

**ANNUAL REPORT
2014/15**



Directors

Greg Boulton AM

Non-Executive Chairman

Simon Mitchell

Managing Director

Michael Billing

Non-Executive Director

David Turvey

Non-Executive Director

Company Secretary

Daniel Hill

Registered and Principal Address

1, 8 Beulah Road
Norwood, SA 5067

PO Box 255
Kent Town SA 5071

T +61 (0)8 8368 8888
F +61 (0)8 8363 0697

southerngold.com.au

Southern Gold Limited

ACN 107 424 519
ABN 30 107 424 519

Solicitor

Watson Lawyers

Ground Floor, 60 Hindmarsh Square
Adelaide SA 5000

T +61 (0)8 8418 8580
F +61 (0)8 8215 0337

Auditor

Grant Thornton Audit Pty Ltd

Level 1, 67 Greenhill Road
Wayville SA 5034

T +61 (0)8 8 372 6666
F +61 (0)8 8 83726677

Share Registry

Security Transfer Registrars

770 Canning Highway
Applecross WA 6953

T +61 (0)8 9315 2333
F +61 (0)8 9315 2233

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CHAIRMAN'S LETTER

Dear Shareholder,

The 2014/15 financial year has been a very important one for Southern Gold. It has been a year of major change, important transition and, I believe, a turn-around year in regard to our share price performance. Your Directors are confident that, when 2015 is looked back on over the next few years it will be seen as a watershed, the point at which Southern Gold moved beyond micro-cap explorer to become an emerging junior producer.

Notwithstanding this change in our company's fortunes, the gold market has continued to trade through a volatile period and in general set either a negative or at best neutral sentiment with investors. This is ironic as in Australian dollar terms at least the gold price has been relatively stable, especially in the second half of the financial year, where it has traded around the A\$1500/oz mark. The "Aussi dollar" exchange rate has acted as a natural hedge during this period with drops in the US dollar gold price being accompanied by a drop in the Australian dollar- US dollar exchange rate. At the time of writing the Australian dollar gold price was trading at around A\$1600/oz largely due to a US\$0.70 exchange rate.

So rather than causing margin compression, this international price action has actually seen the Cannon projects margin expand: an exciting development where Southern Gold shareholders have exposure to the spot gold price going forward. With service providers currently sharpening their pencils and with costs such as diesel fuel at multi year lows, it is a great time to be commissioning a new project, especially a high grade one with healthy margin!

And to that end, for our Cannon Gold Resource, it has been a year of moving to near production status during the financial year with actual mining commencement in July 2015. This has been an important milestone for the company and one many explorers fail to achieve. The Southern Gold team can be justifiably proud of their efforts in this regard, especially given the prevailing industry and share market conditions in the last few years.

While I believe much has been achieved this past year there are two very important milestones that I wish to highlight:

- The execution of a financing and contracting agreement with local gold miner Metals X Ltd, whereby the Cannon project was to be put into production by an innovative commercial arrangement. Metals X are to cover all costs of development, take on day to day operational responsibility and help mitigate execution risk of our flagship project, with each party sharing the net profit from the operation on a 50:50 basis; and
- The approval by the joint Operating Committee of Metals X and Southern Gold for the Stage 1 open pit development, the engagement of mining and haulage contractors through a competitive tender process and the finalisation of the definitive mine schedule and budget that provides the economic framework for the Cannon project going forward.

With operations at Cannon now commenced I believe this sets the scene for an exciting year for our shareholders, with the benefits of cash flow being realised and a much stronger strategic position when it comes to growing the business.

And speaking of growing the business, the new Managing Director, Simon Mitchell, started with the company in the second half of the financial year and has the important task of taking Southern Gold to the next stage of its corporate evolution. Simon has a combined technical and financial background with strengths in business development and strategy. He joins the company at a critical point with Southern Gold in a unique position as a "junior" producer looking to grow and build equity returns to shareholders.

In addition to hitting production milestones on the Cannon deposit and the engagement of a new Managing Director to take things forward, your Directors have also been mindful of the balance sheet and looking to introduce new high quality, long term investors. Southern Gold successfully raised \$1.05 million in March 2015 to help take the company through calendar year 2015 as well as introduce new sophisticated investors to the register. In time we are looking to increase the presence of institutional investment and so will look to take steps to improve the company's marketing profile, share liquidity and market capitalisation to help attract this end of the market.

While exploration activity has been quite limited during this financial year given the focus on the Cannon development, Southern Gold has tentatively re-started limited exploration on certain satellite targets. Your Directors expect to see positive news flow from this activity as we lift our drilling statistics and test more targets. I have a strong belief in the prospectivity of the Bulong region and Southern Gold enjoys an enviable ground position where, given the relatively limited historical gold exploration, the potential is enormous. We look forward to getting the drills turning again!

I would like to sign off by thanking our Directors, staff, contractors and shareholders for staying the course with Southern Gold during this most difficult time. With commencement of operations at Cannon, the transition from micro-cap explorer to more substantial, albeit junior, producer should see Southern Gold move into its next exciting phase as an evolving, dynamic and growing business with its eye on total shareholder returns as the critical benchmark to measure our success.

With what lies ahead and the huge potential of the company to grow your Board looks forward to the next 12 months.

Yours sincerely,



Greg Boulton AM
Chairman

MANAGING DIRECTOR'S OPERATIONS REPORT

It has been another tough year in what has been a recent period of several tough years. With exploration across the board in contraction, a lack of capital for the small cap explorers and broad share market pessimism well and truly set in, it has required small exploration companies to batten down the hatches and ride out the storm.

Southern Gold has not been immune to this. The greenfields exploration side our business has had a very quiet year with very limited drill operations and most of our focus going into the development of the Cannon Gold Resource. Investors value cash more than anything else right now and in this respect Southern Gold has an investment story that ticks a lot of boxes, including the all-important 'near term' cash flow one.

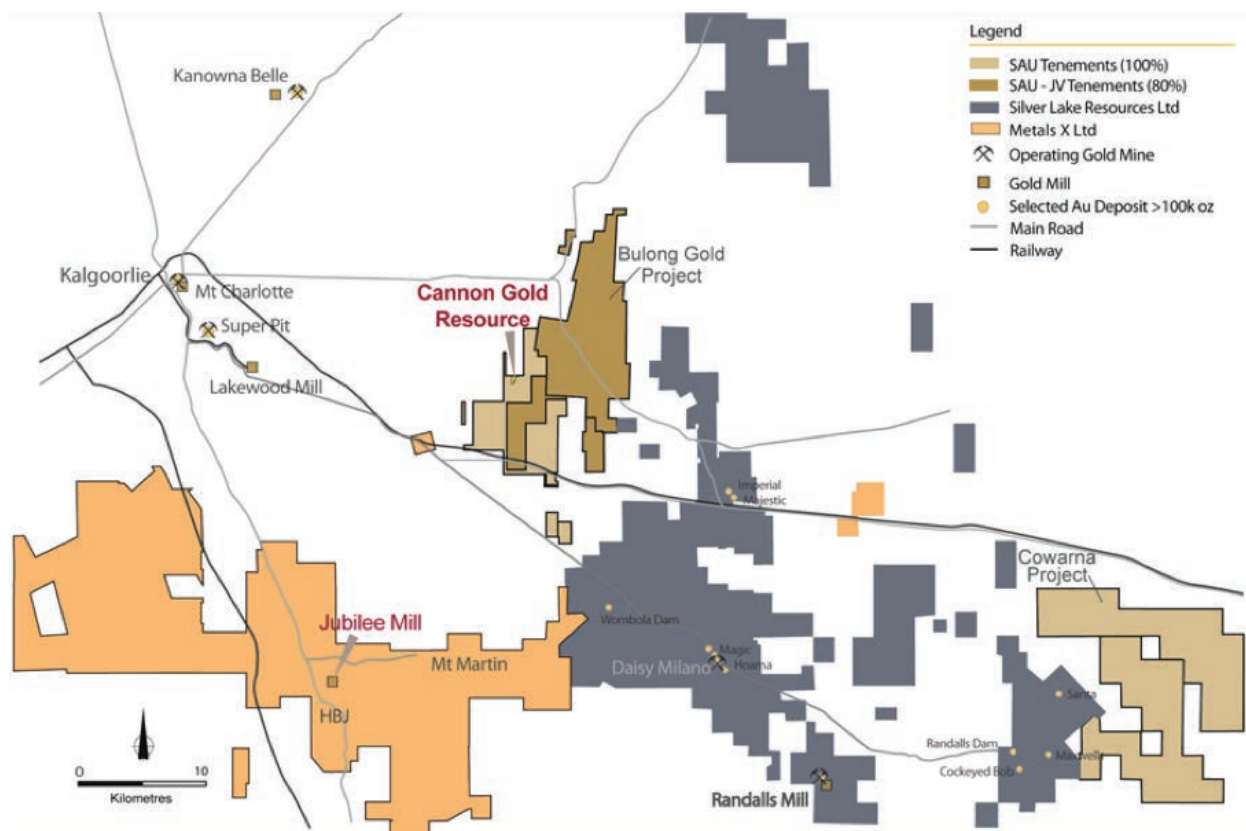


Figure 1: Bulong Gold Project Location (tenements as at April 2015).

MANAGING DIRECTOR'S OPERATIONS REPORT



Photo 1: Photomontage of the Cannon Pit looking west towards the hanging wall.

Near Term Cash Flow – Cannon Advances to Production

Southern Gold's flagship project is the Cannon Gold Resource and the company's first economic discovery in the Bulong Gold Project is located approximately 35km to the east of Kalgoorlie in Western Australia (Figure 1).

