



SOUTHERNGOLD

ABN 30 107 424 519

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**SOUTHERN GOLD LIMITED
CONSOLIDATED FINANCIAL REPORT
For the Half Year Ended
31 December 2018**

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CORPORATE INFORMATION

ABN 30 107 424 519

DIRECTORS

Gregory Boulton AM Non-Executive Chairman
Simon Mitchell Managing Director
David Turvey Non-Executive Director
Peter Bamford Non-Executive Director

COMPANY SECRETARY

Daniel Hill

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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SHARE REGISTRY

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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 2018 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
Non-Executive Director	David Turvey	BSc (Hons) Geol, MAusIMM, MSEG
Non-Executive Director	Peter Bamford	BSc (Eng) Mining, ARSM, MAICD, FAusIMM
Non-Executive Director (resigned 30 November 2018)	Michael Billing	BBus, CPA, MAICD

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
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Financial Results

The loss of the Group after providing for income tax for the half year was \$4,702,672 (2017 loss: \$701,245).

Review of Operations

Southern Gold Limited ("Southern Gold" or the "Company") continues to operate in two jurisdictions, in the eastern Kalgoorlie district of Western Australia and in South Korea. Exploration activity in Australia has scaled back to focus on key projects while corporately the focus has been on monetising Cannon Gold Mine as it enters an underground development phase. Development activity continues with the Gubong and Kochang projects in South Korea, now in Joint Venture with Bluebird Merchant Ventures Ltd. Exploration activity in South Korea has been restricted to the Weolyu and Deokon gold-silver projects. Several other epithermal gold-silver targets in southern South Korea have been prepared for additional field work and ultimately drill testing. These projects include Deokon, Beopseongpo, and Neungju among others.

Australia

Southern Gold has the following gold projects in the Kalgoorlie area of Western Australia:

- The Bulong South Gold project, including the Cannon gold mine;
- The Bulong Gold Project: which is to the immediate east of the Cannon Gold Mine and was a joint venture with Heron Resources Ltd;
- The Glandore Gold Project: which is currently being farmed into by Southern Gold under a joint venture arrangement with Aruma Resources Ltd;
- The Transfind Extended Gold Project: in which Southern Gold retains an option to purchase from the prospectors who have tenure over the project;
- The Cowarna Gold Project: a significant area further to the east covering a regional-scale extension to the banded iron formation which host the Silverlake ore deposits at Santa, Cockeyed Bob and Maxwells.

Southern Gold has withdrawn from the Heron Resources JV and subsequent to the reporting period elected not to exercise the option over the Transfind Extended Gold project.

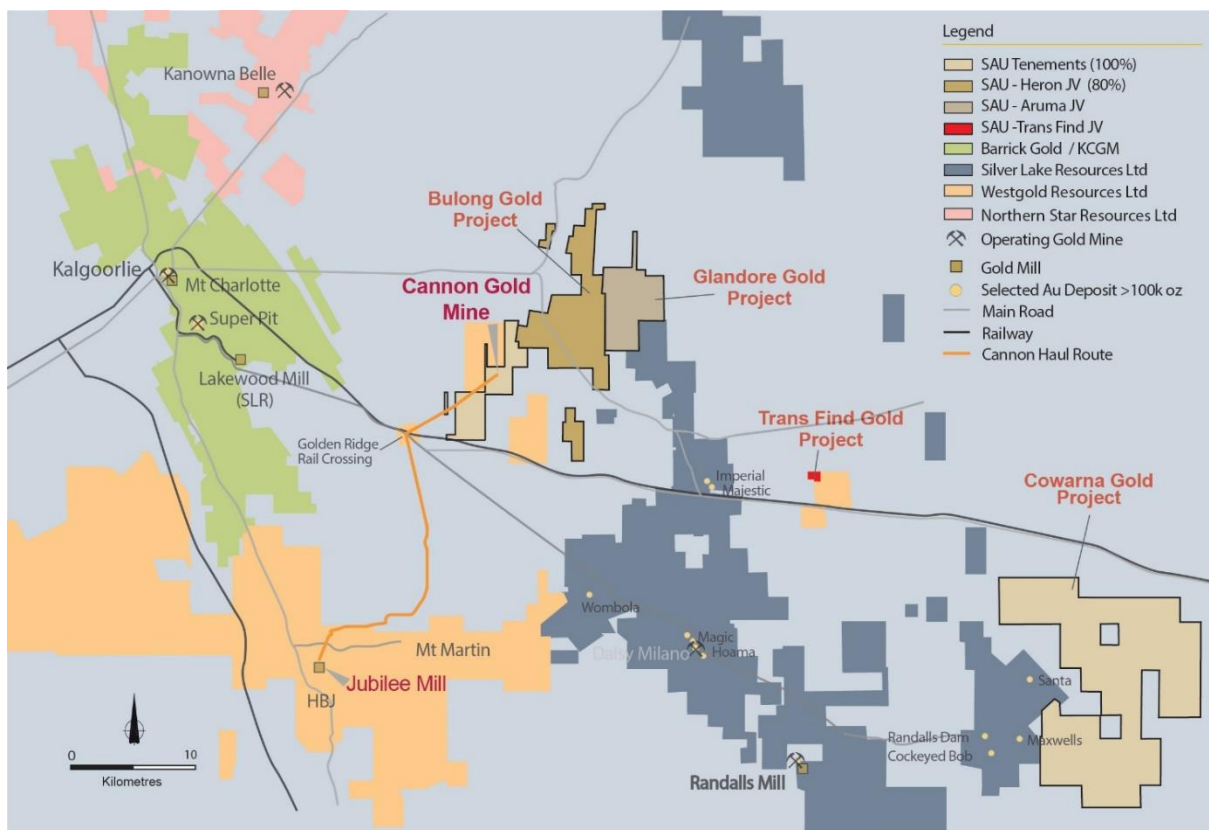


Figure 1. Southern Gold's tenement package.

Cannon Gold Mine: early in 2018 Southern Gold agreed the terms of a 5 year right-to-mine with Westgold Resources Ltd ('Westgold') in a defined area. The agreement essentially allowed Westgold to advance the Cannon mine to the underground stage with Southern Gold being paid \$1.5 million upfront and then a production payment of between \$160/oz and \$210/oz depending on cumulative production levels and the prevailing gold price. The Westgold assets in the Kalgoorlie area were acquired by Northern Star Resources Ltd ('Northern Star') in early 2018 and they inherited this commercial arrangement.

