

Southern Gold Ltd

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Southern Gold hedges price risk for Cannon gold sale

Southern Gold (ASX:SAU) has put in place a hedge for the sale of gold from its Cannon Gold Mine in Western Australia with Japan's Sumitomo Corporation Global Commodities.

The hedge is a fixed forward contract to sell 2,500 troy ounces of gold at A\$1,621 per troy ounce, representing a contract value of A\$4,052,500 to be cash settled by 30 June, 2017.

Southern Gold owns the Bulong Gold Project located 30 kilometres east of Kalgoorlie, which hosts the Cannon Gold Mine, projected to produce around 50,000 ounces of gold.

Westgold Resources (ASX:WGX) is financing and developing the deposit under a 50/50 profit share arrangement with Southern Gold.

A total of \$5.5 million of profit share distribution has now been received by Southern Gold until last week from the Cannon mine.

Assuming the mine is taken to completion, Southern Gold expects to receive further distributions during the period to 30 June 2017 of about \$10 million under the base case.

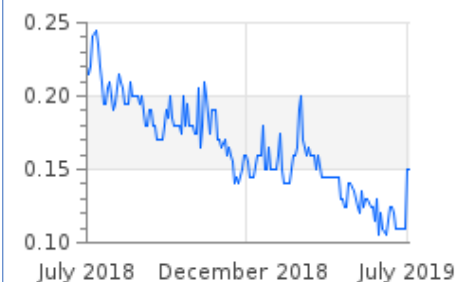
The present quantum of the hedge is less than Southern Gold's 50% share of gold currently in stockpile and therefore represents a low delivery risk.

Southern's move appears prudent, given it has locked in a portion of its future cash flow at the current gold prices north of A\$1,600 per ounce, taking some of the volatility out of its projected earnings.

Price: A\$0.16

Market Cap: A\$10.01M

1 Year Share Price Graph



Share Information

Code: SAU

Listing: ASX

52 week **High** **Low**
 A\$0.25 **A\$0.11**

Sector: Mining

Website: www.southerngold.com.au

Company Synopsis:

High grade, high margin gold production driving organically funded industry-leading exploration in the search for 'world class' gold deposits.

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