



ASX Code: SAU

Issued Shares: 422.6M

ABN: 30 107 424 519

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Silver Lake Res. Ltd 10.24%

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JP Morgan Nominees 4.32%

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Cannon Gold Resource

Grade Control Drilling Affirms Current Resource Model

- *Good overall correlation with the resource model with better than expected development of gold mineralisation in the eastern footwall*
- *Excellent grades intersected in the eastern footwall lode outside the current resource envelope (up to 2m @ 59.93g/t Au in CACG042)*
- *Cannon Gold Resource on track for mine start up in 2015Q2 and cash flow in 2015H2*

Southern Gold Ltd ("Southern Gold", ASX Code "SAU") is pleased to report the preliminary results of portions of the recently completed grade control drilling program at the Cannon Gold Resource, currently under co-development with Metals X Ltd ("Metals X", ASX Code "MLX") in the Kalgoorlie region of Western Australia. Metals X has been engaged to finance and operate the project under the recently executed Mine Finance and Profit Share Agreement (see ASX release 11 November 2014).

Some key results from the grade control drilling programme include:

- Good correlation with the overall geometry of the mineralisation envelopes (within the limits of drilling) as reported in the current resource estimate of 812,200 t @ 3.9g/t Au containing 100,400oz Au. (see ASX announcement 29 January 2013);
- A more substantial zone of mineralisation has been defined in the eastern most part of the deposit, with wide, relatively high grade intersections indicating a more extensive development of gold mineralisation in the eastern footwall lode; (for example **12m @ 10.77g/t Au, including 2m @ 59.93g/t Au** in hole CACG042)
- Drilling on the southernmost line (6589995mN) indicates that mineralisation extends further to the south than previously modelled; and
- Although some local variations to the resource model are evident, the broad structural interpretation of the deposit appears to be confirmed as several westerly dipping anastomosing mineralised lenses.

Southern Gold completed a 7,327m Reverse Circulation drilling programme at Cannon for the purposes of grade control (2,848m), waste dump sterilisation (3,809m) and minor follow up of mineralisation intersected previously to the south of the project and in the vicinity of the Pinner Resource (670m). The results of the sterilisation and follow up drilling remain outstanding and will be announced once received and fully assessed.

The grade control drilling targeted the near surface portion of the modelled mineralisation as defined by the broad spaced resource definition drilling. The programme was designed to define the grade distribution to be exploited in the first stage of open cut mining (approximately 20m vertical) and concentrated on the near surface expression in the southern and central portions of the deposit. (See Figure 1, plan view of drill collars and photo montage)

Distribution of grade control drilling has been designed to cover the Western and Eastern lode structures as well as closing off the mineralisation where it daylights to the South.

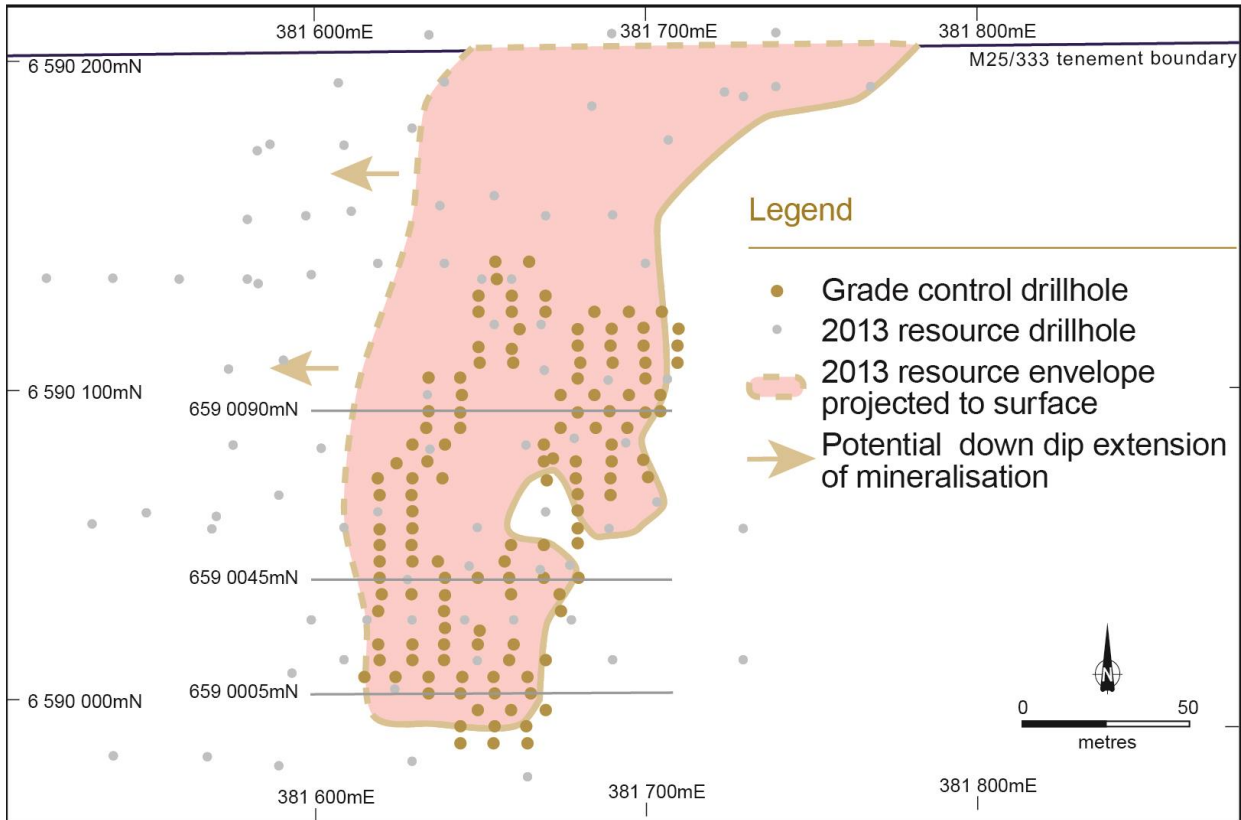


Figure 1: Plan view of Cannon grade control drill collars



Photo montage of the grade control drilling area at the Cannon Resource, taken from western side of the proposed open pit looking east.

