



## **Wonawinta Silver Project to be acquired; Mount Boppy development cost and risk cut back**

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- **Wonawinta Silver Project (60 M oz) to be acquired for \$375,000 and brought into production by year-end following a \$2M plant upgrade**
- **Wonawinta production profile and exploration inventory expected to be significantly upgraded for minimal cost**
- **Mt Boppy ore to be processed via Wonawinta plant – this will reduce Mt Boppy development risk and up-front capital cost**
- **TrailStone funds available from 19 September; equity-raise pre-condition removed.**

### **Overview**

Southern Cross Goldfields Ltd (**ASX: SXG**) is to acquire the Wonawinta Silver Project in central NSW from the liquidators of Cobar Consolidated Resources Limited (CCR).

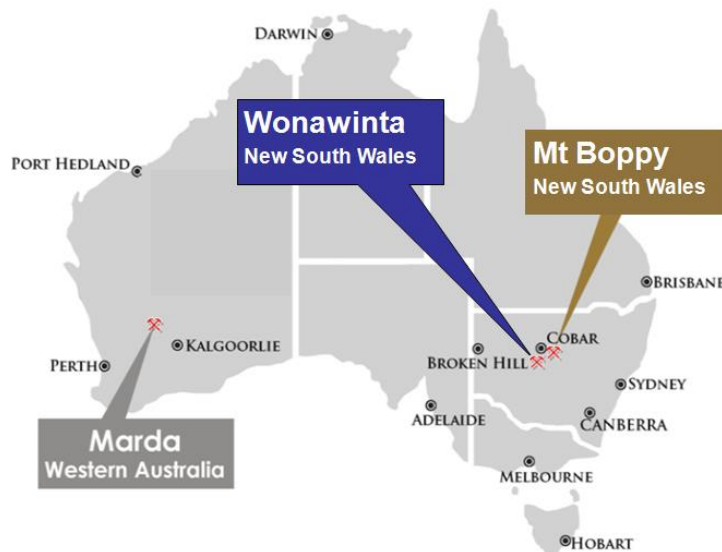
The acquisition includes the Wonawinta process plant and infrastructure built at a cost of more than \$60 million with a production capacity in excess of 2 million ounces per year, a 60 million ounce silver JORC Resource, and around 840 square kilometres of exploration ground in the highly prospective Cobar Basin.

SXG will pay \$375,000 in cash for the project, with completion of the acquisition planned for 19 September. SXG will also assume rehabilitation liabilities by replacing \$5.8 million in environmental rehabilitation bonds with the NSW government.

SXG plans to invest in a \$2 million plant upgrade to deliver profitable production of silver by December 2014. This involves installing a larger 1500kW ball mill from Kalgoorlie to resolve grinding and recovery issues that hampered production by CCR. Immediate improvements in effective capacity and reduced operating costs are expected.

SXG is initially focused on easily winnable, low cost ounces now available for processing, including some 350,000 tonnes of stockpiled ore, to be followed by resumption of mining from two existing pits.

The project has a 60 million ounce silver Mineral Resource and a 9 million ounce silver Ore Reserve.



### Wonawinta processing of Mt Boppy ore

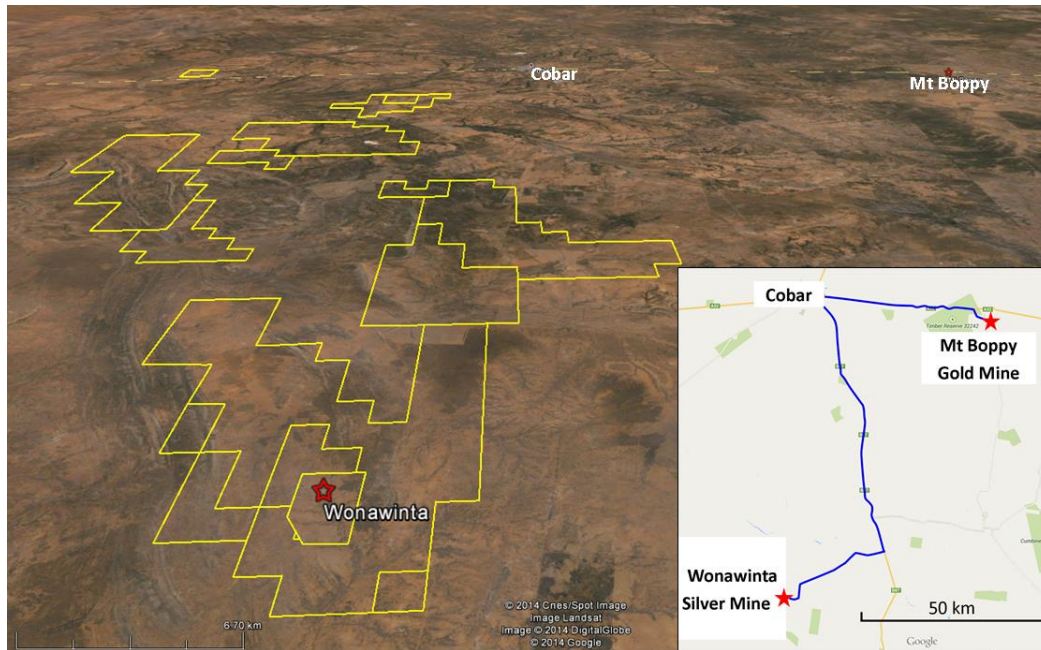
SXG intends to use the Wonawinta plant to process ore from its Mt Boppy Gold Mine approximately 100 kilometres to the north-east.

