



Quarterly Activities Report

31 March 2015

Highlights

Corporate

- Oversubscribed private placement raised \$1.05 million before costs.
- Simon Mitchell commenced as Managing Director.
- Cash at 31 March 2015 was \$1.2 million with expectation of additional funds from Research and Development tax refund in the next quarter.

Cannon Resource Development

- Regulatory approvals for current mine design completed with on ground activities possible as soon as contractor selection is finalised.
- Grade control and sterilisation drilling completed with some follow up grade control drilling required where additional mineralisation was defined.
- Block modelling of grade control results commenced with optimised pit design and financial model to follow in May 2015.
- Infrastructure build has commenced with the first stage of rail crossing installation completed.

Upcoming Quarterly Outlook

- Finalise contractor selection.
- Finalise optimisation of Cannon Gold Resource Mine Design.
- Water bore field to be established to support mine operations.
- Commence pre-strip and mining at Cannon Gold project. (subject to approval of the Operations Committee)
- Commence drill evaluation of Tier 1 exploration drill targets.

ASX Code: SAU

Issued Shares: 527.6M

ABN: 30 107 424 519

Directors

Greg Boulton AM

Simon Mitchell (MD)

Michael Billing

David Turvey

Top Shareholders

Silver Lake Resources Ltd 8.20%

G B Branch 4.45%

PS Super Nominee 3.79%

JP Morgan Nominees 3.44%

G Boulton 2.07%

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Significant progress was achieved during the March quarter in progressing Southern Gold’s (“the Company, “SAU”) flagship Cannon Project towards the commencement of production.

Cannon is 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).

PRE-DEVELOPMENT ACTIVITIES

Permitting and Schedule

Recent significant progress of permitting the Cannon Project in readiness for commencement of mining in 2015 has culminated in receipt of approvals for the Mining Proposal, Closure Plan and Vegetation Clearing Permit. In addition to these mining-related approvals, Miscellaneous Licence L25/43 has also been granted which will enable vehicles and equipment to access the site in support of mining operations.

The recent receipt of these approvals and the grant of L25/43 means that the project is now fully permitted and can now move to on-ground activities as soon as contractor selection and the revised financial model for the operation are finalised.

Table 1: Revised Pre-Development/Permitting Schedule*

ACTIVITY	FINALISED	JAN	FEB	MAR	APR	MAY	JUN	JUL
Project Funding	✓							
Permitting								
- Project Management Plan	✓							
- Miscellaneous Licence (L25/38)	✓							
- Mining Proposal	✓							
- Environmental Management Plan	✓							
- Closure Plan	✓							
- Vegetation Clearing Permit (L25/43)	✓							
- Miscellaneous Licence (L25/48)								
- Vegetation Clearing Permit (L25/48)								
Pre-Development								
- Grade Control Drilling	✓							
- Sterilisation Drilling	✓							
- Follow up Grade Control Drilling								
- PFS and Mine Design optimised								
- Mining Proposal Variation								
- Project Management Plan Variation								
- Haul Road construction								
- Railway crossing construction								
- Pre-strip/Mining commence								

Two additional miscellaneous licences have also been applied for (L25/50 and L25/51) to enable a bore field to be developed (Figure 1). The bore field is part of a risk management strategy in the event that the open pit and surface sources fail to supply sufficient water for dust suppression purposes.

