



ASX Code: SAU

Issued Shares: 42.9M

Placement Shares: 3.43M (TBC)

Shares Post Placement: 46.33M

Directors

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Photo 1: Drill core from Kochang,
South Korea

Quarterly Activities Report

30 June 2016

Key Points

- Cannon Mine quarterly production of 2,095oz. gold from a third processing campaign in June with continued high recovery of 92.5%;
- Post quarter end significant acquisition of South Korean high grade gold projects and pending \$1.2 million placement at \$0.35/share;
- Drilling start at Kochang, South Korea, within 2 weeks of acquisition.

Cannon Gold Mine

- The third processing campaign in June produced 2,095 oz. of gold on recovery of 92.49%. Total gold production and project revenue to date now stands at 12,074 oz. and approximately \$18.2 million respectively.
- Processing for the quarter was limited due to the continuing stage 2 cut back. Ore mining will resume in the coming quarter with the next processing campaign scheduled for August.
- Assuming a A\$1750/oz gold price and 90% recovery, Cannon will generate profit share from December 2016 to March 2017 of approximately \$14 million (net of debt repayment to Metals X Ltd).

Exploration

- A farm in and joint venture agreement was signed with Aruma Exploration Pty Ltd on the Glandore project also post quarter end.
- A portfolio of high grade gold+/-silver projects in South Korea was acquired for 6.29m shares, \$116,000 cash and \$70,000 debt.
- Drilling has commenced at the first project, Kochang, in South Korea within two weeks of acquisition. **(Photo 1, left)**

Corporate

- Cash position increased to \$1.4 million.
- An additional \$1.2m placement at \$0.35/Southern Gold share is to complete in September pending shareholder approval.

Upcoming Quarterly Outlook

- Processing of Cannon ore to recommence with fourth campaign.
- Updated financial model and processing schedule in August 2016.
- Results from drilling at Kochang, South Korea in September 2016.

Cannon Gold Mine

Mine Operations

Southern Gold Ltd (Southern Gold, ASX Code: SAU) continued to advance the Company's flagship Cannon Mine, 35km east of Kalgoorlie, WA, during the June quarter. The Cannon Open Pit Mine is being financed and operated by development partner Metals X Ltd (Metals X, ASX Code: MLX) in a profit share arrangement, with both parties entitled to 50% of the profits after repayment of costs which are charged on an at-cost open book basis by Metals X.

Photo 2: Cannon Open Pit Looking South (Post end of Quarter, photo courtesy of Metals X)



Table 1: Cannon Mining Actuals vs MLX Budget for Q2CY16 (M25/333 Only)

	Actual	Budget	Variance	Variance%
Total BCM Moved	1,000,044	896,564	103,480	+11.5%
Ore Mined tonnes	61,489	42,474	19,015	+44.8%
Ore Mined g/t	2.63	1.83	0.80	+43.7%
Ore Mined oz	5,195	2,492	2,702	+108.5%

Significant mining statistics (**Table 1**) for the June quarter include:

- Mine operations during the quarter saw the pit developed from the 317.5mRL down to the 305mRL, with ongoing mining of the Stage 2 cutback and waste removal in pit to enable grade control drilling to be undertaken from the 305m RL down to the 285m and 270m RL's;
- Grade control drilling over the whole of the pit floor commenced on 27 June;
- Mine contractor productivity has improved however wet weather continues to cause delays;
- There were no reportable injury's or incidents.

The third milling campaign was brought forward from July and was completed in June, with metallurgical recovery continuing to trend ahead of budget (91.7% vs 89%, see **Table 2** below). While recovery performance is expected to drop slightly with the higher proportion of fresh rock in the ore feed, performance to date suggests that Life of Mine (“LOM”) recovery should exceed the currently budgeted 86.3%.

Table 2: Cannon December Quarter CY15 & March Quarter CY16 and Year to Date (YTD) Statistics

		Dec Qtr	Mar Qtr	Jun Qtr	YTD	Budget	YTD Variance+%
Ore Milled	tonnes	86,333	43,790	33,704	163,827	100,000	+64%
Head Grade	g/t Au	2.57	2.68	2.09	2.60	2.92	-11%
Recovery	%	90.92%	92.85%	92.49%	91.7%	89%	+2.7%
Gold Produced	Oz.	6,474	3,504	2,095	12,074	8,333	+45%

The production guidance provided in **Table 3** below illustrates the ‘back ended’ nature of the project and the cashflow. More than half the gold is produced in the last two quarters of operations between October 2016 and March 2017. It is during this period that Southern Gold expects to see project distributions paid to its account.

Table 3: Cannon Forward Gold Production Guidance to 31 March 2017 (On Base Case Budget)

		Sept Qtr 2016	Dec Qtr 2016	Mar Qtr 2017	Total
Ore Milled	tonnes	90,000	140,000	118,352	348,352
Head Grade	g/t Au	~2.7	~3.4	~5.1	~3.7
Recovery	%	86%	85%	85%	86%
Gold Produced	Oz.	6,664	13,440	16,577	36,681

Deep Drilling Beneath Cannon Open Pit

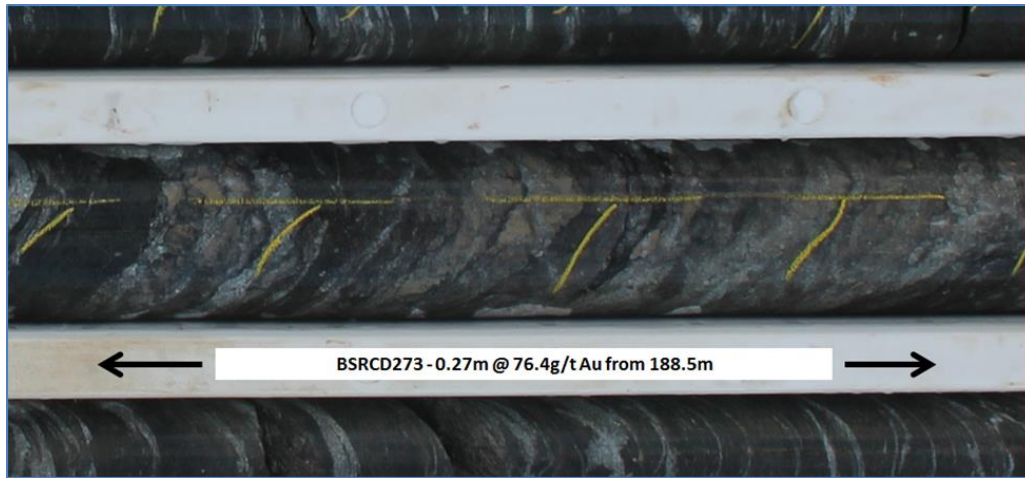
A program of 10 RC and diamond core holes for 1823.2m was undertaken in June to evaluate the steep southwest plunge of high grade gold mineralisation interpreted within the resource model and to define potential extensions to the resource below the designed open pit. An additional goal of the programme was to resolve the reasons for an apparent termination of the mineralisation beneath the southern end of the current pit design which had previously been interpreted as due to north plunging ore shoots.

