



Issued Shares: 46.4M

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Quarterly Activities Report

31 December 2016

Key Points

- **Pay Day:** the Cannon gold mine is now net cash flow positive with maiden distribution of \$2 million to Southern Gold;
- **New Targets:** drill targets identified by surface geochemistry at Bamf and Nightcrawler prospects at the Cowarna Gold Project;
- **New Mineralisation:** multiple mineralised vein systems mapped and sampled at the exciting Weolyu South prospect, South Korea.

Cannon Gold Mine

- Quarterly production of 12,658oz Au from the fifth and sixth processing campaigns with metallurgical recovery averaging 91%.
- Some geotechnical instability in the south east corner of the pit was addressed by remedial ground support during the quarter.

Exploration – Australia

- Hand auger geochemical programme has identified drill targets at Bamf and Nightcrawler Prospects, part of the Cowarna Gold Project.
- Excellent progress with the Section 18 process at the Glandore Gold Project with Aboriginal Heritage surveys allowing exploration to proceed.

Exploration – South Korea

- Expert geological consultants complete first field programs at Weolyu and Kochang.
- The Weolyu Project continues to excite, with additional epithermal gold-silver mineralisation evident over hundreds of metres, open at depth and along strike at Weolyu South prospect.

Corporate

- Cash position at quarter end was \$0.8 million with further Cannon profit share payments expected over the coming months.

Upcoming Quarterly Outlook

- Approximately 17koz Au expected to be produced at the Cannon Mine.
- Progress underground access to fast-track drilling at Weolyu.
- Complete heritage process and Section 18 approval for Glandore.

Cannon Gold Mine

Mine Operations

Southern Gold Ltd (Southern Gold) continued to produce gold at the Company's flagship Cannon open pit mine, 35km east of Kalgoorlie, WA, during the December quarter. The Cannon Mine is being financed and operated by development partner Westgold Resources Ltd ('Westgold', ASX Code "WGX") 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 Westgold.

During the quarter the project reached the point of being cumulative net cash flow positive, with revenues exceeding costs and the debtor's account moving into the positive. This milestone enabled the Cannon Operations Committee to consider the payment of project net profit distributions.

Late in the quarter the Cannon Operations Committee resolved to pay \$4 million in distributions or \$2 million to each of Westgold and Southern Gold. Southern Gold has applied \$1.5 million of the \$2 million distribution to the repayment of the working capital facility provided by Westgold. The balance of this Westgold loan was approximately \$1.2 million but this was fully repaid post quarter end as a result of the January net profit payment. The remainder of the maiden distribution and the second distribution, or \$0.5 million and approximately \$0.3 million respectively, was received as cash.

Photo 1: Cannon Open Pit on 24 January 2017



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

- Mine operations during the quarter saw the pit developed from the 275mRL down to the 257mRL;
- The final programme of grade control drilling was undertaken from the 270mRL to enable planning for final stages of the pit to be completed;
- Localised instability on the eastern walls required remedial works to be undertaken to install artificial ground support, which together with substantial rain impacted on productivity;
- No lost time injuries were recorded.

While there have been some delays in the mining schedule due to the installation of ground support (**Photo 2**) and this has resulted in lower average gold grade and ore tonnes for the quarter, the processing schedule has continued approximately to schedule (**Table 2**). The fifth and sixth processing campaigns of ore from the Cannon Gold Mine were completed during the quarter with metallurgical

recovery continuing to be ahead of budget (91.2% vs 88.3%) while the Project to Date recovery (91.4%) also continues to exceed budget guidance.

Table 1: Cannon Mining Actuals vs Budget Forecast for Q4CY16 (M25/333 Only)

	Actual	Budget	Variance	Variance%
Total BCM Moved	251,640	205,486	46,154	22.5%
Ore Mined tonnes	133,117	120,224	12,893	10.7%
Ore Mined g/t	3.62	5.31	-1.68	-31.6%
Ore Mined oz	15,504	20,506	-5,002	-24.4%

Photo 2: Cannon Open Pit Ground Support Drilling (19 November)



Table 2: Cannon December Quarter (Campaign 5+6) and Project to Date Processing Statistics

		Campaign 5	Campaign 6	Qtr	Qtr Guidance	Qtr Variance+%	Project to Date Production
Ore Milled	tonnes	49,203	91,426	140,629	140,000	+0.5%	378,207
Head Grade	g/t Au	3.03	3.1	3.08	~3.4	-9.4%	2.73
Recovery	%	91.17	90.91	91.00	85%	+6%	91.43
Gold Produced	Oz.	4,372	8,286	12,658	13,440	-5.8%	30,320

A summary of the gold campaigns to this point are provided in **Table 3** and highlight the consistently excellent recovery achieved by the SKO Jubilee mill.

Delays have been minimised where possible and the project is on track to complete mining in the March 2017 quarter and with ore processing to continue into the June 2017 quarter. The approximate production guidance provided in **Table 4** below gives an indication of Southern Gold's expectations over the next 2 quarters and illustrates that more than 40% of the gold is produced in the last few months of operations.

