

6 May 2019

Mr Alex Sutton
Compliance Advisor
Listings Compliance (Sydney)
ASX Limited

By Email: ListingsComplianceSydney@asx.com.au

Dear Mr Sutton

Re: Southern Gold Limited ('SAU'): Appendix 5B Query

We refer to your letter dated 2 May 2019 and respond as follows;

- 1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?**

SAU will continue to have negative operating cash flows whilst undertaking exploration of its core tenement assets.

As commented on in the Quarterly Activities Report announced on 31 January 2019 and an announcement on a sale process for WA Assets on 1 April 2019, the Company is in discussions with interested parties with the capability to release value from SAU's Cannon gold mine. SAU believes this could be a very good potential cash flow source in 2019.

- 2. Has SAU taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

SAU is considering options that address cash balance. SAU is confident a process will be successful and will make an announcement in accordance with its continuous disclosure obligations under Listing Rule 3.1 when appropriate.

- 3. Does SAU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

SAU expects to continue its operations and meet its business objectives on the basis of funds raised through potential transactions in relation to its Cannon gold mine and other fund raising options currently being pursued.

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4. **Can SAU confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?**

SAU confirms that it is in compliance with the Listing Rules and in particular Listing Rule 3.1. There is no information that should be given to the ASX about SAU's financial condition in accordance with Listing Rule 3.1 that has not already been released to the market.

5. **Please confirm that SAU's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of SAU with delegated authority from the board to respond to ASX on disclosure matters.**

SAU confirms that the responses to these questions have been authorised and approved by its board.

Yours sincerely



Dan Hill
Company Secretary

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2 May 2019

Mr Daniel Hill
Company Secretary
Southern Gold Limited
Level 1 8 Beulah Road
Norwood SA 5067

By email:

Dear Mr Hill

Southern Gold Limited ('SAU'): Appendix 5B Query

ASX refers to SAU's Appendix 5B quarterly report for the period ended 31 March 2019 lodged with ASX Market Announcements Platform on 30 April 2019 (the 'Appendix 5B').

ASX notes that SAU has reported:

- negative net operating cash flows for the quarter of \$778,000;
- cash at the end of the quarter of \$1,612,000; and
- estimated cash outflows for the next quarter of \$1,101,000.

It is possible to conclude, based on the information in the Appendix 5B that if SAU were to continue to expend cash at the rate indicated by the Appendix 5B, SAU may not have sufficient cash to continue funding its operations.

In view of that, ASX asks SAU to respond separately to each of the following questions and requests for information:

1. Does SAU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has SAU taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does SAU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that SAU is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that SAU's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of SAU with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00 PM AEST Monday, 6 May 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in SAU's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SAU's obligation is to disclose

the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to SAU’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that SAU’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SAU’s securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

Alex Sutton

Alex Sutton
Compliance Adviser, Geology, Listings Compliance (Sydney)