The best results which were returned post the end of the quarter (ASX release on 22/07/16), were:

- 5.22m @ 3.44g/t Au from 128.4m in BSRCD269 (including 0.42m @ 37.7g/t Au from 133.18m), and
- 2.5m @ 8.93g/t Au from 188.5m in BSRCD273 (including 0.27m @ 76.4g/t Au from 188.5m).

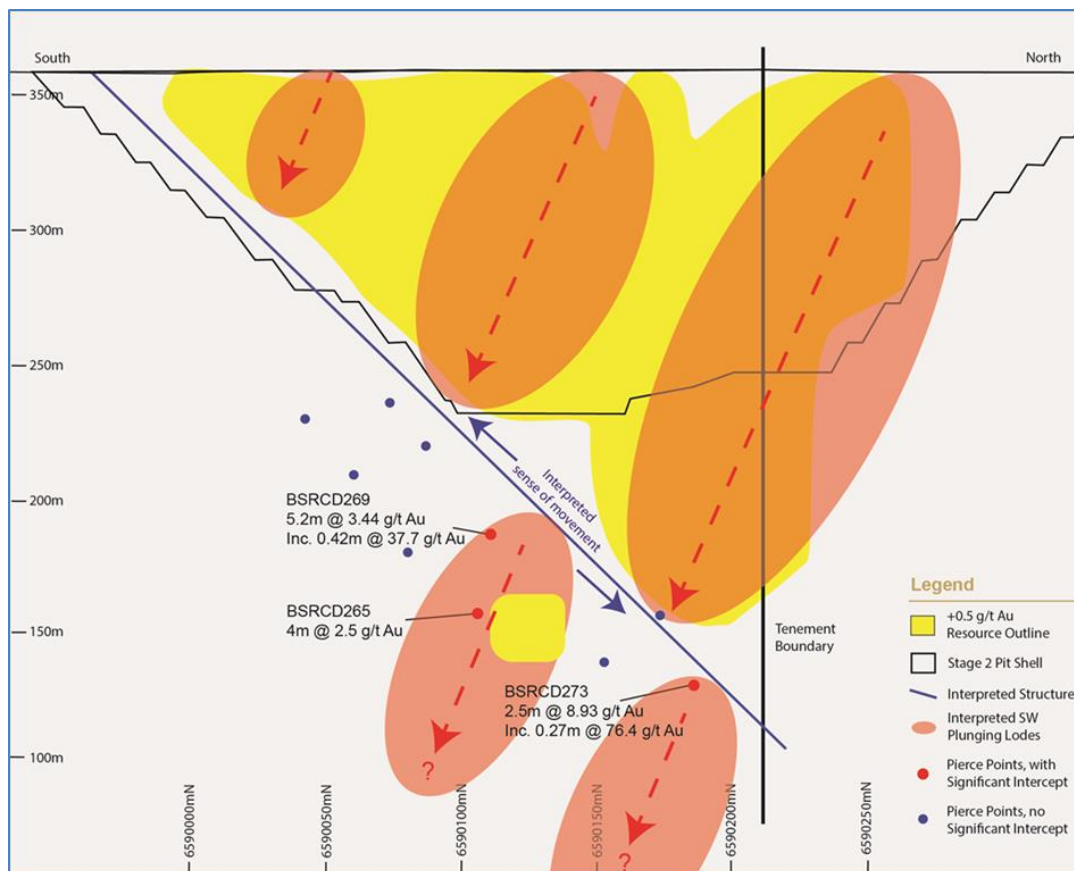
The high grade interval 0.27m @ 76.4g/t Au from 188.5m in BSRCD273 is particularly significant as the presence of albite-carbonate-silica-chlorite alteration (**Plate 1**) is similar to that previously identified in high grade intersections from resource drilling prior to mining commencing and is the first occurrence of this style of mineralisation below the interpreted north dipping structure which offsets the mineralisation (**Figure 1**).

Plate 1: Cannon-style mineralisation in BSRCD273 with albite + carbonate + silica + chlorite alteration



The interpreted resource extending beneath the current pit design has an apparent irregular, northerly plunging termination at depth (**Figure 1**). Based on the results of this programme, in cross section, this termination is now interpreted as a thinning caused by predominantly north-south movement on a low angle north dipping structure.