The information provided in this release is a summary of results obtained to date from batches where QAQC has been completed from the grade control program. QAQC remains to be completed on a number of sample batches, following which the full details of individual holes and the results obtained will be provided. Examples of the range of grade control intersections obtained are as follows:

Drillhole ID	MGA_E mE	MGA_N mN	Hole Depth (m)	From (m)	Interval (m)	Grade (g/t Au)
CAGC007	381680	6590005	24	8	10	6.75
<i>including</i>				12	5	10.24
CAGC008	381690	6590005	15	0	9	3.7
<i>including</i>				3	5	6.06
CAGC039	381650	6590045	30	16	5	12.33
CAGC040	381670	6590045	35	23	12	1.18
<i>including</i>				23	3	1.97
CAGC042	381680	6590045	30	15	12	10.77
<i>including</i>				22	2	59.93
CAGC043	381700	6590045	20	8	10	1.04
CAGC080	381664	6590090	20	15	4	7.71
CAGC081	381675	6590090	6	5	1	2.42
CAGC082	381705	6590090	24	16	8	2.75
<i>including</i>				19	5	3.98
CAGC083	381716	6590090	24	5	17	4.71
<i>including</i>				8	5	12

Table 1: Example Grade Control Intercepts (illustrated on cross sections, Figures 2 to 4)

These intersections are illustrated in context in the cross sectional Figures 2 to 4. Key highlights from these sections are as follows:

- There is good correlation of the drilling results within the currently defined resource envelope. For example, on section 6590005mN in Figure 2 below with CAGC007 (**10m @ 6.75g/t Au**) and CAGC008 (**9m @ 3.7g/t Au**) both up dip from resource definition hole BSRC116 (13m @ 2.93g/t Au);
- There are some examples of mineralisation that has been intersected outside the resource envelope due to conservative resource modelling. For example CAGC042 (**12m @ 10.77g/t Au, including 2m @ 59.93g/t Au, EOH**) on section 6590045mN in Figure 3 below. These intersections are anticipated to extend the eastern lode down dip and add to the final resource base; and
- There are a number of areas with local variations in gold grade (observed in the western lode in particular) but these may lead to either upgrading or downgrading the resource in the vicinity of the original intersection. An example of an upgrade is holes CAGC082 (**8m @ 2.75g/t Au**) and CAGC083 (**17m @ 4.71g/t Au**) that are on either side of BSRC219 (20m @ 1.06g/t Au) – see section 6590090mN, Figure 4 below.

Southern Gold has observed the broad gold tenor in the grade control drilling is *qualitatively* in line with expectations, although this is yet to be *quantitatively* tested by re-estimating the resource model.

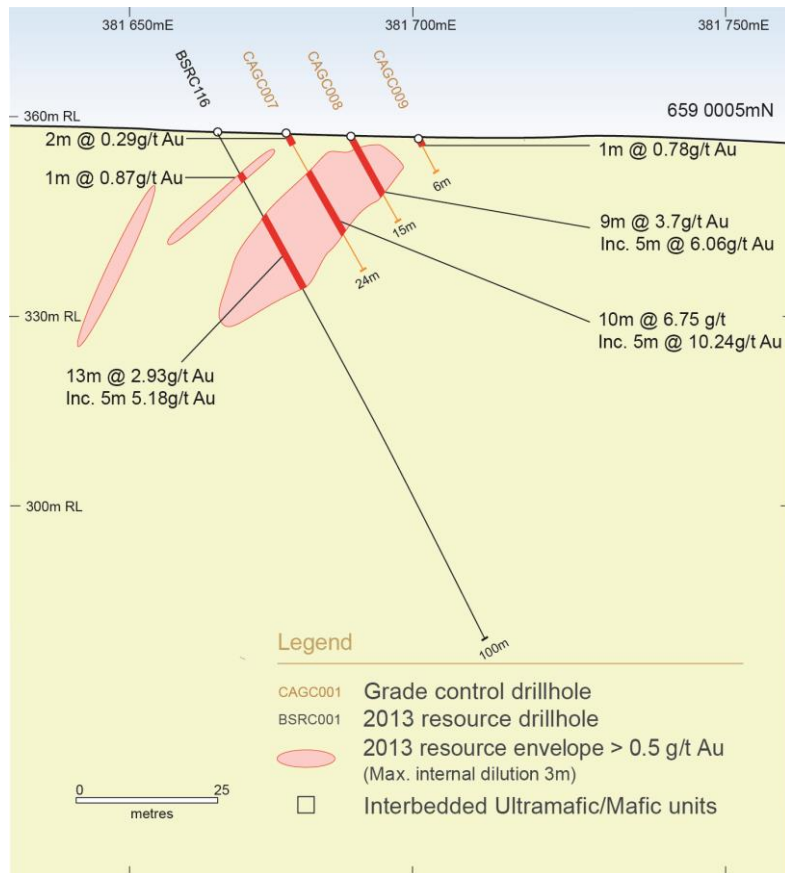


Figure 2: Section 6590005mN. Note the good correlation with resource model envelope.

