

Company Announcement
12 October 2012

IGS AND SANTA FE GOLD MERGER TO CREATE DYNAMIC GOLD SILVER PRODUCER, DEVELOPER AND EXPLORER

Highlights

- International Goldfields Limited to merge with Santa Fe Gold Corporation and create a dynamic gold and silver producer, developer and explorer;
- Proposed merged entity will have a market capitalisation of approximately A\$70 million, at least A\$10 million in cash reserves, low cost gold & silver production of 28,000 oz pa gold equivalent (with short and long term production upside) and operating mill;
- Expanded North and South American asset base with development and exploration assets across major mining districts;
- Transaction brings together two highly experienced and complementary management teams with successful record in exploration and development; and
- The boards of both International Goldfields Limited and Santa Fe Gold Corporation have approved the Merger and recommend the transaction to shareholders of their respective Companies.

International Goldfields Limited (ASX: IGS) (“IGS”) and US-based, Santa Fe Gold Corporation (OTCBB: SFEG) (“Santa Fe” or “SFEG”) have entered into a conditional Binding Heads of Agreement (“HoA”) that will combine the companies and create a significant gold/silver company.

The proposed merged entity will be a diversified, well-funded and low cost gold-silver explorer, developer and miner, listed on the ASX and also traded on a major US exchange or on the OTC Bulletin Board, with projects located in emerging mining districts including West Africa, Brazil and the south-west US.

The combined entity will have an initial market capitalisation of approximately A\$70 million, cash reserves of at least A\$10 million, low cost gold & silver production of 28,000 oz pa (gold equivalent), an operating mill, near term development assets and a portfolio of advanced exploration assets.

Key assets of the combined group will initially consist of:

Summit Gold-Silver Mine, New Mexico

Currently building to production of approximately 28,000 gold equivalent oz per annum with 2013 and 2014 production scheduled for 150,000 tpa at average head grade of 7.8 gpt (gold and gold equivalent) with average cash cost in the range of USD\$400-\$500 per gold and gold equivalent ounce. Potential exists to increase production rates with further development and exploration.

The ore produced from the Summit Mine is processed at the SFEG owned Lordsburg Mill, which has a capacity of 300,000 tpa.

Ortiz Gold Project, New Mexico

The Ortiz gold project consists of 170 contiguous square kilometres of the Ortiz Land Grant in Santa Fe County, New Mexico. Historical production exceeded 350,000 ounces of gold. Drilling by several companies up to the early 1990's indicated approximately 2.0 million ounces of gold contained in several deposits (of which 39m tonnes at 1.4 g/t are the subject of development studies).

Mogollon Gold- Silver Project, New Mexico

Santa Fe has entered into an option agreement to acquire the Mogollon Project from Columbus Silver Corporation. The project is within trucking distance (approximately 160km) from Santa Fe's Lordsburg Mill. The Mogollon Project acquisition has the potential to more than double the supply of ore to the mill.

Past production from the Mogollon Project includes 15.7 million ounces of silver and 327,000 ounces of gold. Santa Fe believes production from the Mogollon Project could recommence as early as 2015.

Latin Gold Project, Mato Grosso, Brazil

IGS' 93% owned subsidiary, Latin Gold Limited, is the 100% owner of a major gold project in Mato Grosso state, Brazil. The Latin Gold Project is 2,976 square kilometres, and is made up of 33 granted exploration licences.

The Latin Gold Project is located in an area of a major gold rush, with over 5Moz gold extracted by "Garampeiro" (artisanal) mining in the Alta Floresta region during the 1980's. At this site IGS is targeting large gold-copper porphyry style systems.

Commenting on the proposed merger, IGS chief executive officer Travis Schwertfeger said:

"The combination of International Goldfields' exploration assets in emerging global mining districts with Santa Fe's portfolio of low-cost mining and exploration assets in New Mexico, together with the combined skills of the two experienced management teams, will create a new merged company capable of adding significant value for its shareholders during a time of robust gold price."

Santa Fe Chief Executive, Mr Pierce Carson, said of the proposed merger, "Santa Fe's projects have had significant exploration and development, plus we successfully achieved commercial production

at our Summit mine in early 2012. Our focus is on increasing production at Summit and bringing the Mogollon and Ortiz projects on stream.”

“The merger with IGS provides Santa Fe the working capital to achieve those goals, plus rounds out the exploration pipeline for continued growth of the company’s resource base.”

“At full production, we anticipate low production costs at our mines that will rival major producers worldwide.”

Transaction overview

IGS and Santa Fe have agreed to enter into a transaction whereby the entities will merge and Santa Fe will become a wholly-owned Delaware subsidiary of IGS (“Merger”).