Table 3: Cannon Gold Production by Campaign (1 to 6)

	1	2	3	4	5	6	PTD
Tonnes	86,333	43,790	33,704	73,751	49,203	91,426	378,207
Gold Produced (oz)	6,474	3,505	2,095	5,588	4,372	8,286	30,320
Mill Grade (g/t)	2.57	2.68	2.09	2.57	3.03	3.10	2.73
Recovery (%)	90.92	92.85	92.49	91.71	91.17	90.91	91.43

Table 4: Approximate Cannon Forward Gold Production Guidance to 30 June 2017

		Mar Qtr	April Qtr	Total
Ore Milled	tonnes	150,000	50,000	200,000
Head Grade	g/t Au	~4	~4	~4
Recovery	%	90%	90%	90%
Gold Produced	Oz.	~17koz	~6koz	~23koz

Evaluation of Cannon Orebody at Depth

A consultant structural geologist undertook detailed analysis of the structural features exhibited by exposed Cannon ore zones and host lithology. This work, combined with the results of previous studies, close spaced grade control data and the detailed in-pit geological mapping undertaken during mining, has provided additional insights into orebody setting, geometry of the mineralisation and highlighted the complex structural history of the Cannon deposit. Additional structural work will be undertaken as orebody exposures increase during the final stages of mining.

Based on the initial findings of this study, a moderately plunging, north – northeasterly ore shoot system constrained by the host structure has been proposed. It is anticipated that testing of this target will be undertaken in the first quarter of 2017.

Exploration – Australia

Glandore Farm In and JV

A heritage survey was undertaken in November 2016 to assess the potential for exploration on the Glandore Farm In and JV tenements, within the registered heritage Site DAA 30602 “Lake Yindarlgooda Mammu Tjukurrpa” (**Figure 1**). This survey, conducted by the Council of Tribal Elders for the Eastern Goldfields, concluded that exploration will be able to proceed in the area of interest once Section 18 Ministerial consent to disturb a heritage site has been approved and that there was no reason why such an approval should not be granted.

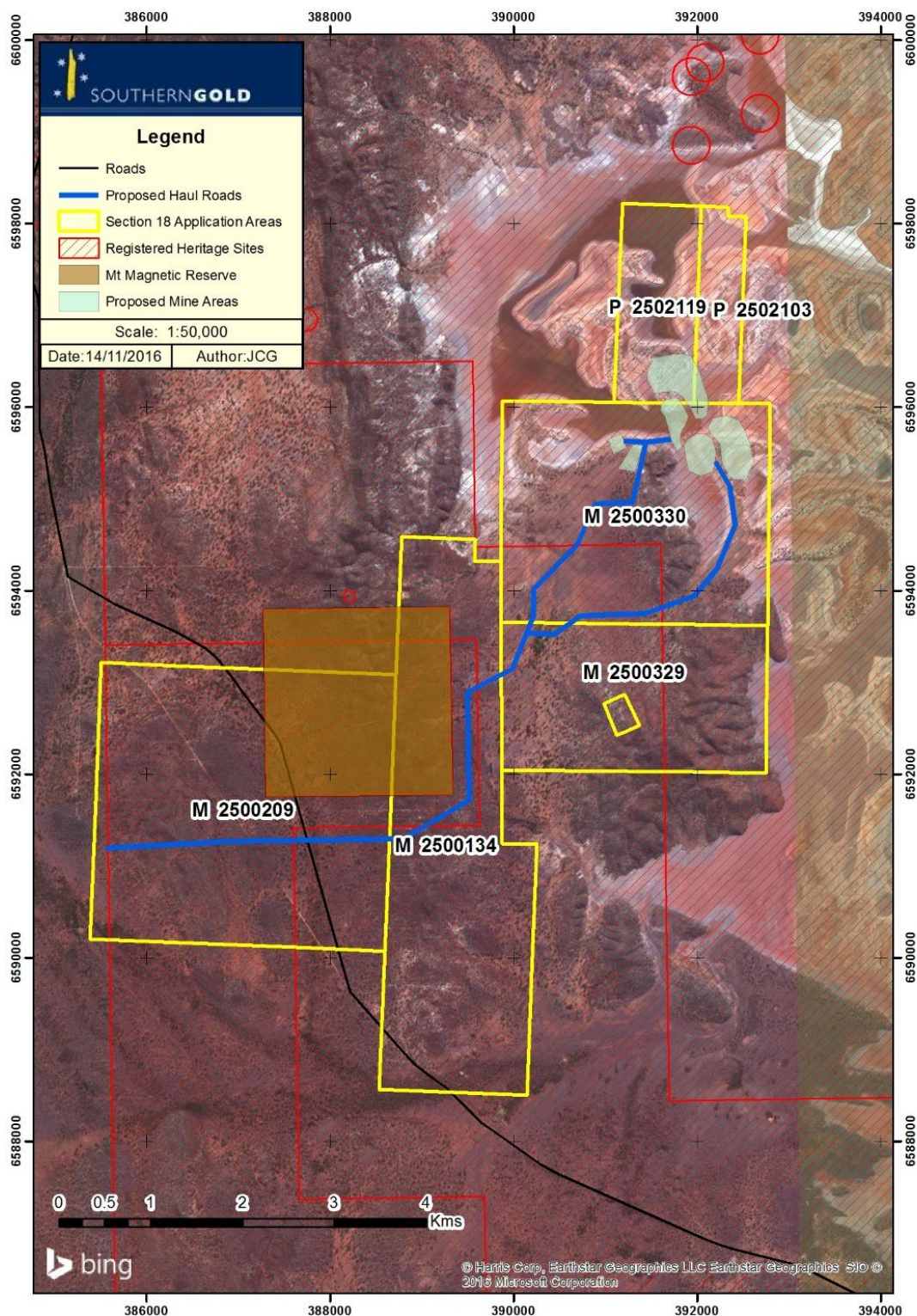
It is anticipated that once an archaeological survey has been conducted and the Section 18 has been approved, that the planned initial RC and diamond drilling program on the Doughnut Jimmy and Lavaeolus prospects will be able to commence in the first half of 2017.