A lot of work has been directed at moving the Cannon gold resource into production. In the last year this has principally meant completion of financing and regulatory steps, stages that can be challenging for a junior company with limited corporate resources, however the Southern Gold team has been very successful in putting all these critical building blocks in place:

- The execution of a Contracting and Financing Agreement for the Cannon Resource with Metals X Ltd that covered all operational matters including mining, haulage and processing through the Jubilee Mill, approximately 30km to the south-west of the project; and
- The completion of all regulatory hurdles, including Mining Proposal, Environmental Management Plan, clearing permits and miscellaneous licenses required to commence mining.

Mining commenced in July 2015, just after the end of the annual reporting period and this marked a major milestone for the company.

While the current schedule and budget involves the development of a modest sized pit, this Stage 1 mining phase is an important first step and ensures the company receives cash flow early in 2016. The current high level parameters for the Stage 1 pit are the mining of 152kt of ore at an average grade of 3.1g/t gold containing 15.2koz. Conservatively it is estimated that a weighted average metallurgical recovery will be 89% resulting in recovered gold of 13.5koz from Stage 1 only.

The cost structure of the Cannon development is dominated by open pit mining, ore transport and processing costs. Costs have been estimated at A\$1053/oz on a "C1" basis (core cash operating cost) or A\$1084/oz on an AISC basis (all-in sustaining cost) and \$1150/oz on a total cost basis, including capital. See Table 2 below for details.

This implies a net margin of at least \$350/oz (assuming A\$1500 gold price) but at the time of writing the margin is closer to \$450/oz. Cash flow from the project is expected to begin in 2015Q4, cash flow to Southern Gold, net of all costs, is expected in 2016Q2.



Photo 2: Excavation and loading of first ore at Cannon Pit.

MANAGING DIRECTOR'S OPERATIONS REPORT

JORC Resource

During the year, grade control drilling was completed covering the first few benches of the Stage 1 open pit. This lifted the confidence of the JORC resource with a portion of the deposit moving into the Measured category and a total of 94% classified as Measured and Indicated (Table 1 and Figure 2 below).

Category	Total Resource			
	Tonnes t	Au g/t	Au Ounces	% Au Ounces
Measured	109,238	3.07	10,795	11%
Indicated	643,969	3.87	80,132	83%
Total M&I	753,207	3.75	90,927	94%
Inferred	93,053	2.05	6,118	6%
Total All Categories	846,260	3.57	97,045	

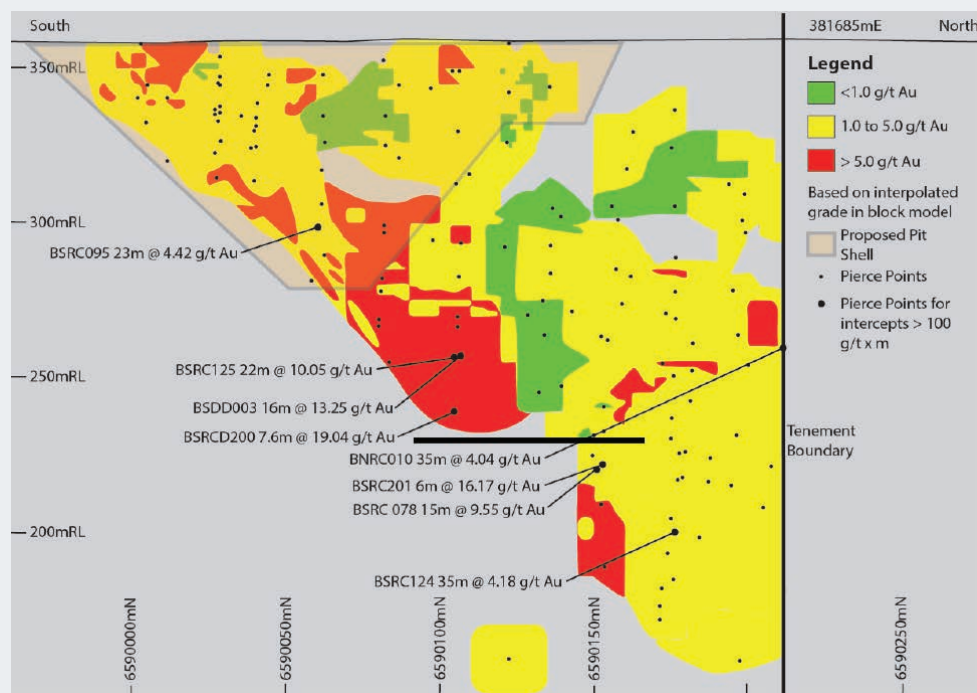
Table 1: Cannon Mineral Resource Estimate, Total All Categories (0.7g/t Au Cut-off)

See page 15 for the full JORC Resource statement.



Figure 2: Cannon Long Section (looking west) by Category on Section 381685mE with Stage 1 pit shell.

Figure 3: Cannon Long Section, looking west, illustrating the current Stage 1 Open Pit (275mRL) with solid black line indicating potential unconstrained new open pit depth (225mRL).



Cannon Stage 2 – Possibility of a larger pit and underground operation?

There are several possible development scenarios after Stage 1. Southern Gold's base case and the focus of earlier prefeasibility studies, is to follow the Cannon mineralisation underground below the small pit. While there are some advantages to underground mining, in general underground operations are higher cost and require higher cut-off grades to make the economics work.

With the recent acquisition of the adjacent tenement and small "Georges Reward" deposit by Metals X next to Cannon, there is the possibility of extending the smaller Stage 1 open pit into a much larger open pit. To achieve this requires Metals X Ltd and Southern Gold to come to commercial terms on such a development and at the time of writing these negotiations were still in process.

To put the opportunity into perspective, Figure 3 illustrates the potential depth extent that a larger open pit may optimise to if the development was unconstrained by the tenement boundary. As the figure illustrates, the average grade of the deposit increases with depth and there is a particularly high grade zone centred on 250mRL that should help the open pit optimise to this level.

Furthermore there is also the possibility of underground development, which remains an open question given the lack of detailed results from deeper drilling below the current limits of the JORC Resource. The deposit remains open down dip to the west and the width and grade tenor appears to improve down plunge. Drilling in the new year will look to target and extend this high grade shoot.

MANAGING DIRECTOR'S OPERATIONS REPORT



Photo 3: Drilling at Arsenal in August 2015.

Exploration

Exploration activity has necessarily been quite limited in the last 12 months. Corporate resources have been focused on the commissioning of the Cannon Project although Southern Gold's geological team continued to work on prospective targets in the background. With funding raised in March 2015, a limited programme of RC drilling was undertaken at Railway South, testing a gold and tungsten anomaly in soil on tenement E25/250.

Six holes were drilled into the Railway South anomaly for a total of 582m with a best intersection of 1m @ 12.3g/t Au between 29-30m downhole in drill hole BSRC236 hosted in a basaltic unit within a zone (0-53m) of elevated gold (0.1 - 0.71 ppm Au), tungsten (up to 80ppm) and molybdenum (up to 11ppm). This result will require follow up work in the coming year.

As Southern Gold improves its cash position more work will be undertaken on both the satellite projects close to Cannon as well as the better Tier 1 regional exploration targets already identified. There is no shortage of targets which are considered to have excellent potential for uncovering another deposit such as Cannon in the medium term.

Cambodia

During the year Southern Gold executed a Sale, Purchase and Joint Venture Agreement with Mekong Minerals Ltd, an unlisted public company that Southern Gold was in joint venture over its tenements in Cambodia. Southern Gold has been in an extensive process to have the tenements in Cambodia renewed and recent changes in country point to a higher level of risk in taking these projects forward. In light of this elevated risk and in order to focus on our Cannon project and ensure cash flow in the near term, the Company has restructured its interests by selling the Cambodian subsidiary in exchange for a 15% free carried interest and 2% gross sales royalty. Mekong Minerals have also undertaken to minimum expenditure of \$500,000 on each project in the first two years from re-grant. This ensures there are no cash requirements from Southern Gold and should Mekong Minerals succeed in finding an economic deposit then there is value to be realised for the company, albeit in the longer term.

MANAGING DIRECTOR'S OPERATIONS REPORT

What will the next 2015/16 financial year bring?

Southern Gold is about to enter into a very exciting phase of its corporate development. The coming year should see the start of cash flow from the Cannon project, which itself has the potential to expand in a number of ways.

Nearby to Cannon more work will be done to find and define additional JORC Resources which have the potential to augment the economics of the Cannon project. Shareholders should expect to see more work on targets such as Monument, Pinner and Arsenal. While these targets may not all contribute to an increase in the Company's resource base, Southern Gold is confident that, like many mining districts, new deposits will be discovered within easy trucking distance of Cannon as our understanding of the geology and structure improves and the amount of drilling in the area increases.

Southern Gold is also looking to expand exploration activities next year through testing new targets further afield. At a high level, Southern Gold has a substantial and valuable footprint in the Kalgoorlie district and we will do more work to extract additional value from this ground in the coming year.

Being an executive with a strong Business Development background, I am also open minded about new ventures and ways in which to grow a business. In Southern Gold's case, we are in a unique position to develop into a junior producer of gold that is highly differentiated from the large number of exploration plays struggling in this current capital constrained environment.

If you are a shareholder of Southern Gold then the future should be a time of seeing superior shareholder returns as we move the company forward. If you are a potential investor new to Southern Gold, put us on your 'watch list' as this company is definitely one to watch!