Santa Fe shareholders will receive a total of 1,449,469,462 fully paid ordinary shares in the capital of IGS (on a pre-consolidation basis) in exchange for their Santa Fe stock.

In addition, SFEG has 37,648,216 SFEG unlisted options, warrants and convertible securities on issue. The merger agreement will provide for the issuance of “replacement options and warrants” in IGS containing substantially the same economic terms and provisions as such options, warrants and convertible securities. On completion of the Merger, Santa Fe would become a wholly owned subsidiary of IGS.

Terms of Merger

IGS will advance A\$2 million to Santa Fe within five (5) business days of the execution of the HoA to secure Santa Fe’s option to the Mogollon project and for general working capital purposes. Funds for this cash advance will be raised by way of a single tranche placement of approximately 66,666,667 IGS shares pursuant to IGS’ available 15% capacity under Listing Rule 7.1 to sophisticated investors at 3¢ per share, to raise \$2 million (“Placement Shares”).

IGS will also issue one (1) free attaching unlisted option for every two (2) Placement Shares subscribed for exercisable at 3¢ per share with an expiry of two (2) years from allotment (“Attaching Options”). The issue of the Attaching Options is subject to IGS shareholder approval to be sought at IGS’ Annual General Meeting and successful completion of the Transaction.

Patersons Securities Limited is acting as Lead Manager to the placement.

A further A\$2 million will be provided by IGS to Santa Fe on or before 31 October 2012 for debt repayment and general working capital purposes.

The two payments will be in the form of a convertible note with Santa Fe’s interest in the rights to the Mogollon option as collateral.

At completion of the Merger (“Completion”), IGS will have a minimum of A\$10 million available cash and liquid assets, following transaction costs, and a maximum of A\$100,000 in total indebtedness, assuming a further A\$4 million (minimum) is raised in conjunction with Completion.

Indicative Capital Structure of Merged Entity Post Transaction

The indicative capital structure of the merged entity following completion of the Merger is set out below.

Merged Entity	IGS Shares		Percentage (%)
	Pre-consolidation	Post-consolidation ¹	
Existing IGS Shares on issue ²	571,520,386	57,152,038	24.38
IGS Shares issued pursuant to Placement	66,666,667	6,666,667	2.83
IGS Shares issued to SFEG Shareholders	1,449,469,462	144,946,946	61.57
A\$5m Completion Placement (min) ³	166,666,667	16,666,667	7.08
IGS Shares to be issued to facilitator and corporate advisors	100,000,000	10,000,000	4.25
Total	2,354,323,182	235,432,318	100

Notes:

1. Completion is conditional upon IGS undertaking a consolidation of its issued capital on a one for ten basis.
2. IGS has the following unlisted options on issue (on a pre-consolidation basis) which have not been included in the above calculations:
 - (a) 7,250,000 unlisted options (A\$0.20; 31 December 2013)
 - (b) 14,000,000 unlisted options (A\$0.08; 31 December 2015)
 As detailed above, subject to IGS shareholder approval and completion of the Merger, a further 33,333,333 options will be issued pursuant to placement terms exercisable at \$0.03 with two (2) years from allotment (on a pre-consolidation basis).
3. It is proposed that a further A\$5 million (minimum) will be raised in conjunction with Completion. An issue price of A\$0.03 has been assumed for the above calculations. Completion is not conditional on settlement of this placement
4. SFEG also has 37,648,216 unlisted options, warrants and convertible securities on issue. In accordance with the terms of the HoA, IGS will issue 37,648,216 "replacement" (on a pre-consolidation basis) containing substantially the same economic terms and provisions as existing SFEG options, warrants and convertible securities.

Conditions Precedent

Completion of the Merger is conditional upon the satisfaction (or waiver) of the following conditions precedent:

- A. completion of due diligence by IGS and SFEG by 31 October 2012, or such later date as agreed by the parties;
- B. IGS applying for an ADR listing in the US (at SFEG's cost) to ensure ability to trade IGS securities in the US and IGS maintaining its listing on the ASX;
- C. IGS undertaking a consolidation of its issued capital on a one for 10 (ten) basis ("Consolidation") in conjunction with settlement;
- D. the shareholders of IGS approving the issue of securities pursuant to the Merger and associated advisors, the Consolidation, change in the Board of IGS as contemplated below and the change of the name of IGS to a name to be agreed;
- E. the required percentage of the shareholders of SFEG approving the Merger;
- F. all necessary consents and approvals for the Merger (if any) including any regulatory approvals; and
- G. the parties entering into formal agreements in relation to the Merger.