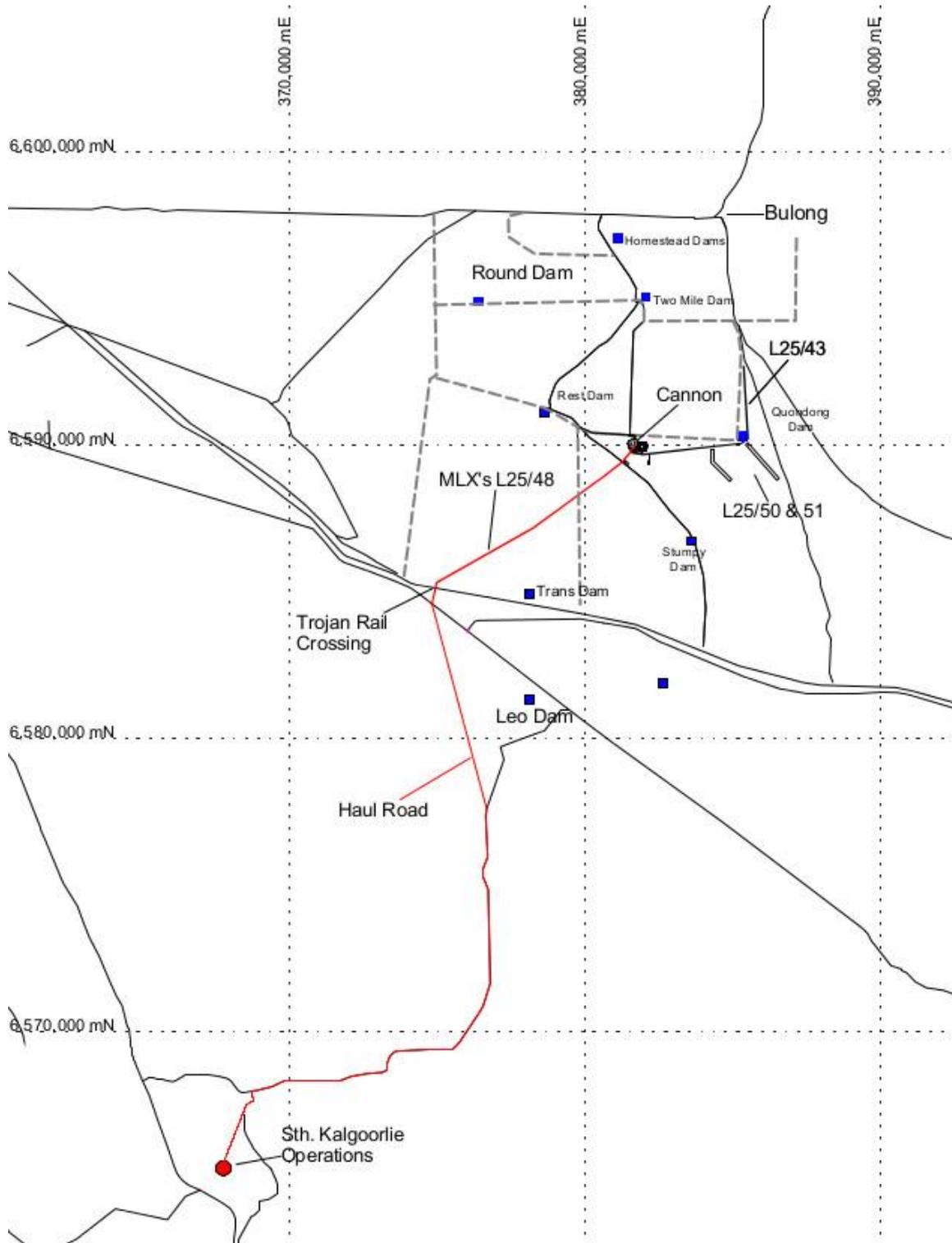


Figure 1: Cannon Access Route to Metals X South Kalgoorlie Operations

Drilling

Grade control (2,848m) and sterilisation drilling (3,809m) was completed early in the quarter with significant near surface results obtained (ASX release 10 March 2015 for details). Key results from the grade control drilling programme included:

- 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 CAGC042);
- 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 mineralised lenses of variable width.

Table 2: Example Grade Control Intercepts (see Figures 1 as an example)

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

The sterilisation drilling covered the intended surface area of the waste dump to the east of the Cannon pit. No significant results were obtained and the area is now confirmed as a suitable site.

