



ASX ANNOUNCEMENT / MEDIA RELEASE

Monday, 8 April 2013

Polymetals & Southern Cross Goldfields to merge to create a diversified Australian gold company

Emerging producer with outstanding growth potential and exploration upside

- **Recommended merger of equals to be implemented via Polymetals Scheme of Arrangement**
- **Southern Cross to offer 11 SXG shares for every 1 PLY share**
- **Combined pro-forma market capitalisation of ~\$30 million¹ and current combined cash of ~\$13 million²**
- **Combined Mineral Resources of 1.7 million oz³ gold and Ore Reserves totalling 254,000oz³ gold**
- **Strongly placed to fund growth via development and exploration**
- **Strong development pipeline; emerging production profile of up to 69,000 oz/a gold from Marda and Mt Boppy projects**
- **Outstanding exploration upside with ~5,400km² of tenements:**
 - WA: Southern Cross, Sandstone and Pilbara regions**
 - SA: Curnamona Province**
 - NSW: Lachlan Fold Belt**

Monday 8 April, 2013 – Polymetals Mining Limited (“Polymetals”; ASX: **PLY**) and Southern Cross Goldfields (“Southern Cross”; ASX: **SXG**) today announced that they have entered into an agreement to combine the two companies to create a significant diversified Australian gold company.

The merged entity will be a dynamic Australian gold company with the potential to join the ranks of mid-tier producers in the near term, a combined Mineral Resource inventory of 1.69 million ounces, outstanding exploration upside and an experienced and proven management team.

The merger will be implemented as a “merger of equals” by way of a scheme of arrangement under which Southern Cross will offer 11 SXG shares for every 1 PLY share on issue. Southern Cross shareholders will collectively hold approximately 47% of the shares in the merged company, while Polymetals shareholders will collectively hold approximately 53%.

Subject to standard fiduciary carve-outs, the merger is unanimously recommended by the Polymetals Board of Directors, who have also agreed to vote in favour of the merger in respect of all shares they control. No Southern Cross shareholder approval is required as the merger is structured as a Polymetals Scheme of Arrangement.

¹ Market capitalisation based on undiluted shares on issue and closing share prices for PLY and SXG on 5 April 2013.

² Pro-forma cash balances based on cash balances as at 31 March 2013 of Southern Cross and Polymetals.

³ Refer to Table 1 and 3 attached with supporting Mineral Resource and Ore Reserve Tables.

The merged entity will have:

- **a diversified gold and base metal portfolio in Western Australia, South Australia and New South Wales spanning projects at development, scoping study and exploration stage;**
- **a strong emerging pipeline of production assets at Marda in WA (SXG) and Mt Boppy in NSW (PLY) with the potential to support a near-term production profile of up to 69,000 oz/a at competitive forecast cash operating costs, commencing in 2014;**
- **ownership of a fully permitted, 600ktpa CIL gold treatment facility and associated infrastructure currently located at Sandstone in Western Australia;**
- **combined JORC compliant Mineral Resources totalling 1.69 million oz and JORC compliant Ore Reserves totalling 254,000 oz gold;**
- **outstanding exploration upside within an extensive portfolio covering 4,500km² in Western Australia within the under-explored Southern Cross and Sandstone greenstone belts and the Pilbara region, 200km² in the highly prospective Lachlan Fold Belt of NSW, and 700km² in the Curnamona Province of South Australia; and**
- **a strong balance sheet with cash as at 31 March of approximately A\$13 million and debt of approximately A\$7 million.**

The merged entity will have increased scale and liquidity as an Australian gold company, a strengthened capital base and improved ability to access capital markets. It will also have greater visibility and investor relevance, which when combined with a strong balance sheet enhances the ability to accelerate the development of projects within its growth pipeline.

The combined group will have a diversified asset base and risk profile spread across assets in three States, as well as a strengthened Board and management team with proven track records in taking development assets into production. The merged entity will have equal board representation from each company, with Samantha Tough as Chairman.

Polymetals shareholders are expected to vote on the proposed merger around 24 July 2013.

Commenting on the proposed merger, Polymetals' Chairman, Mr David Sproule, said:

"This represents a tremendous opportunity for two emerging gold companies to be proactive in the current environment and therefore to remain in control of their own destiny. This merger provides a truly complementary blend of assets, cash and skill-sets that will create a new Australian gold company with genuine investor relevance.

