

From Kalgoorlie to Korea, there's a golden glow

The flow of upbeat news continues for Southern Gold investors on two fronts, with a resource upgrade at our mainstay Cannon project in WA and the first underground physical inspection of our dormant Gubong mine in South Korea.

Our non-executive director Mick Billing highlighted the Cannon upgrade at the company's annual meeting in Adelaide on October 25.

Concurrently the London Stock Exchange listed Bluebird Merchant Ventures - our partner in the Gubong venture - revealed that a team of geologists had entered the shaft of the mine that had been undisturbed for almost half a century.

At the annual meeting, Billing said the Cannon upgrade bolstered management's confidence about developing the underground portion of the mine, whose open pit has delivered rich returns to Southern Gold investors.

The resource now stands at 142,000 tonnes (mainly in the intermediate indicated category) at an average 5.1 grams a tonne.

Assuming a 2.5 per cent cut-off grade, the resource stands at 109,000 tonnes at an average 6.2 g/t, for an implied 21,700 ounces of gold worth a cool \$35 million at today's A\$1660/oz gold price.

The Cannon open pit phase has already delivered a \$13.7 million profit to the company, with 52,000oz of the 95,000oz resource recovered.

While assessment work on Cannon continues, a low-cost underground extension would be a short-term source of funding under the company's organic funding model.

Meanwhile, the Gubong geologists must have felt a bit like British archaeologist Howard Carter when he entered King Tutankhamen's tomb in 1922 – the first person to do so in more than 3,000 years.

As with Carter, the geologists were delighted with what they found after abseiling down the first 50 metres of Gubong's access shaft to the main shaft and adjoining tunnels.

They reported the first 50 metres of the 100 metre main shaft, which is 2 metres high and 4 metres wide, to be fully concrete lined and in "exceptionally good condition".

In exploring the tunnels up to 250 metres in all directions of the main shaft, they detected unmined narrow gold veins.

The main shaft itself is a potentially valuable asset worth about \$US500,000 for the examined length alone, given new shafts cost about \$US10,000 a metre to develop.

The team also estimated 120km of tunnels, which would cost around \$US3,000 a metre to replicate at today's prices.

"The potential for reopening the Gubong mine is proving to meet, if not exceed, our expectations," says Bluebird chief executive Colin Patterson.

"I am very pleased to see that even in exploring the first 250 metres unmined veins are evident.

"The fact that within three days we have accessed and explored 50 metres of shaft and the first 250 metres of tunnels is a testament to both the skill and experience of our team as well as the condition and stability of the Gubong mine."

Gubong was mined up to 1971, when the project proved uneconomic with the gold price at \$US40/oz. The big difference today is that the lustrous metal changes hands for around \$US1,278/oz (\$A1,660/oz), with far better extraction technology available.

An exceptionally experienced operator, Bluebird has farmed in to the project to earn a 50% share with a \$US1m spending commitment and a \$500,000 investment in Southern Gold.

Restarting Gubong as a small but high-quality project is costed at less than \$US10 million.

The Bluebird deal also relates to our other more advanced South Korean gold project, Taechang, which is smaller in scale but higher grade. The two projects form part of the 44 Korean tenements we acquired from Asiatic Gold in a \$2 million cash-scrip deal in July 2016.

Meanwhile, Mitchell reported that Southern Gold had a \$5 million cash balance as of September 30, enough to fund the work programs without the need for additional capital.

Southern Gold shares have been a gold mine for investors, returning 87 per cent over two years (including the 3c dividend). Yet our market capitalisation is still less than \$14 million.

As with the priceless treasures of King Tut's tomb, the promise of further riches await for Southern Gold holders as our Australian and Korean exploration stories slowly unfold.