

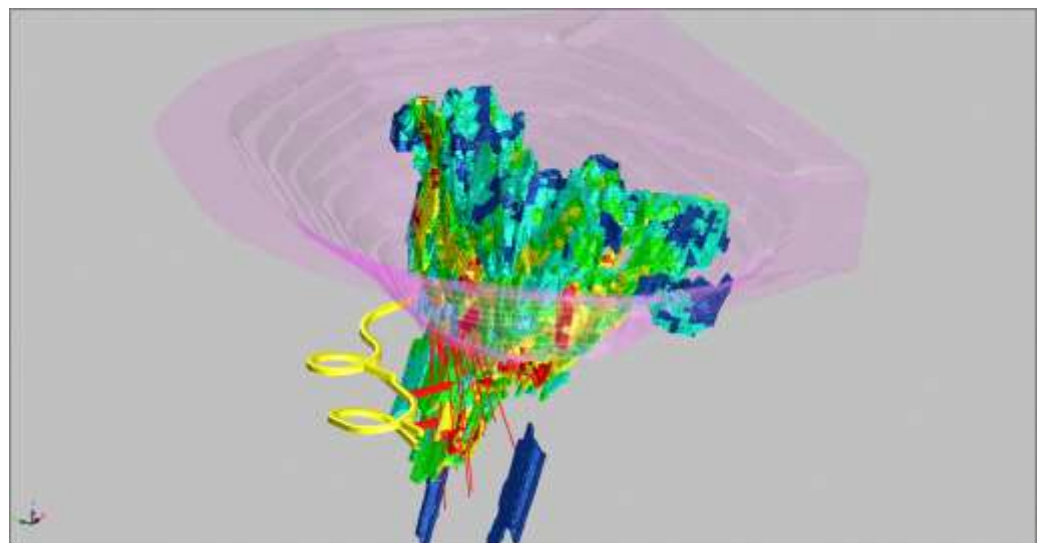
Underground mining focus with major RC drilling campaign at WA's Cannon Gold Mine

- Drilling designed to extend high grade (>5g/t Au) continuity over a 100m interval below the open pit
- Drilling will extend resource envelope, optimise proposed underground mine design and maximise underground ore extraction
- Results to feed into detailed underground mine design & costing process

Cannon gold mine moves to underground mining assessment

Australian gold producer, Southern Gold Ltd is pleased to announce the imminent commencement of a 2,170m Reverse Circulation (RC) drill programme at the Cannon gold mine, near Kalgoorlie, WA. This programme will be undertaken from the open pit access ramp to define and extend high grade gold zones below the base of the pit in support of future underground mine design. (**Figures 1 & 2**)

Figure 1: Cannon Gold Mine with open pit outline, block model grade distribution, conceptual underground mine design (yellow/red solids) and RC drilling (red traces)



The continuity of the gold at the base of the open pit makes the extension into an underground operation at Cannon a realistic opportunity and this drill programme will help to de-risk the proposed underground mine design and add confidence to projected economic outcomes.

Key objectives of the drilling programme include:

- Extending high grade gold zones along strike and confirm ore shoot geometry at depth particularly between the 240mRL and 140mRL;
- Confirming distribution of parallel mineralisation to support the cost of development and maximise ore extraction using backfill options;
- Boosting confidence in grade estimation below the Cannon pit and potentially extending the resource.



Shares Issued: 46.4M
Share Price: \$0.315
Market Capitalisation: \$14.8m
Unaudited Cash Est.: \$4.5m
Debt: Nil
Enterprise Value: \$10.3m

Directors

Greg Boulton AM (Chairman)
Simon Mitchell (MD)
Michael Billing
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
ABN: 30 107 424 519