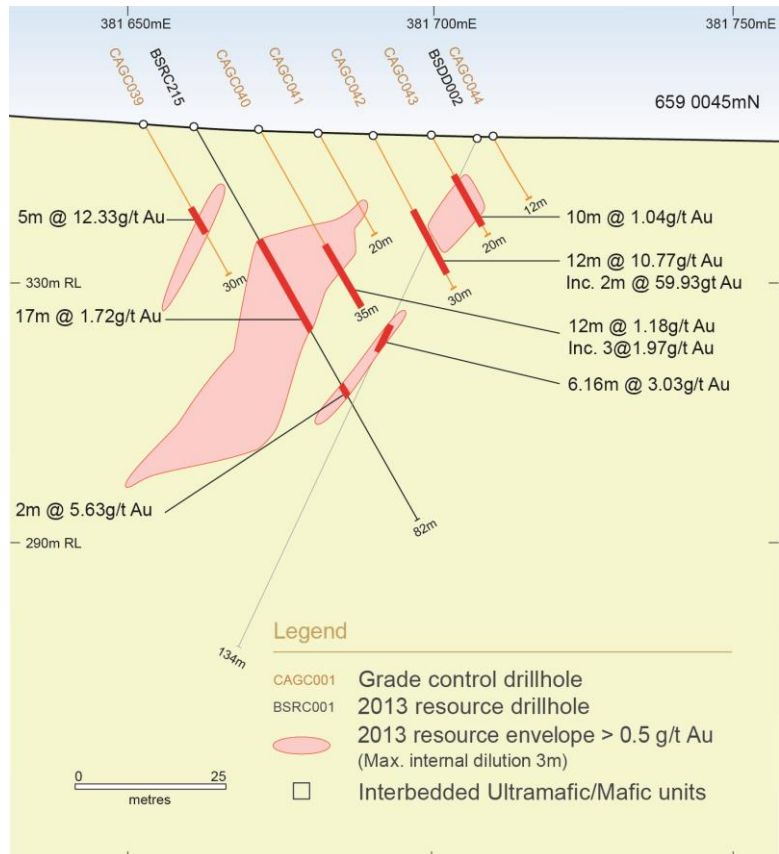


Figure 3: Section 6590045mN. Note the high grade intercept outside the resource model envelope.

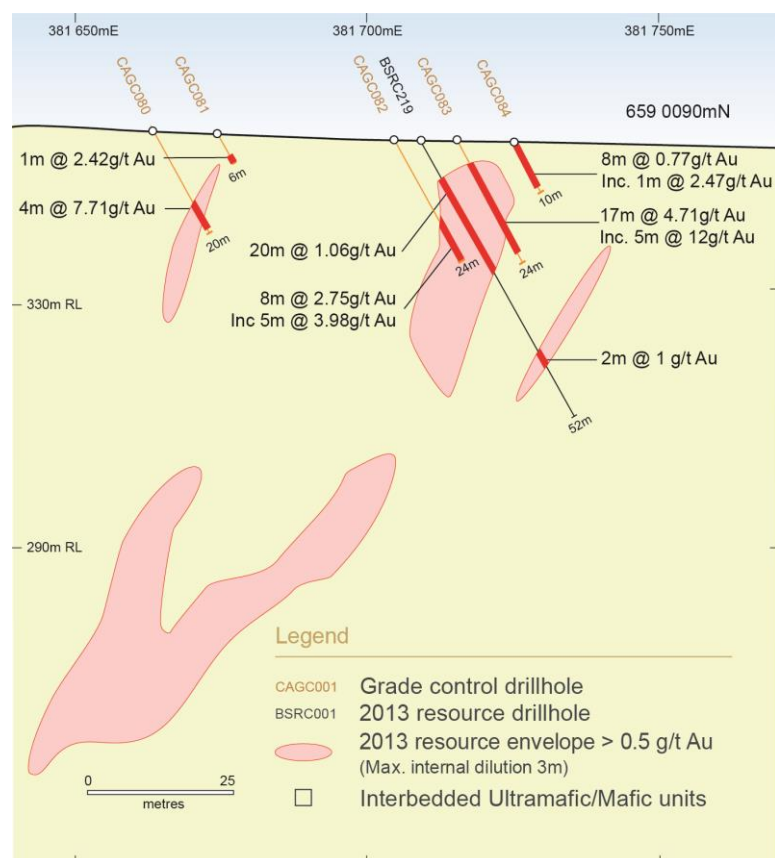


Figure 4: Section 6590090mN. Note the higher grades in holes up and down dip of BSRC219.

Next Steps

In the near term, activities will concentrate on a revision of the Cannon resource block model, the generation of a re-optimised pit shell and revised cash flow and economics. Southern Gold will look to report on this process as it unfolds in the coming month. There may also be a need for a second round of grade control drilling to refine the extent of the additional mineralisation defined in the eastern footwall lode and to delineate the extent of the mineralisation to the south – both of these issues may provide potential upside to the base case mining scenario.

Cannon is rapidly approaching the start date of mine operations with first mine site activity expected in the second quarter of this year, followed by processing and cash flow in the third quarter. With near term cash flow, a flagship deposit that could be extended with further drilling and numerous satellite projects requiring further work, Southern Gold is well placed to grow organically.

The Managing Director, Simon Mitchell, commented: “2015 is shaping up to be a very exciting year for the shareholders of Southern Gold. After a difficult couple of years in the gold sector we are seeing strength in the Australian dollar gold price and Southern Gold’s timing couldn’t be better to leverage its unique position as it transitions from junior explorer into junior producer. The completion of this round of grade control drilling illustrates that Cannon is very much moving forward into production and ultimately cash flow.”

Contact

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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.

Competent Person’s Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr Ian Blucher (MAusIMM). Mr. Blucher is a full time employee of Southern Gold Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC, 2012). Mr Blucher consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Pre-Feasibility Study Results

The Optimisation announcement dated 13 February 2014 had no material changes to the methodology and assumptions used to determine the production target as detailed in the PFS announcement of 28 August 2013, all key parameters continue to apply. There are no material changes to the methodology used to calculate operating costs as outlined in the PFS announcement.

JORC Code, 2012 Edition – Table 1 report

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.	Exploration and Resource Definition Drilling - The mineralisation of the Cannon deposit was sampled using face sampling reverse circulation (RC) percussion and diamond core drilling techniques. - RC drill holes and RC pre-collars were sampled at 1m intervals followed by riffle splitting and collection into plastic bags for non-pre-collared holes or as four meter, spear sampled, composite samples for RC precollars. Individual 1m samples from RC composites returning anomalous gold values were subsequently re-split by riffle splitter and assayed. - Individual RC drilling samples riffle split from the drill rig were collected into pre-numbered calico bags. - Diamond core was sampled as half core at intervals not less than 0.1m and no greater than 1.3mlithological boundaries. Sampling intervals were controlled by geological boundaries. Grade Control Drilling - Grade control drilling was sampled using face sampling RC percussion techniques. - RC drill holes were sampled at 1m intervals followed from the cyclone into pre-numbered calico bags to provide a sample of approximately 2kg. - Each sample was completely pulverised to produce a 50 g charge for fire assay.