SXG previously had planned to redevelop the mine and upgrade the Mt Boppy plant to start gold production in 2015. It is now planned to truck the ore 150 kilometres by road (see Figure 1) to the Wonawinta plant for processing, eliminating the need to upgrade the Mt Boppy plant and reducing up-front capital expenditure by around \$9 million. Additionally, processing through the modern Wonawinta plant is expected to lead to improved process efficiencies and higher gold recovery rates for Mt Boppy ore.

Based on current Reserves, the Mt Boppy ore is forecast to produce approximately 67,000 ounces of gold over a two-year period from mid-2015.<sup>1</sup> Haulage costs to Wonawinta will be offset by lower capital requirements, higher production efficiency and better recovery. On this basis, the project's average all-in production cost is expected to be comparable to that for the existing stand-alone Mt Boppy production cost of approximately \$1000 per ounce.<sup>2</sup>

<sup>1</sup> Refer Polymetals Mining Limited (ASX:PLY) announcement "Mt Boppy Gold Project: feasibility study indicates 100% IRR" released to ASX on 29 January 2013

<sup>2</sup> Refer 1 above



**Figure 1 - Map showing Wonawinta exploration acreage (including areas subject to renewal) and proximity to SXG's Mt Boppy project**

CEO Frank Terranova said the Wonawinta transaction offered outstanding financial and operational benefits drawing on SXG's experience as a silver mine developer and producer.

*"Acquisition of Wonawinta adds a substantial silver project to our gold portfolio and enables us to start generating cash very quickly. It also provides an innovative and creative path for processing Mt Boppy ore at minimal capital cost and with reduced development risk," he said.*

*"It results in a substantially lower up-front capex requirement, a significantly enhanced production profile and a major uplift in the Company's net present value. And there is potential upside from exploiting the full existing Wonawinta Reserve, upgrading some of the 60 million ounce Resource to Reserve, as well as from exploration success.*

*"This gives Southern Cross a much stronger platform for further growth," he said. "And it builds on the extensive success we previously had with silver projects at Canbelego in central NSW and at Nimbus in Western Australia."*

Chairman, Jon Parker, said that the Wonawinta acquisition together with the recently announced TrailStone funding transaction would see SXG advance rapidly to the ranks of producer with an impressive and fully funded project pipeline.

*"The Company is now very well positioned to enter an important new technical phase in its development, with a strong financial base and the funding available to move forward and generate strong returns for shareholders," he said.*

**TrailStone transaction revised**

In consideration of the reduced capital requirements flowing from the Wonawinta transaction, SXG has renegotiated the recently announced funding arrangements with the TrailStone Group.

TrailStone will continue to provide a total \$60 million debt package including an initial \$25 million gold loan and a \$35 million credit facility to be drawn down in stages from the first half of 2015.

The previous requirement for SXG to raise a minimum of \$5 million in new equity has been reduced and is no longer a pre-condition to funding availability. Instead, SXG has undertaken to finalise a \$2 million raising in new equity within 30 days of the close of the transaction, including amounts being raised through the current share placement and small shareholder entitlement offer, which is due to close on September 10. As previously announced, SXG has already secured commitments of new equity from directors, senior management and other professional investors and is in the process of finalising these commitments. In addition, at the date of this announcement, the current Shareholder Offer has raised in excess of \$600,000.

Subject to completion of certain administrative pre-conditions, funding will be available for drawdown to complete the Wonawinta acquisition on 19 September 2014.

TrailStone will subscribe for additional equity of \$1 million once the \$2 million threshold has been reached. Both issues will be at a price of one cent per share.

