

San Gold and Kerr Mines Sign Definitive Merger Agreement

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WINNIPEG, MANITOBA and TORONTO, ONTARIO -- (Marketwired - Aug. 19, 2014) - [San Gold Corporation](#) (TSX:SGR) (OTCQX:SGRCF) ("San Gold") and [Kerr Mines Inc.](#) (TSX:KER) ("Kerr Mines") are pleased to announce that, further to their joint press release of July 21, 2014, the companies have entered into a definitive agreement (the "Arrangement Agreement") to merge their respective businesses pursuant to a plan of arrangement (the "Transaction").

"I am very pleased with the deal we have structured. We've fixed a lot of problems over the past few months at Rice Lake. We're looking forward to continuing improvement as well as leveraging the entire team at the Copperstone opportunity and at other projects," said San Gold's President, Gestur Kristjansson.

"Combining the Rice Lake and Copperstone assets is an important step in creating the next North American mid-tier gold producer. Once this transaction has been completed, the combined entity will have a much stronger market presence than either company could achieve on its own," said Kerr Mines' Chairman, Stephen McIntyre.

Under the terms of the Arrangement Agreement between San Gold and Kerr Mines, each Kerr Mines shareholder will be entitled to an exchange ratio (the "Exchange Ratio") of three (3) common shares of San Gold (each, a "San Gold Share") for every one (1) common share of Kerr Mines (each, a "Kerr Mines Share") held by such Kerr Mines shareholder. The Board of Directors of both companies have each been provided with separate fairness opinions.

Currently, San Gold and Kerr Mines have approximately 373 million and 95 million shares outstanding, respectively. Closing share prices on Monday, August 18, 2014, were \$0.125 for San Gold Shares and \$0.345 for Kerr Mines Shares.

In addition, each holder of outstanding stock options and common share purchase warrants of Kerr Mines will receive such number of replacement options or warrants of San Gold based upon the Exchange Ratio. A break fee of \$1,000,000 is payable by either San Gold or Kerr Mines in the event that either party proceeds with an alternative transaction during a specified period while the parties pursue completion of the Transaction.

The Transaction remains subject to certain conditions including, without limitation: (a) receipt of shareholder approval of the Transaction by the shareholders of San Gold and Kerr Mines; and (b) receipt of all necessary consents, waivers, permits, exemptions, orders and approvals, including court approval of the plan of arrangement and the approval of the Toronto Stock Exchange (the "TSX").

About San Gold

[San Gold](#) is an established Canadian gold producer, explorer, and developer that owns and operates the Rice Lake Mining Complex near Bissett, Manitoba. San Gold is on the Toronto Stock Exchange under the symbol "SGR" and on the OTCQX under the symbol "SGRCF".

For further information on San Gold, please visit www.sangold.ca.

About Kerr Mines

[Kerr Mines](#) is a Canadian mineral exploration and development company based in Toronto, Canada. Kerr Mines' focus is the acquisition, exploration and development of prospective mineral properties in North America. With a proven track record of making discoveries and managing mines, Kerr Mines' team seeks assets in low risk jurisdictions to increase its existing resource base, from the exploration drill bit or through strategic acquisitions.

Kerr Mines has established a sizeable footprint of contiguous gold properties near Virginiatown, Ontario on the prolific 200-km long Cadillac-Larder Lake Break that straddles the Ontario-Quebec border. Mining

properties along the Break have historically produced over 95 million ounces of gold. Kerr Mines controls a 26-km long section of the Break with properties extending into Quebec. Kerr Mines' Ontario assets include the McGarry and Cheminis gold mines in the Kirkland Lake area as well as a five-year option to purchase the Kerr-Addison property, adjacent to McGarry. The Kerr-Addison Gold Mine was one of Canada's largest gold producers, producing more than 11 million ounces of gold during a 58-year operating life from 1938 to 1996.

Kerr Mines' recently acquired Larder Lake gold project from Bear Lake Gold, located west of the McGarry Mine, is under an option and joint venture agreement with Gold Fields Abitibi Exploration Corporation (a subsidiary of Gold Fields Limited) entitling Gold Fields to acquire up to 60% of the Larder Lake project by spending up to C\$40 million over 5 years. Kerr Mines also recently acquired the Copperstone gold mine from American Bonanza in Arizona. The mine is fully permitted with significant mining and processing infrastructure in place.

For further information on Kerr Mines, please visit www.kerrmines.com.

Cautionary Notes

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

Completion of the Transaction is subject to a number of conditions including but not limited to TSX acceptance and receipt of approval by San Gold and Kerr Mines shareholders for the Transaction. The Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon.

This press release contains "forward-looking information" within the meaning of Canadian securities legislation. All information contained herein that is not clearly historical in nature may constitute forward-looking information. Generally, such forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of San Gold or Kerr Mines to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, the possibility that the Transaction may not be completed and those risks included in the most recent management discussion and analysis and annual information forms of San Gold and Kerr Mines.

Forward-looking information is based on assumptions management believes to be reasonable at the time such statements are made, including but not limited to, completion of the Transaction, continued exploration activities, no material adverse change in metal prices, exploration and development plans proceeding in accordance with plans and such plans achieving their stated expected outcomes, receipt of required regulatory approvals, and such other assumptions and factors as set out herein. Although San Gold and Kerr Mines have attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Such forward-looking information has been provided for the purpose of assisting investors in understanding San Gold and Kerr Mines' business, operations and exploration plans and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date of this press release, and San Gold and Kerr Mines do not undertake to update such forward-looking information except in accordance with applicable securities laws.

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