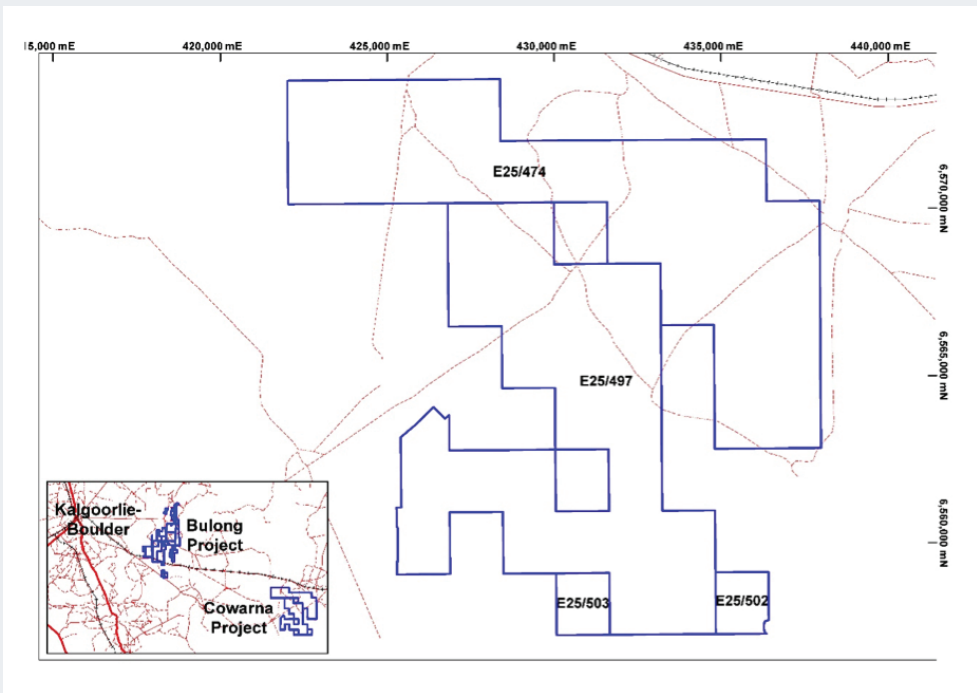
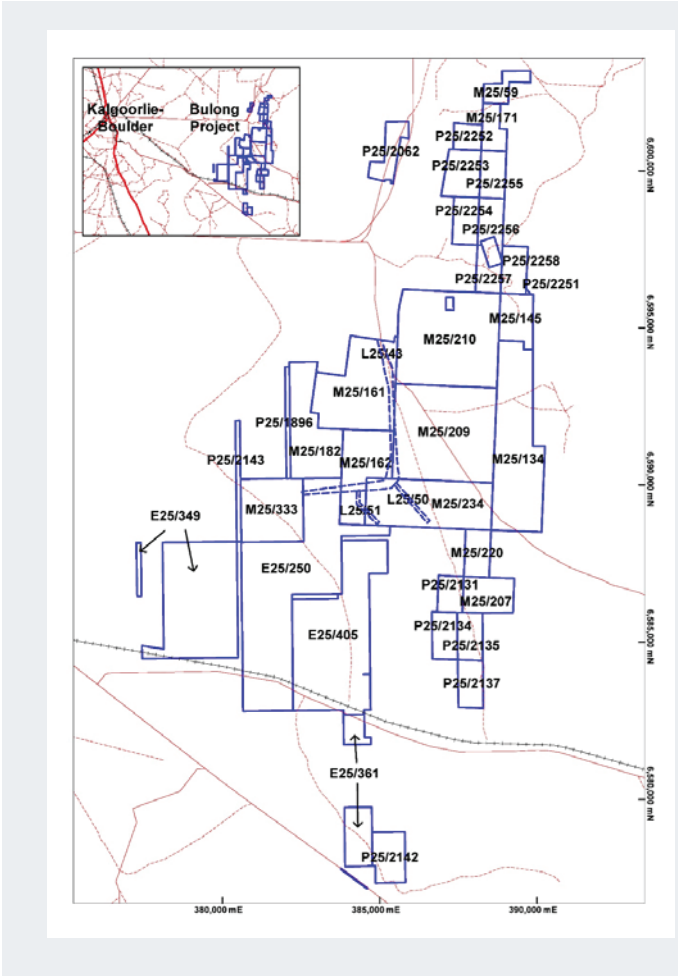
Simon Mitchell
Managing Director



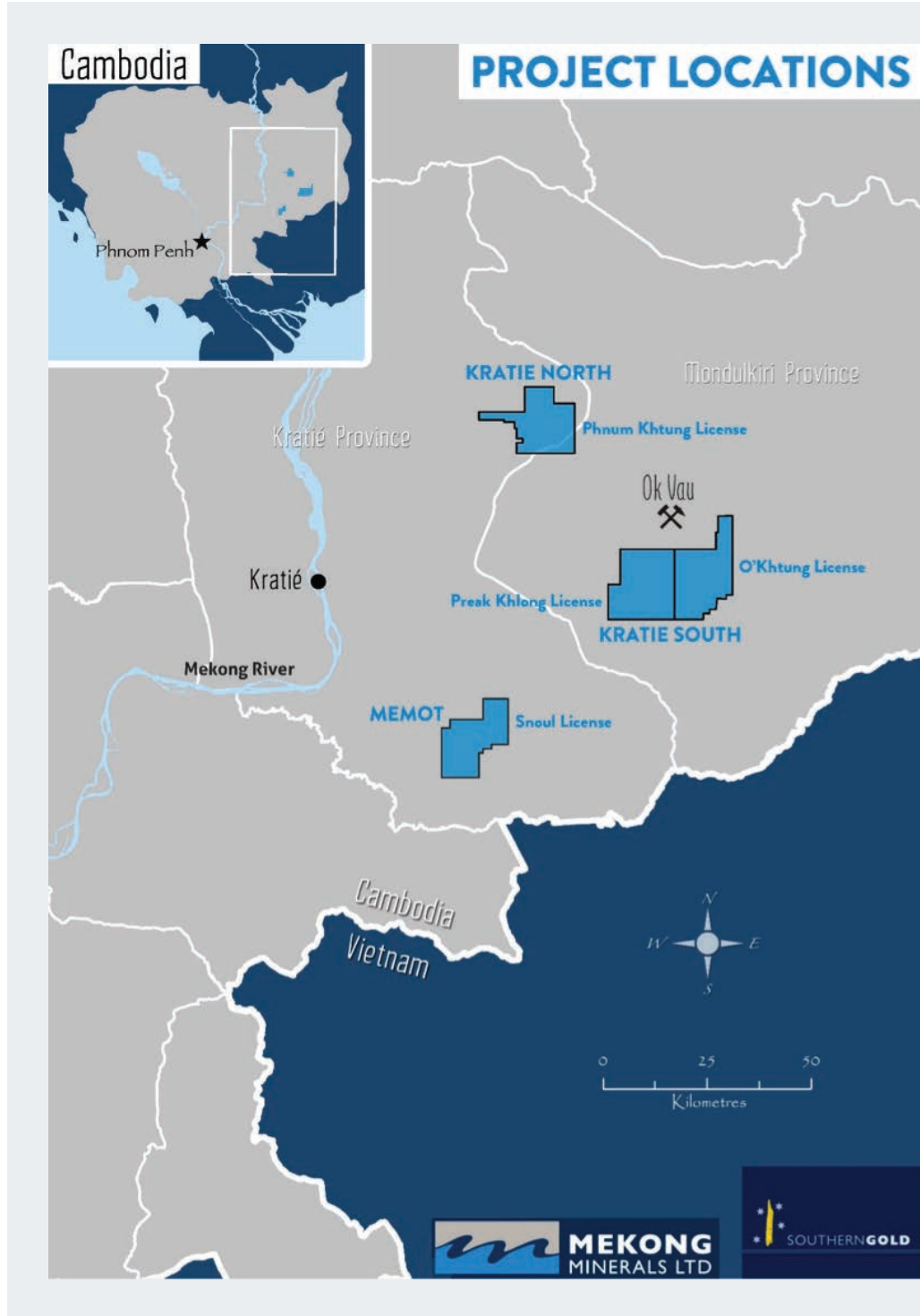
Photo 4: First stage excavation at the Cannon Gold Mine with 120 tonne Komatsu PC1250 Excavator loading a Caterpillar 777F 100 tonne truck.

MANAGING DIRECTOR'S OPERATIONS REPORT

TENEMENT MAP AND TENEMENT TABLE



MANAGING DIRECTOR'S OPERATIONS REPORT



Left bottom – Figure 5: Map of Southern Gold Tenements in Western Australia – Cowarna Project.
 Left top – Figure 4: Map of Southern Gold Tenements in Western Australia – Bulong Project.
 Right – Figure 6: Map of Re-Applied Tenement Locations in the Kingdom of Cambodia.

