SOUTHERNGOLD

Extraordinary General Meeting – 21 September 2016
Southern Gold in South Korea
ASX Ticker: SAU

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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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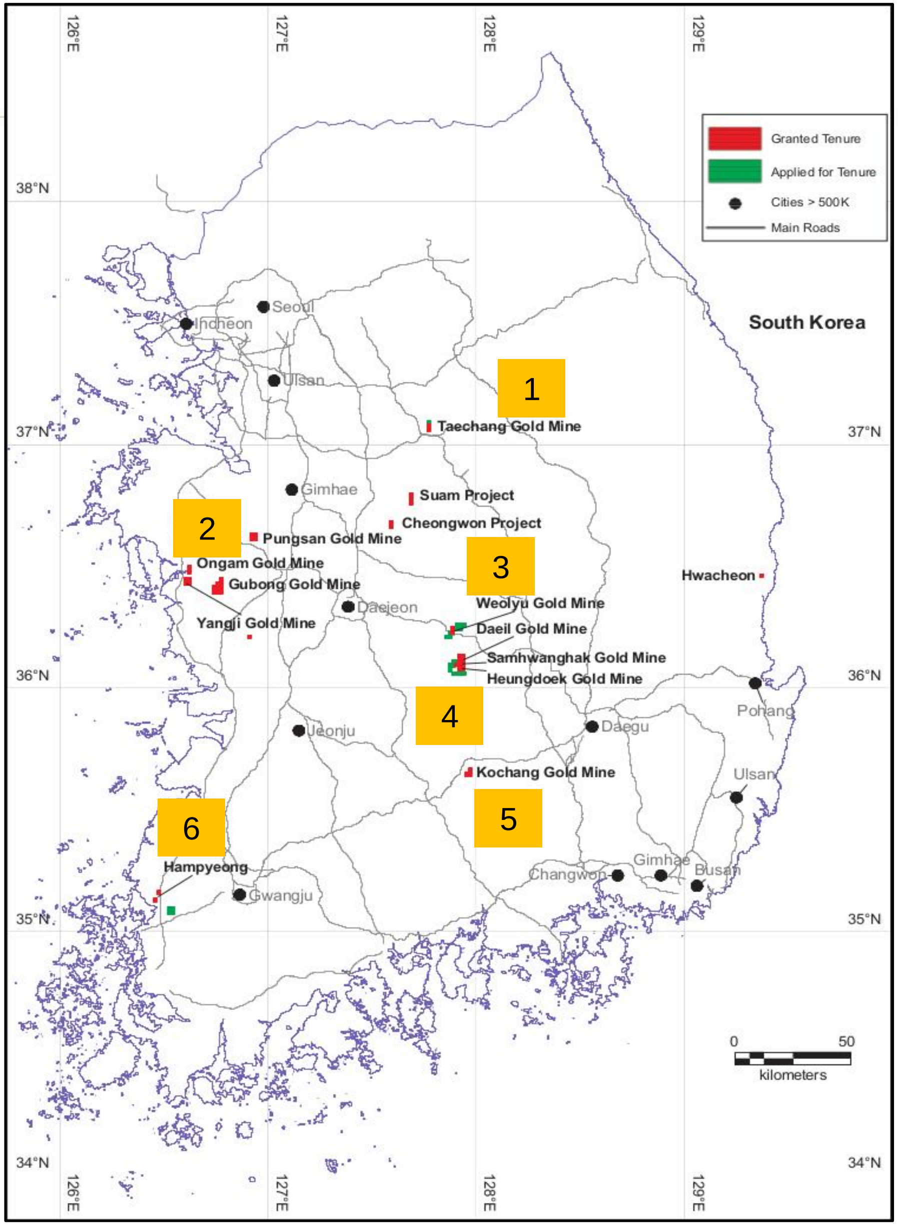
Competent Person's statements

The information in this report that relates to Exploration Results has been compiled under the supervision of Dr. Chris Bowden (FAusIMM(CP)). Dr Bowden, who is a full time employee of Southern Gold Limited and a Fellow and Chartered Professional 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. Dr Bowden 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.

The Korean Assets

- 44 granted tenements across 17 project areas in a jurisdiction where tenure is difficult to secure.
- All host historic gold/silver mining operations ranging from formal underground operations to artisanal workings, including remanent tailings.
- Significant potential for orogenic, mesothermal and epithermal precious metal deposits.
- Highly prospective greenfields upside across the tenements.
- Key highlight projects from north to south: 1 Taechang, 2 Gubong, 3 Weolyu, 4 Heungdeok, 5 Kochang, 6 Hampyeong
- Significant foreign estimates of gold-silver endowment (slide 5 and ASX release 8 July 2016)



Overview of Key Targets: North to South

1

Taechang (TC)
Old mining district, high grades. Known plunge to mineralisation. Recent underground access confirms mineralisation remains in-situ. **Potential to open underground to fast-track development**.

2

Gubong (GB)
Significant orogenic gold mining district. Historically 2nd largest gold mine in Korea (>400koz). **Potential to open underground to fast-track development.**

3

Weolyu (WU)
New discovery of classic high level LS epithermal veining & recent access to underground confirming vein mineralisation remains in-situ.