Criteria	JORC Code explanation	Commentary
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.).	Exploration and Resource Definition Drilling • Diamond or face sampling reverse circulation percussion drilling were the primary drilling techniques used to evaluate the Cannon resource. • The Cannon resource has been estimated using 57 RC holes, four diamond holes drilled from surface and 15 RC pre-collared holes with diamond tails. • RC percussion drilling downhole depths range from 34m to 240m. • Diamond drill holes and diamond tails to RC pre-collars downhole depths range from 78m to 225m. • RC drilling was undertaken by Ausdrill, Strange Drilling and Andrews Drilling, all of Kalgoorlie, using 5½ inch diameter face sampling hammers. • Diamond core drilling was undertaken by Ausdrill Ltd. Diamond tails were drilled as NQ (47.6mm diameter) and NQ2 (50.8mm diameter). Drill holes used for geotechnical or metallurgical data acquisition were drilled using triple tubed HQ3 core with a diameter of 61.1mm). • All cored holes were routinely orientated using an ACE electronic tool. Grade Control Drilling • Face sampling RC percussion drilling was undertaken from surface to depths ranging from 6 to 55 m . • Grade control RC drilling was undertaken by Blue Spec Mining of Kalgoorlie. • Downhole orientation of drill holes was determined by open hole EMS survey (Reflex EZ Shot) by Gyro Australia for the majority of holes. One hole (CAGC066) was surveyed by ESS tool (Reflex EZ Shot) in the rod stream by Blue Spec Mining and four holes (CAGC034, 042-044) were surveyed down the rod stream by Gyroinclinometer by Gyro Australia.

Criteria	JORC Code explanation	Commentary
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.	Exploration and Resource Definition Drilling • Sampling intervals during RC drilling were routinely checked by comparing the position of the drill rod against the sample bag being filled. • Cored hole depths were measured by Company geologists and reconciled with core markers prepared by the driller. • Drilled cored meters compared well to recovered meters. Overall recoveries are estimated at 98% for core drilling. • Drilling of core and RC holes were conducted with machinery and using drilling techniques appropriate to the terrain and with drillers experienced in the area. • Core and RC sample loss was kept to a minimum by good sampling practices. • Riffle splitting of RC samples and sampling of half core from diamond holes provided good representation of the intervals sampled. • No recovery issues were identified with the RC drilling. Loss of fines at the cyclone was minimal and is not considered to have had a significant effect on sample recovery. • No relationship has been noted between sample recovery and grade. Overall, sample recoveries were very high and did not present a problem. Grade Control Drilling • Grade control drilling sample recovery attributes were the same as for exploration RC drilling. • No relationship has been noted between sample recovery and grade. Overall, sample recoveries were very high.

Criteria	JORC Code explanation	Commentary
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.	Exploration and Resource Definition Drilling • All drill holes have been geologically logged by Company geologists using a standard format over the whole length of each hole. Features for each sample or geological interval recorded included weathering, lithology, alteration mineralogy, structural information, mineralisation mineralogy, veining, vein mineralogy and orientation and proportions of non-economic minerals. This level of detail is considered appropriate to support the 2013 Mineral Resource estimate. • Geological logging recorded factual data (e.g. colour, grain size, percentage of identifiable minerals present) and interpretative data (e.g. lithology). • A subsample of washed and sieved RC chips from each metre was collected and stored sequentially in numbered plastic chip trays. Chips trays representing each RC drill hole are stored in the Company's head office in Adelaide. • All drill core has been photographed. Detailed geotechnical logging and geotechnical tests were undertaken on three holes drilled to provide open pit design parameters and preliminary underground design parameters. • All intervals used in the 2013 Mineral Resource estimate have been fully logged. • The level of detail recorded during logging is sufficiently detailed to support appropriate 2013 Mineral Resource estimation, mining studies and metallurgical studies. Grade Control Drilling • All grade control holes have been geologically logged by Company geologists using a standard format over the whole length of each hole. Features for each sample interval recorded, where observable, included weathering, lithology, alteration mineralogy, mineralisation mineralogy, veining, vein mineralogy and proportions of non-economic minerals. • Geological logging recorded factual data (e.g. colour, grain size, percentage of identifiable minerals present) and interpretative data (e.g. lithology).

Criteria	JORC Code explanation	Commentary
<i>Sub-sampling techniques and sample preparation</i>	• <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>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.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	Exploration and Resource Definition Drilling • RC samples were riffle split at 1m intervals and rejects collected into green plastic bags. • Riffle split samples were taken dry. On rare occasions when a moist or wet sample was returned, a PVC spear or scoop was used to avoid contamination of the riffle splitter (three samples). This was noted in the sample register and subsequently entered into the Company's database. • Composite RC samples were taken from the plastic bags using a PVC spear. Re-splitting into 1m riffle split samples was subsequently undertaken and the new samples submitted for assay if initial composite analyses were considered anomalous. • All mineralised intervals of diamond drill core were sampled as half core with intervals ranging from 0.3m to 1.3m. A minimum of three meters either side of mineralised intervals was also sampled. Sampling intervals were controlled by geological boundaries. • Sample size presented for analysis was typically 1 to 3kg. • Preparation and analysis of RC and diamond core samples was undertaken by crushing and pulverizing at Intertek Genalysis' Kalgoorlie laboratory, followed by analysis at Intertek Genalysis' facility in Perth. • Samples were pulverised to 85% passing 75 micron. Consultation between the Company and the lab concluded this particle size was suitable for the Cannon samples. • Field duplicates were collected every 20th sample from 2010 onwards and results obtained compared well with the original sample. • Sampling procedures utilised for the Cannon RC drilling were reviewed by external consultant RungePincockMinarco (RPM) and are considered to be of a high standard. Grade Control Drilling • Grade control RC samples were sampled from a cone splitter attached to the drill rig at 1m intervals and rejects collected placed in sequential order on the ground adjacent to the drill rig. • Samples were taken dry. • Sample size presented for analysis was approximately 2kg. • Preparation and analysis of grade control samples was undertaken by crushing and pulverizing at Intertek Genalysis' Kalgoorlie laboratory, followed by analysis at Intertek Genalysis' facility in Perth. • Samples were pulverised to 85% passing 75 micron. • Field duplicates were collected every 34th sample and results obtained compared well with the original sample.

