Quarterly Activities Report

30 September 2016

Issued Shares: 46.4M

Directors
Greg Boulton AM (Chair)
Simon Mitchell (MD)
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Photo 1: Sheared quartz vein with significant hematite from Kochang Project, South Korea
KRS200092: 27.8g/t Au, 29g/t Ag

Key Points

- Cannon Mine quarterly production of 5,588oz. gold from a fourth processing campaign in September with high recovery of 91.7%;
- Significant gold production, cash flow and distribution to Southern Gold expected during the coming quarter from the Cannon mine;
- First underground face sampling programme commenced at the Taechang Project, South Korea.

Cannon Gold Mine

- The fourth processing campaign in August-September produced 5,588 oz. of gold on recovery of 91.71%. Total gold production and project revenue to date now stands at 17,664 oz. and $27 million respectively.
- More than half of the gold (~34koz Au) will be produced in the next 6 months under current projections.

Exploration – Australia

- A follow up hand auger geochemical programme is underway at the Nightcrawler Prospect, part the Cowarna Gold Project.
- Some delay in launching on the ground exploration programmes at Glandore as Section 18 Aboriginal Heritage process is completed.

Exploration – South Korea

- Underground access has been achieved at the Taechang project and face sampling has begun.
- Options to advance near term production opportunities being explored with potential project development partners.

Corporate

- Cash position remained steady at $1.4 million.
- The $1.2m placement at $0.35/Southern Gold share as part of the acquisition of the South Korean assets was approved by shareholders.

Upcoming Quarterly Outlook

- Processing of Cannon ore to recommence with fifth campaign.
- Results from drilling at Kochang NW (Sanpo Mine area), South Korea in early December 2016.

Cannon Gold Mine

Mine Operations

Southern Gold Ltd (Southern Gold, ASX Code: SAU) continued to mine the Company's flagship Cannon gold deposit, 35km east of Kalgoorlie, WA, during the September quarter. The Cannon Open Pit Mine is being financed and operated by 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.

Photo 2: Cannon Open Pit Looking North West (Early October)

Table 1: Cannon Mining Actuals vs MLX Budget for Q3CY16 (M25/333 Only)

	Actual	Budget	Variance	Variance%
Total BCM Moved	665,715	707,665	-49,150	-6.9%
Ore Mined tonnes	136,432	162,036	-25,604	-15.8%
Ore Mined g/t	2.75	~2.8	-0.05	-1.8%
Ore Mined oz	12,082	14,753	-2,671	-18%

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

- Mine operations during the quarter saw the pit developed from the 305mRL down to the 275mRL.
- Grade control drilling was undertaken from the 285mRL and together with infill, in-pit resource drilling will contribute to the planning for final stages of the pit;
- Mine contractor productivity has slowly improved however wet weather during the quarter continues to cause ongoing delays and has impacted on productivity;

- There were no significant injury's or incidents.

The fourth processing campaign of ore treated from the Cannon Gold Mine commenced August 25 and was completed 19 September, with recovery's continuing to be ahead of budget (91.71% vs 86%, see **Table 2** below). Significantly, Life of Mine recovery (91.7%) continues to exceed forecast (86.4%).

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

		FY15/16	Sept Qtr	Sept Qtr Budget	Sept Qtr Variance +/-%	Life of Mine Production
Ore Milled	tonnes	163,827	73,751	90,000	-18%	237,579
Head Grade	g/t Au	2.60	2.57	~2.7	-4.8%	2.52
Recovery	%	91.7%	91.71%	86%	+5.7%	91.7%
Gold Produced	Oz.	12,074	5,588	6,664	-16%	17,662

The gold production guidance provided in **Table 3** highlights that more than half the gold is produced in the last two quarters of operations up to March 2017. Southern Gold expects to see project distributions paid to its account from December 2016.

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

		Dec Qtr 2016	Mar Qtr 2017	Total
Ore Milled	tonnes	140,000	118,352	258,352
Head Grade	g/t Au	~3.4	~5.1	~4.2
Recovery	%	85%	85%	85%
Gold Produced	Oz.	13,440	16,577	30,0017

Note: forward production guidance will shortly be updated once minor delays are incorporated into the new mining schedule. Total projected gold production will be higher than indicated in Table 3.

A summary of the gold campaigns to this point are provided in **Table 4** and highlight the consistently excellent recovery achieved by the SKO Jubilee mill. Campaign 5 has been conducted during October the results of which will be reported in a few weeks.

Table 4: Cannon Gold Production by Campaign

	Campaign 1	Campaign 2	Campaign 3	Campaign 4	**PTD**
Tonnes	86,333	43,790	33,704	73,751	**237,579**
Gold Produced (oz)	6,474	3,505	2,095	5,588	**17,662**
Mill Grade (g/t)	2.57	2.68	2.09	2.57	**2.52**
Recovery (%)	90.92	92.85	92.49	91.71	**91.73**

While there has been some disruption to the schedule due to inclement weather and minor geotechnical issues that have required active management, delays have been minimized where possible and the project is on track to complete mining in January and ore processing in March/April.