Figure 1: Schematic Long Section of Postulated South Plunging High Grade Shoots



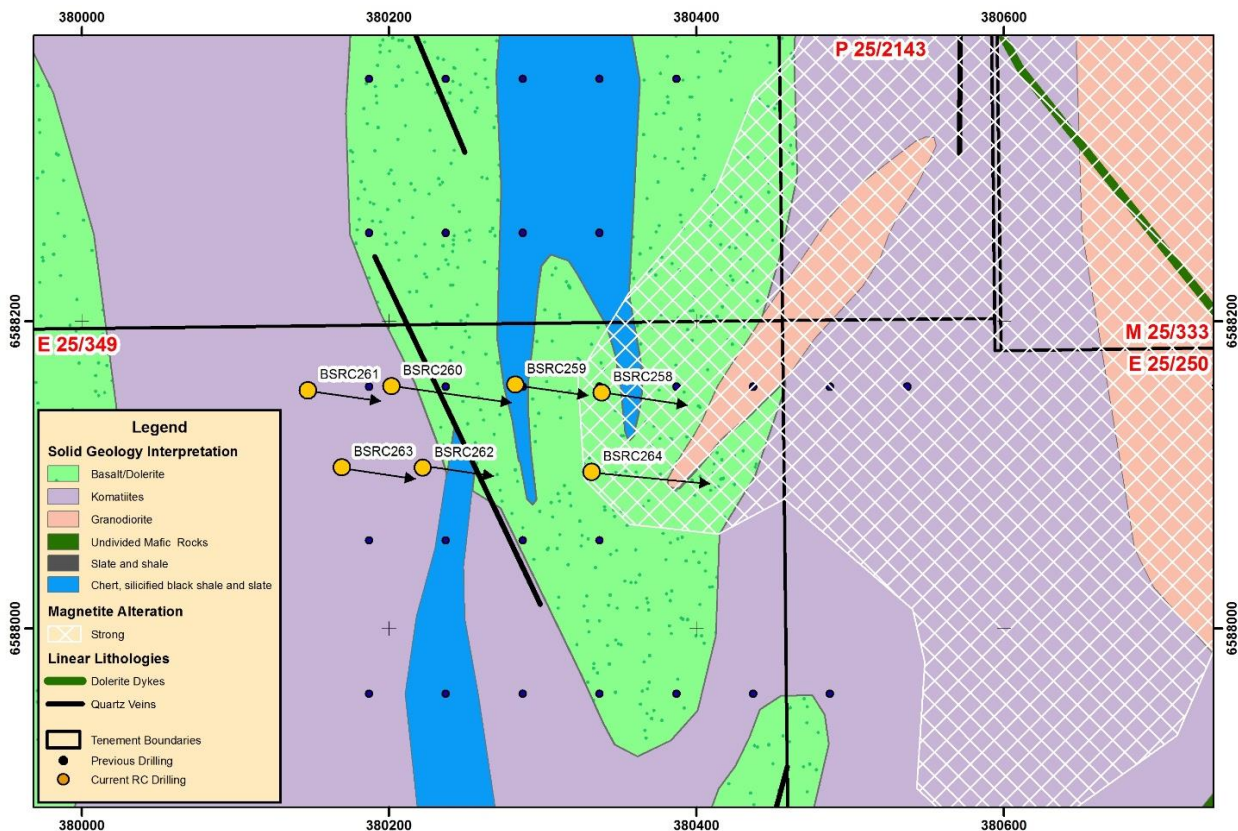
Significantly, previously identified mineralisation has been extended with the high grade intersection in BSRCD269 and, in addition, **a new zone of high grade mineralisation with typical Cannon-style textures and alteration has been intersected in BSRCD273, in a structural setting which implies that the deposit remains open at depth.**

Exploration

Tooting Bec

Seven RC holes were drilled on two sections for a total of 882m. These drill holes intersected a 200m wide sequence of basalts intercalated with narrow intervals of variably silicified, graphitic sediments. To the east and west, this sequence is bounded by komatiitic ultramafic lithologies (**Figure 1**).

Figure 2: Tooting Bec Drill Hole Locations on Geology



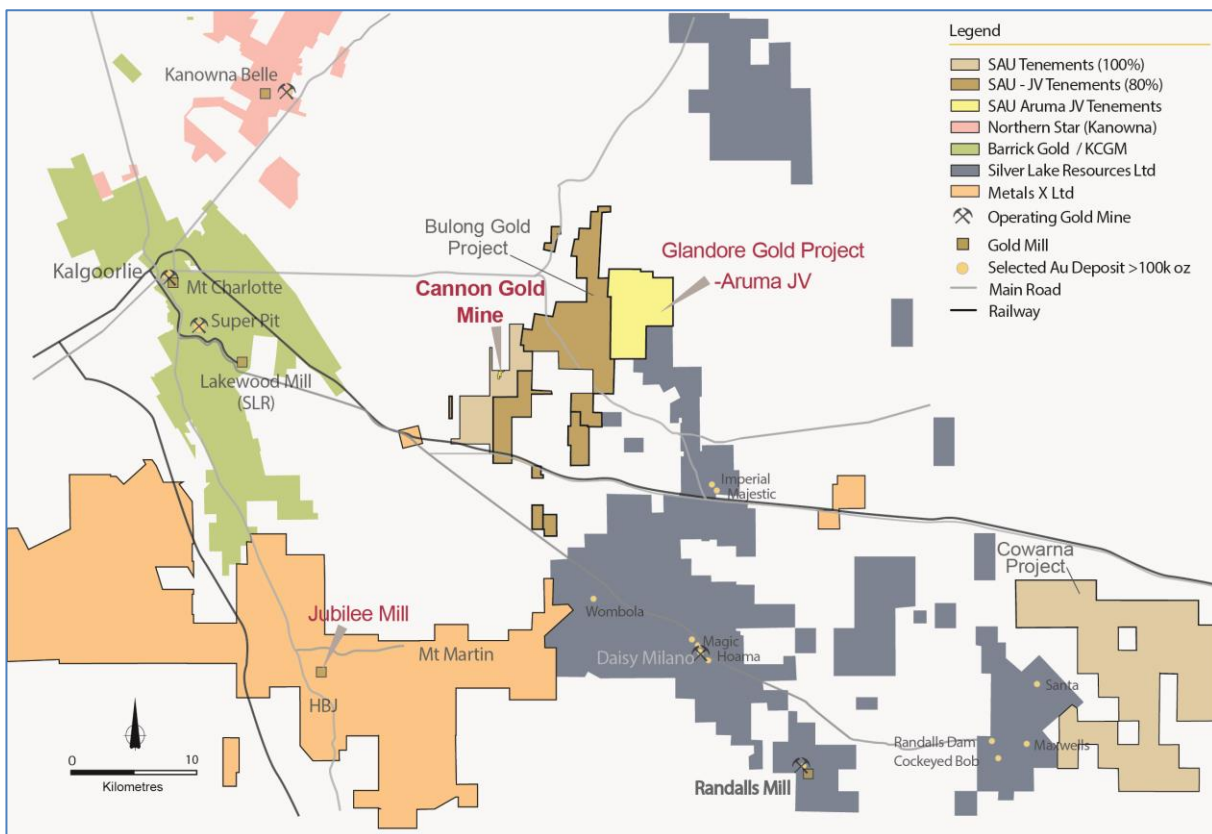
The gold grades intersected in the Tooting Bec drilling indicate that this drilling program has intersected the margin of a significant mineralised system associated with the granodiorite intrusion to the east. Previous interpretation of the magnetic data in the area identified a zone of potential magnetite alteration around the margins of this granodiorite intrusion. Magnetic susceptibility data and visual logging of the RC chips has confirmed this interpretation with the alteration extending into the Tooting Bec area, presumably as a halo around the felsic intrusive dyke (**Figure 2**). In addition, the strongest gold grades intersected were all found within zones of high magnetic susceptibility around the margins of the felsic intrusives.

