



Issued Shares: 55.8M

Share Price: \$0.18

Market Capitalisation: \$10m

Total cash (unaudited): \$2m

Debt: Nil

Enterprise Value: \$8m

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Quarterly Activities Report

30 September 2018

Highlights

Western Australia

- Northern Star 'Right to Mine' agreement for the Cannon underground project yet to be resolved between the parties, however an update is expected in the coming months.
- At Transfind South, a 1,000m infill and extensional drilling program is being prepared to follow up on the previous quarters highly anomalous results.
- Glandore JV expenditure approaching 90% earn in phase.

South Korea

- Southern Gold's Project Generation strategy aiming to capitalise on numerous opportunities presented by prospective epithermal targets being identified across southern South Korea.
- 5 new tenements granted 100% to Southern Gold during the quarter:
 - Beopseongpo (Beopseongpo 29 & 30) – Large >3km strike length gold-silver epithermal target with rock chip sampling of outcropping vein and float material returning grades up to **21 g/t gold & 19 g/t silver (float) and 3.0 g/t & 1g/t silver (outcrop)**.
 - Deokon (Jeonju 70 & 80) – First pass mapping and sampling confirmed high grade mineralisation, grades up to: **13.3 g/t Au & 2,130 g/t Ag (mullock); 9.23 g/t Au & 1,080 g/t Ag (mullock); and, 4.0 g/t Au & 681 g/t Ag**, with underground channel results released in October confirming similar tenor.
 - Neungju (Neugju 33)– Gold-silver epithermal prospect with multiple vein corridors returning grades up to **20.3 g/t gold & 13 g/t silver**.
- Jeolla Project Generation identified seven of the fifteen assessed targets as significantly prospective. Gyeongsang Project Generation similarly identified several targets as highly prospective.
- Gubong JV finalised with report on feasibility completed and pre-development works to commence to deliver final feasibility at start of Q4 FY19. Establishment of Gubong Gold Project and appointment of Joseph Lee as CEO and Graeme Fulton as General Manager.
- Gubong preliminary metallurgical test work indicates excellent recovery using low capital cost processing methods. Pre-development activities to increase over the coming months.
- Kochang farm-in phase approaching expenditure target in the next quarter with report on feasibility due in November.

Western Australia

Cannon Underground, Kalgoorlie, Western Australia

In March 2018, Westgold announced it had sold its Kalgoorlie region assets to Northern Star Ltd ('Northern Star') including HBJ and its subsidiary, South Kalgoorlie Operations with management of the assets passing to Northern Star in April 2018.

Southern Gold and Northern Star have yet to resolve the way forward on the 'Right to Mine' agreement and the Cannon Gold Mine more generally. Ongoing negotiations with Northern Star are expected to conclude over the next few months.

Transfind South

Following the excellent results returned from the initial RC drilling campaign completed in April 2018, a second pass infill and extensional program has been designed to further delineate the high-grade gold intersections.

As previously released, mineralisation was successfully intersected in all of the first pass program drill holes, with very high-grade gold intercepts including 1m @ 133.7 g/t gold; 2m @ 24.4 g/t gold; 1m @ 11.3 g/t gold and, 1m @ 7.13 g/t gold returned. (ASX Release 28th June 2018 – High Grade drilling intersected at Transfind South, WA). Note that minor changes to assays, not considered material, were made as a result of re-assaying of composites in some holes (**Table 1**). The following sections of Transfind have been updated to reflect the changes (see **Figures 2, 3 & 4**).

Table 1: Updated Significant (>1.0 g/t Au) RC drill intercepts.

Hole ID	Prospect	m from	m to	interval (m)	Au average (g/t)
TFRC001	Transfind South	25	27	2 @	1.8
TFRC002	Transfind South	39	45	9 @	1.3
		<i>including</i> 37	38	1 @	4.2
		43	44	1 @	5.1
TFRC003	Transfind South	17	18	1 @	7.1
TFRC004	Transfind South	16	23	7 @	19.6
		<i>including</i> 18	19	1 @	133.7
TFRC005	Transfind South	23	24	1 @	2.3
TFRC007	Transfind South	29	30	1 @	1.2
TFRC008	Transfind South	38	41	3 @	2.4
		<i>including</i> 39	40	1 @	6.2
TFRC009	Transfind South	45	46	1 @	1.0
		and 64	68	4 @	5.2
		<i>including</i> 65	66	1 @	11.3
TFRC010	Transfind South	46	47	1 @	1.4
		50	52	2 @	1.3
TFRC011	Gallon	21	29	8 @	6.8
		<i>including</i> 22	24	2 @	24.9

Gold mineralisation is hosted by andesitic and dacitic tuffs containing relict fresh pyrite, and by narrow quartz veins. Both styles of gold mineralisation contain free gold, the quartz veins containing angular fragments of coarse free gold and external films of secondary gold.