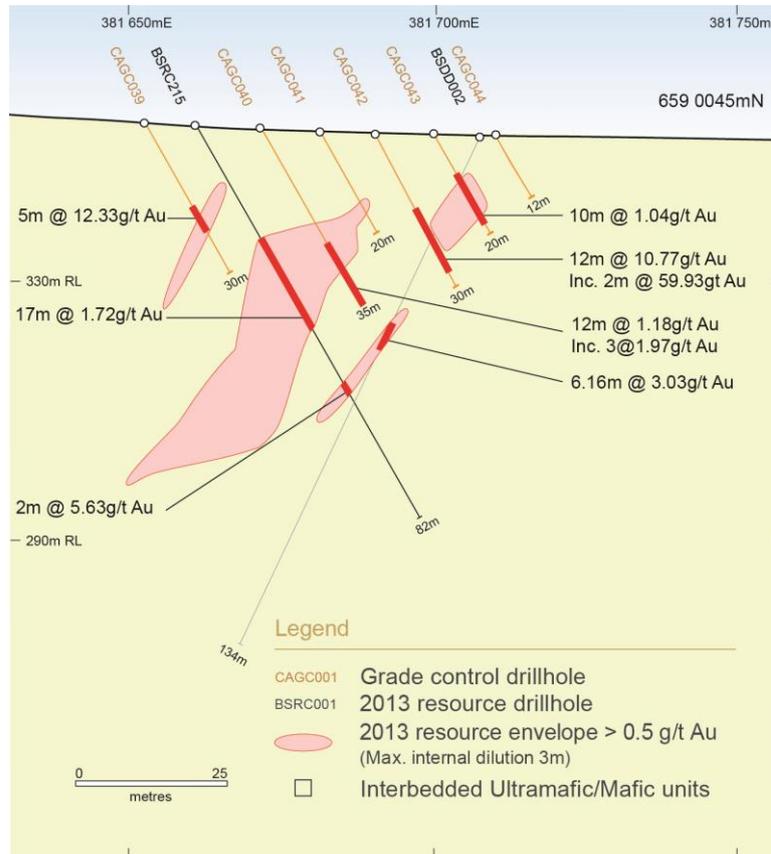


Figure 2: Example Grade Control Section – 6590045mN

Other Activities

Significant progress has been achieved with a number of activities in support of commencing mining at Cannon. This work has been undertaken by Metals X and includes:

- Commencing the remodelling of the near-surface portion of the Cannon resource utilising the grade control data;
- Engaging Australian Rail and Track Corporation (ARTC) to install a fully automated rail crossing at Trojan ca. 8.5km to the southwest of Cannon. (Figure 1);
- Completion of heritage and flora surveys in relation to the permitting of miscellaneous licence L25/48, which will link the Cannon mine to the Trojan rail crossing;
- Short-listing potential contractors for the provision of mining, blasting and haulage services to the mine, and
- Submission of a revised Project Management Plan to the Department of Minerals and Petroleum due to changes to the final mine design (Figure 3).

Upcoming Cannon Project Work Programs

In conjunction with Metals X, the Southern Gold team is now focused on:

- Finalising the pit optimisation, mine design and financial model;
- Engaging mining, drill and blast and haulage contractors;
- Follow up grade control drilling designed to close off mineralisation defined in the pit shell;

- Completion of access agreements and permitting variations in relation to an alternative haul route;
- Finalise installation of railway signalling infrastructure at Trojan;
- Finalise contractor selection for the mining activities;
- Construction of light and heavy vehicle access, and
- Undertaking preliminary water bore field works.