This is potentially a new style of mineralisation within the SAU Bulong tenement package. The region around the large granodiorite has been tested with the regional auger sampling program with several low-level, anomalous results. A significant portion of this area is covered by an unknown thickness of younger sediments. It is planned to trial several geochemical methods across this area, in an effort to locate mineralisation through the cover.

Glandore Farm In and JV

During the quarter Southern Gold announced the signing of a binding Farm In and Joint Venture Agreement with Aruma Exploration Pty Ltd, a wholly owned subsidiary of Aruma Resources Ltd. See ASX Release dated 4 April 2016 for details. Southern Gold can earn up to a 90% interest in a package of tenements immediately east of Southern's Bulong Project (**Figure 5**).

Figure 3: Location of Glandore JV Area with respect to Kalgoorlie and SAU's Bulong Project

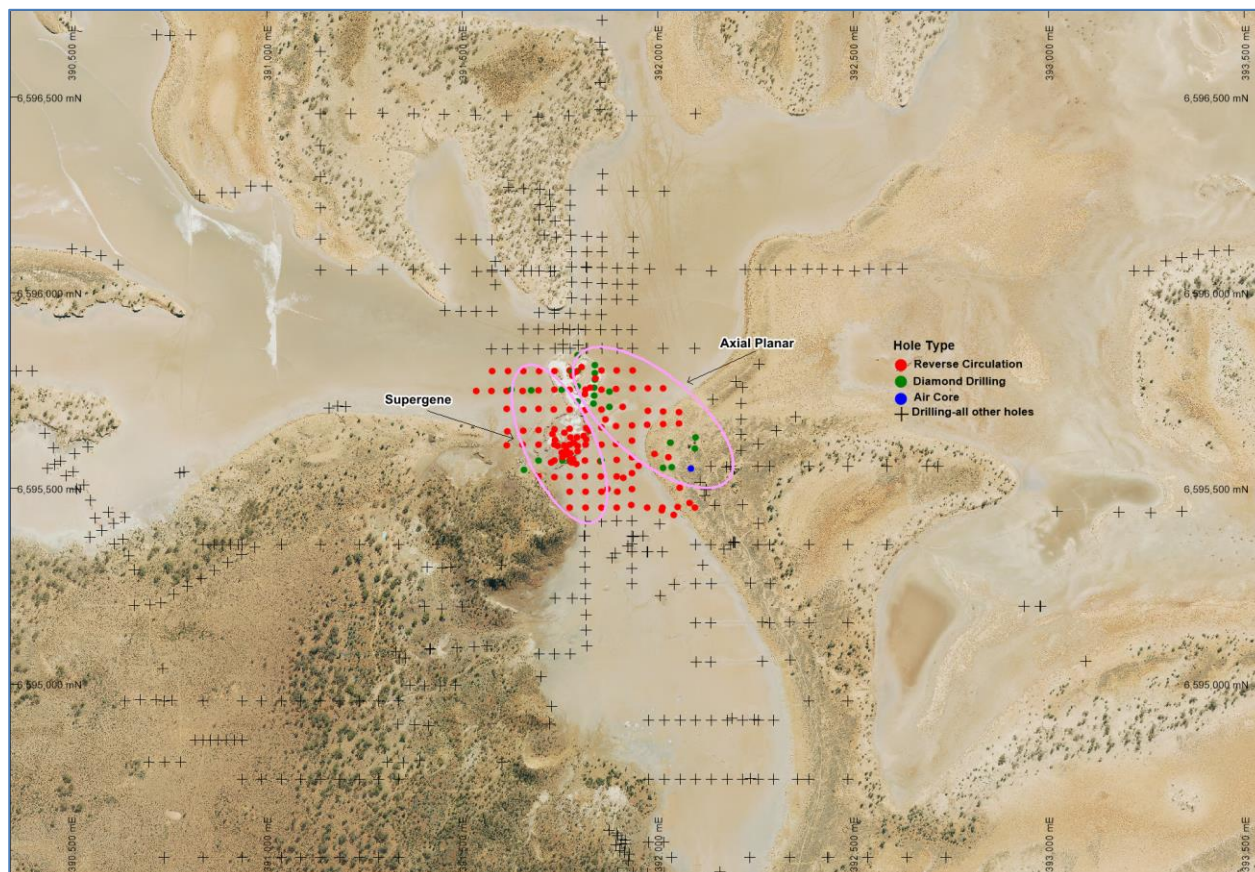


Historical drilling from previous Glandore work has been collated into a single database of assay, geological and structural data. The new data yielded 250 additional Reverse Circulation (RC) Diamond, Air Core and Rotary Air Blast (RAB) drill holes, compared to the previous database. Twenty (20) drill holes were added within the Supergene prospect, helping to infill areas and better define mineralisation and geological targets.

A substantial increase to the dataset in the North/Northwest of the Glandore Project area has given insight to the possibility for mineralisation trends in the area and provides a base for further exploration work. To the south, drill holes added from the new database near the 'Lady Ann' historical workings were encouraging and warrant further work in this area.

A new wireframe model (3D shape of the target mineralisation) will be produced incorporating the drilling from the new dataset during the September quarter. This will help to define the resource potential in the Supergene/Axial Planar and Eastern Lode prospects and help with the planning of future drill programs.