Figure 3: Transfind Cross-Section C-C' 6581940mN

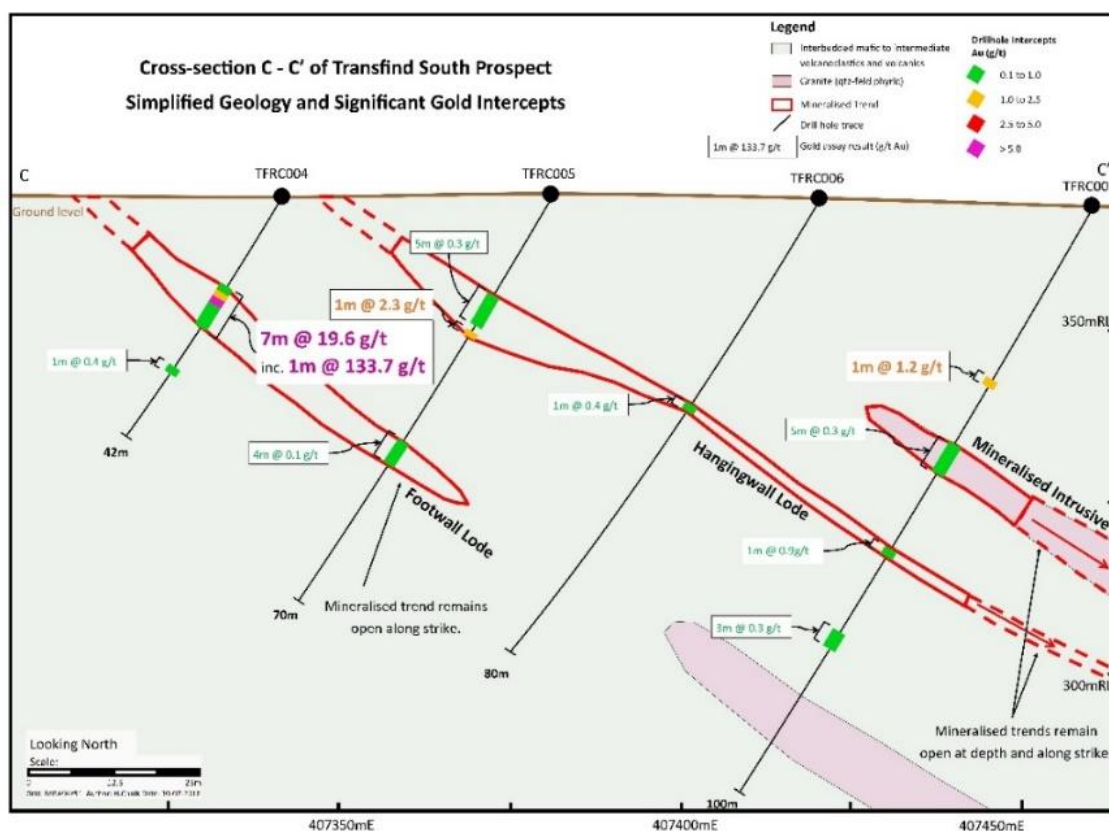
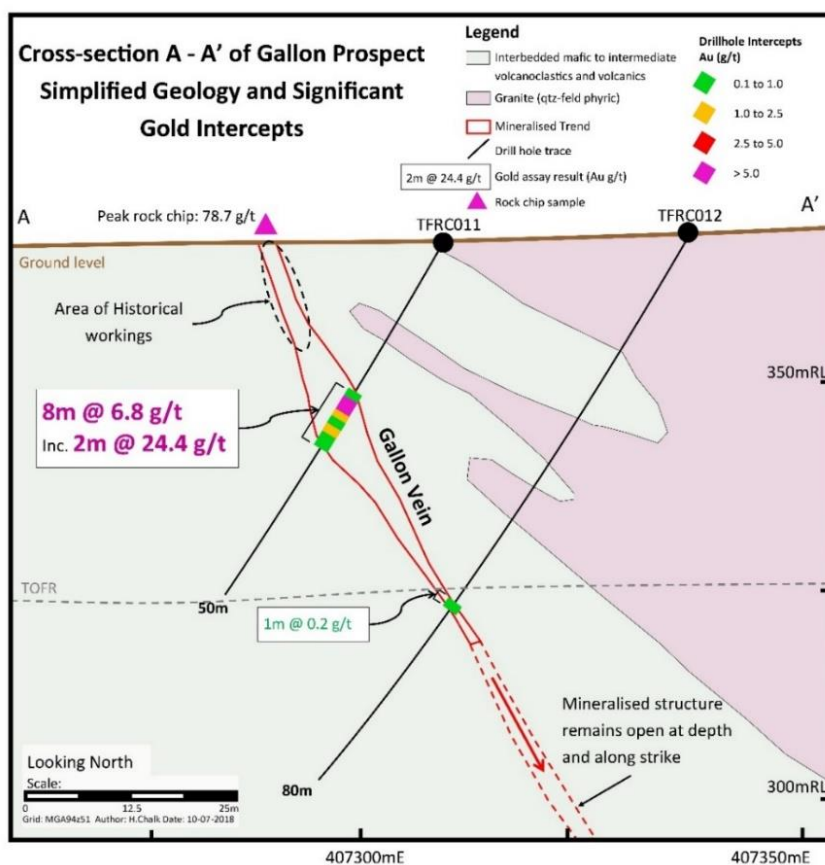


Figure 4: Updated Transfind Cross-Section A-A' 6581940mN



The original Transfind agreement requires 2,000m to be drill by January 2019 however an extension has been granted for 6 months until July 2019. The follow up drill program will test for the down dip extensions and repeats of the flat lying pods, in addition to further extension towards the Transfind pit in the north, looking for a plunging shoot. The area between Gallon and the Transfind South mineralisation will also be tested for continuity and repeated flat stacked lodes.

The historic grade control from the Transfind open pit, immediately north of the Southern Gold drilling, clearly confirmed the continuity of the structures and mineralisation plunging toward the south east. This trend and the strong indication from Southern Golds own drilling and interpretation raises the potential for repeat parallel lodes. Targeting of drilling at structural junctions also has the potential to intersect thickened zones of high grade mineralisation similar to intersections south of the pit.

Cowarna

No significant work was conducted at Cowarna during the quarter apart from rehabilitation of drill holes.

Monument South

No significant field work was undertaken at Monument South during the quarter. A review of the solid geology interpretation of the wider Cannon region in conjunction with the hyperspectral survey results is ongoing to produce a 3D model. The aim is to determine if there is an offset to the Cannon Shear that contain similar or extensions of the Cannon mineralisation and define the potential for extension of the Cannon deposit at depth. Rehabilitation work is ongoing on surface RC drill pads and collars in the Bulong area.

Glandore

No fieldwork was conducted at Glandore during the quarter. As at end of the Quarter, Glandore expenditure required a further ~\$100,000 expenditure to earn 90%.

Further field work and mapping is planned at Grunt's Find to determine the orientation and extent of the alteration and gold mineralisation in the next Quarter.

South Korea Exploration

Southern Gold continues to consolidate its ground holdings in South Korea (**Figure 5**) with a further five applications granted to Exploration Right Tenement status (ASX Release 19th July). This process has also demonstrated the ability of Southern Gold to advance projects from granting stage to completing first pass reconnaissance drilling within a 6 month period (ASX Release 12th July).

As also discussed in the ASX release 4th September there is a strong commitment and focus on project generation activities with major field campaigns undertaken in the Jeolla and Gyeongsang basin districts utilising inhouse and consultant expert epithermal field geologists. As a result of this work in Jeolla, a further six applications for tenure were made including the Neungju Project (ASX release 4th September) and the Deokon Project (ASX release 6th August), which was followed up quickly with underground channel sampling during the quarter (ASX release 2nd of October).

Southern Gold's aim is to utilise their in-country experience and epithermal geological expertise in understanding these mineralised systems, to look for analogues of world class deposits discovered and mined in areas like Japan (**Figures 8 & 9**) and develop JORC Compliant resources to move projects forward.

