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Annual Report 2020/21



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Directors

Greg Boulton AM

Non-Executive Chairman

Simon Mitchell

Managing Director

Peter Bamford

Non-Executive Director

Douglas Kirwin

Non-Executive Director

Michael McNeilly

Non-Executive Director

Beejay Kim

Executive Director

Company Secretary

Daniel Hill

Corporate Governance Statement

Southern Gold's Corporate Governance Statement can be found at the Company's website:

southerngold.com.au/corporate-governance

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Grant Thornton Audit Pty Ltd.

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The Chairman's Letter to Shareholders

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Dear fellow Southern Gold shareholders,

It was about this time last year that the full impacts of COVID19 were being felt across the world but, to a large extent, places such as Australia, New Zealand and South Korea had avoided the worst of it. There was cautious optimism that 2021 would be a better year and that international travel would resume perhaps mid-year and business return to something approaching 'normal'. In addition, the governments of most major economies had set about starting major infrastructure investments and other stimulus efforts with the aim of kick starting their economies.

The business environment has therefore completely transformed in the last 12-18 months to one of a boom in commodities and a much improved economic environment. And although the gold price has come off its highs of 12 months ago, it is still significantly elevated in terms of trading levels of the last 10 years and is currently in the order of US\$1,750/oz.

The Chairman's Letter to Shareholders

On the downside, the COVID19 pandemic itself has entered a new phase and our earlier optimism has been curtailed by the emergence of the 'Delta' variant and, once again, constrained the re-opening of the country with much of Australia remaining in 'lock-down'. It would now appear that business travel to South Korea may be constrained for the balance of calendar year 2021 but progressively opening in 2022 as vaccination rates hit the 80% milestone in both countries.

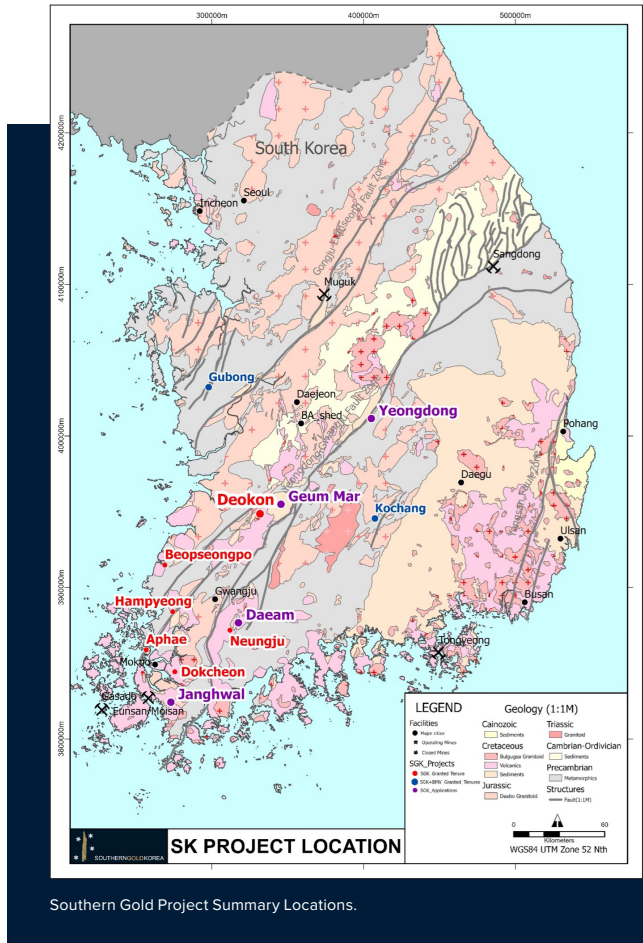
Notwithstanding the deterioration of the COVID19 situation, I am relieved to report that direct impacts on our staff and contractors has been minimal and your company continues to manage the situation prudently with respect to our field staff in South Korea. But the world will shortly move into a new phase: living and working in an environment where the virus is prevalent and seeking to control its impacts rather than attempting to eliminate it.

So, given this new context and to manage our risks over the coming years your company has:

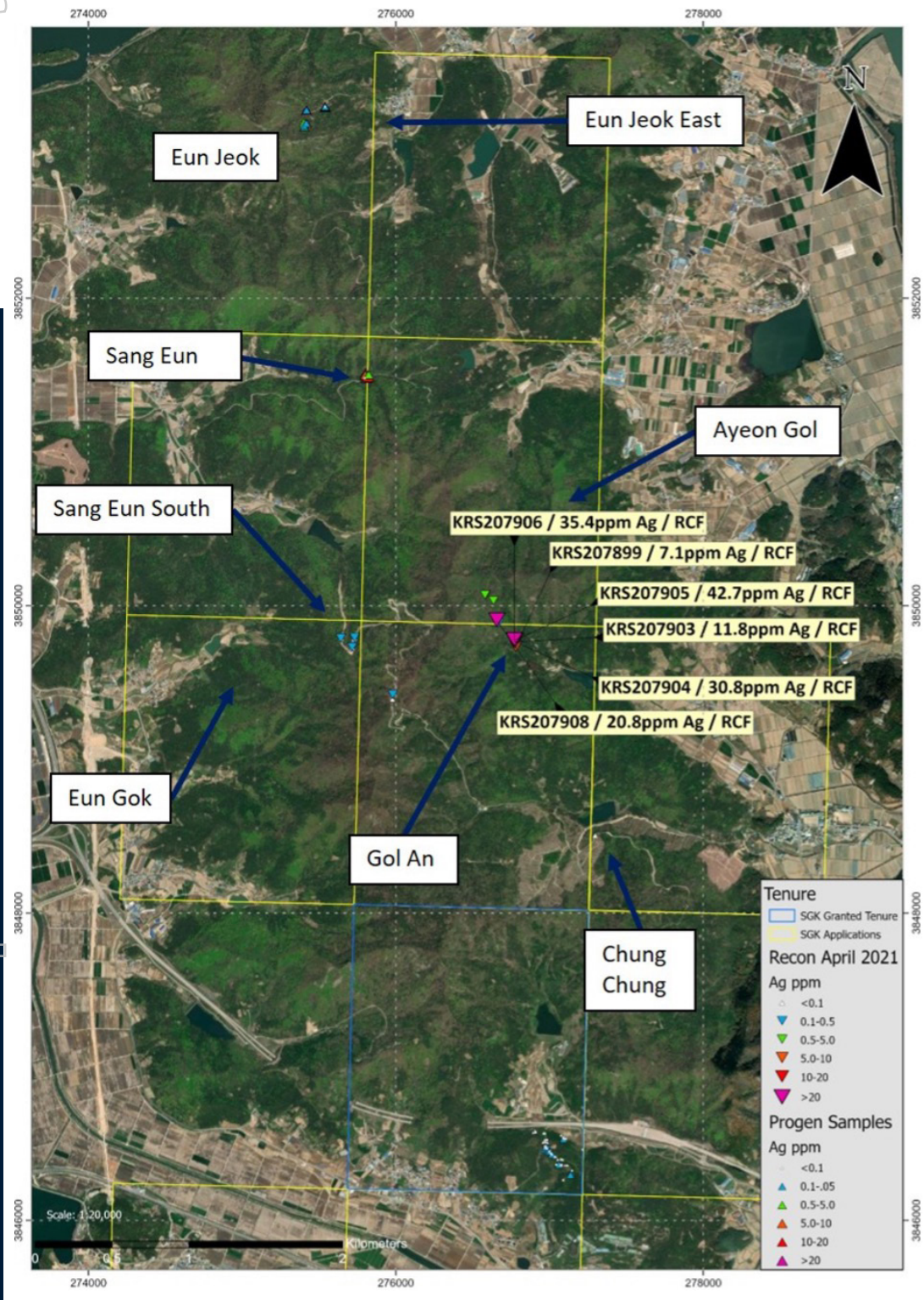
- Ensured it is fully funded for the next few years;
- Started to reposition the expatriate exploration team to be South Korea based; and
- Begun to build additional technical capability within our local South Korean team.

On the funding front the company has completed several important deals that, combined, have put the Southern Gold balance sheet in a very strong position. The Company raised \$10.2 million in an institutional placement, concluded a 'drill-for-equity' deal with Ausino Drilling Services worth an additional US\$1.1 million (approximately A\$1.5 million) and concluded a sale of joint venture assets to London-listed Bluebird Merchant Ventures Ltd (BMV) where the Company will receive 200m BMV shares with a 'mark to market' value of US\$10 million (approximately A\$13.7 million). In total this represents an addition of more than A\$25 million in cash, liquid securities, and receivables in the last year.

The exploration team has recently been augmented with the appointment of Robert Smillie as Exploration Manager. Rob will be relocating to South Korea in October 2021. This will see the start of a repositioning of the expatriate technical team to be resident in South Korea, to ensure good coverage of the peak field season period of March to November of each year. It is also hoped that this approach will mean less COVID19 induced travel disruption of our technical experts and more critical field work being completed to boost our project generation and testing work.



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Rock chip sample locations NNW of Dokcheon and historical mines.

The Chairman's Letter to Shareholders

Notwithstanding the disruption of the last 18 months due to COVID19, the Company has continued to be very active in the field, including:

- Drilling activities at the Weolyu, Aphae, Deokon, Dokcheon and Geum-Mar projects; and
- Boots on the ground field work at Janghwal, Daeam Valley, Deokon, Dokcheon and Yeongdong project areas, including significant soil sampling programmes across several of these areas.

Drilling highlights (all downhole widths, not true widths) for the year included:

- At Aphae 0.21m @ 107.5g/t Au and 166g/t Ag 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;
- At Weolyu 5.85m @ 1.68g/t Au and 9.6g/t Ag; and
- At Deokon 0.57m @ 2.56g/t Au and 453g/t Ag at the Shin Hill target.

While these results are elevated and of some technical interest, for Southern Gold the width and tenor of these results, especially given the geological context, did not justify further testing of these systems, at least in those particular targets. The reason for this is that Southern Gold is searching for significant gold-silver systems, preferably 'tier one' in size (>4mOz Au) and preferably with a bonanza grade component typical of epithermal deposits.

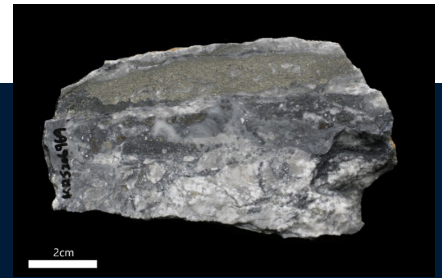
The Company is not exploring Korea looking for small scale, relatively low-grade deposits – we are after the big prize and, given the historic context to exploration in this country, we believe there is huge potential for this.



Drilling at Nettle, Deokon Project.



Community liaison at Deokon as part of the process of land access to drilling sites.



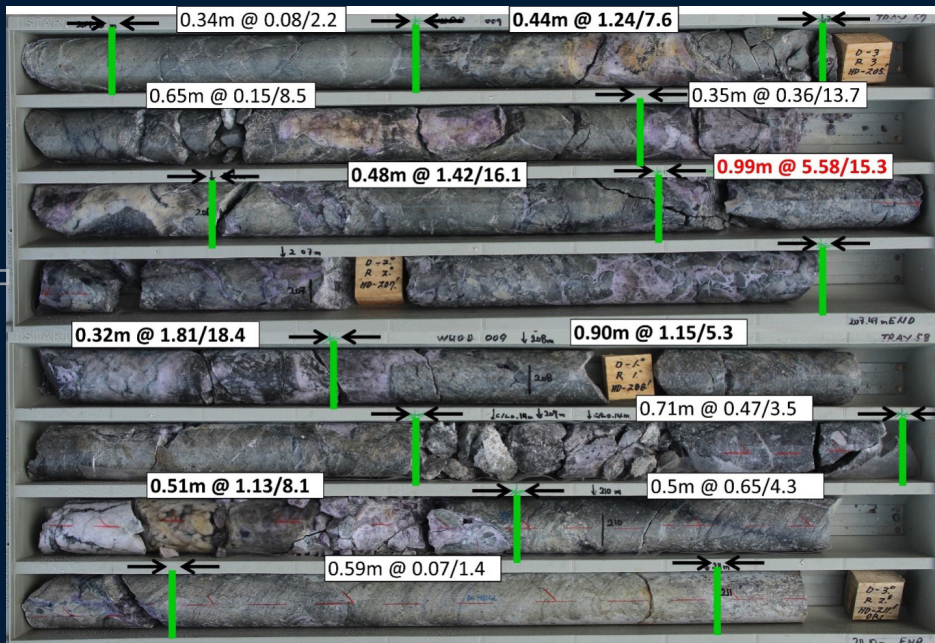
Outcrop sample KRS206969 returning 3.1g/t Au, 131g/t Ag, 0.25% Cu, 3.24% Pb, and 5.19% Zn. 3-5 cm of massive pyrite-galena-sphalerite-chalcopyrite vein with strongly illite-sericite altered granite.

The Chairman's Letter to Shareholders

There are also projects where we have yet to see high grades in drill core but the surface expression has significant gold and silver endowment and justifies widening the exploration net to try and track down the source of the precious metals. The "Golden Surprise" trend at the Deokon project falls into this category – an area where we have found visible silver mineralisation in rocks on surface but are yet to identify the source of the mineralised fluids or a suitable trap that will concentrate them into an economic orebody. Here the search continues, and perseverance is the key.



Aerial view of APDD005 drill site looking North, Aphae Gold Project.

