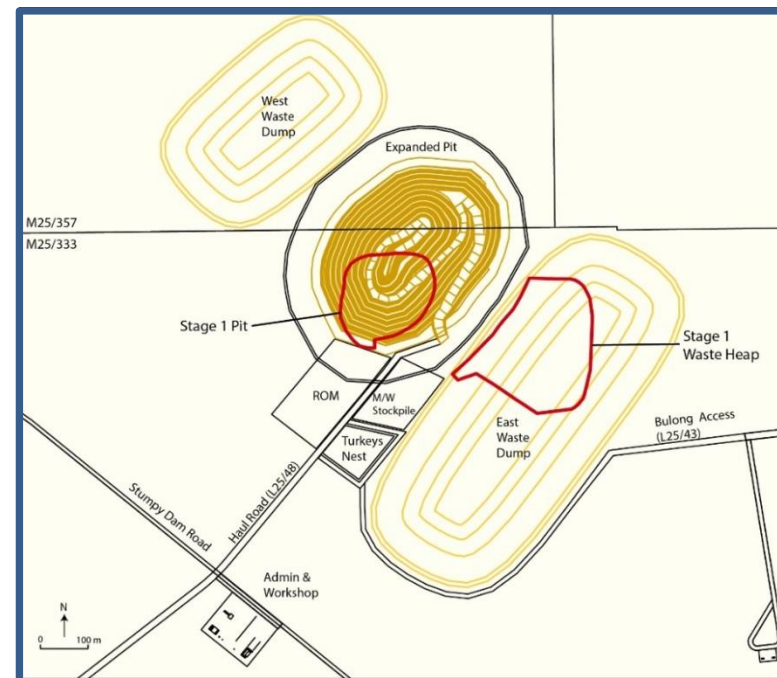
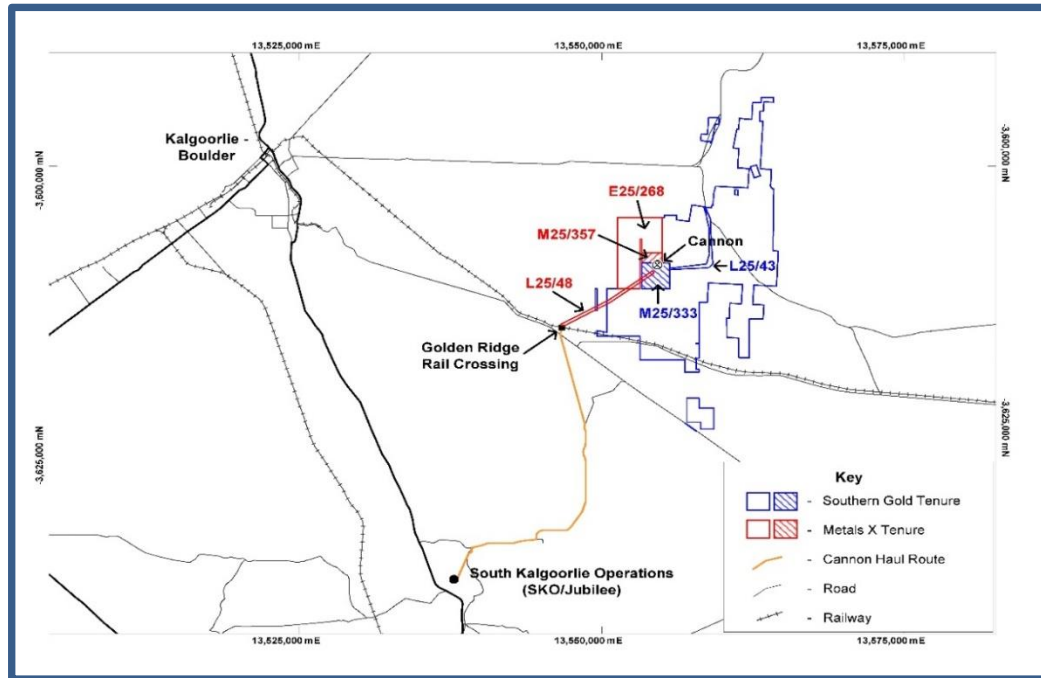
Background: Georges Reward (Metals X 100%)