Figure 5: Regional Geology and structure of South Korea with prospect locations



Bluebird Joint Venture Projects

The definitive Farm In and Joint Venture agreement for the Gubong Gold Project was finalised in April 2018 between Southern Gold and Bluebird Merchant Ventures (ASX Release 4th April 2018). As part of this agreement, which describes the framework for Bluebird to manage the 50/50 Gubong project, a report on the feasibility for the Gubong Project was prepared and delivered in August (ASX Release 1st August 2018). The report bolstered the expectation of first gold production being achievable after low upfront capital costs. The delivery of this report also triggered the commencement of the pre-construction phase at Gubong.

BMV is confident that the re-opening of the old Gubong Gold Mine will facilitate substantial immediate mining development with access to initial low-cost ore that can be cost effectively and quickly processed after a small scalable trial plant has been established. Southern Gold notes that the BMV report has not been prepared in accordance with the JORC Code reporting requirements limiting detail around the analysis of the report. The Joint Venture will advance the Gubong mine with the engagement of all stakeholders over the next two quarters obtaining all necessary approvals including the grant of a 'permit to develop'.

BMV is also anticipating completion of all preconditions for the formation of the Kochang Joint Venture within the next quarter. Metallurgical test work is currently underway on samples obtained from within the workings and a Kochang report on feasibility of restarting the mine will be submitted to Southern Gold by the end of November 2018.

In September, Bluebird announced (ASX Release 21st September 2018), the appointment of two personnel into key positions. Mr Joseph Lee as President of the Joint Venture Company, and Mr Graeme Fulton has been appointed as the General Manager of the Gubong Project.

Gubong JV

The Gubong Gold Mine (Figure 6) closed in 1971 predominantly due to the low gold price. The Gubong Gold Mine, as quoted in Korean Government reports, had reported historical production of 430,000 ounces of gold and 110,000 ounces of silver over an intermittent production period from 1926 to 1971.

Figure 6: The historic Gubong Gold Mine



The BMV report indicated that a preconstruction phase is required which will include dewatering of lower levels of the mine, establishing a permanent entrance to the mine that requires acquisition of key parcels of land, as well as a more extensive sampling and metallurgical program to refine process flow. During this phase a full feasibility will be completed for the construction of the processing facility and the start of mining activities and has been costed at US\$850,000 for the joint venture.

The report also indicated that mining would initially be based around 150 tonnes per day (tpd) using a range of mining methods from semi-manual to mechanised narrow vein mining equipment. In addition, a combination of mining methods is envisaged using mechanised flat back stoping where possible or mechanised room and pillar or breast stoping as the ore dictates. Initial metallurgical results show high recoveries are attainable with low capital cost associated with the proposed vat leach method.

The report on feasibility, prepared by BMV, indicated a very high potential for a gold resource at Gubong, based on four main sources of readily accessible ore, being: broken stocks in stockpile; sweeping and vamping; small remnant pillars; and, unmined blocks of ore. As the mine was shut very quickly, the BMV feasibility report has anticipated a high likelihood that several months of production capacity would have been available for haulage, drilled or prepared ore stopes would have been scheduled and development of ore blocks would have also been ongoing.

Kochang JV

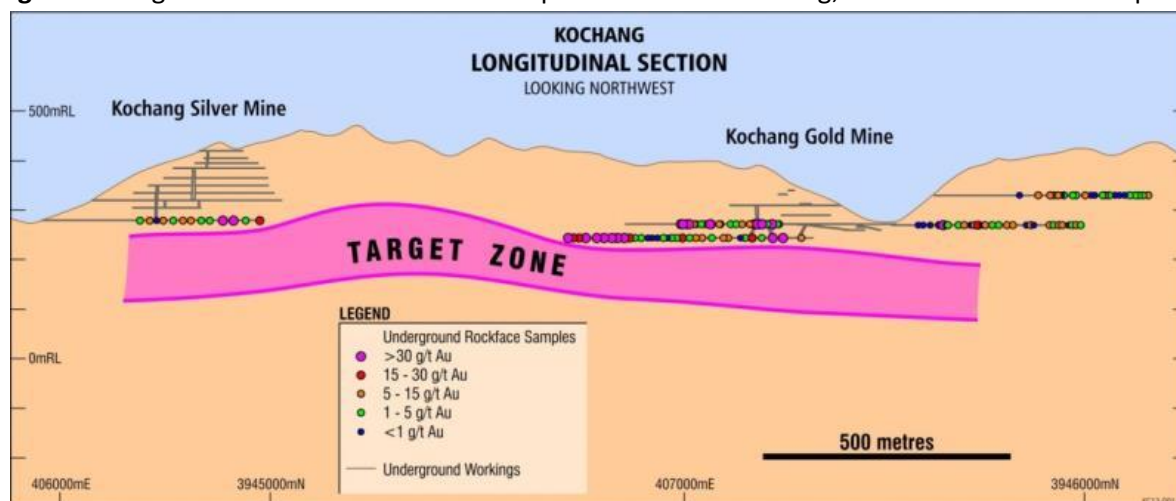
Following significant channel sampling (ASX release 23rd May) after the opening up of access to old workings the Kochang project has advanced quickly, to the point it could potentially be restarted ahead of Gubong. Development timeframes and metallurgical test work is still pending and will be detailed within the feasibility report being prepared and due in November 2018. What has been observed in accessing the old levels are remnant pillars and visible ore at the end of drives and with no information below the lower developed levels where the visible ore plunges below.

As has been reported earlier (ASX release 30th July), the average width of all the veins sampled was 0.42m, ranging from 0.1m to 1.3m. The veining was predominantly sub-vertical and the veining and vein breccia is clearly observed in the drives and historical mining has developed along three subparallel features.

There is significant potential to further evaluate the mineralised system above and below the 245 Level for extensions along strike and to test for development of other parallel vein systems as has been identified from surface mapping and sampling. As part of the proposed reopening of the Kochang Gold Project, establishment of diamond drilling platforms from underground will be used to define a resource prepared in accordance with the JORC Code (2012) and enable an initial mine design to be completed. These drill holes will test for additional repeat veins, depth extension and continuity along strike to build a full geological and potential economic model of the Kochang mineralisation system. The current interpretation is that the western veining systems extend further to the southwest towards the old Kochang Silver Mine and that infill diamond drilling could link the two mineralised systems.

