



SOUTHERNGOLD

ABN 30 107 424 519

**SOUTHERN GOLD LIMITED
CONSOLIDATED FINANCIAL REPORT
For the Half Year Ended
31 December 2020**

INDEX

	Page
Directors' Report	3
Auditor's Independence Declaration	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Change in Equity	11
Consolidated Statement of Cash Flows	12
Condensed Notes to the Financial Statements	13
Directors' Declaration	18
Independent Auditor's Review Report	19

CORPORATE INFORMATION

ABN 30 107 424 519

DIRECTORS

Gregory Boulton AM	Non-Executive Chairman
Simon Mitchell	Managing Director
Peter Bamford	Non-Executive Director
Bee Jay Kim	Executive Director
Douglas Kirwin	Non-Executive Director
Michael McNeilly	Non-Executive Director

COMPANY SECRETARY

Daniel Hill

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

10 George Street

Stepney SA 5069

Telephone: +61 (0)8 8368 8888

Facsimile: +61 (0)8 8363 0697

Email: admin@southerngold.com.au

SHARE REGISTRY

Automic Pty Ltd

Level 2, 267 St Georges Tce

Perth WA 6000

AUDITORS

Grant Thornton Audit Pty Ltd

Level 3, 170 Frome Street

Adelaide SA 5000

EXCHANGE

Australian Securities Exchange Ltd

Exchange Plaza 2 The Esplanade

Perth WA 6000

ASX CODE

Ordinary Fully Paid Shares: SAU

DIRECTORS' REPORT

The directors present their report together with the interim financial report of Southern Gold Limited and its controlled entities for the six months ended 31 December 2020 and the independent auditor's review report thereon.

The names of the directors of the Company who held office during or since the end of the half year were:

Non-Executive Chairman	Gregory Boulton AM	BA (Accounting), FCA, FCPA, FAICD
Managing Director	Simon Mitchell	BSc (Hons) Geol, MAusIMM, GAICD, MSEG
Executive Director	Bee Jay Kim	BA (Business Administration), MBA
Non-Executive Director	Peter Bamford	BSc (Eng) Mining, ARSM, MAICD, FAusIMM
Non-Executive Director	Douglas Kirwin	MSc, FSEG, FAIG, FAusIMM
Non-Executive Director	Michael McNeilly	BA (Internal Economics)
Non-Executive Director (Retired 26th November 2020)	David Turvey	BSc (Hons) Geol, MAusIMM, FSEG, Dip.GAA

The name of the company secretary who held office during or since the end of the half year was:

Company Secretary	Daniel Hill	BAcc, CA, MBA, MAppFin, FFin, AGIA
--------------------------	-------------	------------------------------------

Financial Results

The loss of the Group after providing for income tax for the half year was \$1,009,752 (2019 loss: \$2,493,552).

Review of Operations

Southern Gold Limited ("Southern Gold" or the "Company") is focused on exploring its 100% owned exploration properties in South Korea. The projects are generally at an earlier stage of definition but have demonstrated high grade gold and silver mineralisation from surface sampling.

The Company also holds a 50% equity interest in two joint venture companies that are advancing the development of the Gubong and Kochang projects. These two projects are operated by joint venture partner, Bluebird Merchant Ventures Ltd ('BMV'), a London stock exchange listed company.

South Korea: 100% owned exploration projects

Highlights from exploration activities undertaken during the half year ended 31 December 2020 are as follows:

- **Deokon:** The Deokon project is a Au-Ag fertile epithermal mineralisation system, with multiple vein zone targets identified across several square kilometres of project area.

Reconnaissance traversing and sampling was conducted to the NNW of the 'Thorn Zone', where mineralised float and outcrop veined structures were discovered at two new Prospects, the 'Thistle' and 'Nettle' Zones. Subsequent sampling in November located ore grade material in outcrop from the Nettle Zone, with one sample returning 8.56g/t gold and 9,260g/t silver.