If the conditions are not satisfied (or waived) within 120 days of the execution of the HoA or such later date as agreed in writing by the parties, the agreement will be at an end and the parties will be released from their obligations. The parties will use their commercially best efforts to ensure that the conditions are met as soon as possible.

Board and Management Structure

On completion of the Merger, the IGS board will be restructured to consist of four directors nominated by Santa Fe and one director nominated by IGS.

IGS will seek to appoint a new SFEG nominated president and chief executive officer within 6 months after Completion. Prior to such appointment, Dr Pierce Carson will be engaged as IGS' president and chief executive officer. Once the new CEO has been appointed, Dr Carson will be retained as a consultant for 24 months to assist with the management of existing Santa Fe projects and assess new business opportunities.

The merged entity will retain Travis Schwertfeger as an executive officer or consultant for 24 months following Completion to manage existing IGS projects.

Completion

Completion will take place as soon as possible after the satisfaction of the conditions precedent and in accordance with any statutory timetables applicable to the Merger.

At Completion, IGS shall allot and issue the IGS shares and options to the shareholders and convertible security holders of Santa Fe and the options to parties participating in the first placement (detailed above).

IGS and Santa Fe will not enter into any material contract or incur any material liability or declare any dividends or vary its capital structure without the consent of the other party.

Under the terms of the HoA, Santa Fe will not negotiate or deal with any other person or entity relating to an investment in, or acquisition of, the Santa Fe shares or its projects other than with IGS until 31 January 2013 or Completion.

Further details in respect of the transaction will be set out in the material to be provided to Santa Fe and IGS shareholders seeking approval of the Merger.

Indicative Timetable *

The proposed timetable to complete the Merger involves:

Despatch IGS shareholder documentation	23 October 2012
Despatch Santa Fe shareholder documentation	15 December 2012
IGS Shareholder Meeting	23 November 2012
SFEG Meeting to approve the Merger	30 January 2013
Completion of Merger	31 January 2013

* **Note:** the above timetable is indicative only and subject to change.

Santa Fe Projects: Well Defined, Staged Growth Plan

Outlined below is a summary of Santa Fe's projects. Further information in relation to SFEG can be found on its website (www.santafegoldcorp.com) and at www.otcbb.com.

Summit Mine

Santa Fe's Summit project includes the underground Summit gold-silver mine and related property consisting of 117 acres of patented mining claims and 740 acres of unpatented mining claims in Grant County, south-western New Mexico.

Currently building production to approximately 28,000oz per annum, with 2013 and 2014 production scheduled for 150,000 tpa at average head grade of 7.8 gpt (gold and gold equivalent), with average cash cost estimated in the range of USD\$400-\$500 per gold and gold equivalent ounce.

The project contains 98,000 ounces of gold and 7.4 million ounces of silver in the Indicated category in 623,000 tonnes averaging 4.9g/t gold and 370g/t silver, which Santa Fe believes can be increased significantly with further exploration.

Ore from the Summit Mine is processed at the Company owned Lordsburg Mill, which commenced operations in April 2010. The mill consists of a crushing plant, a ball mill and a flotation circuit. The mill has excess processing capacity.

During the 2012 financial year, the Summit mine generated revenues of USD\$11.5 million and in the three months to 30 September 2012 generated revenue of USD\$5.0 million.

Ortiz Gold Project

The Ortiz Gold Project consists of 170 contiguous square kilometres of the Ortiz Land Grant in Santa Fe County, New Mexico. Historical production exceeded 350,000 ounces of gold. Drilling by several companies up to the early 1990's resulted in historical resource estimation completed by LAC Minerals in 1990, and by Independent Mining Consultants Inc in 1992 and 2006.

The most recent historical mineral resource report for the Ortiz Project estimated 2.0 million ounces of gold contained in several deposits, including the Carache deposit estimate of 12.9 million tonnes at 1.58g/t gold measured and indicated and 6.49 million tonnes at 1.17g/t gold inferred totalling 0.9M ounces gold of the historical resource estimate in a single deposit.

IGS does not treat the stated historical estimates as current, and estimates should not be relied upon, however the historical mineral estimations on Ortiz are relevant to IGS in assessing the potential value of the Santa Fe asset portfolio. The historical resource estimate quoted is believed to be reliable, as it was completed by an independent group (Independent Mining Consultants), reported in categories that relate to JORC resource categories, and results of that resource estimation are comparable to prior in-house estimations completed by a reputable US Mining company (LAC Minerals report 1990).