Furthermore, TrailStone has agreed to reduce the maximum number of warrants it is to receive as part of its consideration from 1.25 billion to 1 billion with the strike price for conversion of the warrants to shares being reduced from 1.4 cents per share to 1.3 cents.

If all warrants were to be converted to shares, at a total conversion cost of \$13 million, TrailStone would hold up to 46% of the Company on a fully diluted basis.

The reduction in the TrailStone warrant exercise price has enabled similar terms to be flowed on to its current share placement and shareholder entitlement offer with the exercise price of the options being issued reducing from 1.4 cents to 1.3 cents, matching the terms of the TrailStone warrants.

Shareholders are entitled to subscribe for up to \$15,000 worth of shares at a price of one cent per share, with one free option for each two shares taken up. SXG has reduced the minimum subscription amount to \$1,000 and has extended the offer to September 10.

**About Wonawinta**

The Wonawinta Project was developed by Cobar Consolidated Resources, commencing in 2007. A maiden silver resource was declared for the project in July 2008, leading to a feasibility study, completed in June 2010.



Plant construction commenced in May 2011, with first ore mined in April 2012. Mining is from shallow open pits, and processing has been via conventional CIP methods (but without primary grinding). First silver was poured in July 2012.

The project produced a total of 2.1 million ounces of silver until it was placed in voluntary administration in March 2014, following production issues and high unit costs.

A total of some 350,000 tonnes of ore is currently stockpiled on or close to the ROM pad, with a grade of approximately 50 g/t.<sup>3</sup> The two pits that were in production when mining was halted earlier this year (Manuka and Boundary) are available for rapid recommencement of mining of ore with a grade of approximately 100 g/t.

SXG's initial plan is to process approximately one million tonnes of Wonawinta ore including existing stockpiles and ore from the Manuka and Boundary pits. Based on achieving the average recovery rate of approximately 80% experienced by CCR at Wonawinta to date, this would produce in excess of 2.3 million ounces of silver. With the planned investment in operational improvements, SXG expects to meet or improve on this output, and will target the long-term cost of \$16 per ounce published by CCR.<sup>4</sup>

Wonawinta currently has a Resource of some 60 million ounces of silver and a Reserve of 9 million ounces, which have the potential to be brought into the production schedule in future, depending on silver prices and cost outcomes.

The most recent published Resource and Reserve statement for the project, from February 2014, is shown in Table 1 below.

Table 1 – Wonawinta Resource and Reserve Statement

Wonawinta Mineral Resources (Feb 2014)	Tonnes (Mt)	Grade (Ag g/t)	Contained Metal (Ag Moz)
Measured	4.2	58	7.9
Indicated	5.9	54	10.1
Inferred	31.4	42	41.9
<b>Total</b>	<b>41.5</b>	<b>45</b>	<b>59.9</b>
<b>Wonawinta Ore Reserves</b>			
Proved	1.8	81	4.6
Probable	1.7	72	3.9
Total	3.4	76	8.5
Stocks (Proved)	0.3	84	0.7
<b>Total</b>	<b>3.7</b>	<b>78</b>	<b>9.2</b>

\*Ore reserves are included in the Mineral Resource. Cut-off grade of 22 g/t silver equivalent using a silver price of \$22/oz

<sup>3</sup> Tonnes and grade of stockpiled ore is based on grade control sampling and surveyed volumes

<sup>4</sup> Refer CCR Investor presentation released to ASX 5 March 2014





The Wonawinta acquisition also includes approximately 840 square kilometres of highly prospective exploration territory held in seven exploration licence areas.

