



**Shares on Issue: 55.8m**

Share Price: \$0.17

Market Capitalisation: \$9.5m

**Assets – WA, Australia**

Cannon Gold Mine (100%)

Glandore Gold Project (75%\*)

Cowarna Gold Project (100%)

Transfind South (Option)

\*currently earning 90%

**Assets – South Korea**

Gubong Project (50%/50% BMV)

Kochang Project (100%\*/BMV)

Taechang Project (100%)

Weolyu Au-Ag Project (100%)

Hampyeong Au-Ag Proj. (100%)

Aphae Au-Ag Project (100%)

Deokon Au-Ag Project (100%)

Beopseongpo Au-Ag Proj. (100%)

Neungju Au-Ag Project (100%)

Sonbul Au-Ag Project (100%)

\*Currently under BMV farm-in

**Directors**

Greg Boulton AM (Chairman)

Simon Mitchell (MD)

Peter Bamford

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](http://www.southerngold.com.au)

ABN: 30 107 424 519

**Postal Address**

Southern Gold Ltd

PO Box 255, Kent Town SA 5071

## New strategic agreement over the Cannon Gold Mine executed with Northern Star

### Highlights

- The 5 year right-to-mine held by Northern Star at Cannon Gold Mine is terminated.
- Northern Star's Mining Lease M25/357 (covering the northern portion of the open pit) is to be transferred to Southern Gold.
- Southern Gold assumes all environmental rehabilitation liabilities associated with the tenements.
- Southern Gold now has tenure covering the strike extension of the Cannon shear zone and will fast track development in 2019.

### Overview

Australian gold company Southern Gold Ltd ("Southern Gold", "the Company", ASX: SAU) is pleased to advise that an agreement has been executed with Northern Star (HBJ) Pty Ltd (HBJ), a subsidiary of Northern Star Resources Limited ("Northern Star", ASX: NST) with respect to the Cannon Gold Mine.

Northern Star acquired HBJ and control of the South Kalgoorlie Operations from Westgold Resources Limited in March 2018, which includes a 5 year right-to-mine agreement between HBJ and Southern Gold, designed to enable the underground development phase at Cannon. For various operational and strategic reasons HBJ has determined not to exercise the right-to-mine and has agreed to restructure the arrangement with Southern Gold.

The new arrangements entail:

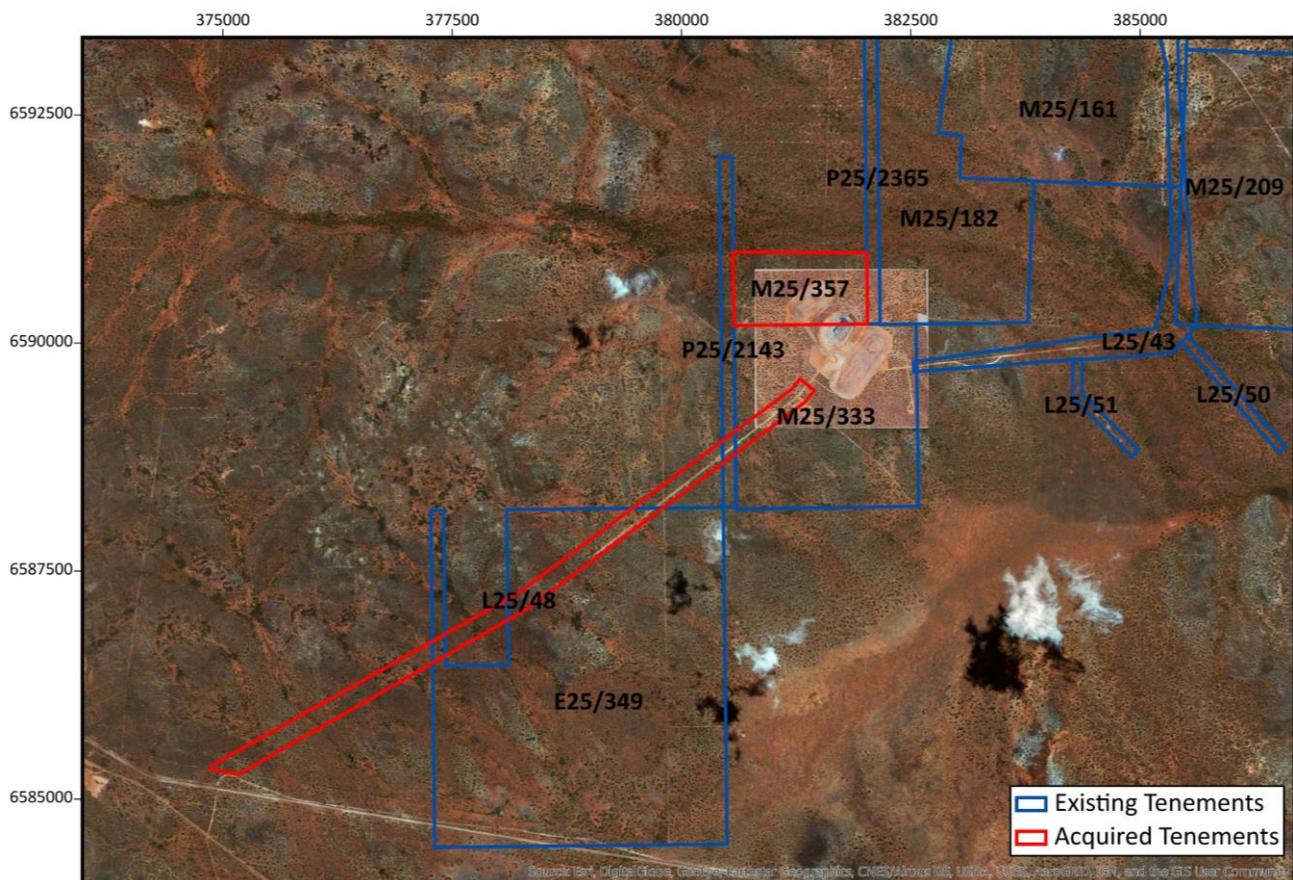
- The termination of all legal agreements between the parties, including the right-to-mine agreement and previous legal agreements executed during the open pit phase of the operation;
- The transfer by HBJ of mining lease M25/357, covering the Georges Reward deposit immediately to the north of Cannon where approximately the northern third of the Cannon open pit is, and miscellaneous license L25/48 covering a portion of the Cannon haul road to the Golden Ridge rail crossing (**Figure 1**); and
- Southern Gold assumes HBJ's half share of the rehabilitation liability for the open pit, currently estimated by a third-party consultant to be approximately \$77,500 (or \$155,000 in total in today's dollars) and excludes the cost of rehabilitating the haul road on L25/48 which is to remain in use.

The agreement completion is subject to Ministerial consent under section 82(1)(d) of the Mining Act and regulation 41(c) of the Mining Regulations 1981 and a third party consent to the assignment of an access agreement affecting L25/48.

The transfer of the tenements come with all associated technical data. There is no purchase price payable by Southern Gold for the tenements.

### Managing Directors Comment

Southern Gold Managing Director, Mr. Simon Mitchell: *“The execution of this agreement with Northern Star is an important development. It enables Southern Gold to move forward with the asset where there is considerable value to be unlocked by a small underground mining operation. Cannon is a very well-defined orebody at excellent grade and represents a very good development opportunity. With the addition of the mining lease to the north it also enables Southern Gold to have unfettered access, simplified and better optimised development scenarios and potential upside in the longer term should the Cannon orebody continue to plunge to the north. We can now drill the structure without restriction and, given the quality of the deposit mined during the open pit phase, we look forward to optimising value for shareholders in the near term.”*



**Figure 1:** Map highlighting the location of acquired tenements M25/357 and L25/48

### Strategic Significance

With the consolidation of the two mining tenements under Southern Gold ownership (**Figure 2**, next page), taking the Cannon project forward will be a lot simpler, either as an asset available for monetisation or development by the Company in its own right. Also, the mine design can be optimised with underground development being able to be positioned in the most beneficial location.

The acquisition of M25/357 is also important for strategic reasons with respect to coverage of the Cannon shear zone (host to the mineralisation at Cannon) and having tenure over the likely plunge directions of the high-grade portion of the deposit. The Cannon project is open at depth, with deeper drilling activity being constrained both by the proximity of the open pit as well as the previously fragmented ownership of the deposit footprint (**Figure 3**, next page).

