



**Southern Cross
Goldfields Ltd**



ASX Announcement 8 July 2014

Debt and Equity package to leave SXG fully funded for development

Southern Cross Goldfields Ltd (ASX:**SXG**) is pleased to release the attached presentation to investors titled **“Debt and Equity package to leave SXG fully funded for development”**.

- ENDS -

For further details, please contact

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Southern Cross Goldfields Ltd ASX Code: **SXG**

Building a mid-tier Australian gold company



Debt and Equity package to leave SXG fully funded for development

- **New cornerstone investor, TrailStone Group, backing SXG management team**
- **A\$60M development funding package secured**
- **A\$6 million capital raise in progress. A\$3 million already committed**
- **Existing high value projects ready for rapid development. Production inside 12 months**
- **Poised to seize market opportunities, drive accelerated growth**

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Accomplished board and management team



Established team with a track record in project success, growing companies and generating and crystallizing value

Jon Parker – Non executive Chairman

Held executive & senior management roles with Rio Tinto for 26 years across multi commodities. Former Managing Director (MD) of Felix Resources Ltd growing from \$17M to >\$500M over 4-year period. Former MD of Norton Gold Fields Limited. Former Non-Executive Director of Polymetals Mining Limited (PLY). Former Chairman of Anova Minerals Limited.

David Sproule – Technical Director

Founded PLY in 1993 having spent prior years building processing plants and associated technical infrastructure. Has developed many projects all meeting on time/on budget targets. MD of PLY until 12/2007 when he was appointed Chairman.

Frank Terranova – Managing Director & CEO

Appointed MD & CEO of Southern Cross in 09/2013 having been MD of Polymetals at the merger with SXG. Joined PLY in August 2012 with a mandate to grow the company. Prior to PLY, Frank was MD & CEO with Allied Gold Mining PLC, where he played a major role in its successful growth and eventual +\$500m acquisition by St Barbara. He has held executive roles with listed companies across various sectors and transacted across ASX, TSX and LSE markets.

Chris Bolger – Executive Exploration

Geologist with 30 years' international experience in senior exploration and operational roles covering gold, tin and base metals. Was GM Exploration at PLY, previously GM Exploration & Resource Development with Kasbah Resources.

David Kinsman – CFO

Chartered accountant with strong resources sector public company experience. Was CFO and Company Secretary of PLY, previously CEO and CFO of Innamincka Petroleum Ltd. Over 15 years' prior experience in senior roles with international organizations including Chevron and Boeing.



Established project track record



White Dam Gold Mine (2009-13)

- in excess of 140koz gold ; \$116M EBITDA
- 7 months to production
- cash operating cost = \$600/oz

TRAILSTONE

PLUS:

- new and existing shareholders positioning SXG for:
- Funded accelerated growth
 - Near term producer status
 - Market re-rating

Nimbus Silver Mine (2004-07)

- 3.2Moz silver; \$9.8M EBITDA
- 5 months to production
- cash operating cost = \$6.54/oz

Polymetals - private company 1993-2011

Capital contributed A\$1.5M
Dividends generated > \$26M
Successfully completed many smaller development projects

Merger 08/2013



Polymetals IPO in 04/2011

- Raised A\$7M
- Market cap of A\$36M on listing

Hellyer Zinc Joint Venture (2006-08)

- 32kt zinc & 10kt lead in concentrate
- \$10M EBITDA
- 5 months to production
- cash operating cost = \$615/tonne

Mt Boppy Gold Mine (2002-05)

- 67koz gold; \$12.5M EBITDA
- 4 months to production
- cash operating cost = \$383/oz



Southern Cross Goldfields Ltd



New cornerstone investor - TrailStone Group



- TrailStone Group - a US\$500 million fund, seeded by US\$27 billion Riverstone Holdings LLC
- Created in 2013 to invest in mining and upstream oil & gas projects. Formed and run by former Deutsche Bank commodities team in London, New York, Sydney
- TrailStone to take a A\$1-\$2 million equity stake, plus warrants and will provide debt of A\$60 million, including A\$25 million gold loan
- Investment horizon 4-5 years minimum
- Working collaboratively with management to facilitate rapid growth
- Funding package will provide potential to take advantage of opportunities in the current market
- Provides shareholders with major leverage to growth