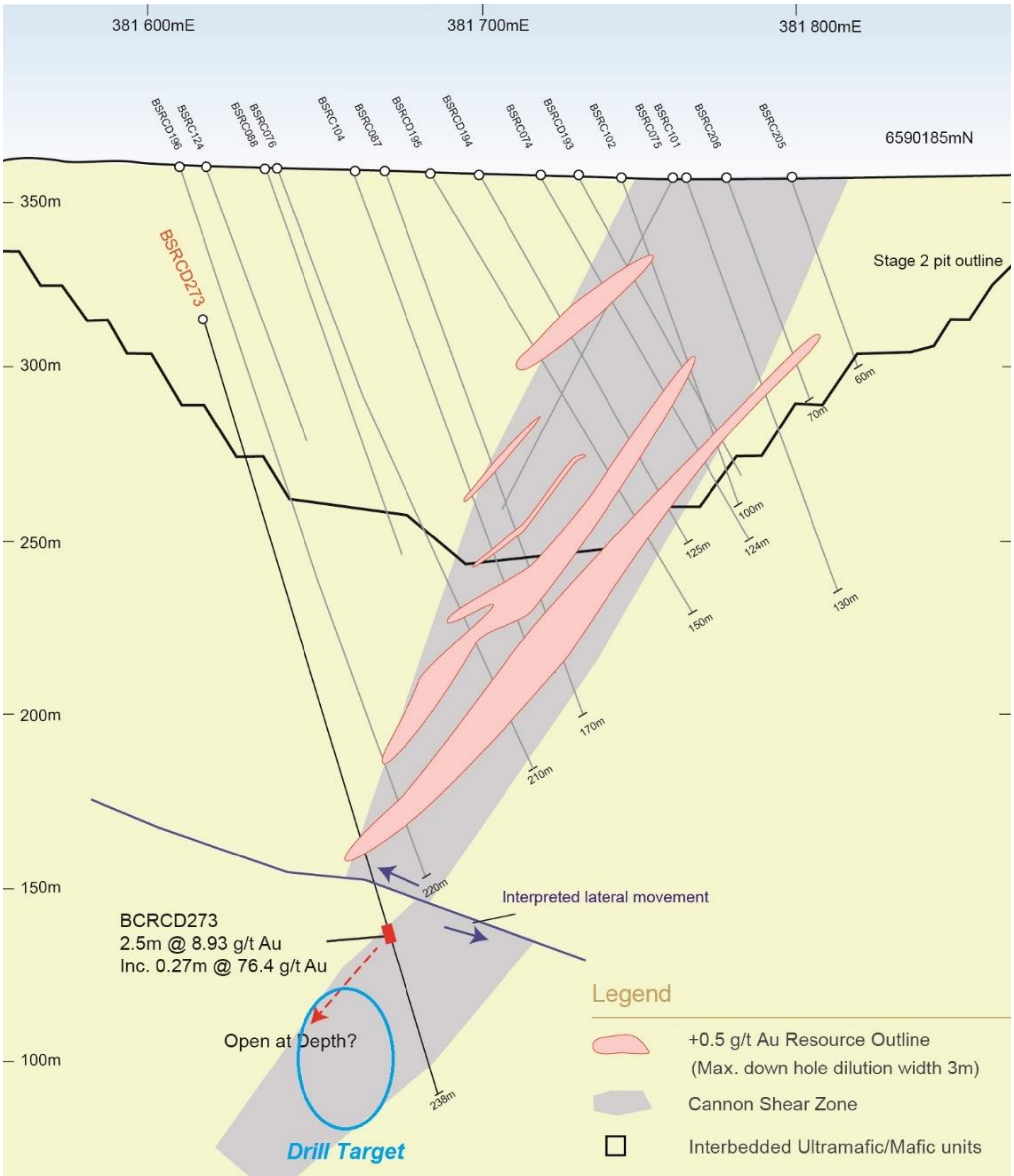
Cannon Underground Potential

Southern Gold has engaged a consultant to review the remnant gold resource at Cannon to assess conceptual costing and underground mine design. This exercise will look at resources below the Stage 2 open pit and provide a high level evaluation of the underground mine potential.

The final report on the 'Cannon Deeps' drilling program was completed with a new model for the mineralisation below the open pit defined. The orebody appears to have been offset by a major structural zone, with the majority of the mineralisation now located at deeper levels (**Figure 1**).

An important objective over the next few months will be to review the potential to extend the remnant resources and look at significantly deeper drilling to be executed early in the New Year to determine the strategic potential for a longer term underground operation.

Figure 1: Section 6590185mE showing intersection of Cannon high-grade mineralisation, below the offset structure.