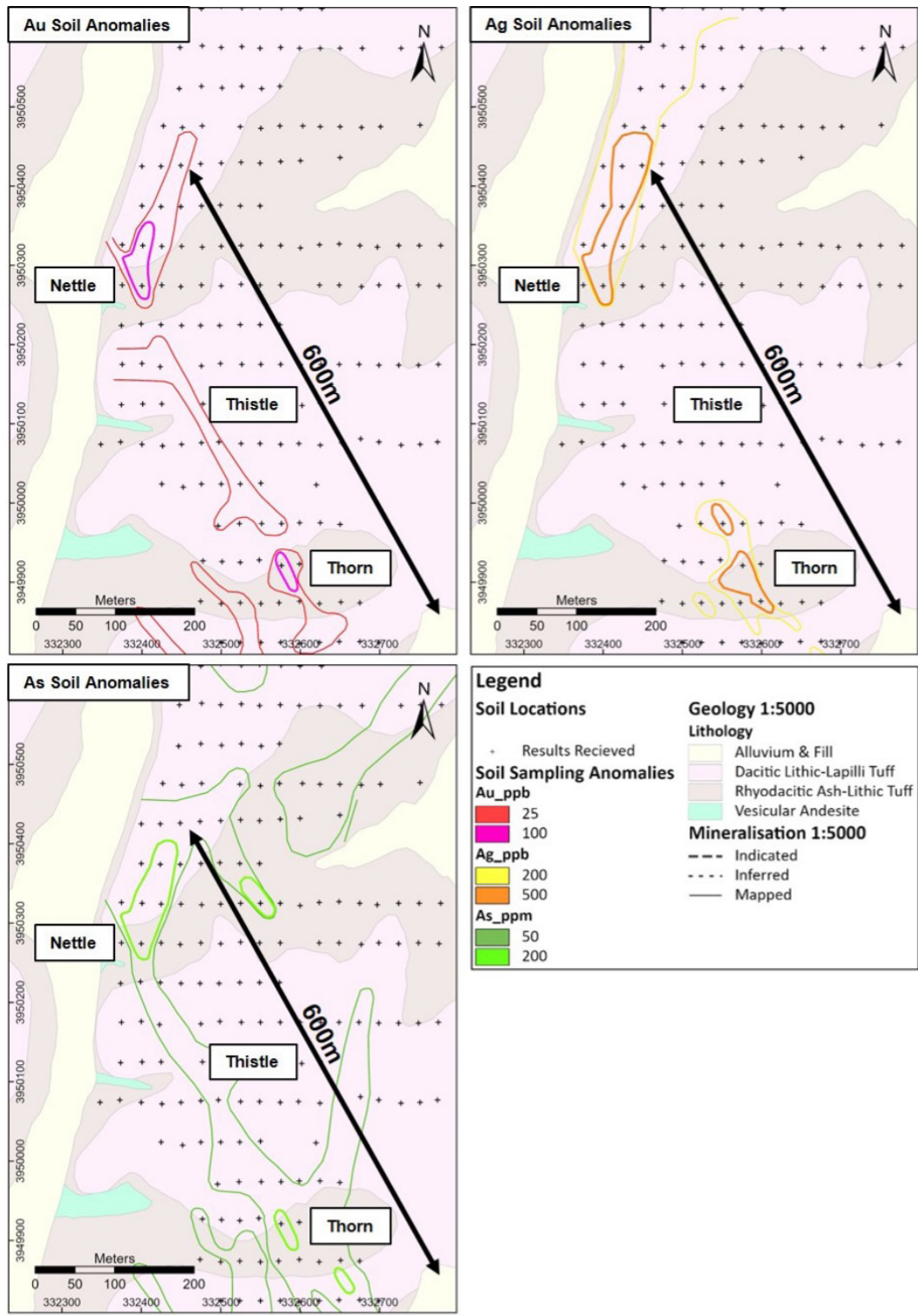


Weolyu Gold Project drill core WUDD009 204.56 to 210.41m. Zone of quartz-sulphide veined breccia with late fluorite veining within flow-foliated rhyolite. Example assay label: 0.99m @ 5.58g/t Au / 15.3g/t Ag.

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The Chairman's Letter to Shareholders

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Coincident Au-Ag-As anomalies at Golden Surprise Trend, Deokon Project.

The Chairman's Letter to Shareholders

As we advance our efforts in Korea it is important to keep in mind the scale of the opportunity. In Australian exploration terms, South Korea is our 'flagship project' with the various project areas being our 'prospects'. We are working through our primary target areas, usually the margins of the Cretaceous basins in the southern or south-western part of South Korea, and we have many more drill targets to define and test. It is our professional view that it is only a matter of time, money and effort that will enable our exploration team to uncover significant economic deposits.

I would like to thank the South Korean team who, once again, have worked very hard to keep our field activity going and maintain our exploration momentum in what has been a challenging year. I would also like to take this opportunity to thank all Australian based staff and our contractors for persevering and keeping focused on our strategy throughout this difficult time.

Southern Gold recently announced the departure of Managing Director, Simon Mitchell, who has been with the company since early 2015. Simon has helped Southern Gold to navigate the stormy market conditions of the last several years, particularly the very difficult period of 2015-2018 when the capital markets were not supportive of junior gold explorers. I would like to thank Simon for his significant efforts to get the Company to where it is today and wish him well for the future.

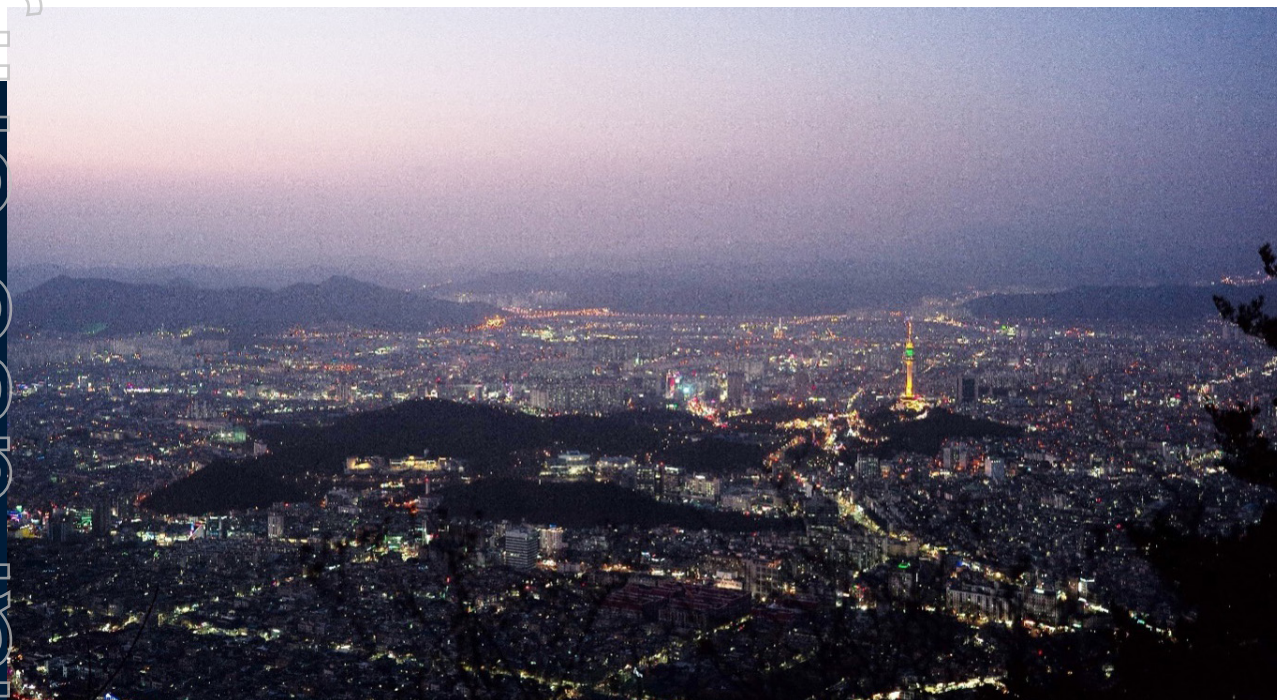


Weolyu track rehabilitation on government forest land.



Core processing shed.

The Chairman's Letter to Shareholders



City of Seoul at night.

Your directors are currently in the process of recruiting a new Managing Director and expect the appointment to be made by the end of 2021, ready for an exciting 2022.

I would also like to thank my fellow Directors, Peter Bamford, Michael McNeilly, Doug Kirwin, Beejay Kim and Simon Mitchell that have brought a significant variety of skills and experience resulting in robust and focused discussions around the Board table with the single objective to finding a significant gold resource resulting in increased shareholder value.

I am confident that with the application of good science, tenacity and the perseverance displayed by the team these last few years, the Company will succeed in making that first discovery, hopefully the first of many, and thereby rewarding our shareholders.

With new people coming on board, full funding in place and the foundational work done to this point, I believe success is just around the corner.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Greg Boulton'. The signature is fluid and cursive, with a prominent 'G' and 'B'.

Greg Boulton AM
Chairman

Tenement Schedule

The following tenements are held by a 100% owned South Korean subsidiary, Southern Gold Korea Ltd, as at 29 September 2021.

Project Name	Tenement Info				Register Info	
	Korean	English	Block ID	No.	Type	Date of Granting
Hampyeong	나주	Naju	136	200970	Exploration	11/01/2018
Aphae	무안	Muan	109	200996	Exploration	6/03/2018
	무안	Muan	99	201136	Exploration	26/03/2019
Beopseongpo	법성포	Beopseongpo	29	201028	Exploration	11/07/2018
	법성포	Beopseongpo	30	201029	Exploration	11/07/2018
Deokon	전주	Jeonju	70	201041	Exploration	31/07/2018
	전주	Jeonju	80	201040	Exploration	31/07/2018
	전주	Jeonju	60	201218	Exploration	17/12/2019
Dokcheon	영암	Yeongam	116	201143	Exploration	12/04/2019
Neungju	영암	Neungju	33	201042	Exploration	31/07/2018

Directors' Report

The directors present their report of Southern Gold Limited (the Company) and its controlled entities (Consolidated Group or Group) for the financial year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The principal continuing activity of the group in the year was the exploration for gold, silver, and other economic mineral deposits.

FINANCIAL RESULTS

The net result of operations for the group for the year was a profit after income tax of \$4,344,043 (2020: loss of \$4,167,510).

DIVIDENDS

No dividends were declared in relation to the current financial year ended 30 June 2021, and the directors do not recommend the payment of dividends in respect of the financial year.

REVIEW OF OPERATIONS

Southern Gold Limited ("Southern Gold" or the "Company") is an exploration company focused on the country of South Korea. Southern Gold's 100% owned projects include a portfolio of epithermal gold-silver projects that are at an earlier stage of definition, although several of them have demonstrated high grade gold and silver mineralisation from surface sampling.

For much of the financial year the Company held a 50% equity interest in joint venture companies that were advancing two development projects, Gubong and Kochang. These two projects are operated by joint venture partner, Bluebird Merchant Ventures Ltd ("BMV"), a London Stock Exchange listed entity and Southern Gold's 50% interest was sold to them at the end of the reporting period.

South Korea – 100% Southern Gold Exploration Projects

Southern Gold has continued to look for and drill test multiple epithermal gold-silver targets in the South-West district of South Korea. There has been some disruption (due mainly to COVID19 impacts on international travel) to the Project Generation work that underpins the identification, initial testing and tenure application process. Notwithstanding this disruption, work on new projects continues during the year with Geum-Mar, Daeam Valley and Janghwal being advanced through the tenure approval process.

Southern Gold also focuses on early drill testing of projects to determine their prospectivity and in particular if they are likely to deliver the grade and scale of a significant ore deposit, one that is likely to be economic. During the financial year drilling activity occurred at Aphae, Deokon, Dokcheon, Geum-Mar and Weolyu for a total of approximately 2500m of diamond drilling.

Aphae Gold Project: The company completed two drill programmes at the Aphae project, the second one after a drone magnetic survey in conjunction with Korean Institute of Geology and Mineral Resources (KIGAM). The first programme provided encouraging results such as:

- 0.21m @ 107.5g/t Au and 166g/t Ag 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.

At least two different styles of mineralisation were intersected: wide low grade sulphide breccia and more narrow epithermal quartz vein styles. It was noted that the mineralisation was associated with a low magnetic response (alteration that had destroyed magnetite) and therefore a drone based magnetic survey attempted to map out the alteration zones to assist with targeting the second drill programme.

The second drill programme of 543m returned a peak intersection of 0.47m @ 1.41g/t Au and 152g/t Ag. Elevated rock chip results to the north of the target area indicate there is widespread mineralisation at kilometre scale but it appears to be of low tenor or poorly focused into a structural trap. The project has therefore been downgraded and no further work is planned at Aphae in the near term.

REVIEW OF OPERATIONS cont.

South Korea – 100% Southern Gold Exploration Projects cont.

Deokon Gold-Silver Project: Although the Bonanza zone drill results from the previous year were disappointing, the 'Golden Surprise' high grade gold-silver system to the east of the project area continued to provide high grade surface results (such as 8.56g/t Au and 8,940g/t Ag from outcrop at the Nettle Zone) which extended the trend of the mineralisation to in excess of 1km and included Nettle, Thistle and Thorn zones. To reinforce the technical picture the area was covered in a soil sampling programme and detailed traverse mapping to build the quality of the drill target. The second drill programme at the Golden Surprise trend was completed post year end with assays to be reported in the 30 September 2021 quarterly report.

Dokcheon Gold Project: Three diamond holes for 702m were drilled to test the Cheongyong vein at the Dokcheon project, mapped as an outcrop and float train that is gold mineralised in high level low sulphidation epithermal quartz veining. While multiple zones of multi-phase quartz-carbonate-sulphide veining were intersected, only low tenor results such as 1.74m @ 0.14g/t Au and 0.7g/t Ag in DCDD001 were intersected. The veining also appeared to pinch out at depth and the dacite host is considered a poor lithological host. While the current target is downgraded, the structure itself is still prospective and further work needs to be done by following the prospective vein trend to the north-west.

Geum-Mar Gold Project: This target was generated through Southern Gold's project generation work, essentially a prospectivity assessment from first principles and is considered an early stage greenfield opportunity. A small scout drilling programme was completed – a single 205m diamond drill hole – to test the geology in an area where there was limited geological information and no previous drilling. The drilling returned a peak result of 0.12m @ 58.1 g/t Ag and although this is a low tenor result the broader project area requires more detailed field work with follow up boots on the ground mapping programmes in 2021-22.

Weolyu Gold-Silver Project: After navigating the regulatory system applying to state owned forest land, Southern Gold was able to drill test the deeper sections of the Surprise and Moonlight vein systems which were high grade Au-Ag systems at surface and exploited by small-scale underground mine developments. The Company drilled 670m of diamond core however the tenor of the results was very low (best intercept of 5.85m @ 1.69g/t Au and 9.6g/t Ag, not true width). The presence of high levels of fluorite and the lack of encouraging epithermal quartz vein textures was also not encouraging for further work. The project was subsequently downgraded and returned to the original Korean prospector who vended the project.

In addition to the above drill programmes, the company also completed surface mapping and sampling and systematic soil sampling at projects such as Weolyu, Deokon, Daeam, Dokcheon and Janghwal.

South Korea – BMV Joint Venture Project Sold

Southern Gold was in joint venture (JV) with London Stock Exchange listed BMV at the Gubong and Kochang (Geochang) projects with each party holding a 50% JV interest. BMV is the operator of the JV although there were no significant site activities during the financial year.

A programme and budget and formal submission by BMV to redevelop the projects was made to the Board of the Singapore based JV companies. The submission was not approved by Southern Gold (due largely to project execution timing issues associated with COVID19 and county government approvals) and was therefore deemed to have offered for sale both of its JV interests to BMV.

The appointment of an independent expert was made on the 20 October 2020 who determined the price for the assets at US\$9.945 million. Both parties were bound by this determination.

A commercial arrangement to settle the matter took most of the financial year. Ultimately it was agreed to accept 200m BMV shares at a deemed issue price of US\$0.05/share with a nominal value of US\$10 million (or A\$13.2 million at exchange rates at the time). The first tranche of 50m shares was received shortly after completion of the transaction with the balance of 150m shares to be issued in a second tranche to Southern Gold after approval of a prospectus, prepared by BMV, within 6 months of completion. The 125m BMV shares are tradeable as received, with 75m of second tranche escrowed for a period of 6 months post issuance.