Figure 4: Extent of drilling around Supergene and Axial Planar Deposits, including drill holes newly added to database.



Previously drilled diamond core under storage at the Department of Mines and Petroleum Core Library was reviewed by Southern Gold geologists including three holes drilled by Western Mining Corporation (WMC) in the early 90's which targeted the central and northern extents of Axial Planar prospect as well as a co-funded 'deep hole' (1200.8m) drilled by Aruma Resources Ltd in 2015.

A preliminary drilling program for Glandore is currently planned for September or October 2016, weather permitting. The initial drill program will focus on infilling historical drilling around the Supergene prospect, with the aim to convert it to a JORC resource within the next 6-9 months.

Cowarna Project

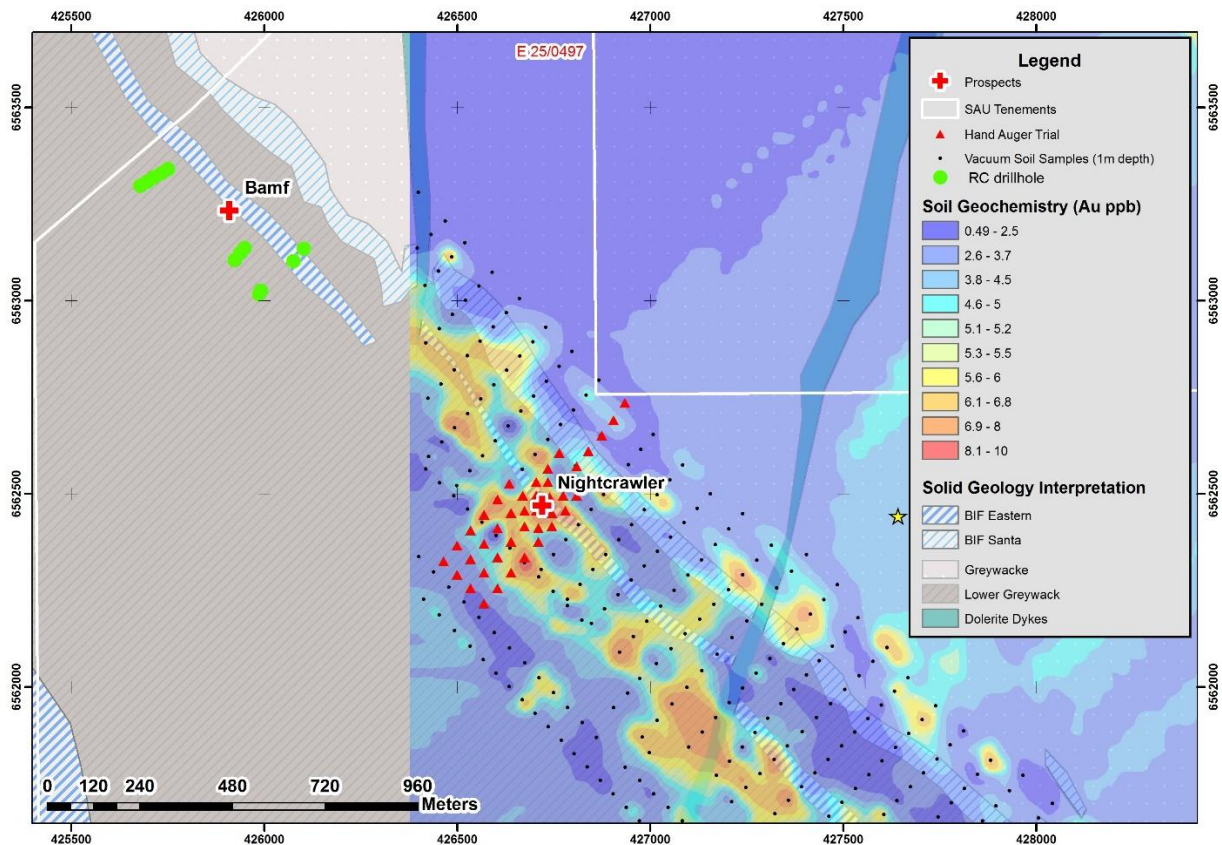
A trial soil sampling program at the Nightcrawler prospect consisting of 43 samples has been conducted across an area previously only sampled by vacuum drilling. The previous sampling (**Figure 5**), sampled for gold and a limited trace element suite and while these results only returned very low levels of gold anomalism Southern Gold geologists believed the sampling technique did not adequately test the area.

This trial soil sampling program used a hand auger to sample the near surface (0 - 0.5m) material. Two sample fractions (one a coarser grain size than the other) were analysed using a 4 acid digest and analysed for gold and a suite of 61 trace and major elements.

Preliminary analysis of the results shows a much stronger response between the anomalous zone and the background. Both sample fractions show a similar response to the original distribution of anomalies in the vacuum drilling sampling.

The results support the extension of the hand auger program across the previously sampled regions with detailed infill to 25m centers across anomalies. Initially the program will be extended to the northwest to test the previously untested Bamf anomaly.

Figure 5: Previous vacuum soil sampling of the Cowarna BIF horizons in the vicinity of the Nightcrawler Prospect, showing the recently completed trial hand auger sampling.



Bulong Regional

A regional program of airborne hyperspectral data acquisition is planned for late in 2016, to extend data already acquired over the Glandore tenements by Aruma Resources. In addition to providing information on alteration minerals to be used as a direct targeting tool, the hyperspectral data will enable a detailed revision of the regolith map, which was used to level the regional auger soils sampling database previously acquired by SAU. This will allow a more accurate discrimination of subtle geochemical responses in the auger data set.

