



SOUTHERNGOLD

ABN 30 107 424 519

For personal use only

**SOUTHERN GOLD LIMITED
CONSOLIDATED FINANCIAL REPORT
For the Half Year Ended
31 December 2022**

INDEX

	Page
Directors' Report	3
Auditor's Independence Declaration	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Change in Equity	10
Consolidated Statement of Cash Flows	11
Condensed Notes to the Financial Statements	12
Directors' Declaration	17
Independent Auditor's Review Report	18

CORPORATE INFORMATION

ABN 30 107 424 519

DIRECTORS

Peter Bamford	Non-Executive Chairman
Robert Smillie	Managing Director
Bee Jay Kim	Non-Executive Director
Douglas Kirwin	Non-Executive Director
Michael McNeilly	Non-Executive Director

COMPANY SECRETARY

Ray Ridge

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

6 The Parade
Norwood SA 5067
Telephone: +61 (0)8 8368 8888
Email: admin@southerngold.com.au

SHARE REGISTRY

Automic Pty Ltd
Level 2, 267 St Georges Tce
Perth WA 6000

AUDITORS

Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street
Adelaide SA 5000

EXCHANGE

Australian Securities Exchange Ltd
Exchange Plaza 2 The Esplanade
Perth WA 6000

ASX CODE

Ordinary Fully Paid Shares: SAU

DIRECTORS' REPORT

The directors present their report together with the interim financial report of Southern Gold Limited and its controlled entities for the six months ended 31 December 2022 and the independent auditor's review report thereon.

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

Non-Executive Chairman	Peter Bamford (appointed Chairman 27 October 2022)	BSc (Eng) Mining, ARSM, MAICD, FAusIMM
Managing Director	Robert Smillie	MBA, MSc, FSEG, MAusIMM
Non-Executive Director	Bee Jay Kim	BA (Business Administration), MBA
Non-Executive Director	Douglas Kirwin	MSc, FSEG, FAIG, FAusIMM
Non-Executive Director	Michael McNeilly	BA (International Economics)
Non-Executive Chairman	Gregory Boulton AM (retired 27 October 2022)	BA (Accounting), FCA, FCPA, FAICD

The name of the Company Secretary who held office during or since the end of the half year was:

Company Secretary	Ray Ridge	BA (Acc), CA, GIA (cert)
--------------------------	-----------	--------------------------

Financial Results

The loss of the Group after providing for income tax for the half year was \$2,723,558 (2021 loss: \$4,138,708).

Review of Operations

Gold-Silver-Copper Projects

Southern Gold Limited (Southern Gold or the Company) continues with South Korea as its primary focus. During the half year ended December 2022, the Company shifted its exploration focus from project generation work in the Haenam, Jinan and Gyeongsang basins to more detailed exploration on higher priority projects to delineate drill targets planned for Q3 FY22. 25 new licence applications were lodged in September over the part of the historic Goseong copper-gold-silver mining district following the return of significant assay results (see ASX release dated 17 October 2022). Goseong mining district was South Korea's main copper producing region from 1915-1945 and 1970-1992 with some 11 small-scale producing underground mines. Historic production records are incomplete, and part of the mining district is held by other companies.

The 25 submitted applications cover approximately 70 square kilometres and are over 3 main historic mines comprising veins systems up to a metre wide and up to 800 metres long, as well as northern and southern licence extensions to the district acquired through reconnaissance exploration. Korea Institute of Geology and Mining (KIGAM) completed a drone aeromagnetic survey covering 17km² in the NW region of the project in December, with results currently undergoing processing to assist in refining drill targets and to provide key structural and lithological information. A soil sampling program was completed over an area of extensive quartz-magnetite-pyrite stockwork veining outcropping over an area of 450m by 150m before going under cover.