Three days of reconnaissance mapping within areas of the Glandore JV tenements, which had not previously been mapped in detail, has shown that differentiation in the Glandore Sill can be mapped at

surface. In the Glandore region, high grade mineralisation is commonly associated with the intersection of mafic unit boundaries and regional scale shears or fault zones.

An initial environmental survey across the area has been undertaken and no significant environmental issues were highlighted by the environmental consultant.

Figure 1: Glandore areas cleared (proposed mine and haul road areas) for exploration and mining in the November 2017 heritage survey.



Cowarna Project

During the 2016 calendar year, two hand auger soil sampling programs were undertaken over the Nightcrawler and Bamf Prospects. The first 'orientation' program, completed in May, consisted of 86 samples taken from 43 field sites across the Nightcrawler Prospect area. The second 'follow-up' October sampling program consisted of 329 samples taken on an east-west oriented 50m x 200m grid across both the Bamf and Nightcrawler Prospects (**Figure 2**).

Assay results outlined two main areas that require follow-up drill testing, a 700m by 150m anomaly at Bamf and an 800m by 100m anomaly at Nightcrawler (**Figure 2**). The Bamf Prospect target is defined by a gold in soils anomaly coincident with the interpreted location of the Maxwells Banded Iron Formation (BIF) Member and is up-stream of a number of erratic Au peaks within the local drainage system vectoring towards a zone of supergene gold enrichment outlined by historic drilling. These historic holes were drilled parallel to stratigraphy and west of the current target. The target at the Nightcrawler Prospect is outlined by coincident gold and arsenic anomalies in line with the interpreted location of the Maxwells BIF unit.

Further west of both anomalies are patchy high Au results that look to follow the same orientation as the local geology (**Figure 2**). The context of these results is currently unclear and further investigation is warranted to determine the source of these high gold-in-soil results. Two possible sources are gold mineralisation associated with a reactive rock unit or supergene (nugget) gold associated with drainage off the Bamf and Nightcrawler anomalies.

Planned follow-up work will include a RAB drilling program at the Bamf and Nightcrawler anomalies. This drilling program will determine if there is significant shallow gold mineralisation, the geometry of the local geology and location of the prospective Maxwells BIF Member.

Bulong Gold Project Regional Exploration – CSIRO Hyperspectral Research project

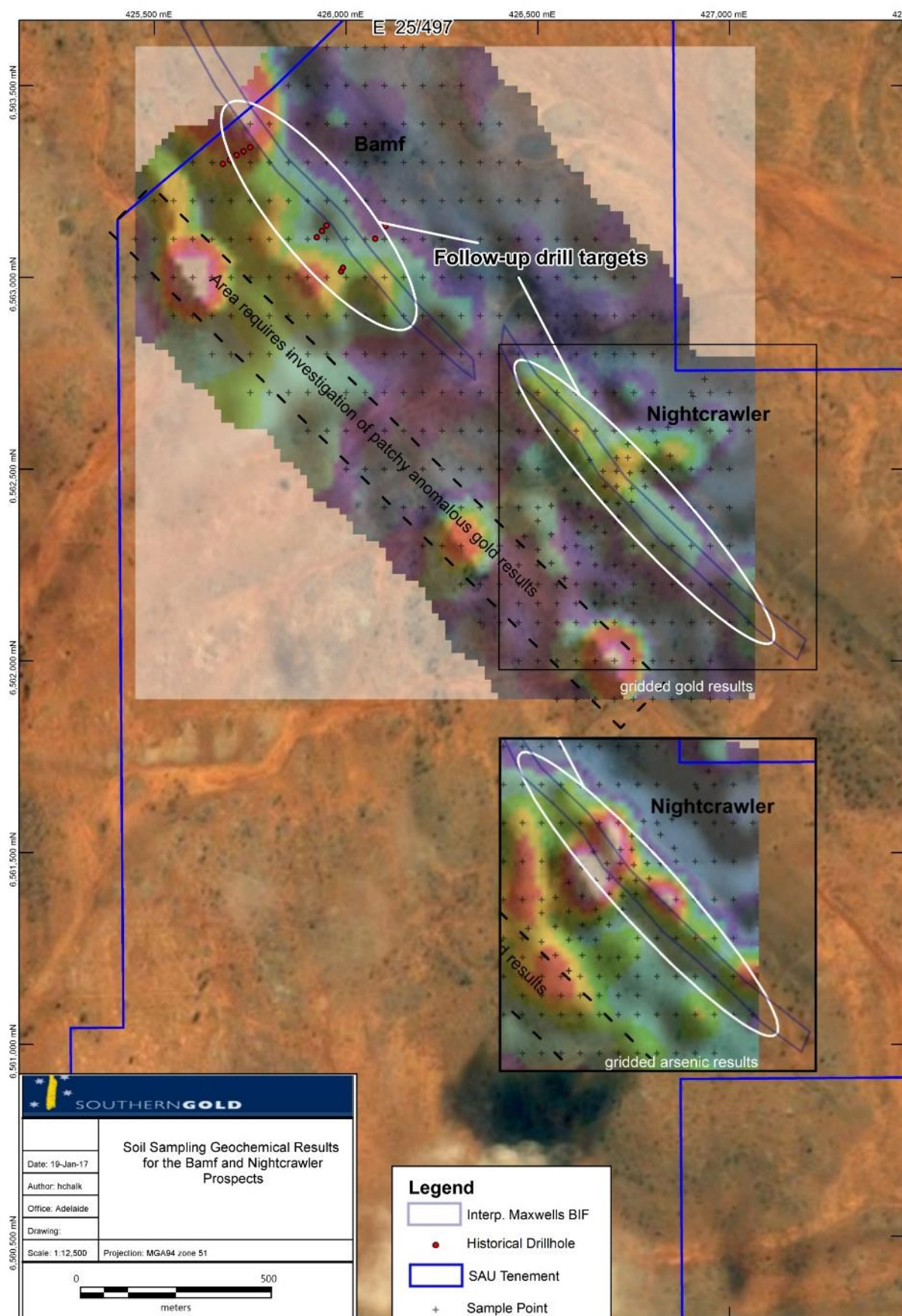
A research project in collaboration with the CSIRO on the analysis of hyperspectral data commenced in October 2016. More than 2000m of drill core from Cannon and 5000m of RAB/RC chips have been scanned with hyperspectral tools. Researchers from CSIRO's Mineral Systems Science Group are in the process of creating a 3D mineral map of the Cannon mineralised system. The regional program of airborne hyperspectral data acquisition has been delayed due to equipment availability and will commence early in 2017.