4

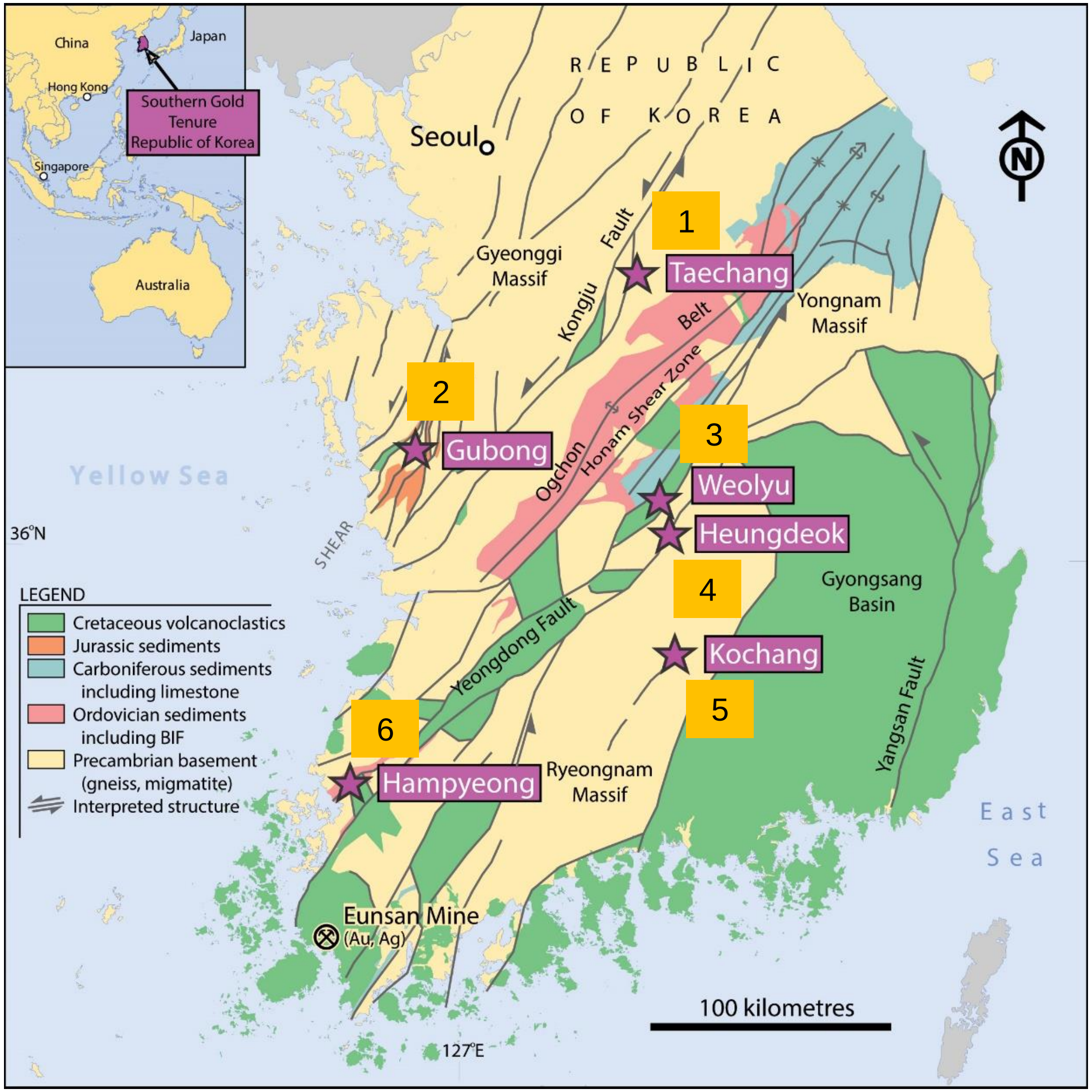
Heungdeok (HD)
Artisanal mining across a large area on 9 parallel veins. No previous drilling.

5

Kochang (KC)
Extremely high grade gold and silver in narrow veins. Recent drilling confirms visual mineralisation. Further drilling planned **and potential to open underground workings** to fast-track development.

6

Hampyeong (HP)
Up to 21.6g/t Au in rock chip samples of epithermal quartz veins. **New discovery of 'A'Cha' vein**. No previous drilling.