Detailed prospect-scale geological mapping was completed at Goseong by consultant Nick Tate, including within the area covered by the drone magnetic survey which contains the historic Goseong, Won-Geum and 150M East and West mine and workings. Locations of previously reported workings and quartz veins have subsequently been updated into a revised geological map (see ASX Release dated 28 November 2022).

Exploration work to progress drill targeting at Deokon progressed, including completion of a 3D geological model of historical mine workings and drilling was completed using Leapfrog software that highlighted structural trends for possible extensions to mined or mapped shoots. A geophysical gravity survey was completed covering ~30km² with the aim of delineating potential “blind” controlling and potentially mineralised structures for drill targeting.

Exploration at Dokcheon Au-Ag project in the Haenam Basin continued with work focussing in the central-western portion of the project area locating historic mine workings and veins. A soil sampling program was completed in the southern portion of the project area in December that contains previously reported anomalous gold results and multiple-bladed to chalcedonic vein float and subcrop associated with silica-alunite altered rhyolite flow domes and historical clay mining pits. Assay results have recently been received and will be used to help generate targets for drilling in 2023.

As of 31 December 2022, the Company has 128 exploration licences under application, and 8 granted licences.

REE and Lithium Exploration

Southern Gold commissioned an independent and comprehensive desk-top prospectivity study assessing the exploration opportunities for lithium and REEs in South Korea with the view to complementing its existing in-country precious metals exploration program. The study was completed in September by international geology consulting group RSC Mining and Mineral Exploration Ltd, JORC-compliant experts in the field of critical minerals targeting and exploration, who adopted the internationally recognised “minerals system analysis” approach for this study.

The RSC study was highly successful in identifying areas that have positive potential to host Li and REE deposits. The most promising areas were identified and ranked based on several key factors, including proximity to known deposits or occurrences, permissive host rocks, and anomalous values of pathfinder elements from regional stream sediment data, grab samples, and airborne radiometrics.

After reconnaissance site visits in November, regional exploration at the priority REE and LCT Li target regions commenced in December ahead of the scheduled post-winter start date of February. This exploration will further validate and ground-truth areas prior to the winter weather pausing fieldwork until February.

SAU geologists and consultant Michael Gazley from international geology consulting group RSC completed reconnaissance site visits of priority REE and LCT Li target regions in November to assist in planning and prioritising fieldwork. These target regions were generated from a desktop prospectivity study completed in September by RSC, experts in critical minerals targeting and exploration. The study identified and ranked several targeted regions based on geology, geochemistry, geophysics, and proximity to known mineralisation and historical deposits. SAU plans to lodge exploration licence applications over the most prospective REE and Li areas in Q3 FY23.

Corporate

At the Company's Annual General Meeting (AGM) held 27 October 2022, all resolutions were passed by an overwhelming margin. The Company's Chairman, Mr Greg Boulton, retired at the completion of AGM and the Board appointed Mr Peter Bamford as the Company's new Chairman.

During the half year ended 31 December 2022, the Company announced a \$2 million placement, before capital raise costs, priced at \$0.023 per Ordinary Share. Tranche 1 of the placement comprising 53,332,120 Ordinary Shares was completed during the half year period, raising \$1.2 million in cash. Following shareholder approval at a General Meeting held on 12 January 2023, Tranche 2 was completed through the issue of 33,624,403 Ordinary Shares, raising \$0.8 million in cash.

Southern Gold continues to hold 150 million shares in London Stock Exchange (LSE) listed Bluebird Merchant Ventures Ltd (BMV), representing 23.0% of the issued capital of BMV. These shares are due to be released from escrow on 11 April 2023.

The value of the 150 million BMV shares at 31 December 2022 are disclosed in the HY Report at \$4.8 million, based on the LSE closing price of £0.0180 and the GBP:AUD exchange rate of 0.5625 on that date (refer Note 5 of the Half Year Report).

At 31 December 2022, Southern Gold remains in a sound financial position with total cash of \$3.9 million, together with the mark to market valuation of the BMV shares of approximately \$4.8 million. An additional \$0.8 million cash was received in January 2023 as proceeds received from Tranche 2 of the placement.