Figure 7 below, is a stylised long section showing the 4 historical levels at the Kochang Gold Mine, and the yet to be accessed Kochang Silver Mine to the southwest. It does not include the recent BMV underground channel sampling but highlights the significant potential at Kochang with the vein system open at depth and along a strike extent greater than 2.5km.

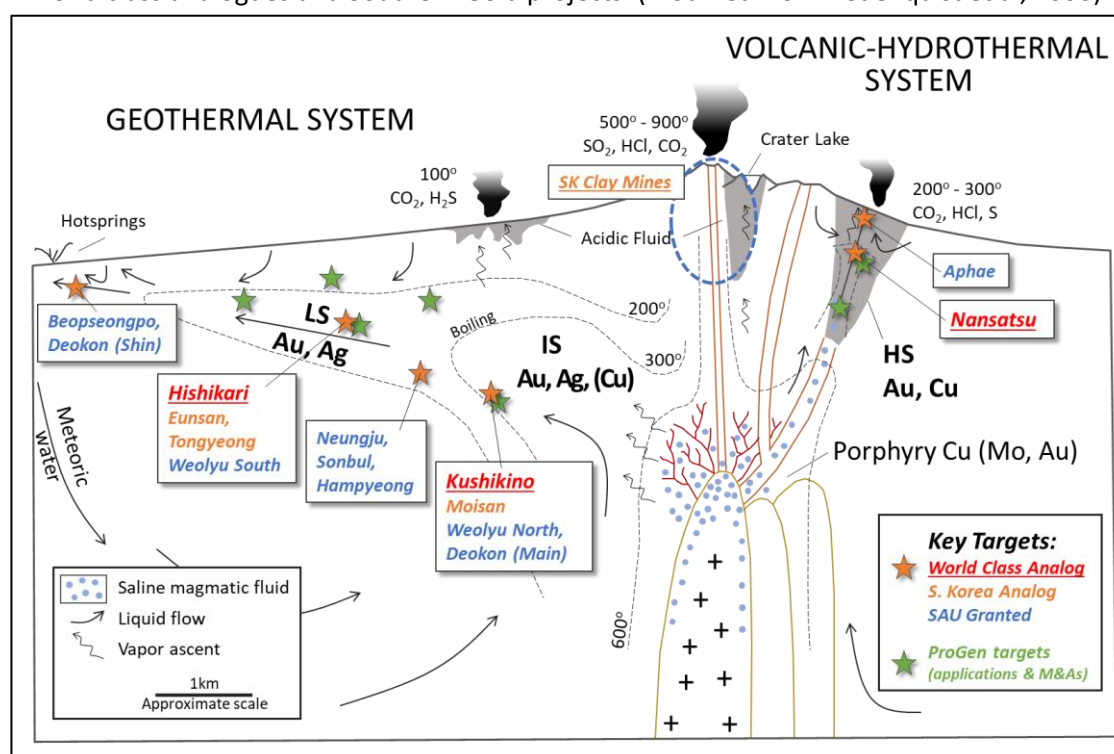
Figure 7: Long Section of the historical development levels at Kochang, with historic KORES sampling.



Project Generation

Ongoing Project Generation across the southern half of the Republic of Korea continues to identify numerous exciting mineralised epithermal systems that include recently granted tenure and other projects under applications (ASX Release 3rd September). This Project Generation work represents an ongoing initiative to capitalise on evaluation and review of numerous commercial opportunities in South Korea. The aim is to constantly refine (acquire as well as relinquish assets that don't meet expectations) resulting in a portfolio of assets focused on technically and socially de-risked gold-silver epithermal systems, which are typically high grade and have relatively low capital expenditure requirements, short payback periods and higher profit margins.

Figure 8: Schematic of the setting of high-, intermediate- and low-sulphidation epithermal systems with world class analogues and Southern Gold projects. (modified from Hedenquist et al, 2000).



A schematic of the setting of high-, intermediate-, and low-sulphidation (HS, IS, LS) epithermal systems (modified from Hedenquist et al., 2000) is illustrated in **Figure 8** above. The world class deposits should be noted like Hishikari (LS), Kushikino (IS) and Nansatsu (HS) (all from southern Kyushu in Japan, see inset **Figure 9**) and their related analogs as evidenced in South Korea, including the historic Tongyeong Mine, and the more recent and still active Eunsan-Moisan gold-silver mines.

Southern Golds portfolio of epithermal systems including granted tenure, applied tenure and under acquisition targets cover the whole spectrum from high-level low-sulphidation epithermal vein systems, to mineralised low-sulphidation (LS) systems (Weolyu, similar to Hishikari), to intermediate-sulphidation (IS) systems, to high sulphidation (HS) Au-Cu systems. Of note, many of the higher-level epithermal systems Southern Gold has in its portfolio have significant depth potential.

Southern Gold currently has four applications processing through the South Korean approval process, which can take longer to finalise with the winter season approaching. Two of these applications are adjacent graticules to existing Southern Gold Korea tenements and will consolidate the prospectivity of these projects based upon the additional project generation field work undertaken.

Deokon

Two new tenements were granted 100% to Southern Gold at the historic Deokon Gold Mine, central-southwest South Korea (ASX release 6th August). Field work returned rock chip and grab sampling of in-situ vein and mullock samples with grades up to: 13.3 g/t Au & 2,130 g/t Ag (mullock); 9.23 g/t Au & 1,080 g/t Ag (mullock); and, 4.0 g/t Au & 681 g/t Ag (outcrop).

The historic Deokon Au-Ag mines are located in the central-southwestern part of South Korea, in the Jeolla-buk Province (**Figure 5 & 9**). Post-war mines department records show production resumed between 1958 and 1980, when a Korean national company, registered as The Deokon Mining Company Ltd., re-developed the multilevel underground mining operations at both the Main Mine and the Shin Adit prospects on a series of through-going highly silver-gold mineralised, dacite-hosted lode- and vein-zones.

Recent access has been made to the Shin Adit while further work is required to safely access the Main Mine. Results from follow up underground channel sampling in the Shin Adit (ASX Release 2nd October 2018), highlighted three consecutive sample lines returning high-grade gold-silver mineralisation (Photo 11) with peak results of 0.35m @ 12.6 g/t gold and 509 g/t Ag, 0.40m @ 9.26 g/t gold and 1,165 g/t silver, and 0.25m @ 12.3 g/t gold and 1,290 g/t silver (**Table 10 & Photo 11**). Nineteen of the 22 sample lines returned an anomalous (>0.1 g/t) gold result. The Shin Adit, while smaller than Main, is part of a much larger mineralised system with high-grade historical results that have been replicated by Southern Golds sampling.