This work extends the total known strike extent of the Golden Surprise Structural Corridor by 440m to ~1.1km. This structure, also containing the 'Bonanza Zone' and the 'Thorn Zone', remains open to the north and south and the target is focused veining where the structure intersects a brittle lithology. Follow-up extensional (reconnaissance) sampling, soil sampling and structural measurements are planned at 'Thistle' and 'Nettle' before drill testing. These targets also lie within granted tenure.

In addition, a total of 105.29m was drilled to complete the fourth and final hole in the program at 'Shin Hill', to test beneath and along strike of the historical underground workings. The peak assay was 0.57m @ 2.56g/t Au and 453g/t Ag from 101.71m in DKDD008 which targeted directly beneath the Shin Adit historical underground mine workings. This corresponds with the veining and intense alteration observed in the historical underground adit. The results at 'Shin Hill' were overall low grade, thin width and had limited persistence of veining, so attention is planned elsewhere on the Project.

The next stage at Deokon will be channel saw sampling of the 'Nettle' outcrop, followed by soil sampling. Land access will then be sought to drill at 'Thistle' and 'Nettle' as well as soil sampling at the 'Shin North' Prospect.

- **Aphae:** The Aphae Project is a low-sulphidation epithermal gold-silver target within a structurally constrained magmatic breccia. The Project contains small-scale underground historical workings at 'Aphae Pit' where the breccia was partly mined.

Assays were received from diamond drilling conducted in May-June 2020 at 'Aphae Pit', beneath and along strike of the historical workings. Peak results included 0.21m @ 107.5g/t gold and 166g/t silver in APDD004, 8.12m @ 1.26g/t Au and 7.8g/t Ag in APDD001, and 40.72m @ 0.59 g/t Au and 14.1g/t Ag in APDD003.

An association of low magnetic susceptibility, alteration and gold mineralisation was identified in the drill core and appeared to follow a linear NNE trend under shallow reclaimed land cover. This warranted a drone magnetic survey, which was then completed over the majority of the Project area. The processed results identified a continuation of the magnetic low trend along strike of the Phase 1 drilling, interpreted to be an extension of the mineralised structure.

Phase 2 drilling will be completed next to test the structure which is interpreted to represent magnetite destruction by hydrothermal alteration, where associated gold mineralization is sought.

- **Weolyu Project:** The Weolyu Project contains an historic underground mine that exploited epithermal style gold-silver (+germanium) mineralisation on several structures. The bulk of historical mining occurred on the north side of the river, referred to as 'Weolyu North'. The south side of the river is referred to as 'Weolyu South', where small scale historical underground workings were also completed some 200m+ higher in elevation than 'Weolyu North'.

The scale potential of the unmined resource and continuity of the 'Weolyu South' structure at depth was the resolution to move the Project forward. A drill pad position was planned to enable drill testing of the entire 'Summit', 'Surprise-Moonlight' and 'Mystery' vein system with a series of pierce points in each. Due to the deeply incised drainage valleys and very steep outcropping terrain, it was initially thought that a man-portable rig would be required. However, the skilled local machine operators were able to construct a suitable track to the drill pad, allowing access for a small track mounted rig.

Two holes for 670.86m were drilled into the target horizon ~110m below the historical workings. A peak assay result of 5.85m @ 1.68g/t gold and 9.6g/t silver was returned in WUDD009. These results were not of the tenor required for an economically exploitable deposit and lacked typical epithermal vein texture styles which downgraded the 'Weolyu' South Prospect.

The next stage for the Weolyu Project is to the NE of 'Weolyu South' along the major basin bounding Yeongdong fault, where initial reconnaissance sampling has identified a number of prospective areas. Further reconnaissance traverses and soil sampling programs are planned.

- **Dokcheon:** The Dokcheon Project is located approximately 15km east-southeast of the Mokpo port and city in southern Jeolla. The 'Cheongyong Vein' is the initial mineralised target on the Project, with rock chips returning up to 6.89g/t gold in outcrop, located to the west of an historical open-cut clay mine.