During the half year, a new agreement was reached with Northern Star where their right to mine was terminated and the adjacent Georges Reward tenement (M25/357) was transferred to Southern Gold in exchange for assuming the environmental liability from the open pit. See ASX release 10 December 2018 for details.

The project contains a valuable resource (**Table 1**), suitable for underground mining and the Company is looking at various monetisation options to release value from this resource.

Table 1: Cannon Underground Resource between 255m RL and 145m RL at 1g/t Au lower cut off and variable top-cut by domain.

JORC Category	Tonnes	Grade g/t Au	Au Troy Ounces
Total Indicated	121,570	5.68	22,180
Total Inferred	20,700	2.10	1,400
Total Resource	142,270	5.17	23,580

Note: totals may differ due to rounding.

Transfind Extended Gold Project: while some high-grade drill results were returned from 984m of RC drilling at Transfind Extended (**Table 2**), the Company was not able to secure terms for the extension of the option and elected not to exercise the purchase option.

Table 2: Transfind Significant RC Drill Intersections >1.0 g/t Au

Hole ID	Prospect	m from	m to	interval (m)		Au average (g/t)
TFRC001	Transfind South	17	29	12	@	0.91
		<i>including</i>	25	29	4	@
TFRC003	Transfind South	17	18	1	@	7.13
TFRC004	Transfind South	16	23	7	@	19.57
		<i>including</i>	18	19	1	@
TFRC008	Transfind South	38	41	3	@	2.35
		<i>including</i>	39	40	1	@
TFRC009	Transfind South	64	70	6	@	3.14
		<i>including</i>	65	66	1	@
TFRC011	Gallon	21	29	8	@	6.79
		<i>including</i>	22	24	2	@

Cowarna Gold Project: A reverse-circulation (RC) drill program was undertaken to test the Southern Gold 100% owned Pryde and Logan gold prospects. Gold targets were outlined by several rounds of historical soil geochemistry and rockchip samples, and recent rock chip sampling and geological mapping completed by Southern Gold in mid-2017.

Drilling at Cowarna was comprised of 16 RC holes for a total of 1649m. Drilling at Pryde and Logan confirmed the presence of gold mineralised zones which may be secondary indications to significant mineralisation at depth. Best intersections at Logan include COWRC003 that returned 8m @ 1.05g/t Au and at Pryde COWRC010 returned 2m @ 1.51g/t Au. See **Table 3** below for details.

Table 3: Cowarna Significant RC Drill Intersections >0.1 g/t Au

Hole ID	Prospect	m from	m to	interval (m)		Au (g/t)	
COWRC002	Logan	31	32	1	@	0.17	
			85	96	10	@	0.24
		<i>including</i>	88	89	1	@	0.81
COWRC003	Logan	32	40	8	@	1.05	
		<i>including</i>	32	33	1	@	3.68
		<i>and</i>	35	37	2	@	1.50
COWRC004	Logan	79	80	1	@	0.16	
COWRC010	Pryde	42	43	2	@	1.51	
COWRC011	Pryde	38	40	2	@	0.46	
COWRC011	Pryde	50	51	1	@	0.13	
COWRC014	Pryde	12	14	1	@	0.43	
COWRC014	Pryde	16	17	1	@	0.11	

South Korea

Southern Gold activities in South Korea cover two principal elements:

- The 50/50 joint venture with London stock exchange listed Bluebird Merchant Ventures over the Gubong and Kochang projects (in blue in Figure 2); and
- 100% owned exploration projects covering mostly epithermal gold-silver targets in the southern half of South Korea (in red in Figure 2) such as Weolyu, Deokon and Beopseongpo.