Table 10. Deokon Significant Channel Sample Results (>1.0 g/t Au)

Line ID	Sample Type	Interval (m)		Au (g/t)	Ag (g/t)
FS224S1_08	Channel	0.35	@	12.6	509
FS224S1_07	Channel	0.40	@	9.26	1,165
FS224S1_06	Channel	0.75	@	5.31	527
	<i>including</i>	0.25	@	12.3	1,290

Gold-silver mineralisation present within the Shin Adit Mine is epithermal intermediate-sulphidation type. Hydraulic quartz-sulphide vein to lode breccia are hosted within a strongly silica-illite/adularia-

pyrite altered dacitic to rhyolitic volcanic host rock. Underground exposures of mineralised vein and lode dip towards the east. Mineralisation remains untested at depth and inadequately tested along strike.

Deokon has the potential to advance quickly with Southern Gold having obtained site access, commenced field work and turning around preliminary underground channel sampling results, all within 6 weeks. While much more work remains to be done, planning has commenced on drilling proposals with the focus on using suitable drilling equipment capable of drilling within the historical underground workings.

Photo 11: Slab photo of KRD500525 (coarse duplicate of KRD500522), **16.45 g/t gold and 711 g/t silver**.

Hydraulic vein breccia, comprised of angular silica-illite/adularia altered rhyolite fragments, set in a mesocrystalline silica-sulphide flood matrix with later cross-cutting coarsely crystalline quartz veining.



Hampyeong

No major activities were conducted at Hampyeong this quarter following the maiden three hole diamond drilling program completed in June. This initial round of drilling was reported in ASX Release 12th July 2018 and reported that shallow gold mineralisation was intersected in all three holes drilled with best intersections of 0.95m @ 5.3g/t Au and 0.7m @ 2.47 g/t Au. Additional drilling is required and further drill positions remain to be optimised given the rough terrain.

This initial three-hole, 276m maiden scout diamond drilling program targeting the A'Cha and Nabi quartz vein zones is complete and the drilling was conducted with environmental and social considerations, including consultation with the local village, noise reduction measures and monitoring, sediment traps and pre-approved documented rehabilitation plans submitted to local council (**Photo 12**). The approval for the program required a pre-drilling report with registered surveyors documenting land clearance and proposed rehabilitation programs and forms part of the permitting processes.

Figure 9: Location of Southern Golds current portfolio in South Korea. Project Generation activities, focussing in southern Korea, including the Jeolla District (left) and the Gyeongsang District (right) highlighted in green boxes.

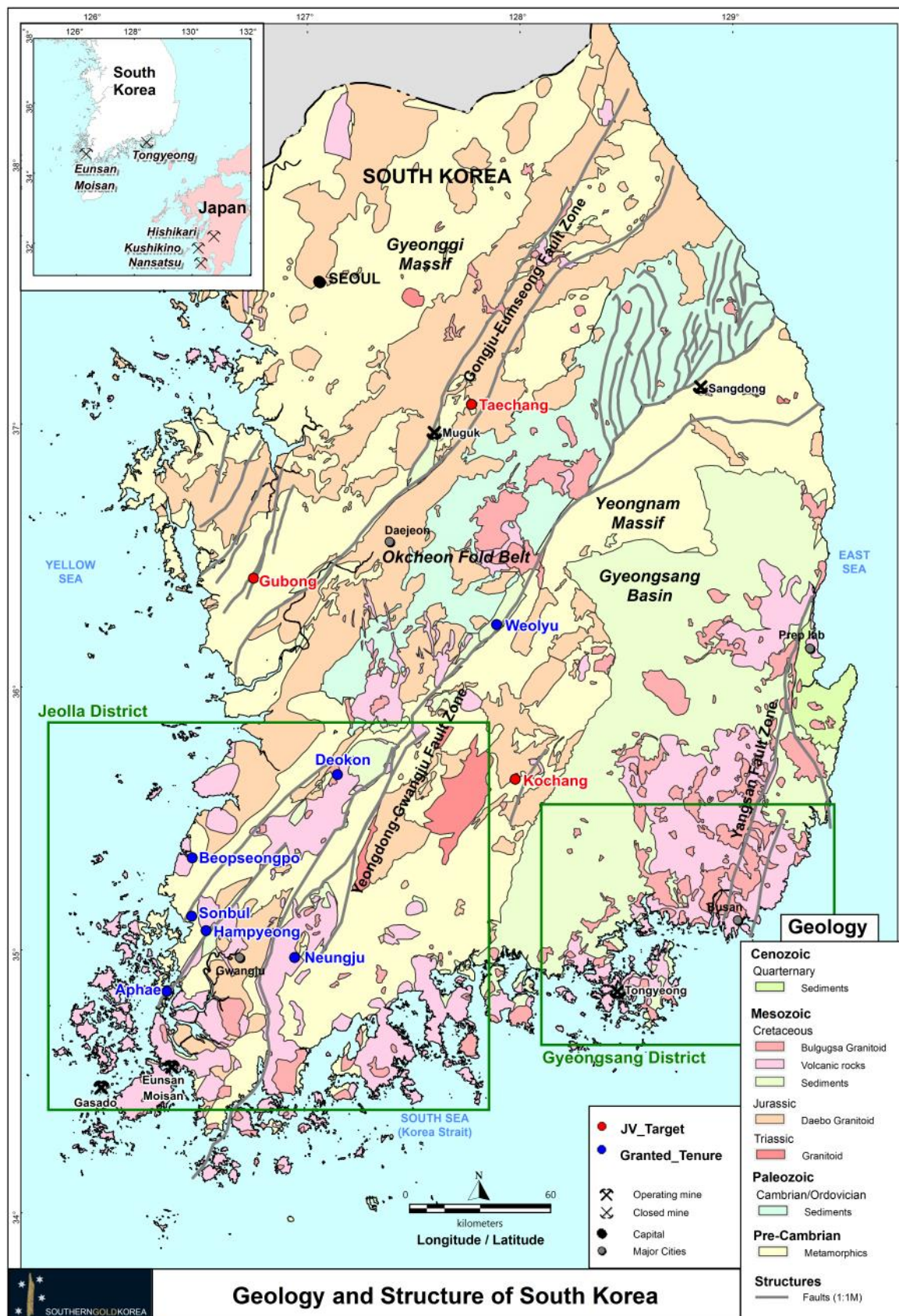


Photo 12: Drilling of HPDD002 at the Hampyeong Project.