Events Subsequent to Reporting Date

The following securities were issued on 20 January 2023, following shareholder approval at a General Meeting held on 12 January 2023:

- Tranche 2 of a placement, comprising 33,624,403 shares, raising \$0.8 million in cash; and
- the granting of 5,000,000 Performance Rights as a part of the Long Term Incentive plan for the Managing Director.

On 22 February, Southern Gold granted 550,000 unlisted Options to employees under its employee incentive plan. The Options have a four-year term and have an exercise price of \$0.036 per Option. As the Options were approved by the Board and offered to the employees prior to 31 December 2022, the \$6,672 value of these Options was expensed in the half year ended 31 December 2022.

Southern Gold's 150 million BMV shares had a value of £2,925,000 (or \$5,246,637), based on the closing price of BMV shares of 1.95 pence on 8 March 2023, being the last practicable date prior to the signing of this Half Year Report. This is \$446,637 higher than the carrying value of \$4,800,000 as at 31 December 2022 (refer Note 5 of the Half Year Report). This is a non-adjusting subsequent event under Accounting Standard AASB 110.

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

Forward-looking Statements

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

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

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

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

Auditors Independence Declaration

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

Dated at Adelaide this 10th day of March 2023 and signed in accordance with a resolution of the Directors.



P Bamford
Non-Executive Chairman

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide SA 5000
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 review of Southern Gold Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 10 March 2023

www.grantthornton.com.au
ACN-130 913 594

Grant Thornton Audit Pty Ltd ACN 130 913 594 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 31 December 2022

	Note	Half Year Ended 31 Dec 2022	Half Year Ended 31 Dec 2021
		\$	\$
Interest received		12,026	469
Other Income		-	3,592
Exploration expenses		(1,128,466)	(534,535)
Salaries and wages		(244,060)	(450,415)
Directors fees		(125,719)	(120,000)
Interest expense		(695)	(2,115)
Shareholder relations		(114,354)	(132,844)
Other consulting expenses		-	(30,450)
Other administrative expenses		(278,440)	(184,983)
Depreciation		(67,771)	(57,276)
Share based payments	7	(6,672)	(174,353)
Loss on sale of plant and equipment		(1,995)	-
Transaction costs (divestment of joint ventures)		-	(2,028)
Foreign exchange (loss)/gain on BMV shares		(12,836)	538,452
Loss on realisation of BMV shares receivable		-	(2,992,222)
Impairment expense	5	(754,576)	-
Loss before income tax		(2,723,558)	(4,138,708)
Income tax benefit/(expense)		-	-
Net loss for the half year		(2,723,558)	(4,138,708)
<u>Other Comprehensive Income</u>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation		49,966	(54,729)
<i>Items that may not be reclassified to profit or loss:</i>			
Fair value decrement on financial assets – FVTOCI		-	(1,498,833)
Total comprehensive income for the period		(2,673,592)	(5,692,270)
<u>Earnings Per Share</u>			
Basic (cents per share)		(1.21)	(1.94)
Diluted (cents per share)		(1.21)	(1.94)