Foreign Estimates – See ASX Release 8 July 2016

	Mine Name	Vein Width Range (m) [2]	Au Avg. Grade (g/t)	Ag Ave. Grade (g/t) [2]	Korean Tonnage Classification [1]			Total Tonnes	Ref. No.
					Secured Reserve (Tonnes)	Estimated Reserve (Tonnes)	Presumption (Tonnes)		
2	**Gubong**	0.6 - 1.5	7.3	5 - 6	-	-	2,346,440	2,346,440	3,7
	Ongam	0.5 – 1.0	24		42,720	144,311	-	187,031	3
	Yangji		17		15,016	101,797	-	116,813	3
	Imchon	0.2 - 0.6	14.66	40 - 60	45,412	67,442	-	112,854	3
	Pungsan	0.1 – 1.5	10		-	-	144,553	144,553	2
				Total Gubong Area	**103,148**	**313,550**	**2,490,993**	**2,907,691**	
	Sobo	0.1 – 1.0	17.2	44	20,790	25,600	-	46,390	3,5
1	**Taechang**	0.1 - 0.3	16	6 - 114	-	-	1,106,283	1,106,283	2
	Jang Am		6		-	-	245,892	245,892	2
	Suam	0.2 - 0.6	10		460	1,449	-	1,909	3
				Total Taechang Area	**21,250**	**27,049**	**1,352,175**	**1,400,474**	
4	**Heungdeok**	0.5 – 1.0	25		66,434	237,807	-	304,241	3,4
3	**Weolyu**	0.3 – 0.1	10.99	200-1,000	1,140	23,650	297,179	321,969	2,3
	SH[3] #1		15		-	-	163,000	163,000	8
	SH[3] #2		6.42		65,968	84,389	-	150,357	8
	Daeil	0.1 - 2.0	15	<1 - 119	3,950	8,900	11,970	24,820	3,6
5	**Kochang**		12	3 - 217	-	104,700	77,490	182,190	3
				Total Yeongdong Area	**137,492**	**459,446**	**549,639**	**1,146,577**	

(1) Korean Tonnage Classifications are “Foreign Estimates” and are not compatible with JORC (2012).
(2) Not all categories of information are provided in every reference.
(3) Project called Samhwanghak

Foreign Estimate
In line with JORC “Exploration Target”, suggesting a potential range of:
1Mt to 4.5Mt at between 6g/t and 12g/t Au (or ca. 500,000oz to 1.5Moz of Au).

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.

Technical Situation – Multiple Mine Reopenings

1 ❑ **Taechang**: historic Au mine, fast-track underground potential, drill ready. Rehabilitate and re-open old mine to access historic workings and mineralisation.

2 ❑ **Gubong Mine & District**: in-situ exploration target range, significant upside potential, drill ready. Rehabilitate and re-open old mine to access historic workings and mineralisation.

3 ❑ **Weolyu**: in-situ high-grade Au-Ag veins (north and south of river), plus new epithermal vein discovery in the south. Significant district upside. Rehabilitate and re-open old mine to access historic workings and mineralisation.

5 ❑ **Kochang**: historic Au and Ag mines plus "gap" between them of >700m. Fast-track underground potential. Drilling commenced. Rehabilitate and re-open old mine to access historic workings and mineralisation.

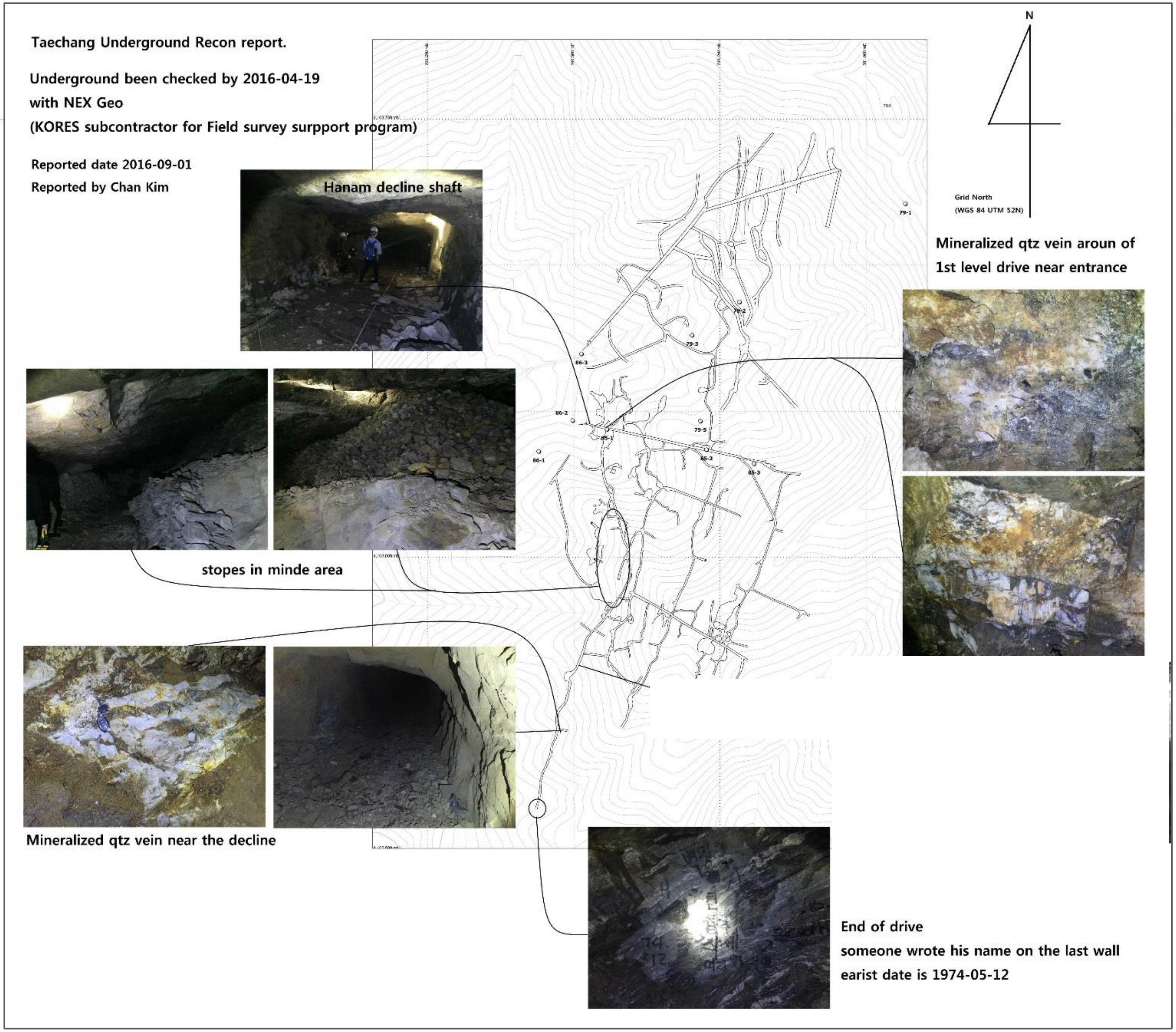
❑ **Hampyeong**: greenfields project, significant district potential, new vein discoveries still being made (i.e. A'Cha in 2015).