A NI 43-101 (JORC compliant) technical report with revised resource estimate taking into consideration updated economic considerations is underway and is expected to be completed before the end of November 2012.

In 2005 an independent Scoping Study based on the 1992 resource estimation evaluated the open pit mining of approximately 1.0 million ounces of gold from the Carache and Lucas gold deposits. The scoping study will be updated post-merger in the context of the JORC compliant resource estimation already underway to verify the anticipated low-cost gold production potential of the project indicated in previous work.

Mogollon Gold- Silver Project

Santa Fe has entered into an Option Agreement to acquire the Mogollon Project from Columbus Silver Corporation. The project is within trucking distance (approximately 160km) from Santa Fe's Lordsburg Mill. The Mogollon Project acquisition has the potential to more than double the supply of ore to the mill.

Past production from the project includes 15.7 million ounces of silver and 327,000 ounces of gold. Santa Fe believes production from the Mogollon Project could begin as early as 2015.

Santa Fe is planning a drilling program for 2013 to extend previously drilled zones and validate historical resource estimates for the purpose of generating a JORC compliant estimate within the next year.

IGS Projects

Outlined below is a summary of IGS' projects. Further information in relation to IGS and its projects can be found on its website www.intgold.com.au or at www.asx.com.au

Latin Gold Project, Mato Grosso, Brazil

IGS has a 93% interest in a major gold project holding 2,976 square kilometre with 33 granted exploration licences located in the state of Mato Grosso in Brazil. The Latin Gold Project area is hosted by the highly mineralised and under-explored Alta Floresta Mineral Province located on the southern portion of the Juruena Belt. The Juruena Belt is host to high-grade gold and copper mineralisation associated with quartz veining in the district and hydrothermal alteration suggests potential for larger, undiscovered porphyry style mineralisation.

The Latin Gold Project area is host to several prospects, with more advanced prospects located along an 80 kilometre long corridor of favourable hydrothermal alteration and localised mineralisation. Prospects include the recent discovery of the Ana Prospect in early 2012 that intersected 21m at 5.9g/t Au, including 8m at 13.6g/t Au in diamond hole ANA008, and 18m at 3.24g/t Au in hole ANA006 .

IGS recently completed a second drill campaign at Ana totalling 2,000 metres (6,560 feet) diamond drilling and 4,779 metres (15,679 feet) of RC drilling with better RC intercepts received to date including: 12m at 2.92g/t Au (AR011), 5m at 8.0g/t Au (AR006) and 12m at 2.16g/t Au intercept inclusive of 4m at 6.47g/t Au (AR022).

Nangalasso Project, Mali

The Nangalasso Project is 462 square kilometres comprised of 3 licences located approximately 30 kilometres northwest of the Syama Mine (7.9Moz Au) and covers a northeast structural zone in

the Birimian greenstone that is parallel, and of the same Eburnean age as the Tengrela-Syama structural trend. The structural corridor is host to several intrusions and strong deformation in the Birimian rocks, providing analogous geological setting for both Morilla and Tengrela style mineralisation across the project area.

Nangalasso is host to an extensive gold anomaly in excess of 10 kilometres that returned encouraging gold assay results in a recent maiden drill program at the project. A reconnaissance air core program to test for mineralisation in the in-situ weathered profile produced significant results including: 1m of 7.8g/t gold near artisanal mining activities on the shared boundary with Sotian permit, and 3m of 7.84 g/t gold from 14 metre depth hosted in granodiorite at end of hole. Further drill investigation of these features is planned.

Board recommendations

The boards of both International Goldfields Limited and Santa Fe Gold Corporation have confirmed their support for the Merger and in relation to their own personal holdings will vote in favour of the transaction at the appropriate shareholder meeting.

Ends

For further information please contact:

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Competent Person Statement – Santa Fe

The information included in this release that relates to Santa Fe Gold resources and historical mining data is based on information compiled by Douglas F. Irving, who is a professional member of a 'Recognised Overseas Professional Organisation' (The Association of Professional Engineers and Geoscientists of British Columbia) included in a list promulgated by the ASX from time to time. Mr. Irving is employed by Chapman, Wood and Griswold, Inc. and has worked as a consultant in exploration and mine development for 40 years in precious and base metal exploration. Mr. Irving has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person. Mr. Irving consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

Competent Person Statement - IGS

The information in this report that relates to exploration results for International Goldfields Ltd is based on information compiled by Mr Travis Schwertfeger. Mr Schwertfeger is the Chief Executive Officer of International Goldfields Limited. Mr Schwertfeger is a member of The Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Schwertfeger consents to the inclusion in the report of the matters based on information in the form and context in which it appears.