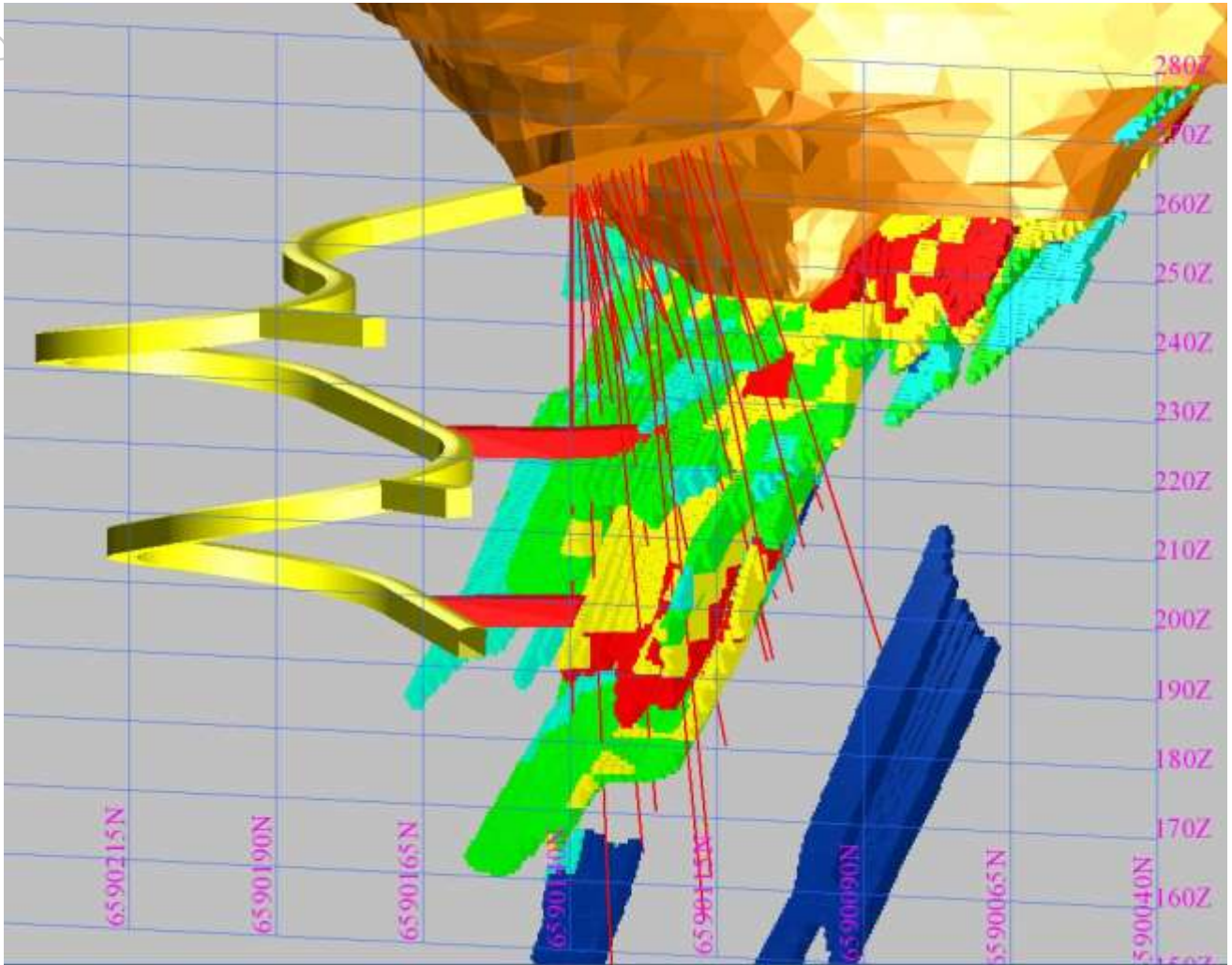
Postal Address

Southern Gold Ltd
PO Box 255
Kent Town SA 5071

Block Model Grade Legend for Figures

Au_ppm
0 - 0.299
0.3 - 0.699
0.7 - 0.999
1 - 1.499
1.5 - 2.499
2.5 - 4.999
5 - 9.999
10 - 9999.999

Figure 2: Oblique view of base of Cannon Pit (brown) with conceptual underground design (red/yellow solids) and currently defined block model (see grade scale on side bar on page 1) with RC drill traces (red lines).



Drilling Operations and Resource Definition

Drilling contractors are being deployed to site and operations will commence shortly. The programme consists of 27 drill holes for 2,170m of RC drilling and will take about 4 weeks, or until the end of July.

Southern Gold anticipates a new resource estimate below the open pit will be prepared once all gold assays from this programme are received. This updated data will feed into a new block model and ultimately a final optimised mine design enabling initial discussions with third parties in determining a way forward to underground mine at Cannon.