TRAILSTONE

MINE FINANCE



MINE FINANCE OVERVIEW

TrailStone understands the challenges in today's capital markets for small to medium sized miners. Through comprehensive due diligence centred on management, asset quality, financials and legal framework, TrailStone will back quality management teams with strong assets in the spirit of true partnership.



SXG to be fully funded for existing project pipeline



- **A\$60M of debt secured in two tranches:**
 - **\$25 million gold loan**
 - Upon concluding transaction, drawn down immediately, repayable as 33,000 ounces of gold over 22 months commencing one year from close of transaction.
 - SXG to receive additional revenue per ounce of gold delivered into the gold loan, equal to gold price at time of draw down, less A\$1000
 - **A\$35M vanilla debt facility.**
 - First draw down early 2015
- **Based on current development plans of Mt Boppy and Marda projects, debt peaks at A\$35M**
- **Equity raising strengthens balance sheet.**
 - Minimum \$6 million capital raise, with \$3 million already committed (Includes \$1 million from TrailStone Group)
 - Placement of shares at 1c/share, with one free option for each two shares issued. TrailStone will not receive attached options on their equity contribution
 - TrailStone to receive warrants which will provide cash injection of up to \$17.5 million if exercised. Expiry end 2019. Conversion on same terms as options.
 - Post-placement, existing shareholders to be provided the opportunity to participate on similar terms