Three diamond holes for 702.24m were drilled to test the beneath the outcrop and float train gold mineralised 'Cheongyong Vein'. Multiple zones of high-level low-sulphidation style multi-phase quartz-carbonate+sulphide veining, sheeted quartz-carbonate veining and zones of silica flooded hydraulic breccia were encountered in DCDD001 and 002. However, results for the first two holes returned only low-grade mineralisation, with a peak of 1.74m @ 0.14g/t Au and 0.7g/t Ag from 41.94m in DCDD001, 0.28m @ 0.52g/t Au and 0.4g/t Ag from 24.39m in DCDD002. A third hole was drilled to test at a deeper paleo-hydrological level than the observed high-level textures at surface and the first two holes, but the vein either pinched out or the dacite lithology was not a suitable host.

The next stage for the Dokcheon Project is to conduct further reconnaissance sampling to the NW of the 'Cheongyong Vein', where significant potential exists for gold-silver mineralisation, based on initial field reviews of historical workings.

- **Project Generation:** A significant amount of Project Generation activity was conducted concurrently with the above drilling programs. In particular, extensive field work was completed at 'Geum Mar' and 'Janghwal' during November 2020 to progress the tenure from applications to granted licences.

Key results included:

- New vein outcrop discovered at 'Golden Horse' at 'Geum Mar' returning 3.88g/t gold with a nearby float sample of 24g/t gold
- Peak assay of 8.04g/t gold returned from underground rock chip sampling in the recently discovered mine adit at 'Janghwal'

A strong commitment to reconnaissance sampling and project generation activities is planned for the South Jeolla and Yeongdong Districts, with activities having commenced in February, and will be active through to June until the vegetation becomes too restrictive for traversing. The aim is to continue to build a pipeline of projects for drill testing once prospective areas have been thoroughly sampled, assessed and mapped. Systematic subcrop and outcrop identification traversing and sampling and sampling beyond known zones is planned. There will be a dual focus of 1) within Projects or 'Near Project' areas, and 2) new zones not previously traversed by SAU in prospective basins.

Further detail in relation to the above exploration activities is available in the Company's quarterly activities reports for the quarters ending September 2020 (ASX release 29 October 2020) and December 2020 (ASX release 27 January 2021).

South Korea: 50% owned joint venture projects

Gubong and Kochang Gold Projects: with 'Permit to Develop' approvals received for both projects, the development of these projects was proposed by Joint Venture partner, Bluebird Merchant Ventures (BMV) in mid-2020. Southern Gold elected to not approve the development proposal and as such offered the projects for sale. BMV subsequently elected to acquire them by making an offer to Southern Gold for its interests. After a price for the sale was not being mutually agreed, an independent expert was engaged to determine the price. The result of this process has set the price for the assets at US\$9.945 million. The company is now in discussions with BMV on commercial arrangements to satisfy this price and complete the sale process.

Corporate

Finance

On 3 September 2020, the Southern Gold announced that it had received binding commitments from sophisticated and institutional investors in respect of a placement of 85,000,000 ordinary shares in the Company at \$0.12 per share to raise \$10.2 million. The placement included a 2-year \$0.18 option for every two shares subscribed. The placement was well oversubscribed with significant additional demand identified in Asia. The placement was conducted in two tranches:

- Tranche 1 being 31,668,024 shares, pursuant to available share placement capacity, comprising 27,834,794 issued on 11 September 2020 and 3,833,230 shares issued 18 September 2020, together raising approximately \$3.8 million before costs; and
- Tranche 2 being 53,331,976 shares issued following shareholder approval on 19 October 2020, comprising 38,762,976 shares issued on 27 October 2020 and 14,569,000 shares issued on 3 November 2020, together raising \$6.4 million before costs. As part of the Tranche 2 placement, following shareholder approval, 42,500,000 options (the "1 for 2" \$0.18 call options) were also issued on 27 October 2020 and 3 November 2020. The options expire 18 October 2022.

