ASX Release
Monday 5 February 2018

ASX Code: SAU

Tenure granted and new gold mineralised epithermal vein systems discovered at Hampyeong, South Korea

- Gold and silver assays returned for newly discovered kilometre-scale epithermal quartz veins, including the Nabi and Saseun Vein Zones.
- Peak rock chip assay values of 13.4g/t Au at the Nabi Vein Zone, 11.5g/t Au at the East Main Vein Zone and 6.8g/t Au at the Saseun Vein Zone.
- Presence of significant gold has led to the grant of the tenement.
- "Walk-up" drill targets to be tested in the next 2-3 months in a target area that has never been drilled.

Tenure granted over mineralised system at Hampyeong

Australian gold producer, Southern Gold Limited (ASX: SAU) is pleased to announce the Company has been granted formal tenure over its recent discovery of significant kilometre-scale surface gold and silver at its wholly-owned Hampyeong project in the southwest of South Korea.

New assays have returned intercepts of 13.4g/t Au at Nabi, 11.5g/t Au and 8.4g/t Au at East Main and up to 6.8g/t Au at the Saseun Vein Zones (**Table 1**, **Figure 1**).

Table 1: Significant rock sample assays over 4g/t Au from the newly granted Hampyeong tenement (Naju136) – see appended **Table 2** for details.

Sample ID	**Sample Type**	**Location** (Figure 1)	**Au (g/t)**	**Ag (g/t)**
KRS202218	outcrop	Nabi Vein	**13.40**	27.70
KRS202212	outcrop	E. Main Vein	**11.50**	16.20
KRS202215	subcrop	E. Main Vein	**8.42**	21.40
KRS202219	subcrop	Nabi Vein	**7.15**	24.90
KRS202236	outcrop	Saseun Vein	**6.84**	6.20
KRS202237	outcrop	Saseun Vein	**4.61**	1.30

This target area has never been previously drilled, and these new surface gold samples are from veins that are commonly three to five metres true-width in outcrop within stockwork vein zones up to 20m wide. Southern Gold plans an immediate first phase drilling program at Hampyeong over the next 2-3 months.

Southern Gold Managing Director, Mr Simon Mitchell: "*Hampyeong is shaping up to be a very interesting project. It isn't often you get a chance to test epithermal quartz veins chipping high grade gold at surface that have never been historically drill tested. There is huge potential to discover multiple economic low to high sulphidation epithermal gold-silver projects in South Korea. From my point of view, Hampyeong is just the beginning of a major exploration effort in a uniquely prospective geological terraine.*"

Shares on Issue: 49.15m
Share Price: $0.265
Market Capitalisation: $13m
Cash on hand: $4.6m
Enterprise Value: $8.4m

Asset Base – WA, Australia
Cannon Gold Mine (100%)
Glandore Gold Project (75%*)
Cowarna Gold Project (100%)
Transfind Extended (Option)
*currently earning 90%

Asset Base – South Korea
Gubong Project (100%*/BMV)
Taechang Project (100%*/BMV)
Kochang Project (100%)
Weolyu Au-Ag Project (100%)
Hampyeong Au-Ag Proj. (100%)
*Currently under BMV farm-in

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Hampyeong reveals new epithermal vein systems

Recently completed detailed field mapping has revealed numerous targets within kilometre-scale low sulphidation epithermal gold-silver mineralised structurally controlled quartz veins and vein/breccia zones (**Figure 1, central inset**). High assay results have returned up to 13.4g/t Au and 27.7g/t Ag (see **Table 1**) with several high grade samples returned from the Nabi and Saseun Vein Zones in particular.

Key geological and structural features that are highly prospective for gold-silver epithermal mineralisation have been recognised and further work is being planned to progress the target area. This will include diamond drilling and additional field work within the first half of 2018.

