Chairman's Address – AGM 2019

Good afternoon fellow Southern Gold shareholders,

The previous financial year has seen a shift of our strategic focus. This shift has been from being a company exploring in two jurisdictions and capital constrained in both, to a fully funded company now focused on the opportunity presented by South Korea, a truly unique under-explored country with incredible potential for new precious metals discovery. Our recent exploration activity there has uncovered some truly world-class exploration targets, many of which have never been drilled.

The quality of the South Korean exploration opportunity, along with the potential for modest, near term production with our joint venture company at the Gubong and Kochang projects, provides your company with significant potential upside and near-term value accretion. We expect this to be reflected in the share price as we make good progress on both fronts.

This strategic decision wasn't an easy one. We had to conclude that, given our market capitalisation and the level of sustainable funding into the medium-term, Southern Gold could only focus on one jurisdiction and, given the incredible potential we had seen so far in South Korea, the sale of the Western Australian assets was required. After an extensive sale process the assets were sold to a private equity group for $2.5 million. While this was a sale price a little lower than desired, the Board agreed that mining a small deposit such as Cannon ourselves was a very high-risk option requiring significant funding well in excess of our market capitalisation at the time and could have resulted in significant dilution and elevated risk for the company.

With the sale process bringing in $2.5 million, combined with the recently oversubscribed $2.3 million rights issue and subsequent $0.44 million placement to be approved at this meeting, puts our combined cash raising at over $5 million and positions us extremely well going forward. The principal use of funds from this re-capitalisation will be to drill test several of the most promising epithermal gold-silver projects in South Korea, including the Deokon Golden Surprise Trend where we have seen extremely high-grade gold and silver on surface.

Notwithstanding this strong cash position, the Board continues to evaluate potential future funding opportunities in other key markets outside of Australia, particularly while investor appetite for high quality gold (and silver) companies is very strong.

Now that we are focused on South Korea, what is the nature of the opportunity there?

- Southern Gold has a very large footprint of tenements in South Korea with in-excess of 70km^2 of tenure which is difficult to secure but ensures we enjoy a unique 'first mover' advantage in a highly prospective area;
- While we progressively release low priority tenements, we have a significant effort in assessing the grass roots opportunity presented by South Korea with a continued project generation program, which is important given the under explored nature of the country. Our recent ASX release regarding the Neungju project is a classic example of the opportunity presented with the company having uncovered new high-grade gold mineralisation zones at significant scale in an area not previously recognised for gold mineralisation;
- Our Joint Venture with London-listed Bluebird Merchant Ventures at the Gubong and Kochang projects will see the redevelopment of mining operations in what were historical mines going back to early last century and where there is now the potential for first gold pour in the medium term, subject to regulatory approvals, the first of which was received for the Gubong project a few weeks ago and the first to be issued to a foreign operator in South Korea in many years; and
- The discovery of new mineralisation is a very real possibility and a good example is our recent ASX release about the Bonanza and Thorn zones at the Golden Surprise Trend, Deokon Project,

where we reported ultra-high grades of gold (>50g/t Au) and silver (>1% Ag) which prompted the largest percentage increase in our share price for many years.

In summary I am very excited by our near-term prospects, with your Company having very clear priorities in place and the cash available to maximise project generation and drilling activities in South Korea over the coming 12 months. And all of this is happening in the context of a significantly improving gold price which appears to be finally having an impact in terms of investor appetite for the gold space, in terms of both retail and institutional investor interest in our story.

I would like to thank our staff, contractors and advisors for all of their efforts during the last year, particularly our South Korean staff who have kept our asset base in good standing and have done a lot of groundwork to ensure we can "hit the ground running" this next financial year.

I would also like to thank my fellow board members, and our Managing Director, Mr Simon Mitchell, who has led our change in strategy and the implementation of our project generation initiative in South Korea. I would also like to make a personal welcome to our newest addition to the board, Mr Bee Jay Kim, who comes with an excellent background in project delivery and Korean team development with Samsung C&T over a career spanning 30 years.

Your Board now looks forward to the implementation of the new strategy and as we make our next major discovery we especially look forward to this being reflected in the share price and a well-deserved reward for our shareholders.

Greg Boulton AM
Chairman