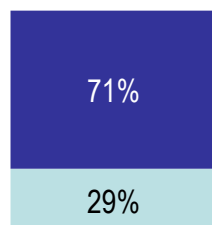
Equity Capital Structure



% of total

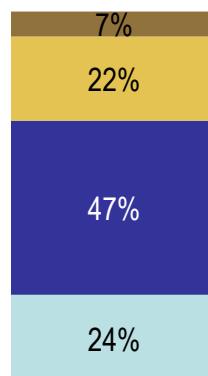
3.1B shares

887M shares

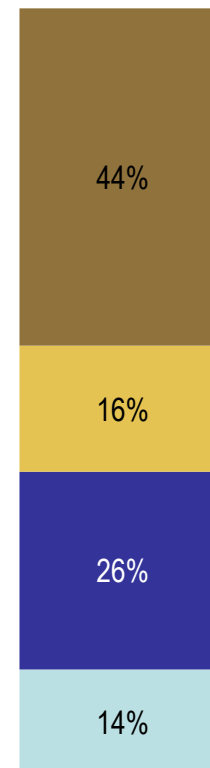


Current*

1.49B shares



**Post \$6 million placement,
undiluted**



Fully diluted**

TrailStone Group

New Shareholders

**Other previous existing
shareholders *****

**Board, management and
related parties*****

* Current column excludes 207 million options

** Assuming share price of 3 cents per share. Options and warrants exercisable at prices higher than 3cents are excluded

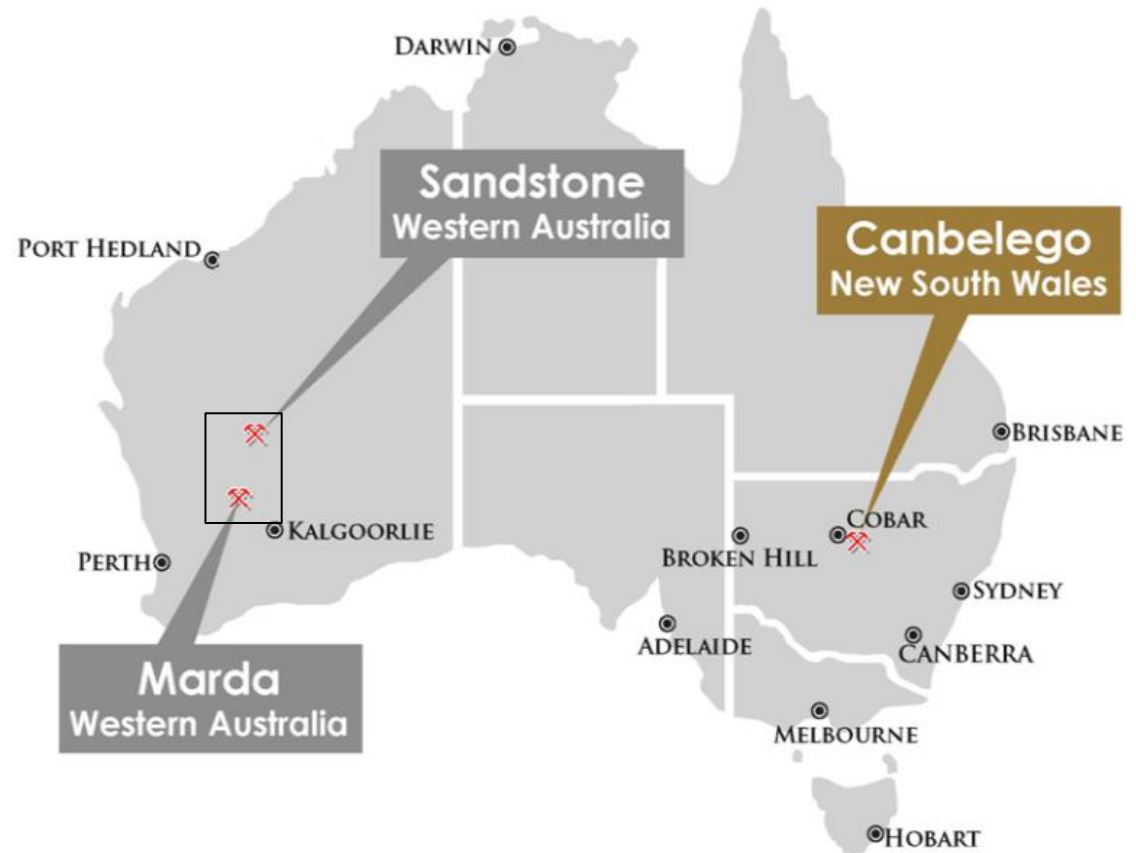
*** Assumes partial take up of capital raising



Two high return projects ready for development



- Low risk jurisdictions
- Rapid development schedule - Mt Boppy/Canbelego project in production in 2015.
- Pipeline provides potential +six years of production at average ~ 40,000 ozpa
- Highly attractive project NPV
- Solid base for accelerated cash flow and growth profile



Mt Boppy - generating cash within 12 months



Mt Boppy Gold Project – 100%

Location	Canbelego, 46km east of Cobar, NSW
Resource	102koz Au at 4.1 g/t
Reserve	76koz Au at 4.3 g/t
Production	64koz+ over 2 year mine life Simple open cut operation with conventional CIL processing
Status	Feasibility Study completed
Development Cost	~A\$26M
Production Cost /oz	Cash Cost ~ A600/oz Total ~ A\$1000/oz
Development time	Less than 12 months to first gold in 2015. In-situ process plant to be refurbished. Mine previously operated 2002-2005 by SXG management team



Mt Boppy - a fast-track to cash flow



- **Mt Boppy has been operated in the past by the current management team**
 - Confidence in technical assumptions by proven historical performance and experience.
 - Plant on care and maintenance since 2005
- **A rapid path to cash flow**
 - Substantial project infrastructure already available and few lead time items
 - Production can commence within Qtr2 2015.
 - Close to services and suppliers in region.
 - Future toll milling potential in the region exists to further utilise the gold plant
- **Low project complexity**
 - Low operational risk – good grades, simple open cut mining, conventional process flow sheets
 - Current sector dynamics - excess capacity in mining services sector ensures tight cost management