Hangingwall

Footwall

# Cannon Project: Metals X as Operators



- MLX
- Finance, mine, haul and process ore at SKO Jubilee
  - Open book at-cost basis, fixed processing charge
  - Provide \$2.5m secured loan (\$1.0m currently drawn)
  - Share profit 50/50 on all production from M23/333
  - Develop Georges Reward (M25/357) at own cost & risk
  - Fixed 10koz @ A\$1500/oz & 10koz @ A\$1560/oz



# Cannon Project: Cash Generation \$11.6m\*

## Metals X Base Case

Pit Shell @ A\$1400/oz & Economics @ A\$1500/oz		Expanded Pit Total
Open Pit Mining	End Date	December 2016
Ore Processing Complete	End Date	February 2017
Tonnes Mined	Tonnes	479,120
Head grade (fully diluted)	g/t Au	3.77
Mined Ounces	koz Au	58.0
Recovery (LOM average)	%	86.3
Recovered Ounces	koz Au	50.0
<b>C1 Operating Cost</b>	<b>A\$/oz</b>	<b>\$981</b>
All In Sustaining Cost (AISC)	A\$/oz	\$1,014
Total Cash Cost/oz, including capital	A\$/oz	\$1,037
<b>Total Net Cash^ to Southern Gold*</b>	<b>A\$m</b>	<b>\$11.6</b>

At least 50koz recovered....

... >\$500/oz cash margin, @ >A\$1500/oz gold

~\$500 margin on hedged component (20koz Au); and

~\$650 margin on todays price (\$1685) on balance (30koz); then

**MLX Base Case Net Cash^ to Southern Gold = \$14.75m**

^prior to MLX debt repayment

\*MLX Base Case (\$11.6m) Southern Gold Estimate (\$15m) - See ASX announcement 3 November and 9 December 2015 for details.

# Cannon Project: Cash Upside\*

- ✓ Gold price Au price currently at **A\$1685/oz**
- ✓ In-pit JORC resource 538.1kt @ 3.91g/t containing **67.6koz**
- ✓ Metallurgical recoveries (testwork ave.) 89%-92% therefore **~61koz recovered**
- ✓ Inferred or unclassified material +55kt estimated in pit (not 100% convertible)

~\$500 margin on hedged component (20koz Au); and  
 ~\$650 margin on today's price (\$1685) on balance (41koz); then

**Net Cash<sup>^</sup> to Southern Gold = \$18.3m**

<sup>^</sup>prior to MLX debt repayment

	MLX Base Case (\$1500/oz Au)	MLX Base Case (current Au price)	Southern Gold Case (current Au price)
Cash to Southern Gold	\$11.6m	\$14.75m	\$18.3m
Per Share (36.5m on issue) <sup>#</sup>	31.8c	40.4c	50.1c

<sup>#</sup> assumes no interim equity raising or MLX debt servicing

\*MLX Base Case (\$11.6m) Southern Gold Estimate (\$15m) - See ASX announcement 3 November and 9 December 2015 for details.

# Cannon Project: Performance So Far?

## The Mine

2015Q4		Actual	Budget	Variance	Variance+ %
Waste Moved	Bcm	924,583	662,625	+261,958	+39.5%
Ore Mined	Bcm	35,941	26,439	+9,502	+35.9%
Ore Mined	Tonnes	78,951	58,431	+20,520	+35.1%
Ore Mined	Au g/t	2.81	2.54	+0.28	+11.0%
Ore Mined	Oz	7,139	4,764	+2,375	+49.9%

