ASX Release
Monday 30th May 2016

Deep Drilling Underway at Cannon Gold Mine

- 1500m RC/Diamond in-pit drilling commences at Cannon;
- Targeting extensions of resource beneath the open pit;
- Drilling will enable assessment of an underground operation.

ASX Code: SAU
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Cannon Gold Pour

RC/Diamond Drilling exploring extensions to the Cannon Gold Resource

Southern Gold Ltd ("Southern Gold", ASX Code: SAU) is pleased to advise that deep drilling has commenced at its 100% owned Cannon Gold Mine, 35km east of Kalgoorlie in Western Australia. The Cannon Gold deposit is currently being mined by open pit in partnership with Metals X Ltd in a 50:50 profit share arrangement.

The 1500m RC/Diamond program (**Figure 1**) is targeting down plunge extensions of known mineralisation at Cannon. The drilling aims to expand the current resource immediately below the final Stage 2 pit shell and to step out and test deeper targets to confirm the controls on mineralisation (**Figure 2**).

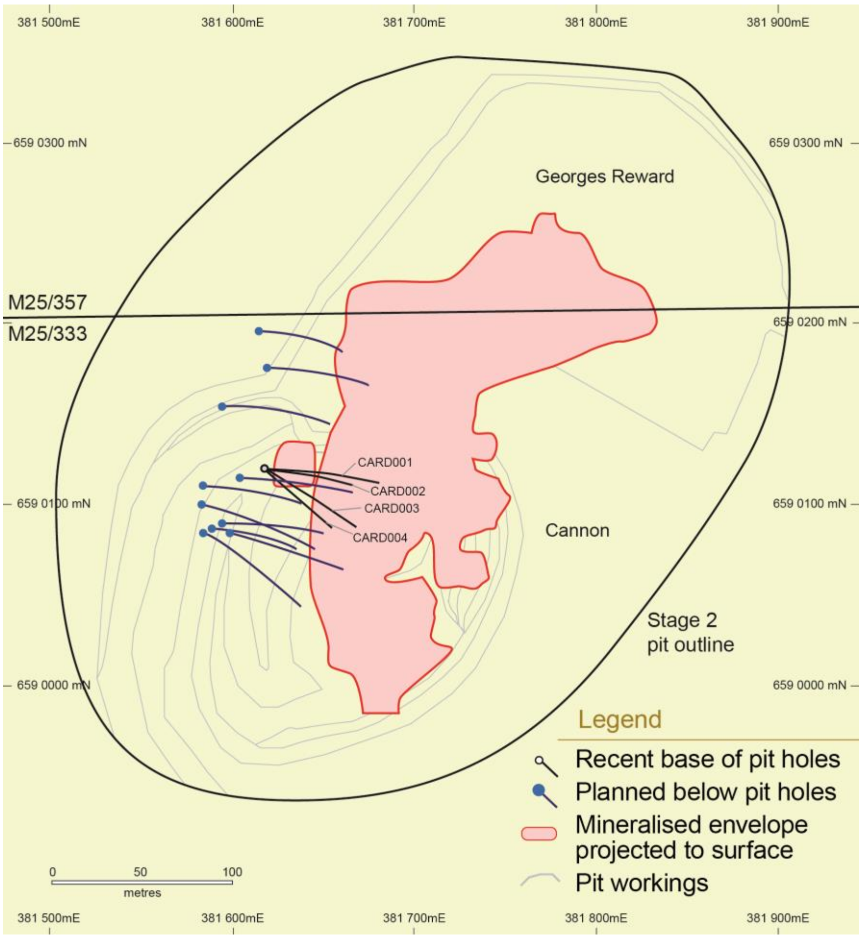

Figure 1: Plan View of Cannon Mine with traces of planned drilling

This deeper drilling programme will be conducted from within the Cannon open pit and enable targeting of the orebody below the immediate pit limits at a suitable intersection angle. (**Photo 1**)

The aim of the program is to give Southern Gold more confidence in the orebody at depth (**Figure 2**). This will allow the possibility of an underground operation at Cannon to be evaluated in a timely manner given that open pit operations are currently due to complete by early next year.