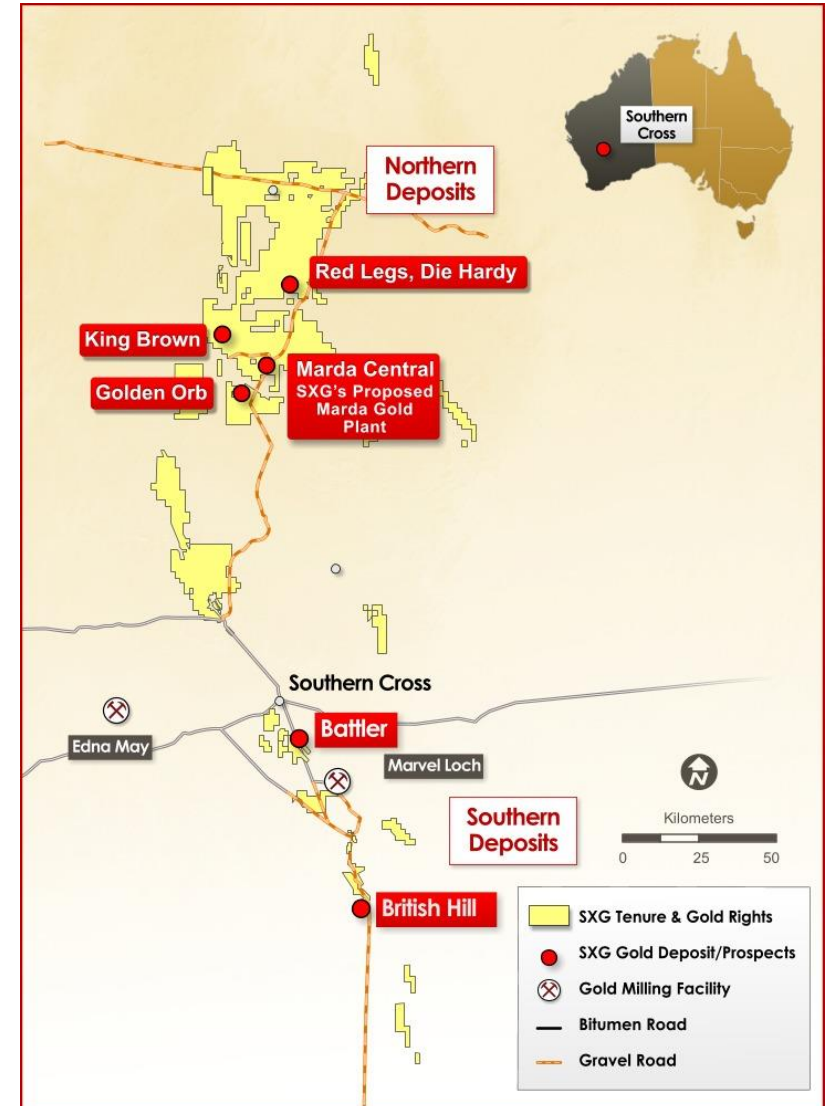


Marda – low risk growth option



Marda/Sandstone Gold Project – 100%

Location	400km north east of Perth, WA
Marda Resource	495koz Au at 1.9 g/t, with significant exploration upside potential
Marda Reserve	175koz Au at 2.3 g/t
Production	167koz over initial four years Simple open cut operation with conventional CIL processing
Status	Feasibility Study completed
Development Cost	~A\$32M
Production Cost /oz	Cash cost ~ A\$800/oz Total ~ A\$1000/oz
Sandstone Assets	600ktpa CIL processing plant and 100 person camp to be relocated to Marda from Sandstone
Development time	Commence development in 2016, first gold 2017. Capital redeployed from Mt Boppy