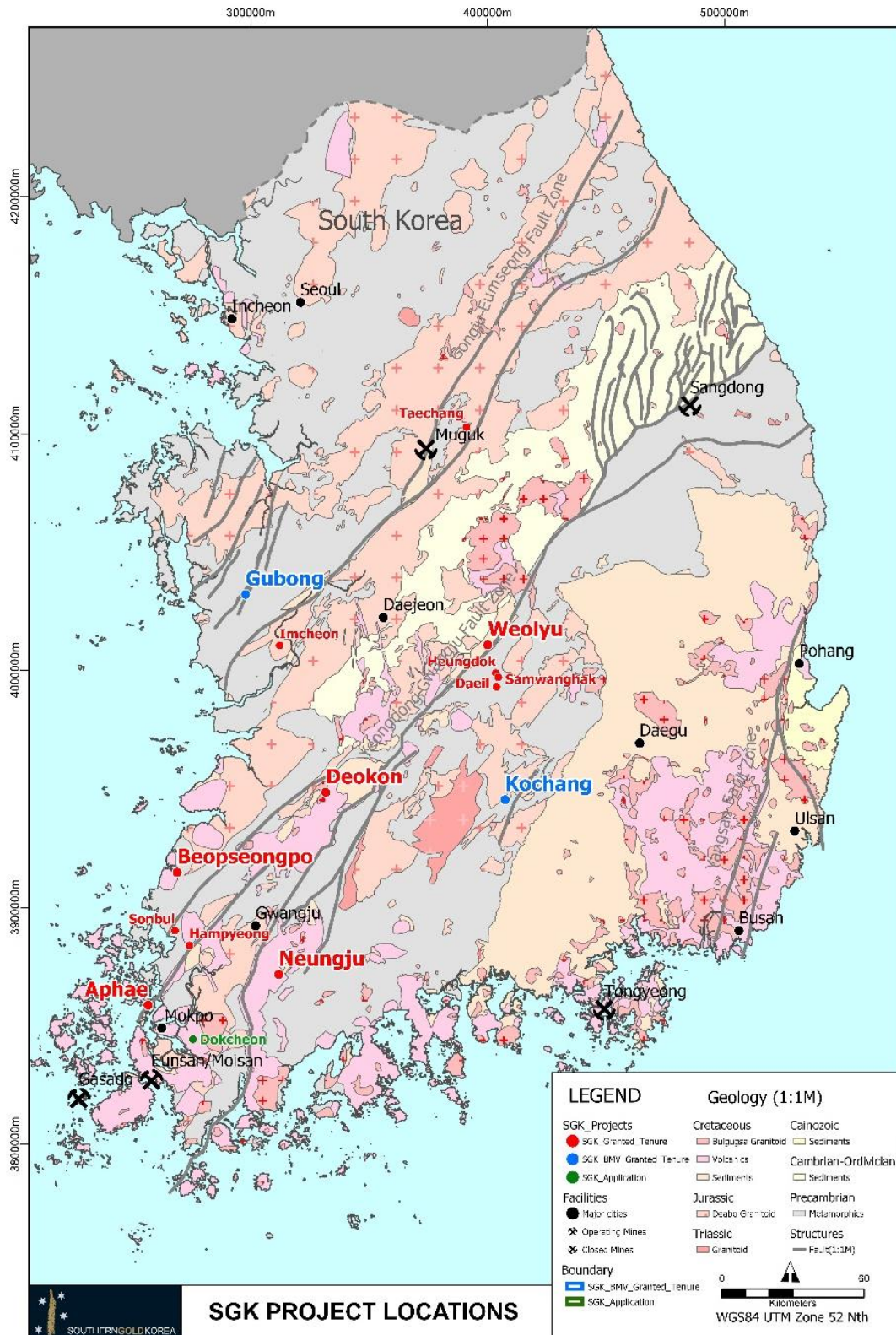


Figure 2: Project locations in the Republic of Korea.

Gubong Gold Project: Southern Gold joint venture partner Bluebird Merchant Ventures has completed preliminary metallurgical test work at the Gubong project. The work has indicated excellent gold recovery using vat leach processes with potential for further improvements through gravity recovery. Bluebird metallurgical testing carried out on a Gubong oxide gold ore sample obtained from the upper levels of the old workings used a simple process known as vat leaching that yielded recoveries of more than 90%. Desk top study results suggest that a low capital and operating cost processing facility may be possible.

The Bluebird group also completed the report on feasibility of re-opening the historic mine at Gubong. The report concluded that after initial access to the underground mine a new low-cost development could be established with first gold pour by the end of 2019. The report was not prepared in accordance with the JORC code and this limited the reporting of any further detail, particularly quantitative assessments.

Kochang Gold Project: Bluebird has also completed preliminary metallurgical testwork at the Kochang project (and subsequent to the reporting period submitted the report on feasibility of reopening the Kochang mine). The metallurgical test work was based upon bulk samples collected from the channel sampling at Kochang and obtained from within the old workings and across different modelled vein systems. The testwork resulted in high gravity recoveries, up to 80% for gold and 60% for silver, which is considered excellent for this stage of study.

With reports completed on both Kochang and Gubong (requirements of the farm in phase of the agreement) the Bluebird group will now look at the possibility of an integrated development with the objective of achieving first gold pour and cash flow as soon as possible.

Weolyu Gold-Silver Project: Weolyu remains one of Southern Gold's key project areas and will be the subject of substantial drill programmes going forward with a view to JORC resource definition in 2019. During the reporting period activity at Weolyu was restricted to additional underground sampling at the small historical adit where channel sample results are the equivalent of drill hole results at true width.

Significant intercepts include 0.4m @ 32.8g/t gold and 764g/t silver, 0.45m @ 30.0g/t gold and 1,280g/t silver, and 0.55m @ 28.9g/t gold and 1,350g/t silver (Table 4 and Figure 3).

Table 4. Weolyu top ten significant channel sample results.

Line ID	Interval (m)	Au (g/t)	Ag (g/t)	Au (gm)
FS330N_014	0.4	32.80	764.0	13.1
FS330N_013	0.45	30.00	1,280.0	13.5
FS330S_006	0.55	28.90	1,350.0	15.9
FS310N_002	0.7	21.80	469.0	15.3
FS310N_019	0.34	15.07	272.6	5.1
FS330N_001	0.5	10.85	503.0	5.4
FS310N_001	0.55	9.94	181.0	5.5
FS330S_001	0.6	8.84	501.5	5.3
FS310S_001	1.12	8.70	222.4	9.7
FS310N_029	0.46	8.40	197.0	3.9

While the strike was not extended significantly, the infill sample results confirmed the high-grade continuity of the shoots. While no 3D model grade calculation has been completed on shoot grades, the average tenor of the length weighted grade along strike on the 310mRL, over a 30m strike length with an average vein width of 0.42m is 8.3 g/t Au and 193 g/t Ag. While over a 25m strike length, the 330mRL Level has an average width of 0.44m for 13.1 g/t Au and 522 g/t Ag. Using a simplistic length weighted calculation, the average grade of the Southern Shoot is estimated to be 10.6 g/t Au and 348 g/t Ag, between the two levels.