## First Ore Load – Aug '15



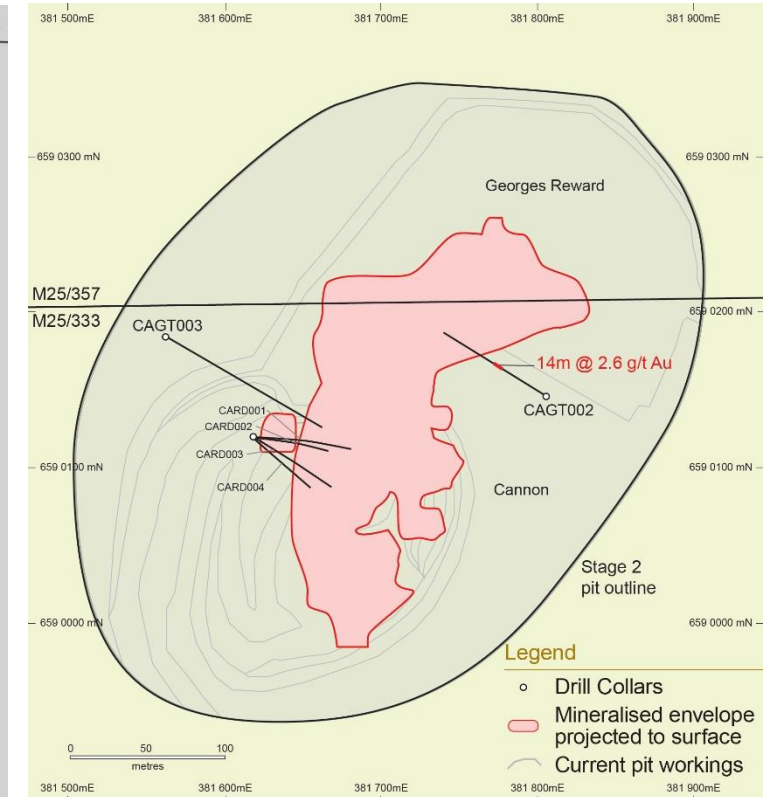
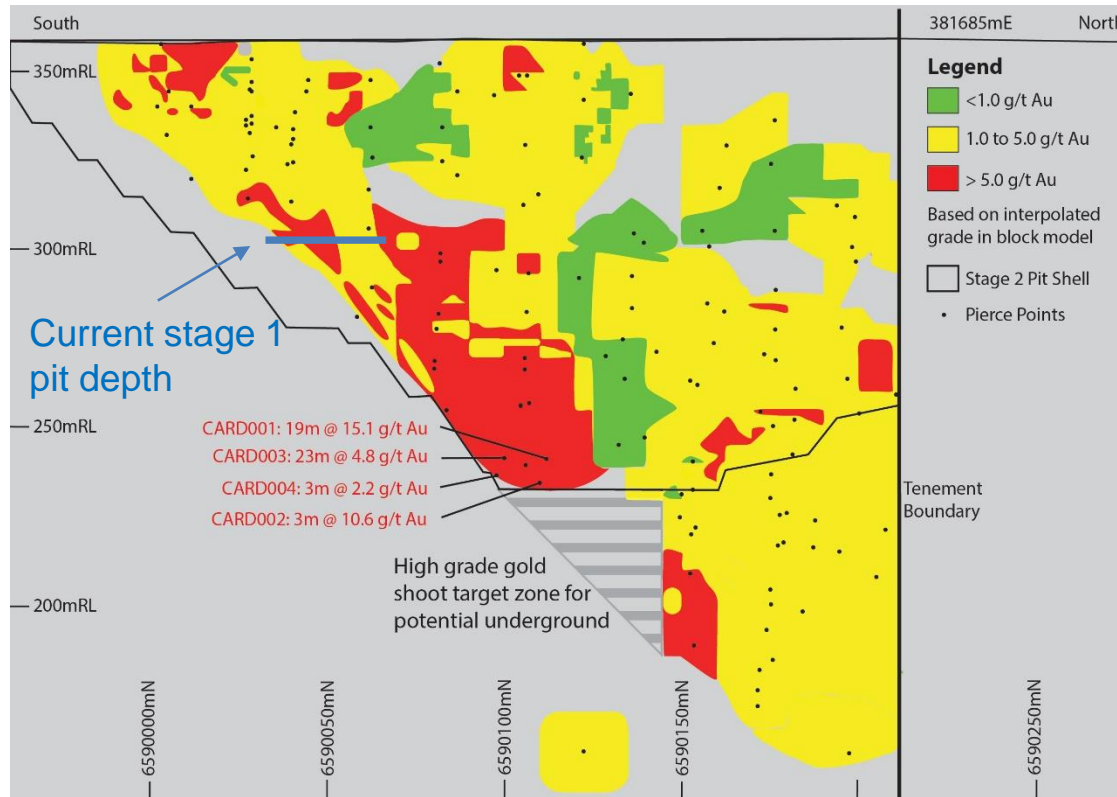
## Process Plant: 2 processing campaigns

		Nov '15	Jan '16	Total
Tonnes Milled (dry)	tonnes	86,333	43,790	130,123
Mill Head Grade	Au g/t	2.57	2.68	2.61
Recovery	%	90.92%	92.85%	91.60%
Gold Produced	oz. Au	6,474	3,504	9,978