Marda – attractive growth option



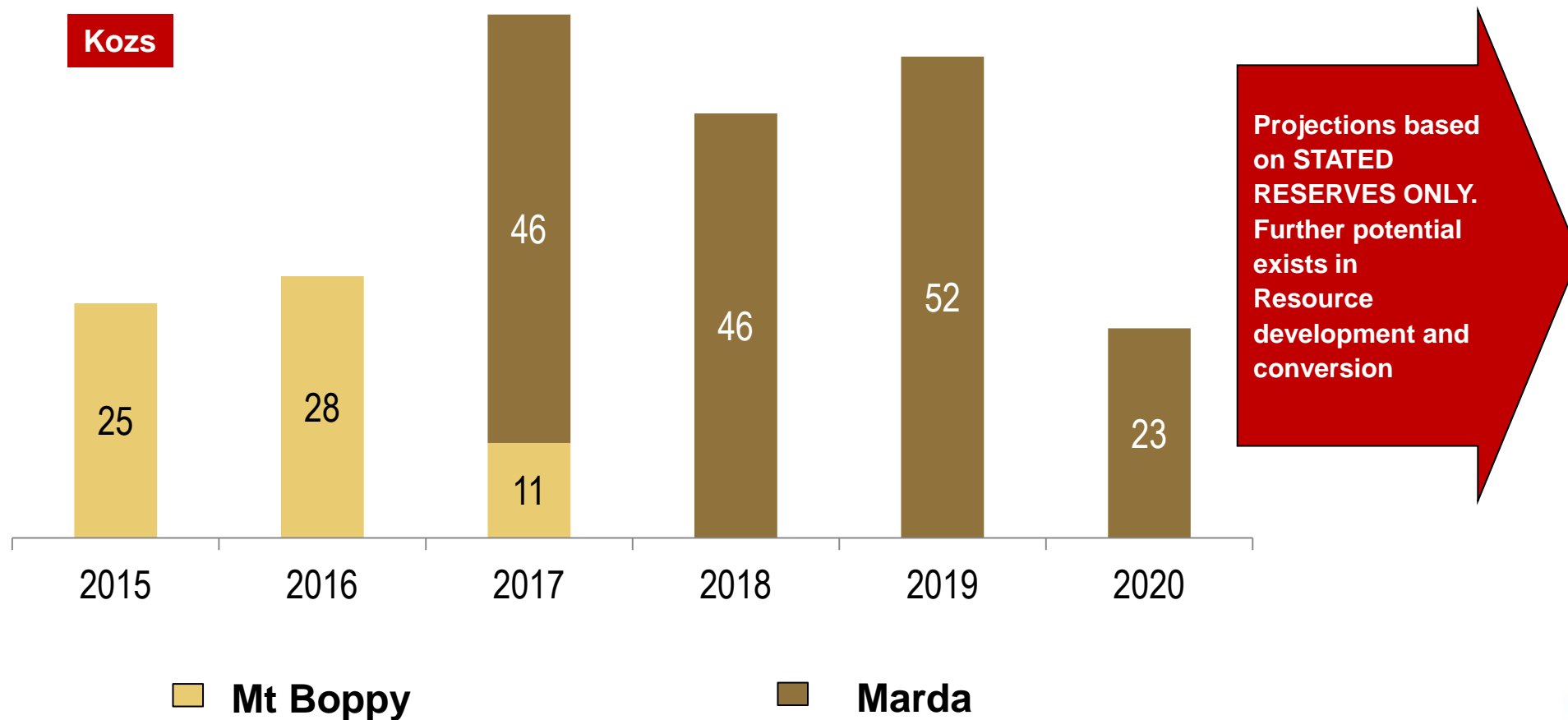
- **Established resource, with significant growth potential**
 - Immediate near term potential to increase gold inventory. More exploration activity pre production may materially increase scale and project value
 - Regional consolidation potential exists thereby ensuring any infrastructure will maintain value
- **Low project complexity**
 - Good grades, simple open cut mining, conventional process flow sheets
 - SXG owns existing infrastructure and gold plant at Sandstone that can be relocated to Marda
 - Low risk jurisdiction
- **Genuine leverage and enterprise option value**
 - Based on current metrics, the ability to hold, explore, develop or sell provides option value for investors
 - Continues to be a sought after asset in the region



