



Southern Cross Goldfields Ltd

Targeting gold production, unlocking VMS potential



17 August 2012



www.scross.com.au



ASX Code: SXG

Southern Cross Goldfields Ltd is an Australian exploration company offering investors a compelling combination of near term cash flow and outstanding exploration potential.

The Company has a dominant 4,000km² tenement and mineral rights holding in the prolific Marda & Southern Cross regions of Western Australia.

The Company's proposed Marda Gold Project presents the opportunity to establish the regions only gold production facility with significant exploration upside from its existing high quality resource base and tenement package.

Board of Directors

Samantha Tough	Non-Executive Chairman
Glenn Jardine	Managing Director
Graham Brock	Non-Executive Director
John Rowe	Non-Executive Director

Capital Structure

Shares on Issue	291.1 M
Options on Issue	48.5 M

Major Shareholders

Mineral Resources Limited:	14.0 %
Western Areas Limited:	5.6 %

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MARDA GOLD PROJECT ENHANCEMENTS PROVIDE COMPELLING INVESTMENT CASE

Capital cost halved, returns enhanced, funding options crystallised

Highlights

- Proposed acquisition of the Sandstone gold plant substantially enhances the economics of Marda Gold Project and reduces construction and scheduling risk.
- Indicative terms already received from potential Marda Project debt providers to fund the \$5M cash component of the Sandstone Gold Project acquisition.
- Marda Project estimated capital cost now \$25 million (+/- \$5 million).
- Significant portion of project capital cost expected to be debt-funded with potential debt providers indicating that Marda should be capable of debt-funding up to \$25 million.

Southern Cross Goldfields Limited (ASX: SXG – "SXG" or "the Company") is pleased to provide an update on funding discussions for its 100%-owned **Marda Gold Project**, located 450km north-east of Perth in Western Australia, following recent significant enhancements to the Project.

These include the positive impact of this week's announcement of the proposed acquisition of the Sandstone Gold Project from Troy Resources (*see ASX Announcement -14 August*) which has significantly enhanced the financial parameters and expected returns from the Project.

Compared with the Feasibility Study completed earlier this year on an initial 35,000oz per annum gold operation at Marda (*see ASX Announcement 10 May*), the Sandstone acquisition has delivered the following key outcomes, outlining a compelling investment case for the Marda Project:

- Plant and Infrastructure capital cost reduced to \$25 million (+/- \$5 million);
- Majority of pre-production capital cost now expected to be debt funded;
- Annual average operating cash flow of \$25 million;
- Project payback 12 months;
- Average operating cost \$880/ounce;
- Initial gold production 35,000 ounces per annum over 5 years;
- Project NPV now \$68M;
- Project IRR now ~80%.



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Project Funding

The Company recently supplied a select group of debt providers and advisors with the detailed financial model for the Marda Gold Project. Subject to detailed due diligence, all of these entities have indicated that the first-ranking secured debt carrying capacity of the Project should be approximately \$25 million.

This means that, with the reduction in the estimated plant and infrastructure capital cost of the Marda Project to \$25 million (+/- \$5 million) as a result of the Sandstone acquisition, most of the Project's pre-production capital requirements are expected to be met through debt funding.

In addition, the Company has already received indicative terms from potential Marda project debt providers to fund the \$5 million cash component of the Sandstone Gold Project acquisition announced earlier this week (*see ASX Announcement 14 August*).

SXG's aim continues to be to minimise the equity component of the Marda Project's development funding requirements. In addition to approaching traditional debt providers, the Company aims to achieve this through a competitive tendering process for project construction and consideration of non-traditional project funding alternatives. The Company will also explore build-own-operate (BOO) arrangements for the plant and infrastructure.

SXG's Managing Director, Mr Glenn Jardine, said the proposed Sandstone acquisition announced earlier this week represented a key turning point for the Company, with the acquisition set to transform the economics of the Marda Project by halving the estimate capital requirement, reducing construction and scheduling risk, and significantly enhancing projected financial returns.

"We have already received a number of indicative offers to fund the cash component of the acquisition as part of a broader debt funding package for Marda," Mr Jardine said. "The positive response received to date gives us great confidence that we will be in a very good position to put an appropriate funding package in place in the near future, both to complete the Sandstone acquisition and to commence development at Marda.

"That puts us in a great position to commence gold production at Marda next year," he added.

In parallel with securing project financing activities, the Company's focus over the coming months will be to progress project-related activities including detailed engineering on the refurbishment and relocation of the Sandstone plant and statutory approvals for the Marda Project. The Company's expectation is for project funding arrangements to be in place during the last Quarter of calendar year 2012 with statutory approvals to be in place in the first half of calendar year 2013.

ENDS

For further details, please contact

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