



ASX Code: SAU

Issued Shares: 527.6M

ABN: 30 107 424 519

#### Directors

Greg Boulton AM

Simon Mitchell (MD)

Michael Billing

David Turvey

#### Top Shareholders

Silver Lake Resources 8.20%

G B Branch 4.45%

PS Super Nominee 3.79%

JP Morgan Nominees 3.44%

G Boulton 2.07%

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## Southern Gold to benefit from Metals X acquisition of 'Georges Reward'

- *Georges Reward is a gold deposit adjacent to Southern Gold's Cannon Gold Mine, near Kalgoorlie, Western Australia;*
- *The acquisition will have implications for the development of the Cannon Mine as a larger, longer life, open pit operation.*

Southern Gold Ltd ("Southern Gold", ASX Code "SAU") is pleased to advise that Metals X Ltd ("Metals X", ASX Code "MLX") has agreed terms on the acquisition of exploration tenement E25-268 (and MLA25/357) from joint venture partners Northern Mining Ltd (79%) and Balagundi Gold Pty Ltd (21%).

Metals X has been contracted by Southern Gold to finance and mine the Cannon Gold Mine immediately to the south of the Georges Reward gold deposit with mining operations at Cannon due to commence shortly (Figure 1, next page).

Given their close proximity there are obvious synergies in a joint development of the Cannon and Georges Reward deposits, the most obvious being **the extraction of both deposits by a larger open pit operation, including ore previously sterilised in each deposit by the proximity of the lease boundary.**

While final commercial and technical parameters to such a joint development are yet to be agreed between Southern Gold and Metals X, there are some very important potential benefits to both parties:

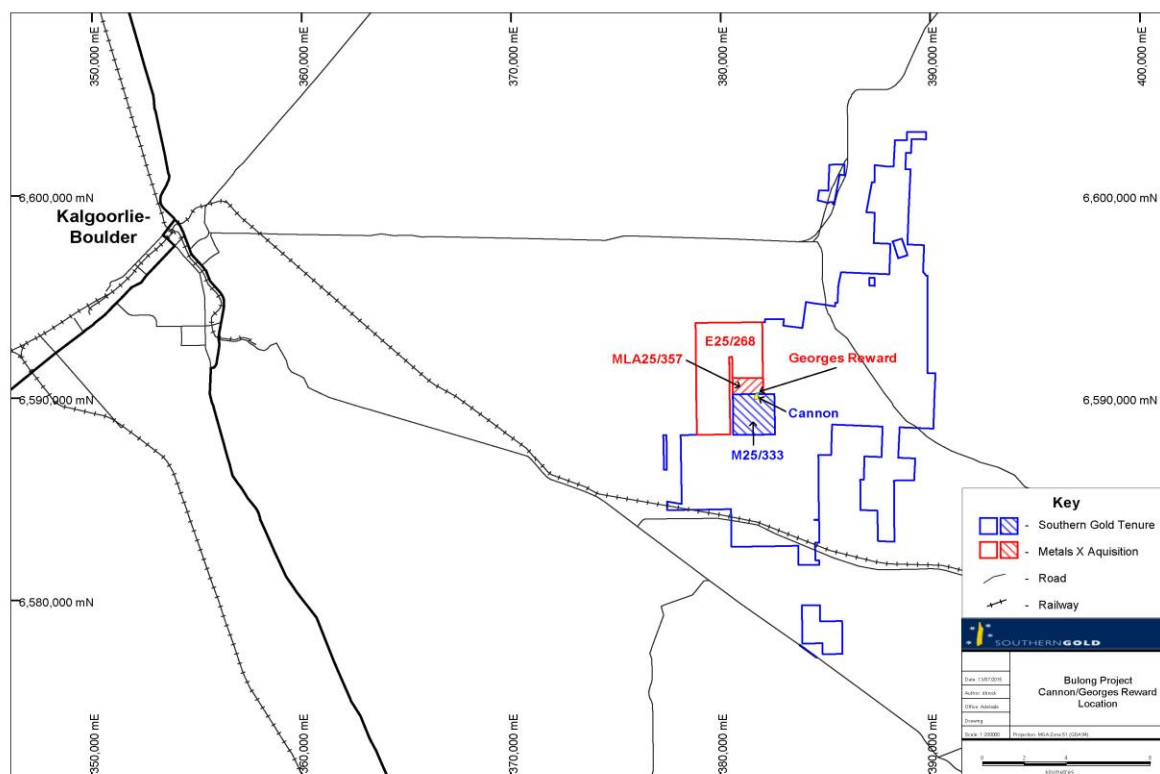
- Minimal up front capital expenditure to realise the larger open pit option;
- More gold extracted on a higher margin basis given lower operating costs; and
- Open pit optimisation that will enable the development to go much deeper than originally modelled.

With the likely expansion of the Cannon Gold Mine open pit, it is expected that Stage 1, as described in the ASX release of 3 June 2015, will expand from the current 9 month operation mining to a depth of 275mRL **to a mine life of several years potentially extending to at least 225mRL** (Figure 2, next page).

Furthermore, with the deposit open at depth, Stage 2 underground options may still be possible but are yet to be defined given the limits of the current JORC Resource envelope. More details on the larger open pit development scenario will be released to the ASX once finalised.

Southern Gold Managing Director, Mr Simon Mitchell, commented: "I congratulate Metals X on its acquisition of the adjacent tenement and Georges Reward gold deposit. The operational and economic synergies of this acquisition are significant and ensures the Cannon Gold Mine is likely to operate as an open cut operation for several years. We look forward to working with Metals X on extracting as much value from this new opportunity as possible."

**Figure 1: Location of Southern Gold's Cannon Gold Mine with respect to the Georges Reward deposit**



**Figure 2: Long Section, looking west, of the Cannon Gold Mine illustrating the current Stage 1 Open Pit (275mRL) with solid black line indicating potential unconstrained new open pit depth (225mRL).**