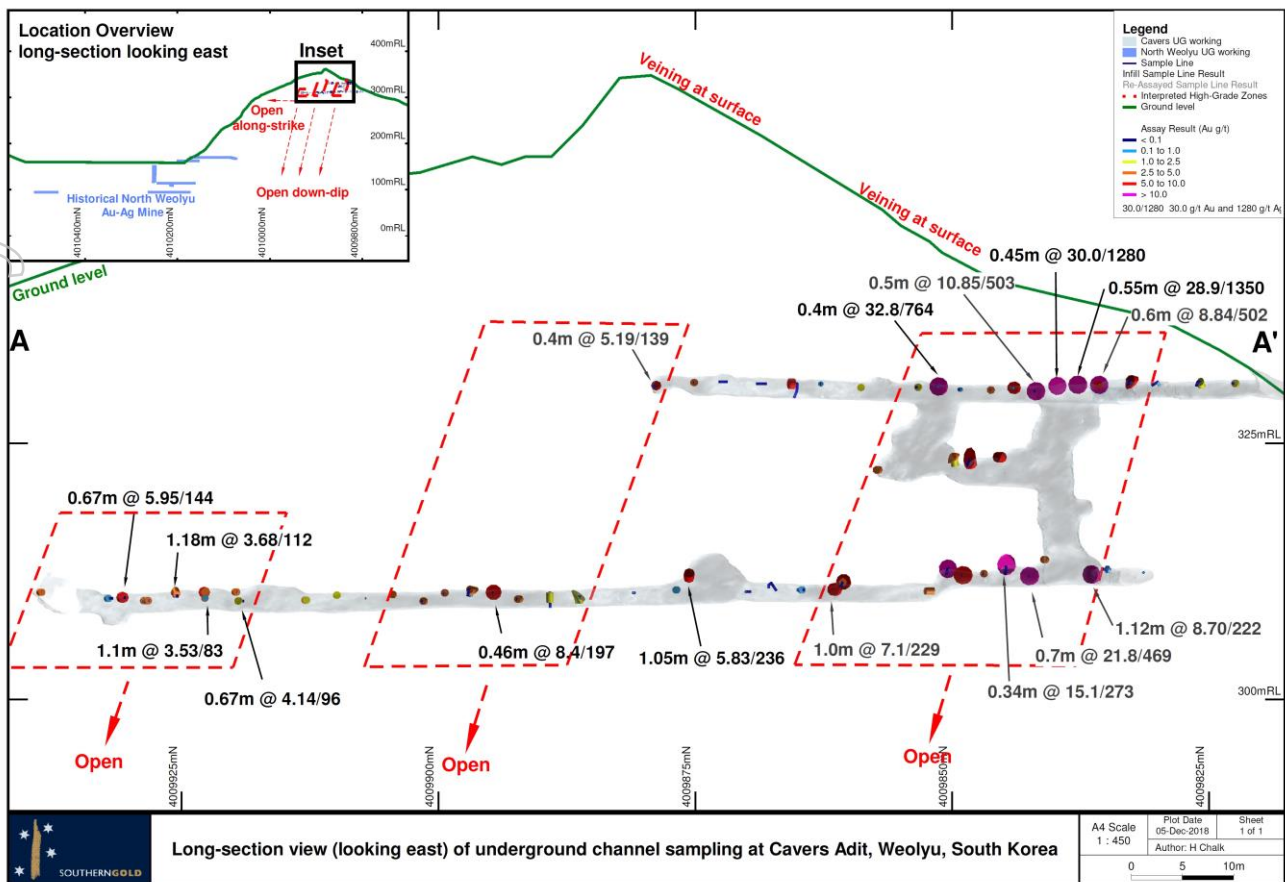


Figure 2: Long section of the Weolyu old workings with channel sampling results highlighted.

Deokon Gold-Silver Project: a new project for Southern Gold in 2018 with 3 graticules being granted 100% to the company and initial channel sample results at the Shin adit confirming very high-grade gold and silver values. Significant intercepts included 0.35m @ 12.6 g/t gold and 509 g/t silver, 0.25m @ 12.3 g/t gold and 1,290 g/t silver, and 0.4m @ 9.26 g/t gold and 1,165 g/t silver. These are true width results and are the equivalent of diamond drilling results.

While current sampling did not extend the strike length beyond that which was defined historically at Deokon, it is currently interpreted that the high-grade mineralisation plunges steeply into the floor and back up into the roof of the drives. Short diamond drilling is planned to test this interpretation in 2019 after follow-up field mapping and surface sample testing.

Beopseongpo Gold Project: another new project for Southern Gold in 2018, two tenements were granted 100% to Southern Gold at newly identified large Au-Ag epithermal target. The vein system has been traced for 3.8km along strike and is of a high level low-sulphidation style (**Figure 3**). There is no known historical drilling of this target and represents an excellent opportunity for a new potential greenfield discovery.

Veining is hosted within both basement granitic gneiss/schist and rhyolitic dome tuff facies volcanics with the vein corridor being up-to 30 metres wide in known exposed width and hosts at least three quartz veins between one and two metres in width, with numerous subordinate parallel vein sets.

Follow up surface mapping and sampling is planned and drill testing (with the likely target depth being approximately 150m below surface) being planned for later in 2019.

Neungju Gold Project: Southern Gold has been granted formal tenure (100%) over a large gold-silver epithermal target, "Neungju", which is characterised by large zones of hydrothermal alteration with multiple vein corridors up to 30m wide and hundreds of metres of strike extent. Field work was undertaken to identify large zones of hydrothermal alteration and multiple vein corridors each of

which show wide zones of veining over 100s of metres along strike length. Several new rock samples returned grades up to 20.30g/t Au and 163g/t Ag.

