

Surprising help from road builders makes our search easier

A journey through South Korea to ground-check a number of our regional targets threw up some unexpectedly promising results thanks to some road builders.

While on our latest trip, we were driving through a highway cutting when we saw an orange-brown feature that looked suspiciously like an ore body that the cutting had exposed.

It appeared conducive to gold and silver mineralisation, which could mean our already bright prospects in the underexplored Ring of Fire country are much lustrous than we had thought.

Indeed, our closer examination revealed three veins 1m to 3m wide, containing bluish silver sulfosalts and sulphides with the structure.

Pending assay results, we expect the epithermal structure to contain high grades of both gold and silver.

Now we know how Lang Hancock felt when he saw the first of the Pilbara's massive iron ore deposits when he flew over them in 1952 after bad weather forced his plane to fly at low altitude.

But how could anyone miss such an obvious geological feature visible to passing traffic in a country as populous as South Korea?

As with Lang Hancock, the answer is you have to know what to look for: the non-geologist road builders understandably were more concerned about completing the highway than finding bonanza gold grades.

The serendipitous discovery has prompted us to apply for a number of additional permits in the belief the structure reflects much broader mineralisation.

"This has the potential to be a significant discovery," says our CEO Simon Mitchell.

To deter copycats, he is coy about the exact location of the tenements in question.

Mitchell says South Korea hosts some of the best epithermal structures – shallow deposits formed by volcanic activity that are renowned for rich gold and silver grades.

Yet despite being part of the Ring of Fire, South Korea has been sparsely explored for the past three decades.

“Some people in Australia would give their right arm for opportunities like this,” Mitchell says. “Korea is a time capsule. We are looking at things no one has looked at for a long time.”

“In the past 30 years, our understanding of the geology has progressed and we are looking at it with new technical understanding.”

In the meantime, work is continuing apace at our existing South Korean ventures, both in conjunction with our joint venture partners Bluebird Merchant Ventures (BMV) and off our own bat.

In the March quarter, we were granted tenure at our two fully owned exploration projects in the country’s south west: Aphae and Hampyeong.

An historic mine, Aphae produced 115kg of gold in the 1940s before being mothballed because of low prices.

Following mullock samples of up to 6.8 grams a tonne of gold, we expect to test walk-up targets in the next few weeks.

While Aphae is a relatively small project, we have identified the site as having the potential for a mineralised system much bigger than initially thought.

Hampyeong is a newly discovered site with kilometre-scale epithermal quartz veins, including two zones grading up to 13.4g/t gold and 27.7g/t gold.

We are currently testing walk-up drill targets in areas that have never been troubled by a drill bit.

Meanwhile, BMV is actively assessing the viability of reopening our key joint venture projects: the underground Gubong and Kochang mines.

Investors can expect further news this year on these redevelopment plans, expected to be possible at combined capital cost of less than \$US10m.

As the first foreign explorer in South Korea, Southern Gold has the first-mover advantage of close and long-standing relations with key government people.

We make a point of employing Korean locals on the ground to stress that we are in the country for the long run.

As Mitchell says: “We have Korean staff, visibility on the ground and we are doing the work.”