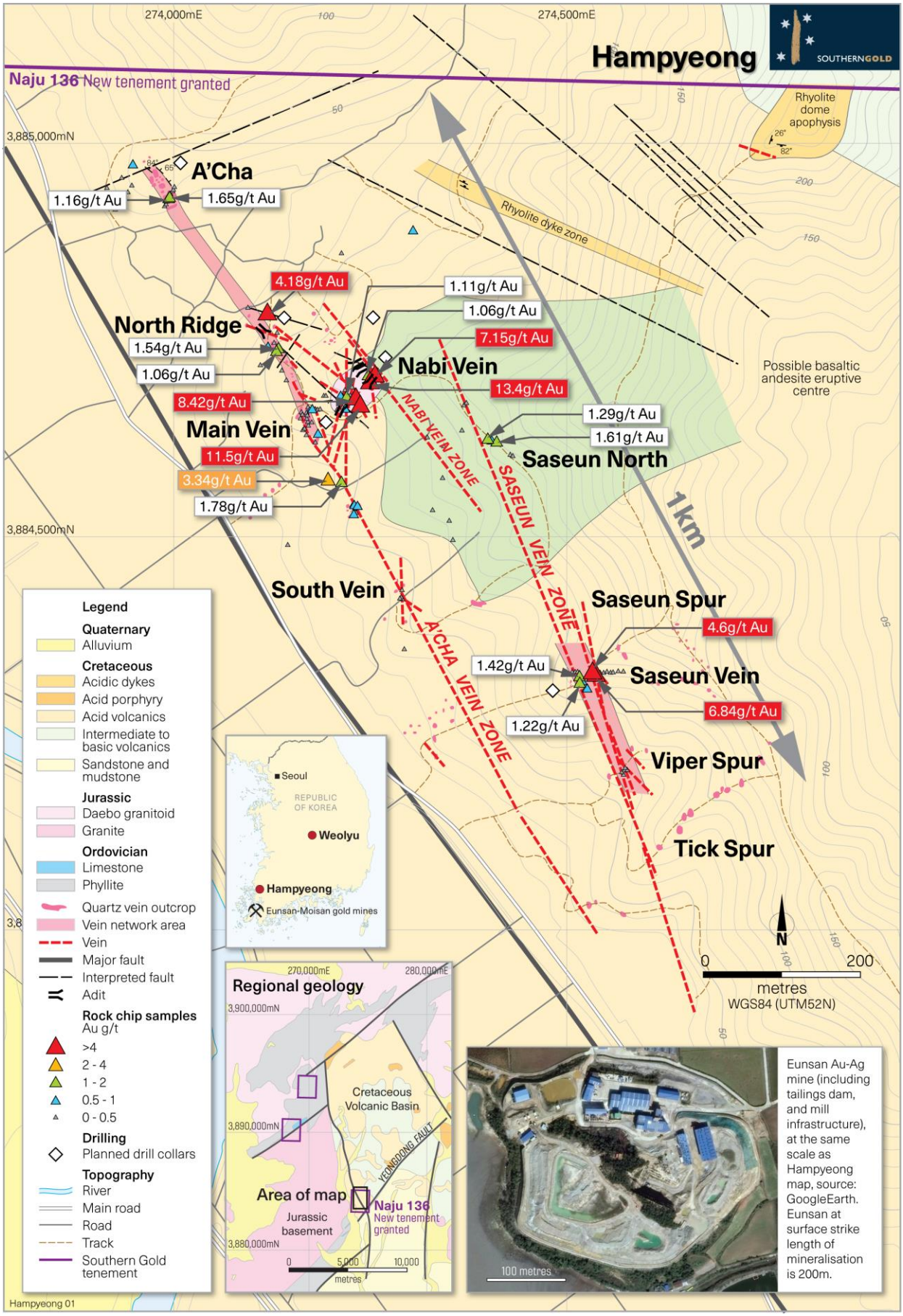
On the basis of this field work, the graticule covering this prospective area has now been granted by the Korean Mine Registry Office to the Company's wholly owned subsidiary, Southern Gold Korea.