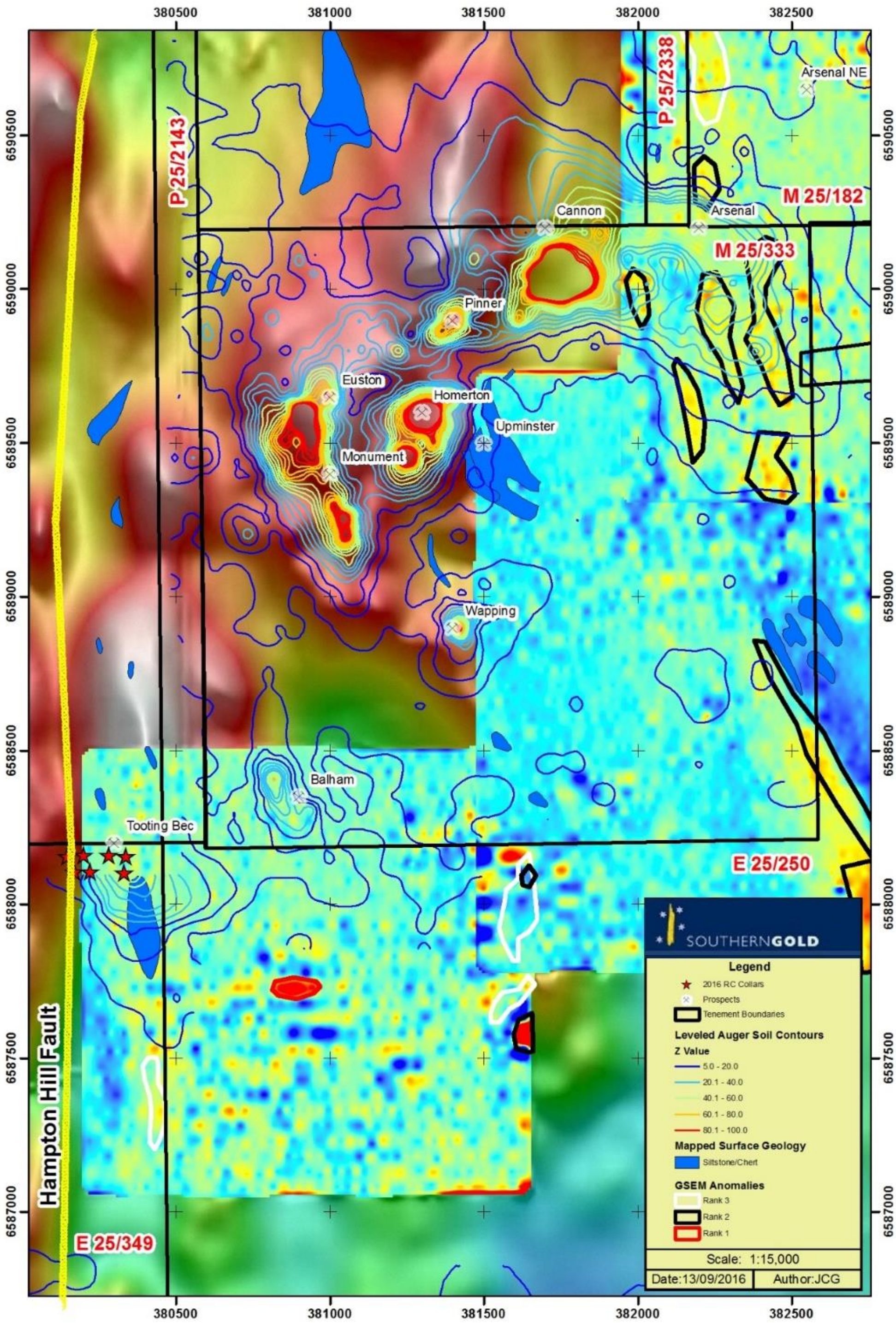


Exploration – Australia

Tooting Bec

Ongoing analysis of the Tooting Bec Sub-Audio Magnetic (SAM) data has produced a series of conductive targets which may be associated with the magnetic alteration previously identified around the granodiorite intrusion in the area (**Figure 2**). These targets will be included in an aircore/RAB drilling program in the first half of 2017.

Figure 2: Tooting Bec SAM GSEM Channel 16, 1VD image



Glandore Farm In and JV

Two aboriginal heritage sites have recently been re-instated in the Glandore area and this has led to the planned October drilling being postponed. Any planned disturbance within the heritage area now needs to be assessed by the Aboriginal Cultural Material Committee under Section 18 of the Aboriginal Heritage Act. A submission for exploration and mining in the area is currently being prepared and will be submitted shortly. It is anticipated that this process will delay exploration activity by 3-6 months.