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

Consolidated Statement of Financial Position as at 31 December 2022

	Note	As at 31 Dec 2022 \$	As at 30 June 2022 \$
CURRENT ASSETS			
Cash and cash equivalent		3,941,333	4,560,622
Trade and other receivables	4	284,285	263,210
Other assets		88,269	96,303
Held for sale assets	2	-	922,703
TOTAL CURRENT ASSETS		4,313,887	5,842,838
NON-CURRENT ASSETS			
Right of use asset		60,036	49,350
Exploration and evaluation expenditure	3	1,069,046	993,973
Plant and equipment		165,509	188,044
Investments accounted for using the equity method	5	4,800,000	5,554,576
TOTAL NON-CURRENT ASSETS		6,094,591	6,785,943
TOTAL ASSETS		10,408,478	12,628,781
CURRENT LIABILITIES			
Trade and other payables		152,254	424,390
Provisions		239,593	175,808
Lease liability		26,216	50,490
Liability directly associated with held for sale assets	2	-	481,864
TOTAL CURRENT LIABILITIES		418,063	1,132,552
NON-CURRENT LIABILITIES			
Provisions		4,625	12,020
Lease liability		34,182	-
TOTAL NON-CURRENT LIABILITIES		38,807	12,020
TOTAL LIABILITIES		456,870	1,144,572
NET ASSETS		9,951,608	11,484,209
EQUITY			
Issued capital	6	59,146,096	58,011,777
Reserves		(1,453,991)	(1,334,411)
Accumulated losses		(47,740,497)	(45,193,157)
TOTAL EQUITY		9,951,608	11,484,209

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

**Consolidated Statement of Changes in Equity for the
Half Year ended 31 December 2021**

	Issued Capital \$	Accumulated losses \$	FVTOCI Reserve \$	Share-based payment reserve \$	Foreign currency translation reserve	Total \$
Balance at 1 July 2021	58,011,777	(34,480,637)	15,437	976,099	(94,893)	24,427,783
Total comprehensive income in the period	-	(4,138,708)	(1,498,833)	-	(54,729)	(5,692,270)
Transactions with owners:						
Options issued to Directors	-	-	-	120,583	-	120,583
Options issued to employees	-	-	-	53,770	-	53,770
Options lapsed or cancelled	-	549,898	-	(549,898)	-	-
Balance at 31 December 2021	<u>58,011,777</u>	<u>(38,069,447)</u>	<u>(1,483,396)</u>	<u>600,554</u>	<u>(149,622)</u>	<u>18,909,866</u>
Balance at 1 July 2022	58,011,777	(45,193,157)	(1,483,396)	355,771	(206,786)	11,484,209
Total comprehensive income in the period	-	(2,723,558)	-	-	49,966	(2,673,592)
Transactions with owners:						
issue of share capital	1,226,639	-	-	-	-	1,226,639
Options lapsed or exercised	-	176,218	-	(176,218)	-	-
Fair value of options issued	-	-	-	6,672	-	6,672
Costs associated with the issue of shares	(92,320)	-	-	-	-	(92,320)
Balance at 31 December 2021	<u>59,146,096</u>	<u>(47,740,497)</u>	<u>(1,483,396)</u>	<u>186,225</u>	<u>(156,820)</u>	<u>9,951,608</u>

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

**Consolidated Statement of Cash Flows for the
Half Year ended 31 December 2022**

Note	Half Year Ended 31 Dec 2022 Inflows (Outflows) \$	Half Year Ended 31 Dec 2021 Inflows (Outflows) \$
Cash flows related to operating activities		
Interest received	12,026	469
Other income	-	3,592
Payments to suppliers and employees	(762,106)	(1,080,287)
Exploration and evaluation	(1,308,176)	(537,320)
Interest Expense	(695)	(2,115)
Short term lease payments	(15,340)	(10,502)
Net operating cash flows	(2,074,291)	(1,626,163)
Cash flows related to investing activities		
Payments for mining tenements, exploration and evaluation expenditure	(31,476)	(196,425)
Proceeds from sale of investments	428,003	
Payments for plant and equipment	(77,856)	(11,904)
Proceeds from the sale of plant and equipment	1,545	-
Transaction costs on disposal of JV Investments	-	(2,028)
Net investing cash flows	320,216	(210,357)
Cash flows related to financing activities		
Proceeds from share issues	1,226,639	-
Payment for share issue costs	(67,786)	-
Repayment of lease liability	(37,783)	(35,480)
Net financing cash flows	1,121,070	(35,480)
Net increase/(decrease) in cash	(633,005)	(1,872,000)
Cash at beginning of financial period	4,560,622	7,999,052
Exchange rate adjustments on opening cash	13,716	(2,767)
Cash at end of financial period	3,941,333	6,124,285

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

Condensed Notes to the financial statements for the Half Year ended 31 December 2022

1. BASIS OF PREPARATION OF ACCOUNTS

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Southern Gold Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the ASX Listing Rules.