These results are very encouraging because:

- **The area exhibits a good macro-structural context with the right 'plumbing system' for the potential to emplace significant precious metal deposits;**
- **Significant grades of gold and silver are being returned at surface in a district that has never been drill tested;**
- **The veins systems display good vein widths (Photo 1) and there are several of these across a large area and along strike in vein corridors;**
- **Systematic exploration over the area has helped define several 'walk up' drill targets; and**
- **The topography of the area allows for easy access and relatively straight forward drill testing.**

Photo 1: The new Saseun Vein discovery outcrop. A massive quartz lode breccia within a 30 m wide NNW-SSE striking corridor of parallel lodes and sheeted vein development (see **Figure 1**). Outcrop width in photo ~4m.

Figure 1: Hampyeong, South Korea. Newly identified kilometre-scale Au-Ag mineralised epithermal quartz veins.



Photos 2-5: selected slab photos of mineralised epithermal quartz veins, Hampyeong, SK

Photo 2: KRS202218. 13.40g/t Au, 27.70g/t Ag. Nabi Vein - vein breccia with silicified & strongly limonitic granitoid fragments flooded by crystalline quartz veins.

Photo 3: KRS202212. 11.50g/t Au, 16.20g/t Ag. East of Main Vein - vein breccia, crystalline interlocking quartz with ghosted limonite-rimmed wallrock fragments to 0.5 cm.

Photo 4: KRS202237. 4.61g/t Au, 1.30g/t Ag. Saseun Vein – vein breccia, silica-sericite altered, limonitic rhyolitic tuff breccia; cut by crystalline quartz veining with intense limonite staining.

Photo 5: KRS202233. 1.50g/t Au, 10.10g/t Ag. Soth of Main Vein - Hydraulically brecciated, silica-sericite altered, limonitic rhyolite; flooded and cut by crystalline quartz veining.

The Geology

The Hampyeong project is located in the south-western part of South Korea, within the Okcheon Fold Belt proximal to the country-transecting Yeongdong Fault, and is hosted within a 100 square kilometre pull-apart Cretaceous volcanic basin (**Figure 1**, central inset). These are the same belt-scale host rocks to the currently producing Eunsan-Moisan epithermal gold-silver mines 60km to the south, and Weolyu, 175km to the north-east. The Eunsan-Moisan deposits were a maiden discovery by Ivanhoe Mines in early 2000 and are now currently producing 90% of South Korea's gold and silver. A google earth image of the Eunsan mine is also shown on **Figure 1** to demonstrate deposit and operational scale.

The A'Cha and Saseun Vein corridors are located along the southwestern flank of a Cretaceous Volcanic Basin. The basin's south-eastern margin is bounded by the Yeongdong Fault, a deep-seated tectonic-scale northeast-southwest sinistral step fault (see **Figure 1,** central inset).

Both the A'Cha and Saseun Vein corridors are large gold-silver mineralised vein systems that display excellent structural continuity, significant outcropping widths (**Photo 1**) and kilometre-scale strike lengths, plus show

evidence of localised high-grade shoot development. The vein corridors are most likely sinistral fault sets that host a jog-like upward thickening wedge between them, the Nabi Vein Zone.

This mineralised wedge hosts a complex sequence of well-developed multi-directional quartz veining, with a maximum width of approximately 200 metres where mapped in detail. Northeast-southwest and minor northwest-southeast striking veins within this wedge have been noted intersecting the A'Cha Lode Zone at North Ridge and immediately north of the Main Vein, with increased gold values indicative of localised shoot development.

Lode textures indicate an early crackle to rotational brecciation event, followed by at least two phases of hydraulic over-pressuring and crystalline quartz flooding, cut by several phases of later discrete multi-orientation quartz veining. It is likely that the intersection zones of these veins with the lode structures localise the high-grade gold and silver values.

Where to from here?

The system needs to be drill tested and at this stage Southern Gold expects drilling to commence in 2 to 3 months, depending on timing of the winter season.

The team will also initiate follow-up detailed field mapping and definition of the broader structural context, identify extensions to the vein systems and further sample the epithermal veins, all in support of additional tenure applications which are in progress. It is encouraging to the management of Southern Gold that we have converted the Hampyeong application into granted tenure and we hope to extend this success to other exciting targets evolving in the portfolio.

Photo 6: The view from Hampyeong Ridge looking west. Note the low lying forested hills typical of the district and similar to the area of interest.