Events Subsequent to Reporting Date

Bluebird Merchant Venture PLC (BMV) did not complete the purchase of Southern Gold's 50% interests in the two South Korean joint ventures for US\$9.945 million on 26 January 2021, as required under the Joint Venture Agreements. On that date, BMV emailed the Company outlining, in general terms, alternative means by which the sale and purchase of the joint ventures may be settled. Southern Gold is maintaining an open dialogue with BMV to determine whether an acceptable agreement may be reached or whether it will pursue its legal rights. Refer Note 2 of the Half Year Report.

Other than as noted above, no other matters or circumstances have arisen since the end of the half year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

Competent Persons Statement

The information in this report that relates to Exploration Results has been compiled under the supervision of Mr. Paul Wittwer (AIG, AusIMM). Mr Wittwer who is an employee of Southern Gold Limited and a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Wittwer consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Forward-looking Statements

Some statements in this release regarding estimates or future events are forward looking statements. These may include, without limitation:

- Estimates of future cash flows, the sensitivity of cash flows to metal prices and foreign exchange rate movements;
- Estimates of future metal production; and
- Estimates of the resource base and statements regarding future exploration results.

Such forward looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. Such statements are expressed in good faith and believed to have a reasonable basis. However, the estimates are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from estimated results.

All reasonable efforts have been made to provide accurate information, but the Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation or ASX release, except as may be required under applicable laws. Recipients should make their own enquiries in relation to any investment decisions from a licensed investment advisor.

Auditors Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is attached.

Dated at Adelaide this 12th day of March 2021 and signed in accordance with a resolution of the Directors.



S Mitchell
Managing Director



G C Boulton AM
Chairman

Auditor's Independence Declaration

To the Directors of Southern Gold Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Southern Gold Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 12 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 31 December 2020

	Note	Half Year Ended 31 Dec 2020 \$	Half Year Ended 31 Dec 2019 \$
Interest received		2,017	1,621
Other Income		117,280	-
Share of profit / (loss) of joint ventures, accounted for using the equity method		-	(181,919)
Exploration expenses		(100,605)	(164,628)
Salaries and wages		(361,999)	(278,721)
Directors fees		(139,305)	(92,137)
Interest expense		-	(58,141)
Shareholder relations		(173,556)	(151,579)
Other consulting expenses		(58,468)	(101,603)
Other administrative expenses		(163,788)	(549,683)
Depreciation		(67,866)	(79,560)
Share based payments		-	(791,044)
Transaction costs-disposal of Australian assets		-	(46,158)
Transaction costs-disposal of joint ventures		(63,462)	-
Loss before income tax		(1,009,752)	(2,493,552)
Income tax benefit/(expense)		-	-
Net loss for the half year		(1,009,752)	(2,493,552)
 <u>Other Comprehensive Income</u>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation		(101,229)	(7,187)
Total comprehensive income for the period		(1,110,981)	(2,500,739)
 <u>Earnings Per Share</u>			
Basic (cents per share)		(0.60)	(3.02)
Diluted (cents per share)		(0.60)	(3.02)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying condensed notes.

Consolidated Statement of Financial Position as at 31 December 2020

	Note	As at 31 Dec 2020 \$	As at 30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		10,159,994	3,736,665
Trade and other receivables		132,061	182,828
Other assets		57,023	26,853
Held for sale assets	2	1,930,677	1,847,595
TOTAL CURRENT ASSETS		12,279,755	5,793,941
NON-CURRENT ASSETS			
Right of use asset		4,640	43,705
Exploration and evaluation expenditure	3	7,134,590	6,139,228
Plant and equipment		105,736	132,134
TOTAL NON-CURRENT ASSETS		7,244,966	6,315,067
TOTAL ASSETS		19,524,721	12,109,008
CURRENT LIABILITIES			
Trade and other payables		207,168	584,514
Provisions		171,491	154,452
Borrowings		-	758,815
Lease liability		6,471	43,396
TOTAL CURRENT LIABILITIES		385,130	1,541,177
NON-CURRENT LIABILITIES			
Provisions		51,382	42,241
TOTAL NON-CURRENT LIABILITIES		51,382	42,241
TOTAL LIABILITIES		436,512	1,583,418
NET ASSETS		19,088,209	10,525,590
EQUITY			
Issued capital	4	58,011,777	48,510,128
Reserves		910,864	1,151,405
Accumulated losses		(39,834,432)	(39,135,943)
TOTAL EQUITY		19,088,209	10,525,590

The above Statement of Financial Position should be read in conjunction with the accompanying condensed notes.