Drilling Services in South Korea

Southern Gold also signed a binding legal agreement with Ausino Drilling Services Pty Ltd (ADS) to enable the launch of ADS into South Korea and support Southern Gold drilling activity on an ongoing basis. This arrangement enables each company to remove significant uncertainties in corporate arrangements in South Korea and will provide momentum to the provision of high-quality drilling services over the coming years. The arrangement is essentially a "drilling for equity" deal with Southern Gold granting 10,000,000 performance rights to ADS (which were approved by shareholders at the 2020 AGM) which will vest on the delivery of services.

ADS will submit invoices in US dollars, and they will be paid on a 75% cash, 25% vesting performance rights basis with each performance right having a deemed value of US\$0.11/share (approx. A\$0.15/share). The maximum value of the performance rights is US\$1.1 million (A\$1.5 million at current exchange rates) of a total of US\$4.4 million (A\$6 million) of delivered services over a term of 4 years.

Directors' Report

COVID19 IMPACTS

COVID19 has caused further business disruption for the Southern Gold Group mainly in respect of supporting field operations, particularly where international travel or freight is concerned.

The main impact has therefore been on the Company's ability to deploy its technical experts on the ground in country and curtailed Project Generation activity for the last 18 months. To mitigate this the Company has employed a South Korean-based Exploration Manager and it is intended to reposition the expatriate team to be based in South Korea for longer field work periods.

In terms of health of our staff we have standard practices in place to minimise the risk of COVID19 contraction or spread: working from home where appropriate, the use of face masks in public and ensuring the availability of sanitiser and social distance in the office environment. Travel to major population centres in South Korea is minimised where possible and the Company retains a strict policy of staff staying at home if they feel unwell. To this point, there has been no incidences of COVID19 in Southern Gold staff.

COMPETENT PERSON'S STATEMENTS

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 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.

Directors' Report

CORPORATE

Finance

During the year ended 30 June 2021, the Company raised \$10.2 million, before capital raise costs, from two placements.

The Company remains well funded, with an ending cash balance of \$7,999,052.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the Review of Operations, or in the financial statements or notes thereto.

Events Subsequent to Reporting Date

On 7 July 2021, the Company cancelled 220,000 unlisted options with an exercise price of \$0.24 (100,000 expiring 15 September 2023, 100,000 expiring 19 December 2023).

On 2 August 2021 the Company advised of the resignation of Managing Director, Mr Simon Mitchell effective 29 October 2021. A recruitment process is underway to locate the right candidate to lead Southern Gold's strategy of South Korean-focussed gold exploration.

On 16 September 2021, the Company cancelled 1,800,000 unlisted options (various exercise prices and expiry dates).

On 17 September 2021, the Company granted 1,890,000 unlisted options to employees under the Company's ESOP. The options having an exercise price of \$0.10 and an expiry date of 16 September 2025.

Other than the above, there has not arisen any other matters or circumstances, since the end of the financial year which significantly affected or could affect the operations of the Group, the results of those operations, or the state of the Group in future years.

Likely Developments

With the start of a new Exploration Manager, the exploration group and its consultants will initially commence a review of the Company's database incorporating all relevant aspects of an exploration initiative designed to make greenfield gold discoveries. While much of this work has taken place on a project-by-project basis in the past, this new initiative will compile the broad exploration situation in South Korea on a country wide basis. Subsequent to this, and likely in the second half of the new financial year, Southern Gold exploration consultants will again resume detailed on the ground fieldwork, assuming international travel resumes during the period. Drilling activity will not recommence until the fourth quarter of FY21/22, and even then, be limited to scout drilling of new projects. A more significant lift in drilling works is expected in the following financial year.

Environmental Regulation and Performance Statement

Southern Gold's wholly owned subsidiary in South Korea, Southern Gold Korea, carries out exploration activities. Exploration activity is principally regulated at the national level by the Ministry of Trade, Industry and Energy (MOTIE) which in turn manages mining and exploration affairs through the Mine Registration Office and the Mine Safety Office.

There have been no known environmental breaches attributed to the Group's exploration activities to date.

Directors' Report

CORPORATE cont.

Options

At the date of this report, the unissued ordinary shares of Southern Gold Limited under option are as follows:

Issue Date	Date of Expiry	Fair Value at Grant Date \$	Exercise Price \$	Number under Option
17/09/2019	15/09/2023	\$0.104	\$0.240	840,000
23/12/2019	19/12/2023	\$0.096	\$0.240	400,000
20/05/2020	2/07/2024	\$0.116	\$0.240	160,000
16/10/2019	9/10/2023	\$0.170	\$0.240	3,600,000
7/05/2020	14/05/2024	\$0.069	\$0.240	400,000
25/07/2019	31/12/2021	-	\$0.180	9,845,676
21/10/2019	31/12/2021	-	\$0.180	2,000,000
27/10/2020	18/10/2022	-	\$0.180	42,500,000
27/10/2020	18/10/2022	\$0.0463	\$0.180	2,000,000
27/10/2020	18/10/2022	\$0.0501	\$0.180	1,584,100
				63,329,776

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

For details of options issued to Directors and Executives as remuneration, refer to the Remuneration Report.

Performance Rights

On 24 August 2020, Southern Gold announced a strategic partnership with Ausino Drilling Services Pty Ltd (ADS), comprising an executed legal agreement for ADS to provide drilling services into South Korea to the value of US\$4.4 million. Following shareholder approval at the Company's AGM on 26 November 2020, ADS was issued with 10 million performance rights at US\$0.11 per right for US\$1.1 million. The performance rights will vest as ADS provides the drilling services, with 25% of the invoices for drilling services provided to be paid in Southern Gold shares.

Directors' Report

DIRECTORS

The Directors of the Company at any time during the financial year are as set out below. Details of Directors' qualifications, experience and special responsibilities are as follows:

Greg Boulton AM (Non-executive Chairman)
(Member of Audit Committee)

B.A (Accounting), FCA, FCPA, FAICD

Mr Boulton has extensive commercial experience spanning over 30 years as CEO and Non-executive Director for many Private and Public companies. He has broad experience in capital raisings, acquisitions and commercial negotiations and is a Fellow of the Chartered Accountants Australia & New Zealand, CPA Australia and the Australian Institute of Company Directors.

Mr Boulton is currently on the board of ASX listed Kangaroo Island Plantation Timbers Ltd, Super SA (Chairman), and other South Australian private companies. Mr Boulton was previously a Non-Executive Director and Chairmen of ASX listed Kogi Iron Limited (retired 15 December 2020).

Mr Boulton currently holds 3,578,256 shares and 886,148 options in Southern Gold Limited.

Simon Mitchell (Managing Director)

BSc (Hons) Geol, MAusIMM, GAICD, MSEG

Simon Mitchell was appointed Managing Director, effective from 1 February 2015.

Mr. Mitchell is a geologist and corporate executive with 30 years of resources industry experience in technical and finance roles including 10 years gold exploration and mine development experience with Normandy NFM, RGC, Goldfields and Aurora Gold in countries as diverse as Australia, Bolivia, Chile, Papua New Guinea and Indonesia. Mr Mitchell worked for 6 years at the Commonwealth Bank of Australia, predominantly in Project Finance, and more than 6 years with Toro Energy as General Manager of Business Development where he was responsible for the raising of more than US\$80 million in capital and engaging investors worldwide. More recently Mr. Mitchell has been Managing Director of Asiatic Gold Ltd, an unlisted public company with gold exploration projects in South Korea, a company subsequently acquired by Southern Gold in mid-2016. Mr Mitchell is currently a Non-executive Director of ASX listed, Mount Ridley Mines Ltd (ASX: MRD). Mr Mitchell currently holds 1,000,000 shares and 1,585,001 options in Southern Gold Limited.

Southern Gold has announced the departure of Mr Mitchell, to be effective 29 October 2021.

Peter Bamford (Non-executive Director)

(Chair of Audit Committee)

BSc (Eng) Mining, ARSM, MAICD, FAusIMM

Mr Bamford has 40 years' experience as mining engineer and corporate executive in the mining industry more recently specialising in gold. Following twelve years of operational roles at Mine Isa Mines and Metana/GMA his experience includes executive management roles covering merger and acquisitions, feasibility studies, fund raising and operations and has served as an executive and Non-executive director on various ASX-listed companies. His responsibilities have included development, project oversight and operations for three new gold mines in Australia within the last twenty years. He also served for nine years on the WA Chamber of Minerals and Energy Executive Council as well as Chair of the Mines Security Service Committee overseeing security within the WA gold industry.

Mr Bamford currently holds 406,667 shares and 433,334 options in Southern Gold Limited.

Directors' Report

DIRECTORS cont.

Douglas Kirwin (Non-executive Director)
MSc, FSEG, FAIG, FAusIMM

Doug Kirwin is an Australian geologist with over 45 years of international experience. His exploration teams have been responsible for several well-known mineral discoveries which are now being mined, the most notable being the Hugo Dummett ore body at the giant Oyu Tolgoi gold copper deposit in Mongolia developed by Rio Tinto. He was executive vice president of Ivanhoe Mines from 1995 to 2012 during which time Mr Kirwin's team was responsible for the epithermal gold-silver discoveries in South Korea (Eunsan, Moisan and Gasado Island, all of which became mines) among others. Mr Kirwin has been keen to more actively explore South Korea ever since.

Besides Hugo Dummett and the South Korean discoveries, Mr Kirwin's exploration group was responsible for the discovery of the Merlin Mo-Re deposit in Australia, the Ulugtau Au project in Kyrgyz Republic and several gold discoveries such as Hill 217 in China and Kerta, Jelai and Seruyung in Indonesia.

Mr Kirwin is currently an independent consulting geologist. He has an MSc in mineral exploration from James Cook University where he is an adjunct professor of geology and was President of the Society of Economic Geologists in 2019.

Mr Kirwin currently holds 333,334 shares and 566,667 options in Southern Gold Limited.

Michael McNeilly (Non-executive Director)
BA (International Economics)

Michael McNeilly is CEO, and Director of AIM/ASX dual listed natural resources investing company Metal Tiger Plc. Mr McNeilly has extensive experience in listed companies and is currently Non-executive Director of ASX-listed Cobre Limited. He sits on several private company boards within the Metal Tiger group.

Past board appointments include MOD Resources Ltd (up to acquisition by Sandfire in November 2019), Metal Capital Ltd (until November 2018), Greatland Gold Plc (until October 2017), Arkle Resources Plc (until November 2019). Mr McNeilly also has a deep understanding of the equity capital markets having worked at broking house Arden Partners Plc and Allenby Capital Ltd where he was part of their corporate finance teams during 2011-2015.

Mr McNeilly studied Biology at Imperial College London and has a BA in International Economics at the American University of Paris. He is fluent in French.

Mr McNeilly currently holds no securities in Southern Gold Limited.

Beejay Kim (Executive Director)
BA (Business Administration), MBA

Bong Joo (Beejay) Kim is a professional project manager who has had a long career with Samsung C&T Corporation and Hyundai Engineering and Construction Company over 30 years. As a senior executive for Samsung C&T, Mr. Kim led projects in several countries and regions including the Middle East, Australia and South East Asia. This includes more recent positions of Vice President and Regional Representative of Saudi Arabia LLC and Head of MENA Regional Headquarters in the UAE for Samsung C&T. Mr. Kim's work has been in leading construction of infrastructure in various country includes 2 years in Australia where he set up Samsung C&T's Australian office and was heavily involved in several project tenders including the successful winning of a major iron ore infrastructure project in Western Australia. Mr Kim has formal qualifications in Business Administration, including leadership program's at UC Berkeley and Cornell University. He completed an MBA through Hyundai's Engineering and Construction company business school.

Mr Kim currently holds 300,000 shares and 700,000 options in Southern Gold Limited.

David Turvey (Non-executive Director)
(Retired 26 November 2020)

Mr Turvey held 868,278 shares and 483,535 options in Southern Gold Limited at the date of his retirement.

Company Secretary

The following person held the position of Company Secretary during the financial year:

Daniel Hill
B.A (Acc), CA, MBA, MAppFin, FFin, CSA

Mr Hill has over 20 years' experience in finance. With a background in accounting practice, he has also held finance roles at Paragon Private Equity, Diageo plc, Hess Oil & Gas Inc and Grosvenor Estates.

Mr Hill currently holds 492,810 shares and 100,000 options in Southern Gold Limited.

DIRECTORS cont.

Remuneration Report (audited)

The remuneration policy is designed to align Key Management Personnel objectives with shareholder and business objectives by providing a fixed remuneration package to Non-executive Directors and time-based remuneration to Executive Directors. The Board of Southern Gold believes the policy to be appropriate and effective in attracting and retaining the best Directors and Executives to manage and direct the Group, as well as create goal congruence between Directors, Executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other Key Management Personnel of the Company is detailed below.

The Company's constitution specifies that the total amount of remuneration of Non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate cash remuneration of Non-executive Directors has been set at \$300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing Director is determined by the Non-executive Directors and approved by the Board as part of the terms and conditions of employment which are subject to review from time to time. The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Annual fees for Non-executive Directors are currently \$48,000 and for the Chairman \$96,000, inclusive of statutory superannuation. Prior to 1 January 2021, the annual fees were \$45,000 for all Non-executive Directors except one being \$48,000, and the Chairman's fees were \$90,000. Non-executive Directors do not participate in schemes designed for remuneration of executives and are not provided with retirement benefits.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder value, through the retention of high quality personnel.

The Company has a performance bonus scheme in place for the Managing Director which provides for the payment of a cash bonus on the achievement of agreed milestones during the year as determined by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long-term performance of the Company.

The employment conditions of the Managing Director are formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Managing Director's contract may be terminated at any time by mutual agreement. The Company may terminate the contract without notice in instances of serious misconduct.

Mr Hill is not employed by the Company. His services are provided in his capacity as a consultant to act as Company Secretary of Southern Gold.

During the financial year there were no remuneration consultants engaged by the Company.

Performance-based Remuneration

The Group currently has no performance based remuneration component built into Non-executive Director packages. The Managing Director's remuneration package includes a maximum performance incentive of \$50,000 each year. The Managing Director's base salary is \$276,000 plus statutory superannuation, effective 1 July 2018, and has been maintained at that amount. In deciding the bonus to be paid to the Managing Director each year, the Board take into account a number of performance criteria including share price performance against peers, the maintenance of expenses within budget, the completion of significant value additive activity such as asset acquisitions or developments and equity capital markets achievements. Outside of this, there is no formal relationship between the board policy for remuneration of Key Management Personnel and the company's performance for the last four years.

The Group has two Executive Directors, and five Non-executive Directors. The Executive Directors are paid a salary, while Non-executive Directors are paid directors' fees. The Non-executive Directors do not currently participate in any incentive scheme.