"The merger creates a clear pathway for shareholders in each company to realise value from an accelerated development timetable for the Marda and Mt Boppy assets. I believe that both companies share a similar culture of executing projects quickly and efficiently, and Polymetals has a proven track record in doing this. I strongly believe that this combination will create an excellent platform for growth."

The Chairman of Southern Cross, Samantha Tough, said:

"This is a compelling transaction for shareholders in both companies, creating a platform to bring two significant Australian gold assets in Marda and Mt Boppy into production within the next two years, together with a strong longer term pipeline of development and exploration opportunities in some of Australia's most prospective mineral provinces.

“Southern Cross shareholders will benefit from exposure to Polymetals’ near-production assets on the East Coast of Australia, as well as the skills and expertise of their management team in developing efficient gold operations. The combined group will have a strong balance sheet and the ability to fast-track development of its key assets while also funding aggressive exploration programs.”

Merger Details

Polymetals and Southern Cross have entered into a Scheme Implementation Agreement (SIA), under which Southern Cross will offer Polymetals shareholders 11 SXG shares for each PLY share held. The merger will be implemented as a “merger of equals” by a scheme of arrangement under the Australian Corporations Act. Southern Cross shareholders will hold approximately 47 per cent of the shares in the merged company; Polymetals’ shareholders will hold approximately 53 per cent.

Subject to standard fiduciary carve-outs, the merger is unanimously recommended by the Directors of Polymetals who have agreed to vote in favour of the merger in respect of all shares they control.

Polymetals’ Chairman David Sproule, and Directors Jon Parker and Frank Terranova will join the Board of the merged entity. From Southern Cross, Samantha Tough, who will be Chairman of the merged entity, and existing Directors John Rowe and Graham Brock, will join the Board. Glenn Jardine from Southern Cross will be Chief Executive Officer.

The Company headquarters will remain in Perth, Western Australia.

The merged entity is expected to have 867.45 million shares on issue, with combined cash reserves as at 31 March of \$13 million and debt of \$7 million.

Merger Rationale

The merger will create a company with a diversified Australian gold and base metals portfolio, including the Marda Project in WA and the Mt Boppy Project in NSW, which together have the potential to produce in excess of 69,000 oz per annum of gold in the near-term.

With a combined market capitalisation of approximately \$30 million and existing cash reserves the merged entity is well placed to fund the development of the Marda Project, which is located 200km north of Southern Cross in WA, following receipt of regulatory approvals.

Southern Cross’s recent acquisition of the Sandstone Gold Project assets means it is strongly positioned for accelerated development. A Feasibility Study completed last year based on initial production of 35,000 oz/a of gold involves relocation of the fully permitted 600,000 tpa gold treatment facility and infrastructure that will fast-track development.

The Mt Boppy project located 46km east of Cobar in NSW and has historical production of 490,000 oz of gold from underground and open pit operations. The Feasibility Study completed in January 2013 proposes a cut-back of the open pit and refurbishment of the existing plant to process 300,000 tpa of ore. Over two years the project will produce a total of 69,000 oz of gold. All key permitting is in place.

The merged entity’s strong potential project development pipeline incorporates the Turner River gold and base metals joint venture properties in WA and a prospective tenement portfolio in the Yilgarn and Lachlan Fold Belts, which together comprise approximately 5,400km² of exploration tenements.

Polymetals shareholders will benefit from the growth due to near-term development of the Marda Project and enhanced potential to fund the development of the Mt Boppy project.

Southern Cross shareholders will benefit from Polymetals cash reserves and improved funding certainty for the Marda Project.

Both companies' shareholders will benefit from the significantly improved scale, market relevance and trading liquidity of the merged entity.

Timetable and Conditions

The offer is subject to a number of conditions, including:

- Receipt of ASIC, ASX and other regulatory approvals;
- No material adverse change or prescribed event for either company (as defined in SIA);
- An Independent Expert Report (IER) concluding that the Scheme is in the best interests of Polymetals shareholders; and
- Receipt of the Court and Polymetals shareholder approval.

A mutual break fee of \$200,000 has been agreed to be paid by either party in agreed circumstances.

The full terms of the SIA will be released to the ASX in a separate announcement.