Broad intervals (>10m) of A'Cha quartz vein breccia and anomalous gold were intersected in all three drill holes. The A'Cha Vein is a deep-level, low-sulphidation epithermal quartz vein and vein breccia system hosted predominately by sericite-illite-pyrite \pm silica altered felsic volcanics and volcanoclastics. Vein textures indicate multiple phases of vein development and hydraulic brecciation with minor pyrite and trace sphalerite and galena present in certain phases of veining.

In addition, during the quarter rehabilitation of the existing drill pads and access tracks was completed and registered with the county as per Southern Golds operating conditions. A local tree planting contractor was selected to perform the site earthworks and tree planting (**Photos 13 & 14**).

Photo 13 & 14: Established pine trees planted with grass at Pad 2 (left) and Pad 4 (right).



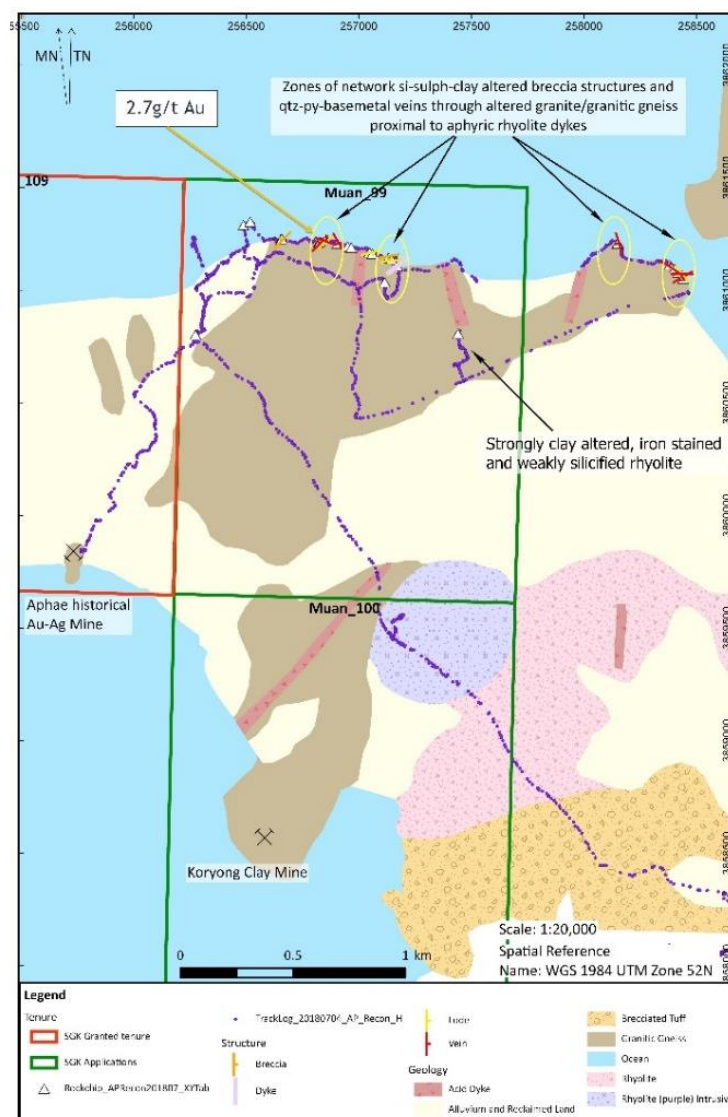
The rehabilitation includes indigenous pine trees planted on a 2m grid. The trees planted were also mature saplings up to 1.5m high. Consultation was also conducted with the land owner representative

who was also satisfied with the rehabilitation work. SGK will also conduct its own drone images to use as before/after with images taken over the period SGK hold the tenement.

Aphae

The Historic gold mine at Aphae was granted in late March this year (Muan 109 tenement) with additional applications underway (**Figure 15**). The focus of works at Aphae during the quarter were to sample historically noted (Ivanhoe Mines) quartz base-metal veins within altered granite along a coastal exposure northeast of the granted Muan 109 tenement. Sampling was conducted to test the geochemistry of veins and silica-sulphide-clay alteration with the aim to convert applications to exploration tenure. The Aphae field works consisted of a ~2.3km coastal traverse approximately two kilometres to the northeast of the historic Aphae Gold Mine. Sampling concentrated on sulphide-silica-clay altered quartz-sulphide veined tectonic breccia to lode zones within a granite host. Alteration, brecciation and veining is consistently proximal to through-going fine-grained, aphyric, sulphidic rhyolite dykes. It is hypothesised that these rhyolite dykes are the drivers of fluid flow and the heat source for hydrothermal alteration observed. Field work identified peak outcrop grading 2.68g/t Au.