❑ **Heungdeok**: drill ready on multiple Au bearing quartz veins with no previous drilling.

Options to reopen the historic mines and various scenarios for early production are currently being explored.

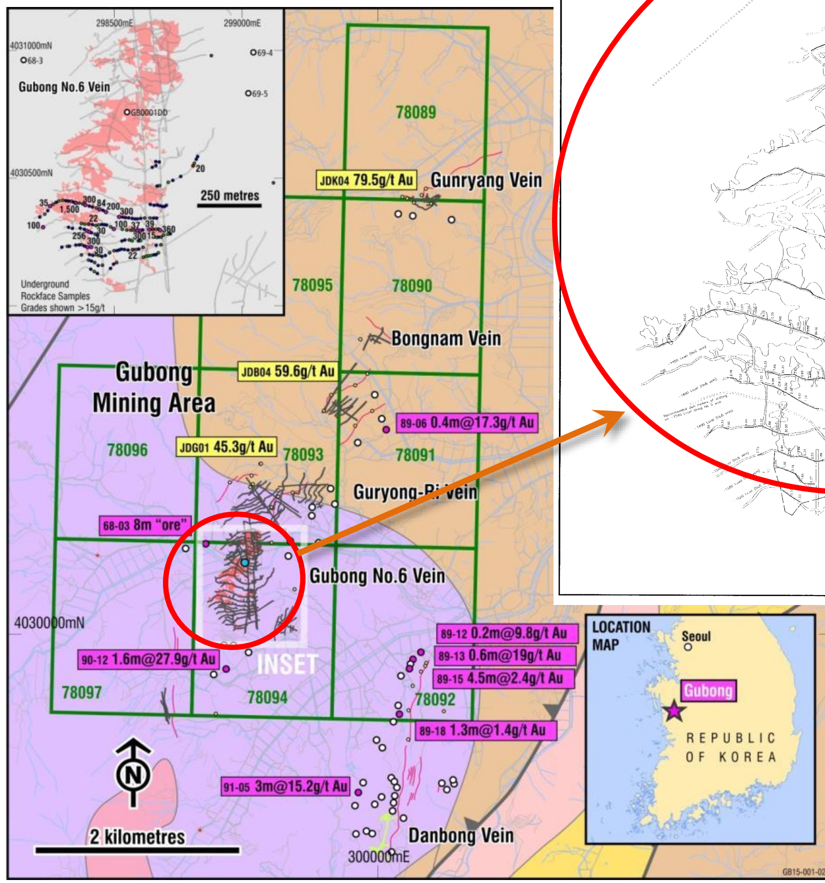
1 Taechang

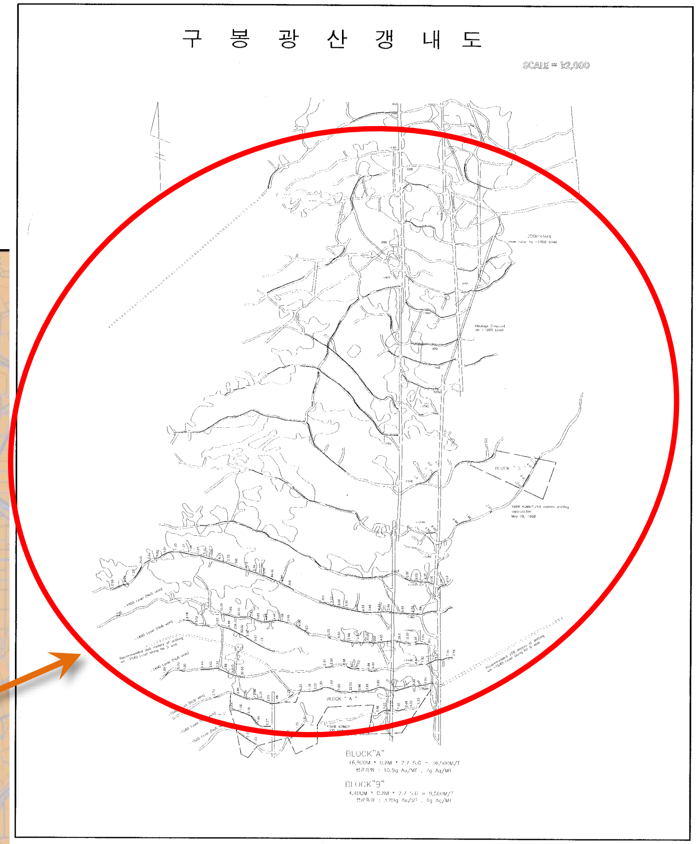
- **Underground recon done (August 2016)**
- Confirmed mineralisation remains in situ
- Validated drill target and potential for mine reopening
- KORES supported mapping project with report and samples due November 2016
- Potential for fast track development on receipt of regulatory approvals



2 Gubong: Potential Large Scale Project

- ❑ Multiple veins on district scale
- ❑ Huge zone of potential targets in 4km x 7km area