Remuneration packages contain the following key elements:

- Primary Benefits – base salary/fees;
- Post Employment Benefits – superannuation.

Directors' Report

DIRECTORS cont.

Remuneration Report (audited) cont.

Shares issued on exercise of remuneration options

No shares were issued to Directors or other Key Management Personnel as a result of the exercise of remuneration options during the financial year.

Directors' and other Key Management Personnel interests in shares and options

Directors' and other Key Management Personnel relevant interests in shares and options of the Company are disclosed in section (d) of the Remuneration Report and in Note 4 of the Financial Report.

Shares and Options granted as remuneration

No remuneration shares were issued in the year ended 30 June 2021.

No options were granted to Directors & Key Management Personnel during the year. Options granted and held by Directors & Key Management Personnel are disclosed in section (d).

All options granted have vested and no options were exercised by Directors & Key Management Personnel in the financial year.

Remuneration of Directors and Key Management Personnel

This report details the nature and amount of remuneration for each Key Management Person of Southern Gold Limited.

(a) Directors and Key Management Personnel

The names and positions held by Directors and Key Management Personnel of the Group during or since the end of the financial year are:

Directors	Position
G C Boulton AM	Chairman – Non-executive
S Mitchell	Managing Director – Executive
D J Turvey	Director – Non-Executive (retired 26 November 2020)
P Bamford	Director – Non-Executive
D Kirwin	Director – Non-Executive
M McNeilly	Director – Non-Executive
B Kim	Executive Director
Key Management Personnel	Position
D L Hill	Company Secretary

Directors' Report

DIRECTORS cont.

Remuneration Report (audited) cont.

Remuneration of Directors and Key Management Personnel cont.

(b) Remuneration Directors and Key Management Personnel

2021	Short Term Benefits				Share Based Payments (options)	Post Employment	Total	Remuneration as share based
Primary Benefits	Directors' Fees	Salary and Leave	Cash Bonus ¹	Consulting fees		Super Contribution		
	\$	\$	\$	\$	\$	\$	\$	%
Directors								
G C Boulton	93,000	-	-	-	-	-	93,000	0%
S Mitchell ¹	-	276,000	35,000	-	-	29,545	340,545	0%
D J Turvey ²	17,123	-	-	-	-	1,627	18,750	0%
P Bamford	42,466	-	-	-	-	4,034	46,500	0%
D Kirwin	48,000	-	-	-	-	-	48,000	0%
M McNeilly	46,500	-	-	-	-	-	46,500	0%
B Kim	-	212,364	-	-	-	3,202	215,566	0%
Other KMP								
D L Hill ⁷	-	-	-	12,535	-	-	12,535	0%
	247,089	488,364	35,000	12,535	-	38,408	821,396	0%

1. The annual bonus is dependent on a number of objectives, and is partly paid during the applicable year to the extent any objectives are clearly met before 30 June, with the remainder determined subsequent to 30 June. The bonus amount included as remuneration for the year ended 30 June 2021 comprises: 1) a final payment of \$15,000, related to the 2020 annual bonus, which was determined by the Board in August 2020; and 2) an amount of \$20,000 paid in November 2020 as the first payment related to the 2021 annual bonus year. Subsequent to the year ended 30 June 2021, the Board determined a final amount of \$20,000 to be paid in relation to the 2021 annual bonus which will be included as remuneration for the year ended 30 June 2022. The two amounts relating to the 2021 annual bonus, taken together, represent 80% of the maximum 2021 bonus of \$50,000.

2. Retired 26 November 2020.

Directors' Report

DIRECTORS cont.

Remuneration Report (audited) cont.

Remuneration of Directors and Key Management Personnel cont.

(b) Remuneration Directors and Key Management Personnel cont.

2020	Short Term Benefits				Share Based Payments (options)	Post Employment		
Primary Benefits	Directors' Fees	Salary and Leave	Cash Bonus ⁶	Consulting fees		Super Contribution	Total	Remuneration as share based
	\$	\$	\$	\$	\$	\$	\$	%
Directors								
G C Boulton ⁴	90,000	-	-	4,000	101,700	-	195,700	52%
S Mitchell ⁴	-	276,000	20,000	-	254,250	28,120	578,370	44%
D J Turvey ⁴	41,096	-	-	-	67,800	3,904	112,800	60%
P Bamford ⁴	41,096	-	-	2,000	67,800	3,904	114,800	59%
D Kirwin ^{1,5}	20,000	-	-	-	27,480	-	47,480	58%
M McNeilly ²	2,625	-	-	-	-	-	2,625	0%
B Kim ^{3,4}	-	206,875	-	-	118,650	1,361	326,886	36%
Other KMP								
D L Hill ⁷	-	-	-	17,110	10,390	-	27,500	38%
	194,817	482,875	20,000	23,110	648,070	37,289	1,406,161	46%

- Appointed 11 February 2020. The above table details the Directors fees paid following Mr Kirwin's appointment as a Director. From 1 July 2019 through to his appointment as a Director, Mr Kirwin was also paid \$28,000 as a consultant to Southern Gold Korea and received 100,000 options (fair value of options \$10,390), neither of which is not included in the above table.
- Appointed 9 June 2020.
- Appointed 2 September 2019. Prior to his appointment as a Director, Mr Kim was considered part of the Key Management Personnel from 1 July 2019. \$19,955 of the total remuneration for Mr Kim detailed in the above table relates to fees paid as a consultant to the Company in the period prior to his appointment as a Director.
- Directors were granted unlisted options on 21 October 2019 following shareholder approval, as follows: Mr Boulton 600,000; Mr Mitchell 1,500,000; Mr Turvey 400,000; Mr Bamford 400,000; and Mr Kim 700,000. Each option expires 9 October 2023 and has an exercise price of \$0.24. The exercise price \$0.24 was set by the Board on 19 August 2019 when the underlying share price traded on the ASX was \$0.165. However, Accounting Standards require the fair value of the options to be calculated using the market price of the underlying shares on the date of shareholder approval. The underlying share price subsequently increased to \$0.25 at the time of shareholder approval on 10 October 2019. This resulted in a total fair value of \$610,600 or \$0.17 per option, an increase of 72% above the value that would have otherwise been calculated on 19 August 2019. The options vest immediately.
- Mr Kirwin was granted 400,000 unlisted options, following shareholder approval on 7 May 2020. Each option has an exercise price of \$0.24, expires 14 May 2024 and has a fair value of \$0.069. The options vest immediately.
- Represents 40% of the maximum 2020 bonus of \$50,000.
- Unlisted options granted on 17 September 2019, under the Company's shareholder approved Employee Share Option Plan. Each option has an exercise price of \$0.24, expires 15 September 2023 and has a fair value of \$0.104. The options vested immediately.

Directors' Report

DIRECTORS cont.

Remuneration Report (audited) cont.

Remuneration of Directors and Key Management Personnel cont.

(c) Ordinary Shares and Options Held by Directors and Key Management Personnel

The number of ordinary shares held by Directors and Key Management Personnel in Southern Gold Limited during the financial year is as follows:

30 Jun 2021	Balance at beginning of year	Acquired/ (disposed) on market	Participation in Placement	Balance at end of year
G C Boulton AM	2,878,256	700,000	-	3,578,256
S Mitchell	830,000	170,000	-	1,000,000
D J Turvey ¹	868,278	-	-	868,278
P Bamford	406,667	-	-	406,667
D Kirwin	333,334	-	-	333,334
M McNeilly	-	-	-	-
B Kim	300,000	-	-	300,000
D L Hill	-	492,810	-	492,810
	5,616,535	1,362,810	-	6,979,345

1. Balance as at the date of retirement, 26 November 2020.

The number of unlisted options over ordinary shares held by Directors and Key Management Personnel in Southern Gold Limited during the year is as follows:

30 Jun 2021	Balance at beginning of year	Options granted	Lapsed or Cancelled	Balance at end of year	Vested and exercisable
G C Boulton AM	886,148	-	-	886,148	886,148
S Mitchell	1,585,001	-	-	1,585,001	1,585,001
D J Turvey ¹	483,535	-	-	483,535	483,535
P Bamford	433,334	-	-	433,334	433,334
D Kirwin	566,667	-	-	566,667	566,667
D McNeilly	-	-	-	-	-
B Kim	700,000	-	-	700,000	700,000
D L Hill	100,000	-	-	100,000	100,000
	4,754,685	-	-	4,754,685	4,754,685

1. Balance as at the date of retirement, 26 November 2020.

The above balances of ordinary shares and options as at 30 June 2021, may differ from the holdings disclosed in the Directors Report, as the Directors Report provides each Directors' shareholdings as at the date of the Directors report.

Directors' Report

DIRECTORS cont.

Remuneration Report (audited) cont.

Remuneration of Directors and Key Management Personnel cont.

(d) Service agreements

Remuneration and other items of employment for the Managing Director, Mr Simon Mitchell, are formalised in a service agreement agreed to by the Board. The major provisions are as follows:

- Mr Mitchell commenced employment on 1 February 2015.
- For the year ended 30 June 2021, the Managing Director's annual salary was set at \$276,000 base salary per annum, plus statutory superannuation.
- Following the annual performance and salary review, the Managing Director's annual salary was maintained at \$276,000 base salary per annum, plus statutory superannuation.
- The Managing Director's remuneration package includes a maximum performance incentive of \$50,000 per annum.
- Termination without notice in the event that Mr Mitchell
 - is guilty of serious or wilful misconduct; or
 - fails to remedy a breach of the Agreement within 14 days of receipt of notice to do so.
- Termination without cause by either party with the provision of maximum three calendar months' notice or by agreement in writing by the parties. In the event of redundancy due to takeover, merger or other corporate arrangements, a six month notice period applies.

On the 2 September 2019 Mr Beejay Kim was appointed as Executive Director – South Korea, with an annual salary of KRW 180,000,000, and statutory superannuation of KRW 2,713,800. Prior to 2 September 2019, Mr Beejay Kim was being paid a consulting fee of \$10,000 per month.

The Company entered into a service agreement with an entity associated with Mr Boulton on 19 February 2008 to provide services over and above his duties as Chairman on an as needs basis at a daily rate of \$1,000 covering his term as a Non-executive Director of the Company.

The Company entered into a service agreement with an entity associated with Mr Bamford on 13 February 2018 to provide services over and above his duties as a Non-executive Director on an as needs basis at a daily rate of \$1,000 covering his term as a Non-executive Director of the Company.

The Company entered into a service agreement with an entity associated with Mr Turvey on 20 September 2011 to provide services over and above his duties as a Non-executive Director on an as needs basis at a daily rate of \$1,000 covering his term as a Non-executive Director of the Company. Mr Turvey retired 26 November 2020.

The Company entered into a service agreement with an entity associated with Mr Hill on 30 May 2013 to provide financial and company secretarial services. The contract is subject to a four-week termination without cause.

(e) Post-employment/retirement and termination benefits

There were no post-employment retirement and termination benefits paid or payable to Directors or Key Management Personnel.

(f) Voting at 2020 AGM

Southern Gold Limited received 99.99% of 'yes' votes on its remuneration report for the 2020 financial year. The Company did not receive any specific feedback at the AGM on its remuneration report.

Directors' Report

DIRECTORS cont.

Meetings of Directors

The Company held 6 meetings of Directors (including committees of Directors) during the financial year. Attendances by each Director during the year were as follows:

	Director Meetings		Audit Committee Meetings	
	Number of Meetings Eligible to Attend	Number of Meetings Attended	Number of Meetings Eligible to Attend	Number of Meetings Attended
G C Boulton AM	6	6	2	2
S Mitchell	6	6	-	-
D J Turvey ¹	4	4	-	-
P Bamford	6	6	2	2
B Kim	6	6	-	-
D Kirwin	6	6	-	-
M McNeilly	6	6	-	-

1. Retired 26 November 2020.

Non-audit services

The Board of Directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services, as set out below, did not compromise the audit independence requirement of the Corporations Act 2001.

All non-audit services have been reviewed by the Board to ensure they do not adversely affect the integrity and objectivity of the auditor.

The nature of the services provided do not compromise the general principle relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Non-audit services paid and/or payable to the external auditors during the year ended 30 June 2021 were \$3,000 (2020: nil).

Directors' Report

DIRECTORS cont.

Meetings of Directors cont.

Indemnification and insurance of officers

Indemnification

The Company is required to indemnify the Directors and other officers of the Group against any liabilities incurred by the Directors and officers that may arise from their position as Directors and officers of the Group. No costs were incurred during the year pursuant to this indemnity.

The Group has entered into deeds of indemnity with each Director whereby, to the extent permitted by the Corporations Act 2001, the Group agreed to indemnify each Director against loss and liability as an officer of the Group, including all liability in defending any relevant proceedings.

Insurance Premiums

Since the end of the previous year the Group has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses' insurance contracts.

The terms of the policies prohibit disclosure of details of the amount of insurance cover, the nature thereof and the premium paid.

Proceedings on behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Group or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Group was not a party to any such proceedings during the year.

Auditor of the Company

The auditor of the Group for the financial year was Grant Thornton Audit Pty Ltd.

Auditor's Independence Declaration

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 for the year ended 30 June 2021 is set out immediately following the end of the Directors' report.

The report of Directors, incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors:



S Mitchell
Managing Director



G C Boulton AM
Chairman

Dated at Adelaide, this 29th day of September 2021.