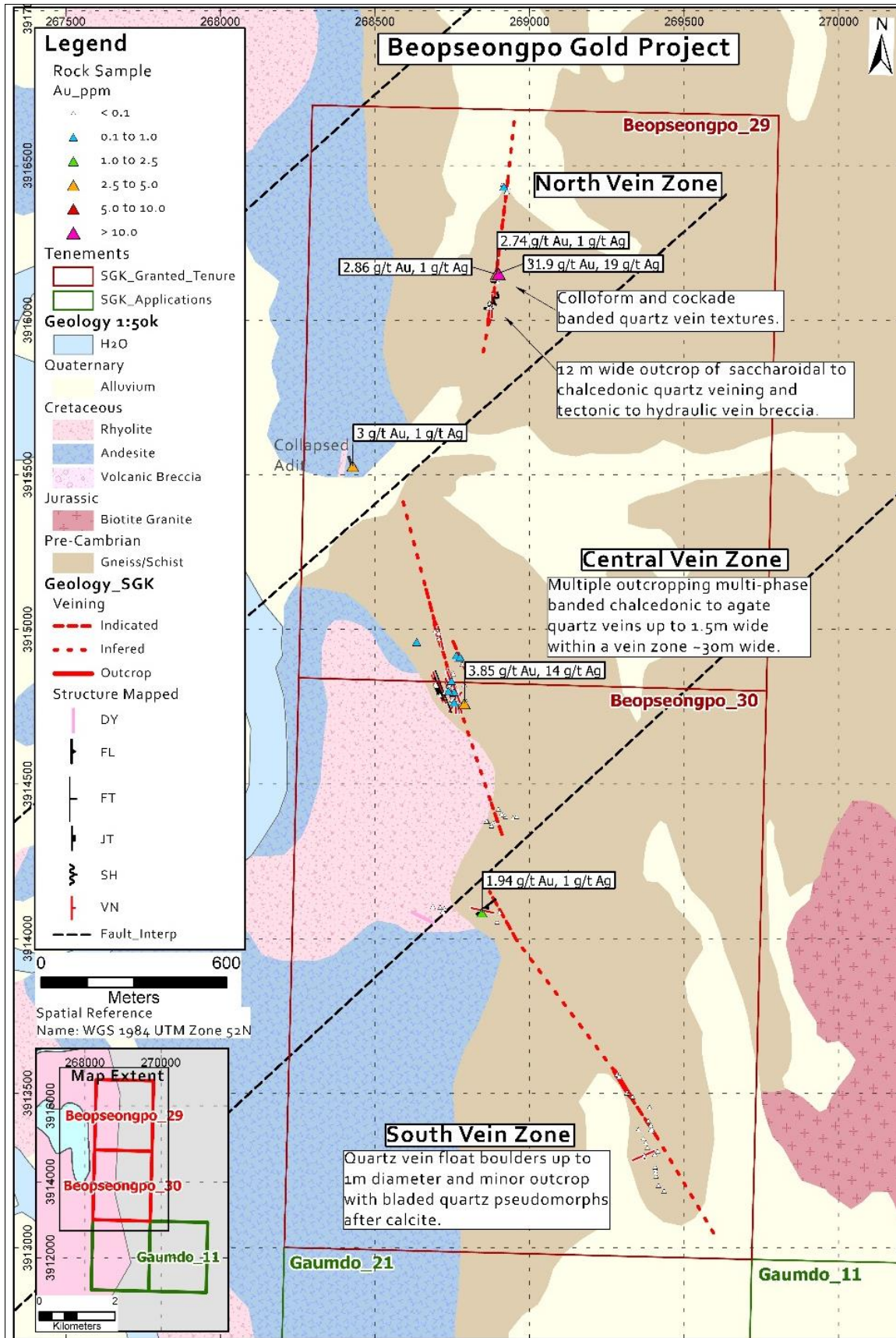


Figure 3: Plan view of the Beopseongpo Vein System

Hampyeong Gold Project: A maiden diamond drilling program was completed at the 100% owned Hampyeong gold project. Diamond drilling targeted an area hosting the A'Cha, Nabi and Saseun epithermal quartz vein zones (**Figure 4**). No prior drilling or systematic exploration has occurred on the area prior to Southern Gold's exploration efforts. Gold mineralisation was intersected in all 3 drill holes, albeit of a lower tenor of gold grade compared to surface sampling (**Table 5**).

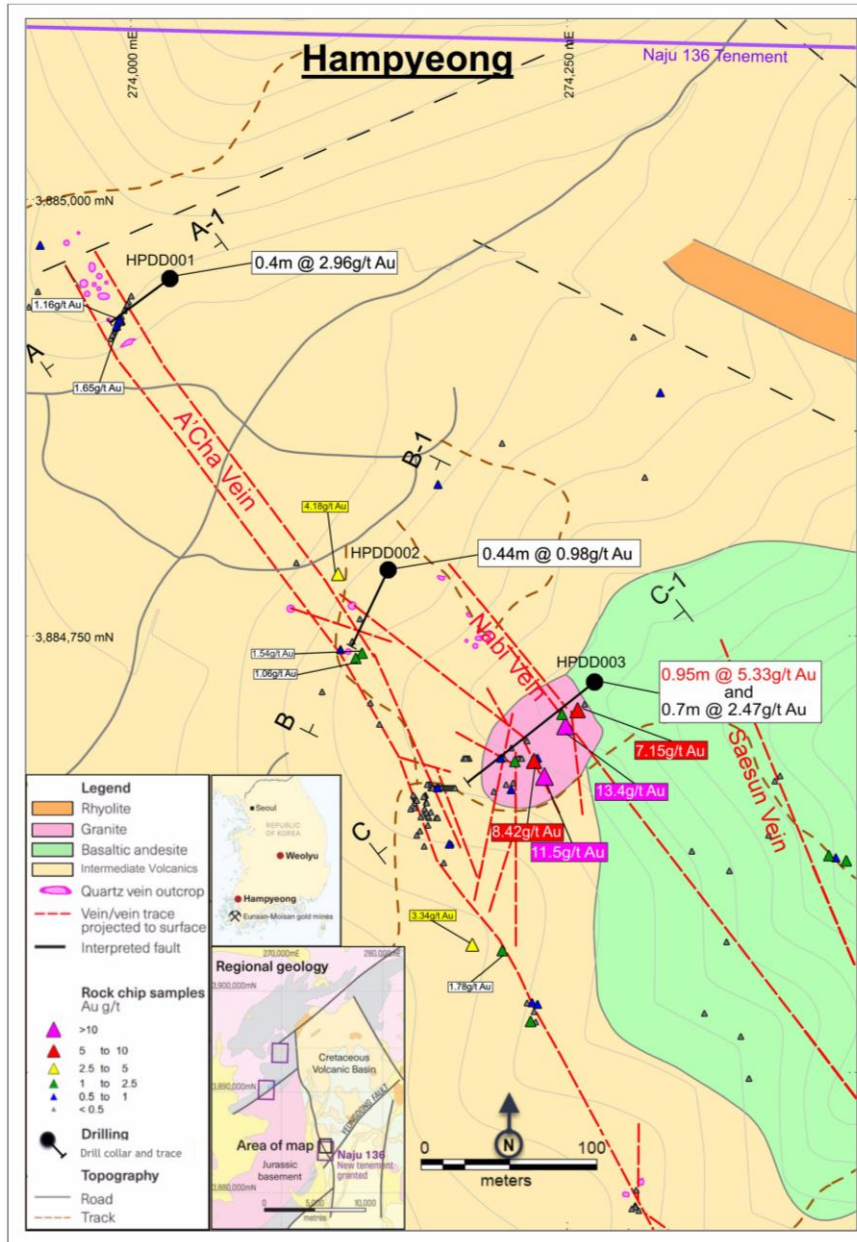


Figure 4: Plan of drilling and significant gold occurrences at the Hampyeong Project.

Hole ID	Target	From (m)	To (m)	Interval (m)	Au (g/t)
HPDD001	A'Cha	29.70	31.70	2.00	@ 1.08
		<i>including</i>	31.30	31.70	0.40
HPDD002	A'Cha	24.00	24.44	0.44	@ 0.98
HPDD003	Nabi	32.60	33.55	0.95	@ 5.33
	A'Cha	119.00	119.70	0.70	@ 2.47

Table 5: Hampyeong diamond drilling significant intercepts (>0.8 g/t Au). All reported interval widths are downhole widths, not true width.

Competent Persons Statement:

The information in this report that relates to Exploration Results in Australia has been compiled under the supervision of Mr. Justin Gum (MAIG). Mr Gum who is a consultant to Southern Gold Limited and a Member of the Australasian Institute of Geoscientist, 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 Mineral Resources and Ore Reserves. Mr Gum consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Exploration Results in South Korea has been compiled under the supervision of Dr Chris Bowden (FAusIMM(CP)). Dr Bowden, who is a consultant to Southern Gold Limited and a Fellow and Chartered Professional of 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. Dr Bowden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to JORC Resources has been compiled under the supervision of Mr. Paul Androvic (AusIMM). Mr Androvic who is an employee of Southern Gold Limited and a Member of 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 Mineral Resources and Ore Reserves. Mr Androvic consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

AUDITORS INDEPENDENCE DECLARATION

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

Dated at Adelaide this 4th day of March 2019 and signed in accordance with a resolution of the Directors.