MANAGING DIRECTOR'S OPERATIONS REPORT

TENEMENT SCHEDULE – WESTERN AUSTRALIA

PROJECT	TENEMENT NUMBER	AREA	REGISTERED HOLDER	SOUTHERN GOLD EQUITY
Bulong Project				
Bulong South	L25/43	148 ha	Southern Gold Limited	100%
Bulong South	L25/50	16 ha	Southern Gold Limited	100%
Bulong South	L25/51	13 ha	Southern Gold Limited	100%
Bulong South	E25/349	922 ha	Southern Gold Limited	100%
Bulong South	E25/405	1108 ha	Inferus Resources Limited	100%
Bulong South	M25/182	429 ha	Inferus Resources Limited	100%
Bulong South	M25/333	400 ha	Southern Gold Limited	100%
Bulong South	P25/1896	49 ha	Southern Gold Limited	100%
Bulong South	P25/2143	54 ha	Southern Gold Limited	100%
Clinker Hill	P25/2131	93 ha	Southern Gold Limited	100%
Clinker Hill	P25/2134	122 ha	Southern Gold Limited	100%
Clinker Hill	P25/2135	121 ha	Southern Gold Limited	100%
Clinker Hill	P25/2137	121 ha	Southern Gold Limited	100%
Clinker Hill	P25/2142	166 ha	Southern Gold Limited	100%
Heron Railway JV	E25/250	1418 ha	Heron Resources Ltd	80%
Heron Railway JV	E25/361	233 ha	Heron Resources Ltd	80%
Heron KNP JV	M25/59	84 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/134	815 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/145	172 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/161	640 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/162	366 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/171	101 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/207	182 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/209	960 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/210	958 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/220	121 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	M25/234	606 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	P25/2062	120 ha	Heron Resources Ltd	80%
Heron KNP JV	P25/2251	1.5 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	P25/2252	73 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	P25/2253	169 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	P25/2254	121 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	P25/2255	121 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	P25/2256	116 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	P25/2257	88 ha	Hampton Nickel Pty Ltd	80%
Heron KNP JV	P25/2258	122 ha	Hampton Nickel Pty Ltd	80%

MANAGING DIRECTOR'S OPERATIONS REPORT

TENEMENT SCHEDULE – WESTERN AUSTRALIA cont.

PROJECT	TENEMENT NUMBER	AREA	REGISTERED HOLDER	SOUTHERN GOLD EQUITY
Cowarna Project				
Cowarna	E25/474	7065 ha	Southern Gold Limited	100%
Cowarna	E25/497	6580 ha	Southern Gold Limited	100%
Cowarna	E25/502	289 ha	Southern Gold Limited	100%
Cowarna	E25/503	294 ha	Southern Gold Limited	100%

TENEMENT SCHEDULE - CAMBODIA

PROJECT	AREA	REGISTERED HOLDER	SOUTHERN GOLD EQUITY
Kratie South			
Preak Khlong	271.5 km ²	Southern Gold (Cambodia) Ltd/JOGMEC JV	52.91%
O'Khtung	274 km ²	Southern Gold (Cambodia) Ltd/JOGMEC JV	52.91%
Kratie North			
Phnum Khtong	234 km ²	Southern Gold (Cambodia) Ltd	100%
Memot			
Snoul	198 km ²	Southern Gold (Cambodia) Ltd	100%

JORC RESOURCE STATEMENT

Deposit & Weathering Type	Measured			Indicated			Inferred		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces
Cannon (0.7 g/t Au Cut-off)									
Oxide	16,220	3.42	1,783	423	1.92	26	-	-	-
Transitional	90,687	2.98	8,689	73,473	2.41	5693	12,382	1.71	681
Fresh	2,331	4.31	323	570,073	4.06	74413	67,977	2.27	4961
Total:	109,238	3.07	10,795	643,969	3.87	80,132	80,359	2.18	5,642
Pinner (1.0 g/t Au Cut-off)									
Oxide	-	-	-	-	-	-	600	3	200
Transitional	-	-	-	-	-	-	76,400	2.2	5,400
Fresh	-	-	-	-	-	-	94,900	2	6,100
Total:	-	-	-	-	-	-	171,900	2.1	11,700
Total Resources:	109,238	3.07	10,795	643,969	3.87	80,132	252,259	2.13	17,342

MANAGING DIRECTOR'S OPERATIONS REPORT

FORWARD LOOKING STATEMENTS

Some statements in this annual report 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, 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.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results has been compiled under the supervision of Mr Ian Blucher (MAusIMM). Mr Blucher, who is an employee of Southern Gold Limited and a Member of the Australian 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 Blucher consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Cannon Mineral Resources is based on information compiled by Mr Ian Blucher (MAusIMM). Mr Blucher is an employee of Southern Gold Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC, 2012). Mr Blucher consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Mr Aaron Green. Mr Green who is a full time employees of Runge Limited and a Member of the of the Australian Institute of Geoscientists, 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 2004 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Mr Green consented to the inclusion in the ASX announcement (dated 29 January 2013) of the matters based on his information in the form and context in which it appeared. The company confirms that it is not aware of any new information or data that materially affects the information included in this announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the January 2013 announcement continue to apply and have not materially changed.

DIRECTOR'S 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 2015.

Principal Activities

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

Financial Results

The net result of operations for the group for the year was a loss after income tax of \$7,485,386 (2014: loss of \$1,508,947).

As global and domestic financial markets remains volatile, Southern Gold is focused on minimising overheads and reducing discretionary expenditure. The company implemented a number of initiatives during the year designed to reduce cash outgoings and ensure that expenditure remains focused on the development of the Cannon Gold deposit and near resource exploration targets.

Dividends

No dividends were paid or declared since the start of the financial year, and the directors do not recommend the payment of dividends in respect of the financial year.

REVIEW OF OPERATIONS

Cannon Gold Resource – Mine Development

The commencement of pre-mining activities prior to the end of the financial year at the Company's Cannon Gold Resource (located 30km from Kalgoorlie within the Bulong Project, WA) positions Southern Gold Limited ("Southern Gold" or the "Company") to make the successful transition from a gold-focused exploration company to that of a gold producer with excellent prospects of continued growth through exploration.

The Company successfully achieved its key objectives during the 2015 financial year through the finalisation of key permitting objectives and the implementation of site activities for commencing Stage 1 of the open pit at Cannon under a financing, mining and processing agreement with Metals X Ltd (ASX: MLX – "Metals X").

Subsequent to commencement of site works, Metals X acquired the adjacent Georges Reward deposit which has the potential to lead to a much larger open pit being developed than envisaged by the current Stage 1 development.

The key physicals and economic framework of the Stage 1 pit are shown in Tables 1 and 2.

Table 1: Cannon Stage 1 Open Pit Physicals

Stage 1 Open Pit Physicals	
Ore, t	152,352
Grade, g/t Au	3.1
Contained Gold, Oz au	15,209
Metallurgical Recovery (1)	89%
Recovered Gold, Oz au	13,495

Note (1): Recovery figure is tonnes weighted average recovery for oxide, transitional and fresh ore.

Table 2: Cannon Stage 1 Open Pit Cost Structure

Stage 1 Open Pit Cost Structure	A\$m	A\$/Oz
Mining	\$6.78m	\$502
Grade Control	\$0.56m	\$42
Ore Transport	\$1.25m	\$93
Milling	\$4.42m	\$327
Rehabilitation	\$0.21m	\$16
Site Overheads	\$0.99m	\$73
Total C1 Op Cost		\$1053
Royalties	\$0.41m	\$31
Sustaining Capital	n/a	n/a
All in sustaining cost (AISC)		\$1084
Capital Costs	\$0.89m	\$66
Total Cost per recovered Au ounce		\$1150

With this cost structure the project has a ~\$400/oz operating margin (assuming \$1500/oz gold price) or ~\$350/oz on a total cost basis.

DIRECTOR'S REPORT

REVIEW OF OPERATIONS cont.

Cannon Gold Resource – Permitting Progress

The documentation required for gaining environmental approvals and operating permits to enable the commencement of mining of Cannon based on the original Pre-feasibility Study model was finalised during the year. Key approvals obtained included:

- The Mining Proposal following the completion of vegetation surveying requirements, and
- The granting of a Miscellaneous Licences to enable the construction of an access and haul road to connect the Cannon deposit to the regional road system.

Following the implementation of the Metals X Mine Finance and Profit Share Agreement, the Mining Proposal was updated to reflect optimisation work arising out of detailed implementation budgeting and scheduling studies.

Post the end of the financial year, mining of the first ore from surface commenced in August. It is anticipated that the key milestones to crystallise cash flow from Cannon include ore haulage in October and processing by the end of the year (Table 3). Cash flow is expected shortly thereafter and net cash to Southern Gold (as a 50% of profit share) scheduled for the second quarter of 2016.

Site activities undertaken in preparation to the commencement of mining have included:

- The completion of two programmes of grade control drilling and the subsequent revision of the Cannon resource (Table 4);
- Execution of an access and compensation agreement to manage the impact of mining on the Hampton Hill pastoral lease;
- The engagement of mining, blasting and haulage contractors, with mobilisation to site to begin preliminary works;
- The commencement of construction of light and heavy vehicle access, and
- The completion of preliminary water bore field works with three holes completed as part of dust suppression water supply requirements.