Figure 15: Aphae tenements



Neungju

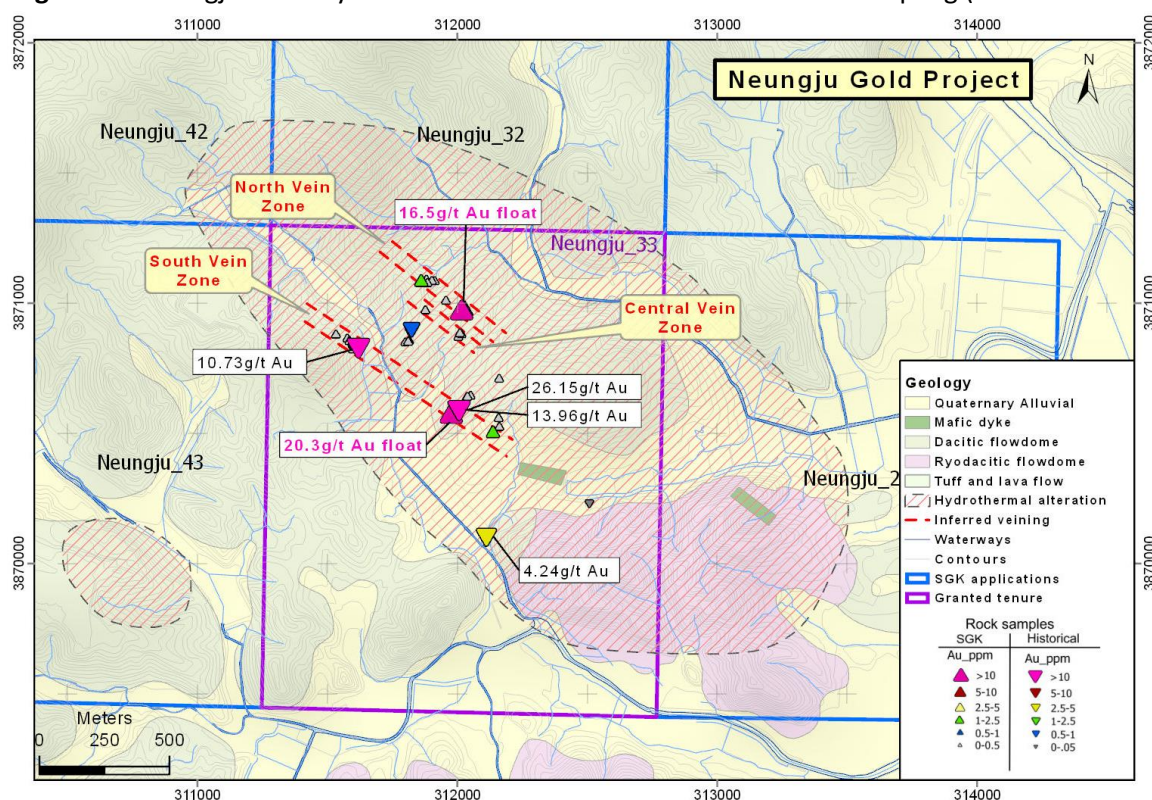
A new tenement, Neungju 33, was added to Southern Gold's portfolio of high-quality assets and is interpreted as a large low-sulfidation epithermal gold-silver prospect. The Neungju project is located approximately 25km south-east of Gwangju city in the southern Jeolla Province, in the southwest of the country. The region hosts several known gold occurrences including the currently operating Eunsan-Moisan gold-silver mine just 70km to the south-east.

Following the granting of the Neungju licence, field work has identified a new outcropping vein within the central zone, measuring up to 1.5m wide and projected to 700m strike length, returning grades up to 1.36g/t Au from outcrop and previously up to 16.5g/t Au from float samples (**Figure 16**).

As reported during the Quarter (ASX release 4th September) field work identified large zones of hydrothermal alteration and multiple vein corridors each of which show wide zones of veining over 100's of metres along strike length and sampling produced a number of new rock samples with peak grades up to 20.30g/t Au and 163g/t Ag.

A soil sampling program was completed and identified a weak geochemical anomaly along projections of previous and newly discovered outcropping veining.

Figure 16: Neungju 33 assay results from historic and recent SAU rock sampling (insitu and float).



Sonbul

The historic Sonbul Gold Mine is a Cretaceous rhyolite dyke-related and dyke-hosted, gold-silver mineralised, low-sulfidation epithermal silicified lode and quartz vein system, hosted within basement mica schist and meta-sediments with a potential strike length of at least 1.1km.

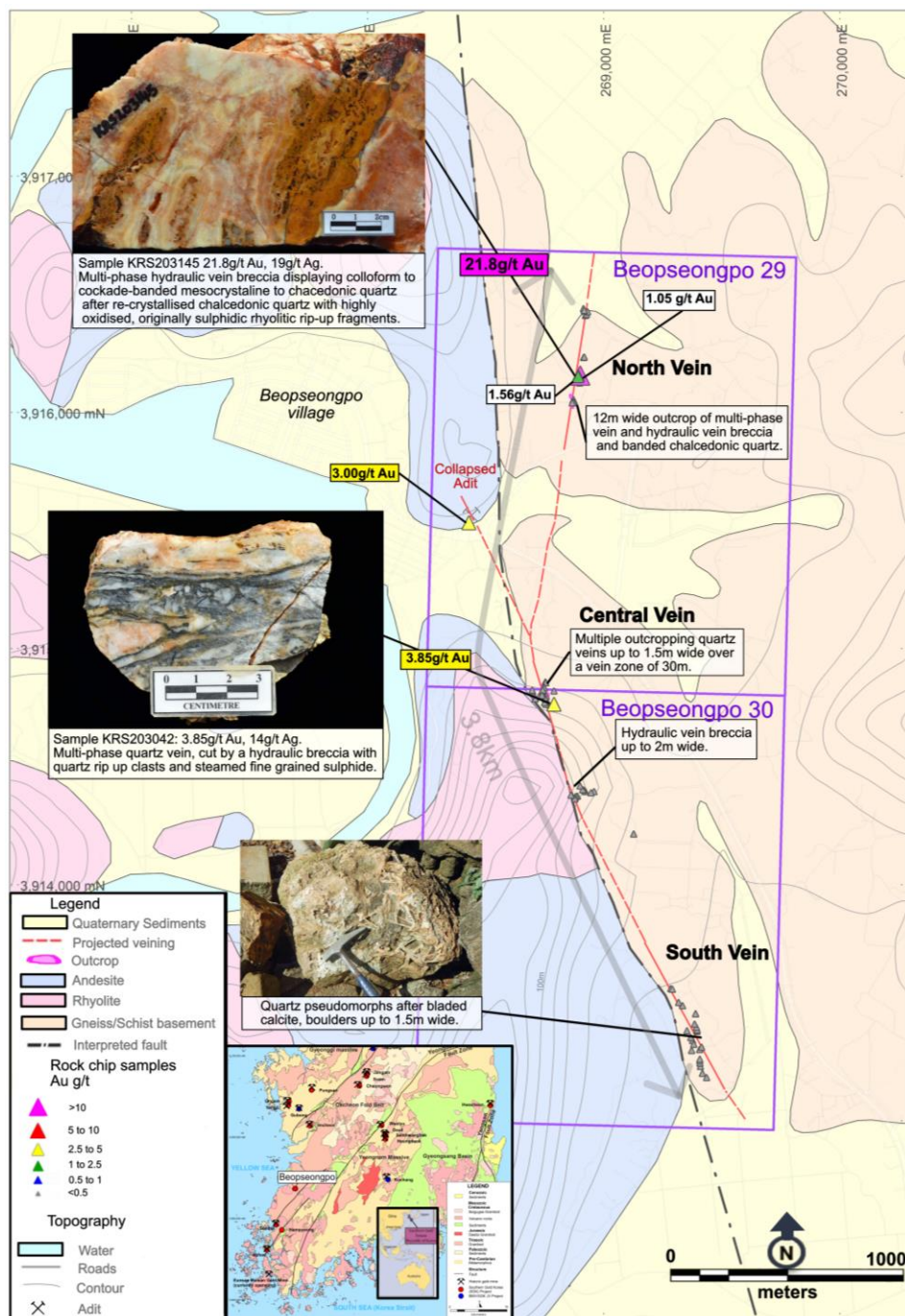
The Sonbul results to date (ASX release 3rd September) including historical mining, drilling and recent Southern Gold sampling, are very encouraging. The recent work by Southern Gold has validated the