Bulong Soil Sampling Trial

SAU has planned a geochemical sample media trial over mineralisation at Tooting Bec which will be carried out in February 2017. Samples will be collected from 70 locations over mineralised and unmineralised areas to examine the background to anomaly contrast of the sample media. The trial includes biogeochemistry and hand auger soil sample geochemistry to identify the optimal sample media for infilling existing regional power auger sampling, and extending sampling into areas of deeper cover (5-20m) which have been poorly tested in previous soil geochemistry campaigns.

Biogeochemical sampling will preferentially target leaves from two eucalypt species, Salmon Gum and Goldfield's Blackbutt, which have been shown to highlight gold anomalism over mineralisation at Southern Gold's Cannon Gold Mine.

Figure 2: Cowarna Soil sampling Program with gold and arsenic results.



Exploration – South Korean Gold

Weolyu

An expert consultant in volcanic rocks and epithermal systems completed an initial program of detailed field work. Three major quartz vein zones, **Moonlight, Mystery and Summit Vein Zones**, have been mapped at Weolyu South that range between 0.6m to 1.3m true width (**Photo 3**), within a broad zone of variably developed sheeted to network quartz veins (**Figure 4**). The vertical and lateral extents of mineralisation at Weolyu are over hundreds of metres within a broader alteration footprint, indicating significant continuity and scale (**Figure 3**).

Rock slabs cut from surface samples display classic high-level low-sulphidation epithermal vein textures (**Plate 1**). Surface rock chip peak assay results include 8.41 g/t Au & 200 g/t Ag in sample KRS202027 (**Table 5**). The tenor of results from this surface program is typical of a high level epithermal system.

Photo 3: Moonlight Vein, Weolyu South.



The veins identified at Weolyu South are characterised by polyphasal quartz-sulfide textures, typified by complex colloform quartz-adularia-sulfide-silver sulfosalt banding and quartz sulphide re-healed hydraulic brecciation, with common quartz pseudomorphs after bladed calcite. This is indicative of extensive boiling and confirms Weolyu South as an excellent target for potentially economic gold-silver mineralisation, possibly commencing at or near surface. The potential exists for significantly elevated grades at lower relative elevations, and the amount of vertical relief (**Figure 2**) indicates the degree of erosion is muted at Weolyu South compared to the north. **This implies significant potential exists to discover elevated gold and silver grades at depth at the critical boiling zones.**

Progress is being made to open up the old artisanal mine at Weolyu South so that safe access can be gained to the veining. This will enable confirmation of both the tenor of the mineralisation and more

importantly, the structural orientation of the vein to ensure accurate drill targeting from 3D modelling. Assuming safe access can be gained, another round of technical assessment by the geological expert will be conducted in conjunction with the Company's first drill programme at Weolyu South, currently scheduled for after winter 2017.

Figure 3: Weolyu Project stylised long section highlighting degree of vertical and horizontal relief from mineralised high level epithermal quartz veins at Weolyu South to historic Ag-Ge mining to the north.