Auditor's Independence Declaration



Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

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 audit of Southern Gold Limited for the year ended 30 June 2021, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner - Audit & Assurance

Adelaide, 29 September 2021

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Statement of Profit or Loss and Other Comprehensive Income

for the Year ended 30 June 2021

Consolidated

	Note	2021 \$	2020 \$
Interest income		4,463	6,540
Unrealised foreign exchange gain		95,936	-
Other income	2	118,960	50,091
Share of profit / (loss) of joint ventures, accounted for using the equity method	12	-	(319,070)
Profit on divestment of joint ventures	8a	11,897,661	-
Transaction costs divestment of joint ventures		(155,955)	
Exploration impairment	10	(5,116,975)	(476,289)
Exploration expenses		(464,172)	(325,621)
Salaries and wages		(858,966)	(546,360)
Directors fees		(268,425)	(211,187)
Interest expense		-	(116,701)
Shareholder relations		(380,805)	(245,750)
Other consulting expenses		(86,749)	(190,343)
Other administrative expenses		(303,048)	(756,954)
Depreciation		(137,882)	(149,486)
Share based payments	25	-	(837,148)
Transactions costs disposal of Australian assets	8	-	(49,232)
Profit/(Loss) before income tax		4,344,043	(4,167,510)
Income tax (expense)/benefit attributable to profit/(loss) from ordinary activities	3	-	-
Net Profit/(Loss) for the year		4,344,043	(4,167,510)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Fair value increment on financial assets - FVTOCI		15,437	-
Exchange differences on translation		(130,887)	(187,555)
Total comprehensive income		4,228,593	(4,355,065)
Earnings Per Share			
Basic (cents per share) – Profit/(Loss)	27	2.29	(4.48)
Diluted (cents per share) – Profit/(Loss)	27	2.29	(4.48)

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

Statement of Financial Position

as at 30 June 2021

Consolidated

	Note	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	5	7,999,052	3,736,665
Trade and other receivables	6	10,172,827	182,828
Other assets	7	92,122	26,853
Held for sale assets	8	-	1,847,595
TOTAL CURRENT ASSETS		18,264,001	5,793,941
NON-CURRENT ASSETS			
Right of use asset	9	123,998	43,705
Exploration and evaluation expenditure	10	2,644,068	6,139,228
Plant and equipment	11	73,372	132,134
Investments accounted for using the equity method	12	-	-
Financial assets	13	4,006,263	-
Other financial assets	14	-	-
TOTAL NON-CURRENT ASSETS		6,847,701	6,315,067
TOTAL ASSETS		25,111,702	12,109,008
CURRENT LIABILITIES			
Trade and other payables	15	335,169	584,514
Provisions	16	167,999	154,452
Lease liability	17	72,306	43,396
Borrowings	18	-	758,815
TOTAL CURRENT LIABILITIES		575,474	1,541,177
NON-CURRENT LIABILITIES			
Provisions	16	56,292	42,241
Lease liability	17	52,153	-
TOTAL NON-CURRENT LIABILITIES		108,445	42,241
TOTAL LIABILITIES		683,919	1,583,418
NET ASSETS		24,427,783	10,525,590
EQUITY			
Issued capital	19	58,011,777	48,510,128
Reserves	31	896,643	1,151,405
Retained losses		(34,480,637)	(39,135,943)
TOTAL EQUITY		24,427,783	10,525,590

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

Statement of Changes in Equity

for the Year ended 30 June 2021

	Issued Capital \$	Retained Losses \$	FVTOCI Reserve \$	Share- Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 30 June 2019	42,304,761	(35,647,785)	-	699,415	223,549	7,579,940
Profit or loss	-	(4,167,510)	-	-	-	(4,167,510)
Other comprehensive income	-	-	-	-	(187,555)	(187,555)
Total comprehensive income	-	(4,167,510)	-	-	(187,555)	(4,355,065)
Issue of share capital	6,893,027	-	-	-	-	6,893,027
Options lapsed/cancelled	-	679,352	-	(679,352)	-	-
Fair value of options issued	-	-	-	1,095,348	-	1,095,348
Costs associated with the issue of shares	(687,660)	-	-	-	-	(687,660)
Total transactions with owners	6,205,367	679,352	-	415,996	-	7,300,715
Balance at 30 June 2020	48,510,128	(39,135,943)	-	1,115,411	35,994	10,525,590
Profit or loss	-	4,344,043	-	-	-	4,344,043
Other comprehensive income	-	-	15,437	-	(130,887)	(115,450)
Total comprehensive income	-	4,344,043	15,437	-	(130,887)	4,228,593
Issue of share capital	10,200,000	-	-	-	-	10,200,000
Options lapsed/cancelled	-	311,263	-	(311,263)	-	-
Fair value of options issued	-	-	-	171,951	-	171,951
Costs associated with the issue of shares	(698,351)	-	-	-	-	(698,351)
Total transactions with owners	9,501,649	311,263	-	(139,312)	-	9,673,600
Balance at 30 June 2021	58,011,777	(34,480,637)	15,437	976,099	(94,893)	24,427,783

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

Statement of Cash Flows

for the Year ended 30 June 2021

Consolidated

	Note	2021 \$	2020 \$
Cash flows relating to operating activities			
Interest received		2,991	6,540
Other income		118,960	50,091
Payments to suppliers and employees		(2,373,357)	(2,248,483)
Interest paid		(7,342)	(114,132)
Net operating cash inflows/(outflows) (Note (a))		(2,258,748)	(2,305,984)
Cash flows relating to investing activities			
Payments for mining tenements, exploration and evaluation expenditure		(2,077,127)	(2,648,061)
Loans Provided to Gubong JV Company		(41,541)	(171,219)
Loans Provided to Kochang JV Company		(41,541)	(176,151)
Proceeds from sale of investments		-	2,321,596
Transaction costs relating to sale of JV		(155,956)	
Payments for plant and equipment		(16,556)	(21,325)
Net investing cash (outflows)		(2,332,721)	(695,160)
Cash flows relating to financing activities			
Proceeds from share issues		10,200,000	6,839,027
Payments for share issue costs		(526,400)	(416,483)
Repayment of borrowings	18	(750,000)	-
Repayment of lease liability	9(iii)	(68,413)	(76,385)
Net financing cash inflows / (outflows)		8,855,187	6,346,159
Net increase/(decrease) in cash		4,263,718	3,345,015
Net foreign exchange difference		(1,331)	(390)
Cash at beginning of financial year	5	3,736,665	392,040
Cash at end of financial year	5	7,999,052	3,736,665

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

Statement of Cash Flows

for the Year ended 30 June 2021

Consolidated

	2021 \$	2020 \$
Note (a): Reconciliation of net loss from ordinary activities to net cash flow from operating activities		
Profit/(Loss) from ordinary activities after income tax	4,344,043	(4,167,510)
Adjustments to reconcile profit before tax to net cash flows		
Share based payments	-	837,148
Share of profit / (loss) of joint ventures	-	319,070
Depreciation	137,882	149,486
Unrealised foreign exchange gain	(95,936)	(11,895)
Exploration written off	5,116,975	476,289
Loss on sale of plant & equipment	894	12,373
Transactions costs - disposal of Australian Asset	-	49,232
Transaction costs relating to sale of JV	155,955	-
Sale proceeds from sale of JV	(11,897,661)	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(18,480)	(75,964)
(Increase)/decrease in other financial assets	(65,624)	(14,974)
Increase/(decrease) in trade and other payables	33,519	29,067
Increase/(decrease) in provisions	29,685	91,694
Net operating cash flows	(2,258,748)	(2,305,984)
Non-cash Investing and Financing Activities		
Sale proceeds from sale of JV (refer Note 8a)	(11,897,661)	-

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

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Southern Gold Limited and controlled entities ('Consolidated Group' or 'Group').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report has been prepared under the assumption that the Group operates on a going concern basis.

The financial report covers the consolidated group of Southern Gold Limited, a listed public company incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards. Southern Gold Ltd is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

These financial statements have been prepared on an accruals basis and are based on the historical cost convention where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The accounting policies set out below have been consistently applied to all years presented.

Two comparative periods are presented for the statement of financial position when the Group:

- i. Applies an accounting policy retrospectively,
- ii. Makes a retrospective restatement of items in its financial statements, or
- iii. Reclassifies items in the financial statements

The Group has determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

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, except for the application of new and revised accounting standards applied for the first time in the year ending 30 June 2021.

Adoption of New and Revised Accounting Standards (issued but not yet effective)

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current

The Standard amends AASB 101 Presentation of Financial Statements, specifically the paragraphs relating to the requirements for classifying liabilities as current or non-current. Importantly, the amendments do not change the existing requirements contained within AASB 101, but rather clarify them.

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and
- The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

This new Standard is not expected to have a material impact on the Financial Statements of the Company.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

a. Principles of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2021. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

b. Income Tax

The income tax expense / (benefit) for the year comprises current income tax expense / (income) and deferred income tax expense / (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted at reporting date.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (expense)/benefit is charged or credited directly to equity instead of the profit and loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Southern Gold Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

c. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on a cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment 20–33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

d. Exploration and Evaluation Expenditure

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.

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

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

Costs of site restoration are provided from when exploration commences and are included in the costs of that stage.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- amortised cost
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

e. Financial Instruments cont.

Classification and initial measurement of financial assets cont.

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset. All revenue 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.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

f. Impairment of Non-Financial Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Profit or Loss.

g. Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Group's share of post-acquisition reserves of its associates.

Where there has been a change recognised directly in an associate's equity, the Group recognises its share of any changes and discloses this in the statement of profit or loss and other comprehensive income. The reporting dates of the associates and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

h. 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. A joint venture is accounted for using the equity method.

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

The carrying amount of the investment in a 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.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

h. Joint Ventures cont.

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			30 June 2021	30 June 2020
Gubong Project JV Co Pte. Ltd	Singapore / Korea	Development of Gubong Gold Project	0%	50%
Kochang Project JV Co Pte. Ltd	Singapore / Korea	Development of Kochang Gold Project	0%	50%

The country of incorporation is Singapore for both companies. Each company conducts its operations through a wholly owned company incorporated in the Republic of Korea (South Korea). The principal place of business for both joint venture operations is South Korea. The proportion of ownership interest is the same as the proportion of voting rights held for both joint ventures.

Both of the joint ventures were reclassified to Held for sale assets as at 30 June 2020, and on the 28th June 2021, Southern Gold and BMV executed a definitive agreement, for Southern Gold to sell its interests in the joint ventures to BMV. Refer Notes 8, 8a, 12, 13 and 14.

i. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to report date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. The cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

Share based payments

The Company has an Employee Share Option Plan where employees may be provided with options to acquire shares in the Company. The fair value of the options are measured at grant date and recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of options is ascertained using the Black-Scholes pricing model which incorporates all market vesting conditions.

j. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

l. Income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

m. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

n. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

o. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

p. Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Estimates and judgements – Impairment of Exploration and Evaluation Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of exploration and evaluation assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

Estimates and judgements– Valuation of unlisted options

A key area of judgement, for the year ended 30 June 2021, relates to the calculation of the market value of the unlisted options issued to brokers as part payment of services provided during the capital raise completed in October 2020. 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 25.

q. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

r. Parent Entity

The financial information of the parent entity, Southern Gold Limited, disclosed at note 29, has been prepared on the same basis, using the same accounting policies as the consolidated financial statements, other than investments in controlled entities which are carried at cost, less any provision for impairment.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

s. Foreign Currency Transactions and Balances

i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

t. Leases

The Company as Lessee

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a term of 12 months or less) and leases of low-value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

t. Leases cont

The Company as Lessee cont.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Company as Lessor

As the Company has no contracts as a lessor, the provisions of AASB 16 relating accounting for lease contracts as a lessor are not applicable.

The financial report was authorised for issue on 29th September 2021 by the Board of Directors.

	2021	2020
	\$	\$

2. OTHER INCOME

Profit/(Loss) from ordinary activities included the following items of Other income:

Government grants	112,500	50,000
Other	6,460	91
	118,960	50,091

3. INCOME TAX EXPENSE

The components of tax benefit comprise:

Research and development tax concession	-	-
Tax (expense)/benefit	-	-
Income tax (expense)/benefit attributable to loss from ordinary activities	-	-

a) The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax attributable to operating loss as follows:

Income tax (expense)/benefit at 26% (2020: 27.5%) of operating loss	(1,129,451)	1,146,065
Tax effect of capital raising costs	136,864	107,695
Tax effect of Share-based payments expensed	-	(230,216)
Tax effect of non-assessable income	2,011,418	-
Tax effect of non-deductible expenses	(471,816)	-
Timing differences and tax losses not brought to account	(547,015)	(1,023,544)
Income tax (expense)/ benefit attributable to loss from ordinary activities	-	-

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

	2021	2020
	\$	\$

3. INCOME TAX EXPENSE cont

- b) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur

Operating Losses	-	-
c) Income tax losses		
Total deferred tax asset arising from carried forward tax losses not recognised as meeting probable criteria		
Gross tax losses	22,926,591	21,221,610
Tax Losses at 26% (2020: 27.5%)	5,960,914	5,835,943

A deferred tax asset is only recognised for the carry forward of unused tax losses to the extent that it is considered probable that future taxable profit will be available against which the unused tax losses can be utilised.

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- i. assessable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realised;
- ii. conditions for deductibility imposed by the law are complied with; and
- iii. no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

4. KEY MANAGEMENT PERSONNEL REMUNERATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2021. The totals of remuneration paid to key management personnel during the year are as follows:

Short term employee benefits	782,988	720,802
Post-employment benefits	38,408	37,289
Termination benefits	-	-
Share-based payments	-	648,070
	821,396	1,406,161

5. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	7,999,052	3,736,665
	7,999,052	3,736,665

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables	29,773	109,159
BMV receivable (i)	9,976,058	-
Office lease bond	166,996	73,669
	10,172,827	182,828

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

6. TRADE AND OTHER RECEIVABLES cont

(i) The BMV receivable at 30 June 2021 represents the obligation of BMV to settle US\$7,500,000 by 26 January 2022 through the issue of a further 150 million BMV shares. This receivable is part of the consideration for the Group's divestment of its 50% interest in two joint venture companies (refer Note 8 & 8a for further detail). This period of time being allowed to permit BMV to prepare and lodge a prospectus required for the issue of those shares. BMV may elect to pay some or all of the US\$7,500,000 in cash. The receivable was initially recognised in the Group's financial statements at the lower of the value of the US\$7,500,000 cash receivable and the fair value of the 150 million shares. Accordingly, the receivable was initially recognised at AU\$9,880,121, being the US\$7,500,000 at the AUD:USD exchange rate of 0.7591 on the date of executing the Completion Agreement 28 June 2021. The receivable was revalued to AU\$9,976,057 based on the AUD:USD exchange rate at 30 June 2021, the increment of \$95,936 being recognised as an unrealised foreign exchange gain.

The value of the 150 million BMV shares at 30 June 2021 was \$12,018,788, based on the closing price of BMV shares traded on the LSE on that date of £0.0435 (AU\$0.08), which is \$2,042,730 in excess of the \$9,976,058 carrying amount of the receivable.

If BMV fails to pay the full US\$7.5 million through cash and/or BMV shares within that six month period, then the amount outstanding must be paid by BMV to International Gold Private Limited (IGPL), a 100% owned subsidiary of Southern Gold, within a further six months (plus interest at 5% per annum calculated from the completion date of 28 June 2021 to the date of payment). Under the terms of the Completion Agreement, this liability cannot be satisfied by the issue of BMV shares. However if BMV's prospectus is not approved within that six month period, through no fault of BMV, then BMV may still settle the outstanding amount (including interest) in BMV shares, in the most likely scenario within 30 days of the approval of BMV's prospectus.

IGPL has security over a 50% interest in each joint venture (comprised of, among other things, 50% of the shares in each joint venture company and 50% of each such company's indebtedness to its shareholder) until the debt is repaid in full through BMV shares and/or cash. If BMV is at fault in failing to complete the transaction within the initial six months or fails, regardless of cause, to make the payment required to be made within the additional six month period, then IGPL's security will become enforceable.

Trade and other receivables considered past due and/or impaired is nil (2020: nil). There has been no provision recognised in relation to the expected credit loss model, based on outstanding balances at balance date.

