

\$1 Million Debt Drawdown Completed Debt Facility Documentation Fully Executed

- Debt drawdown of \$1 million taking total cash to \$1.56 million
- Funding to be directed at diamond drilling at Cannon Mine and RC drilling at Glandore

'Convertible Debt Facility' Drawdown

Southern Gold Ltd ("Southern Gold", ASX Code "SAU") has now executed legal documentation for the 'Convertible Debt Facility' announced to the ASX on 1 April 2016. Southern Gold has drawn down the full \$1,000,000 available under the debt facility and issued the following call options to the debt providers:

- 1,388,889 call options at \$0.32/share expiring on 30 June 2017, and
- 1,388,889 call options at \$0.40/share expiring on 30 June 2017.

The average call option strike price is therefore \$0.36/share and should all options be exercised \$1 million in funds would be payable to Southern Gold (i.e. the face value of the debt) and must be applied first to facility repayment if funds are still owed at the time of exercise. The options are unlisted and are not transferrable to third parties.

The other key terms of the debt facility are as follows:

- \$1,000,000 available as a single drawdown for a 2% arrangement fee;
- Unsecured and repayable by 30 June 2017 (i.e.: after cash flow from Cannon);
- 8% interest rate, calculated semi-annually in arrears payable in cash.

After the drawdown **Southern Gold's current unaudited cash position is approximately \$1.56 million.**

Use of Funds

The funds will be directed to:

- **Cannon Underground Target:** Diamond drilling outside the current pit shell with the intention of extending JORC resources below the Cannon open pit in preparation for potential underground mining; and
- **Glandore Project Farm In and Joint Venture:** RC drilling to advance the portfolio of new JORC resource targets at the new Glandore Project, 12 kilometres to the east of Cannon Mine, as announced to ASX on 3 April 2016.

Southern Gold Ltd Managing Director, Simon Mitchell, said: "this facility gives Southern Gold operational flexibility in regard to the development of additional production sources over the next 12 to 18 months. At the moment there is excellent 'bang for buck' in regards to drilling costs and I want to take maximum advantage of it without overtly diluting our shareholders. This facility allows us to complete important diamond and RC drilling on high quality targets with potential for JORC resource expansion in the near term."

ASX Code: SAU

Issued Shares: 36.53M

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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.