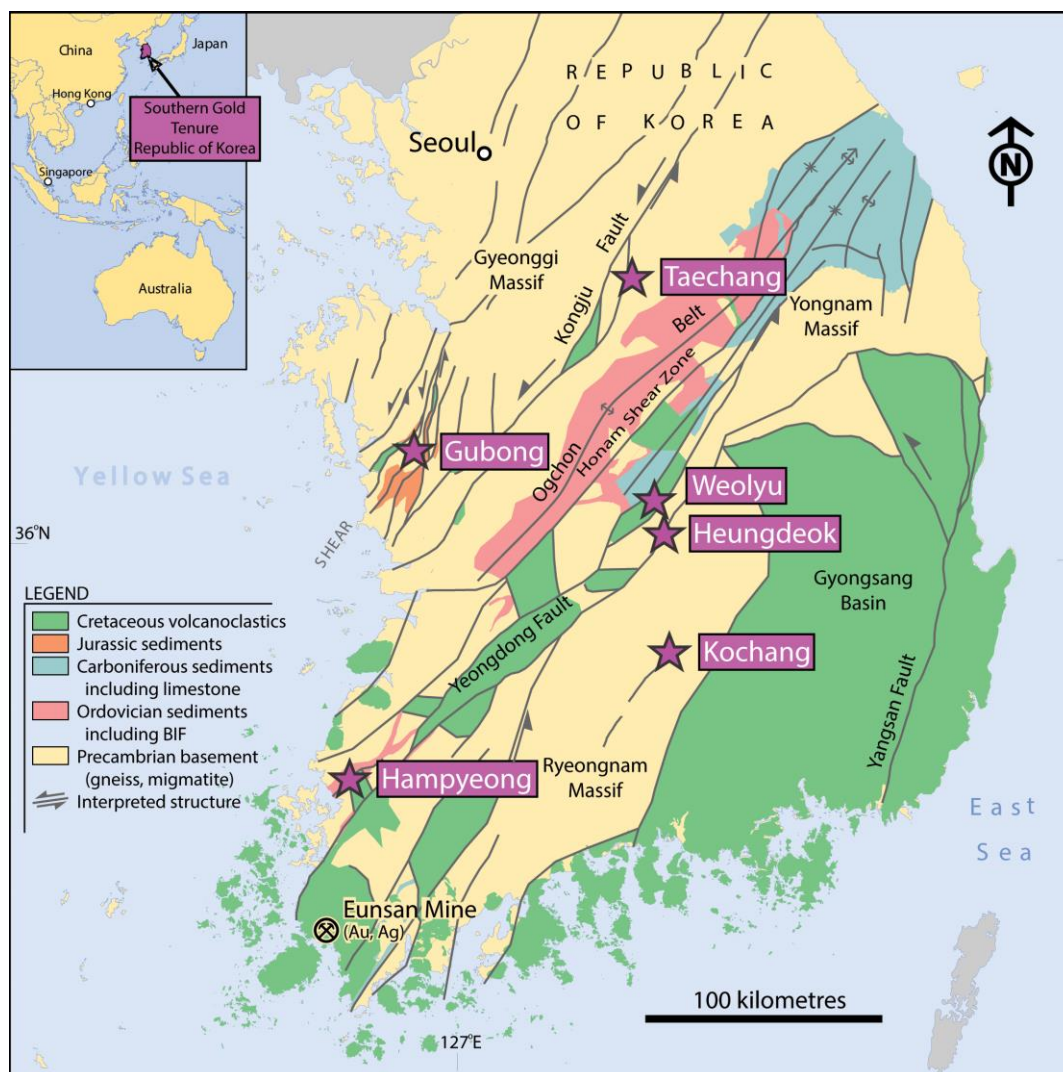
Monument Drilling

Data from the RC and diamond drilling program completed during the previous quarter is being assessed with the aim of producing a JORC compliant resource. In addition, better understanding of the style of mineralisation from the diamond drill core samples has highlighted areas within the vicinity of the Monument prospect which may host further mineralisation but as yet have been either poorly tested or untested.

Significant Event Post Quarter End: Acquisition of South Korean Gold Projects

Post quarter end Southern Gold executed binding legal documentation with unlisted public company, Asiatic Gold Ltd (“Asiatic”) to acquire its wholly-owned Singaporean registered company, International Gold Private Ltd (“IGPL”), the 100%-owner of a Korean subsidiary company that holds significant mineral tenure in South Korea, consisting of 44 granted tenements across 17 project areas (**Figure 6**) totaling some 119km². The consideration included 6,294,942 Southern Gold ordinary shares and A\$116,000 cash. Further, Southern Gold has agreed to assume certain liabilities in the subsidiary to the value of approximately \$70,000. See ASX Release from 8 July 2016 for details.

Figure 6: Major Projects in South Korea



In terms of near term drilling target the following projects stand out:

- **Weolyu:** historically a silver-gold-germanium mine, recent exploration has discovered classic high level low sulphidation epithermal veining at Weolyu South that has yet to see a single drill hole and with rock float sampling at surface generating up to 17.6g/t Au and 820g/t Ag.
- **Gubong:** historically a significant orogenic gold mining district and Korea’s second largest producer, this project has the potential to open up underground workings and fast track development. Potential for large gold system and significant exploration target range.

- **Hampyeong:** up to 21g/t Au in rock chip samples in classic epithermal quartz veins. New 'A-Cha' vein discovery points to the potential for an epithermal gold system at depth.
- **Kochang:** historically extremely high grade gold and silver in narrow veins were mined with old mine workings still in place. Potential to open up old mine to fast track development. KORES supported drilling has commenced (see below).
- **Heungdeok:** extensive area of artisanal mining across several parallel quartz veins in a district that has seen no drilling. Also potential for large tonnage Intrusion Related Gold mineralization.
- **Taechang:** Historically mined very high grade gold deposit with old mine workings still in place and potentially accessible to fast track underground exploration and development.

The portfolio of projects gives an indicative exploration target range of 1Mt to 4.5Mt at between 6g/t Au and 12g/t Au (or approximately 500,000oz Au to 1,500,000oz Au) in several deposits. This exploration target is not a mineral resource and is conceptual in nature. The estimate is based on the substantial body of information relating to the mineralisation documented for the targets referred to here which has been generated by government and semi-government agencies as documented in the ASX Release of 8 July 2016.

The exploration carried out to-date is insufficient to estimate a resource and it is uncertain whether further exploration will result in the estimation of a resource. Future exploration activities that will test the validity of this exploration target will include drill testing of the historical and newly discovered zones of mineralisation diamond drilling and underground sampling, which is expected to be undertaken over the next 18 months.