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

Southern Gold Limited is a company domiciled in Australia (the Company). The Consolidated half year financial report of the Company as at, and for the six months ended, 31 December 2022 comprises the Company and its subsidiaries (together referred to as the Consolidated Entity or Group).

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

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

New standards adopted as at 1 July 2022

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

For personal use only

2. HELD FOR SALE ASSETS

	31 December 2022	30 June 2022
	\$	\$
Shares held in BMV		
Fair value of asset	-	922,703
Provision for discount to fair value	-	(481,864)
Net held for sale assets	-	440,839

The total balance of 200 million BMV Ordinary Shares was held by Southern Gold from 22 December 2021. On 12 April 2022, the Group agreed to sell 50,000,000 BMV shares to a third party, at a discounted price of £0.01 per share, to assist in BMV's negotiation of a funding package to accelerate its move to gold production in at the former joint venture projects (as disclosed in Southern Gold's ASX announcement 19 April 2022, and BMV's LSE announcements on 12 and 19 April 2022). The total consideration of £500,000 was transacted in two equal tranches.

The first tranche of 25,000,000 BMV Shares for £250,000 (\$434,394 net of transaction costs) was completed on 16 June 2022, with the second tranche of 25,000,000 BMV Shares for £250,000 (\$440,839) completed on 23 September 2022. The consideration of \$440,839 was presented at the 30 June 2022 as \$922,703 fair market value of the second tranche of 25,000,000 BMV shares at \$0.0368 per share (being based on the LSE closing price of the BMV shares of £0.0210 on the day prior to execution of the sale agreement on 13 April 2022, at the exchange rate on that date of 0.5707) less a provision for the contracted price, being a discount to fair value of \$481,864.

The second tranche of 25,000,000 BMV Shares for £250,000 was completed on 23 September 2022, with the AUD value of the proceeds at the time of receipt being \$428,003, resulting in the recognition of a foreign exchange loss of (\$12,836) for the difference to the 30 June 2022 carrying amount of \$440,839.

3. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2022	30 June 2022
	\$	\$
A reconciliation of the carrying amount of exploration and evaluation phase expenditure is set out below:		
Costs brought forward	993,973	2,644,068
Net foreign exchange differences	43,753	(96,341)
Expenditure incurred during the year	31,320	146,706
Impairment expense	-	(1,700,460)
	1,069,046	993,973

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

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

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

In the half year ended 31 December 2022, the reduced exploration expenditure capitalised reflects a greater focus by the Group on Project Generation work to identify new tenements and areas of interest that will form the basis of a targeted pipeline of exploration targets for future exploration drilling.

4. TRADE AND OTHER RECEIVABLES

	31 December 2022	30 June 2022
	\$	\$
Trade and other receivables	36,551	31,456
Lease bonds	247,734	231,754
	<u>284,285</u>	<u>263,210</u>

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2022	30 June 2022
	\$	\$
Investment in BMV		
Total Value of Investment on Acquisition	7,522,288	7,522,288
Impairment of Investment	<u>(2,722,288)</u>	<u>(1,967,712)</u>
Expected Value of Investment in BMV	<u>4,800,000</u>	<u>5,554,576</u>

The holding of 150,000,000 BMV Shares at 30 June 2022, represented 23.5% of the issued capital of BMV at that time. At 31 December 2022, Southern Gold's 150,000,000 BMV shares represents 23.0% of the issued capital. With this interest being remaining in excess of the 20% threshold for the application of equity accounting under Accounting Standard AASB128 Investments in Associates and Joint Ventures, the interest in BMV continues to be disclosed as an investment in an associate, subject to equity accounting.