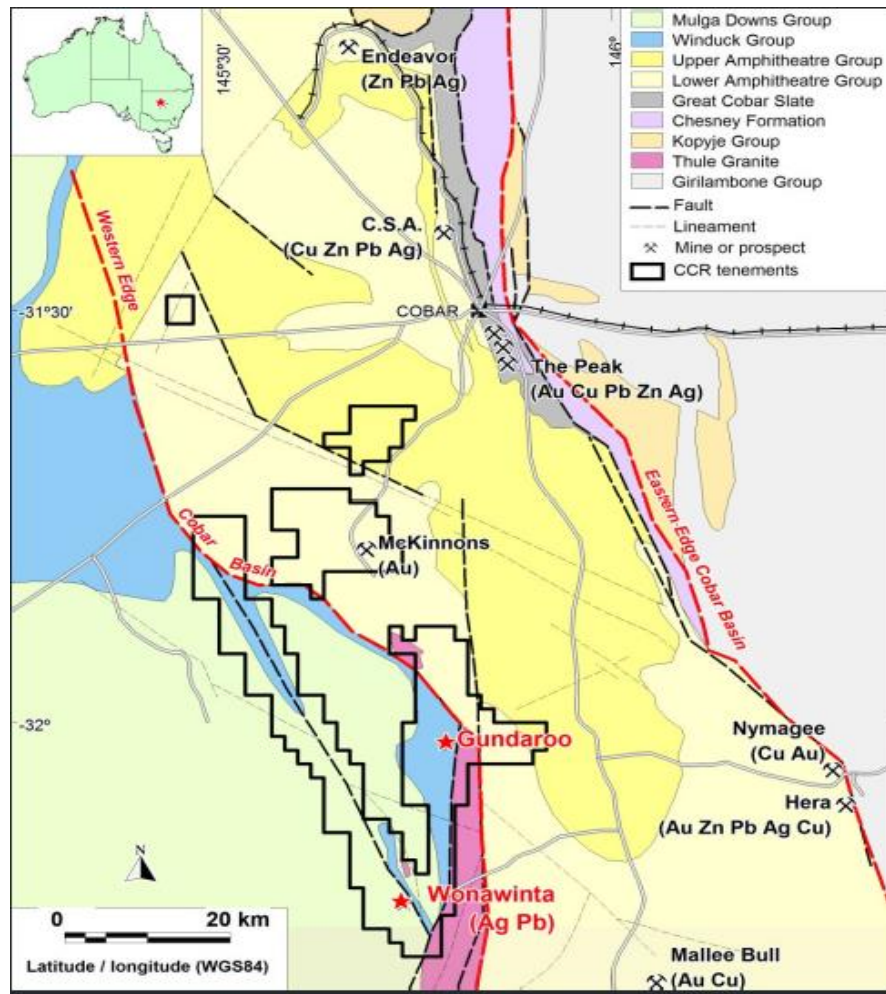


Figure 2 – Map of regional geology – Cobar district

The tenements are adjacent to, and overly, bounding structures on the western margin of the Cobar Basin. These structures are interpreted as potential pathways for mineralising fluids that have formed the Wonawinta deposit and other deposits nearby. Subsequent to acquisition of the Wonawinta Project and transfer of the tenements to SXG, the Company plans to review all available data to assess the prospectivity of the tenements. The review aims to develop both short and long term exploration strategies to follow up on exploration undertaken by previous owners and to identify new targets or concepts not yet tested. CCR has reported that the tenement package is highly prospective for additional Wonawinta style mineralisation, base metals mineralisation (Gundaroo) and possibly gold mineralisation (McKinnons).

### About Southern Cross

Southern Cross Goldfields is a Brisbane-based mining project development company, with advanced gold projects at Mt Boppy in central NSW and at Marda west of Kalgoorlie in Western Australia.



The Company was first listed in early 2008 with four gold and nickel projects in Western Australia. It completed acquisition of the Marda gold resource in 2010 and commenced a feasibility study which was finalised in May 2012.

In April 2013, the company merged with Polymetals Mining Ltd, which had a long history of successful mine development dating from its formation as a private company by current SXG director David Sproule in 1986.

Polymetals developed the Canbelego silver project between 1993 and 1996, and produced 960,000 ounces of silver and 5000 ounces of gold, by trucking high grade supergene flotation tailings from the Endeavor mine to the Mt Boppy plant for treatment.

That was followed in 2004 by the Nimbus Silver Project, located near Kalgoorlie, where Polymetals designed, constructed and commissioned a new Merrill Crowe silver treatment plant and opened two pits within five months of acquiring the asset. It successfully produced 3,200,000 ounces of silver through to 2007.

It had also successfully developed the Hellyer Zinc project in Tasmania (2006-2008) and the White Dam gold project in South Australia (2009-13).

### ***Mt Boppy Gold Project***

Mount Boppy is one of Australia's oldest gold mines, with gold first produced in 1901. A total of 417,000 ounces of gold was produced until mining ceased in 1923 due to labour shortages caused by World War One. Polymetals re-opened the Mount Boppy Mine in 2002, establishing open cut operations over the historic underground mine. Between 2002 and the mine closure in 2005, the operations produced approximately 67,000 ounces of gold from 500,000t of ore with an average grade of 5.29 g/t gold (4.2 g/t gold recovered). The operation was closed in 2005 (due to the then low gold price) and was placed on care and maintenance.

In 2012, the company commenced planning to reopen the mine with a major cutback to expose the main lode at depth, scheduling to produce approximately 65,000 ounces of gold over two years.

The current Mt Boppy Resource and Reserve statement is shown in Table 2 below.

