

Multiple access points located by development partner Bluebird Merchant Ventures at Gubong, South Korea

- Several underground access points (adits) located at Gubong by LSE listed Bluebird Merchant Ventures Ltd
- One of the main access points at “Korean Main Adit” has been opened from above to test quantity and quality of retained water
- Dewatering and physical access to commence shortly

Important Milestone Reached by our Development Partners

Australian gold producer, Southern Gold, is pleased to advise that its wholly-owned subsidiary, Southern Gold Korea (SGK) has received notification from development partner, London Stock Exchange-listed Bluebird Merchant Ventures Ltd (‘Bluebird’), that it has made good progress in locating historical access points at the Gubong Gold Project in South Korea. This work has been conducted under the farm-in phase of the Farm-In and Joint Venture Agreement signed with Bluebird in March this year (see ASX Release 27 March 2017).

The location of access points has been done by combination of referral to historical maps, the use of ground penetrating radar and advice from local community members, some of whom worked at the mine in the 1960’s. Photos 1 and 2 below are of the main Decline Shaft.

Photo 1 and 2: The entrance to Decline Shaft being excavated.



Bluebird has advised that in addition to the Decline Shaft, access points have also been located at Korean Main Adit #2, Adit #3 and Adit #4 (**Figure 1, next page**).

Early indications are that some effort has been made to close off the mine with rubble or soil fill that will require excavation. Bluebird does not anticipate this being a significant impediment to progress.

Shares Issued: 47.3M

Share Price: \$0.26

Market Capitalisation: \$12.3m

Unaudited Cash Est.: \$6.0m

Debt: Nil

Enterprise Value: \$6.3m

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Figure 1: Historical map showing topograph and underground mine workings with Bluebird annotated labels for the various access points and drives. Decline #2, Adits #2, #3 and #4 have been located so far (red circle).

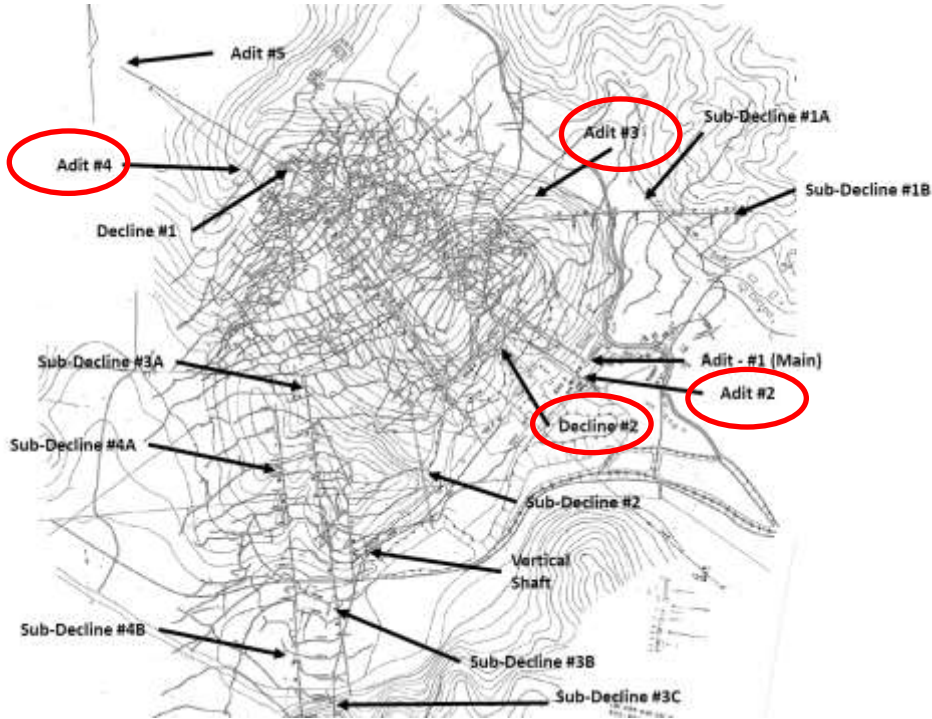


Figure 2: Google Earth image draped over the historical underground mine workings.



What Next?

Bluebird is taking a careful approach to the management of retained water inside the blocked adits. The water will be tested and then ultimately pumped out enabling the removal of the rubble blocking the entrances. The water detected in the Korean Main Adit is not under pressure and appears at this stage to be relatively benign. Because this section of the mine is above the water table it is expected to be a simple process to dewater and gain underground access from this point.

Once underground access has been gained, ground conditions will be studied carefully and survey work completed to establish a good baseline for future work. In due course the Bluebird team will begin mapping and sampling the dry areas of the mine to establish the extent of remnant ore available either in partially completed development or left behind by previous workers.

Figure 2 illustrates the multi-kilometre scale of the mine and the significant amount of underground mine workings. Bluebird and Southern Gold believe there is a significant dollar value embedded in these extensive workings and provides the development partners with the opportunity to advance the project forward much more rapidly than would conventionally be the case with a Greenfield development.

It is expected that, given the much lower gold prices prevailing at the time of mine closure, that much of what was not considered ore during that period will be economic today but much work remains to be done to quantify and confirm this.

Southern Gold Managing Director, Mr Simon Mitchell:

“Bluebird is making very good progress at the Gubong Gold Project in South Korea. In what has been trying operating conditions with significant rainfall and having to work from old historical references, the Bluebird team have shown great perseverance and been rewarded by locating multiple access points into the mine. I have also been impressed with the professional way they have gone about their business and in particular being careful with retained water management and close engagement of the community.

Hats off also to our local Southern Gold Korea team who have been instrumental in establishing excellent relations with the county government and local community. This sort of work is always critical and will hold us in good stead for the long term progress of the project.

Once Bluebird get underground I think it will astound investors and analysts alike as to the scale of what we are dealing with at Gubong and the potential for a significant mining operation will start to become obvious. In the longer term we believe Gubong will evolve into a significant company building asset.”

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. An underground mining phase at Cannon is currently being assessed.

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 Limited as well as explore for world-class epithermal gold deposits.

Competent Person's Statements

The information in this report that relates to Exploration Results has been compiled under the supervision of Mr. Justin Gum (MAIG). Mr 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. Mr Gum 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 has been compiled under the supervision of Dr Chris Bowden (FAusIMM(CP)). Dr Bowden, who is an employee of Southern Gold Limited and a Fellow and Chartered Professional of The Australasian 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 Exploration Results, 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.

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.