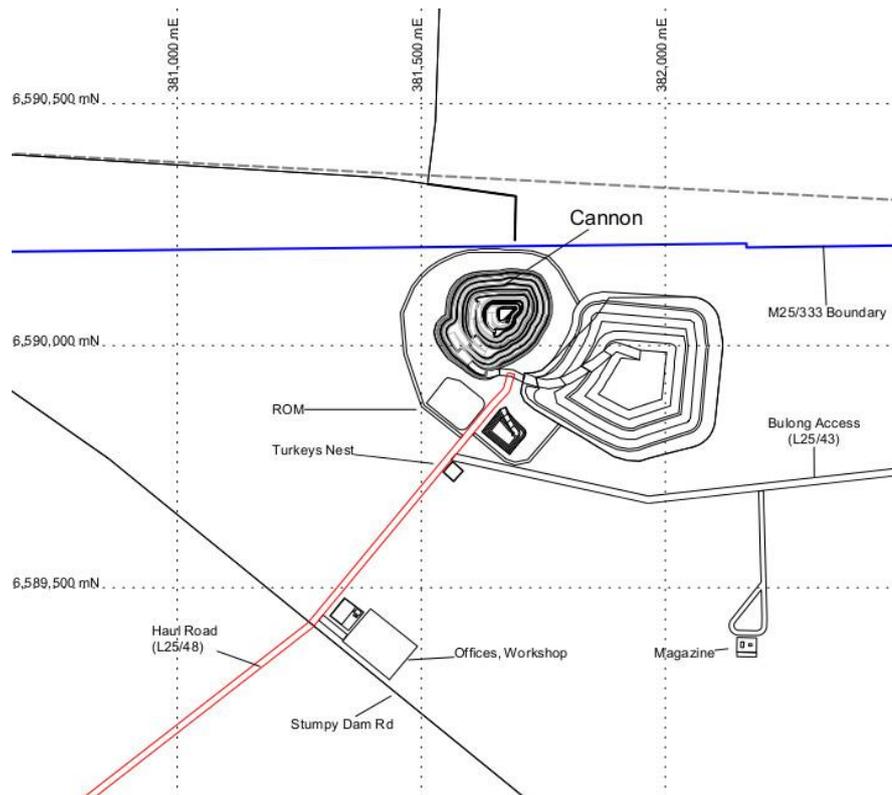


Figure 3: Cannon Revised Surface Layout

Exploration

A detailed re-assessment of the potential for targets such as Arsenal, Tooting Bec and Railway South was undertaken with drill programmes designed and Programmes of Work lodged with the DMP. The Company believes that success from this work has the potential to translate into resource growth, prolonging the life of the Cannon Mine. The aim is to identify near mine mineralisation that will enable the Company's resource inventory to grow and potentially tie in with the upcoming development. More detail on these programmes will be provided prior to the commencement of drilling, expected in the next few months.

Corporate

Southern Gold's new Managing Director, Mr Simon Mitchell, commenced during the quarter. After a period of meeting the key stakeholders, including major shareholders, project partners and potential new investors, a capital raising was completed which raised \$1.05 million before costs. The offer was well supported by investors and was well oversubscribed. Investors included both current major shareholders and new sophisticated investors. The company intends to lift promotional activity into the coming months and increase the profile and awareness of the company at industry recognised conferences.

CONTACT

For further information contact:

Simon Mitchell

Managing Director

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Recent ASX releases relevant to In this release

Prefeasibility Study Results, 28 August 2013

Optimisation Study Results, 13 February 2014

Cannon Gold Resource – Grade Control Drilling Affirms Current Resource Model, 10 March 2015

Oversubscribed Private Placement raises \$1.05 million, 18 March 2015

Cannon Mine Pre Development Update, 27 April 2015

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 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 a full time 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 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98

Name of entity

SOUTHERN GOLD LIMITED

ACN or ARBN

ACN 107 424 519

Quarter ended ("current quarter")

31 MARCH 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to Date \$A'000
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for		
(a) exploration and evaluation*	(266)	(836)
(b) development	(2)	(20)
(c) production	0	0
(d) administration	(263)	(593)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	2	8
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Other	1	7
* net of JV reimbursement of expenses		
Net Operating Cash Flows	(528)	(1434)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	0	0
(b)equity investments	0	0
(c) other fixed assets	0	0
1.9 Proceeds from sale of:		
(a)prospects	0	0
(b)equity investments	0	0
(c)other fixed assets	0	0
1.10 Loans to other entities	0	0
1.11 Loans repaid by other entities	0	0
1.12 Other – contribution received from Mekong Minerals	92	363
Net investing cash flows	92	363
1.13 Total operating and investing cash flows (carried forward)	(436)	(1071)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(436)	(1071)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1014	1302
1.15	Proceeds from sale of forfeited shares	0	0
1.16	Proceeds from borrowings	0	500
1.17	Repayment of borrowings	0	0
1.18	Dividends paid	0	0
1.19	Other - prospectus issue costs (placement)	0	0
Net financing cash flows		1014	1802
Net increase (decrease) in cash held		578	731
1.20	Cash at beginning of quarter/year to date	629	476
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1207	1207

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	111
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

The amount at 1.23 comprises salaries, director fees and consulting fees paid to directors or related corporations of directors of the Company during the Quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Mekong Minerals \$92,000 at item 1.12

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	500	500
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	192
4.2 Development	192
4.3 Production	-
4.4 Administration	150
Total	534

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	21	28
5.2 Deposits at call	1186	601
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1207	629

Changes in interests in mining tenements

		Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
			(note (2))		
6.1	Interests in mining tenements relinquished, reduced or lapsed				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities (description)	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	527,624,224	527,624,224	N/A	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	105,000,000	105,000,000	1.0	Fully Paid
7.5	+Convertible debt securities (description)	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	1,000,000 1,930,000 18,333,322 6,000,000	- - 18,333,322 -	Exercise Price 10.5 6 1.5 2.5	Expiry Date 1 December 2015 15 October 2017 30 November 2015 30 November 2019
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter Cancelled during quarter	Nil Nil			
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals)	Nil			

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Print name: Dan Hill
Company Secretary

Date: 29 April 2015

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.