



Southern Gold Seeks Continued Underground Success

Quick: name an Australian junior mining company that has cash in the bank, delivered a maiden dividend, and an advanced portfolio of near-term development and mining opportunities.

As gold explorer and producer, Southern Gold (ASX: SAU) is one junior that stands apart from the crowd.

The company has built-up a bank balance of around \$6 million and produced a clean balance sheet.

Remarkably it achieved this solid financial standing without rattling the tin at market whilst maintaining a tight share register of only 47 million ordinary shares.

In July, it announced a special unfranked dividend of three cents per share cash, or equivalent in shares.

The company locates development projects with potential to generate

cash and is now in the enviable position where it can organically fund current, and future, exploration by monetising its expanding portfolio.

“We are working on opportunities with the intention of generating cash flow,” Southern Gold managing director Simon Mitchell told The Resources Roadhouse.

The backbone to Southern Gold’s success has been production of gold from the Cannon open pit mine, located east of Kalgoorlie in Western Australia.

The mine is managed by Westgold Resources (ASX: WGX) with ore treated at Westgold’s South Kalgoorlie Operations (SKO) Jubilee plant, in a profit share arrangement,

with both parties entitled to 50 per cent of the profits.

Open pit mining from Cannon is now complete, however steadily increasing gold grades, which were confirmed at the base of the pit, led Southern Gold to consider developing an underground extension.

The company has completed a 2,170 metres Reverse Circulation (RC) drill program with a view to a new resource estimate below the open pit.

“We are eagerly awaiting the results from the RC drilling program,” Mitchell said.

“While open-pit mining operations have ceased, mined ore is still being processed, so the underground upside offers an opportunity to move forward relatively quickly with a new phase of mining at Cannon.

“We think there is, at the minimum, a small underground gold mine there.”

Elsewhere in WA, Southern Gold is farming into the Glandore project of

Aruma Resources to earn up to 90 per cent by spending \$1.2 million.

Southern Gold spent \$300,000 during the first year to earn 50 per cent and is currently in the second expenditure period where another \$400,000 increases project ownership to 75 per cent.

Drilling at the Doughnut Jimmy and Lavaeolus prospects confirmed previous gold intersections.

“We are confident additional high-grade mineralisation exists at Glandore,” Mitchell said.

“We don’t expect that to be a multi-million-ounce type of deposit, but we certainly feel there is opportunity there to establish 5,000 to 10,000 ounces of gold at relatively high-grade that could potentially make us a lot of money once they are processed through one of the many mills in the Kalgoorlie area.”

Overseas, Southern Gold’s South Korean portfolio is progressing at a satisfactory rate with approval given by the country’s mining regulators for the re-opening of, and access to, the historic Gubong underground gold mine. Southern Gold’s development partner, London Stock Exchange-listed Bluebird Merchant Ventures Ltd can now access the mine and begin project assessment under the Farm-In and Joint Venture Agreement that was struck in March this year.

“Bluebird has been in the game a long time and are the right people for the task of re-commissioning old gold mines,” Mitchell said.

“Activating small, but high-grade, production in Korea will happen a lot quicker than most people will expect.

“South Korea used to have a robust gold mining industry, it is just that everybody has now forgotten about it

“There is a substantial amount of underground development already in place at Gubong.”

The Gubong mine was South Korea’s second largest gold mine and was mined over a 60-year period.

There is more than 50 kilometres of level development (and possibly up to 100km) accessed by two vertical shafts and six inclined shafts in what was a substantial mining operation in its day.

Bluebird will re-open the mine, conduct preliminary assessment works and an evaluation of re-starting operations.

This is expected to take six to nine months and cover modern era resource estimation, mining methodology, metallurgical studies, capital and operating cost estimates and financial analysis.

Southern Gold Ltd (ASX: SAU) ...The Short Story

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