S Mitchell
Managing Director



G C Boulton AM
Chairman

Auditor's Independence Declaration

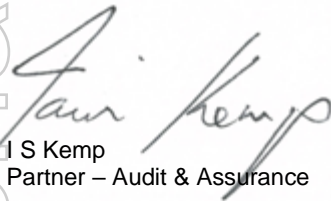
To the Directors of Southern Gold Limited

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 2018. 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



I S Kemp
Partner – Audit & Assurance

Adelaide, 4 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 31 December 2018

	Note	Half Year Ended 31 Dec 2018 \$	Half Year Ended 31 Dec 2017 \$
Continuing Operations			
Revenue		-	1,997,548
Cost of Sales		-	(820,725)
		-	1,176,823
Other revenue		2,696	25,289
Share of profit / (loss) of joint ventures, accounted for using the equity method	5	(51,515)	-
Exploration expenditure written off	4	(3,116,656)	(42,366)
Exploration expenses		(296,422)	(254,346)
Exploration expenses (Cannon underground)		-	(384,116)
Salaries and wages		(605,316)	(367,392)
Directors fees (cash)		(108,750)	(90,000)
Shareholder relations expenses		(157,175)	(149,367)
Consulting expenses		(130,810)	(138,762)
Other administration expenses		(369,218)	(390,979)
Depreciation expense		(33,116)	(29,483)
Share based payments		(10,500)	(56,546)
Profit/(loss) before income tax		(4,876,782)	(701,245)
Income tax benefit/(expense)	3	174,110	-
Net loss for the half year		(4,702,672)	(701,245)
<u>Other Comprehensive Income</u>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign controlled entity		183,203	171,502
Total comprehensive income for the period		(4,519,469)	(529,743)
<u>Earnings Per Share</u>			
Basic (cents per share)		(9.02)	(1.44)
Diluted (cents per share)		(9.02)	(1.44)

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 2018

	Note	As at 31 Dec 2018 \$	As at 30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		815,688	2,080,242
Trade and other receivables		141,733	134,994
Other assets		49,021	19,090
TOTAL CURRENT ASSETS		1,006,442	2,234,326
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	4	9,958,485	13,248,642
Plant and equipment		180,244	176,242
Investments accounted for using the equity method	5	806,056	-
Financial assets	6	183,831	-
TOTAL NON-CURRENT ASSETS		11,128,616	13,424,884
TOTAL ASSETS		12,135,058	15,569,210
CURRENT LIABILITIES			
Trade and other payables		135,227	340,365
Provisions	7	96,126	134,121
TOTAL CURRENT LIABILITIES		231,353	474,756
NON-CURRENT LIABILITIES			
Provisions	7	18,463	31,094
TOTAL NON-CURRENT LIABILITIES		18,463	31,094
TOTAL LIABILITIES		249,816	505,850
NET ASSETS		11,885,242	15,153,360
EQUITY			
Issued capital	8	41,323,415	40,072,064
Reserves		1,296,039	1,112,836
Accumulated losses		(30,734,212)	(26,031,540)
TOTAL EQUITY		11,885,242	15,153,360

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 2018

	Issued Capital \$	Accumulated losses \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Total \$
Balance at 1 July 2017	39,607,530	(27,304,391)	2,875,107	(60,292)	15,117,954
Total comprehensive income in the period	-	(701,245)	-	171,502	(529,743)
Transactions with owners:					
Issue of share capital (Note 8)	464,534	-	-	-	464,534
Options lapsed or exercised	-	1,947,599	(1,947,599)	-	-
Fair value of options issued to employees (Note 9)	-	-	56,546	-	56,546
Balance at 31 December 2017	40,072,064	(26,058,037)	984,054	111,210	15,109,291
Balance at 1 July 2018	40,072,064	(26,031,540)	955,848	156,988	15,153,360
Total comprehensive income in the period	-	(4,702,672)	-	183,203	(4,519,469)
Transactions with owners:					
Issue of share capital (Note 8)	1,251,351	-	-	-	1,251,351
Options lapsed or exercised	-	-	-	-	-
Balance at 31 December 2018	41,323,415	(30,734,212)	955,848	340,191	11,885,242

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 2018**

Note	Half Year Ended 31 Dec 2018 Inflows (Outflows) \$	Half Year Ended 31 Dec 2017 Inflows (Outflows) \$
Cash flows related to operating activities		
Interest received	2,696	25,289
Other income	-	-
Receipts from Operations	-	2,185,413
R&D tax offset received	174,110	-
Payments to suppliers and employees	(1,939,175)	(1,939,185)
Net operating cash flows	(1,762,369)	271,517
Cash flows related to investing activities		
Payments for mining tenements, exploration and evaluation expenditure	(538,203)	(1,541,153)
Loans provided to Gubong JV Company	(183,831)	-
Payments for plant and equipment	(36,415)	(46,103)
Net investing cash flows	(758,449)	(1,587,256)
Cash flows related to financing activities		
Proceeds from share issues	1,276,351	-
Payment for share issue costs	(25,000)	-
Payment of Dividend	-	(945,648)
Net financing cash flows	1,251,351	(945,648)
Net increase/(decrease) in cash	(1,269,467)	(2,261,387)
Cash at beginning of financial period	2,080,242	5,376,908
Exchange rate adjustments on opening cash	4,913	1,244
Cash at end of financial period	815,688	3,116,765

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 2018

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 2018 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 2018 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 with the exception of the new investment in joint venture as described below.

New standards adopted as at 1 July 2018

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018. There is no impact to the Group's historical financial results given the company is not currently in production.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods.

The adoption of AASB 9 has mostly impacted the following areas:

Classification and measurement of the Group's financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Impairment of financial assets

The Group's financial assets are subject to AASB 9's new three-stage expected credit loss model. The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For trade receivables and contract assets under AASB 15 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9.

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.

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 2018.

Investments in Joint Ventures

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. The joint venture is accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in joint venture is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The Group has one joint venture as at period end date, the Gubong Joint Venture.

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			31 December 2018	31 December 2017
Gubong Joint Venture	Korea	Exploration of Gubong Gold Project	50%	-%

The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. Refer Note 5.