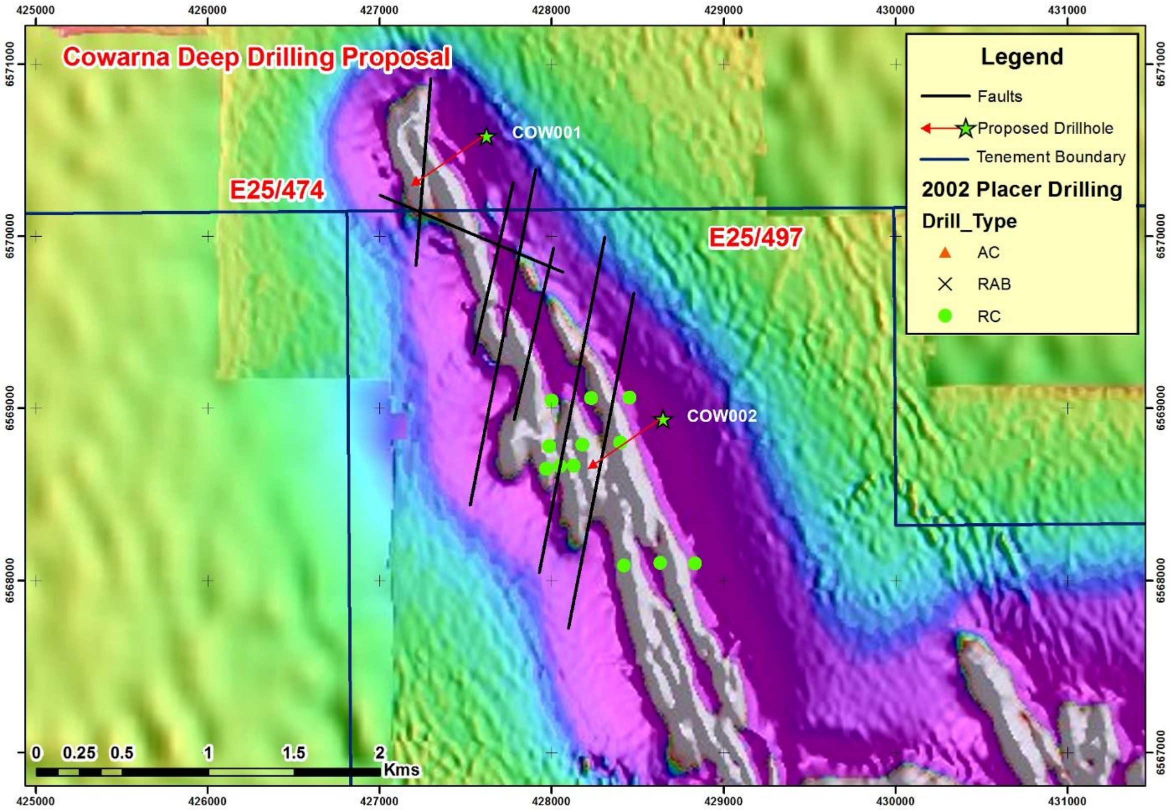
A Plan of Works (POW) for drilling in the Doughnut Jimmy (Supergene)/Lavaeolus (Axial Planar) project area over the next two years has been submitted and accepted by the Department of Mines and Petroleum and an environmental survey across the area has been undertaken with report pending.

Cowarna Project

After the successful trial of hand auger sampling at the Nightcrawler prospect, the program will be extended to the northwest along the BIF ridge which is the potential host to gold mineralisation. The trial showed that the coarser fraction (<1mm, >0.5mm) has the best response and will be used in the wider soil sampling program. The hand auger takes a sample at the colluvium/ bedrock interface and provides an excellent sample of chemical and mechanical gold dispersion. This work will be carried out in the December Quarter and if successful, could lead to RAB drilling being undertaken early in the first half of 2017.

Modelling of the magnetic data at Pryde and Logan anomalies is planned to help target deep drilling in the area for gold mineralisation hosted in the Eastern BIF member at depth (**Figure 3**).

Figure 3: Complex magnetic structure around Pryde and Logan prospects, showing proposed deep drilling.



Exploration – South Korean Gold

Early Development Opportunities

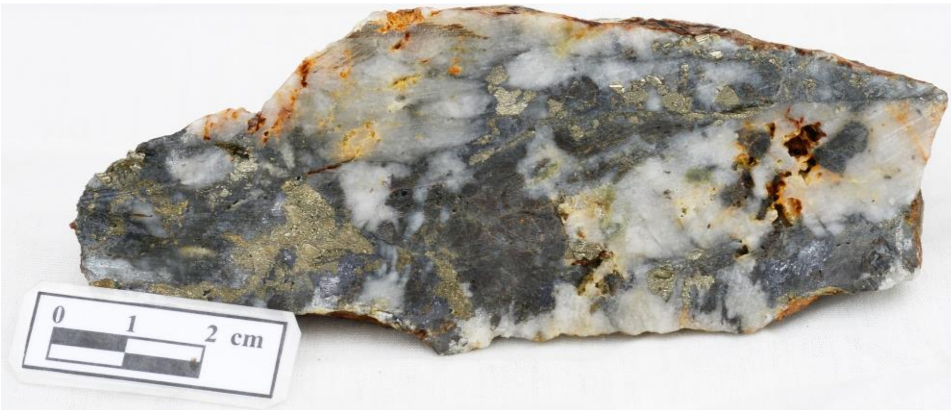
Discussions have commenced with several parties to look at options to fast track project development in South Korea. The Gubong and Taechang projects in particular may lend themselves to being reopened, rehabilitated and advanced as modest scale production sources given their scale and relatively high grades. Southern Gold has a current 'stretch' target of mid 2018 for first gold production in South Korea.

Kochang

The first programme of KORES supported drilling was completed during the quarter and results received post quarter end. The best intercept was 0.2m @ 5.97g/t Au in KCDD0002 from 160m (See ASX Release from 28 October 2016 for details). Interestingly, the tenor of results from the drilling does not match the results from surface sampling such as 20g/t Au, 180g/t Ag, 2% Pb and 9% Zn in KRS200085 (**Photo 3**).

Photo 3: Rock sample photos of peak assay results from selective sampling at Kochang East

KRS200085: 20g/t Au, 180g/t Ag, 2.05% Pb, 9.04% Zn
Quartz vein with significant gold, silver and base metal mineralisation.



The drilling conducted to date confirms the north-east extension of the mineralised structure and the rock chips confirm the tenor of grade possible in mineralised lode zones (**Figure 4 and 5**). Southern Gold is highly encouraged by these results and looks forward to planning future work programs to further test the Kochang Project, including exploring outside of KORES approved drilling grant areas and looking at opening up historical underground workings.

