



ASX Code: SAU
Issued Shares: 36.53M

Directors

Greg Boulton AM (Chairman)
Simon Mitchell (MD)
Michael Billing
David Turvey

Head Office

Southern Gold Ltd
Level 1, 8 Beulah Rd
Norwood SA 5067
Telephone: (08) 8368 8888
Facsimile: (08) 8363 0697
info@southerngold.com.au
www.southerngold.com.au

Postal Address

PO box 255
Kent Town SA 5071

ABN: 30 107 424 519

Cannon Mine Update

Gold Price Fixed at A\$1560/oz for second 10koz

- Further 10,000oz. of gold has price fixed at A\$1560/oz
- Ensures greater than A\$500/oz margin on initial production

Gold Price Fixed at A\$1560/oz

In accordance with provisions under the Contracting and Financing Agreement for Cannon Resources and its subsequent Supplementary Deed, Southern Gold Ltd (Southern Gold, ASX Code "SAU") and Metals X Ltd have agreed to fix the price of the second 10,000 troy ounces of production from the Cannon Mine.

Southern Gold can elect to fix up to the first 30,000 troy ounces of production at a A\$25/oz discount to the spot price at time of election. **For this second 10,000 Oz tranche the price has been set at A\$1560 per troy ounce.**

This follows the price set in November 2015 for the first 10,000 troy ounces of production which was set at A\$1500 per troy ounce.

This implies an average sale price of A\$1530 per troy ounce on the first 20,000 troy ounces of production and **ensures a cash margin in excess of \$500 per troy ounce** on this initial stage of the open pit.

Southern Gold Ltd Managing Director, Simon Mitchell, commented: "fixing the price on the initial stages of production from the Cannon Mine is prudent given the current volatility in global markets. This price fixing programme ensures we achieve a margin in the order of 50% given our cash costs of production are circa A\$1000/oz and essentially de-risks our cash flows over the coming months."

Southern Gold also retains exposure to gold upside on the unfixed portion of the future gold production, something we are comfortable with given the broad long term trend in the Australian Dollar gold price."

Southern Gold Limited: Company Profile

Southern Gold Ltd is a successful gold explorer and producer listed on the Australian Securities Exchange (under ASX ticker "SAU"). The Company's main focus is its Bulong Gold Project located 30 km east of the world renowned gold district of Kalgoorlie (WA) with the flagship Cannon Gold Mine having 846kt @ 3.6g/t Au or 97koz gold defined in accordance with the JORC code, 94% of which is in the Measured and Indicated categories.

Mining at Cannon has commenced with Metals X Ltd financing and developing the deposit under a 50/50 profit share arrangement. Metals X is responsible for all mining, haulage and processing activities (ASX announcement 11/11/2014) with this mandate recently expanded to incorporate the commercial terms of a larger open pit development (ASX announcement 3/11/2015).

By monetising the Cannon Gold resource, the company will look to accelerate project development opportunities within its broader tenement holdings to ensure continuity of cash flow into the medium term.

Competent Person's Statements

The information in this report that relates to Exploration Results has been compiled under the supervision of Mr. Ian Blucher (MAusIMM). Mr Blucher, who is an employee of Southern Gold Limited and a Member of the Australian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Mr Blucher consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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

Forward-looking statements

Some statements in this release regarding estimates or future events are forward looking statements. These may include, without limitation:

- Estimates of future cash flows, the sensitivity of cash flows to metal prices and foreign exchange rate movements;
- Estimates of future metal production; and
- Estimates of the resource base and statements regarding future exploration results.

Such forward looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. Such statements are expressed in good faith and believed to have a reasonable basis. However the estimates are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from estimated results.

All reasonable efforts have been made to provide accurate information, but the Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, except as may be required under applicable laws. Recipients should make their own enquiries in relation to any investment decisions from a licensed investment advisor.