## Maiden Gold Pour – Nov '15



# Cannon Project: Treasure Chest & New Lode



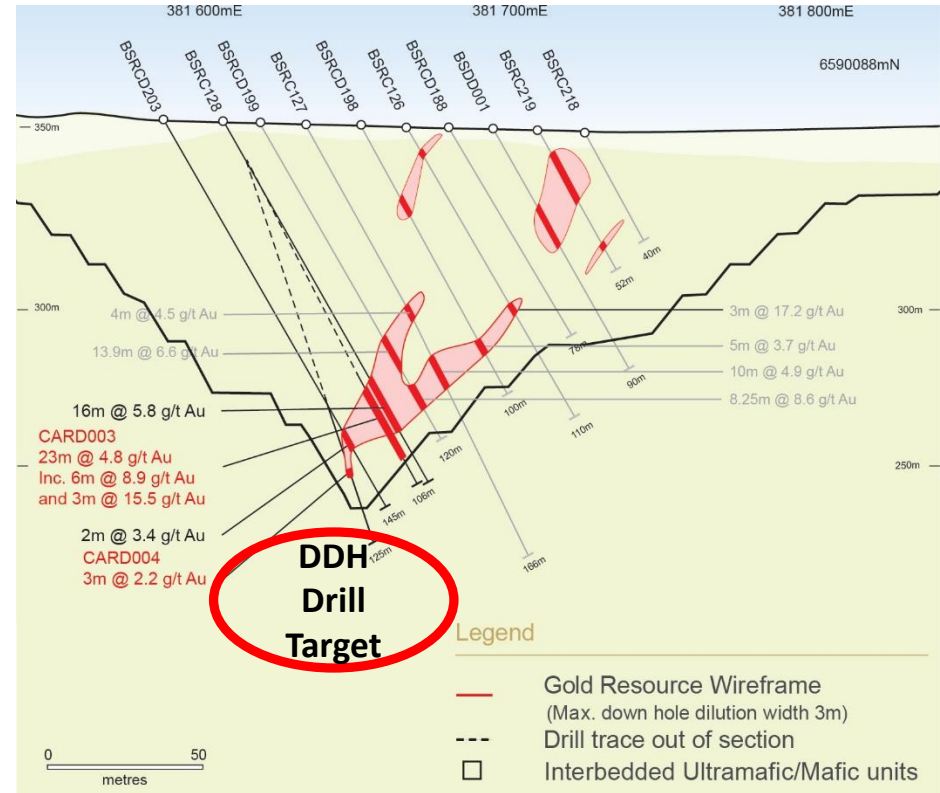
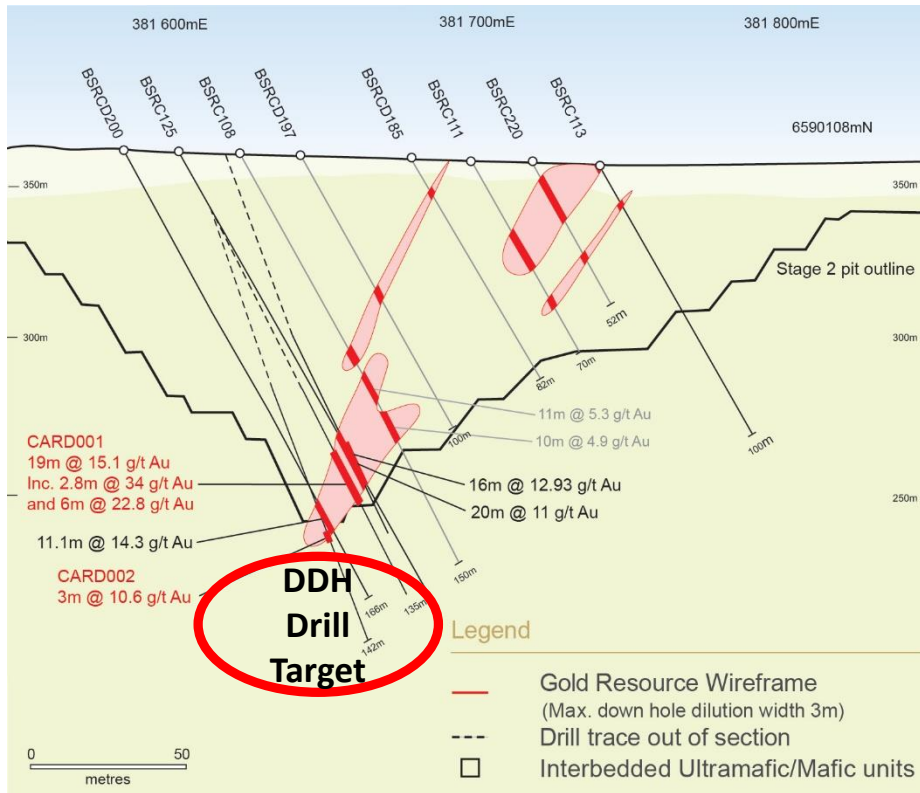
## Long Section View

