



ASX Code: SAU

Issued Shares: 386M

ABN: 30 107 424 519

#### Directors

Greg Boulton AM

Nanette Anderson

Michael Billing

David Turvey

#### Top Shareholders

Silver Lake Resources Ltd 11.21%

G B Branch 7.03%

JP Morgan Nominees 4.28%

National Nominees 3.03%

#### Head Office

229 Greenhill Road

Dulwich SA 5065

Telephone: (08) 8368 8888

Facsimile: (08) 8431 5619

info@southerngold.com.au

www.southerngold.com.au

## Southern Gold to commence gold production after signing Mine Finance and Profit Share Agreement with Metals X

- Mining set to commence in Q1 2015 at Cannon Gold Project, WA
- Deal delivers production and near-term cash flow
- Metals X provides secured \$500,000 loan to fund preparations for mining

Southern Gold Ltd (ASX: **SAU** – “Southern” or “the Company”) is pleased to advise that it is set to join the ranks of junior gold producers in 2015 after finalising a formal agreement with Metals X (ASX: **MLX** – “Metals X”) to finance and develop its **Cannon Gold Resource**<sup>1</sup>, located 30km from Kalgoorlie in WA.

The signing of the Mine Finance and Profit Sharing Agreement (“Agreement”), following the non-binding Term Sheet announced in August (ASX, 4/08/2014), marks a major milestone in the Company’s development, putting it firmly on track for first production and cash-flow next year.

The agreement will see Metals X provide funding and manage all services required for the mining, haulage and the treatment of ore from the Cannon deposit, through Metals X’s nearby Jubilee Mill (Figure 1).

Mining and haulage will be charged on an at-cost, open-book basis for the duration of open pit mining and/or underground mining, with the parties agreeing to a flat rate for ore processing subject annually to CPI (All Groups Perth) movement from 1 July 2015.

The current feasibility study for the Cannon Project estimates that approximately 20,000 ounces of gold will be produced in the Phase 1 open pit development from a total mining inventory of 68,000 ounces (ASX, 29/08/2013). Cash flows from Phase 1 will be used to underpin the Company’s growth and establish a foundation for the Phase 2 underground development.

The revenues from the project will be first allocated to reimbursement of costs incurred by Metals X. Surplus funds will be shared on a 50:50 basis. All other key terms of the previously announced Term Sheet remain unchanged under the binding Agreement.

In addition to the Agreement, Metals X has provided a secured loan to Southern of \$500,000 to enable it to complete preparations for mining. The loan is interest bearing (8% per annum) and expected to be repaid from mining profits.

Having executed the Agreement the parties will work aggressively to complete all requirements and regulatory permitting to allow development to commence in the first Quarter of 2015.

Southern Gold's Managing Director Nanette Anderson said the completion of a binding agreement with Metals X was a major turning point for the Company, enabling it to team up with an experienced and well-funded partner in Metals X to unlock the value of its strategically located Cannon gold resource for shareholders.

"We have worked closely and cooperatively with the Metals X team since announcing the original term sheet in August," Ms Anderson said. "Everything is now in place and we have signed off on an agreement which puts us firmly on track to join the ranks of junior gold miners early next year.

"This is a pivotal moment for our shareholders and we are very much looking forward to moving ahead with the Phase 1 development which will deliver strong cash-flows and provide a foundation to potentially move ahead with a longer term underground mine development," she said.