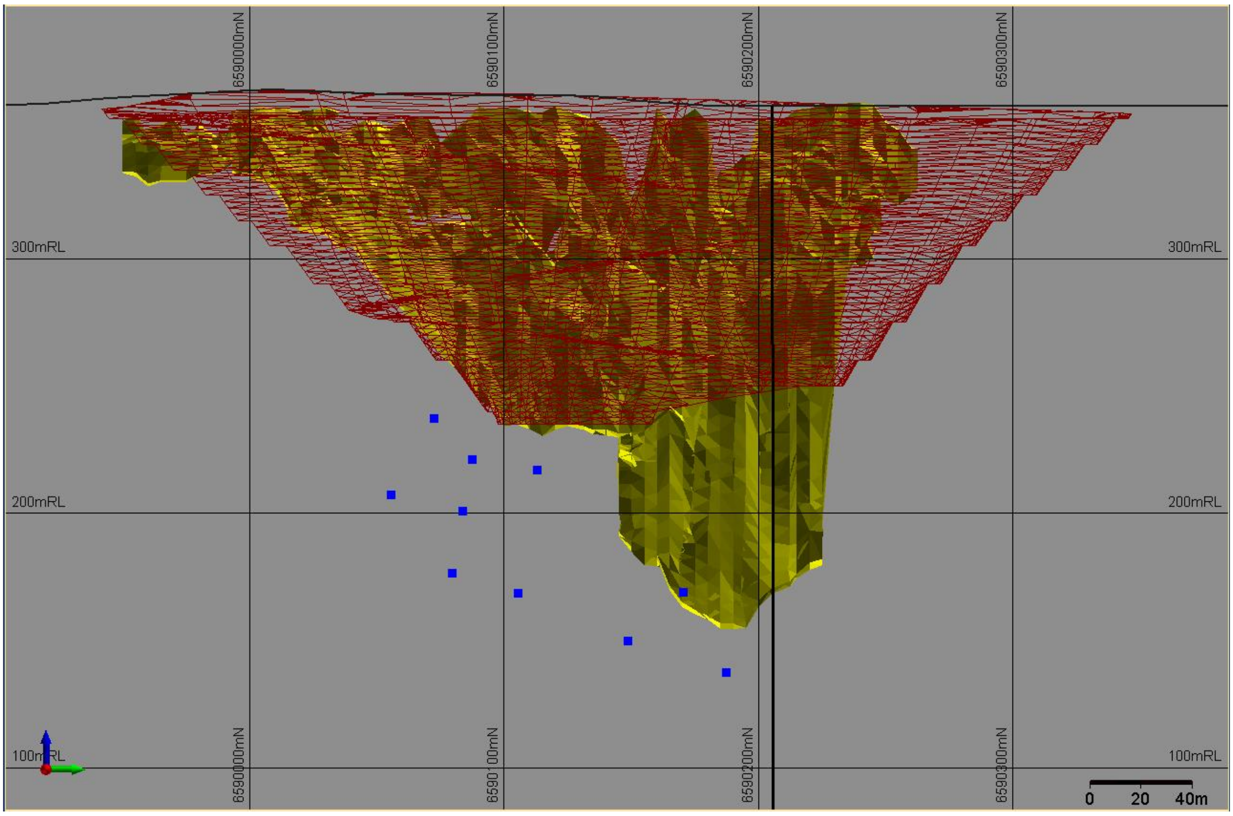

Figure 2: N-S section of Cannon Gold Resource showing pierce points of planned holes (blue), Cannon/George's Reward ore body (gold), final Stage 2 pit outline (red) and tenement boundary (black) with SAU's M25/333 to the left (south) and MLX's M25/357 to the right (north).

Photo 1: Cannon Open Pit as at 20 May 2016 looking south with drill pad area on the western side highlighted in blue

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.