Consolidated Statement of Changes in Equity for the Half Year ended 31 December 2020

	Issued Capital \$	Accumulated losses \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Total \$
Balance at 1 July 2019	42,304,761	(35,647,785)	699,415	223,549	7,579,940
Total comprehensive income in the period	-	(2,493,552)	-	(7,187)	(2,500,739)
Transactions with owners:					
Issue of share capital	2,426,512	-	-	-	2,426,512
Options issued to Directors and employees	-	-	758,044	-	758,044
Options issued to the rights issue underwriters			291,200		291,200
Options lapsed or exercised	-	679,352	(679,352)	-	-
Balance at 31 December 2019	<u>44,731,273</u>	<u>(37,461,985)</u>	<u>1,069,307</u>	<u>216,362</u>	<u>8,554,957</u>
Balance at 1 July 2020	48,510,128	(39,135,943)	1,115,411	35,994	10,525,590
Total comprehensive income in the period	-	(1,009,752)	-	(101,229)	(1,110,981)
Transactions with owners:					
Issue of share capital (Note 4)	10,200,000	-	-	-	10,200,000
Options issued to placement brokers (Note 5)	(171,951)	-	171,951	-	-
Options lapsed or exercised	-	311,263	(311,263)	-	-
Costs associated with the issue of shares	(526,400)				(526,400)
Balance at 31 December 2020	<u>58,011,777</u>	<u>(39,834,432)</u>	<u>976,099</u>	<u>(65,235)</u>	<u>19,088,209</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying condensed notes.

**Consolidated Statement of Cash Flows for the
Half Year ended 31 December 2020**

Note	Half Year Ended 31 Dec 2020 Inflows (Outflows) \$	Half Year Ended 31 Dec 2019 Inflows (Outflows) \$
Cash flows related to operating activities		
Interest received	2,017	1,621
Other income	117,280	-
Payments to suppliers and employees	(946,987)	(1,200,997)
Exploration and evaluation	(101,023)	-
Interest Expense	(5,657)	(45,555)
Short term lease payments	(7,203)	(7,396)
Net operating cash flows	(941,573)	(1,252,327)
Cash flows related to investing activities		
Payments for mining tenements, exploration and evaluation expenditure	(1,370,978)	(1,353,676)
Loans provided to Gubong JV Company	(41,541)	(207,533)
Loans provided to Kochang JV Company	(41,541)	-
Payments for plant and equipment	(4,841)	(5,701)
Proceeds from the sale of plant and equipment	1,064	-
Proceeds from sale of investments	-	2,322,671
Transaction costs on disposal of JV Investments	(63,462)	-
Net investing cash flows	(1,521,299)	755,761
Cash flows related to financing activities		
Proceeds from share issues	10,200,000	2,839,027
Payment for share issue costs	(526,401)	(195,337)
Repayment of lease liability	(36,696)	(37,797)
Repayment of borrowings	(750,000)	-
Net financing cash flows	8,886,903	2,605,893
Net increase/(decrease) in cash	6,424,031	2,109,327
Cash at beginning of financial period	3,736,665	392,040
Exchange rate adjustments on opening cash	(702)	4
Cash at end of financial period	10,159,994	2,501,371

The above Statement of Cash Flows should be read in conjunction with the accompanying condensed notes.

Condensed Notes to the financial statements for the Half Year ended 31 December 2020

1. BASIS OF PREPARATION OF ACCOUNTS

This half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 “Interim Financial Reporting”, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Southern Gold Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the ASX Listing Rules.

The half year financial report does not include full disclosures of the type normally included in an annual financial report.

Southern Gold Limited is a company domiciled in Australia. The Consolidated half year financial report of the Company as at and for the six months ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the “consolidated” entity).

Changes in accounting policies and accounting policies applied for the first time

The accounting policies adopted by the group are consistent with those of the previous financial year and corresponding period end.