Cannon Gold Mine Underground Scenarios

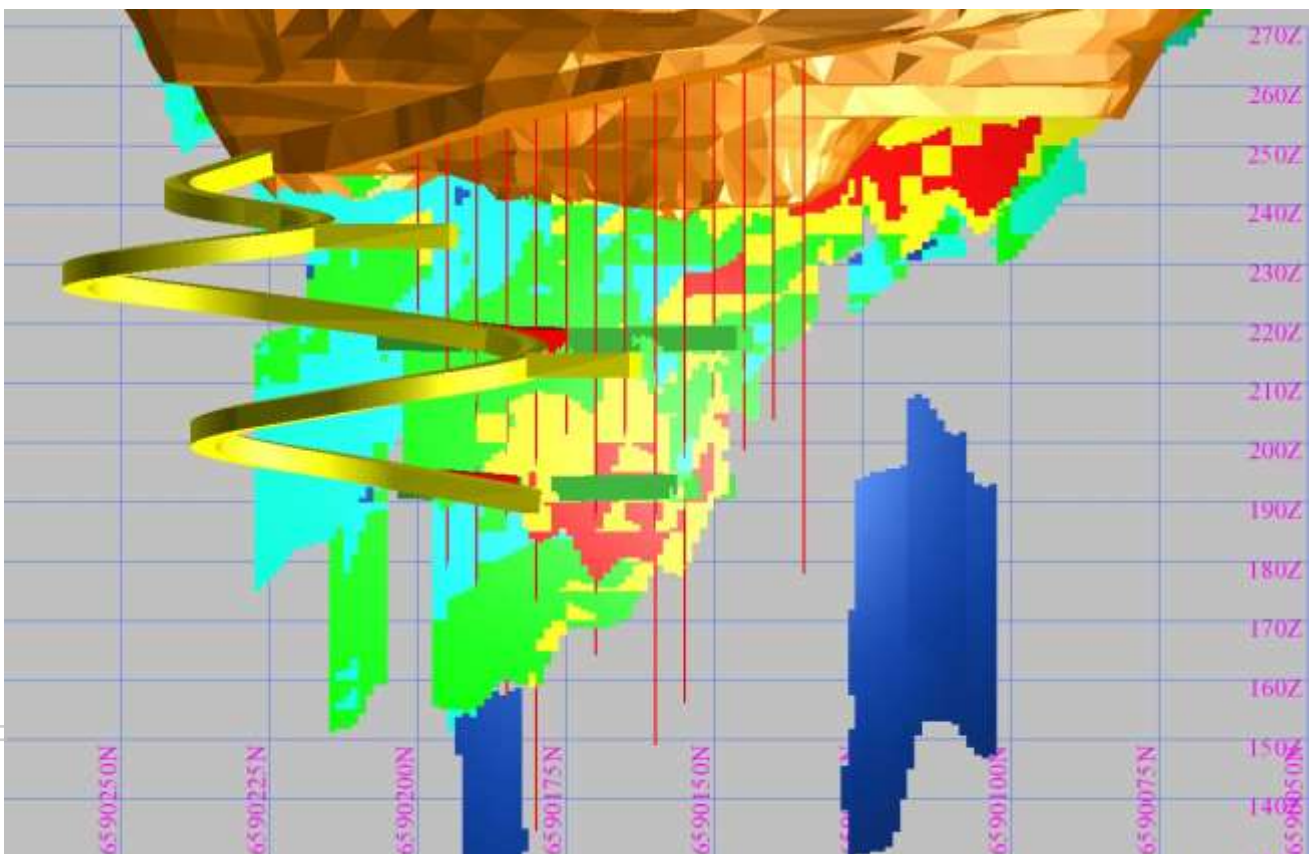
Southern Gold is reviewing a number of underground development scenarios at Cannon. This programme of RC drilling will provide critical information in support of mine design encompassing small-scale underground operations developing on at least 2 levels (possibly 3) and on at least 2 of the main parallel mineralised lodes.

Strategically, a small underground development will also assist the Company develop well positioned drilling platforms from which to test deeper targets at relatively lower cost, compared to drilling from surface. At

this time, Southern Gold is keen to test the deeper extent of the Cannon shear which hosts the majority of ore mined to date. Given the results of the deeper drilling completed last year, there is the potential for Cannon-style mineralisation to continue at depth. Importantly, higher grade lodes (>5g/t Au) continue below the pit and repeats of these lodes will be an important target to underpin longer term underground operations.

In terms of commercial arrangements, all options are under consideration, from profit share arrangements with third parties to go-it-alone developments using contractor arrangements. Southern Gold will update the market in due course on its preferred pathway forward being mindful of managing the risks that an underground gold mining operation presents.

Figure 3: Long section view of Cannon Pit (brown) looking east with conceptual underground design (red/yellow solids), currently defined block model (see grade scale on side bar on page 1) and RC drill traces (red lines).



Southern Gold Managing Director, Mr Simon Mitchell:

“We envisage an initial small underground operation at Cannon and this new drilling programme will fill in much of the detail required to take the proposal to the next stage. Underground mining is a substantially different technical challenge to open-cut mining operations and we are being careful to ensure that any underground proposal rests on solid resource definition and profitable economics. While open-pit mining operations have ceased (mined ore is still being processed), the underground upside offers an opportunity to move forward relatively quickly with a new phase of mining at Cannon. Essentially, this new site work is an underground ‘grade control’ programme but should it be successful, it will have significant strategic implications for Southern Gold.”

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 projected to produce around 50koz gold by open pit methods. Mining at Cannon is being conducted by Westgold Resources Ltd, which financed and developed the deposit under a 50/50 profit share arrangement. Westgold is responsible for all mining, haulage and processing activities.

Southern Gold is also exploring at projects such as Glandore, Transfind Extended and Cowarna, looking for additional small high grade open pit-able gold resources and potential new discoveries.

In addition to its cornerstone position in Kalgoorlie, Southern Gold owns a portfolio of high grade gold projects in South Korea. These projects are a combination of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold targets. Southern Gold's aim is to move one or more of the orogenic gold mines such as Gubong and Taechang into production in the short to medium term utilising the technical expertise of its joint venture partner and London Stock Exchange listed Bluebird Merchant Ventures as well as explore for world-class epithermal gold deposits.

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.