Criteria	JORC Code explanation	Commentary
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.	Exploration and Resource Definition Drilling - The analytical method used for samples used in the resource estimation was Genalysis method FA25/AA, consisting of a 25 g charge fire assay with detection by atomic absorption at a detection limit of 0.01ppm Au (gold). Fire assay is considered the most appropriate analysis method for the deposit and is a total digest technique. No strong nugget effect was observed in repeated assays and screening of samples prior to fire assay was not considered necessary. - No assay data from geophysical tools were used in the 2013 Mineral Resource estimate. - The QAQC protocol used for drilling undertaken in 2009 consisted of certified standards inserted at a rate of approximately 1 in 100, a small number of blanks and laboratory repeats. - The QAQC protocol used for drilling undertaken in 2010 consisted of certified standards plus blanks inserted at a rate of 1 in 15. Duplicate sampling was also undertaken. Results were satisfactory and confirmed that the data was suitable for use in resource estimation by RPM. - The QAQC protocol used for drilling undertaken in 2012 drilling consisted of certified standards plus blanks inserted at a rate of approximately 1:20. - Field duplicates were collected every 20th sample from 2010 onwards and results compared well. - Results from QAQC monitoring of the accuracy and precision of the analytical methods employed which were at variance with accepted values were discussed with the analysing laboratory and resolved to the satisfaction of the Company. - A review of the analytical performance of the external standards and blanks by RPM indicated that the results were acceptable in the majority of samples and that the assay data was considered acceptable for resource estimation purposes. Grade Control Drilling - The analytical method used for grade control samples was Genalysis method FA50/OE, consisting of a 50 g charge fire assay with detection by optical emission spectroscopy at a detection limit of 0.005ppm Au (gold). No strong nugget effect was observed in repeated assays and screening of samples prior to fire assay was not considered necessary. - No data from geophysical tools were used to determine grade control assay results. - The QAQC protocol used for grade control drilling consisted of certified standards plus blanks inserted at a rate of 1:10. - Field duplicates were collected every 34th sample and results compared well. - Results from QAQC monitoring of the accuracy and precision of the analytical methods employed which were at variance with accepted values were discussed with the analysing laboratory and resolved to the satisfaction of the Company. - A review of the analytical performance of the external standards and blanks by Southern Gold staff indicated that the results were acceptable in the majority of samples.

Criteria	JORC Code explanation	Commentary
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 and electronic) protocols. - Discuss any adjustment to assay data.	Exploration and Resource Definition Drilling - Significant intersections were visually inspected and verified by the Competent Person (Mr Ian Blucher). - A total of 361 samples were submitted to an umpire laboratory (ALS Kalgoorlie) for sample preparation and analysis at the Perth ALS laboratory in 2010 with results comparing well. - Twinned holes have not been drilled. - All sampling data is recorded by hand onto logging sheets and re-checked before submission to the lab. Data is then entered into digital form and stored on the Company database after validation. Original logging sheets are filed in the Company's Head Office in Adelaide. - The assay database is stored securely on the Company's server which is backed up routinely both on and offsite. - No adjustments are made to the assay data after review of QAQC measures as stated above. Grade Control Drilling - Spoil piles of significant intersections were visually inspected and verified by the Competent Person (Mr Ian Blucher). Twinned holes have not been drilled. - All sampling data is recorded digitally using for-purpose software. Data is transferred to and stored on the Company database after validation. - The assay database is stored securely on the Company's server which is backed up routinely both on and offsite.
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.	Exploration and Resource Definition Drilling - Drill hole collar positions have been accurately surveyed by registered surveyors utilising DPGS survey equipment to an accuracy of +/- 0.01m. 71% of holes were surveyed downhole by Gyro Inclinator with the remaining 29% by electronic multishot tool. - The grid system used for locating the collar positions of drill holes is the Geocentric Datum of Australia (GDA94), Zone 51 (MGA Projection). Elevations are recorded in Australian Height Datum (AHD). - Topographic control in the immediate vicinity of the Cannon resource is provided by topographic mapping undertaken by Whelans of Kalgoorlie with an estimated RMS accuracy of 0.05m horizontal and 0.05m vertical. Grade Control Drilling - The grid system and topographic control used are the same as used for exploration and resource drilling. The position of each drill collar was laid out under survey control. Following drilling, collar positions were surveyed using Real-Time Kinematic GPS equipment.

Criteria	JORC Code explanation	Commentary
<i>Data spacing and distribution</i>	• <i>Data spacing for reporting of Exploration Results.</i> • <i>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.</i> • <i>Whether sample compositing has been applied.</i>	Exploration and Resource Definition Drilling • The average drill hole spacing in the main portion of the resource is approximately 20m along strike and 20m down dip. With the good continuity of structure evident at the deposit, this spacing is considered adequate to allow some parts of the deposit to be classified as an Indicated Mineral Resource. The portions of the deposit drilled at spacings of greater than 20m, or where continuity of structure is uncertain, have been classified as Inferred Mineral Resource. • The Cannon deposit shows reasonable continuity of the main mineralised zones allowing the drill hole intersections to be modelled into coherent, geologically robust wireframes. Reasonable consistency is evident in the thickness of the structure, and the distribution of grade appears to be reasonable along strike and down plunge. • Samples were composited to 1m intervals for use in the 2013 Mineral Resource Estimation. Grade Control Drilling • The average drill hole spacing used was 10 m grid east west and 5 m grid north – south. This spacing provides information to infill between existing resource drilling and is considered adequate to inform the mining process. • Compositing of samples reported has not been applied.
<i>Orientation of data in relation to geological structure</i>	• <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>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.</i>	Exploration and Resource Definition Drilling • The orientation of the drilling direction is to the east, which is approximately perpendicular to the general strike of structures controlling mineralisation which dip to the west. A number of holes have been drilled at a close angle to the dip due to the steep nature of the lodes and varying strike of the mineralisation. • The majority of holes have been drilled to the east, with one scissor hole drilled to the west. Three geotechnical holes drilled for mine design purposes were drilled at bearings of 120, 235 and 300 magnetic. Data obtained from these holes has also been incorporated in the 2013 Mineral Resource estimate. • The relationship between the orientation of drilling and orientation of mineralised structures is not considered to have introduced a sampling bias. Grade Control Drilling • All drilling was undertaken to the east, parallel to the majority of the Cannon resource drilling. • No twinned-holes were drilled.