Base case gold production



6 years averaging ~40,000 oz per annum



Poised to seize market opportunities



- Access to capital will provide multiple strategic options
- S&P/ASX Small Resources Index has fallen almost 70% since peak in Jan 2011



- Resource and Reserve valuation multiples have fallen sharply over the past five years
- Excess capacity in mining services sector
- Outlook for commodity prices remains robust in medium term

Mines Online Transaction Metrics	Resource Multiple (US\$/oz)	Reserve Multiple (US\$/oz)
Average valuation for development projects over the past year	22	41
Over the past three years	37	63
Over the past five years	45	76
Average valuation for producing projects over the past year	49	97
Over the past three years	72	183
Over the past five years	64	190



Rigorous and disciplined investment focus

- **Key criteria – SXG will assess projects where it can add value, through efficient acquisition, proven quality technical project execution, and now supplemented by improved certainty of funding**
- **Focus on precious metals, base metals, specialty metals, ex bulks**
- **Preference to avoid high sovereign risk environments**
- **Preferred projects within 2-3 years of production, with established resource and reserve**
- **Mid-market focus, modest capex requirement**
- **Diversification important - pipeline of projects at different stages: development, construction or production**



Be part of mid-market development leader



- **New cornerstone investor, TrailStone Group, backing successful management team**
- **Existing high value projects ready for rapid development**
- **Poised to seize market opportunities, drive accelerated growth**
- **Value centric and disciplined focus to maximise shareholder returns**

Valuation re-rating triggers:

- **Funding package secured**
- **Low risk transition to producer status within 1 year**
- **Strategic capability to seize market opportunities**
- **Shareholders leveraged to growth in a de-risked manner.**



Mineral Estimate and Forecast Reporting



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

Canbelego

- Announcement - "Mt Boppy Feasibility Study Results" released by Polymetals Mining Limited (ASX:PLY) on 29th January 2013; available to view on 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 10th May 2012; available to view on www.scross.com.au and www.asx.com.au.
- Competent Person (Mineral Resources) – Richard Simmons
- Competent Person (Ore Reserves) – Denis Grubic

Sandstone

- Unchanged since acquisition from Troy Resources Limited (ASX:TRY) in 2012
- Announcement - "2011 Annual Report of Troy Resources Limited" released on 21st October 2011; available to view on www.asx.com.au.
- Competent Person (Mineral Resources) – David Otterman

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.

The information in this presentation that relates to production target 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 29th January 2013; available to view on www.asx.com.au.

Marda Gold Project

- Announcement - "Marda Gold Project - Feasibility Study Review" released on 10th December 2013 and "Marda Gold Project Feasibility – Additional Information" released on 20th December 2013; both are available to view on www.scross.com.au and 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..



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SOUTHERN CROSS GOLDFIELDS LTD

SXG Resources and Reserves



Gold Mineral Resources

	Measured			Indicated			Inferred			Total Resources		
	kt	g/t Au	koz	kt	g/t Au	koz	kt	g/t Au	koz	kt	g/t Au	koz
Canbelego ⁽¹⁾	39	6.4	8	646	4.0	84	82	3.6	9	766	4.1	102
Marda ⁽²⁾	2,796	2.3	203	2,640	1.8	154	2,529	1.7	136	7,964	1.9	495
Sandstone ⁽³⁾				1,932	2.3	144	12,586	1.4	573	14,518	1.5	718
Total	2,834	2.3	211	5,218	2.3	383	15,197	1.5	719	23,249	1.8	1,315

(1) Mt Boppy; 2.5g/t cut-off; Boppy Sth: 1.0g/t cut-off

(2) Marda: 1.0g/t cut off.