New standards adopted as at 1 July 2020

The Company has considered the implications of new or amended Accounting Standards, and has determined that their application to the financial statements is either not relevant or not material.

Estimates and judgements

When preparing the half year financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Estimates and judgements - Valuation of unlisted options

A key area of judgement, for the half year ended 31 December 2020, relates to the calculation of the market value of the unlisted options issued to Directors, employees and the rights issue underwriters. The market value of each option series is assessed using the Black-Scholes method, and a key assumption in this calculation is the Company’s future share price volatility. Future volatility was based on the historic daily price movements of the Company’s ASX listed shares for the 24 months immediately prior to the relevant valuation date for each of the option series. For further information in relation to the options issued, refer to Note 5.

Other than as described above, the judgements, estimates and assumptions applied in the half year financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group’s last annual financial statements for the year ended 30 June 2020.

Investments in Joint Ventures

Following a decision by the Southern Gold Board to focus the Company’s resources on its 100% owned tenements in South Korea, the carrying value of its investments in its 50% owned Kochang and Gubong joint ventures at 30 June 2020, were reclassified in the Statement of Financial Position from ‘Investments accounted for using the equity method’ to ‘Held for sale assets’. Similarly, Southern Gold’s 50% share of funding each of the joint ventures, provided as shareholder loans, were reclassified in the Statement of Financial Position from ‘Financial Assets’ to ‘Held for sale assets’, as these loans are more in the nature of equity style risk. Refer Note 2.

On 3 August 2020, Southern Gold announced that the other 50% owner in the two joint ventures, Bluebird Merchant Venture PLC (BMV), had formally submitted a ‘Proposal to Redevelop’ to each of the Boards of the two Joint Venture. Southern Gold elected to vote against the two proposals, while BMV voted in favour of the two proposals. Under the Joint Venture Agreements, Southern Gold was then taken to have placed each of its 50% interests in the joint ventures as available for sale. BMV subsequently made an offer to acquire each of the joint ventures. Southern Gold declined to accept

the offers and exercised its right under the Joint Venture Agreements to have a binding sale price set by an independent valuer.

On 30 November 2020, Southern Gold reported that the independent valuer had set the total sale price for the two joint ventures at US\$9,945,000 (approximately A\$12,915,000), with a completion date of 26th January 2021.

On the 26th January 2021, BMV emailed the Company outlining, in general terms, alternative means by which the sale and purchase may be settled. Southern Gold is maintaining an open dialogue with BMV to see whether an acceptable agreement may be reached or whether it will pursue its legal rights. While the amount to be recovered for the sale of the joint venture remains subject to negotiation, the Board are of the view that the amount recovered will be in excess of their carrying value of \$1,930,677.

2. HELD FOR SALE ASSETS

	31 December 2020	30 June 2020
	\$	\$
Opening Balance	-	2,365,000
Transfers from exploration and evaluation assets	-	-
Sale of assets	-	(2,365,000)
	<u>-</u>	<u>-</u>
Opening Balance	957,926	-
Transfer from Investments accounted for using the equity method: Gubong JV	-	524,283
Transfer from Financial Assets: Loan to Gubong Project Chusik Hoesa	-	433,643
Shareholder funding advanced	41,541	-
	<u>999,467</u>	<u>957,926</u>
Opening Balance	889,669	-
Transfer from Investments accounted for using the equity method: Kochang JV	-	408,759
Transfer from Financial Assets: Loan to Kochang Project Chusik Hoesa	-	480,910
Shareholder funding advanced	41,541	-
	<u>931,210</u>	<u>889,669</u>
	<u>1,930,677</u>	<u>1,847,595</u>

The only change in the carrying value during the half year ended 31 December 2020, was a contribution towards funding 50% of the operational costs of the Joint Ventures, provided as a shareholder loan of \$41,541 to each of the two Joint Ventures.

3. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2020	30 June 2020
	\$	\$
A reconciliation of the carrying amount of exploration and evaluation phase expenditure is set out below:		
Costs brought forward	6,139,228	3,811,179
Net foreign exchange differences	(82,726)	(55,289)
Expenditure incurred during the year	1,078,088	2,859,627
Expenditure written off / impairment for relinquished tenements – Korea	-	(476,289)
	<u>7,134,590</u>	<u>6,139,228</u>

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

4. ISSUE OF SECURITIES

Fully paid ordinary shares issued

<i>Movements in ordinary shares on issue</i>	Number	\$
At 1 July 2020	128,328,756	48,510,128
Shares Issued placements (10 September 2020)	27,834,794	3,340,175
Shares Issued placements (18 September 2020)	3,833,230	459,988
Shares Issued placements (27 October 2020)	38,762,976	4,651,557
Shares Issued placements (3 November 2020)	14,569,000	1,748,280
Share issue costs ¹		(698,351)
At 31 December 2020	<u>213,328,756</u>	<u>58,011,777</u>

¹ Share issue costs in the half year ended 31 December 2020 comprised cash-based payments of (\$526,400) and the fair value of 3,584,100 unlisted options granted on 27 October 2020 as part consideration to the brokers to the placement (\$171,951). The options are exercisable at \$0.18 at any time through to the expiry date of 18 October 2022. The valuation was undertaken using the Black-Scholes method.

On 3 September 2020, the Southern Gold announced that it had received binding commitments from sophisticated and institutional investors in respect of a placement of 85,000,000 ordinary shares in the Company at \$0.12 per share to raise \$10.2 million. The placement included a 2-year \$0.18 option for every two shares subscribed. The placement was well oversubscribed with significant additional demand identified in Asia. The placement was conducted in two tranches:

- Tranche 1 being 31,668,024 shares, pursuant to available share placement capacity, comprising 27,834,794 issued on 11 September 2020 and 3,833,230 shares issued 18 September 2020, together raising approximately \$3.8 million before costs; and
- Tranche 2 being 53,331,976 shares issued following shareholder approval on 19 October 2020, comprising 38,762,976 shares issued on 27 October 2020 and 14,569,000 shares issued on 3 November 2020. As part of this placement, following shareholder approval, 42,500,000 options (the “1 for 2” \$0.18 call options) were also issued on 27 October 2020 and 3 November 2020. The options expire 18 October 2022.

5. SHARE BASED PAYMENTS RESERVE

During the half year ended 31 December 2020, the Share based payments reserve reduced by (\$139,312) to \$976,099. This change comprised:

- \$171,951 being the fair value of 3,584,100 unlisted options issued on the 27 October 2020 as part consideration to the brokers to the placement. The options are exercisable at \$0.18 at any time through to the expiry date of 18 October 2022. The valuation was undertaken using the Black-Scholes method. The estimated market value of these options were recognised as a capital raising cost (refer Note 4).
- (\$311,263) being the value of options lapsed in the half year period (4,411,765 options lapsed on 16 September 2020, and 4,000,000 options lapsed on 31 December 2020).

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the half year ended 31 December 2020.

7. SUBSEQUENT EVENTS

BMV did not complete the purchase of Southern Gold's 50% interests in the two South Korean joint ventures for US\$9,945,000 on 26 January 2021, as required under the Joint Venture Agreements. On that date, BMV emailed the Company outlining, in general terms, alternative means by which the sale and purchase of the joint ventures may be settled. Southern Gold is maintaining an open dialogue with BMV to see whether an acceptable agreement may be reached or whether it will pursue its legal rights. Refer Note 2.

Other than as noted above, no other matters or circumstances have arisen since the end of the half year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

Directors' Declaration

Directors' Declaration for the six months ended 31 December 2020

The Directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 9 to 17 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standards AASB 134 Interim Financial Reporting; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020, and of its performance for the half-year ended on that date.
- 2) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



S Mitchell
Managing Director



G C Boulton AM
Chairman

Adelaide, South Australia
12th day of March 2021

Independent Auditor's Review Report

To the Members of Southern Gold Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Southern Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Southern Gold Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Southern Gold Limited financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 12 March 2021