The indicative timetable for the transaction is as follows:

31 May 2013	Draft scheme documentation lodged with ASIC
17 June 2013	Court hearing to approve convening PLY shareholder meeting
24 June 2013	Scheme documents mailed to Polymetals shareholders
24 July 2013	Scheme meeting
29 July 2013	Second court hearing to approve scheme
14 August 2013	Implementation date of the scheme

- ENDS -

For further information, please contact:

Glenn Jardine, Managing Director – Southern Cross Goldfields Ltd

Telephone: +61 8 9215 7600, email: glennj@scross.com.au

Refer to www.scross.com.au

Frank Terranova, Managing Director – Polymetals Mining Ltd

Telephone: + 61 7 3289 3313, email: fterranova@polymetals.com

Refer to www.polymetals.com.au

For media inquiries, please contact:

Nicholas Read – Read Corporate

Telephone: +61 8 9388 1474, Mobile: 0419 929 046, email: nicholas@readcorporate.com.au

Table 1: Combined SXG and PLY JORC Mineral Resource Estimate

	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	684	4.2	92	82	3.9	10	766	4.1	102
Drew Hill JV (100%) ⁽²⁾				1,915	1.1	68	3,220	0.9	93	5,136	1.0	161
Turner River Gold JV (Earning In) ⁽³⁾	2,700	1.8	157	1,100	1.3	47	2,900	1.5	141	6,800	1.6	345
Combined PLY Project Total ⁽⁴⁾	2,739	1.9	165	3,699	1.7	207	6,202	1.2	244	12,702	1.5	608
Marda ⁽⁵⁾	2,796	2.3	203	2,614	1.8	151	2,785	2.0	180	8,195	2.0	535
Sandstone ⁽⁵⁾				1,932	2.3	145	12,586	1.4	574	14,518	1.5	720
Combined Southern Cross Total	2,796	2.3	203	4,546	2.0	296	15,371	1.5	755	22,713	1.7	1,254
Polymetals / Southern Cross Total ⁽⁶⁾	5,535	2.1	368	8,245	1.9	503	21,573	1.4	999	35,415	1.6	1,862
Polymetals Share / Southern Cross Total ⁽⁷⁾	4,860	2.1	329	7,013	2.0	457	19,238	1.5	917	31,147	1.7	1,695

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

(2) White Dam: 0.3g/t cut-off; Vertigo: 0.4 g/t cut-off; depleted to completion of mining May 2012

(3) Polymetals has entered into an agreement with De Grey Mining to earn a 75% interest in the Turner River Gold Project

(4) Total includes 100% of Drew Hill and Turner River Resources

(5) Marda and Sandstone; 1.0 g/t Au cut-off grade.

(6) Figures may not add due to rounding. Includes 100% of Drew Hill and Turner River JV Resources

(7) Figures may not add due to rounding. Includes 50% of Drew Hill and 75%Turner River JV Resources

Table 2: Turner River Base Metals Project JV JORC Resource Summary (1.0%Zn cut-off grade) – PLY Earning 75%

Deposit	Resource Category	Tonnes (Mt)	Zinc Zn%	Silver Ag g/t	Lead Pb %	Copper Cu%	Gold Au g/t
Discovery ⁽¹⁾	<i>Inferred</i>	1.12	2.62	94	1.03	0.12	0.87
Orchard Tank ⁽²⁾	<i>Inferred</i>	1.49	2.71	84	1.10	0.08	0.57
Total ⁽³⁾	<i>Inferred</i>	2.61	2.67	89	1.07	0.10	0.70

(1) Resource estimation by Ravensgate Feb 2012. 18 RC, and 2 DD drill holes. Ordinary Kriging verified by Polymetals

(2) Resource estimation by Ravensgate, Feb 2012. 10 RC, and 10 DD drill holes. Ordinary Kriging verified by Polymetals

(3) Total includes 100% of Turner River Resources

Table 3 – Combined SXG and PLY JORC Proved and Probable Ore Reserve Statement

	Proved			Probable			Total		
	kt	g/t Au	oz	kt	g/t Au	oz	kt	g/t Au	oz
Marda⁽¹⁾	1,900	2.4	149,200	300	2.7	29,300	2,300	2.4	178,500
Mt Boppy⁽²⁾	0.042	5.64	7,636	0.507	4.19	68,312	0.549	4.3	75,945
Polymetals / Southern Cross Total⁽¹⁾	1.94	2.51	156,836	0.81	3.76	97,612	2.85	2.78	254,449

(1) Note: Rounding conforming to JORC to appropriate levels of precision may cause minor computational errors.