In addition to the extensive and unique tenure position in South Korea, key management and consultants were engaged to take the opportunity forward:

- **Exploration Manager – South Korea, Dr Chris Bowden:** more than 20 years' experience with an excellent discovery record and a PhD completed on epithermal gold mineralisation in South Korea. Chris was also responsible for the discovery and delineation of "Dish Mountain" gold deposit in Ethiopia (2Moz JORC compliant gold deposit).
- **Country Manager – South Korea, Joseph Lee:** Korean born Australian finance and business development professional with over 12 years' experience Joseph is bilingual and now based in South Korea. Joseph has had extensive experience in South Korea as a corporate advisor, including for Korean Coal Corporation and a KOSDAQ listed mining company.
- **Senior Consulting Geologist and Advisor – South Korea, Douglas Kirwin:** a world renowned geologist with more than 45 years international exploration experience and with an excellent discovery record including the Hugo Drummett deposit at Oyu Tolgoi in Mongolia, Jelai Mewet and Seryung epithermal deposits in Kalimantan, the Eunsan-Moisan gold mines in South Korea, the Moditaung gold deposit in Myanmar and the Merlin Re-Mo deposit in Australia.

In addition, **Southern Gold's Managing Director, Simon Mitchell**, spent 2 years as Managing Director of the previous asset owner during 2013-2014 and has a well established business network in South Korea going back to 2008-9.

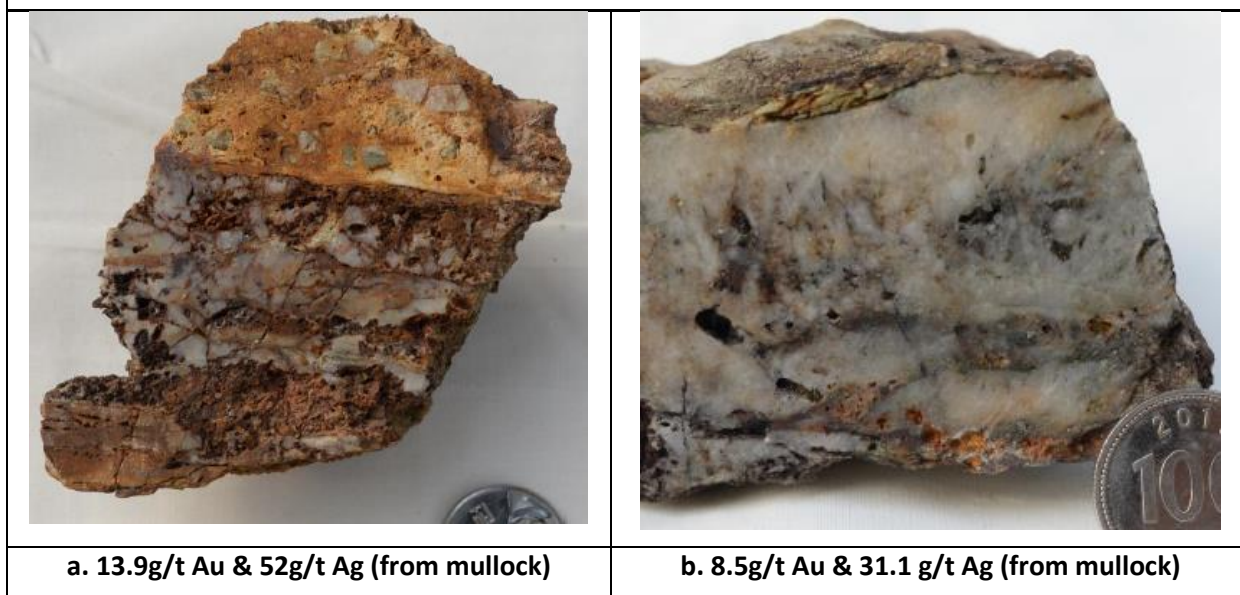
As announced on 18 July 2016, diamond drilling has commenced on the first drill target at Kochang within 10 days of transaction completion. The first drill hole has intersected the mineralised structure

with the nature of the veins in drill core (**Photo 1** on page 1 of this release and **Plate 2** below) being visually very similar to samples of rock float at surface. (**Plate 3**).

Plate 2: Kochang Drill Core



Plate 3: Kochang (see ASX release 8 July 2016 for details)



Note that the drill core from the current programme is yet to be fully logged, sampled and assayed and the observations above have been made in this context. Samples will be prepared over the coming weeks with initial results expected late August or early September, with all samples being processed and assayed by internationally certified MAS Laboratory in Thailand.

Corporate

During the quarter a \$1 million 'convertible debt' facility was put in place with sophisticated investors and fully drawn. Furthermore, an additional \$500,000 was drawdown from the MLX loan facility taking the total amount of drawn debt under the facility to \$2.0m, leaving \$0.5m undrawn. Southern Gold's cash position on 30 June 2016 was approximately \$1.4 million.

As part of the recently announced acquisition of International Gold Private Ltd, several major shareholders of unlisted public company Asiatic Gold Ltd, considered to be sophisticated investors, have agreed to subscribe for \$1.2 million of Southern Gold shares at \$0.35/share, an 18% premium to the 20 day VWAP at the time the transaction was announced.

Southern Gold is fully funded for all near term capital requirements.

Managing Directors Comment

Southern Gold Managing Director, Mr Simon Mitchell, commented: "This has been a very active quarter for our company. Drilling at Monument, Tooting Bec and Cannon has seen us significantly advance our technical understanding of these projects and in each case pointing to the next stage of drilling or technical work. Perhaps more significantly we have recently completed two deals: the Glandore Farm In and JV and the acquisition of 100% of International Gold Private Ltd the owner of a large portfolio of high grade gold and silver projects throughout South Korea."

"We are also moving steadily towards the net profit period at the end of this year where we expect significant cash flow into the company. At the same time we have expanded our asset base and significantly increased the chance of new discovery or the advancement of another potential cash flow projects in the near term."