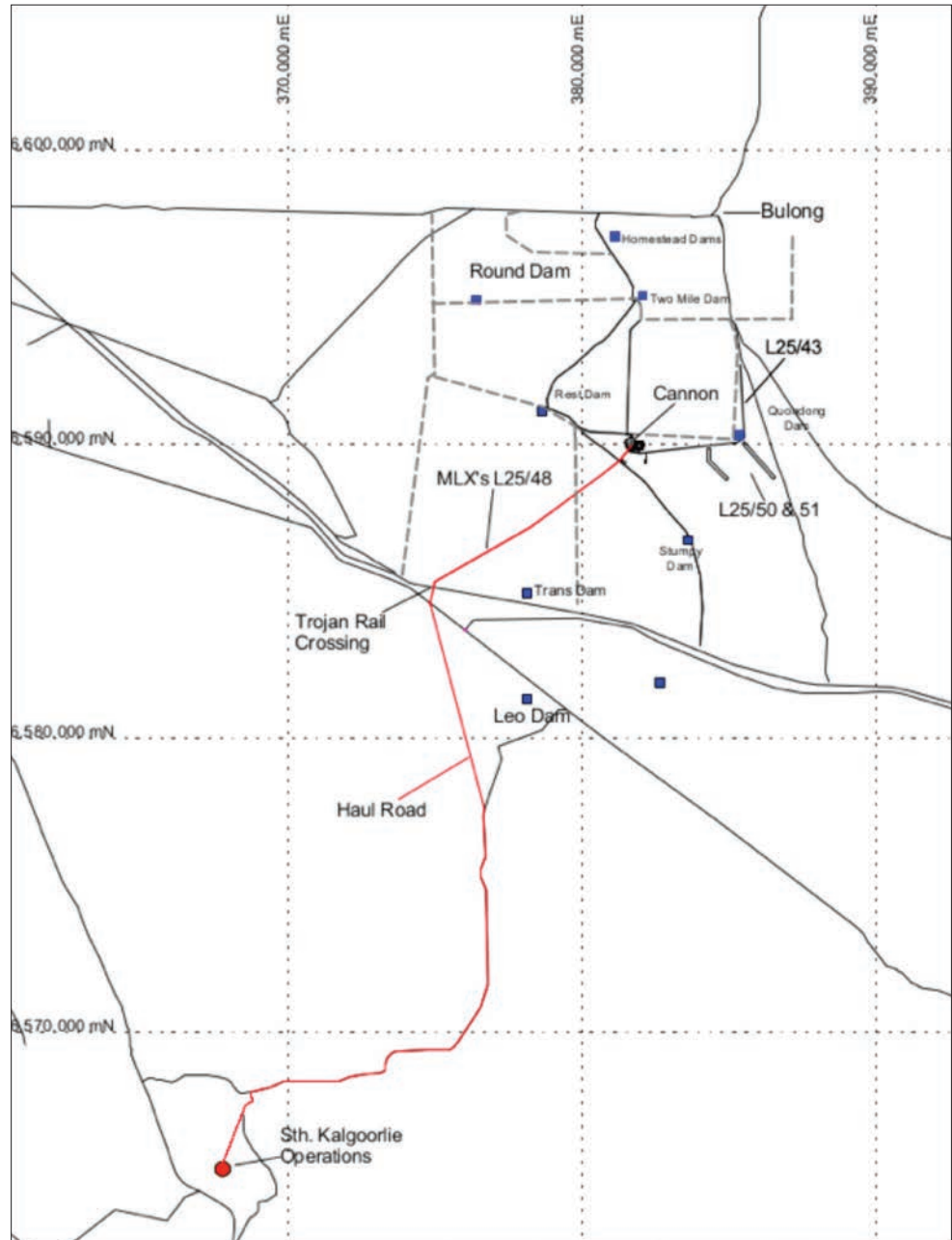
The preferred haul route along miscellaneous license L25/48 is progressing (Figure 2), with construction to commence once a Native Vegetation Clearing Permit is granted, which is anticipated in October when the haulage of stockpiled ore will commence.

Table 3: Updated Schedule on the Development of Stage 1 Open Pit

ACTIVITY	FINALISED	JUL	AUG	SEP	OCT	NOV	DEC
Project Funding	✓						
Permitting							
- Project Management Plan	✓						
- Miscellaneous Licence (L25/38)	✓						
- Mining Proposal	✓						
- Environmental Management Plan	✓						
- Closure Plan	✓						
- Vegetation Clearing Permit (L25/43)	✓						
- Miscellaneous Licence (L25/48)	✓						
- Vegetation Clearing Permit (L25/48)							
Pre-Development							
- Grade Control Drilling	✓						
- Sterilisation Drilling	✓						
- PFS and Mine Design optimised	✓						
- Mining Proposal Variation	✓						
- Project Management Plan Variation	✓						
- Haul Road construction							
- Railway crossing construction	✓						
- Pre-strip commence	✓						
Operations							
- Site Construction Activities	✓						
- Mining Commences	✓						
- Haulage Commences							
- Processing and cashflow commences							

DIRECTOR'S REPORT

Figure 1: Cannon Access Route to Metals X South Kalgoorlie Operations (Haul Road on L25/48)



DIRECTOR'S REPORT

REVIEW OF OPERATIONS cont.

Cannon Gold Resource – Resource Revision

Based on the information provided by the closer spaced drilling of the first grade control drilling programme, the Cannon Gold Resource has been revised (ASX Announcement 11 June 2015). While the drilling confirmed the broad geological interpretation, some local scale variations were evident and a more detailed definition of the gold bearing lodes is now possible. The new resource is based on a global 0.7g/t cut-off and now includes a significant proportion of Measured Resources (Tables 4 & 5). The second round of grade control drilling indicated that there was no change in this outcome.

Table 4: Cannon Mineral Resource Estimate, Measured, Indicated and Inferred (0.7g/t Au Cut-off)

Deposit & Weathering Type	Measured			Indicated			Inferred		
	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces	Tonnes t	Au g/t	Au Ounces
Oxide	16,220	3.42	1,783	423	1.92	26	-	-	-
Transitional	90,687	2.98	8,689	73,473	2.41	5,693	13,124	1.65	696
Fresh	2,331	4.31	323	570,073	4.06	74,413	79,929	2.11	5,422
Total:	109,238	3.07	10,795	643,969	3.87	80,132	93,053	2.05	6,118

Table 5: Cannon Mineral Resource Estimate, Total All Categories (0.7g/t Au Cut-off)

Category	Total Resource			
	Tonnes t	Au g/t	Au Ounces	% Au Ounces
Measured	109,238	3.07	10,795	11%
Indicated	643,969	3.87	80,132	83%
Total M&I	753,207	3.75	90,927	94%
Inferred	93,053	2.05	6,118	6%
Total All Categories	846,260	3.57	97,045	

DIRECTOR'S REPORT

REVIEW OF OPERATIONS cont.

Confidence in the resource has been enhanced with 11% of the global resource now in the JORC Measured category while total JORC Measured and Indicated Resources now comprises 94% of the global resource figure.

The distribution of the Measured Resource mirrors the zone of grade control drilling that tested the first 25m of the Stage 1 open pit.

Cannon Gold Resource – Project Value Enhancement Opportunities – Potential “Big Pit” Scenario

Subsequent to the end of the financial year, Metals X announced the acquisition of the Georges Reward deposit on exploration tenement E25/268 adjacent to Southern Gold’s Cannon project on mining lease M25/333 (Figure 3).

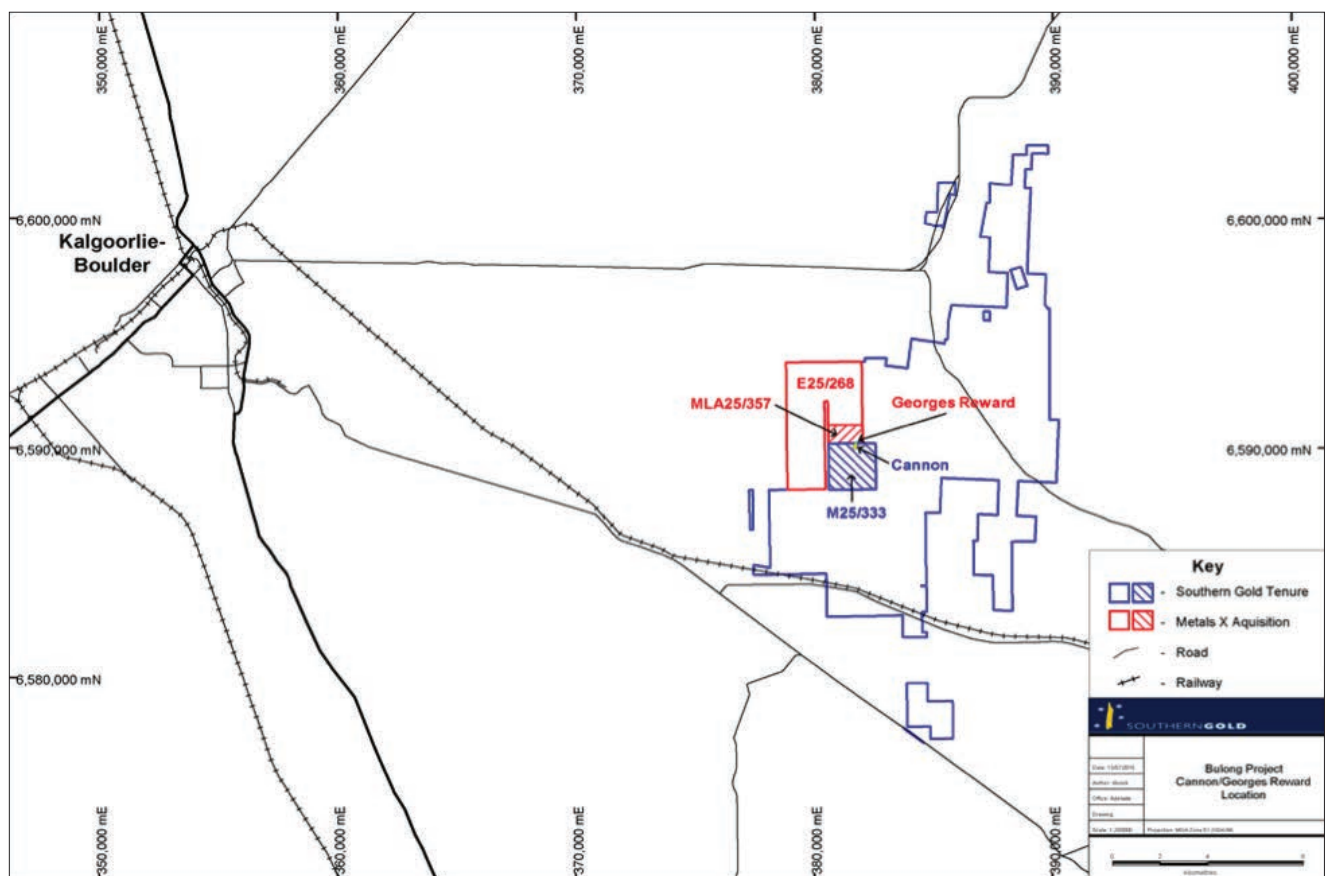


Figure 3: Location of Southern Gold's Cannon Gold Mine and the Georges Reward deposit

DIRECTOR'S REPORT

REVIEW OF OPERATIONS cont.