However, the Group only has the same access to BMV's financial and operating information as all other shareholders of BMV. As such, the Group did not have access to the financial information of BMV for the half year period through to 31 December 2022, which means the Group was unable to equity account for its interest in the financial result for the period through to 31 December 2022, and was unable to disclose the summarised financial information of BMV as at 31 December 2022, as required under Accounting Standard AASB128 Investments in Associates and Joint Ventures.

The carrying value of \$4,800,000, as at 31 December 2022, was determined by reference to the fair value of the BMV shares based on the LSE closing price of £0.0180 and the GBP:AUD exchange rate of 0.5625 on that date. The difference between this fair value and the initial value of the investment of \$7,522,288 is disclosed as an impairment against the value of the investment of \$2,722,288. With an impairment of \$1,967,712 having been similarly calculated and recognised at 30 June 2022, an additional impairment expense of \$754,576 was recognised in the half year ended 31 December 2022.

As previously reported, equity accounting was not possible in the Group's 30 June 2022 Annual Report, as the 30 June 2022 financial statements for BMV were not available at that time. However, the financial statements of BMV through to 30 June 2022 did subsequently become publicly available, which allowed the Group to retrospectively determine its share of loss for the period ended 30 June 2022. For the six months ended 30 June 2022, BMV reported a loss of US\$853,955 (A\$1,186,866), with Southern Gold's 23.5% ownership interest at that time equating to an equity accounted share of BMV's loss of A\$279,042. Importantly, this would not have altered the carrying value of the investment at 30 June 2022, with the share of the loss being significantly less than the impairment expense of \$1,967,712 already recognised at that date.

The above-described issues regarding access to and timeliness of BMV's accounting records and financial results is ongoing.

Similarly, based on BMV's recent historical financial statements and their LSE announcements through to the signing date of the Group's Half Year Report, there is nothing to suggest that the Group's now 23.0% share of BMV's loss for the half year ended 31 December 2022, that when reported would result in a carrying value of the investment less than the \$4,800,000 at 31 December 2022.

The 150,000,000 BMV shares are due to be released from escrow on 11 April 2023.

Latest value of the investment

At the last practicable date prior to finalising the Half Year Report, the Group's remaining 150,000,000 BMV shares have a mark to market value of £2,925,000 (or \$5,246,637), based on the closing price of BMV shares of £0.0195 on the London Stock Exchange on 8 March 2023. This is \$446,637 higher than the carrying value of \$4,800,000 at 31 December 2022.

6. ISSUE OF SECURITIES

Fully paid ordinary shares issued

<i>Ordinary shares on issue</i>	Number	\$
At 1 July 2022	213,328,756	58,011,777
Placement shares (6 Dec 2022)	53,332,120	1,226,639
Net costs associated with the issue of shares	-	(92,320)
At 31 December 2022	<u>266,660,876</u>	<u>59,146,096</u>

On 16 November 2022, the Company announced a \$2 million placement at \$0.023 per share, to be completed as a two-tranche process as follows:

- The first Tranche was completed during the Half Year period, raising \$1,226,639 in cash through the issue of 53,332,120 on 21 November 2022; and
- The second Tranche was completed subsequent to the Half Year period, raising \$773,361 in cash through the issue of 33,624,403 shares, following shareholder approval at a General Meeting held 12 January 2023.

The net costs associated with the first tranche of the issue of shares in the half year ended 31 December 2022 was \$92,320.

7. SHARE-BASED PAYMENTS RESERVE

During the half year ended 31 December 2022, the Share based payments reserve reduced by (\$169,546) to \$186,225. This change comprised:

- \$6,672 share-based payments expense recognised in the Consolidated Statement of Profit or Loss, being the fair value of 550,000 unlisted options issued to employees on 15 December 2022, under the Company's employee share option plan. The options are exercisable at \$0.036 at any time through to the expiry date of 15 December 2026. The fair value was calculated using the Black-Scholes method with a volatility of 74% and an underlying market price of the shares of \$0.025, being the ASX closing price of SAU's shares on 14 December 2022.
- (\$176,218) being the value of 3,734,100 options lapsed or cancelled in the half year period.