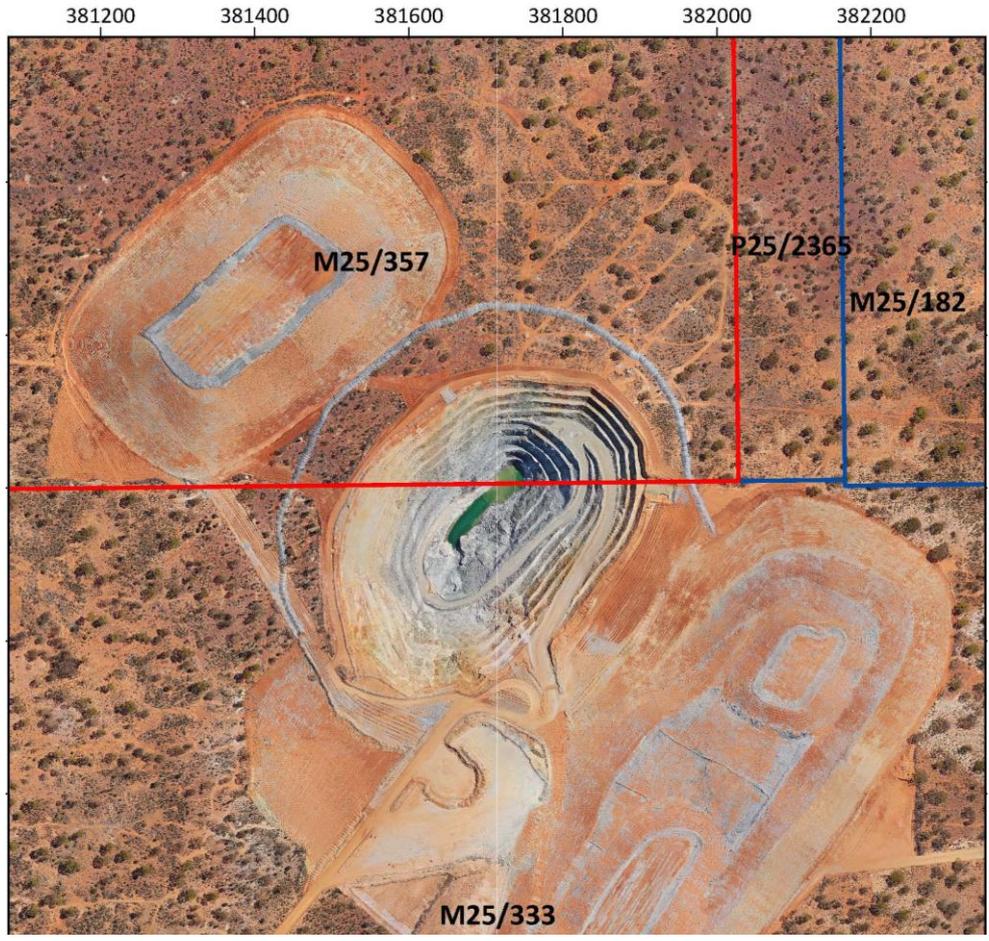


Figure 2: Cannon open pit with respect to M25/333 (Cannon) M25/357 (Georges Reward)