2. OPERATING SEGMENTS

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The consolidated entity has identified its operating segments based upon the geographies of Australia and the Republic of Korea (South Korea). This is the basis on which internal reports are provided to the Board of Directors for assessing performance and determining the allocation of resources within the consolidated entity.

Half year ended 31/12/2018	South Korea	Australia	Consolidated
	\$	\$	\$
<u>Segment Revenue</u>			
Other Income	40	2,656	2,696
Total Segment Revenue	40	2,656	2,696
<u>Segment Expenses</u>			
Exploration expenditure written off	(196,102)	(2,920,554)	(3,116,656)
Exploration expenses	(73,876)	(222,546)	(296,422)
Share of Joint Venture net loss	(51,515)	-	(51,515)
Other expenditure	(633,168)	(505,292)	(1,138,460)
Total Segment Expenditure	(954,661)	(3,648,392)	(4,603,053)
Segment Profit/(loss)	(954,621)	(3,645,736)	(4,600,357)
Corporate expenditure			(276,425)
Profit/(loss) before income tax			(4,876,782)
Income tax benefit/(expense)			174,110
Profit/(loss)			(4,702,672)
<u>As at 31/12/2018</u>			
	\$	\$	\$
<u>Assets and Liabilities</u>			
Exploration and evaluation expenditure	4,504,036	5,454,449	9,958,485
Investment in Joint Venture Company	806,056		806,056
Loan to Joint Venture Company	183,831		183,831
Other segment assets	210,486	160,512	370,998
Segment Assets	5,704,409	5,614,961	11,319,370
Other Segment Liabilities	34,634	215,182	249,816
Segment Liabilities	34,634	215,182	249,816
Segment Net Assets	5,669,775	5,399,778	11,069,554
<i>Corporate net assets</i>			
cash			815,688
Total Net Assets			11,885,242

Half year ended 31/12/2017	South Korea	Australia	Consolidated
	\$	\$	\$
Segment Revenue			
Revenue from Joint Operations	-	1,997,548	1,997,548
Other Income	435	24,854	25,289
Total Segment Revenue	435	2,022,402	2,022,837
Segment Expenses			
Exploration expenditure written off	-	(42,366)	(42,366)
Exploration expenses	(190,012)	(64,334)	(254,346)
Exploration expenses (Cannon underground)	-	(384,116)	(384,116)
Share of Joint Operations expenses	-	(820,725)	(820,725)
Other expenditure	(360,431)	(574,776)	(935,207)
Total Segment Expenditure	(550,443)	(1,886,317)	(2,436,760)
Segment Profit/(loss)	(550,008)	136,085	(413,923)
Corporate expenditure			(287,322)
Profit/(loss) before income tax			(701,245)
Income tax benefit/(expense)			-
Profit/(loss)			(701,245)

As at 30/6/2018	South Korea	Australia	Consolidated
	\$	\$	\$
Assets and Liabilities			
Exploration and evaluation expenditure	4,954,956	8,293,686	13,248,642
Other segment assets	188,315	142,011	330,326
Segment Assets	5,143,271	8,435,697	13,578,968
Segment Liabilities	43,588	462,262	505,850
Segment Liabilities	43,588	462,262	505,850
Segment Net Assets	5,099,683	7,973,435	13,073,118
Corporate net assets			
cash			2,080,242
Total Net Assets			15,153,360

3. INCOME TAX EXPENSE

	Half Year Ended 31 Dec 2018 \$	Half Year Ended 31 Dec 2017 \$
<i>The components of the tax benefit comprise:</i>		
Research and development tax concession	174,110	-
Tax losses brought to account	-	-
	<u>174,110</u>	<u>-</u>

4. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2018 \$	30 June 2018 \$
A reconciliation of the carrying amount of exploration and evaluation phase expenditure is set out below:		
Costs brought forward	13,248,642	10,270,630
Net foreign exchange differences	188,905	184,112
Expenditure incurred during the year	495,165	2,896,430
Tenement transfer to Joint Venture	(857,571)	-
Expenditure written off / impairment for relinquished tenements	(3,116,656)	(102,530)
	<u>9,958,485</u>	<u>13,248,642</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.

During the period ending 31 December 2018, Southern Gold had written off exploration and evaluation expenditure of \$3,116,656 as follows:

- \$2,094,472 relating to 9 Australian tenements that were relinquished in the period or are planned to be relinquished, together with another 4 where farm-in rights have expired;
- \$196,102 relating to 1 tenement in the Republic of South Korea that was relinquished in the period (a further 15 tenements were relinquished in the period, all having no carrying value); and
- \$826,082 relating to the write down of the Bulong tenements to assessed recoverable amount.

In addition, during the period ending 31 December 2018, the Company transferred the Gubong tenement to a 50% owned Joint Venture Company. Refer Note 5.

During the period ending 31 December 2017, Southern Gold wrote off exploration and evaluation expenditure of \$42,366 relating to four tenements that were planned to be relinquished. These tenements were relinquished subsequent to the end of the half year period, in January 2018.

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2018 \$	30 June 2018 \$
A reconciliation of the carrying amount the investment in the Joint Venture is set out below:		
Initial cost of investment	857,571	-
Share of profit / (loss) of joint ventures	(51,515)	-
	806,056	-

On 27 March 2017, Southern Gold executed conditional agreements with London Stock Exchange listed Bluebird Merchant Ventures Ltd (Bluebird) for Bluebird to farm-in to two of Southern Gold's projects in South Korea. During the farm-in, Bluebird is required to undertake initial feasibility studies, investing US\$1 million in its investigation of the reopening of the Gubong and Taechang gold mines after which the two parties will form a 50:50 joint venture (US\$500,000 per project).

Gubong Joint Venture

Following the required US\$500,000 expenditure at Gubong, Bluebird and Southern Gold executed a definitive Farm In and Joint Venture Agreement for the Gubong Gold Project (refer ASX Announcement 29 March 2018). The document provides the final framework for the management of the Joint Venture, with Bluebird as operators. The Joint Venture commenced after submission of a report on feasibility for the Gubong Gold Project (refer ASX Announcement 1 August 2018). The joint venture is being conducted through a Joint Venture Company incorporated in Singapore, Gubong Project JV Co Pte. Ltd.(Gubong JV Company), which is 50% owned by Southern Gold and 50% owned by Bluebird. Gubong Project JV Co Pte. Ltd in turn owns 100% of a company incorporated in South Korea, Gubong Project Chusik Hoesa. During the period ended 31 December 2018, Southern Gold transferred ownership of 8 tenements, comprising the Gubong Project, to Gubong Project Chusik Hoesa. The book value of the tenements in Southern Gold of \$857,571, was transferred from an exploration asset (Note 4) to form the cost of Southern Gold's initial investment in the Joint Venture. Southern Gold meets its obligation to fund 50% of the cash requirements of the joint venture through a long term loan to Gubong JV Company (refer Note 6).