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2022.

9. GOING CONCERN BASIS OF ACCOUNTING

The financial report has been prepared on the basis of a going concern.

The consolidated Group incurred a net loss after tax from continuing operations of \$2,723,558 for the period ended 31 December 2022, and a net cash outflow of \$1,754,075 from operating and investing activities. As at 31 December 2022, the consolidated Group has a cash position of \$3,941,333, together with a mark to market value of the remaining 150,000,000 BMV shares held of \$4,800,000 (refer Note 5).

The Group believes that it has sufficient liquidity to prepare the financial statements on a going concern basis. Therefore, the financial statements do not include adjustments relating to the recoverability and

classification of recorded assets amounts, nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

10. SUBSEQUENT EVENTS

The following securities were issued on 20 January 2023, following shareholder approval at a General Meeting held on 12 January 2023:

- Tranche 2 of a placement, comprising 33,624,403 shares, raising \$773,361 in cash; and
- the granting of 5,000,000 Performance Rights as a part of the Long-Term Incentive plan for the Managing Director.

On 22 February, Southern Gold granted 550,000 unlisted Options to employees under its employee incentive plan. The Options have a four-year term and have an exercise price of \$0.036 per Option. As the Options were approved by the Board and offered to the employees prior to 31 December 2022, the \$6,672 value of these Options was expensed in the half year ended 31 December 2022.

Southern Gold's 150 million BMV shares had a value of £2,925,000 (or \$5,246,637), based on the closing price of BMV shares of 1.95 pence on 8 March 2023, being the last practicable date prior to the signing of this Half Year Report. This is \$446,637 higher than the carrying value of \$4,800,000 as at 31 December 2021 (refer Note 5). This is a non-adjusting subsequent event under Accounting Standard AASB 110.

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

Directors' Declaration

Directors' Declaration for the six months ended 31 December 2022

The Directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 8 to 16 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standards AASB 134 Interim Financial Reporting; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022, and of its performance for the half-year ended on that date.
- 2) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



P Bamford
Non-Executive Chairman

Adelaide, South Australia
10th day of March 2023

Independent Auditor's Review Report

To the Members of Southern Gold Limited

Report on the half year financial report

Qualified Conclusion

We have reviewed the accompanying half year financial report of Southern Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of Southern Gold Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

For personal use only

Basis for Qualified Conclusion

We draw attention to Note 5 in the financial report, which indicates that the Group's investment in its associate, Bluebird Merchant Ventures Limited, is required to be equity accounted in accordance with the requirements of AASB128 *Investments in Associates and Joint Ventures*. The Directors did not gain access to the books and records of Bluebird Merchant Ventures Limited and, as a result have not equity accounted the results of the associate as required by AASB 128. However, the Directors have recorded the investment at \$4,800,000 in the consolidated statement of financial position as at 31 December 2022, being the fair value of the shares based on the LSE closing price and GBP:AUD exchange rate on that date. As the Directors did not gain access to the books and records of Bluebird Merchant Ventures Limited and, as a result, we were unable to obtain sufficient information to determine whether any adjustments were necessary in respect of the Group's proportional share of Bluebird Merchant Venture Limited's income and expenses for the period.

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

We believe that the information we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

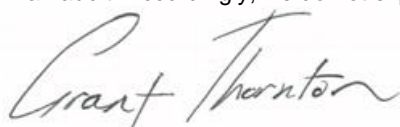
Directors' responsibility for the half-year financial report

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

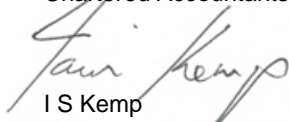
Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 10 March 2023