**CARD001: 19m @ 15.1g/t** at bottom of pit **best intersection ever encountered at Cannon**

## Plan View

**CAGT002: 14m @ 2.6g/t** new lode intersection in footwall geotech hole

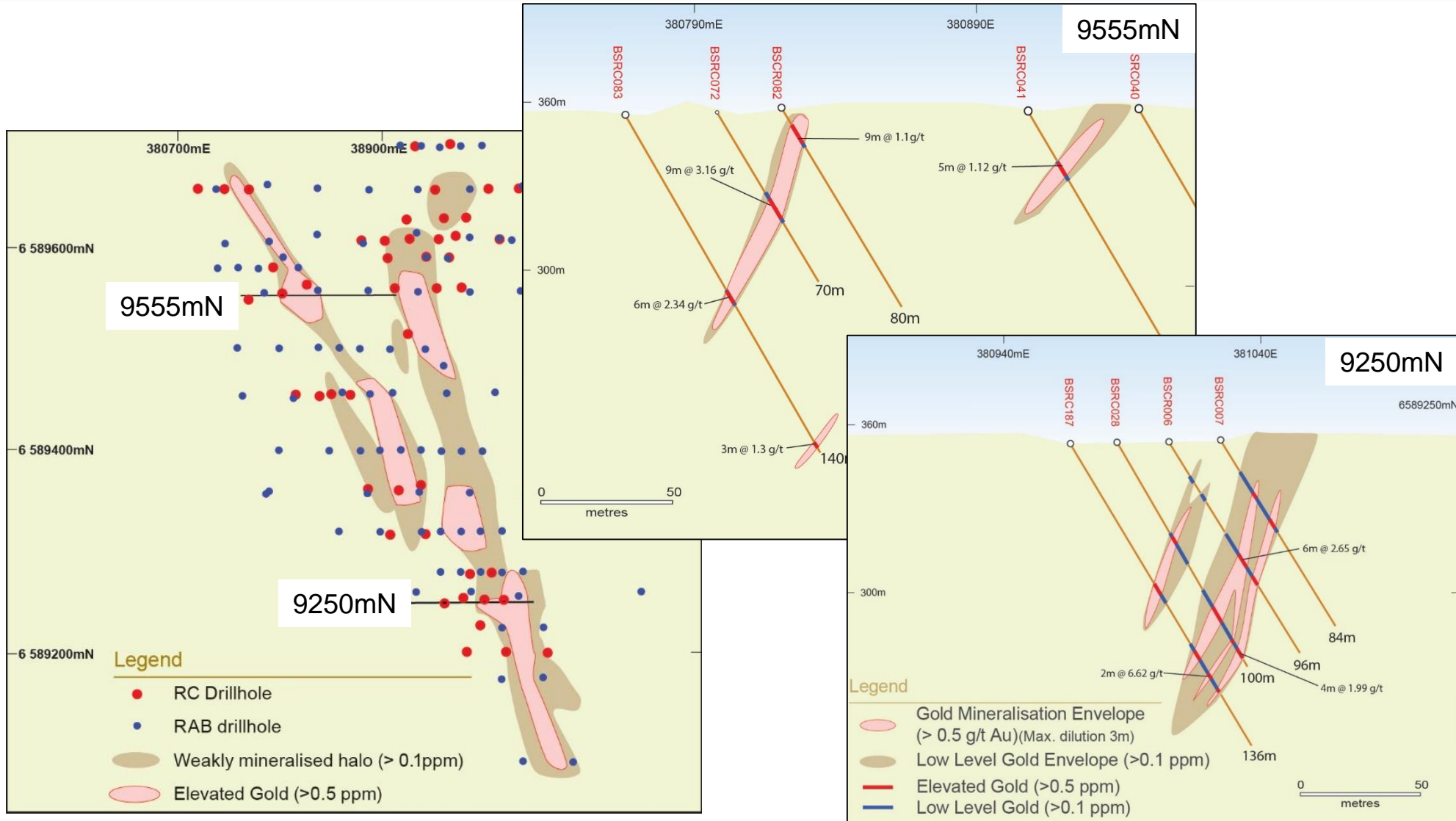
# Cannon Underground? Drilling For Value