Table 2: Significant rock sample assays over 1g/t Au from the newly granted Hampyeong tenement (Naju136)**.**

Sample ID	Sample Type	Location (Figure 1)	Easting	Northing	Au (g/t)	Ag (g/t)
KRS202218	outcrop	Nabi Vein	274249	3884698	13.40	27.70
KRS202212	outcrop	E. Main Vein	274237	3884669	11.50	16.20
KRS202215	subcrop	E. Main Vein	274231	3884678	8.42	21.40
KRS202219	subcrop	Nabi Vein	274256	3884707	7.15	24.90
KRS202236	outcrop	Saseun Vein	274535	3884325	6.84	6.20
KRS202237	outcrop	Saseun Vein	274532	3884328	4.61	1.30
KRS202232	subcrop	S. Main Vein	274229	3884529	1.53	8.40
KRS202233	subcrop	S. Main Vein	274229	3884529	1.50	10.10
KRS202194	float	E. Nabi Vein	274410	3884621	1.61	0.15
KRS202239	outcrop	Saseun Vein	274515	3884322	1.42	0.40
KRS202223	subcrop	Saseun North	274400	3884624	1.29	0.15
KRS202210	outcrop	E. Main Vein	274220	3884678	1.11	0.30
KRS202217	outcrop	Nabi Vein	274247	3884705	1.06	0.90

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"). At the Cannon project near Kalgoorlie we are currently developing a small underground operation with development partner Westgold Resources Ltd. Southern Gold is also looking to develop a much larger mine, Gubong, in South Korea within the next 12-18 months with development partner London-listed Bluebird Merchant Ventures.

We are also active explorers. Around Kalgoorlie Southern Gold is testing projects such as Glandore, Transfind Extended and Cowarna looking for additional small high grade open pit-able gold resources to maintain cash flow. In South Korea, Southern Gold also owns a portfolio of high grade gold projects that are a combination of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold targets. Backed by a first class technical team, including renowned geologist Douglas Kirwin, Southern Gold's aim is to find world-class epithermal gold deposits.

In essence, Southern Gold looks to monetise the small gold deposits while we search for the bigger ones.

Competent Person's Statements

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.

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 release, except as may be required under applicable laws. Readers should make their own enquiries in relation to any investment decisions and obtain advice from a licensed investment advisor.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	• Sample sites were chosen selectively to reflect geological features relevant to the style of mineralisation. The major features being tested were gold and silver bearing low-sulphidation epithermal quartz veins. • Selective rock grab and rock chip sampling was undertaken at locations on identified veins, vein breccias and vein zones, to a significant data density to ensure samples represented observed features appropriately for first-pass exploration results. • All rock samples were sent to SGS, Internationally Certified Laboratory for prep in South Korea, and analysis in China. SGS is an ISO/IEC 17025:2005 certified laboratory.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	• No drilling has been conducted or reported in this release.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• No drilling has been conducted or reported in this release.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	• All samples were geologically described, and recorded in hardcopy and later transposed into Company digital excel templates, and then imported into the Company's database. • Rock slab photography has been taken using a DSLR camera.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-*	• Individual rock samples were taken as large grab samples, with representative slabs cut, and the remaining rock sent for assay. SAU retains the slab library for textural correlation and commonly reports images of rock

Criteria	JORC Code explanation	Commentary
	sampling stages to maximise representivity of samples. • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	sample slabs and assays. • Rock samples were bagged and labelled with sample numbers and recorded in a hard copy sample register and digital database. • Individual sample volume was in the range of maximum 4.05kg, minimum of 0.36kg and an average of 2.41kg. • Samples were taken to meet or exceed laboratory requirements for sample preparation weights and are considered appropriate for the style of mineralisation being targeted and grain size of the material being sampled. • All on-site sampling was done by an external consultant under the guidance of the Company Competent Person. • All rock samples were sent to SGS, Internationally Certified Laboratory for prep in South Korea, and analysis in China. SGS is an ISO/IEC 17025:2005 certified laboratory.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	• All rock samples were sent to SGS, Internationally Certified Laboratory for prep in South Korea, and analysis in China. SGS is an ISO/IEC 17025:2005 certified laboratory. • Samples were weighed, dried, crushed to 75% passing 2mm, 1,000g split and pulverized to 85% passing 75 microns. • Gold was analysed by fire assay using a 50g charge with atomic absorption spectroscopy finish. Detection limit range is 0.01ppm to 100ppm Au. • A 34 element (including silver) 2:1 HNO3:HCl aqua-regia digest with ICP-AES finish. • Given the nature of the rock sampling, internal lab standards were considered appropriate for reconnaissance rock samples. • No data from geophysical tools were used to determine analytical results.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical*	• Samples returning significant gold and silver values were visually inspected and verified by the Company Competent Person, as well as alternative