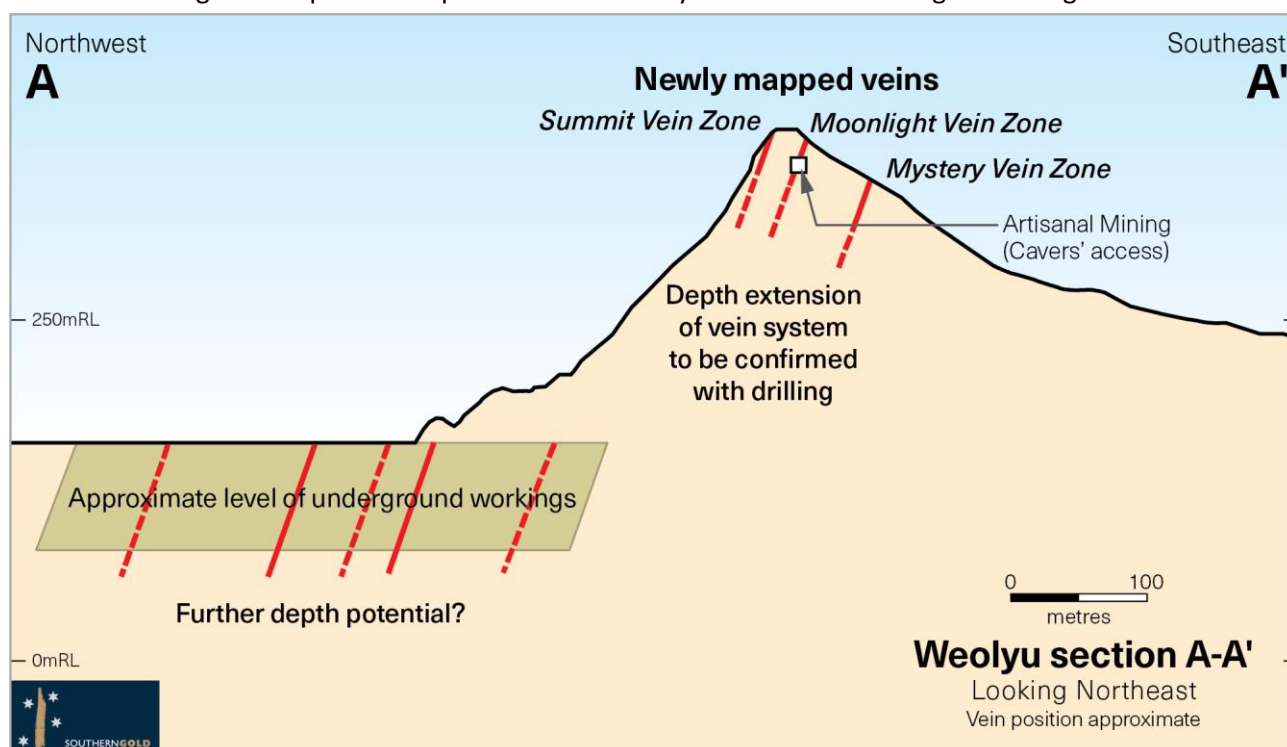


Table 5: Highlights of surface rock chip samples results from Weolyu South during the quarter. See **Plate 1** for photos.

SampleID	Easting	Northing	Au (g/t)	Ag (g/t)
KRS202008	400340	4009703	1.52	120
KRS202022	400243	4009828	6.12	170
KRS202024	400243	4009828	4.57	110
KRS202027	400243	4009828	8.41	200
KRS202043	400282	4009905	2.37	150
KRS202045	400327	4009861	3.22	140

Figure 4: Weolyu Project simplified geology map with surface rock sample locations / summary results.