For example, a prime target of future work will be to test down dip/plunge from very high gold values encountered in the lowest level of the Kochang Gold Mine where a 150m length of drive was face sampled and returned results between 20g/t and 122g/t Au (**Figure 4 and 5**).

A consultant geologist has been engaged to work on the geology of Kochang, develop a detailed geological map, review drilling data and generate further drilling targets in 2017. This mapping project is now well advanced and will recommence in early 2017 after the winter when much of the vegetation cover has cleared. Approximately 50 surface rock chip and grab samples have been taken in this first phase with results expected in 4-6 weeks.

Figure 4: Kochang Project Area Map showing the various target zones

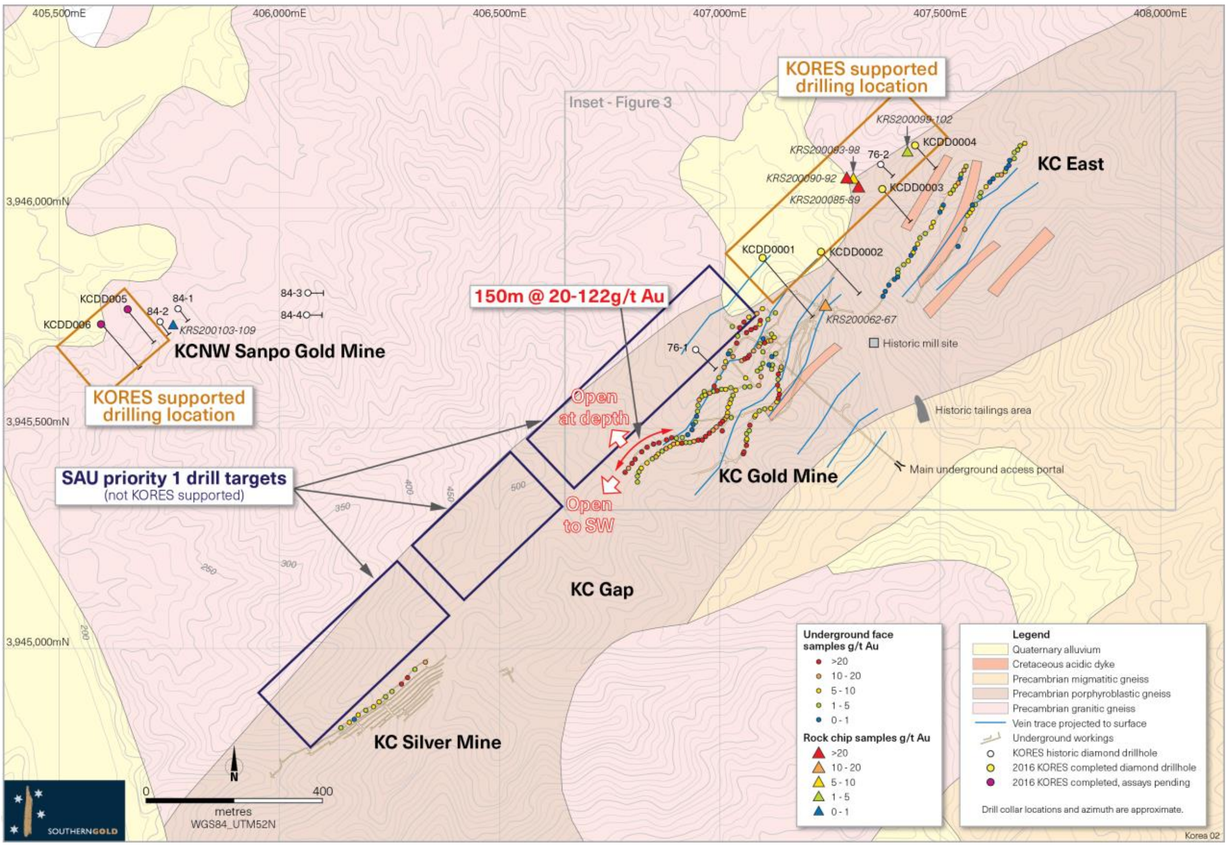
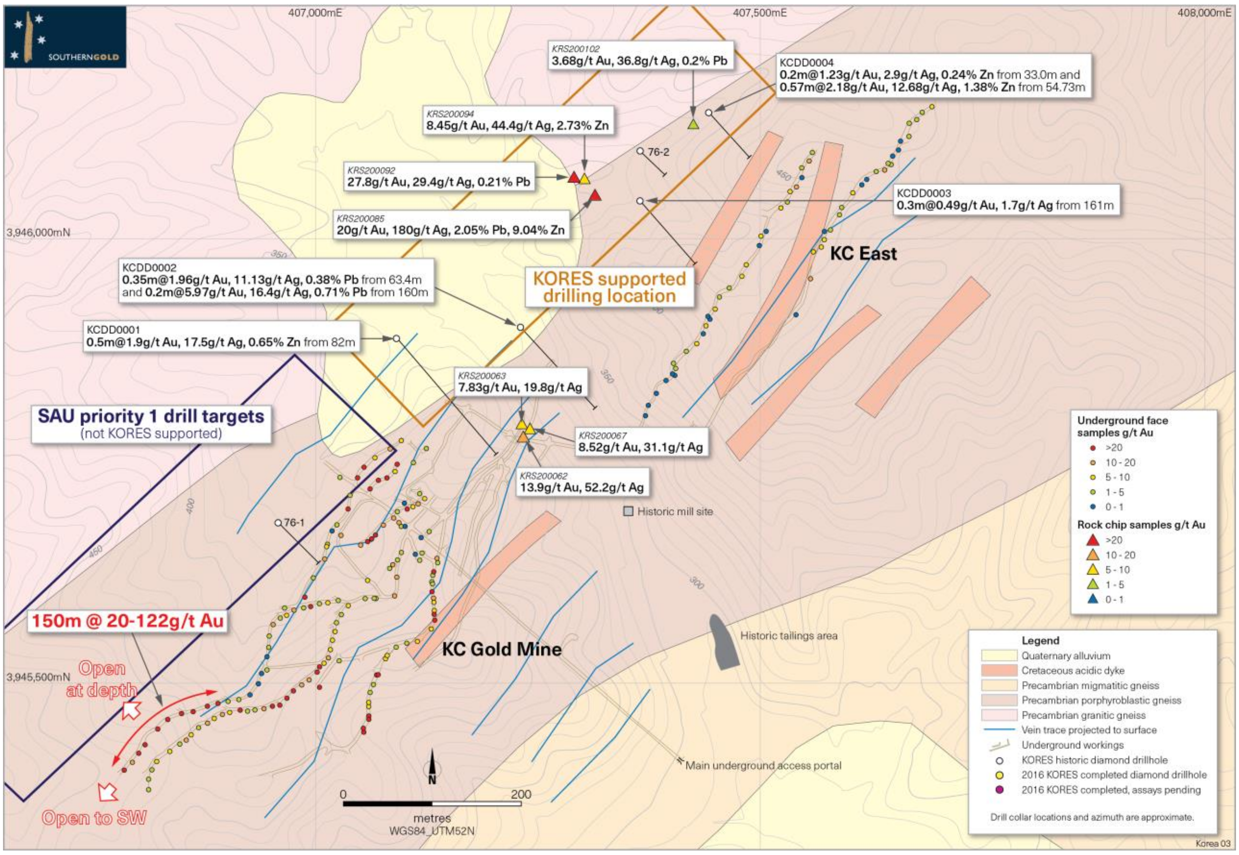