	2021	2020
	\$	\$

7. OTHER ASSETS

Current

Prepayments	92,122	26,853
	92,122	26,853

8. HELD FOR SALE ASSETS

Australian exploration and evaluation assets

Opening balance	-	2,365,000
Divestment	-	(2,365,000)
Closing balance	-	-

Gubong Joint Venture

Opening balance	957,926	-
Transfer from Investments accounted for using the equity method	-	524,283
Transfer from Financial assets	-	433,643
Shareholder funding advanced	41,541	-
Disposal	(999,467)	-
Closing balance	-	957,926

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

	2021	2020
	\$	\$
8. HELD FOR SALE ASSETS cont.		
Kochang Joint Venture		
Opening balance	889,669	-
Transfer from Investments accounted for using the equity method	-	408,759
Transfer from Financial assets	-	480,910
Shareholder funding advanced	41,541	-
Disposal	(931,210)	-
Closing balance	-	889,669
Total closing balance	-	1,847,595

Joint ventures

In the prior financial year, 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 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 (refer Note 14), were also 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. These joint venture interests were divested in the year ended 30 June 2021, resulting in a profit on divestment of \$11,897,661. Refer Note 8a below for further detail.

Australian assets

During the financial year ended 30 June 2019, the Company announced a formal process to dispose or restructure its gold assets in Australia (refer ASX Announcement 1 April 2019). Therefore, the carrying value of the Company's Australian gold assets at 30 June 2019 were reclassified in the Statement of Financial Position from 'Exploration and evaluation expenditure' to a 'Held for sale asset'. The carrying value of \$2,365,000 reflected the estimated sales value of \$2,500,000 for the Australian gold assets, based on the status of negotiations with preferred bidders at 30 June 2019, less estimated transaction costs of \$135,000.

In the previous financial year ended 30 June 2020, a binding sale and purchase agreement was executed and completed with Aurene Group Holdings Pty Ltd for cash consideration of \$2,500,000. A further \$49,232 in transactions costs were incurred, over and above the \$135,000 allowed for in the assessed net realisable value at 30 June 2019, to complete the transaction and transfer assets to the purchaser.

8a PROFIT ON DISPOSAL OF JOINT VENTURES

Southern Gold Ltd, through its wholly owned Singaporean subsidiary, International Gold Private Limited ("IGPL"), held a 50% equity interest in two incorporated joint ventures, Gubong Project Chusik Hoesa and Kochang Project Chusik Hoesa, in the Republic of Korea. The other 50% being held by London Stock Exchange ("LSE") listed BMV, (ticker BMV:LN) who elected to acquire the 50% interests held by IGPL when IGPL did not support BMV's proposed decision to mine for each project in mid-2020 and, under each Joint Venture Agreement, IGPL was deemed to have offered its interest for sale to BMV at an agreed or expert determined price. The expert determination set a value of US\$9.945 million for IGP's interest in the two joint ventures.

On 28 June 2021, Southern Gold and BMV executed a definitive agreement ("Completion Agreement") to settle the matter. The profit on the divestment of the Group's interest in the two joint venture companies was \$11,897,661, being the consideration of \$13,870,947 (explained further below) less the carrying value of the held for sale assets of \$1,930,677 (refer Note 8), less the reversal of \$42,609 of the foreign currency translation reserve (refer Note 31) relating to the previous equity accounting of these investments.

In addition, legal costs of \$155,955 were incurred in relation to the negotiation and execution of the Completion Agreement, and is separately disclosed in the Statement of Profit or Loss.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

8a PROFIT ON DISPOSAL OF JOINT VENTURES cont.

In exchange for IGPL's joint venture interests, BMV's agreed to pay consideration of US\$10,000,000 (AU\$13,870,947), comprising:

- AU\$3,990,826 being the value of 50 million LSE quoted BMV Shares received by IGPL on 29 June 2021 recognised as an investment (refer Note 13). The 50 million BMV shares were valued at the closing price of £0.0435 (AU\$0.0798) for the BMV shares traded on the LSE on 29 June 2021, following the announcement of the Agreement earlier that day. The Directors were satisfied that this value was representative of the fair market value of the BMV shares, allowing for the market to price in the completion of BMV's acquisition of Southern Gold's 50% of the joint ventures. The BMV shares were closed trading on the LSE at £0.033 (AU\$0.06) on 28 June 2021, the day prior to the announcement of the Completion Agreement.
- AU\$9,880,121 being the obligation to pay IGPL US\$7,500,000 by 26 January 2022 through the issue of a further 150 million BMV shares or BMV may elect to pay some or all of the US\$7,500,000 in cash. This period of time being allowed to permit BMV to prepare and lodge a prospectus required for the issue of those shares, to the extent BMV do not elect to settle in cash. The US\$7,500,000 receivable (refer Note 6) was recognised at the AUD:USD exchange rate of 0.7591 applicable on the date of executing the Completion Agreement on 28 June 2021. Any BMV Shares held in excess of 125 million following this issue of the BMV shares will be held in escrow for six months.

2021	2020
\$	\$

9. RIGHT OF USE ASSET

The Group's Right of use assets comprise the leased offices in Australia and Korea, a building to house exploration equipment in Korea and accommodation for staff in Korea where this is provided as part of their remuneration package.

Options to extend or terminate

One of the Company's leases contains an option to extend. The extension option is only exercisable by the Company. The extension option is included in the calculation of the lease liability and right to use asset only to the extent management are reasonably certain to exercise that option.

Variable lease payments

The company does not have any variable lease payments.

(i) AASB 16 related amounts recognised in the Statement of Financial Position

Leased building	150,096	119,780
Less: accumulated depreciation	(26,098)	(76,075)
Right of Use Asset	123,998	43,705
Movements in Carrying Amount		
Opening balance	43,705	-
Recognised on initial application of AASB16 (previously classified as an operating lease under AASB117)	-	119,780
New operating leases	147,274	-
Depreciation expense	(66,343)	(76,705)
FX on opening balance	(638)	-
	123,998	43,705

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

	2021 \$	2020 \$
9. RIGHT OF USE ASSET cont		
<i>(ii) AASB 16 related amounts recognised in the Statement of Comprehensive Income/(Loss)</i>		
Depreciation charge related to right of use asset	(66,343)	(76,075)
Interest expense on lease liabilities	(1,892)	(3,477)
Short term lease expense (included in Other administration expenses)	(11,055)	(14,953)
<i>(iii) Total Full Year cash out flows for leases</i>	(68,413)	(76,385)

10. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest:

Exploration and evaluation phase	2,644,068	6,139,228
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The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of respective areas.

(i) Reconciliation

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	(157,268)	(55,289)
Expenditure incurred during the year	1,779,083	2,859,627
Impairment expense ¹	(5,116,975)	(476,289)
	2,644,068	6,139,228

1. During the year ended 30 June 2021, Southern Gold has written down as impaired exploration and evaluation expenditure of \$5,116,975 relating to part of the carrying value of tenements in the Jeolla/Hampyeong districts based on the drilling results during the year and has fully written off the carrying value of the tenements in the Weolyu district that were relinquished in the year.

During the year ended 30 June 2020, Southern Gold impaired exploration and evaluation expenditure of \$476,289 relating to the carrying value of tenements in the Taechang district that were relinquished in the year.

11. PLANT AND EQUIPMENT

Plant and equipment at cost	526,333	519,975
Less: Accumulated depreciation	(452,961)	(387,841)
	73,372	132,134
Opening written down value	132,134	203,146
Additions	16,556	20,036
Net foreign currency exchange differences	(2,885)	(1,434)
Disposals	(894)	(16,203)
Depreciation	(71,539)	(73,411)
Closing written down value	73,372	132,134

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

2021
\$

2020
\$

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

A reconciliation of the carrying amount of the investments in the Joint Ventures is set out below:

Gubong Joint Venture¹

Initial Cost of Investment	-	857,571
Share of profit / (loss) of Joint Venture	-	(305,403)
Share of foreign currency translation reserve	-	(27,885)
	-	524,283
Transfer to held for sale assets (Note 8)	-	(524,283)
	-	-

Kochang Joint Venture¹

Initial Cost of Investment	-	697,526
Share of profit / (loss) of Joint Ventures	-	(274,043)
Share of foreign currency translation reserve	-	(14,724)
	-	408,759
Transfer to held for sale assets (Note 8)	-	(408,759)

1. JV investments reclassified to Assets Held for Sale at 30 June 2020 (refer Note 8).

Gubong Joint Venture

The joint venture is conducted through a Joint Venture Company incorporated in Singapore, Gubong Project JV Co Pte. Ltd. (Gubong JV Company), which was 50% owned by Southern Gold and 50% owned by BMV. The Gubong JV Company in turn owns 100% of a company incorporated in South Korea, Gubong Project Chusik Hoesa. Southern Gold meets its obligation to fund 50% of the cash requirements of the joint venture through a long term shareholder loan to Gubong Project Chusik Hoesa (refer Note 14). At 30 June 2020, following a decision by the Southern Gold Board to focus the Company's resources on its 100% owned tenements in South Korea, Southern Gold transferred both the investment balance and the shareholder loan receivable to 'Held for sale assets' (refer Note 8). The Joint Venture was divested during the year ended 30 June 2021 (refer Note 8a).

Kochang Joint Venture

The joint venture is being conducted through a Joint Venture Company incorporated in Singapore, Kochang Project JV Co Pte. Ltd. (Kochang JV Company), which was 50% owned by Southern Gold and 50% owned by BMV. Kochang JV Company in turn owns 100% of a company incorporated in South Korea, Kochang Project Chusik Hoesa. Southern Gold meets its obligation to fund 50% of the cash requirements of the joint venture through a long term loan to Kochang Project Chusik Hoesa (refer Note 14). At 30 June 2020, following a decision by the Southern Gold Board to focus the Company's resources on its 100% owned tenements in South Korea, Southern Gold transferred both the investment balance and the shareholder loan receivable to 'Held for sale assets' (refer Note 8). The Joint Venture was divested during the year ended 30 June 2021 (refer Note 8a).

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

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2021
\$ 2020
\$

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.

Summarised financial information for the Gubong JV Company

The tables below provide summarised consolidated financial information for the Gubong JV Company and its wholly owned subsidiary Gubong Project Chusik Hoesa. 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:

CURRENT ASSETS

Cash and cash equivalents	-	5,466
Other current assets	-	10,902
Total current assets	-	16,368

Non-current assets

Mine Development	-	1,769,875
Property Plant & equipment	-	2,581
Total non-current assets	-	1,772,456

Total Assets

- 1,788,824

CURRENT LIABILITIES

Trade payables	-	-
Other current liabilities	-	-
Total current liabilities	-	-

Non-current liabilities

Other Non-current liabilities	-	2,455,400
Total Non-current liabilities	-	2,455,400

Total liabilities

- 2,455,400

Net Assets/(liabilities)

- (666,576)

Reconciliation to carrying amounts:

Opening net assets 1 July	-	(292,871)
Loss for the period	-	(315,093)
Foreign exchange translation movement	-	(58,612)
Closing net asset/(liabilities)	-	(666,576)

Group's 50% share:

Group's share in JV's net assets/(liabilities)	-	(333,288)
Cost of investment (value of tenement transferred)	-	857,571
Carrying amount	-	524,283

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

2021
\$

2020
\$

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.

Summarised financial information for the Gubong JV Company cont.

Summarised statement of comprehensive income:

Salaries and wages	-	(143,882)
Other expenses	-	(171,211)
Income tax expense	-	-
Loss for the period	-	(315,093)
Other comprehensive income	-	(58,612)
Total comprehensive income	-	(373,705)

Summarised financial information for the Kochang JV Company

The tables below provide summarised consolidated financial information for the Kochang JV Company and its wholly owned subsidiary Kochang Project Chusik Hoesa. 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:

CURRENT ASSETS

Cash and cash equivalents	-	5,553
Other current assets	-	9,895
Total current assets	-	15,448

Non-current assets

Mine Development	-	1,687,460
Property Plant & equipment	-	-
Total non-current assets	-	1,687,460

Total Assets

- 1,702,908

CURRENT LIABILITIES

Trade payables	-	-
Other current liabilities	-	-
Total current liabilities	-	-

Non-current liabilities

Other Non-current liabilities	-	2,280,442
Total Non-current liabilities	-	2,280,442
Total liabilities	-	2,280,442

Net Assets/(liabilities)

- (577,534)

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

	2021	2020
	\$	\$

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.

Summarised financial information for the Kochang JV Company cont.

Reconciliation to carrying amounts:

Opening net assets 1 July	-	(229,328)
Loss for the period	-	(323,046)
Foreign exchange translation movement	-	(25,160)
Closing net assets/(liabilities)	-	(577,534)

Group's 50% share:

Group's share in JV's net assets/(liabilities)	-	(288,767)
Cost of investment (value of tenement transferred)	-	697,526
Carrying amount	-	408,759

Summarised statement of comprehensive income:

Salaries and wages	-	(145,473)
Other expenses	-	(177,573)
Income tax expense	-	-
Loss for the period	-	(323,046)
Other comprehensive income	-	(25,160)
Total comprehensive income	-	(348,206)

13. FINANCIAL ASSETS

Investment in BMV (50m shares)	4,006,263	-
	4,006,263	-

The investment balance at 30 June 2021 comprises 50 million BMV Shares received on 29 June 2021 as the first tranche of the consideration payable by BMV to acquire the Group's 50% interest in two joint venture companies (refer Note 8 and 8a for further detail). The 50 million BMV shares were initially recognised at \$3,990,826, being the 50,000,000 BMV Shares valued at the closing price of £0.0435 (\$0.0798) for BMV Shares traded on the LSE on 29 June 2021, following the BMV announcement of the Completion Agreement earlier that day. The shares were then revalued to fair value at 30 June 2021 of AU\$4,006,263, based on the unchanged closing price of BMV shares on the LSE on that date of £0.0435 (AU\$0.08), translated to AUD at the AUD:GBP exchange rate of 0.5429 applicable on 30 June 2021. The movement in the fair value of \$15,437 was recognised as Other Comprehensive Income.

The fair value of the investment in BMV has been determined based on quoted market prices in an active market (Level 1).

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

	2021 \$	2020 \$
14. OTHER FINANCIAL ASSETS		
Loan to Gubong Project Chusik Hoesa	-	433,643
Reclassified to held for sale assets (Note 8)	-	(433,643)
Loan to Kochang Project Chusik Hoesa	-	480,910
Reclassified to held for sale assets (Note 8)	-	(480,910)
	-	-

Southern Gold met its obligation to fund 50% of the cash requirements of each of its two joint ventures through shareholder loans. Refer Note 12 for further description of the structure of each of the two joint ventures. Given that the loans are more in the nature of equity style risk, the loans have been reclassified as at 30 June 2020, along with the equity accounted investment balances (refer Note 12), to 'Held for sale assets' (refer Note 8) and were divested during the year ended 30 June 2021 (refer Note 8a).