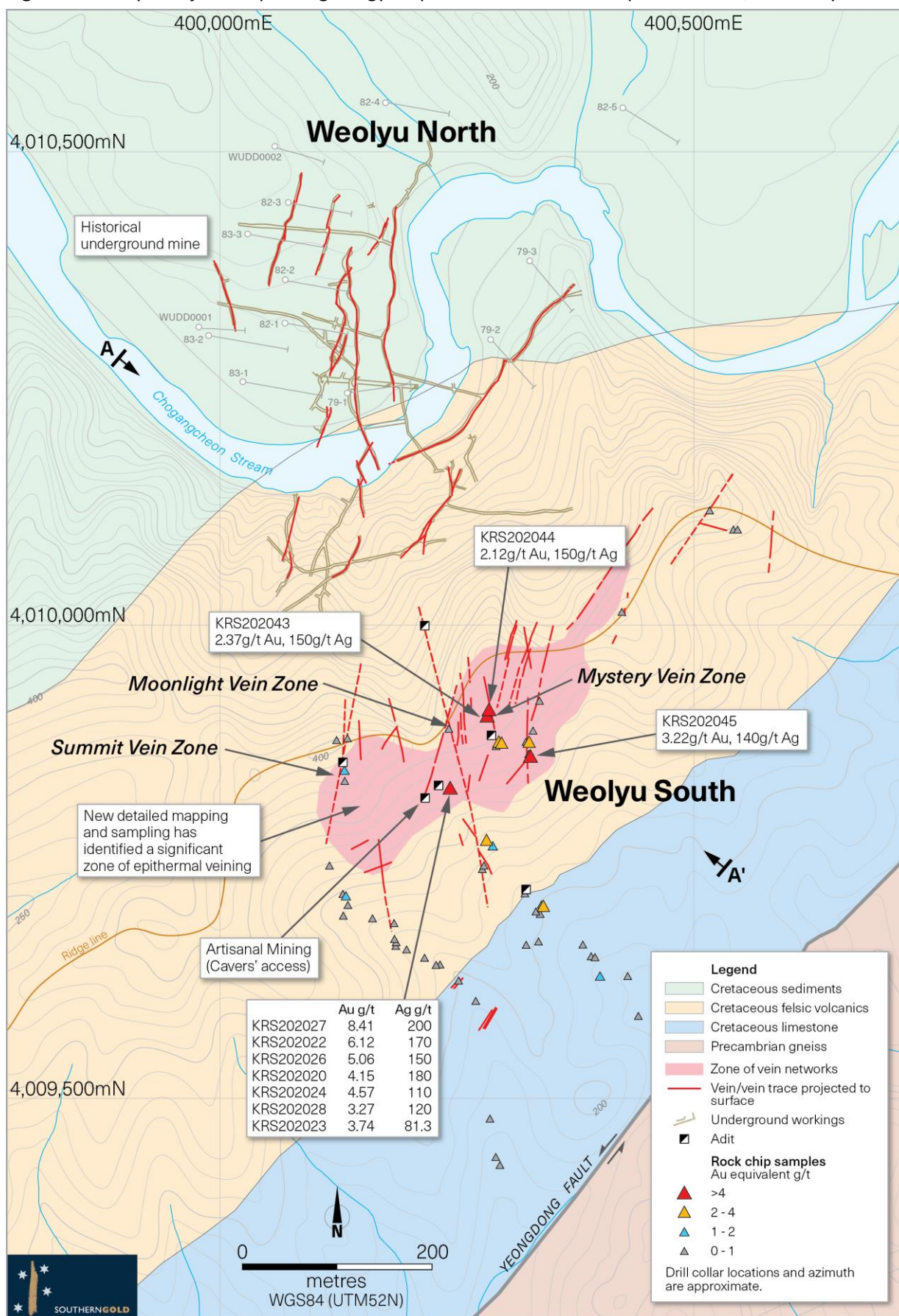


Plate 1: Weolyu South Rock Slabs from recent detailed mapping and sampling programme

Photo 4. KRS202008: 1.5g/t Au, 120g/t Ag



15 cm wide polyphasal vein float, comprised of hydraulic rip-up breccias and crude mesocrystalline to chalcedonic quartz colloform band development.

Photo 5. KRS202022: 6.12g/t Au, 170g/t Ag



Polyphasal hydraulic vein breccia & colloform-banded vein comprised of white mesocrystalline quartz with grey-black sulfidic inter-bands and wispy fills

Photo 6. KRS202024: 4.57g/t Au, 110g/t Ag



Polyphasal, crudely banded mesocrystalline grey-white quartz vein with localised ghosted quartz pseudomorphs after bladed calcite & wisps of bluish-grey sulfides & sulfosalts

Photo 7. KRS202027: 8.41g/t Au, 200g/t Ag



Polyphasal hydraulic vein breccia with rip-up vein fragments and a central black sulfidic band comprised of fine-grained pyrite & sulfosalts

Photo 8. KRS202043: 2.37g/t Au, 150g/t Ag



Hydraulic quartz vein and rhyolite host rock breccia, pervasively flooded by mesocrystalline quartz and fine-grained pyrite. Highly oxidised with ubiquitous limonite after pyrite

Photo 9. KRS202045: 3.22g/t Au, 140g/t Ag



Slip fragment from Mystery Vein Zone, comprised of colloform-banded, sulfide-bearing hydraulic vein breccia.

Kochang

During the previous quarter (3Q'16) KORES co-funded drilling completed 1,245.3m from six diamond drill holes over two rounds at Kochang (see ASX Release 28th October 2016 Appendix 1 for further collar and drillhole information). Additionally, an expert geological consultant conducted new preliminary mapping and surface rock sampling. Drilling and rock sampling assay results have been returned during this quarter.

The peak assay result from drilling was 0.2m @ 5.97g/t Au and 16.4g/t Ag from 160m downhole in KCDD0002 (**Table 6**). The assay results for surface rock samples from Kochang returned significant gold (Au), silver (Ag), lead (Pb) and zinc (Zn) mineralisation. The peak assay result from surface rock samples was 27.8g/t Au and 29.4g/t Ag in KRS200092 (**Plate 2, Photo 12**).

The KORES supported drilling at Sanpo (KCDD0005 and KCDD0006) did not return any significant assay results and it is currently postulated that historical drilling in this area may have drilled parallel to the mineralised structure. Further detailed surface mapping is planned to better understand the variance in historical assays compared with recent drilling results.

The drilling assays shown in **Table 6**, and initial review in 3D, confirm all the first round drill-holes have hit the projected north-east extension of the main mineralised structure from Kochang Gold Mine near surface, and that down dip potential remains below old workings.

Table 6: Significant Intercepts Table: Kochang drill core assays.

Hole Number	From (m)	Interval (m)	Grade (g/t Au)	Grade (g/t Ag)	Grade (% Pb)	Grade (% Zn)
KCDD0001	82	0.5	1.9	17.5	0.19	0.65
	111.85	0.15	0.9	8.7	<0.1	0.1
KCDD0002	63.4	0.35	1.96	11.13	0.38	0.26
<i>incl.</i>	63.4	0.2	3.05	10.7	0.21	0.34
	101	0.32	0.83	0.9	<0.1	<0.1
	160	0.2	5.97	16.4	0.71	0.31
	165.4	0.2	0.68	1.2	<0.1	<0.1
KCDD0003	161	0.3	0.49	1.7	0.12	<0.1
KCDD0004	5.37	0.33	0.61	3.8	<0.1	<0.1
	25.4	0.2	0.64	1.7	<0.1	0.11
	33	2	0.28	2	<0.1	0.12
<i>incl.</i>	33	0.2	1.23	2.9	0.18	0.24
	34.75	0.25	0.98	6.9	0.34	0.47
	54.73	0.57	2.18	12.68	0.32	>1
<i>incl.</i>	55	0.3	3.58	19.6	0.3	>1

Pb/Zn based intersections

Hole Number	From (m)	Interval (m)	Grade (g/t Au)	Grade (g/t Ag)	Grade (% Pb)	Grade (% Zn)
KCDD0004	32	1.2	0.44	3.5	<0.1 %	0.14
	47.2	0.3	0.22	3.6	0.12	0.56
	53.4	1.9	0.86	5.61	0.12	>1%

Table 7: Significant surface rock chip samples results from Kochang during the quarter.