**Table 2 – Mt Boppy Resource and Reserve Statement**

<b>Mt Boppy Mineral Resources</b>	<b>Tonnes (kt)</b>	<b>Grade (Au g/t)</b>	<b>Contained Metal (Au koz)</b>
Measured	39	6.4	8
Indicated	646	4.0	84
Inferred	82	3.6	9
<b>Total</b>	<b>766</b>	<b>4.1</b>	<b>102</b>
Mt Boppy 2.5 g/t cut-off; Mt Boppy Sth 1.0 g/t cut-off			
<b>Mt Boppy Ore Reserves</b>			
Proved	42	5.6	8
Probable	507	4.2	68
<b>Total</b>	<b>549</b>	<b>4.3</b>	<b>76</b>

**Marda Gold Project**

The Marda project is located 400 kilometres north east of Perth in Western Australia. The project has a resource of 495,000 ounces of gold at a grade of 1.9 g/t, and a reserve of 176,000 ounces of gold at 2.3 g/t.

A feasibility study has been completed on the project, and SXG is progressing towards development commencing in 2016. Total capital expenditure is estimated to be approximately \$31 million, and the project is expected to produce approximately 167,000 ounces of gold over a four year period. It involves an open cut pit and conventional CIL processing, with an all-in cash cost estimated to be approximately \$1000 per ounce.<sup>5</sup>

The Wonawinta transaction will provide cashflow to support exploration activities at Marda and will enable access to funding to allow development of the project according to schedule.

The current Marda Resource and Reserve statements are shown in Table 3 below.

**Table 3 – Marda Resource and Reserve Statement**

<b>Marda Mineral Resources</b>	<b>Tonnes (kt)</b>	<b>Grade (Au g/t)</b>	<b>Contained Metal (Au koz)</b>
Measured	2796	2.3	203
Indicated	2640	1.8	154
Inferred	2529	1.7	136
<b>Total</b>	<b>7964</b>	<b>1.9</b>	<b>495</b>
*1.0 g/t cut-off			
<b>Marda Ore Reserves</b>			
Proved	1712	2.4	130
Probable	660	2.1	46
<b>Total</b>	<b>2372</b>	<b>2.3</b>	<b>176</b>

<sup>5</sup> All financial information in this paragraph is sourced from the “Marda Gold Project - Feasibility Study Review” released to ASX on 10 December 2013



**Production Targets and Forecast Financial Information**

The information in this announcement that relates to production targets and forecast financial information is extracted from previous market announcements as listed below.

**Mt Boppy Gold Project**

Announcement – “Mt Boppy Feasibility Study Results” released by Polymetals Mining Limited (ASX:PLY) on 29 January 2013; available to view on [www.asx.com.au](http://www.asx.com.au).

**Marda Gold Project**

Announcement - “Marda Gold Project - Feasibility Study Review” released on 10 December 2013 and “Marda Gold Project Feasibility – Additional Information” released on 20 December 2013; both are available to view on [www.scross.com.au](http://www.scross.com.au) and [www.asx.com.au](http://www.asx.com.au).

The Company confirms that all material assumptions underpinning the production targets, and forecast financial information derived from the production targets, in the relevant market announcements shown above continue to apply and have not materially changed.

**Resource and Reserve Statements**

The information in this announcement that relates to Mineral Resources and Ore Reserves is extracted from previous market announcements as listed below.

**Mt Boppy - Canbelego**

Announcement - “Mt Boppy Feasibility Study Results” released by Polymetals Mining Limited (ASX:PLY) on 29 January 2013; available to view on [www.asx.com.au](http://www.asx.com.au).

Competent Person (Mineral Resources) – Troy Lowien

Competent Persons (Ore Reserves) – Andrew Lawry & Sean Buxton

**Marda**

Announcement - “SXG set to open up new WA gold province with Marda Gold Development” released on 10 May 2012; available to view on [www.scross.com.au](http://www.scross.com.au) and [www.asx.com.au](http://www.asx.com.au).

Competent Person (Mineral Resources) – Richard Simmons

Competent Person (Ore Reserves) – Denis Grubic

**Wonawinta**

Announcement - “Mineral Resources and Reserves Update” released by Cobar Consolidated Resources Ltd (ASX:CCR) on 21 February 2014; available to view on [www.ccrlimited.com.au](http://www.ccrlimited.com.au) and [www.asx.com.au](http://www.asx.com.au).

Competent Person (Mineral Resources) – Jonathon Abbott

Competent Person (Ore Reserves) – Steve O’Grady

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

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For further details, please visit [www.scross.com.au](http://www.scross.com.au) or contact:

Joe Dowling, Investor Relations, Southern Cross Goldfields Ltd

Telephone: +61 (0)421587755, email [admin@scross.com.au](mailto:admin@scross.com.au)