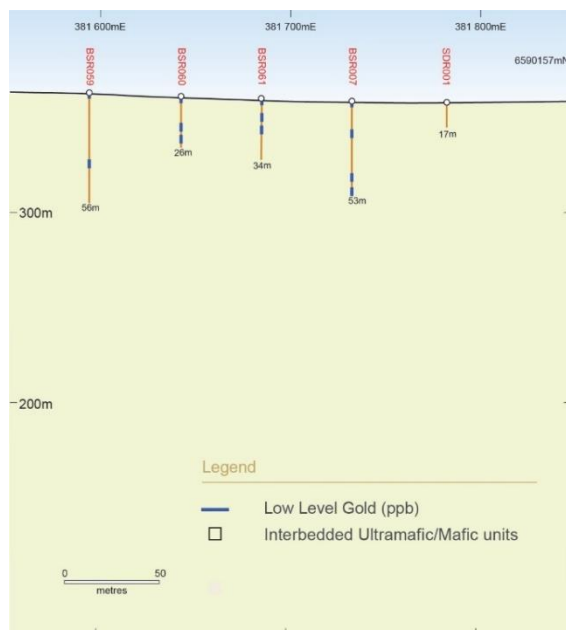
“We see the open pit as only the first phase as the project exhibits good metrics to consider underground mining in the future.”

Peter Cook, CEO, MLX ASX Release 3 November 2015

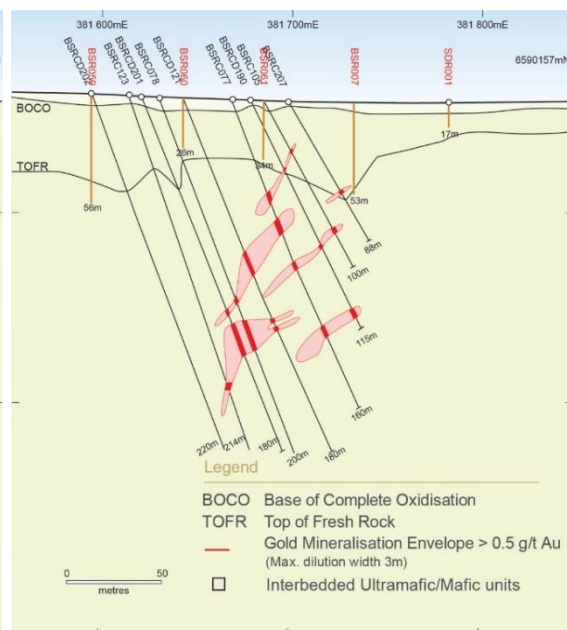
# Monument Project? Drilling For Value



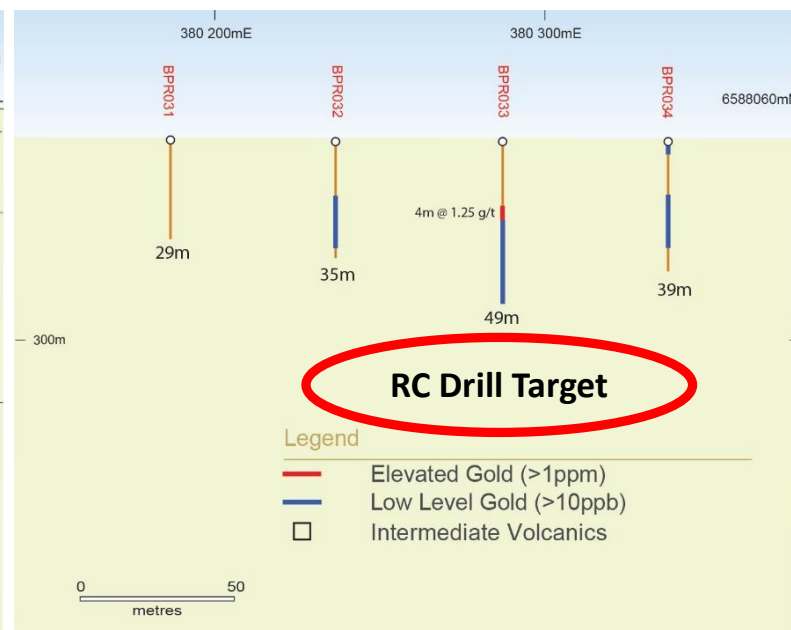
# Tooting Bec Project? Deeper Drilling Required



