

Southern Gold Ltd

13:46 04 Mar 2019

Southern Gold hunts next Hishikari mine in South Korea as Bluebird JV matures

Southern Gold Limited (ASX:SAU) is focused on precious metals project development and exploration in South Korea where it has projects with higher-valued joint venture partner Bluebird Merchant Ventures Ltd (LON:BMV).

The partners have joint 50-50 stakes in the potentially company-making large Gubong Gold Project and the nearer-term, smaller Kochang Gold Project.

READ: Southern Gold has major epithermal gold targets in South Korea, and the potential for near-term production

Southern Gold's other projects in South Korea are wholly owned and include prospective greenfields projects in underexplored territory.

The company also has the Cannon Gold Project 30 kilometres of Kalgoorlie-Boulder in the Goldfields region of Western Australia where the Diggers & Dealers Mining Forum is held each year.

South Australia-based Southern Gold now owns all of the Cannon project after picking up a lease and mining rights from former JV partner Northern Star Resources' (ASX:NST) (FRA:NS7) (OTCMKTS:NESRF).

Also in the Kalgoorlie area, Southern Gold has the Cowarna Gold Project and the Glandore Gold Project it is farming into as part of a JV with Aruma Resources Ltd (ASX:AAJ).

Southern Gold withdrew from the Heron Resources (ASX:HRR) (FRA:HR7) JV and opted this quarter not to take up an option to buy Transfind Extended Gold Project from prospectors.

The company continues to hold the buy option.

Cannon project cash value to be accessed

Southern Gold managing director Simon Mitchell told Proactive Investors the company was looking at a number of solutions for its primary West Australian asset.

Mitchell said, "We're looking to monetise the Cannon asset and we've certainly over time been reducing our exposure to Australia and now most of our operational people are really focused on the South Korean side of things.

"There's quite a bit of value in Cannon as a potential mine. It's not likely to be Southern Gold that will be the miner, it'll be somebody else.

"We're in the process of looking at options for bringing somebody into either mine it on our behalf or to purchase it from us or, in one way or the other, we

Price: A\$0.105

Market Cap: A\$6.57M

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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will release some cash value from that (asset) over the short term."

Bluebird JV the way forward

South Korea and the Bluebird JV is Southern Gold's operational focus.

Mitchell said, "In South Korea, we do have indeed the Bluebird joint venture and that is the most likely near-term cashflow source and it's likely to be a near-term gold pour by the end of this year, according to (Bluebird's) targets."

London-listed Bluebird is on record stating this year as being its target for first gold production.

"It's targeting first gold pour by the end of this year. Even if it takes them a little bit longer than that, that's still pretty rapid and a great outcome."

Mitchell expects first gold pour at Kachong, with Gubong to follow.

Gubong a potential "company maker"

The aim for the larger of Southern Gold's Bluebird projects, Gubong, is to mine high-grade gold.

Partners Bluebird and Southern Gold hope to extract metals with a simple process, such as a gravity or vat leach, with low capital intensity, and hope to achieve cash flow as early as possible.

Mitchell said, "Bluebird is working on two principal projects, Gubong and Kochang, and they're two quite contrasting projects.

"Gubong is by far the larger and will represent the larger challenge to reactivate because it's going to take a lot of effort to reopen and dewater and really extract the potential from there.

"But it's actually got huge company-making potential in the medium term."

A regional trend at the project is more than 5 kilometres long, and exploration target range is 1.2-2.3 million tonnes grading 6-8 g/t gold containing 230,000-580,000 ounces of gold.

The target range only relates to a small part of the project site, Vein No 6 at Gubong South.

Kochang to make South Korean operations self-funding

Mitchell told Proactive he expected the joint venture would produce first gold at Kochang, then shift efforts to Gubong.

He said, "Kochang is a much smaller project, but it's much easier to access (and) we've got full underground access even today.

"Here the veins are narrow but the grades are higher and, because the access is so easy, we can get rolling there very quickly.

"Kochang is likely to be the first project where we get first gold pour and it really is the entree, if you will, to the larger meal which is Gubong."

Kochang cash flow will turn Southern Gold's South Korean operations into a self-funded business.

Mitchell said, "We'll get the cash flow going at Kochang as soon as we can and then that will mean that our operations are at least self-funded in-country from that point onwards.

"And (then) we can look at various options at Gubong, which will be a much bigger thing to do in the medium term."

South Korean prospectivity

South Korea is prospective territory for Southern Gold which has compiled a skilled team to assist with its efforts, included famed explorers that were involved with the Indochina Goldfields (Ivanhoe Mines) efforts of the 1990s.

On the team is technical adviser Doug Kirwin, who is sold on the value of South Korea, and SK consultants Dr Chris Bowden and Craig Panther.

Other assets the company holds in South Korea have new discovery potential and include the Weolyu and Deokon gold-silver projects and the Beopseongpo, Neungju and Hampyeong gold projects.

Mitchell notes the prospectivity of South Korea, saying "Because the country has been shut down for so long and there hasn't really been any exploration companies with technical capability in the area of epithermal geology, there's been a rediscovery of all these opportunities in southwestern Korea.

"We're basically stumbling along a part of the world where we're discovering new projects which have never really been properly assessed.

"It's a little bit like coming across a new mineral district with huge potential and we're the only game in town, right?

"We're really the only group that is looking at it, and so we're pegging projects and starting to work on systems that have never really been properly assessed."

The company believes there's potential for a big discovery, like Sumitomo Metal Mining Co, Ltd's (TYO:5713) (FRA:S19) (OTCMKTS:SMMYY) 8 million ounce Hishikari gold mine in Isa, Kagoshima, in southwestern Japan.

"What we are looking for another Hishikari ... the longest running, highest grade gold mine in the world.

"We think that there's certain geological parallels to what you see in southwestern Japan as what you see in southwestern Korea.

"You can never guarantee these things in our business but as far as we can, we believe that we have a situation which means that the probability of discovery is much higher than normal because of the cultural and geological

context that we have in southern Korea.

"We are looking for another Hishikari. Even if we find a baby Hishikari, we will be extremely happy."

London listing planned

Investors operating out of London and European investment markets are noting the opportunity South Korea poses.

Southern Gold has fielded significant enquiries from people based in the global financial centre since the company indicated it was exploring options for a London listing.

Mitchell said, "We'll certainly be looking at it very seriously and we hope to be out to talk about some opportunities ... hopefully in the next few weeks or so.

"No exaggeration, I've probably had more interest from the brokers in London in three months than I've had in Australia in three years in terms of my presentation about the Korean projects.

"There's a genuine appetite and understanding in London about the potential that we have in Korea and a certain appetite to get behind it."

As Mitchell likes to say, watch this space.

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