Beopseongpo

Two new tenements (Beopseongpo 29 & 30) were granted 100% to Southern Gold at the Beopseongpo gold-silver epithermal project (ASX Release 19th July). Recent rock chip sampling of vein outcrop and float material returned grades up to: **21.8 g/t Au and 19 g/t Ag** (float); **3.0g/t and 1 g/t Ag** (outcrop). The vein system has been traced for 3.8 km along strike (**Figure 18**) with quartz vein textures and mineralogy indicate veining is high-level low-sulphidation epithermal style.

The Beopseongpo Project is located approximately 40km east-northeast of Gwangju city (**Figure 5**) in the southern Jeolla Province, in the southwest of the country. The region hosts several known gold occurrences including the current Eunsan-Moisan operating gold mines to the south.

Figure 18: Beopseongpo locality and sampling.



Veining is hosted within both basement granitic gneiss/schist and rhyolitic dome tuff facies volcanics (**Figure 18, and Photos 19 & 20**). The vein corridor is up to 30 metres wide in known exposed width and hosts at least three quartz veins between one and two metres in width, with numerous subordinate parallel vein sets.



Photo 19: KRS203143. 0.38 g/t Au, <1 g/t Ag. Hydraulic vein breccia comprised of angular rhyolitic wall-rock fragments set in a white mesocrystalline quartz flood matrix. North Beopseongpo Vein Segment.



Photo 20: KRS203114. Results below detection limits. Multi-phase vein sample comprised of rhythmically banded chalcedonic silica with a core of chalcedonic quartz cemented quartz pseudomorphs after bladed calcite. Central Beopseongpo Vein Segment.

Gold-silver anomalism show relationships associated with quartz textural and absolute elevation differences (the original paleo-water table) along this extensive vein system. The northern vein segment with the most anomalous gold values is at a lower elevation than the central and southern vein segments.

Beopseongpo is a regional farming community with large areas of seasonal crops with defined growing periods and SAU will work around these timings to minimise any impacts. During the colder periods, the farms are fallow and the opportunity to drill is less intrusive to the community. A preliminary scout diamond drill program has been designed to test the mineralisation model down dip and confirm strike continuity after further regional mapping and sampling exercises.

Weolyu

A preliminary design for diamond drilling at Weolyu from underground using a small man portable 'MetreEater' drilling rig has been completed (**Figure 21**). The purpose is to leverage the current old workings to further delineate the Weolyu gold-silver epithermal system using reasonably close spaced drilling, effectively and economically. Due to the rugged nature of the area and small profile workings utilisation of smaller drilling equipment is necessary.

The project is aiming to use both BQ and NQ sized drill core to trial the effectiveness of the machine for short and longer holes within the tight confines. It is anticipated that this program may not be able to be started before the winter period when it will be difficult to proceed with drilling at Weolyu given the difficult access. Planning and preparation will be made to commence as early as possible with commencement post winter thaw in the first quarter next year.

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 developing a small underground operation where Northern Star Resources Ltd holds a five year right-to-mine. Southern Gold is also looking to develop a much larger mine, Gubong, in South Korea within the next 12-18 months with development partner London-listed Bluebird Merchant Ventures.

We are also active explorers. Around Kalgoorlie Southern Gold is testing projects such as Glandore, Transfind Extended and Cowarna looking for additional small high-grade open pit-able gold resources to maintain cash flow. 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 targets. Backed by a first-class technical team, including renowned geologist Douglas Kirwin, Southern Gold's aim is to find world-class epithermal gold 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 in South Korea has been compiled under the supervision of Dr. Chris Bowden (FAusIMM(CP)). Dr Bowden, who is a full-time employee of Southern Gold Limited and a Fellow and Chartered Professional 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. Dr Bowden 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 Exploration Results in Australia has been compiled under the supervision of Dr. Justin Gum (MAIG). Dr. Gum who is an employee of Southern Gold Limited and a Member of the Australasian Institute of Geoscientist, 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. Dr. Gum 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SOUTHERN GOLD LIMITED

ABN

30 107 424 519

Quarter ended ("current quarter")

30 SEPTEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(480)	(480)
(b) underground exploration at Cannon	-	-
(c) production	-	-
(d) staff costs	(389)	(389)
(e) administration and corporate costs	(410)	(410)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,277)	(1,277)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(31)	(31)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(31)	(31)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	250	250
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	250	250

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,080	2,080
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,277)	(1,277)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(31)	(31)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	250	250
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	Cash and cash equivalents at end of period	1,025	1,025

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	179	132
5.2 Call deposits	846	1,948
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,025	2,080

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

137

-

The amount at 6.1 comprises Director fees paid to Directors, or related entities of the Directors, during the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(180)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(360)
9.5 Administration and corporate costs	(299)
9.6 Other (JV contributions)	(250)
9.7 Total estimated cash outflows	(1,089)

Cash Funding anticipated for the next quarter:

- A placement raised \$1,026,000 before costs (refer ASX announcement 12/10/18 and Appendices 3B lodged 15/10/18 and 16/10/18)
- The Company will lodge an R&D Tax Incentive claim for \$174,000 in early November 2018.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	HERON BULONG EAST JV: M25/0210 P25/2062 P25/2252 P25/2253 P25/2254 P25/2255	Mining Lease Exploration lease Exploration lease Exploration lease Exploration lease Exploration lease	80% 80% 80% 80% 80% 80%	- - - - - -
10.2 Interests in mining tenements and petroleum tenements acquired or increased	South Korea: Beopseongpo (201028 & 201029) Jeonju (201040 & 201041) Neungju (201042)	Exploration lease Exploration lease Exploration lease	- - -	100% 100% 100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date:31/10/2018.....
(Company Secretary)

Print name:Dan Hill.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.