Shallow Regional RAB drilling



RC Drilling: Cannon Discovery



Drill deeper than 50m

Initial stage exploration finds low level anomalism

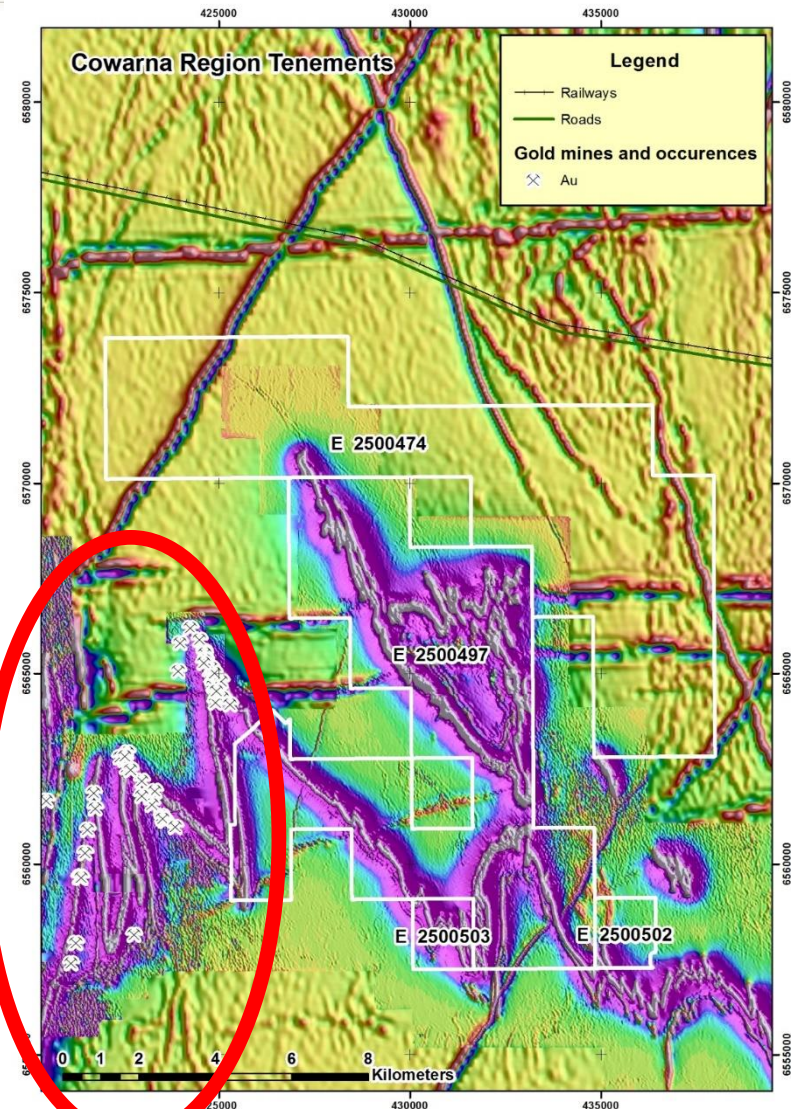
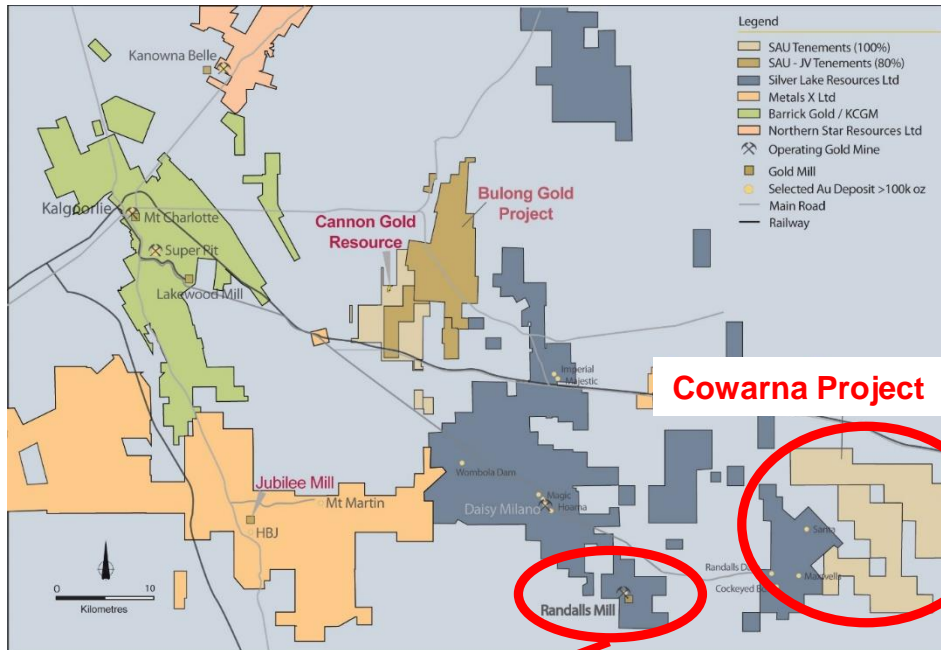