Figure 5: Detailed results from KORES supported drilling and Southern Gold surface sampling



Taechang

The Taechang underground workings were accessed with a view to resampling the sites of previous high grade sampling results in South Drive 2 (SD2), about 450m from the junction of the Hanam main drive (**Figure 6**). This goal was not achieved due to safety concerns over ground conditions for sampling; however four samples were obtained in the vicinity of other stopes (**Figures 6 & 7**) prior to this point.

Sampling of South Drive 1 (SD1) and the main access was undertaken (9 face and two grab) and Hanam underlay shaft (17 face and one grab sample) for a total of 29 samples.

Figure 6: Taechang Sampling Locations Overview and Underground Workings

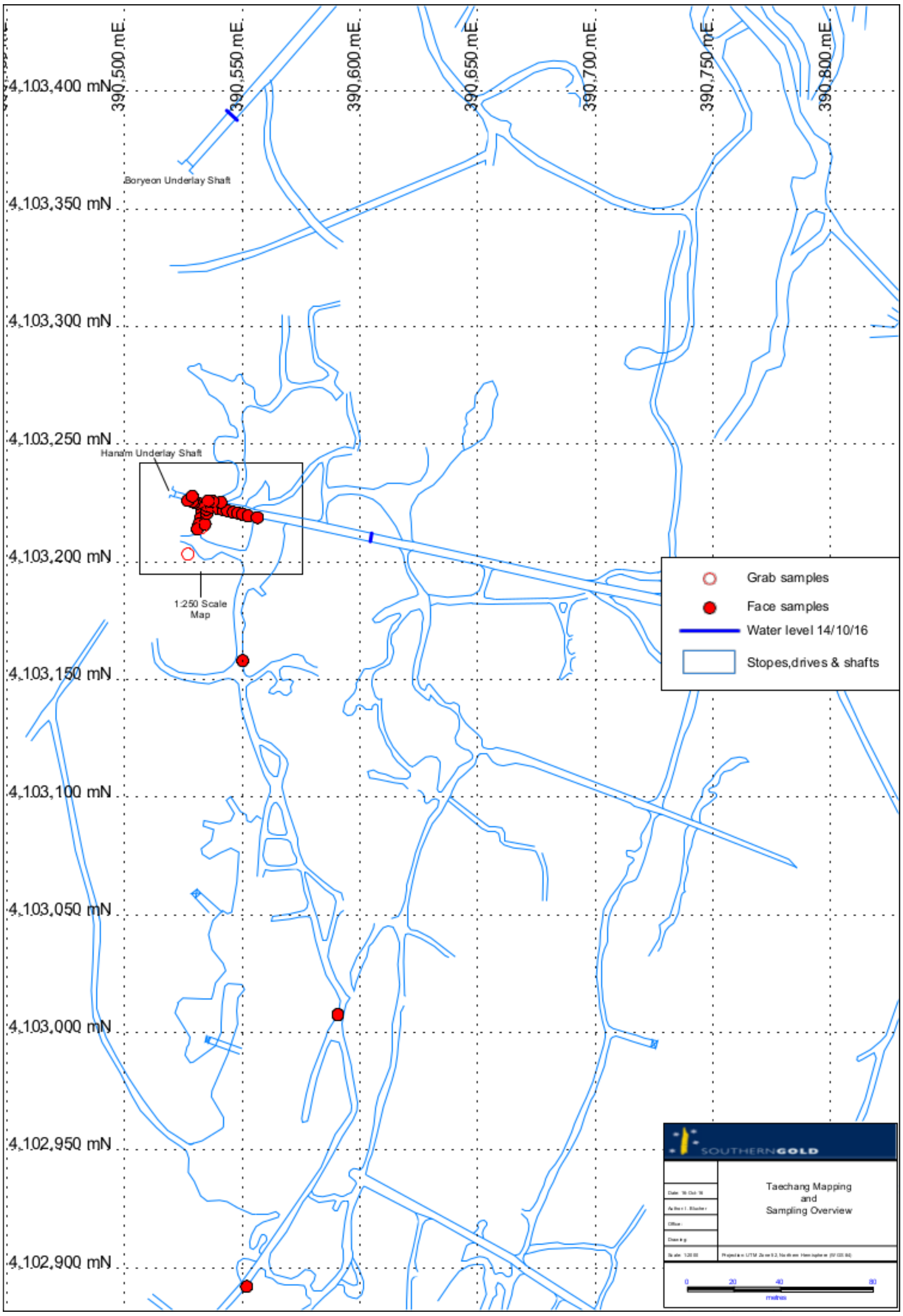
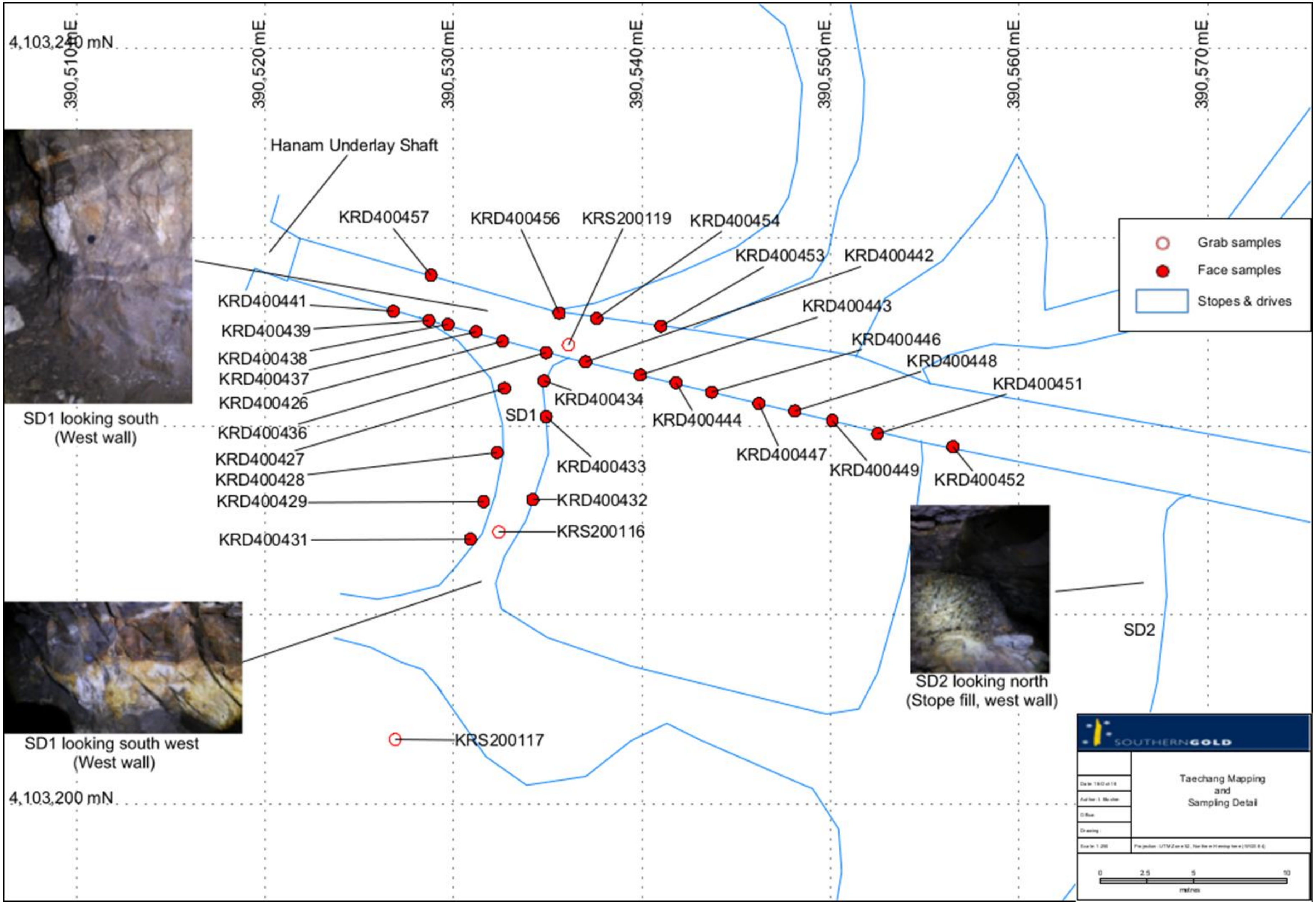


Figure 7: Taechang Detailed Sampling Locations



Weolyu

A very experienced consultant geologist with skills in mapping of altered volcanic rocks has been engaged to do a detailed mapping and review programme on the Weolyu district. This is to both assist with drill design around the newly identified Weolyu South project but also generate additional drill targets for 2017.