(2) The Ore Reserves exclude Inferred Resources of 30,000 tonnes @ 4.69 g/t Au (4,500 oz Au) which are contained within the planned open pit. These Inferred Resources have been included in the mining schedule and financial model. The Ore Reserves also exclude 10,000 tonnes @ 2 g/t Au (640 oz Au) of Unclassified material (remnant stockpiles) which have been included in the mining schedule and financial model

JORC Code Compliance Statement

Capitalised terms used in this statement are defined in the in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code).

JORC Code Compliance Statement – SXG Mineral Resources, Marda Project

Information in this Report relating to Mineral Resources and Exploration results in the Marda Project has been compiled by Richard Simmons, Exploration Manager, Southern Cross Goldfields Ltd who has sufficient experience which is relevant to the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Simmons is a Member of the Australasian Institute of Mining and Metallurgy and has consented in writing to the inclusion of this data. Mr Simmons has reviewed and approved the information contained in this report and has consented to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

JORC Code Compliance Statement – SXG Mineral Resources, Sandstone Project

Information in this Report relating to Mineral Resources in the Sandstone Project has been compiled by David Otterman of D.W. Otterman Exploration Consultant who is an independent consultant and has sufficient experience which is relevant to the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Otterman is a Fellow of the Australasian Institute of Mining and Metallurgy, Chartered Professional (Geology), and has consented in writing to the inclusion of this data. Mr Otterman has consented to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

JORC Code Compliance Statement – SXG Ore Reserves, Marda Project

The information in this Report that relates to Ore Reserves for the Marda Gold Project is based on information compiled by Mr Denis Grubic, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Grubic is an independent consultant employed by Rock Team Pty Ltd. Mr Grubic has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Grubic consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

JORC Code Compliance Statement – Polymetals Mineral Resources and Ore Reserves

The information in this announcement that relates to Polymetals Mineral Resources is based on information compiled (Canbelego, Drew Hill, Turner River) or verified (Turner River) by Mr Troy Lowien, Polymetals Senior Resource Geologist, who is a Member of the Australian Institute of Mining and Metallurgy and is a fulltime employee of Polymetals Mining Limited.

The information in this announcement that relates to Mt Boppy Ore Reserves is based on information compiled by Messrs Sean Buxton and Andrew Lawry, who are Members of The Australasian Institute of Mining and Metallurgy. Mr Buxton is a former employee and General Manager and Mr Lawry is Polymetals COO and a current fulltime employee of Polymetals Mining Limited. The information in this announcement that relates to Exploration Results is based on information compiled or verified by Mr Jess Oram, Polymetals Exploration Manager who is a Member of the Australian Institute of Geoscientists and is a fulltime employee of Polymetals Mining Limited. Messrs Buxton, Lawry, Lowien and Oram have sufficient experience

relevant to the style of mineralisation and type of deposit under consideration and to the activities which they undertook to qualify as a Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Messrs Lawry, Lowien and Oram consent to the inclusion of matters based on their information in the form and context in which it appears in this announcement.

Disclaimer

This document has been prepared by Southern Cross Goldfields Ltd (SXG) and Polymetals Mining Limited (PLY). The information and opinions contained in this document are derived from public and private sources which they believe to be reliable and accurate but which, without further investigation, cannot be warranted as to their accuracy, completeness or correctness. This information is supplied on the condition that SXG, and any director, agent or employee of SXG, are not liable for any error or inaccuracy contained herein, whether negligently caused or otherwise, or for loss or damage suffered by any person due to such error, omission or inaccuracy as a result of such supply.

Forward-Looking Statements

This document contains forward-looking statements concerning the projects owned by SXG and PLY. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are based on SXG's and PLY's beliefs, opinions and estimates as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments. Exploration potential is conceptual in nature and where there has been insufficient exploration to define a Mineral Resource it is uncertain if further exploration will result in the determination of a Mineral Resource. Readers are cautioned not to place undue reliance on forward-looking statements and SXG assumes no obligation to update such information.