RC drilling targets below oxide zone finds high grade Au



Implications for regional targets with low level Au results

# Cowarna? Exploration Project Synergies



Cowarna is within trucking distance of Silverlake's Randalls Mill

Gold occurrences on the BIF sequence outside Southern Gold's tenure

# Corporate Overview

## 12 month price performance versus Gold Index



\$1m Equity Raising @ equivalent \$0.15/share  
 Canon Mine Go Ahead Approved  
 Canon Mine Commencement  
 CARD001  
 First Gold Pour

## Financial information

Number of shares	36.5 m
Call Options (\$0.375, \$0.90)	~0.85m
Total Fully Diluted Shares	37.4m
Share price (16 Feb 2016)	A\$0.27
<b>Market capitalisation (undiluted)</b>	<b>A\$9.9m</b>
Debt (Metals X, \$1.5m undrawn)	A\$1.0m
Cash (@ mid January 2016)	A\$0.8m
<b>Enterprise value</b>	<b>~A\$10m</b>
<b>Estimated Cash Generation</b>	<b>~A\$15m</b>

## The Board

<b>Greg Boulton AM</b>	Chairman
<b>Simon Mitchell</b>	Managing Director
<b>Mick Billing</b>	Non Executive Director
<b>David Turvey</b>	Non Executive Director

# Last 12 Months

At the start of 2015 our goals were to....

- ❑ Raise equity
- ❑ Mine gold at Cannon by mid 2015
- ❑ Pour gold by end of the year
- ❑ Secure commercial terms on larger pit
- ❑ Reduce operating costs to less than A\$1000/oz
- ❑ Improve capital structure and balance sheet

And we achieved....

**\$1m placement @ \$0.15 in March 2015**

**Actually late July 2015**

**Actually early November 2015**

**Agreed with MLX in November 2015**

**MLX economics has C1 at A\$981/oz**

**15:1 consolidation, exploration write-offs**

Start of mining  
in July 2015....



# Next 12 Months

## 2016H1 Drilling at...

- ❑ Cannon Gold Mine below pit for underground
- ❑ Monument Prospect
- ❑ Tooting Bec Prospect
- ❑ Newly acquired projects - rapid JORC conversion
- ❑ Project Reconnaissance at Cowarna



## 2016H2 Economic Studies and Cash

- ❑ Revised Cannon underground study (for 2017)
- ❑ Satellite open pit designs & approvals (for 2017)
- ❑ Bank significant cash flow from Cannon and...
- ❑ Ensure there is more cash to come



# Follow Up



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- ❑ RCR Research Report by John Wilson, November 2015:  
[http://www.southerngold.com.au/assets/docs/investors/20151113-RCR-SAU-4Q15-Analyst-Report\\_1447673614.pdf](http://www.southerngold.com.au/assets/docs/investors/20151113-RCR-SAU-4Q15-Analyst-Report_1447673614.pdf)
- ❑ Breakaway Research Report by Basil Burmeister & Grant Craighead, October 2015:  
[http://www.southerngold.com.au/assets/docs/investors/20151008-Breakaway-Research-Report-on-SAU\\_1444259940.pdf](http://www.southerngold.com.au/assets/docs/investors/20151008-Breakaway-Research-Report-on-SAU_1444259940.pdf)