Kochang Joint Venture

Southern Gold extended its Farm In and Joint Venture arrangement with Bluebird to include the Kochang project in South Korea. The terms for the Kochang gold project are broadly in line with what was previously agreed for the Gubong and Taechang gold projects, being a farm-in stage where Bluebird are required to invest US\$0.5 million in compiling a high level report on project feasibility targeting capital expenditure of no more than US\$10 million and Bluebird (or one of its associates) is to complete a placement in Southern Gold shares to the value of A\$0.25 million and at the same price agreed for the other projects, or A\$0.386/share. The \$250,000 placement was completed to an entity controlled by Bluebird (refer ASX Announcement 20 August 2018). The joint venture is to be conducted through a Joint Venture Company incorporated in Singapore, Kochang Project JV Co Pte. Ltd .(Kochang JV Company), which is 100% owned by Southern Gold at 31 December 2018. Gubong Project JV Co Pte. Ltd in turn owns 100% of a company incorporated in South Korea, Kochang Project Chusik Hoesa. Subsequent to the period ending 31 December 2018, 50% ownership of Kochang JV Company was transferred to Bluebird following Bluebird's submission of a report on feasibility for the Kochang Gold Project. Refer Note 11.

Taechang Project

Bluebird, after a brief high-level assessment, has elected not to proceed with a separate farm-in and joint venture agreement on the Taechang project. The option to include the Taechang project in the joint venture has therefore expired and the project is effectively returned to Southern Gold on a 100% equity basis.

Summarised financial information for Gubong JV Company

The tables below provide summarised financial information for the Gubong JV Company. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not Southern Gold's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised balance sheet

	31 December 2018 \$	30 June 2018 \$
<i>Current assets</i>		
Cash and cash equivalents	73,177	-
Other current assets	13,154	-
Total current assets	86,331	-
<i>Non-current assets</i>		
Mine Development	148,255	-
Property Plant & equipment	3,733	-
Total non-current assets	151,989	-
Total Assets	238,320	-
<i>Current liabilities</i>		
Trade payables	-	-
Other current liabilities	-	-
Total current liabilities	-	-
<i>Non-current liabilities</i>		
Other Non-current liabilities	345,167	-
Total Non-current liabilities	345,167	-
Total liabilities	345,167	-
Net Assets	(106,847)	-
Reconciliation to carrying amounts:		
Opening net assets 1 July	-	-
Loss for the period	(103,029)	-
FX movement	(3,818)	-
Closing net asset	(106,847)	-
Group's share in %		
Group's share in JV's net assets	51,515	-
Cost of investment (value of tenement transferred)	857,571	-
Carrying amount	806,056	-

	31 December 2018 \$	30 June 2018 \$
Summarised statement of comprehensive income		
Salaries and wages	(39,200)	-
Other expenses	(63,829)	-
Income tax expense	-	-
Loss for the period	(103,029)	-
Other comprehensive income	-	-
Total comprehensive income	(103,029)	-

6. FINANCIAL ASSETS

	31 December 2018 \$	30 June 2018 \$
Gubong Project JV Co Pte. Ltd	183,831	-
Non-Current Financial Assets	183,831	-

Southern Gold funds 50% of the operations of its 50% owned joint venture company, Gubong Project JV Co Pte. Ltd through an unsecured long term loan facility. Refer Note 5 for further background to Gubong Project JV Co Pte. Ltd.

7. PROVISIONS

	31 December 2018 \$	30 June 2018 \$
The aggregate provisions recognised in and included in the financial statements is as follows:		
Current Provisions		
Employee entitlements provision	96,126	134,121
Non-Current Provisions		
Employee entitlements provision	18,463	31,094

8. ISSUE OF SECURITIES

Fully paid ordinary shares issued

	Number	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2018	49,150,553	40,072,064
Shares Issued at \$0.386 to JV partner (20 August 2018)	647,668	250,000
Shares Issued placements (15 & 16 October 2018)	6,037,352	1,026,351
Share issue costs		(25,000)
At 31 December 2018	55,835,573	41,323,415

9. SHARE BASED PAYMENTS RESERVE

During the half year ended 31 December 2018, there were no options issued, lapsed nor exercised.

During the half year ended 31 December 2017, 505,000 unlisted options were issued to the employees on 30 November 2017, pursuant to the terms of the Employee Share Option Plan. The exercise price is \$0.375 for all the options issued, with an expiry of 30 November 2022 for 475,000 of the options and an expiry date of 31 July 2022 for 30,000 options. The options were valued at \$56,546 using the Black Scholes method, using a volatility of 58% and an interest rate of 2.09% (the five year Australian Government bond rate at 30 November 2017). The full amount of the valuation was expensed in the half year ended 31 December 2017, as the options were granted without any vesting conditions.

10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2018.

11. SUBSEQUENT EVENTS

On 7 February 2019, Southern Gold announced that Bluebird Merchant Ventures Ltd has submitted to the Company a report on the feasibility of re-opening the Kochang Project. The submission of the report results in a 50:50 joint venture being established. For further background refer Note 5.

On 15 February 2019, 66,133 shares were issued at \$0.158 to Aetus Global Markets Limited as part payment for consultancy services provided.

On 21 February 2019, Southern Gold announced \$1.75 million in funding through:

- \$1 million raised through the issue of 6,666,666 shares at a placement price of \$0.15 per share, and
- \$0.75 million raised through an unsecured loan for 18 months, interest payable at 12% per annum paid quarterly in arrears, and 4,411,765 call options exercisable at \$0.17/option anytime during the 18 months.

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 2018

The Directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 13 to 25 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 2018, 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

Adelaide, South Australia
4th day of March 2019



G C Boulton AM
Chairman

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 2018, 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, nothing has come to our attention that causes us to believe that the half year financial report of Southern Gold Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

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 2018 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*. As the auditor of Southern Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

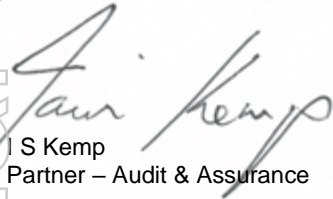
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 4 March 2019

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