Sample ID	Easting	Northing	Au (g/t)	Ag (g/t)
KRS201004	407344	3945866	3.23	35.6
KRS201007	407500	3945928	3.72	14.2
KRS201012	407595	3946043	4.03	10.9
KRS201018	407458	3946031	3.07	30
KRS201027	407571	3946171	11.3	25.2
KRS201028	407583	3946167	18.6	52.5
KRS201038	407357	3945708	3.89	47.3
KRS201043	407212	3945787	3.67	19.4
KRS201046	407161	3945531	2.43	37.1
KRS201047	407148	3945514	2.59	74.1
KRS201050	406261	3944852	1	190
KRS201064	405821	3945606	5.12	2.6

Future work at Kochang will be focused on follow-up field reconnaissance by an expert geological consultant (post winter snow melt) in early 2017 between the Kochang Gold Mine and the Kochang Silver Mine (“KC Gap”). In addition Southern Gold will look to secure safe access to historical drives for re-sampling, particularly where very high gold values (20g/t and 122g/t Au) were encountered along a 150m length of drive (**Figure 5**), and better inform 3D modelling to assist planning future drill targets.

Figure 5: Kochang Project showing key ‘zones’, rock sample locations, historical workings, drill collar locations with approximate drill traces (see JORC Table 1, 8 July 2016 for historic data).

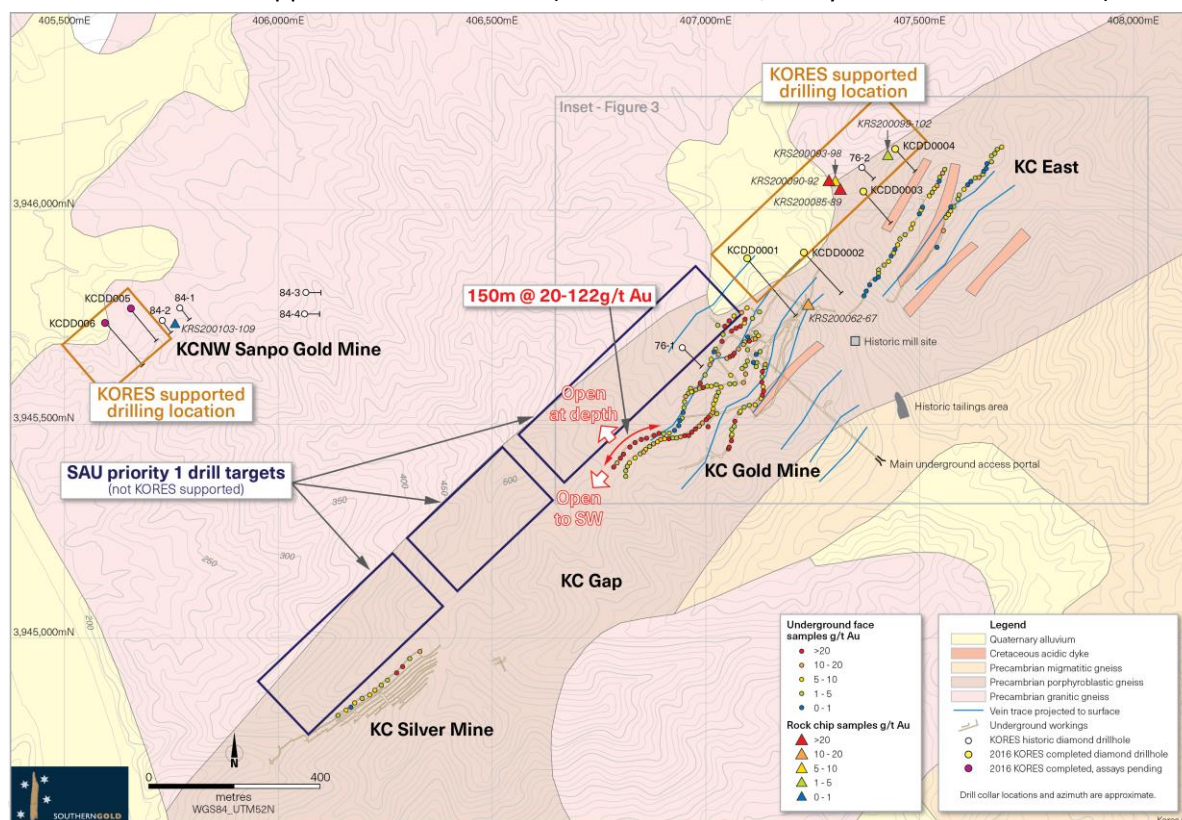


Plate 2: Rock sample photos of peak assay results from selective sampling at Kochang East

Photo 10. KRS200085: 20g/t Au, 180g/t Ag, 2.05% Pb, 9.04% Zn
Quartz vein with significant gold, silver and base metal mineralisation.



