



## Southern Gold's WA Assets, including Cannon Gold Mine, up for sale

- PCF Capital Group engaged to run formal sale process
- To be completed in approximately 3 months
- Allows strategic focus on the South Korean assets, including near term development at the Kochang and Gubong projects

### Strategic Context

Australian gold company Southern Gold Ltd ("Southern Gold", ASX ticker SAU) is pleased to advise that it has executed an agreement with the PCF Capital Group to run a formal sale process to dispose or restructure the company's gold assets to the east of Kalgoorlie in Western Australia.

This decision was the result of a company-wide strategic review which concluded that there would be significant benefits to shareholders by:

- Releasing value from our asset base that is currently undervalued on a collective basis as implied by Southern Gold market capitalisation on the ASX;
- Obviating the need for additional capital to be raised for the development of the Cannon Mine, which was likely to be highly dilutive to current shareholders; and
- Concentrating on the company's South Korean assets where we can generate excellent value from the high-quality portfolio.

This last point is especially important because Southern Gold has confidence in:

- (1) the significant value that will be released from near term gold production from our 50% interest in the Gubong and Kochang projects; and
- (2) the likelihood of making new gold-silver discoveries from an excellent portfolio of high-grade Au-Ag epithermal projects, including several 'walk-up' drill targets that have never been drill tested in South Korea.

This approach will also release funding to the company and support our capital requirements for the new financial year 2019-2020, and potentially beyond.

### Southern Gold Managing Director, Mr. Simon Mitchell

*"Given the market capitalisation of Southern Gold and the amount of capital that can be deployed each year to advance the assets in Australia and South Korea, we were finding it hard to do justice to both at the same time. With this strategic realignment we can release value from the Australian assets while concentrating on the South Korean assets, a jurisdiction where we see incredible growth over the coming years.*

*We know there is value in the Kalgoorlie based portfolio including the Cannon underground potential. However, development costs for this project would be highly dilutive to our shareholders and to a certain extent distract us from our task of finding a globally significant precious metal deposit in South Korea."*

Shares on Issue: 62.5m

Share Price: \$0.16

Market Capitalisation: \$10m

#### Asset Base – WA, Australia

Cannon Au Mine (100%)

Glandore Au Project (75%\*)

Cowarna Au Project (100%)

\*currently earning 90%

#### Asset Base – South Korea

Gubong Au Mine (50/50 BMV)

Kochang Au Mine (50/50 BMV)

Weolyu Au-Ag Project (100%)

Deokon Au-Ag Project (100%)

Beopseongpo Au Project (100%)

Neungju Au Project (100%)

Aphae Au Project (100%)

Taechang Au Project (100%)

Hampyeong Au Project (100%)

Sonbul Au Project (100%)

#### Directors

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### The Process

Leading Australian mining advisory firm PCF Capital Group has been engaged to run a formal sale process and will shortly invite expressions of interest and conduct a multi-phase asset disposal process.

The WA assets to the east of Kalgoorlie include (see **Figure 1**):

- 100% of the Cannon gold mine (and adjacent Georges Reward) as part of the Bulong South tenement package, approximately 30km to the east of Kalgoorlie and which includes a JORC Resource as follows:

**Table 1:** Cannon Underground Resource between 255m RL and 145m RL at 1g/t Au lower cut off and variable top-cut by domain.

| JORC Category         | Tonnes         | Grade g/t Au | Au Troy Ounces |
|-----------------------|----------------|--------------|----------------|
| Total Indicated       | 121,570        | 5.68         | 22,180         |
| Total Inferred        | 20,700         | 2.10         | 1,400          |
| <b>Total Resource</b> | <b>142,270</b> | <b>5.17</b>  | <b>23,580</b>  |