At least three major veins at Weolyu South have been identified, one of which appears to be the along-strike continuation of the previously identified main vein at Weolyu South, within a broad well developed stockwork zone, 250m wide and over 150m along strike. Approximately 70 surface rock chip and grab samples have been taken across the broader project area with results expected in 4-6 weeks.

A small team of South Korean cave explorers (**Photo 4**) was engaged to gain access to the bottom of a small shaft within an artisanal scale mine at Weolyu South (approximately 20m below surface). This enabled the exploration team to confirm, in a qualitative fashion, the target of the old mine workings.

It has now been confirmed that an approximately 1 metre wide zone including banded and highly oxidized epithermal quartz vein has been observed in the mine wall at the bottom of the shaft (**Photo 5**).

Photo 4: Cave explorers prepare to descend into the Weolyu South shaft

Photo 5: Banded epithermal quartz vein at the Weolyu South Working (note: field of view 1m to 2m)

Corporate

An additional $500,000 was drawn down from the MLX loan facility taking the total amount of drawn debt under the facility to $2.5m. The facility is now fully drawn and is expected to be repaid by profit distribution from the Cannon mine in the coming quarter.

With the acquisition of International Gold Private Ltd, several major sophisticated investors have subscribed for $1.2 million of Southern Gold shares at $0.35/share, an 18% premium at the time of announcement.

Southern Gold's cash position on 30 September 2016 was approximately $1.4 million. **Southern Gold is fully funded for all near term capital requirements with first profit distribution from the Cannon mine expected in around December 2016.**

Managing Directors Comment

Southern Gold Managing Director, Mr Simon Mitchell, said: "We are now rapidly approaching pay day for the Cannon mine, a milestone that has taken the company several years to achieve. Producing gold and generating a profit is something not every junior company gets to do at any stage of its life cycle, whereas Southern Gold is now part of a small group of junior explorers in the gold production space."

"With significant cash being received from Cannon over the next 6 months or so, Southern Gold will be extremely well positioned to leverage this into significant value for our shareholders. We are currently working on several initiatives that will see additional gold production from our portfolio and we are looking at ways to ensure this can continue into 2017/18 and beyond."

"In addition to this solid cash flow story, Southern Gold is doing what all good explorers do: drill. We do not expect that every drill programme will come up with great results as more often than not exploration can be a frustrating business. But with Southern Gold's technical team, the first class geology covered by our tenements and with a solid funding base to take our projects forward, I am confident we will see some exciting developments on this front in the short to medium term"

Recent ASX Releases

• Kochang KORES Drilling and Rock Results	28 October 2016
• Cannon Fourth Processing Campaign Results	26 October 2016
• Second KORES Drill Grant Secured	5 October 2016
• Cannon Project Increased Profit Guidance	6 September 2016
• Korean Projects Update	10 August 2016
• 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

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 me be required under applicable laws. Recipients should make their own enquiries in relation to any investment decisions from a licensed investment advisor.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SOUTHERN GOLD LIMITED

ABN	Quarter ended ("current quarter")
30 107 424 519	30 SEPTEMBER 2016

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(573)	(573)
	(b) development	-	-
	(c) production	(385)	(385)
	(d) staff costs	(146)	(146)
	(e) administration and corporate costs	(466)	(466)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,569)**	**(1,569)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(5)	(5)
	(b) tenements (see item 10)	-	-
	(c) investments	(115)	(115)
	(d) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(120)**	**(120)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	1,200	1,200
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(13)	(13)
3.5	Proceeds from borrowings	500	500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**1,687**	**1,687**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,442	1,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,569)	(1,569)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(120)	(120)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,687	1,687
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,440**	**1,440**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	40	479
5.2	Call deposits	1,400	963
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,440**	**1,442**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	132
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

The amount at 6.1 comprises Director fees paid to Directors, or related entities of the Directors, during the quarter.

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	3,500	3,500
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Metals X Ltd provided a secured loan facility to Southern Gold of $2,500,000. The loan is interest bearing, fixed at 8% per annum. Southern Gold's 50% share of Mining Profits from the Cannon operations will first be applied to repayment of the loan balance and accrued interest.

Southern Gold raised $1,000,000 through an unsecured convertible debt facility. The agreed interest rate on the face value of $1,000,000 is 8%. Interest is paid every six months. Unless the free attaching options are exercised on or before 30 June 2017, the $1,000,000 is due to be repaid on 30 June 2017.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	(556)
9.2	Development	-
9.3	Production	(181)
9.4	Staff costs	(161)
9.5	Administration and corporate costs	(245)
9.6	Other (interest payments)	(41)
9.7	**Total estimated cash outflows**	**(1,184)**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	E25/0361 E25/0207 M25/0220 E25/0502 (All Western Australia)	Exploration lease Exploration lease Mining lease Exploration lease	80% 80% 80% 100%	- - - -
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: .. .. Date: ...31 October 2016.................
(Company Secretary)

Print name: .....Dan Hill.....................

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.