15. TRADE AND OTHER PAYABLES

Trade payables	152,397	386,742
Sundry payables and accruals	164,242	178,164
Amount payable to Directors and Key Management related entities ¹	18,530	19,608
	335,169	584,514

1. Payable to Greg Boulton and Associates Pty Ltd (an entity associated with G C Boulton) \$8,000 (2020: \$7,500).
 Payable to Red Balloon Superannuation Fund (an entity associated with Mr David Turvey) Nil (2020: \$325).
 Payable to Bayfront Nominees Pty Ltd (an entity associated with D L Hill) \$345 (2020: \$748).
 Payable to Simon Mitchell Super Fund SMSF, (an entity associated with Simon Mitchell) \$2,185 (2020: \$4,085).
 Payable to Bamford Superannuation fund (an entity associated with Peter Bamford) Nil (2020: \$325).
 Payable to Douglas Kirwin \$4,000 (2020: \$4,000).
 Payable to Michael McNeilly \$4,000 (2020: \$2,625).

16. PROVISIONS

The aggregate provisions recognised in and included in the financial statements is as follows:

Current Employee entitlements provision	167,999	154,452
Non-Current Employee entitlements provision	56,292	42,241
Total Employee entitlement provisions	224,291	196,693

17. LEASE LIABILITY

Current Lease liability	72,306	43,396
Non-Current Lease liability	52,153	-
	124,459	43,396

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

	2021	2020
	\$	\$
18. BORROWINGS		
Current Borrowings		
Convertible Debt	-	758,815
	-	758,815

Convertible Debt

During the year ended 30 June 2019, Southern Gold raised \$750,000 through an unsecured loan for a term of 18 months, with interest payable at 12% per annum paid quarterly in arrears. The debt was due to be repaid in full on 19 August 2020. As part of the loan facility, 4,411,765 options were issued to the lender. The options were exercisable at \$0.17/option, in multiples of \$250,000, anytime through to expiry date of 16 September 2020. Any options exercised were to be applied to repayment of any of the loan outstanding at that time.

The carrying value of the borrowing was discounted using an assessed market rate for unsecured short-term borrowings of 15%, to provide an opening balance of \$729,936. Interest expense is recognised at 15% using the 'effective interest rate method', rather than the stated rate of 12% payable, the difference incrementally increasing the balance of the borrowings to the \$750,000 face value repayable at 19 August 2020.

On 21 July 2020, Southern Gold elected to repay the loan early. In accordance with the option deed the options lapsed on 18 August 2020.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

2021
\$

2020
\$

19. ISSUED CAPITAL

(a) Ordinary Shares

Issued share capital:		58,011,776	48,510,128
213,328,756 fully paid ordinary shares (2020: 128,328,756)			
Movement in issued shares for the year:		2021	2020
	No.	\$	No.
Balance at beginning of 2020 financial year	128,328,756	48,510,128	62,568,372
Placement of shares (25 Jul 2019)	-	-	20,856,127
Options exercised (various dates)	-	-	582,508
Shares issues to service providers (22 Nov 2019)	-	-	321,749
Placement of shares (21 Oct 2019)	-	-	4,000,000
Placement of shares (2 Apr 2020)	-	-	21,680,002
Placement of shares (14 May 2020)	-	-	18,319,998
Placement of shares (10 Sep 2020)	27,834,794	3,340,175	-
Placement of shares (18 Sep 2020)	3,833,230	459,988	-
Placement of shares (27 Oct 2020)	38,762,976	4,651,557	-
Placement of shares (3 Nov 2020)	14,569,000	1,748,280	-
Net costs associated with the issue of shares		(698,351)	(687,660)
Balance at end of financial year	213,328,756	58,011,777	128,328,756
			48,510,128

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 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.

The net costs associated with the issue of shares in the year ended 30 June 2021 of \$698,351 includes \$171,951 for the assessed fair value of 3,584,100 unlisted options issued on 27 October 2020 as part consideration to brokers to the placement noted above. 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 (refer Note 25).

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

19. ISSUED CAPITAL cont.

(b) Options on Issue

At 30 June 2021, there were 63,549,776 unlisted options outstanding (30 June 2020: 25,717,441).

The above options comprise:

- 9,204,100 options held by employees, directors and service providers. Refer Note 25 for further detail;
- 9,845,676 options held by participants in the rights issue completed on 25 July 2019. 10,428,184 options were issued to participants in the rights issue on the basis of one option for every two shares subscribed for. Through to 30 June 2021, 582,508 of these options have been exercised;
- 42,500,000 options held by participants in the \$10.2m placement completed in two tranches, announced the 3 September 2020; and
- 2,000,000 options held by participants in a placement completed 19 October 2019.

(c) Capital Management

The capital of the Group is managed by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of dividends to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital during the year.

The amounts managed as capital by the Group for the reporting periods under review are as follows:

	2021 \$	2020 \$
Debt	-	(758,815)
Cash	7,999,052	3,736,665
	7,999,052	2,977,850
Equity	24,427,782	10,525,590
Net debt to equity ratio	0%	0%

20. REMUNERATION OF AUDITORS

The auditor of Southern Gold Limited is Grant Thornton Audit Pty Ltd.

Amounts received or due and receivable by Grant Thornton for:

An audit or review of the financial report of the entity and any other entity of the group	44,361	41,885
Taxation and other services	3,000	-
	47,361	41,885

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

21. RELATED PARTY AND KEY MANAGEMENT DISCLOSURES

The terms and conditions of the transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Equity Interests

Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 28 to the financial statements.

Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 12 to the financial statements. The operations of the joint ventures were funded through shareholder loans (Note 14). The carrying value of both the joint venture interests and the loans provided to the joint ventures have been reclassified to Assets held for sale at 30 June 2020 (Note 8). On 28 June 2021, Southern Gold divested the Group's interest in the two joint venture companies for consideration of \$13,870,947, resulting in a profit on divestment of \$11,897,661 (refer Note 8a).

b) Transactions within wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly-owned group; and
- The wholly-owned controlled entities.

The ultimate parent entity in the wholly owned group is Southern Gold Limited.

During the financial year, Southern Gold Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free loans.

c) Related party balances

Amounts receivable from and payable to Directors and Key Management Personnel and their related entities at report date arising from these transactions were as follows:

	2021	2020
	\$	\$
Current payables		
Amounts payable to Directors and Key Management Personnel related entities	18,619	19,005
	18,619	19,005

There were no amounts receivable from related parties.

d) Remuneration of Key Management Personnel (see summary in Note 4)

22. JOINT OPERATIONS

The consolidated entity had interests in unincorporated joint operations at 30 June as follows:

	Interest 2021	Interest 2020
Southern Gold (Asia) Joint Venture (SG Asia)	15%	15%

Notes

Under the terms of the sale of Southern Gold's former subsidiary, SG Asia, Southern Gold retains a 15% free carried interest in an unincorporated Joint venture with SG Asia based on selected tenements held by SG Asia that were re-granted by the Cambodian authorities until the completion of a positive definitive feasibility study, together with a 2% gross sales royalty on all products sold from the tenements until US\$11 million is received, then reverting to a 1% gross sales royalty.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

23. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The South Korean tenements have minimum exploration activity requirements, rather than minimum expenditure requirements, and includes metrics such as meters drilled and number of assays undertaken.

(b) Service Agreements

Service agreements between the Group and Non-Executive Directors are disclosed in the Remuneration Report of the Directors Report.

	2021 \$	2020 \$
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24. FINANCIAL INSTRUMENTS

Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable, accounts payable and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in Note 1, are as follows:

Financial Assets

Cash and cash equivalents	7,999,052	3,736,665
Trade and other receivables	10,172,827	182,828
Financial assets	4,006,263	-
	22,178,142	3,919,493

Financial Liabilities

Trade and other payables	335,169	584,514
Borrowings	-	758,815
	335,169	1,343,329

(i) Treasury Risk Management

The Board of the Consolidated Group meets on a regular basis. Matters considered at the Board meetings include currency and interest rate exposure, and treasury management strategies in the context of the most recent economic conditions and forecasts.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

24. FINANCIAL INSTRUMENTS cont.

Financial Risk Management cont.

(ii) Financial Risks

The main risks the Consolidated Group is exposed to through its financial instruments are liquidity risk, credit risk, share price risk, exchange rate risk and interest rate risk.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Consolidated Group manages liquidity risk by monitoring forecast cash flows.

As at 30 June 2021, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

30 June 2021	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Borrowings	-	-	-	-
Trade and other payables	335,169	-	-	-
Total	335,169	-	-	-

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

30 June 2020	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Borrowings	758,815	-	-	-
Trade and other payables	584,514	-	-	-
Total	1,343,329	-	-	-

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at report date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Trade and other receivables at 30 June 2021 includes a receivable of AU\$9,976,057 from BMV. This represents the obligation of BMV to pay the Group US\$7,500,000 by 26 January 2022 through the issue of 150 million BMV shares. This receivable is part of the consideration for the Group's divestment of its 50% interest in two joint venture companies. This period of time being allowed to permit BMV to prepare and lodge a prospectus required for the issue of those shares. BMV may elect to pay some or all of the US\$7,500,000 in cash. The receivable is recognised in the Group's financial statements at the lower of the value of the US\$7,500,000 cash receivable and the fair value of the 150 million shares. Accordingly, the receivable is recognised at AU\$9,976,057, being the US\$7,500,000 cash receivable based on the AUD:USD exchange rate at 30 June 2021.

The value of the 150 million BMV shares at 30 June 2021 was \$12,018,788, based on the closing price of BMV shares traded on the LSE on that date of £0.0435 (AU\$0.08), which is \$2,042,730 in excess of the \$9,976,058 carrying amount of the receivable.

The Southern Gold Group has security over a 50% interest in each joint venture (comprised of, among other things, 50% of the shares in each joint venture company and 50% of each such company's indebtedness to its shareholder) until the debt is repaid in full through BMV shares and/or cash.

Refer Note 8 & 8a for further detail.

No receivables are considered past due and/or impaired at report date.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

24. FINANCIAL INSTRUMENTS cont.

Financial Risk Management cont.

(ii) Financial Risks cont.

BMV Share price risk

The Group holds 50 million BMV Shares received on 29 June 2021 as the first tranche of the consideration payable by BMV to acquire the Group's 50% interest in two joint venture companies (refer Note 13). The value of this investment is impacted by fluctuations in the price of BMV Shares traded on the London Stock Exchange. At 30 June 2021, the 50 million BMV shares are carried at fair value of AU\$4,006,263, based on the closing price of BMV shares on the LSE on that date of £0.0435 (AU\$0.08). A 10% increase (decrease) in the BMV Share price from £0.0435 would increase (decrease) the value of the BMV Shares held by AU\$400,626, at the 30 June 2021 GBP:AUD exchange rate.

In addition, as noted above, Trade and other receivables at 30 June 2021 includes a receivable of US\$7,500,000 from BMV. To the extent BMV elects to make whole or part payment in 150 million BMV Shares, the Group would be further impacted by fluctuations of the price of the BMV Shares. The value of the 150 million BMV Shares at 30 June 2021 was \$12,018,788, based on the closing price of BMV shares traded on the LSE on that date of £0.0435 (AU\$0.08). A 10% increase (decrease) in the BMV Share price from £0.0435 would increase (decrease) the value of the BMV Shares receivable by AU\$1,201,879, at the 30 June 2021 GBP:AUD exchange rate (assuming all of the receivable is settled in BMV Shares).

Exchange rate risk - GBP

The 50 million BMV Shares held at 30 June 2021 (refer Note 13) is also impacted by fluctuations in the GBP:AUD exchange rate. The 50 million BMV Shares are carried at fair value of AU\$4,006,263, based on the closing price of BMV shares on the LSE on that date, translated to AUD at the GBP:AUD exchange rate of 0.5429 applicable on 30 June 2021. A 10% increase in the GBP:AUD exchange rate from 0.5429 would decrease the value of the BMV Shares held by AU\$364,206, at a BMV Share price of £0.0435. Conversely, a 10% decrease in the GBP:AUD exchange rate would increase the value of the BMV Shares held by AU\$445,140.

In addition, as noted above, Trade and other receivables at 30 June 2021 includes a receivable of US\$7,500,000 from BMV. To the extent BMV elects to make whole or part payment in 150 million BMV Shares, the Group would be further impacted by GBP:AUD exchange rate fluctuations. The value of the 150 million BMV Shares at 30 June 2021 was \$12,018,788, based on the closing price of BMV shares traded on the LSE on that date, translated to AUD at the GBP:AUD exchange rate of 0.5429 applicable on 30 June 2021. A 10% increase in the GBP:AUD exchange rate from 0.5429 would decrease the value of the BMV Shares held by AU\$1,092,617, at a BMV Share price of £0.0435 (assuming all of the receivable is settled in BMV Shares). Conversely, a 10% decrease in the GBP:AUD exchange rate would increase the value of the BMV Shares held by AU\$1,335,421.

Exchange rate risk - USD

As noted above, Trade and other receivables at 30 June 2021 includes a receivable of US\$7,500,000 from BMV. To the extent that BMV elects to pay some or all of the US\$7,500,000 in cash, the Gold Group is exposed to fluctuations in the USD:AUD exchange rate, impacting the AUD equivalent of the USD receivable. At 30 June 2021, the receivable is recognised at AU\$9,976,057, being the US\$7,500,000 cash receivable based on the AUD:USD exchange rate of 0.7518 at 30 June 2021. A 10% increase in the USD:AUD exchange rate from 0.7518 would decrease the AUD value of the USD cash receivable by AU\$906,914 (assuming all of the receivable is settled in cash). Conversely, a 10% decrease in the USD:AUD exchange rate would increase the AUD value of the USD cash by AU\$1,108,451.

Exchange rate risk - KRW

The Southern Gold Group incurs expenditure in Korean Won (KRW) in relation to its activities in the Republic of South Korea, while it raises capital, and holds cash, predominantly in AUD to fund those activities. The KRW denominated expenditure in the year ended 30 June 2021 was KRW 1,869,522,858 or AU\$2,205,665 translated at the average AUD:KRW exchange for the year of 847.60. A 10% increase in the KRW:AUD exchange rate from 847.6 would decrease the AUD required to fund that same KRW denominated expenditure by AU\$200,151. Conversely, a 10% decrease in the KRW:AUD exchange rate would increase the AUD required to fund that same KRW denominated expenditure by AU\$245,074.

SAU Share price risk

The Company has not performed a sensitivity analysis relating to its exposure to price risk at reporting date as a change in share price by 10% is not considered to have a material impact on profit and equity.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

24. FINANCIAL INSTRUMENTS cont.

Financial Risk Management cont.

(ii) Financial Risks cont.

Interest rate risk

The Consolidated Group's exposure to interest rate risk, being the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, is contained in the following table which details the exposure to interest rate risk at the reporting date. All other financial assets and liabilities are non-interest bearing.