The significance of this acquisition by Metals X is that there is now the potential to evaluate the development of a much larger open pit scenario that would see both Cannon and Georges Reward deposits exploited in a single pit using common infrastructure and enable optimisation models to capture much more ore previously constrained by the presence of the mutual tenement boundary.

The Stage 1 open pit design currently being implemented retains a 50m buffer to the tenement boundary which constrains the depth of the pit to 375mRL or around 75m vertical in the case of the Cannon deposit. Preliminary analysis by Southern Gold estimates that a new larger pit optimisation may approach 225mRL (or 125m deep pit) and include the high grade ore zone centered on 250mRL.

Final design and commercial arrangements around the big pit scenario were in process post the end of the financial year and it is anticipated that additional drilling may be required to upgrade the resource at Georges Reward to JORC Indicated and/or Measured status as well as additional geotechnical and metallurgical information for mine planning and scheduling purposes.

In addition to the potential value enhancement likely through the "Big Pit" scenario, it is noted that inferred resource material within the pit design has not been included in the mining inventory. It is anticipated that with ongoing grade control drilling some of these ounces will be converted to Indicated category and included in the production material.

There are a number of value enhancement opportunities which may be achieved, as the resource remains open to the west. Exploration from underground development will be an integral part of the operation to test extensions to the west and south of the current defined resource.

Cannon Gold Resource – Exploration

During the reporting period Southern Gold maintained reduced exploration expenditure in the field to focus on the development of the Cannon Gold deposit.

Southern Gold maintains its commitment to integrated exploration, through focusing on activities that could deliver positive outcomes in the short term and build a foundation for longer term growth.

The company is continuing with a measured approach to its exploration programmes by evaluating Tier 1 targets have potential to yield additional resources and/or significant drill intersections and in particular either near surface mineralisation or near resource mineralisation.

As part of this approach, the Tier 1 Target at Railway South was successfully tested with a six hole programme for 582 meters resulting in a best intersection of 1m @ 12.3g/t Au at 29-30m downhole in hole BSRC236 (ASX announcement 31 July 2015). This is a significant result as it validates both the multi-element carbonate-in-soil sampling method used to generate the anomaly being tested and the extensive post analytical processing employed to place the results obtained into their relative position within the regolith.

This successful outcome leads the Company to believe that drill testing of similar multi-element anomalies within the Bulong Project tenement package has the potential to yield further exploration success.

The Company's key focus remains the commencement of mining activities at Cannon with the view to generating cash flow in 2015 thus enabling Southern to extend its exploration programmes from Tier 1 targets through to Tier 3 targets. This work will aim to add to the current resource inventory and extending Southern Gold's pathway for future growth.

DIRECTOR'S REPORT

CORPORATE

Finance

Southern Gold completed two financings during the financial year:

A share purchase plan completed on 25 November 2014 raised \$330,000 with the issuance of 36,666,644 shares at \$0.009 per share with a 1 for 2 attached \$0.015 call option expiring on 30 November 2015. Therefore, 18,333,322 options were issued and if exercised would raise an additional \$275,000.

An oversubscribed \$1.05 million private placement was announced on the 18 March 2015 with the issuance of 105,000,000 shares at \$0.01 per share. Approximately half of the sum was placed directly with sophisticated investors and the other half placed via brokers.

In addition to the above, Southern Gold received a Research and Development tax refund of \$359,339 in regard to progress on 4 research projects (See ASX release 11 May 2015 for details).

Southern Gold's Cambodian Interest sold to Mekong Minerals

As part of Southern Gold's focus on the development of Cannon and realisation of cashflow, the company's interest in the Cambodian exploration venture was restructured. This entailed the sale of wholly owned subsidiary Southern Gold Asia Pty Ltd ("SG Asia") to an unlisted private company, Mekong Minerals Pty Ltd ("Mekong Minerals"). Southern Gold Asia Pty Ltd held the Cambodian interests in a subsidiary called Mekong Minerals (Cambodia) Ltd and Mekong Minerals has now full responsibility for managing the corporate and exploration affairs of SG Asia going forward.

As consideration for the sale of 100% of SG Asia, Southern Gold retains:

A 15% free carried interest in unincorporated Joint venture with SG Asia based on the tenements that are re-granted by the Cambodian authorities until the completion of a positive definitive feasibility study; and

A 2% gross sales royalty on all products sold from the tenements until US\$11 million is paid and then the gross sales royalty reverts to 1%.

In addition, Mekong Minerals have undertaken to have expenditure of \$500,000 on each re-granted project area within the first 2 years.

Competent Person's Statements

The information in this report that relates to Exploration Results has been compiled under the supervision of Mr. Ian Blucher (MAusIMM). Mr Blucher, who is a full time employee of Southern Gold Limited and a Member of the Australian 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 Blucher consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Cannon Mineral Resources is based on information compiled by Mr Ian Blucher (MAusIMM). Mr Blucher is a full time employee of Southern Gold Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC, 2012). Mr Blucher 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, 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.

DIRECTOR'S REPORT

CORPORATE cont.

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 financial statements or notes thereto.

Events Subsequent to Balance Date

There has not arisen in the interval any matters or circumstances, since the end of the financial year which significantly affected or could affect the operations of the Company, the results of those operations, or the state of the Company in future years.

Likely Developments

The Company continues to be focussed on the development and mining of the Cannon Resource along with further exploration of Tier 1 targets.

Environmental Regulation and Performance Statement

The Company's operations are subject to significant environmental regulations under Commonwealth and Western Australian legislation in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Company on any of its tenements. The Company oversees that the Manager (Mekong Minerals Ltd) is also in compliance with all Cambodian environmental regulations. To date only exploration activities have been conducted and there have been no known breaches of any environmental obligations.

Options

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

Grant Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Number under Option
15.4.2013	15.10.2017	0.010	0.060	1,930,000
27.11.2014	30.11.2019	0.007	0.025	6,000,000
03.12.2014	30.11.2015	0.000	0.015	18,333,312
01.02.2015 ¹	01.02.2020	0.007	0.025	5,000,000
				31,263,312

¹ Subject to shareholder approval.

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

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

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

During the year ended 30 June 2015, no ordinary shares of Southern Gold Limited were issued on the exercise of options granted.

DIRECTOR'S 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

B.A (Accounting), FCA, FCPA, FAICD (Non-Executive Chairman)
(Member of Audit Committee)

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 Institute of Chartered Accountants, CPA Australia and the Australian Institute of Company Directors.

Mr Boulton is currently Chairman of Paragon Equity Limited, an Adelaide based private equity firm. He is also on the board of the Statewide Superannuation Trust.

Mr Boulton currently has 10,902,516 shares and 3,666,666 options in Southern Gold Limited.

Simon Mitchell

BSc (Hons) Geol, MAusIMM, GAICD, MSEG (Managing Director)

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

Mr. Mitchell is a geologist and corporate executive with 23 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.

More recently Mr. Mitchell has been Managing Director of Asiatic Gold Ltd, an unlisted public company with gold exploration projects in South Korea. Additionally, 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.

Michael Billing

B Bus, CPA, MAICD (Non-Executive Director) (Member of Audit Committee)

Mr Billing is an accountant with in excess of 35 years of mining industry experience in company secretarial, senior commercial, and chief financial officer roles including lengthy periods with Bougainville Copper Ltd and WMC Resources Ltd. He has worked extensively with junior resource companies since the late 1990's. Mr Billing is also Executive Chairman of ASX and AIM listed Thor Mining PLC.

Mr Billing currently has 6,078,388 shares and 2,833,333 options in Southern Gold Limited.

David Turvey

B Sc(Hons) Geol, MAusIMM (Non-Executive Director)

Mr Turvey is a geologist with over 30 years' experience in the Australian and Asian mining industries where he has driven business development and corporate M&A activities in precious metals, bulk commodities and industrial minerals. His experiences include holding key management roles and consulting assignments in minerals exploration, technical marketing, project development and commercial evaluation of mineral asset investments.

Mr Turvey was formerly a Non-Executive Director of ASX listed Lawson Gold Limited until July 2013, and was previously Managing Director of FerrAus Limited from December 2005 to June 2009.

Mr Turvey currently has 4,025,491 shares and 2,833,333 options in Southern Gold Limited.

Nanette Anderson

B Sc(Hons) Geol , MAusIMM (Managing Director)

Ms Andersen resigned as Managing Director, effective 31 January 2015.

Ms Anderson has worked in the resource sector for 18 years, with a background in geology, exploring and developing projects throughout Australia and South East Asia.

Ms Anderson's experience extends from equity raisings through to project sales, acquisitions and joint ventures. She was previously Managing Director of Jaguar Minerals Ltd before joining Southern Gold. She is a member of the Australian Institute of Company Directors and the Australian Institute of Mining and Metallurgy.

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 (Company Secretary)

Mr Hill has over 15 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 is a Non-Executive Director of AEM Cores Pty Ltd and Cavitus Solutions Pty Ltd.

Mr Hill currently has 774,893 shares in Southern Gold Limited.

DIRECTOR'S REPORT

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 as follows:

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 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.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

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 benefits, 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 performance incentive of \$21,000 for the period to 30 June 2015 and a maximum of \$50,000 for each year thereafter. The Managing Director's salary package increases from \$220,000 to \$230,000 upon the first gold pour from the production at the Cannon project.