- ❑ Vein 1 and 6 still with undeveloped/ mined areas
- ❑ Danbong Vein in SE represents an additional target zone
- ❑ **Opportunity to reopen old mines and get access to the mine face quickly**
- ❑ Potential for large project into the medium term





Example Korean map of underground workings and areas marked for development

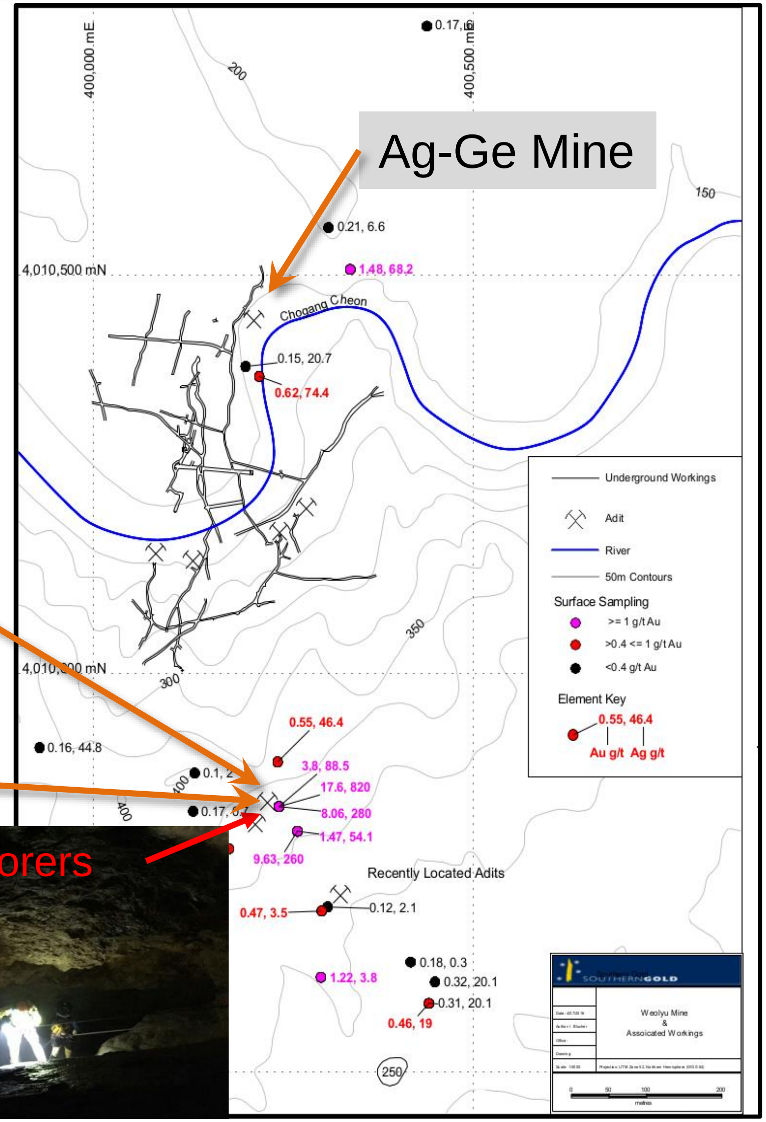
3 Weolyu South: New Discovery

Field reconnaissance led to discovery of classic low sulphidation bladed carbonate boulders (early 2015). Follow-up field recon (mid to late 2015) discovered classic banded low sulphidation mineralised quartz veins.

Cave explorers confirm vein in situ in the wall at bottom of artisanal mine (mid 2016).