(3) Sourced from the Troy Resources Limited 2011 Annual Report – currently undertaking divestment

Gold Ore Reserves

	Proved			Probable			Total Reserves		
	kt	g/t Au	koz	kt	g/t Au	koz	kt	g/t Au	koz
Canbelego	42	5.6	8	507	4.2	68	549	4.3	76
Marda	1,715	2.4	130	660	2.1	46	2,375	2.3	175
Total	1,757	2.4	138	1,167	3.0	114	2,924	2.7	251

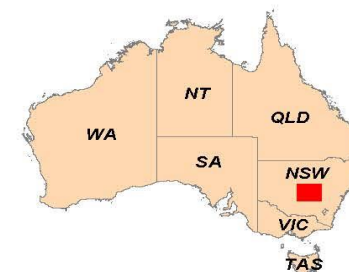


Mt Boppy Gold Project: Lachlan Fold location

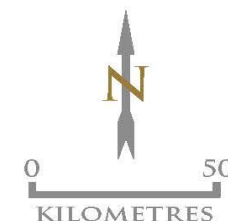


REGIONAL MINE AND RESOURCE OVERVIEW

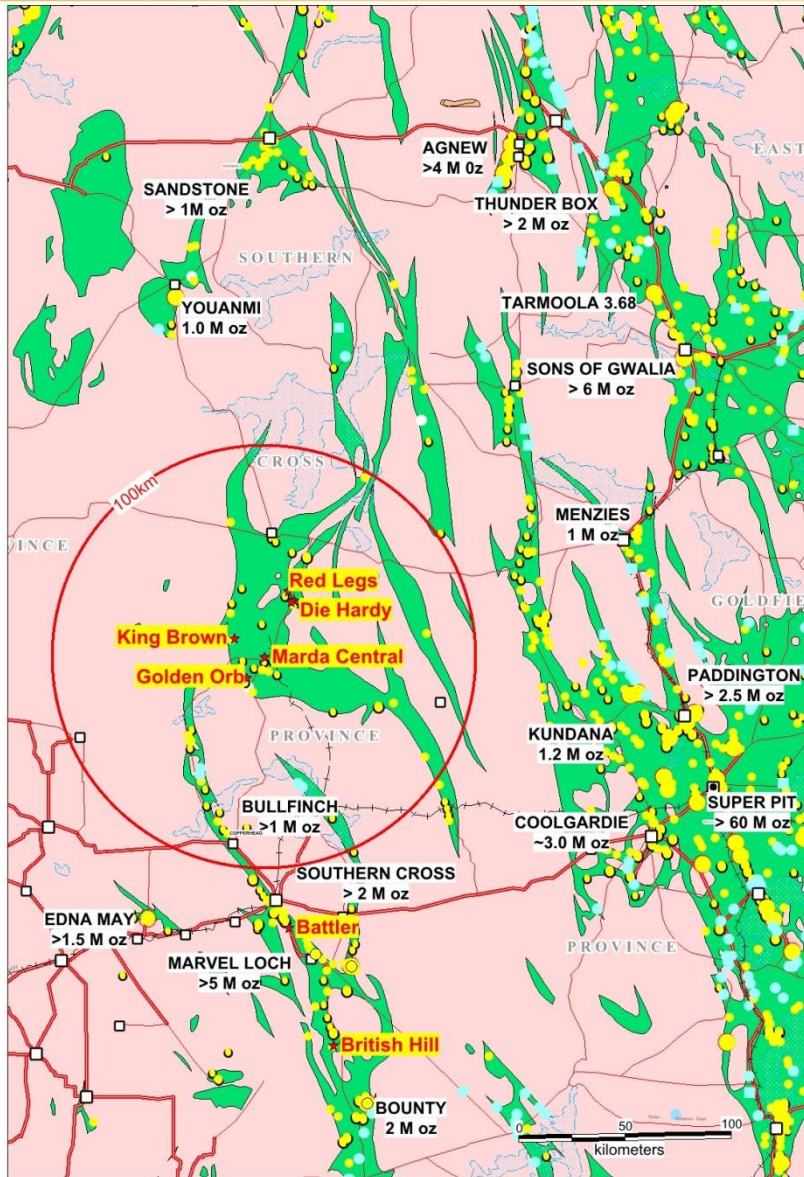
LACHLAN FOLD BELT - NSW



Exploration tenure held by Southern Cross Goldfields Ltd



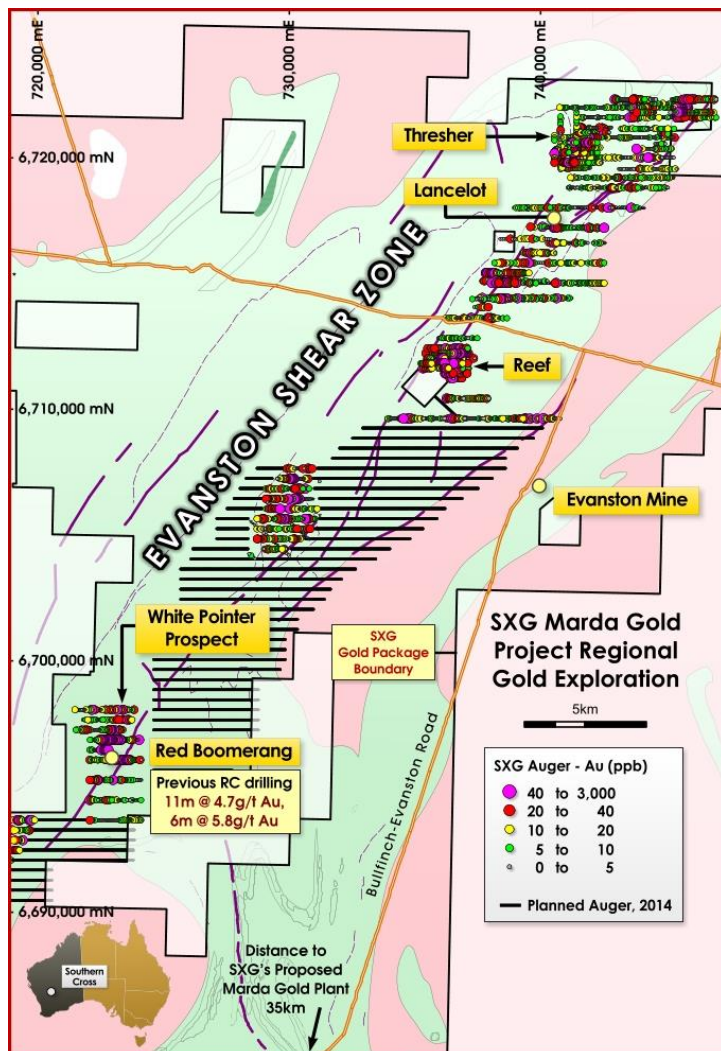
Marda: Regional gold processing potential



- Modern exploration techniques and new exploration models can generate new drilling targets
- Proven gold jurisdiction. Significant greenfield potential to complement the existing SXG gold inventory
- Current and future consolidation opportunities position the Marda project well for sustainable production growth
- Numerous exploration targets, limited only by capital
- Undeveloped economic grade resources located within 250km will have a processing opportunity at SXG plant . Combined total >250koz resources within 70km trucking distance
- SXG processing facility will encourage gold exploration activity in the region, especially by those who already have a proven Resource
- Real potential to toll treat other ore through Marda



Marda: Growth through exploration



- Other greenstone belts have all yielded deposits/deposit clusters >1M oz gold
- Historically very fragmented regional ownership of exploration leases
- Interest in the area is increasing but junior projects have lacked access to a plant
- SXG recognition of surface cover means previously ignored areas are highly prospective
- SXG focused on Evanston Shear via cost effective soil geochemical sampling
- 4 walk-up RAB targets have government approved work programs in place
- Additional targets identified as possible extensions of existing deposits
- 18km of 30 km long shear not yet tested
- Marda hosts several different deposit types indicating strong potential for further discovery