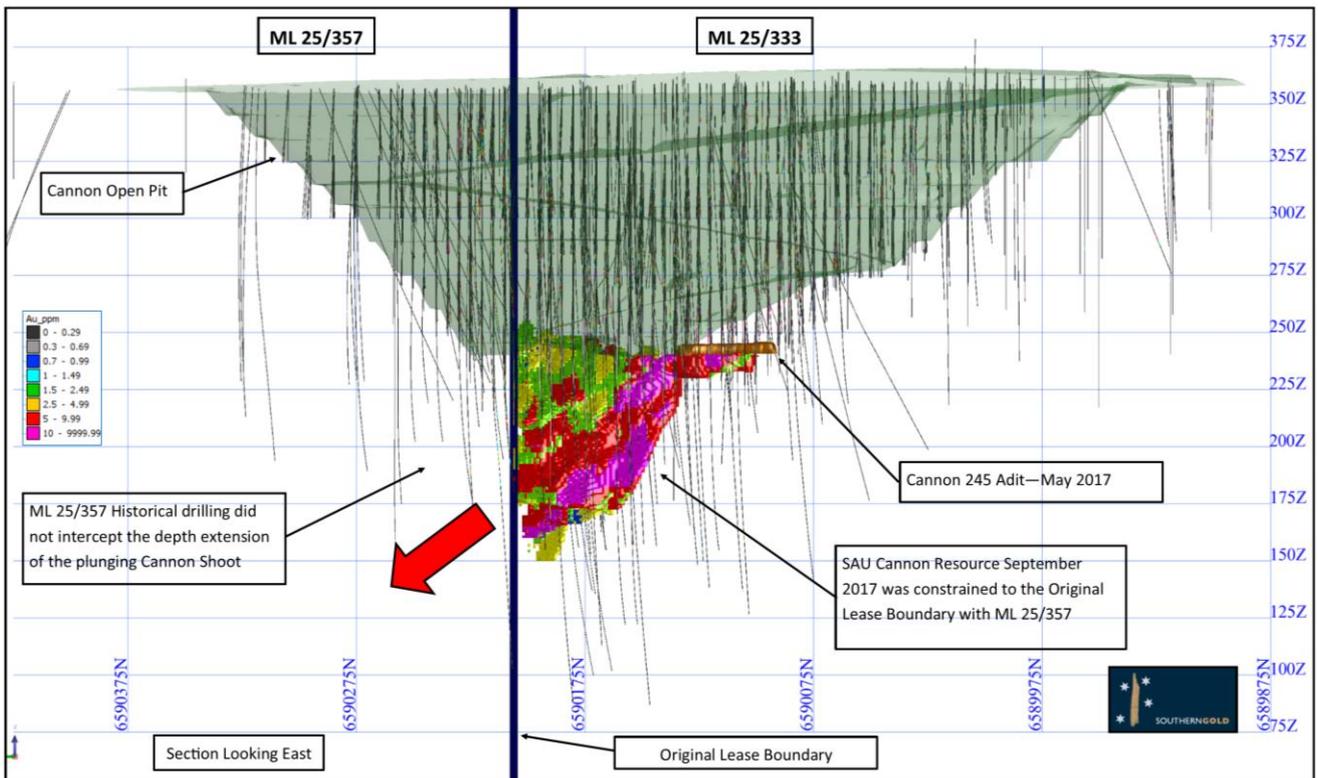


Figure 3: Long Section View of the Cannon deposit with respect to the lease boundary of M25/357

### Next Steps

Southern Gold is currently working on a new development scenario. As part of this process the Company will look to release an updated mineral resource and ore reserve prepared in accordance with the JORC Code. An ASX release is expected to be made early in 2019.

### JORC Resource – ASX Release 9 October 2017

Cannon Underground Resource between 255m RL and 145m RL

JORC Category	Tonnes	Grade g/t Au	Au Troy Ounces
Total Indicated	121,570	5.68	22,180
Total Inferred	20,700	2.10	1,400
<b>Total Resource</b>	<b>142,270</b>	<b>5.17</b>	<b>23,580</b>

### Tenements Acquired

Tenement	Grant Date	Expiry Date	Comments
M25/357	18/08/2015	17/08/2036	"Georges Reward"
L25/48	21/07/2015	20/07/2036	Haul Road to Golden Ridge rail crossing

### 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 looking to develop a small underground operation on the basis of a high grade JORC resource with mineralisation currently open at depth. Southern Gold is also looking to develop a second mine in South Korea within the next 12-18 months with development partner London-listed Bluebird Merchant Ventures.*

*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-silver targets. Backed by a first-class technical team, including renowned geologist Douglas Kirwin, Southern Gold's aim is to find world-class epithermal gold-silver 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 and Cannon Mineral Resources has been compiled under the supervision of Mr. Paul Androvic (AusIMM). Mr Androvic who is an employee of Southern Gold Limited and a Member 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 Mineral Resources and Ore Reserves. Mr Androvic 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.*