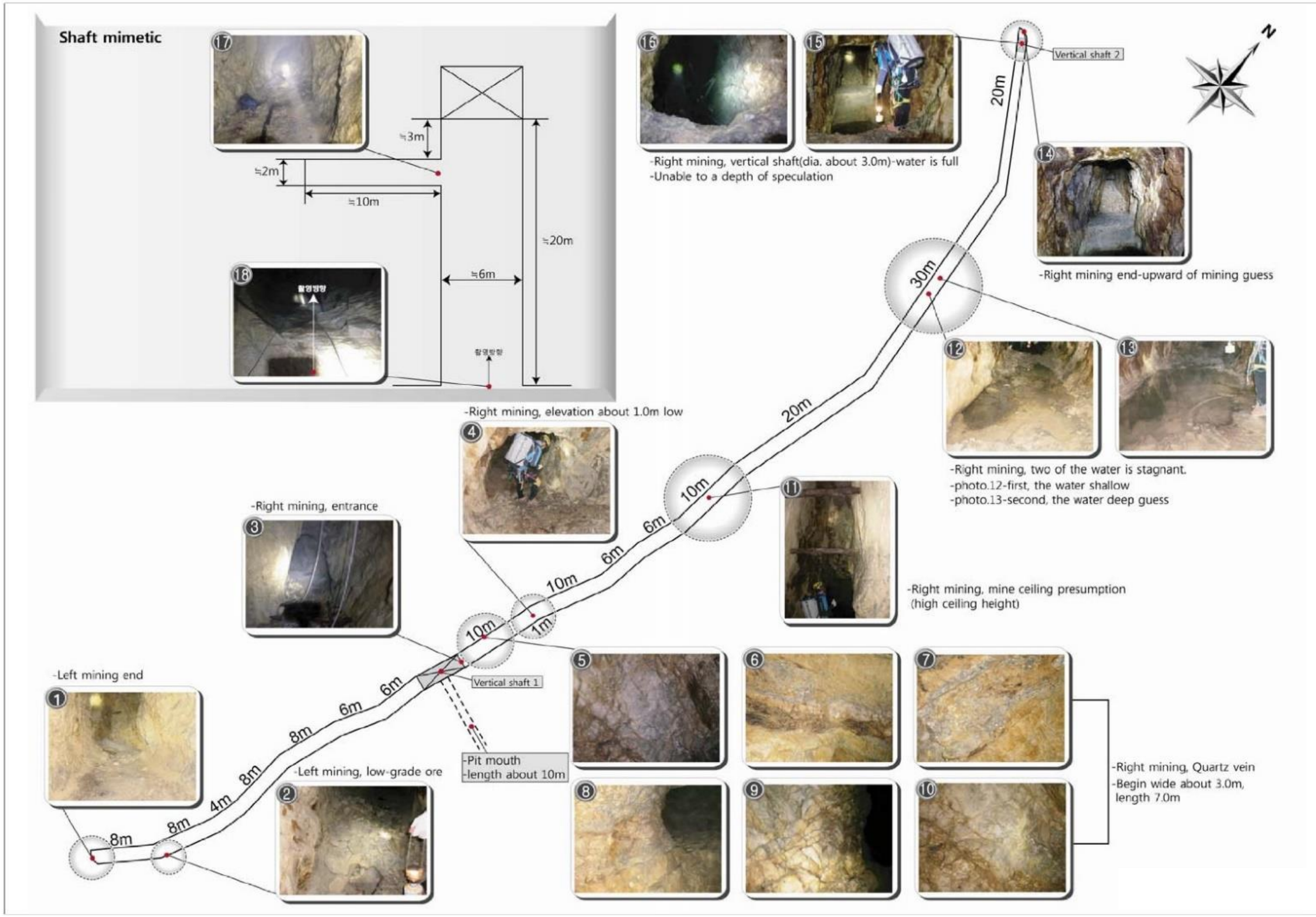
KRS200052: **17.6g/t Au, 820g/t Ag**

KRS200053: **3.8g/t Au, 88.5g/t Ag**



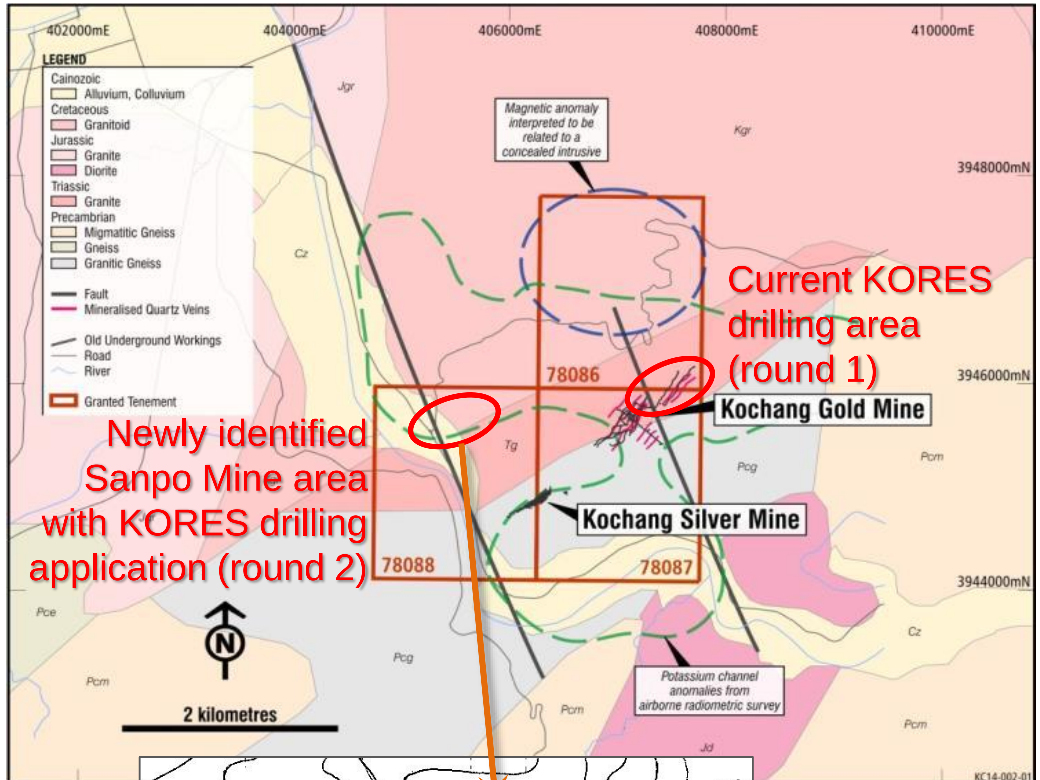
3 Weolyu South: Underground

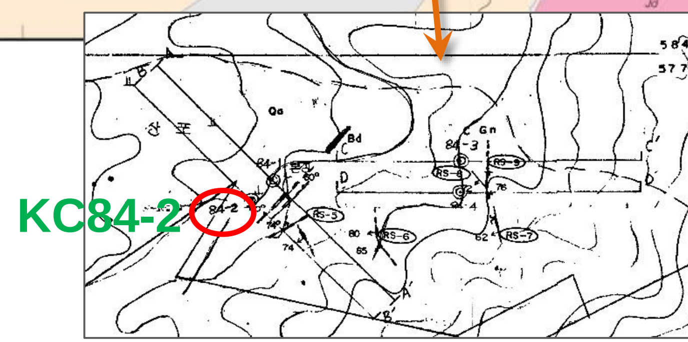
- ❑ **Underground pilot survey done (Aug 2016) including shaft access**
- ❑ Confirmed quartz vein mineralisation remains (approx. 7m long exposure at 3m width)
- ❑ Validated drill target, visually similar to mineralised surface rocks
- ❑ Contractor supplied map illustrates layout
- ❑ Options for underground drill rig deployment being considered



5 Kochang: Au-Ag Mines, Sanpo Mine 'Rediscovery'

- 2016 reconnaissance discovering 'new' mines, adits and mineralisation not previously known.