The Group has one Executive Director, and three Non-executive Directors. The Managing Director is 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 – salary/fees;
- Post Employment Benefits – superannuation

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 above and in Note 5 of the Financial Report.

Options granted as remuneration

Options were granted as remuneration to Directors in December 2014. Options granted to Directors & Key Management Personnel during the year are disclosed in section (c).

All options granted have vested and no options were exercised in the financial year.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) cont.

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 (appointed 1 February 2015)
M R Billing	Director – Non-Executive
D J Turvey	Director – Non-Executive
N M Anderson	Managing Director – Executive (resigned 31 January 2015)
Key Management Personnel	Position
D L Hill	Company Secretary
I D Blucher	Project Development Manager

Remuneration of Directors and Key Management Personnel cont.

(b) Directors' remuneration

2015 Primary Benefits	Short Term Benefits			Share Based Payments \$	Post Employment	Total \$	Percentage of Remuneration as shares %
	Directors' Fees \$	Salary and Leave \$	Cash Bonus \$		Super Contribution \$		
G C Boulton AM	40,000	-	-	14,572	-	54,572	26.70%
S Mitchell ²	-	91,667	-	36,431	8,708	136,806	26.60%
M R Billing	18,261	-	-	14,572	1,739	34,572	42.15%
D J Turvey	18,261	-	-	14,572	1,739	34,572	42.15%
N M Anderson ¹	-	166,638	-	-	12,523	179,161	0.00%
	76,522	258,305	-	80,147	24,709	439,683	18.23%

1 Ms Anderson resigned 31 January 2015. Ms Anderson provided consulting service to the Group through to 31 May 2015. Ms Anderson was not directly engaged by the Company during this four month period. Total fees paid during this four month period were \$15,000 and are not included in the above remuneration table.

2 Mr Mitchell was appointed Managing Director on 1 February 2015. Upon his appointment, Mr Mitchell was granted 5,000,000 unlisted options. These options remain subject to shareholder approval.

2014 Primary Benefits	Short Term Benefits			Share Based Payments \$	Post Employment	Total \$	Percentage of Remuneration as shares %
	Directors' Fees \$	Salary and Leave \$	Cash Bonus \$		Super Contribution \$		
G C Boulton AM	52,000	-	-	8,000	-	60,000	13.33%
N M Anderson	-	242,531	-	9,318	20,753	272,602	3.42%
M R Billing	23,460	-	-	4,000	2,540	30,000	13.33%
D J Turvey	23,460	-	-	4,000	2,540	30,000	13.33%
	98,920	242,531	-	25,318	25,833	392,602	6.45%

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) cont.

Remuneration of Directors and Key Management Personnel cont.

(c) Other Key Management Personnel Remuneration

2015 Primary Benefits	Salary and Leave \$	Cash Bonus \$	Super Contribution \$	Share Based Payments \$	Total \$
D L Hill ¹	-	-	-	-	-
I D Blucher	126,022	-	10,325	-	136,347
P O'Sullivan ²	-	-	-	-	-
	126,022	-	10,325	-	136,347

2014 Primary Benefits	Salary and Leave \$	Cash Bonus \$	Super Contribution \$	Share Based Payments \$	Total \$
D L Hill ¹	-	-	-	-	-
I D Blucher	179,418	-	18,390	-	197,808
P O'Sullivan ²	133,185	-	12,319	-	145,504
	312,603	-	30,709	-	343,312

¹ Mr Hill was appointed Company Secretary on 30 May 2013. 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 Limited. Mr Hill was paid \$55,315 during the 2015 year (2014: \$74,226 inclusive of \$2,608 in share based payments).

² Mr O'Sullivan resigned on 13 June 2014.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) cont.

Remuneration of Directors and Key Management Personnel cont.

(d) 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 June 2015	Balance at beginning of year	Acquired on market	Issued on exercise of options during year	Other changes during the year ¹	Balance at end of year
G C Boulton AM	3,569,184	4,000,000	-	3,333,332	10,902,516
S Mitchell	-	-	-	-	-
M R Billing	4,411,722	-	-	1,666,666	6,078,388
D J Turvey	2,358,825	-	-	1,666,666	4,025,491
D L Hill	774,893	-	-	-	774,893
N M Anderson	9,070,459	-	-	1,666,666	10,737,125
I D Blucher	328,572	-	-	-	328,572
	20,513,655	4,000,000	-	8,333,330	32,846,985

¹ Purchases of shares and options on market are through take up of securities by Directors under the Share Purchase Plan with free attaching options (ASX announcement 28 October 2014). The Share Purchase Plan included one free listed option for each 2 shares.

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

30 June 2015	Balance at beginning of year	Granted as remuneration during the year	Expired during the year	Other changes during the year ¹	Balance at end of year	Vested during the year	Vested and exercisable
G C Boulton AM	-	2,000,000	-	1,666,666	3,666,666	3,666,666	3,666,666
S Mitchell ²	-	5,000,000	-	-	5,000,000	-	-
M R Billing	-	2,000,000	-	833,333	2,833,333	2,833,333	2,833,333
D J Turvey	-	2,000,000	-	833,333	2,833,333	2,833,333	2,833,333
D L Hill	-	-	-	-	-	-	-
N M Anderson	1,000,000	-	1,000,000	833,333	833,333	833,333	833,333
I D Blucher	500,000	-	-	-	500,000	-	500,000
	1,500,000	11,000,000	1,000,000	4,166,665	15,666,665	10,166,665	10,666,665

¹ Purchases of shares and options on market are through take up of securities by Directors under the Share Purchase Plan with free attaching options (ASX announcement 28 October 2014). The Share Purchase Plan included one free listed option for each 2 shares

² Subject to shareholder approval.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) cont.

Remuneration of Directors and Key Management Personnel cont.

(e) 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.
- Remuneration of \$220,000 per annum plus superannuation guarantee contributions, subject to annual salary review increases for the term of the service agreement. This base salary increases to \$230,000 per annum after the first gold pour from production at the Cannon project.
- Subject to shareholder approval, the issuance of 5,000,000 unlisted options consistent with the unlisted options issued to Directors on 22 December 2014 (a five year term and an exercise price of 2.5 cents).
- Termination without notice in the event that Mr Mitchell
 - is guilty of serious or wilful misconduct
 - 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.

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 Billing on 24 April 2005 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.

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.

(f) Post employment/retirement and termination benefits

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

(g) Voting at 2014 AGM

Southern Gold Limited received more than 99% of 'yes' votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM on its remuneration report.

End of Remuneration Report.

DIRECTOR'S REPORT

MEETINGS OF DIRECTORS

The Company held 15 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 Board Meetings Eligible to Attend	Number of Board Meetings Attended	Number of Board Meetings Eligible to Attend	Number of Board Meetings Attended
G C Boulton AM	13	13	2	2
S Mitchell	5	5	1	1
M R Billing	13	13	2	1
D J Turvey	13	13	-	-
N M Anderson	8	8	1	1

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 for the following reasons.

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.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2015.

DIRECTOR'S REPORT

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.

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 for the year ended 30 June 2015 is set out immediately following the end of the Directors' report.

Dated at Adelaide, this 11th day of September 2015.

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

AUDITOR'S INDEPENDENCE DECLARATION



Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 2015, 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.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink that reads "I S Kemp".

I S Kemp
Partner – Audit & Assurance

Adelaide, 11 September 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated	
	Note	2015 \$	2014 \$
Continuing Operations			
Revenue from ordinary activities	2(a)	19,101	32,212
Other income	2(a)	-	206,190
Exploration expenditure written off		(181,266)	(594,523)
Exploration expenses		(2,306)	(33,849)
Salaries and wages		(106,347)	(181,497)
Directors fees		(80,000)	(104,000)
Interest expense		(33,510)	-
Shareholder relations		(53,600)	(71,321)
Other consulting expenses		(173,530)	(152,788)
Other administrative expenses	2(b)	(205,050)	(305,392)
Depreciation		(27,510)	(29,292)
Share based payments		(80,148)	(46,135)
Loss before income tax		(924,166)	(1,280,395)
Income tax benefit attributable to loss from ordinary activities	4	441,126	276,507
Loss from continuing operations		(483,040)	(1,003,888)
Discontinued Operations			
Loss from discontinued operations	3	(7,002,346)	(505,059)
Net loss for the year		(7,485,386)	(1,508,947)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation and disposal of foreign controlled entity, net		147,742	(75,911)
Available for sale assets, net of tax		-	207,000
Total comprehensive income		(7,337,644)	(1,377,858)
Earnings Per Share			
From continuing & discontinued operations			
Basic (cents per share) – Loss	24	(1.72)	(0.40)
Diluted (cents per share) – Loss	24	(1.72)	(0.40)
From continuing operations			
Basic (cents per share) – Loss	24	(0.11)	(0.27)
Diluted (cents per share) – Loss	24	(0.11)	(0.27)
From discontinued operations			
Basic (cents per share) – Loss	24	(1.61)	(0.13)
Diluted (cents per share) – Loss	24	(1.61)	(0.13)