Criteria	JORC Code explanation	Commentary
	and electronic) protocols. • *Discuss any adjustment to assay data.*	company personnel. • Geological descriptions of samples are initially recorded in hardcopy and later transposed into Company Microsoft Excel templates, and then imported into the Company's database under validation and verification rules. Failures are sent back to the responsible geologist for correction and re-submission. • Sample weights are recorded in a hardcopy sample register and imported into the Company database. • All original hardcopy logs and sample reference sheets are kept for reference. • Assay data is imported into the Company database from original lab files via automated queries, thus minimising error in tagging samples with results. • The Company uses Maxwells DataShed database, managed by a data administrator. • No adjustments are made to the assay data.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Sample location is obtained using Garmin GPS handheld units to metre-scale accuracy. • The grid system used is Universal Transverse Mercator (WGS84), Zone 52 Northern Hemisphere.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• No Mineral Resource has been estimated. • Data spacing of rock samples is considered sufficiently representative for reporting exploration results.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Sampling was conducted on newly identified epithermal quartz vein structures and was considered appropriate for first-pass exploration. Future rounds of sampling will provide further detail including in relation to geological structures.
Sample security	• *The measures taken to ensure sample security.*	• From the point of sample generation to delivery to the laboratory, samples are under the full security and custody of the Company. This is done by the following procedures:

Criteria	JORC Code explanation	Commentary
		• Rock samples are collected and either securely locked overnight in a secure facility, or transported to the Company's long-term storage facility under the direct supervision of a Company representative. Rock samples are securely locked at the long-term storage. Samples are further processed for sampling by Company representatives under guidance of the Competent Person. • Rock samples were bagged and labelled with sample numbers. Samples are sent to the laboratory using courier services, or delivered in person using company representatives.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No audits or reviews have been undertaken.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.*	• The portfolio of tenements is held by Southern Gold Korea, a fully owned subsidiary of Southern Gold). These can be seen in previous ASX release on 8th of July 2016. • There are no material issues with third parties. • There are no known impediments to obtaining a license to operate.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• The Hampyeong Project has historically had small scale adits excavated by unknown parties. No known previous historical drilling. Asiatic Gold Ltd (acquired by SAU) conducted preliminary surface exploration in the area. Prior, Ivanhoe Mines conducted brief field reconnaissance in the area. No other details of previous work in the vicinity is known to the best of our knowledge.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Exploration is targeting epithermal precious metal (Au, Ag) mineralisation in Cretaceous volcanic rocks of the Korean Peninsula.

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in meters) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		• No drilling has been conducted or reported in this release.

Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation*	• Rock sample assay results have been reported. • No interval samples have been collected, thus no weighted average intervals have been reported. • Gold metal equivalent values

Criteria	JORC Code explanation	Commentary
	should be stated and some typical examples of such aggregations should be shown in detail. • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	shown in this release have been calculated as a 1:70 (Au:Ag) ratio based on the rounded down estimate of current gold and silver spot prices.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	• No drilling has been conducted or reported in this release.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Appropriate tables and diagrams have been included.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• Not all sample assay data has been included in this report as it is not considered material.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• All relevant observations have been noted in the release.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Southern Gold is reviewing the data to determine the best way to advance the projects, and will notify such plans once confirmed. • Southern Gold intends to complete drilling and further detailed field works.