- Expert geological contractor engaged to investigate district (Oct 2016 and post winter 2017).
- Newly identified 'Sanpo Mine' area where wide intersections were returned from KORES drilling in 1984
- **KC84-2: 2.5m @ 17.4g/t Au from 63m and 2.4m @ 1,763g/t Ag from 97.6m**
- KC84-2 now located in field with historical workings and underground development (mullock) nearby
- KORES drill grant application (round 2) in process for Sanpo (TBC Sept'16)





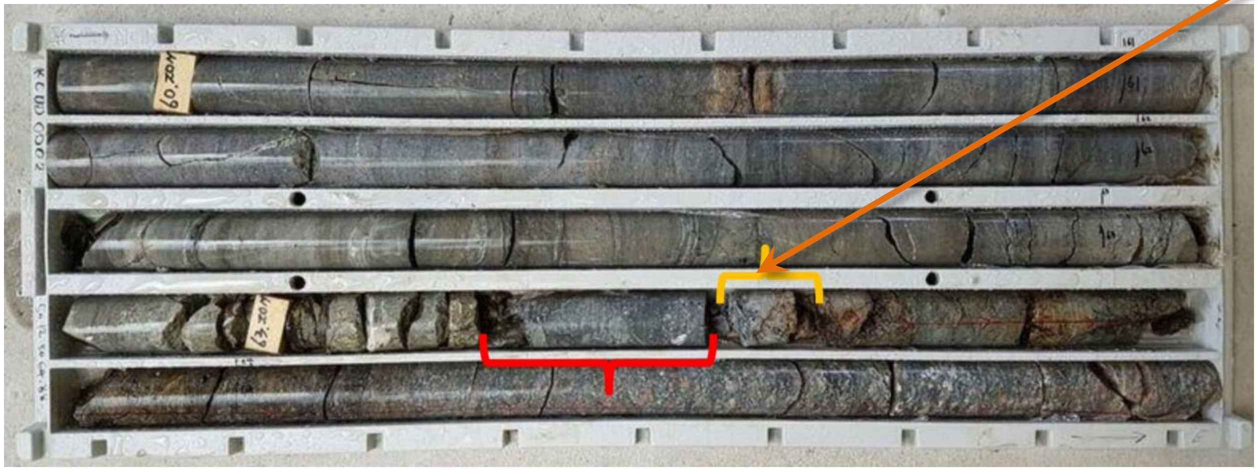
Old Korean map showing historical drilling

5

Kochang: KORES Funded Drilling

KORES ‘round 1’ drilling at Kochang at Kochang Au Mine and Kochang NE within 10 days of acquisition (about 2km from Sanpo Mine).