2021	Interest Bearing	Non-interest Bearing	Total	Floating interest rate	Fixed interest rate
Financial assets					
Cash and deposits	7,999,052	-	7,999,052	0.01%	-
Receivables	-	10,172,827	10,172,827	-	-
Less: Payables	-	(335,169)	(335,169)	-	-
Less: Borrowings	-	-	-	-	-
Net financial assets	7,999,052	9,837,658	17,836,710		
2020					
Financial assets					
Cash and deposits	3,736,665	-	3,736,665	0.50%	-
Receivables	-	182,828	182,828	-	-
Less: Payables	-	(584,514)	(584,514)	-	-
Less: Borrowings	(758,815)	-	(758,815)	-	12%
Net financial assets	2,977,850	(401,686)	2,576,164		

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2021, none of group cash deposits are fixed (2020: nil).

Refer Note 18 for further details in relation to the terms of the borrowings.

The company has not performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date as a change in interest rates by 10% is not considered to have a material impact on profit and equity.

(iii) Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

25. SHARE BASED PAYMENTS

Shares

No costs have been recognised as a share based payments expense, relating to shares issued to directors, employees or service providers, in the year ended 30 June 2021 (2020: \$33,000).

Options – Directors and Employees

The Group has an ownership-based compensation plan for employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders at an Annual General Meeting, Directors may issue options to purchase shares in the Company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted.

No Directors participate in the Employee Share Option Plan. Options to Directors are separately approved by shareholders prior to being issued.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry. Share options are not listed, carry no rights to dividends and no voting rights.

No costs have been recognised as a share based payments expense, relating to options issued to directors and employees, in the year ended 30 June 2021 (2020: \$804,148).

Options – Service Providers

3,584,100 unlisted options issued on 27 October 2020 as part consideration to brokers for services provided relating to a share placement. The fair value of the options granted was calculated as \$171,951 using the Black-Scholes method and was recognised as capital raising costs (refer Note 19). (2020: \$291,200 expensed as capital raising costs for 4,000,000 unlisted options issued to the underwriters of a rights issue – these options lapsed on 31 December 2020).

The following share based payment arrangements were in existence at 30 June 2021:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
September-2019 ¹	960,000	17/09/2019	15/09/2023	\$0.240	\$0.104
December-2019 ²	500,000	23/12/2019	19/12/2023	\$0.240	\$0.096
July-2020 ³	160,000	10/07/2020	2/07/2024	\$0.240	\$0.116
Director Options					
October-2019 ⁴	3,600,000	16/10/2019	9/10/2023	\$0.240	\$0.170
May-2020 ⁵	400,000	14/05/2020	14/05/2024	\$0.240	\$0.069
Brokers					
October-2020 ⁶	2,000,000	27/10/2020	18/10/2022	\$0.18	\$0.0463
October-2020 ⁶	1,584,100	27/10/2020	18/10/2022	\$0.16	\$0.0501

- 960,000 unlisted options were granted to employees on 17 September 2019, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The \$99,744 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 96% and an interest rate of 0.95% (the five-year Australian Government bond rate).
- 500,000 unlisted options were granted to employees on 23 December 2019, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The \$48,100 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 89% and an interest rate of 0.98% (the five-year Australian Government bond rate).
- 160,000 unlisted options were issued to employees 10 July 2020, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The fair value of the options was expensed in the year ended 30 June 2020, as Board approval to offer the options to employees had occurred prior to 30 June 2020. The \$18,624 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 109% and an interest rate of 0.41% (the five-year Australian Government bond rate).
- 3,600,000 options were issued to the Directors 16 October 2019, following shareholder approval on 10 October 2019. The options vested immediately. The \$610,200 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 97% and an interest rate of 0.64% (the five-year Australian Government bond rate). The underlying market price of the Company's shares was \$0.165 at the time the Board set the exercise price of \$0.24 on 19 August 2019. However, Accounting Standards require the fair value of the options to be calculated using market price of the underlying shares on the date of shareholder approval. This had a significant impact on the fair value calculation, with the market price of the underlying shares increasing to \$0.25 by the time of shareholder approval on 10 October 2019. The fair value of \$610,200 is 72% above the value that would have otherwise been calculated based on information available to the Board at the time of setting the option terms on 19 August 2019.
- 400,000 unlisted options were granted to a Director, following shareholder approval on 7 May 2020. The options vested immediately. The \$27,480 fair value of the options was calculated, using the Black Scholes valuation, using a volatility of 106% and an interest rate of 0.41% (the five year Australian Government bond rate).
- 3,584,100 unlisted options issued to underwriters on 27 October 2020, as part of their fee for underwriting the share issue. The options vested immediately. The \$171,951 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 88% and an interest rate of 0.14% (the two-year Australian Government bond rate).

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

25. SHARE BASED PAYMENTS cont.

Options – Service Providers cont.

Historical volatility has been used as the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Other than the above, there were no other options granted to Key Management Personnel during the year.

The following reconciles the outstanding share options granted as share based payments at the beginning and end of the financial year:

Options granted as share based payments	2021		2020	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	9,620,000	\$0.203	4,525,002	\$0.425
Granted during the financial year (i)	3,584,100	\$0.171	9,620,000	\$0.203
Exercised during the financial year	-	-	-	-
Lapsed/cancelled during the financial year (ii)	(4,000,000)	\$0.150	(4,525,002)	\$0.425
Balance at end of the financial year (ii)	9,204,100	\$0.213	9,620,000	\$0.203

(i) Options granted

Share based payments in the year ended 30 June 2021 comprised 3,584,100 options granted on the 27 October 2020, as part consideration to the brokers to a placement. 2,000,000 at an exercise price of \$0.18 and 1,584,100 at an exercise price of \$0.16.

(ii) Options lapsed

Share based payments relating to 4,000,000 options lapsed during the year ended 30 June 2021. The options had an exercise price of \$0.15.

(iii) Options outstanding at end of the financial year

9,204,100 options, relating to share based payments, are outstanding at the end of the financial year and had an average exercise price of \$0.213 (2020: \$0.203) and a weighted average remaining contractual life of 708 days (2020: 790 days).

Performance Rights

On 24 August 2020, Southern Gold announced a strategic partnership with Ausino Drilling Services Pty Ltd (ADS), comprising an executed legal agreement for ADS to provide drilling services into South Korea to the value of US\$4.4 million. Following shareholder approval at the Company's AGM on 26 November 2020, ADS was issued with 10 million performance rights at US\$0.11 per right for US\$1.1 million. The performance rights will vest as ADS provides the drilling services, with 25% of the invoices for drilling services provided to be paid in Southern Gold shares. The value of the performance rights will be expensed as the services are provided.

26. OPERATING SEGMENTS

Segment Information

Identification of reportable 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 Board has concluded that at this time, there are no separately identifiable operating segments. The Group operates in one industry segment being the exploration for precious metals and operates in one geographic segment being the Republic of Korea (South Korea).

This method of segmenting the Company's financial information will no longer be relevant for future reporting periods.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

27. EARNINGS PER SHARE

	2021 Cents per share	2020 Cents per share
Basic (cents per share) – Profit/(Loss)	2.29	(4.48)
Basic and Dilutive Earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	\$	\$
Net Profit / (Loss) for the year	4,344,043	(4,167,510)
Earnings used in the calculation of basic and diluted earnings per share agrees directly to net profit/(loss) in the statement of financial performance.		
	No.	No.
Weighted average number of ordinary shares – for Basic EPS	189,330,806	92,991,925
Weighted average number of ordinary shares – for Diluted EPS	189,330,806	92,991,925

28. CONTROLLED ENTITIES CONSOLIDATED

Name of Entity	Country of Incorporation	Ownership Interest	
		2021 %	2020 %
Parent Entity			
Southern Gold Limited	Australia		
Controlled Entities			
Challenger West Holdings Pty Ltd	Australia	100%	100%
CMH Resources Pty Ltd	Australia	100%	100%
Gawler Arc Holdings Pty Ltd	Australia	100%	100%
Southern Mining Pty Ltd	Australia	100%	100%
Inferus Resources Pty Ltd ¹	Australia	100%	100%
New Southern Mining Pty Ltd	Australia	100%	100%
International Gold Private Limited	Singapore	100%	100%
Southern Gold Korea Ltd ²	South Korea	100%	100%

1. All shares in Inferus Resources Pty Ltd are held by Southern Mining Pty Ltd.

2. All shares in Southern Gold Korea Ltd are held by International Gold Private Limited.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2021

30. EVENTS SUBSEQUENT TO REPORTING DATE

On 7 July 2021, the Company cancelled 220,000 unlisted options with an exercise price of \$0.24 (100,000 expiring 15 September 2023, 100,000 expiring 19 December 2023).

On 2 August 2021, the Company advised of the resignation of Managing Director, Mr Simon Mitchell effective 29 October 2021. A recruitment process is underway to locate the right candidate to lead Southern Gold's strategy of South Korean-focussed gold exploration.

On 16 September 2021, the Company cancelled 1,800,000 unlisted options (various exercise prices and expiry dates).

On 17 September 2021, the Company granted 1,890,000 unlisted options to employees under the Company's ESOP. The options having an exercise price of \$0.10 and an expiry date of 16 September 2025.

Other than the above, there has not arisen any other matters or circumstances, since the end of the financial year which significantly affected or could affect the operations of the Group, the results of those operations, or the state of the Group in future years.

31. RESERVES

The share based payments reserve records items recognised as expenses on valuation of options issued to employees or other service providers.

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary and the two 50% owned Joint Venture companies (divested 28 June 2021).

The FVTOCI reserve records the cumulative change in the fair value of financial assets recognised through Other Comprehensive Income. The financial asset comprises the 50 million shares held in LSE listed BMV. The fair value of the investment in BMV is determined based on quoted market prices in an active market (Level 1). Refer Note 13.

32. REGISTERED OFFICE AND PRINCIPLE OFFICE

The registered and principle office of the Company and its controlled entities is:

10 George St, Stepney,
South Australia, 5069

ABN 30 107 424 519

Directors' Declaration

The Directors of Southern Gold Limited declare that:

- a) the financial statements and notes are in accordance with the Corporations Act 2001, and:
 - i) give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Consolidated Group; and
 - ii) comply with Accounting Standards; and
 - iii) Southern Gold Limited complies with International Financial Reporting Standards as described in Note 1; and
- b) the Chief Executive Officer and Finance Manager have declared that:
 - i) The financial records of the Company for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
 - ii) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - iii) The financial statements and notes for the financial year give a true and fair view;
- c) 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

Dated at Adelaide this 29th day of September 2021.



S Mitchell
Managing Director



G C Boulton AM
Chairman

Independent Audit Report to the Members



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Independent Auditor's Report

To the Members of Southern Gold Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Southern Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Audit Report to the Members



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets – Notes 1(d) and 10	
<p>At 30 June 2021 the carrying value of exploration and evaluation assets was \$2,644,068.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• obtaining an understanding of management's processes and internal controls to evaluate impairment triggers in each area of interest;• obtaining management's reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;• evaluating management's area of interest considerations against AASB 6;• evaluating management's assessment of trigger events prepared in accordance with AASB 6 including:<ul style="list-style-type: none">– tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;– inquiries of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;– understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;• assessing the accuracy of impairment recorded for the year as it pertains to exploration interests;• evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and• assessing the appropriateness of the related financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Audit Report to the Members



Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's/Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company/Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Southern Gold Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized blue signature of Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A blue ink signature of J L Humphrey.

J L Humphrey
Partner – Audit & Assurance

Adelaide, 29 September 2021

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Shareholder Information

The shareholder information set out below was applicable as at 15 September 2021.

1. SUBSTANTIAL EQUITY HOLDERS

The following individual shareholders have a relevant interest of 5% or more in the total ordinary shares on issue as at 15 September 2021, as disclosed in the most recent substantial shareholder notices.

Name of Shareholders	Date of Notification	Number Shares Held	Percentage of Issued Shares
METAL TIGER PLC	08/06/21	40,794,000	19.12
ILWELLA PTY LTD	08/06/21	31,760,679	14.89
PS SUPER NOM PL	21/07/20	10,355,003	8.07

2. NUMBER OF SHAREHOLDERS

The number of Ordinary Shares on issue at 15 September 2021 is 213,328,757 held by 1,523 shareholders.

3. DISTRIBUTION OF EQUITY SECURITIES

Ordinary Shares

Distribution of holdings:	Number of Holders
1 - 1,000	135
1,001 - 5,000	384
5,001 - 10,000	266
10,001 - 100,000	568
100,001 and over	170
	1,523
Number of holders of less than a marketable parcel of \$500	658

Unlisted Options (various exercise prices and expiry dates)

Distribution of holdings:	Number of Holders
1 - 1,000	76
1,001 - 5,000	86
5,001 - 10,000	52
10,001 - 100,000	115
100,001 and over	61
	390

Shareholder Information

4. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of fully paid ordinary shares comprise:

	Name	Number Held	Percentage of Issued Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	48,236,389	22.61
2	METAL TIGER PLC	40,794,000	19.12
3	PS SUPER NOMINEE PTY LTD	15,171,320	7.11
4	VALBONNE II	7,318,970	3.43
5	G BOULTON PTY LTD	3,778,256	1.77
6	SCINTILLA STRATEGIC INVESTMENTS LIMITED	3,500,000	1.64
7	POTEZNA GROMADKA LTD	5,904,185	2.77
8	BNP PARIBAS NOMINEES PTY LTD	3,053,377	1.43
9	BNP PARIBAS NOMS PTY LTD	2,926,503	1.37
10	CITICORP NOMINEES PTY LIMITED	1,904,462	0.89
11	NELSON ENTERPRISES PTY LTD	1,833,333	0.86
12	DR LEON EUGENE PRETORIUS	1,760,000	0.83
13	CAZNA AUSTRALIA PTY LTD	1,686,038	0.79
14	DR COLIN ROSE	1,572,390	0.74
15	WEYBRIDGE PTY LTD	1,361,867	0.64
16	MR WILLIAM RICHARD BROWN	1,300,000	0.61
17	MRS LUYE LI	1,273,331	0.60
18	BEIRNE TRADING PTY LTD	1,251,788	0.59
19	MCNEIL NOMINEES PTY LIMITED	1,227,346	0.58
20	MR OLIVIER DUPUY & MS JULIE DUPUY	1,200,000	0.56
		147,053,555	68.94

5. UNQUOTED EQUITY SECURITIES

Class	Unlisted Options (various exercise prices and expiry dates)
Number on issue	63,329,796
Number of holders	390

There are no option holders with greater than 20% of options on issue.

Class	Performance Rights
Number on issue	10,000,000
Number of holders	1

Ausino Drilling Services Pty Ltd (ADS) are contracted to provide drilling services into South Korea to the value of US\$4.4 million. ADS holds 10 million performance rights at US\$0.11 per right for US\$1.1 million. The performance rights will vest as ADS provides the drilling services, with 25% of the invoices for drilling services provided to be paid in Southern Gold shares.

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Southern Gold Ltd.
ACN 107 424 519