#### **Share Purchase Plan**

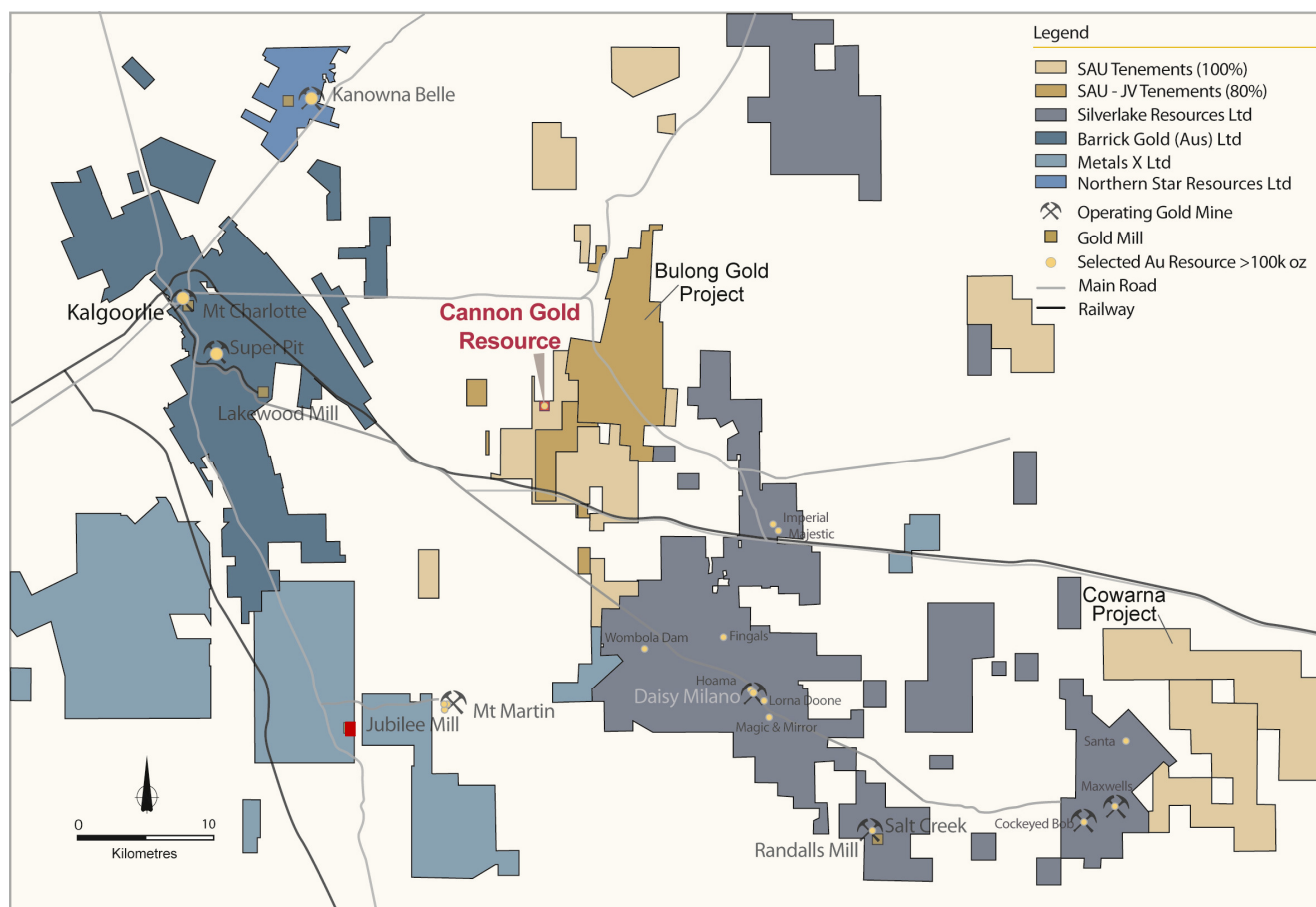
Southern Gold has recently lodged a Prospectus for a Share Purchase Plan (SPP) to raise up to approximately \$1.04 million through the issue of approximately 115 million New Shares at an offer price of \$0.009 per share. Under the SPP Offer, Eligible Shareholders have the opportunity to invest up to \$15,000 in New Shares at an offer price of \$0.009, free of brokerage and other transaction costs.

In addition, Eligible Shareholders will receive one Free Option for every two New Shares applied for. The options will have an exercise price of \$0.015 (1.5c) and a 12-month term. The Company will apply to the ASX for Official Quotation of the Free Options.

The SPP provides an opportunity for all existing shareholders to increase their holdings in the Company at this important time in its development, as it moves ahead with financing and development of the Cannon Gold Project in partnership with Metals X.

The Directors of Southern Gold intend to subscribe for shares under the SPP.

The SPP Offer opened on 30 October and is scheduled to close on Friday, 21 November 2014.



**Figure 1.** Southern Gold's Cannon Gold deposit is situated within the Company's Bulong Project is located 30km east of Kalgoorlie, WA. Shows proximity of the Cannon Gold deposit to Metals X's Jubilee Mill.

## CONTACT

For further information contact:

Nanette Anderson  
Managing Director

PO Box 255                      Ph: 08 8368 8888  
Kent Town 5071              Fx: 08 8431 5619  
South Australia              [www.southerngold.com.au](http://www.southerngold.com.au)

<sup>1</sup> (See ASX announcement dated 29 August 2013 for details of Southern's Cannon Gold resource.)