Photo 11. KRS200090: 16.8g/t Au, 170g/t Ag, 0.94% Pb, 0.34% Zn
Hydrothermal breccia with significant silica-sulphide matrix and vuggy silica development.



Photo 12. KRS200092: 27.8g/t Au, 29.4g/t Ag, 0.21% Pb, 0.03% Zn
Sheared quartz vein with significant hematite (with peak Au result).



Corporate

The Cannon Operations Committee resolved to pay the maiden net profit distribution of \$4 million, or \$2 million to each of Southern Gold and Westgold Resources. Southern Gold applied \$1.5m of this distribution to the partial repayment of the working capital facility provided by Westgold with the balance remaining at quarter end of \$1.2m, including interest.

Subsequent to quarter end, the second Cannon net profit distribution paid in January of \$1.5 million was used to completely repay the remainder of this Westgold loan.

Southern Gold's cash position on 31 December 2016 was approximately \$0.8 million. **Southern Gold expects several more net profit distributions from the Cannon Mine over the coming months. The company is therefore well financed for the foreseeable future.**

Managing Directors Comment

Southern Gold Managing Director, Mr Simon Mitchell: "Southern Gold is now in a very strong position. The Cannon Gold Mine is starting to provide us with cash, we are active in the field in two very exciting jurisdictions and we have several key projects that are starting to provide us with significant encouragement."

"In Australia we have made great progress at Glandore as we navigate the heritage issues there and in the meantime we have started work at the Cowarna Gold Project and identified two drill targets, Bamf and Nightcrawler, from our first on the ground geochemical programme. We have seen some high gold in soil numbers at Cowarna and this project is now moving forward rapidly."

"In South Korea the Weolyu project is shaping up as a very exciting prospect for us. This one ticks a lot of boxes, including some text book epithermal quartz textures, multiple veins mapped and high grade gold being chipped at surface. This one has the company geologists itching to get drilling, which we hope to do as soon as possible."

Recent ASX Releases

- | | |
|--|------------------|
| • Second Cannon Gold Mine Profit Share Received | 24 January 2017 |
| • Option Secured on High Grade WA Gold Project | 18 January 2017 |
| • First Profit Distribution from Cannon Gold Mine | 28 December 2016 |
| • Cannon Sixth Processing Campaign Results | 23 December 2016 |
| • Weolyu South Multiple Au-Ag Mineralised Veins Mapped | 12 December 2016 |
| • Cannon Gold Mine – 3D Hyperspectral Research Project | 24 November 2016 |
| • Cannon Fifth Processing Campaign Results | 8 November 2016 |
| • 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 |

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 Westgold Resources Ltd mining the deposit under a 50/50 profit share arrangement.

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 in Australia has been compiled under the supervision of Dr. Justin Gum (MAIG). Dr Gum, who is an employee of Southern Gold Limited and a Member of the Australian Institute of Geoscience, 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 Gum 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 Exploration Results in South Korea has been compiled under the supervision of Dr Chris Bowden (FAusIMM(CP)). Dr Bowden, who is an employee of Southern Gold Limited and a Fellow and Chartered Professional of The Australasian 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 Exploration Results, 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 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 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

30 107 424 519

Quarter ended ("current quarter")

30 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(348)	(921)
(b) development	-	-
(c) production	(43)	(428)
(d) staff costs	(272)	(418)
(e) administration and corporate costs	(422)	(888)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (Distributions from Cannon)	2,000	2,000
1.9 Net cash from / (used in) operating activities	917	(652)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(32)	(37)
(b) tenements (see item 10)	-	-
(c) investments	(1)	(116)
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(33)	(153)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	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)
3.5	Proceeds from borrowings	-	500
3.6	Repayment of borrowings	(1,500)	(1,500)
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	(1,500)	187

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,440	1,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	917	(652)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(33)	(153)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,500)	187
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	824	824

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	173	40
5.2	Call deposits	651	1,400
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)	824	1,440

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

112

-

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

- 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

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,000	2,000
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 (now Westgold Resources Limited) 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 be applied to repayment of the loan balance and accrued interest. During the quarter ended 31 December 2016, a distribution of \$2,000,000 was received by the Company, \$1,500,000 being applied to a reduction in the loan balance, leaving a fully drawn facility of \$1,000,000 plus accrued interest. The \$500,000 remainder of the distribution was received in cash.

Southern Gold have a \$1,000,000 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	(623)
9.2 Development	-
9.3 Production	(202)
9.4 Staff costs	(171)
9.5 Administration and corporate costs	(298)
9.6 Other (interest payments and farm-in option fee)	(280)
9.7 Total estimated cash outflows	(1,574)

Source of funding over the next quarter:

- \$824,000 Cash on hand at 31 December 2016.
- \$299,000 Receipt of the Research & Development Tax Incentive refund in early January 2017.
- \$300,000 Receipt of the cash portion of second distribution from the Cannon mining operations during January 2017.
- Monthly distributions from the Cannon mining operations are expected to continue from February 2017. Please refer to the accompanying Quarterly Activities Report for further detail.

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	E25/0250 (Western Australia)	Exploration licence	80%	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	P25/2365 P25/2390 E25/0551	Prospecting licence Prospecting licence Exploration licence	- - -	100% 100% 100%

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: .. 
(Company Secretary)

Date: ...31 January 2017.....

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.