

Commercial terms agreed for completion of the sale of Southern Gold's Gubong and Kochang Joint Venture interests

- Up to 200 million shares in Bluebird Merchant Ventures Ltd, a company listed on the standard segment of the London Stock Exchange, to be issued to a wholly owned subsidiary of Southern Gold
- The issuance will be for a deemed issue price of US\$0.05/share with a nominal value of US\$10 million (A\$13.2 million*)
- 50 million of the shares will be issued on Tuesday 29 June 2021 ("Completion Date") within BMV's placement capacity, while 150m shares may be issued on the basis of an approved prospectus
- BMV has flexibility to pay cash in lieu of all or some of the 150m shares on a US\$0.05/share basis

Southern Gold Ltd ("Southern Gold" or "the Company"), through its wholly owned Singaporean subsidiary, International Gold Private Limited ("IGPL"), holds a 50% equity interest in two incorporated joint ventures covering the Gubong and Kochang (Geochang) projects in the Republic of Korea. The other 50% is held by London Stock Exchange ("LSE") listed Bluebird Merchant Ventures Ltd ("BMV", ticker BMV:LN) who elected to acquire the 50% interests held by IGPL when IGPL did not support BMV's proposed decision to mine for each project in mid 2020 and, under each Joint Venture Agreement, IGPL was deemed to have offered its interest for sale to BMV at an agreed or expert determined price.

Southern Gold and BMV have executed a definitive agreement ("Completion Agreement") to settle the matter. In exchange for IGPL's joint venture interests, BMV will either issue to IGPL 200 million BMV shares at a deemed issue price of US\$0.05/share (approximately 3.6p/share at current exchange rates) or issue at least 50 million BMV shares but less than 200 million BMV shares and pay IGPL US\$0.05 per BMV share it does not issue, for a deal value of US\$10,000,000. This deal value is the equivalent of approximately A\$0.062 per Southern Gold share.

Southern Gold Managing Director, Mr Simon Mitchell:

"Southern Gold has effectively agreed to a share swap deal where we will exchange our subsidiary's 50% interest in the two (Kochang and Gubong) Joint Ventures for an approximate 30% interest in BMV once all shares are issued. The value of this position will be more easily ascertained by investors, given BMV's listing on the LSE, with a current deal value of approximately A\$13.2 million at current exchange rates. In other words, the value of the shareholding in BMV will constitute more than 200% of our A\$5.9m enterprise value given our 31 March 2021 cash balance of A\$9 million and market capitalisation of A\$14.9 million."

"The BMV shareholding will be a very valuable equity interest and I expect it to significantly increase in value as BMV advances the Kochang and Gubong projects towards their stated near-term objective of gold and silver production. As a new and significant shareholder of BMV, our current intent is not to sell small parcels of shares into the market, which would be detrimental to the share price, but to allow the company to grow and advance into its next stage of development."

Key Terms of the Completion Agreement

The transaction will be completed in two tranches as follows:

- the first tranche being the issue of 50 million BMV shares, within BMV's 'headroom' capacity, on the Completion Date when IGPL will transfer its joint venture interests to BMV; and
- the second tranche being the payment of US\$7.5 million or the issue of 150m BMV shares or partly one and partly the other at BMV's election. These BMV shares would be issued through an approved prospectus offering, a process expected to take approximately 4 months but for which up to six months has been allowed under the Completion Agreement.

If the transaction is fully settled utilising share issues, which Southern Gold expects will be the case, except for 75 million shares in the second tranche being held in escrow for 6 months, the balance of 125 million shares will not be in escrow. If that scenario does not come to pass but the BMV shares issued to IGPL exceed 125 million only the excess number of shares will be escrowed for that 6 month period. All BMV shares issued to IGPL up to and including 125 million will be able to be traded without restriction.

Until such time as the second tranche is settled IGPL will have security over a 50% Joint Venture Interest in each Joint Venture (comprised of, among other things, 50% of the shares in each joint venture company and 50% of each such company's indebtedness to its shareholder).

Notwithstanding this security, BMV will be free from the Completion Date to advance both gold development projects on a sole cost and risk basis.

Southern Gold also retains the right to nominate an appointee to the BMV board if IGPL's retained shareholding in BMV is in excess of 15%. Southern Gold will not exercise this right at this time, nor does it anticipate needing to do so in the near term but reserves its right to do so in the future.

The agreement allows BMV up to six months to complete the second tranche of the transaction. If it fails to do so then US\$7.5 million (plus interest at 5% per annum calculated from the Completion Date to, but not including, the date the payment is made) must be paid by BMV to IGPL within a further six months. Under the terms of the Completion Agreement this liability cannot be satisfied by the issue of BMV shares. However if BMV's prospectus is not approved within that six month period through no fault of BMV, then it can still settle the US\$7.5 million plus interest liability for shares, in the most likely scenario within 30 days of the approval of BMV's prospectus.

If BMV is at fault in failing to complete the transaction within the initial six months or fails, regardless of cause, to make the payment required to be made within the additional six month period, if it applies, then IGPL's security will become enforceable.

* The AUD:USD exchange rate is assumed to be USD0.76 and the USD:GBP exchange rate to be GBP0.718.

Authorised for release by the Board of Southern Gold Limited.

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Southern Gold Limited: Company Profile

Southern Gold Ltd is a successful gold explorer listed on the Australian Securities Exchange (ASX ticker "SAU"). Southern Gold owns 100% of a substantial portfolio of high-grade gold projects in South Korea that are largely greenfield epithermal gold-silver targets in the south-west of the country. Backed by a first-class technical team, Southern Gold's aim is to find tier one epithermal gold-silver deposits in a jurisdiction that has seen very little modern exploration.