Criteria	JORC Code explanation	Commentary
<i>Sample security</i>	The measures taken to ensure sample security.	Exploration and Resource Definition Drilling - RC drilling samples are placed into pre-numbered calico bags directly from the splitter under the supervision of the rig geologist. - Diamond core is transported from site by Company personnel to a secure facility in Kalgoorlie where it is logged and sampled then stored. - The rig geologist places the calicos bags containing the samples into polyweave bags and transports them to the sample preparation laboratory where a sample submission form is completed. The details entered onto the sample submission form are the means by which the samples are tracked through the laboratory. - Samples are transported by internal courier from the preparation facility to the analytical laboratory. - The laboratory provides the Company with a reconciliation of samples submitted compared to samples received. Grade Control Drilling - Security measures employed for grade control samples were the same as for the exploration and resource drilling.
<i>Audits or reviews</i>	The results of any audits or reviews of sampling techniques and data.	Exploration and Resource Definition Drilling - A site visit was conducted in June 2010 by RPM to review the project and deposit geology, drilling, sampling and site procedures. RPM reported that Company procedures and protocols were operating at a high level. - RPM performed initial data audits in Surpac, with no major issues identified. - An internal review of bulk density data was undertaken by Company geologists in Dec 2012. Grade Control Drilling - No audits or reviews of grade control sampling techniques 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
<i>Mineral tenement and land tenure status</i>	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 Cannon resource is secured by M25/333, located ca. 30km ESE of Kalgoorlie, WA. - The Cannon Mineral Resource is owned 100% by Southern Gold Limited. - There are no material issues with third parties. - There are no known impediments to obtaining a licence to operate.

Criteria	JORC Code explanation	Commentary
	<i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i>	
<i>Exploration done by other parties</i>	<i>Acknowledgment and appraisal of exploration by other parties.</i>	Exploration prior to 2005 was undertaken by a number of companies and prospectors including Cyprus Gold Limited and Roebuck Resources. Work by Roebuck Resources in 1994 identified a number of surface lag sample anomalies. A 1994 bedrock geochemical RAB drilling program resulted in the identification of at least three areas of significantly anomalous gold anomalous intersections which were not followed up at the time.
<i>Geology</i>	<i>Deposit type, geological setting and style of mineralisation.</i>	- Mineralisation is considered to be a mesothermal, vein and alteration style deposit similar to many other deposits in the Kalgoorlie district. The interpretation used for this estimate is based on work completed by Company personnel who logged the holes and mapped the area. - The Cannon gold mineralisation is structurally controlled strikes north-easterly and dips to the west. High grade mineralised zones within the resource appear to be controlled by local scale dilational structures. - Mineralisation is associated with chlorite-biotite-albite-quartz-carbonate-pyrite alteration. The bulk of the gold mineralisation is hosted in a pillowed basalt unit. Other lithologies present include dioritic intrusives, high magnesium basalts and komatiites.
<i>Drill hole Information</i>	<i>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:</i> <i>easting and northing of the drill hole collar</i> <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> <i>dip and azimuth of the hole</i> <i>down hole length and interception depth</i> <i>hole length.</i> <i>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.</i>	Exploration and Resource Definition Drilling - A selection of exploration results used in the compilation of the 2013 Mineral Resource Estimate showing the range of downhole intercept widths and associated grades is shown in Table 1 and Figures 1, 2, 3 and 4 of the Southern Gold ASX announcement dated 29 January 2013. - Drilling information relevant to the 2013 Mineral Resource Estimate is noted in Section 1 – Sampling Techniques & Data. - The listing of holes used in the resource estimation (Shown in Table 1 of the Southern Gold ASX announcement dated 29 January 2013.) is incomplete as it excludes commercially sensitive information Grade Control Drilling - A selection of grade control results used in the compilation of this announcement showing the range of downhole intercept widths and associated grades is shown in Table 1 and Figures 1, 2, 3 and 4 of this report. - Drilling information relevant to the grade control drilling is noted in Section 1 – Sampling Techniques & Data. - The listing of grade control holes shown in Table 1 of this report is designed to show the variation of grades and widths intersected and the relationship to the resource drilling results.

