



Shares on Issue: 49.15m
Share Price: \$0.245
Market Capitalisation: \$12.0m

Asset Base – WA, Australia
Cannon Gold Mine (100%)
Glandore Gold Project (75%*)
Cowarna Gold Project (100%)
Transfind Extended (Option)
*currently earning 90%

Asset Base – South Korea
Gubong Project (100%*/BMV)
Taechang Project (100%*/BMV)
Kochang Project (100%*/BMV)
Weolyu Au-Ag Project (100%)
Hampyeong Au-Ag Proj. (100%)
Aphae Au-Ag Project (100%)
*Currently under BMV farm-in

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Excellent recovery results from preliminary metallurgical test work for the Gubong Gold Project, South Korea

- Southern Gold joint venture partner Bluebird Merchant Ventures Ltd has completed preliminary metallurgical test work at the Gubong project.
- The work has indicated excellent gold recovery using vat leach processes with potential for further improvements through gravity recovery.
- Desk top study results suggest that a low capital and operating cost processing facility may be possible.

Southern Gold – Bluebird Merchant Ventures JV

Southern Gold Ltd (“Southern Gold”) advises that its development partner, London Stock Exchange listed Bluebird Merchant Ventures Ltd (“Bluebird”), has completed its initial metallurgical test work program for the Gubong Gold Project in the Republic of Korea.

Bluebird is currently investing a total of US\$1 million in the advancement of the historic Gubong and Kochang Gold Mines principally by defining a development framework to advance the projects on a capital cost of less than US\$10 million. See Southern Gold ASX release dated 27 March 2017 for further details.

Bluebird Metallurgical Testwork

Bluebird metallurgical testing carried out on a Gubong oxide gold ore sample obtained from the upper levels of the old workings used a simple process known as vat leaching that yielded recoveries of more than 90%.

The evaluation considered conventional leach, carbon-in-leach (‘CIL’) and carbon-in-pulp (‘CIP’) processes that are considered suitable for this type of gold mineralisation. The preliminary test work indicated the vat leach system would provide equivalent recoveries to the other methods but at a lower capital and operating cost. Vat leaching is a well-known and cost-effective processing route, whereby crushed or uncrushed ore is placed in a series of containments known as vats and irrigated with a solution to recover the desired metal into solution. The process may be highly mechanised, reducing the cost of labour and there is no requirement for milling (reduction of ore in size to a powder) thereby greatly reducing power consumption.

Southern Gold Managing Director, Mr Simon Mitchell: *“While these initial metallurgical test work results are very encouraging it is important to bear in mind that they are of a very preliminary nature. Much work remains to be done to characterise the Gubong deposit, the ore type and its response to different processing methods, but these first stage results are providing the project with a low-risk pathway to production where capital intensity and operating costs can be kept very low. Southern Gold looks forward to the Report on Feasibility due in July 2018.”*

Future Work

First stage test work using enhanced gravity separation has indicated gold recovery by this method to be cost effective. Additional test work will be conducted to further optimise gravity recovery as a potential processing route.

A sample of Gubong tailings (material that has been processed during previous operations), has been received and is being subjected to preliminary diagnostic tests. Results to date indicate high recoveries of over 90% are possible from the average tailings head grade of 1.1 g/t gold. Reprocessing of old tailings albeit at lower grade than mined ore, has the potential to be cost effective as there is lower costs involved in the reclamation of such tailings. However, it is important to highlight that there can be significant challenges in tailings reprocessing operations, including accurate characterisation of the gold endowment, regulatory hurdles in disturbing historically rehabilitated material and sensitivity to disturbance of tailing impoundment by the local landowners.

Regarding the potential of new underground gold ores, additional samples are intended to be obtained later from other areas of the mine as it is dewatered, and these additional samples will be used to verify the results obtained so far. The key objectives of this test work were to form part of the economic evaluation of the project, identify and assess the preferred processing method and provide guidance and direction for the next phase of the project evaluation, design, finance and execution.

A comprehensive sampling program is intended to be completed across all levels of the mine after dewatering is completed and full access established to provide bulk sampling for further metallurgical test work. This work will more closely determine density values across the ore, Bond work Index (BWI), rock strengths and a full suite of mineralogy.

Once this full review has been completed the most appropriate process route will be selected and optimisation test work will conclude the final detailed process design.

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 have sold a five year right-to-mine to Westgold Resources Ltd which has subsequently been acquired by Northern Star Resources Ltd. Southern Gold is also looking to develop two gold mines, Gubong and Kochang, in South Korea within the next 18 months with development partner London-listed Bluebird Merchant Ventures Ltd.

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 exploration 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.

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 release, except as may be required under applicable laws. Readers should make their own enquiries in relation to any investment decisions and obtain advice from a licensed investment advisor.