"Southern Gold has been careful to manage its capital structure and minimise shareholder dilution. Evidence for this is in the proposed share placement to sophisticated investors at \$0.35/share, an 18% premium to the 20 day VWAP at the time the transaction was announced. It is pleasing to be putting out stock at a premium rather than a discount and to prudently manage the business as we move towards cash flow."

Recent ASX Releases

- | | |
|---|---------------|
| • Cannon Drilling Results | 22 July 2016 |
| • Diamond Drilling Commences in South Korea | 18 July 2016 |
| • Acquisition of High Grade Korean Gold Projects | 8 July 2016 |
| • Excellent Recovery from 3 rd Processing Campaign | 5 July 2016 |
| • RC Drilling Results at Tooting Bec | 6 June 2016 |
| • Deep Drilling Underway at Cannon Gold Mine | 30 May 2016 |
| • \$1m Debt Drawdown Completed | 28 April 2016 |
| • Glandore Farm in And Joint Venture | 5 April 2016 |

Southern Gold Limited: Company Profile

Southern Gold Ltd is a successful gold explorer and producer listed on the Australian Securities Exchange (under ASX ticker "SAU"). The Company's main focus is its Bulong Gold Project located 30 km east of the world renowned gold district of Kalgoorlie (WA) with the flagship Cannon Gold Mine projected to produce around 50koz gold.

Mining at Cannon has commenced with Metals X Ltd financing and developing the deposit under a 50/50 profit share arrangement. Metals X is responsible for all mining, haulage and processing activities (ASX announcement 11/11/2014) with this mandate recently expanded to incorporate the commercial terms of a larger open pit development (ASX announcement 3/11/2015).

In addition to its cornerstone position in Kalgoorlie, Southern Gold has recently acquired a portfolio of high grade gold projects in South Korea. These projects are a mix of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold targets. The aim is to move one or more of the orogenic gold mines into production in the medium term as well as test for world-class epithermal gold deposits.

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 an 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 Cannon Mineral Resources is based on information compiled by Mr Ian Blucher (MAusIMM). Mr Blucher is an 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.

Forward-looking statements

Some statements in this release regarding estimates or future events are forward looking statements. These may include, without limitation:

- *Estimates of future cash flows, the sensitivity of cash flows to metal prices and foreign exchange rate movements;*
- *Estimates of future metal production; and*
- *Estimates of the resource base and statements regarding future exploration results.*

Such forward looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. Such statements are expressed in good faith and believed to have a reasonable basis. However the estimates are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from estimated results.

All reasonable efforts have been made to provide accurate information, but the Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, except as may be required under applicable laws. Recipients should make their own enquiries in relation to any investment decisions from a licensed investment advisor.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98

Name of entity

SOUTHERN GOLD LIMITED

ACN or ARBN

ACN 107 424 519

Quarter ended ("current quarter")

30 JUNE 2016

Consolidated statement of cash flows

		Current quarter \$A'000	Year to Date \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	0	0
1.2	Payments for (a) exploration & evaluation*	(453)	(1,223)
	(b) development	0	(23)
	(c) production	(48)	(136)
	(d) administration	(207)	(958)
1.3	Dividends received	0	0
1.4	Interest and other items of a similar nature received	2	7
1.5	Interest and other costs of finance paid	(33)	(33)
1.6	Income taxes paid (R&D Refund)	0	207
1.7	Other	0	3
	* net of JV reimbursement of expenses		
	Net Operating Cash Flows	(739)	(2,156)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	0	0
	(b)equity investments	0	0
	(c) other fixed assets	(1)	(27)
1.9	Proceeds from sale of: (a)prospects	0	0
	(b)equity investments	0	0
	(c)other fixed assets	0	0
1.10	Loans to other entities	0	0
1.11	Loans repaid by other entities	0	0
1.12	Other – Mekong Minerals	0	(3)
	Net investing cash flows	(1)	(30)
1.13	Total operating and investing cash flows (carried forward)	(740)	(2,186)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(740)	(2,186)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	0	271
1.15	Proceeds from sale of forfeited shares	0	0
1.16	Proceeds from borrowings	1,500	2,500
1.17	Repayment of borrowings	0	0
1.18	Dividends paid	0	0
1.19	Other - prospectus issue costs (placement)	0	0
	Net financing cash flows	1,500	2,771
	Net increase (decrease) in cash held	760	585
1.20	Cash at beginning of quarter/year to date	682	857
1.21	Exchange rate adjustments to item 1.20	0	0
1.22	Cash at end of quarter	1,442	1,442

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	89
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

The amount at 1.23 comprises director fees paid to directors or related corporations of directors of the Company during the Quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	3,500	3,000
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	0
4.3 Production	375
4.4 Administration *	390
Total	1,265

* Estimated cash outflows for the next quarter – the 'Administration' amount of \$390,000 includes approximately \$100,000 in costs associated with the acquisition of International Gold Private Ltd. The acquisition was completed 8 July 2016.

Additional funding: As part of the acquisition of International Gold Private Ltd, three cornerstone investors have agreed to subscribe for \$1.2M of Southern Gold shares. The issuance of these shares will be subject to shareholder approval, to be sought at an Extraordinary General Meeting (EGM) to be held in September 2016 (refer ASX Announcement 8 July 2016). In addition, Southern Gold has A\$500,000 in financing facilities available for drawdown in the next quarter (refer section 3 above).

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	479	25
5.2 Deposits at call	963	657
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,442	682

Changes in interests in mining tenements

		Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
			(note (2))		
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities (description)	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	36,567,820	36,567,820	N/A	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	34,471	34,471	29.01	Fully Paid
7.5	+Convertible debt securities (description)	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options (description and conversion factor)	128,670	-	<u>Exercise Price</u> 90	<u>Expiry Date</u> 15 October 2017
		400,002	-	37.5	30 November 2019
		333,334	-	37.5	15 November 2020
		1,388,889	-	32.0	30 June 2017
		1,388,889	-	40.0	30 June 2017
7.8	Issued during quarter	1,388,889	-	32.0	30 June 2017
		1,388,889	-	40.0	30 June 2017
7.9	Exercised during quarter				
7.10	Expired during quarter				
	Cancelled during quarter				
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals)	Nil			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Print name: Dan Hill
Company Secretary

Date: 28 July 2016

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.