



Southern Gold reducing Cambodian presence under deal with Mekong Minerals



*By Bevis
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Southern Gold will enjoy a free carry through three years of exploration expenditure up to US\$5.7 million (A\$5.3 million) at its Cambodian assets under a farm-in deal with Mekong Minerals, allowing it to focus on its Bulong Gold project in Western Australia.

Under the non-binding term sheet, Brisbane-based Mekong has the exclusive right earn up to 70% stake in Southern's wholly-owned subsidiary Southern Gold Asia (SG Asia) by spending the funds.

This includes a minimum commitment of US\$1 million to be spent within the first 12 months, the interests earned in SG Asia will be earned on a pro-rata basis for each US\$1 million expended.

Should Mekong earn a 70% interest in SG Asia, it will have an exclusive 6 month option to acquire the remaining 30% for US\$4.5 in cash or share equivalent upon its listing on the ASX.

Southern will retain a 1.5% net smelter royalty interest.

The company's 2011 drilling program had identified high grade gold intersections at the Gossan and Preak Khlong prospects within the Kratie South project in Cambodia.

Recent highlights include 5 metres at 8.25 grams per tonne (g/t) from 56 metres at Preak Khlong while Gossan had gold assay results of 5 metres at 5.42 g/t from 73 metres, 3 metres at 8.51 g/t from 58 metres, 2 metres at 13.49 g/t from 89 metres and 2 metres at 2.87 g/t from 55 metres.

The company had cash of A\$1.2 million at the end of 2011 though it has since raised almost A\$1.4 million through a placement of 26.97 million shares priced at A\$0.05 each to **Integra Mining**.

This gives Integra a 10% stake in Southern.

Integra has also agreed to support Southern's proposed non-renounceable pro rata rights issue to eligible shareholders aimed at raising up to A\$3 million.

Funds from these raisings will be used to carry out economic evaluation studies at the Cannon Gold resource and continued exploration of Bulong.