Criteria	JORC Code explanation	Commentary
<i>Data aggregation methods</i>	<i>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.</i> <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	- No weighting average techniques or grade aggregations have been reported in this release in relation to Exploration or grade control results. - No metal equivalent values have been reported.
<i>Relationship between mineralisation widths and intercept lengths</i>	<i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i>	Exploration and Resource Definition Drilling - The range of variation in down hole widths and grades and the nature of the continuity established is shown in Table 1 and Figures 1,2, 3 and 4 Table 1 of the Southern Gold ASX announcement dated 29 January 2013. Grade Control Drilling - The range of variation in down hole widths and grades and the nature of the continuity established is shown in Table 1 and Figures 1,2, 3 and 4 of this report
<i>Diagrams</i>	<i>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.</i>	Exploration and Resource Definition Drilling - Figures 1, 2, 3 and 4 of this the Southern Gold ASX announcement dated 29 January 2013 show a typical range of downhole intercept widths and associated grades that may be found within the Cannon mineralisation. Grade Control Drilling - Figures 1, 2, 3 and 4 of this report show a typical range of downhole intercept widths and associated grades that may be found within the Cannon mineralisation.
<i>Balanced reporting</i>	<i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should</i>	Exploration and Resource Definition Drilling

Criteria	JORC Code explanation	Commentary
	<i>be practiced to avoid misleading reporting of Exploration Results.</i>	- The range of gold grades and down hole intersection widths shown in Figures 1,2, 3 and 4 and Table 1 of the Southern Gold ASX announcement dated 29 January 2013 is considered to be representative of the variation present in the Cannon Mineral Resource. Grade Control Drilling - The range of gold grades and down hole intersection widths shown in Figures 1,2, 3 and 4 and Table 1 of this report is considered to be representative of the variation present in the grade control drilling.
<i>Other substantive exploration data</i>	<i>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.</i>	- Other than the exploration undertaken by other parties documented above, no other substantive exploration data for the 2013 Cannon Mineral Resource exists. - Drilling to obtain both geotechnical and metallurgical information has been undertaken. Where present, intersections of gold mineralisation and associated grades has been utilised in the modelling of the 2013 Mineral Resource.
<i>Further work</i>	<i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i>	- The 2013 Cannon Mineral Resource Estimate has been utilised to develop open pit and underground mine designs and associated mining schedules. These data have been incorporated into financial models along with other relevant data. - Information relating to possible extensions of the Cannon Resource is not shown as the information is commercially sensitive.

Section 3 Estimation and Reporting of Mineral Resources

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

Criteria	JORC Code explanation	Commentary
<i>Database integrity</i>	- Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. - Data validation procedures used.	- All logging data recorded on filed logs was input to a digital template. - All digital data has been validated using standard database checks. - Data validation was conducted at the time of transfer of information from log sheets to digital files and again on entry of the digital data into the database. - Assay data is imported directly from the lab CSV files into the database with no manual keying of data involved. - Data quality and integrity of the sampling database was reviewed by RPM with no major issues identified.
<i>Site visits</i>	- Comment on any site visits undertaken by the Competent Person and the outcome of those visits. - If no site visits have been undertaken indicate why this is the case.	- The Competent Person (Mr Ian Blucher) visited the site a number of times whilst drilling activities were underway. Based on observations made during these visits, it was concluded that Company's procedures relating to geological logging and sampling was of an adequate standard. - As noted in Section 2, RPM also undertook a site visit as part of their due diligence in preparing the 2010 Mineral Resource Estimate (Runge, 2010).
<i>Geological interpretation</i>	- Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. - Nature of the data used and of any assumptions made. - The effect, if any, of alternative interpretations on Mineral Resource estimation. - The use of geology in guiding and controlling Mineral Resource estimation. - The factors affecting continuity both of grade and geology.	- Confidence in the geological interpretation is considered to be high due to the closely spaced drilling, continuity of geological units and local structures. - The data used for the interpretation include geological observations on core and RC drill cuttings, structural measurements on oriented core and geochemical data from laboratory assays and handheld XRF analyses. - The strong structural control on mineralisation, which has been defined to an acceptable level of confidence from measurements on oriented core, eliminates to a large extent any possible changes resulting from alternative lithological models. - Geological and structural data were taken into account when constructing the mineralisation wireframes used in the 2013 Mineral Resource Estimate. - Factors affecting continuity of grade and geology include continuity of structure and thickness of host/favourable lithological units.
<i>Dimensions</i>	The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	- The 2013 Cannon Mineral Resource has been estimated over a strike length of 200m (from 6,590,000mN - 6,590,200mN) and a vertical interval of 220m from the surface at 360mRL to 140mRL. - Mineralisation varies in thickness from 4m to 15m with a typical thickness of 5 to 10m.

Criteria	JORC Code explanation	Commentary
Estimation and modelling techniques	<i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i> <i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i> <i>The assumptions made regarding recovery of by-products.</i> <i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</i> <i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i> <i>Any assumptions behind modelling of selective mining units.</i> <i>Any assumptions about correlation between variables.</i> <i>Description of how the geological interpretation was used to control the resource estimates.</i> <i>Discussion of basis for using or not using grade cutting or capping.</i> <i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i>	- The modelling for the 2013 resource estimate and associated data validation processes was undertaken by external consultants RPM and was previously reported under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2004). The information compiled below for this section summarises the processes and techniques used. - Ordinary Kriging (“OK”) interpolation with an orientated ‘ellipsoid’ search was used for the estimate. Surpac software was used for the estimations. - Three dimensional mineralised wireframes were used to domain the mineralised data. Sample data was composited to 1m down hole lengths using the ‘best fit’ method. Intervals with no assays were excluded from the estimates. - The influence of extreme grade values was addressed by reducing high outlier values by applying high grade cuts to the data. These cut values were determined through statistical analysis (histograms, log probability plots, coefficients of variation and summary multi-variate and bi-variate statistics) using Supervisor software. - An orientated ‘ellipsoid’ search was used to select data and was based on the observed lode geometry. The search ellipse was orientated to the average strike, plunge, and dip of the main lodes. - Previous Mineral Resource modelling is reported in the references documented below. - As production has not yet started, no reconciliation with mine records is possible. - No assumptions were made regarding the recovery of by-products. - Construction of mineralised wireframes was based on a combination of gold grades, lithological units and geological structures. Where grade continuity was unclear, geological and structural data was used to guide the wire-framing. - Ordinary Kriging interpolation was used to estimate average block grades in three passes using Surpac software. A first pass radius of 40m, second pass radius of 80m and third pass radius of 120m were used. The parameters used to guide the Surpac software were derived to match the deposit geometry. - Block modelling used a parent block size of 10m NS by 5m EW by 5m vertical with sub-cells of 2.5m by 1.25m by 1.25m. The parent block size was selected on the basis of 50% of the average drill hole spacing in the well drilled part of the deposit. - No assumptions were made on selective mining units. - High grade cuts were used in the estimation of the Cannon resource due to the presence of outliers from in the gold assays. Statistical analysis of the 1m composite data determined that high grade cuts of between 15g/t Au and 50g/t Au were appropriate for individual wireframes. No high grade cuts were applied to the minor wireframe objects. - The modelled data was validated by - A qualitative assessment was completed by slicing sections through the block model in positions coincident with drilling - A quantitative assessment of the estimate was completed by comparing the average grades of the composite file input against the block model output for all the resource objects. - A trend analysis was completed by comparing the interpolated blocks to the sample composite data within the main lodes. This analysis was completed for northings and elevations across the deposit. Validation plots showed good correlation between the composite grades and the block model grades.