KRS200062: **13.9g/t Au, 52.2g/t Ag**



Surface samples grading **13.9g/t Au and 52.2g/t Ag** look very similar to mineralisation intercepted in drill core.

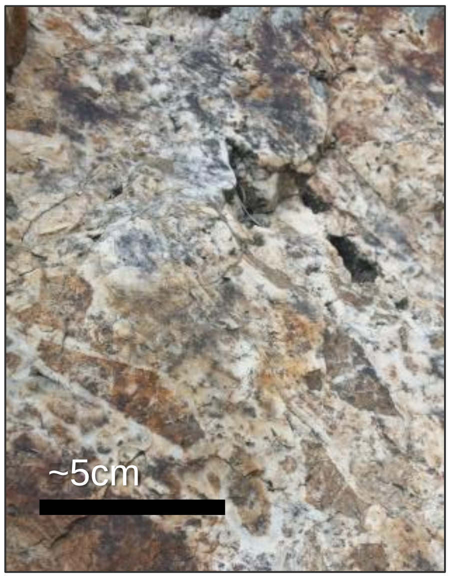
Assays pending KORES final review and sign-off (ETA mid-late Sept for sampling)

Assays expected early October.

Under the scheme KORES cover 70% of the direct drilling cost but have certain execution requirements that results in additional time to execute drill programmes.

6. Hampyeong: New Discovery at A'Cha Vein

HPC016-045: **1.65g/t Au, 1g/t Ag**



"A'Cha" face: ~8m wide epithermal veining showing multi-phase vein breccia, banding and sulphide mineralisation. Drill target.

People

Exploration Manager – South Korea, **Dr Chris Bowden, PhD, GCMEE, FAusIMM(CP), FSEG**:

- More than 20 years' experience with an excellent discovery record
- PhD completed on the epithermal gold mineralisation in South Korea
- Experience in South Korea with Ivanhoe Mines on the Eunsan/Moisan discoveries and NE China
- Discovery & delineation of Dish Mountain Gold Deposit in Ethiopia (2Moz JORC resource)

Country Manager – South Korea, Joseph Lee:

- Korean born Australian finance and business development professional
- Over 12 years' experience, including capital raisings, IPO's, M&A, and investor relations
- Extensive experience in South Korea as a corporate advisor
- Educated in Australia, Joseph is bilingual and now based in South Korea.

Senior Consulting Geologist and Advisor – South Korea, **Douglas Kirwin**:

- World renowned geologist with more than 45 years international exploration experience
- Excellent discovery record including:
  - Hugo Drummett deposit at Oyu Tolgoi in Mongolia
  - Jelai Mewet and Seryung epithermal deposits in Kalimantan
  - Eunsan-Moisan gold mines in South Korea
  - Moditaung gold deposit in Myanmar
  - Merlin Re-Mo deposit in Australia.
- Doug has held senior positions with Anglo American, Amax, Indochina Goldfields and Ivanhoe Mines Ltd until it was acquired by Rio Tinto in 2012.

Jurisdiction

- No government (local or national) mining royalties, no government free carry, corporate tax rate is 24.2%;
- There is also a government financial subsidy programme for exploration and mine capital expenditure (e.g.: the current KORES sponsored drilling at Kochang);
- Ubiquitous infrastructure such as road, rail, electricity, internet networks;
- Low cost base compared to Australia with salaries perhaps 50% Australian equivalents;
- It has one of the largest manufacturing bases anywhere in the world with population of 50 million and GDP per capita of ~US$26k (cf. Australia ~US$67k per capita);
- For example, Hanjin D&B, based in Gwangju, is one of the biggest manufacturers of drill rigs in the world.

Summary

- ✓ Excellent jurisdiction, including significant government support
- ✓ Proven gold endowment but lack of modern exploration on first class ‘ring of fire’ geology
- ✓ Excellent geological and management team in place with drill ready ‘near mine’ brownfield targets with drilling already started
- ✓ Underground access has begun at Taechang and Weolyu South with options for mine development scenarios actively being considered
- ✓ **Drill results from Kochang due in a few weeks (post KORES review)**
- ✓ **Follow up drilling on historical intercept KC84-2: 2.5m @ 17.4g/t Au from 63m and 2.4m @ 1,763g/t Ag from 97.6m at Sanpo Mine**
- ✓ **Potential for near term production at Taechang (and elsewhere)**
- ✓ **Incredible blue sky / discovery potential at Weolyu**

Research and Contacts

- RCR Research Report by John Wilson, August 2016 (NAV @ $0.45/share and price target >$0.50/share)

  http://www.southerngold.com.au/investors/broker-media-reports/

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