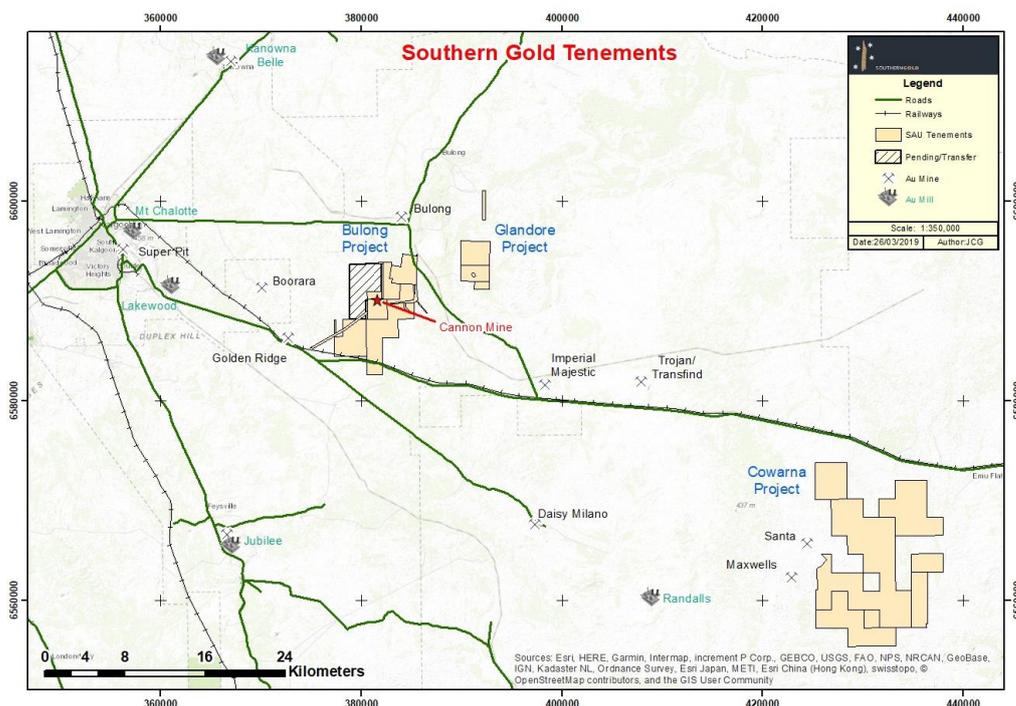
See ASX Release 9 October 2017 for details.

- The Glandore Gold Project in which Southern Gold currently holds a 75% interest that is close to the 90% earn-in level and located approximately 40km east of Kalgoorlie; and
- 100% of the Cowarna Gold Project adjacent to the operations of Silver Lake Resources Ltd, approximately 75km to the east of Kalgoorlie.

Southern Gold has engaged an independent consultant who is in the process of finalising a JORC Ore Reserve at Cannon based on the Indicated JORC Resource stated above and assuming a small-scale underground mine development. It is anticipated that a gold project with a JORC Reserve approximately 30km from Kalgoorlie will be seen as a valuable asset and elicit significant interest from potential buyers.

The sale process will involve several stages over the next 3 months and conclude around June-July 2019.

**Figure 1:** Southern Gold’s WA Assets East of Kalgoorlie



### Enquiries

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### Southern Gold Limited: Company Profile

*Southern Gold Ltd is a successful gold explorer listed on the Australian Securities Exchange (under ASX ticker "SAU"). Southern Gold is looking to commission a small scale mine in South Korea within the next 12 months with development partner London-listed Bluebird Merchant Ventures (BMV) at either the Kochang or Gubong project.*

*Southern Gold also owns a substantial portfolio of high-grade gold projects in South Korea that are a combination of decommissioned gold mines with orogenic gold mineralisation and greenfield epithermal gold-silver targets. Backed by a first-class technical team, including renowned geologist Douglas Kirwin, Southern Gold's aim is to find world-class epithermal gold-silver deposits in a jurisdiction that has seen very little modern exploration.*

### Competent Person's Statements

*The information in this report that relates to JORC Resources has been compiled under the supervision of Mr. Paul Androvic (AusIMM). Mr Androvic who is an employee of Southern Gold Limited and a Member 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 Mineral Resources and Ore Reserves. Mr Androvic 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.*