Criteria	JORC Code explanation	Commentary
Moisture	Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	Tonnage estimates for the 2013 Mineral Resource are estimated on a dry tonnage.
Cut-off parameters	The basis of the adopted cut-off grade(s) or quality parameters applied.	- The 2013 resource model was constrained by a boundary representing the natural grade cut-off of the deposit. - The 2013 Mineral Resource was reported using a 1g/t Au cut-off grade which approximates an economic mining cut-off grade.
Mining factors or assumptions	Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	- No assumptions regarding mining method were made when preparing the resource model. - The deposit is amenable to open pit mining, followed by underground mining. - Internal dilution of up to 3m has been incorporated into the modelled wireframes where necessary to allow for continuity of mineralisation. - No mining dilution or ore loss has been modelled in the Resource model or applied to the reported Mineral Resource. - The boundary of the mineralisation has been interpreted using a cut-off of 0.5 g/t Au, considered to be a conservative economic cut-off for the deposit.
Metallurgical factors or assumptions	The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	- Metallurgical test work undertaken by ALS Ammtec, Perth indicates that the Cannon mineralisation is suitable for processing by standard treatment methods. - The metallurgical characteristics of Cannon ore have been determined by testwork to be free milling, of moderate hardness and free of cyanicides. The estimated recovered ounces adopted are on average 92% of the mined ounces. - Metallurgical factors have not been applied to the resource estimate.

Criteria	JORC Code explanation	Commentary
<i>Environmental factors or assumptions</i>	<i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i>	- Waste characterisation and acid base accounting (ABA) and net acid generation (NAG) test work indicates that the waste material from Cannon is generally considered as non-acid forming (NAF). The samples analysed had predominantly low total sulphur content (less than 0.2%) and an excess of acid neutralising capacity (ANC). It is considered the materials tested present a low risk of metalliferous drainage. - No assumptions were made with respect to other variables
<i>Bulk density</i>	<i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i> <i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.</i> <i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i>	- Bulk density values used in the model were determined by measurements using the water displacement method. These were undertaken by Company employees for transitional and fresh lithologies with an assumed regional average used for the oxide zone. - Based on an assessment by RPM, the assumed oxide density value was considered appropriate as it is very consistent across a large number of deposits in the Eastern Goldfields. In addition, only an estimated 900 oz are reported present within the oxide zone which is less than 2% of the Cannon Deposit's contained ounces. - Average bulk density values used were: Oxide – 2.0 t/m³, Transitional – 2.4 t/m³ and Fresh – 2.7 t/m³. - The water displacement method used for bulk density measurements is considered appropriate as the material measured has very low porosity and minimal to no cavities. - Assumptions that samples measured in the fresh and transitional zones are representative of the entire deposit are considered valid as the lithological and alteration characteristics are very consistent across the deposit.

Criteria	JORC Code explanation	Commentary
<i>Classification</i>	<i>The basis for the classification of the Mineral Resources into varying confidence categories.</i> <i>Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i> <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i>	- The classification of Indicated and Inferred is made on the basis of data quality, continuity of structure and grade distributions, plus drill spacing and reflects the level of confidence in those parameters. - RPM previously classified the Cannon Mineral Resource in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC, 2004), reported in RPM (2012). - Test work undertaken in relation to waste characterisation, metallurgical processing parameters and geotechnical modelling, plus a review of RPM's methodology and assumptions by Southern Gold confirms that the Cannon Mineral Resource can be classified in accordance with The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2012). - The result appropriately reflects the Competent Person's view of the deposit.
<i>Audits or reviews</i>	<i>The results of any audits or reviews of Mineral Resource estimates.</i>	- Internal audits and peer reviews of the 2013 Mineral Resource estimate were completed by RPM which considered it satisfactory. - Internal reviews by the Company on RPM's estimate were conducted before accepting the final report.
<i>Discussion of relative accuracy/ confidence</i>	<i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i> <i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i>	- The data inputs to the resource estimation process leading to this Mineral Resource statement were reviewed by RPM's own Competent Person. - The mineralisation wireframe and block modelling procedures undertaken internally and by RPM were monitored or reviewed by the Competent Person who deemed them appropriate to the deposit and of an adequate level of confidence and accuracy. - This report restates the local Mineral Resource estimates undertaken by RPM in December 2012, which in turn re-evaluated a previous estimate undertaken in 2011 (Runge, 2011), following an infill drilling program and re-interpretation of the geology of the resource. The additional geological information supported the original interpretation and in turn provides confidence that the resource estimate is robust within the limits of information available. - Production has not commenced on the deposit at this time so a comparison to production data is not possible.

Criteria	JORC Code explanation	Commentary
	<i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i>	

References

JORC, 2012. Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition

Runge, 2010. Mineral Resource Estimate, Cannon Gold Deposit, Eastern Goldfields, Western Australia. Unpublished report for Southern Gold Limited by Runge Limited, August 2010, 50pp.

Runge, 2011. Mineral Resource Estimate, Cannon Gold Deposit, Eastern Goldfields, Western Australia. Unpublished report for Southern Gold Limited by Runge Limited, May 2011, 78pp.

RPM, 2012. Mineral Resource Estimate, Cannon Gold Deposit, Eastern Goldfields, Western Australia. Unpublished report for Southern Gold Limited by RungePincockMinarco, December 2012, 74pp.