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 2015

		Consolidated	
	Note	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	6	857,178	475,466
Trade and other receivables	7	63,006	16,913
Deferred tax asset	4	81,787	-
Other assets	8	32,093	21,701
TOTAL CURRENT ASSETS		1,034,064	514,080
NON-CURRENT ASSETS			
Other assets	8	-	74,318
Exploration and evaluation expenditure	9	6,937,031	17,100,387
Mine development assets	10	2,732,231	-
Plant and equipment	11	31,143	59,576
TOTAL NON-CURRENT ASSETS		9,700,405	17,234,281
TOTAL ASSETS		10,734,469	17,748,361
CURRENT LIABILITIES			
Trade and other payables	12	181,848	434,938
Provision for employee benefits	13	3,370	65,023
Loan from Metals X	15	533,510	-
TOTAL CURRENT LIABILITIES		718,728	499,961
NON-CURRENT LIABILITIES			
Provision for employee benefits	13	-	21,027
Loan from Mekong Minerals	14	-	1,255,380
TOTAL NON-CURRENT LIABILITIES		-	1,276,407
TOTAL LIABILITIES		718,728	1,776,368
NET ASSETS		10,015,741	15,971,993
EQUITY			
Issued capital	16	35,379,551	34,078,307
Reserves	28	1,999,541	1,771,652
Retained losses		(27,363,351)	(19,877,966)
TOTAL EQUITY		10,015,741	15,971,993

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 2015

	Issued Capital \$	Retained Losses \$	Share- Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Financial Assets Reserve \$	Total \$
Balance at 1 July 2013	33,507,897	(18,369,018)	1,919,393	(71,831)	(207,000)	16,779,441
Profit or loss	-	(1,508,947)	-	-	-	(1,508,947)
Other comprehensive income	-	-	-	(75,911)	207,000	131,089
Total comprehensive income	-	(1,508,947)	-	(75,911)	207,000	(1,377,858)
Issue of share capital	570,410	-	-	-	-	570,410
Total transactions with owners	570,410	-	-	-	-	570,410
Balance at 30 June 2014	34,078,307	(19,877,965)	1,919,393	(147,742)	-	15,971,993
Profit or loss	-	(7,485,386)	-	-	-	(7,485,386)
Other comprehensive income	-	-	-	147,742	-	147,742
Total comprehensive income	-	(7,485,386)	-	147,742	-	(7,337,644)
Issue of share capital	1,301,244	-	-	-	-	1,301,244
Fair value of options issued to directors	-	-	80,148	-	-	80,148
Total transactions with owners	1,301,244	-	80,148	-	-	1,381,392
Balance at 30 June 2015	35,379,551	(27,363,351)	1,999,541	-	-	10,015,741

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 2015

		Consolidated	
	Note	2015 \$	2014 \$
Cash flows relating to operating activities			
Interest received		11,861	16,394
Other income		9,461	50,745
R&D tax offset received		359,339	276,507
Payments to suppliers and employees		(790,315)	(1,054,067)
Net operating cash outflows used in continuing operations		(409,654)	(710,421)
Net operating cash outflows used in discontinued operations		(191,298)	(400,509)
Net operating cash outflows (Note (a))		(600,952)	(1,110,930)
Cash flows relating to investing activities			
Payments for mining tenements, exploration and evaluation expenditure		(737,473)	(1,079,102)
Payments for mine development assets		(283,355)	-
Proceeds from sale of financial assets		-	887,626
Payments for plant and equipment		(4,805)	-
Net investing cash outflows used in continuing operations		(1,025,633)	(191,476)
Net investing cash inflows from discontinued operations		199,230	401,636
Net investing cash outflows		(826,403)	210,160
Cash flows relating to financing activities			
Proceeds from share issues		1,380,270	352,784
Payments for share issue costs		(79,026)	(29,936)
Proceeds of loan from Metals X		500,000	-
Net financing cash inflows		1,801,244	322,848
Net (decrease)/increase in cash		373,889	(577,922)
Net foreign exchange difference		7,823	-
Cash at beginning of financial year	6	475,466	1,053,388
Cash at end of financial year	6	857,178	475,466

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
Note	2015	2014
	\$	\$
Note (a): Reconciliation of net loss from ordinary activities to net cash flow from operating activities.		
Loss from ordinary activities after related income tax	(7,485,386)	(1,508,947)
Adjustments to reconcile profit before tax to net cash flows		
Share based payments	80,148	46,126
Profit on sale of fixed assets	-	(206,190)
Depreciation	33,928	45,407
Unrealised foreign exchange	(53,910)	44,658
Exploration written off – continuing operations	181,266	594,523
Exploration written off – discontinued operations	1,043,805	-
Net adjustments to carrying values – discontinued operations	5,767,405	-
Interest accrued	33,510	-
Changes in assets and liabilities		
(Increase) decrease in receivables	(45,037)	35,584
(Increase) decrease in other financial assets	(7,697)	35,443
(Increase) decrease in deferred tax assets	(81,787)	-
Increase/(decrease) in payables	15,177	(179,773)
Increase/(decrease) in provisions	(82,374)	(17,761)
Net operating cash flows	(600,952)	(1,110,930)

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 2015

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 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.

New and revised accounting standards

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2014.

- AASB 2013-3: Amendments to AASB 136-Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

The amendment removes extra disclosure requirements with regard to the measurement of the recoverable amount of impaired assets.

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities (June 2012) (applicable for annual reporting periods commencing on or after 1 January 2014).

The amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and liabilities permitting entities to present balances net on the balance sheet.

The adoption of new and revised Accounting Standards effective for the financial statements for the annual period beginning 1 July 2014 did not have a material impact on the Group's financial statements.

a. Principles of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2015. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

b. Income Tax

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

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 over the life of the facility 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 liabilities are recognised when the entity becomes a party to the provisions to the instrument. For financial assets this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through the profit or loss', in which case the costs are expensed to the profit and loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the interest rate method or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties. Where available, quoted prices, in an active market are used to determine fair value.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments,

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

ii. Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost.

iii. Available for sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities and are measured at fair value.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

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 Statement of Profit or Loss and Other Comprehensive Income.

g. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

h. Discontinued Operations

A discontinued operation is a component of an entity, being a cash generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Refer to Note 3 for further information.

i. 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.

j. Interests in Joint Operations

The Consolidated Group's share of the assets, liabilities, revenue and expenses of joint operations are included in the appropriate items of the consolidated financial statements. Details of the Consolidated Group's interests are shown at Note 19.

k. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance 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 national government 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.

l. 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.

m. 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.

n. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

o. 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 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

p. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

q. 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.

r. Comparative Figures

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

s. Critical Accounting Estimates and Judgments

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.

Key Judgments – Cambodia Assets

Directors have determined the fair value of the Cambodia Assets to be nil.

Refer to Note 3.

Key Judgments – Deferred Tax Assets

Deferred tax asset has been recognised representing carry forward tax losses that are expected to be utilised in the next 12 months.

Refer to Note 4.

Key Judgments – 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.

t. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

u. Accounting standards not yet effective and not adopted early

The Company notes the following Accounting Standards which have been issued but are not yet effective at 30 June 2015. These standards have not been adopted early by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

- AASB 9 Financial Instruments, including AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

- AASB 15 Revenue from Contracts with Customers (financial periods beginning on or after 1 January 2017)

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

- AASB 2014-1 Amendments to Australian Accounting Standards Customers (Part D: Consequential Amendments arising from AASB 14).

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (financial periods beginning on or after 1 January 2016)

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011).

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

v. Parent Entity

The financial information of the parent entity, Southern Gold Limited, disclosed at note 26, 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 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

w. 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.

x. Mine Development asset

Development assets represent expenditure in respect of exploration, evaluation, feasibility and development incurred by or on behalf of the group, including overburden removal and construction costs, previously accumulated and carried forward in relation to areas of interest in which mining has now commenced. Such expenditure comprises net direct costs and an appropriate allocation of directly related overhead expenditure.

All expenditure incurred prior to commencement of production from each development property is carried forward to the extent to which recoupment out of future revenue from the sale of production, or from the sale of the property, is reasonably assured.

When further development expenditure is respect of mine property after commencement of production, such expenditure is carried forward as part of the cost of the mine property only when future economic benefits are reasonably assured, otherwise the expenditure is classified as part of the cost of production and expensed as incurred. Such capitalised development expenditure is added to the total carrying value of development assets being amortised.

Amortisation and impairment

Development assets are amortised based on the unit of production method which results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. Where this is a change in the reserve the amortisation rate is adjusted prospectively in the reporting period in which the change occurs. The net carrying values of development expenditure carried forward are reviewed half yearly by directors to determine whether there is any indication of impairment.

The financial report was authorised for issue on 11th September 2015 by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$

2. LOSS FROM CONTINUING OPERATIONS

Loss from ordinary activities included the following items of revenue and expense:

a) Operating Revenue

Interest received/receivable	9,640	17,050
Other income	9,461	15,162
	19,101	32,212
Gain on sale of available for sale financial assets	-	206,190
	-	206,190
b) Other Administrative Expenses		
Office rent	74,938	89,025

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$

3. LOSS FROM DISCONTINUED OPERATIONS

The financial performance of the discontinued operation, which is included in the loss from discontinued operations per the Statement of Profit or Loss and Other Comprehensive Income, is as follows:

Operating expenses	(191,136)	(240,311)
Exploration written off during the year	(1,043,805)	(264,748)
	(1,234,941)	(505,059)
Write off closing balance of exploration expenditure (Note 9)	(8,434,630)	-
Write off tenement bonds (Note 8)	(91,147)	-
Loan from Mekong Minerals (Note 14)	1,861,445	-
Other liabilities (Note 12)	363,440	-
Write off foreign currency translation reserve	533,487	-
Net adjustments to carrying values	(5,767,405)	(505,059)
Loss from discontinued operations	(7,002,346)	(505,059)

Since 2012, Southern Gold has been party to an earn-in and shareholders' agreement ("Agreement") with Mekong Minerals Limited ('Mekong'), whereby Mekong has an exclusive right to earn an interest in the Southern Gold subsidiary, Southern Gold (Asia) Pty Ltd ('SG Asia') and to manage the activities of SG Asia and its wholly owned subsidiary, Mekong Minerals (Cambodia) Ltd (collectively the 'Cambodian operations').

Under the Agreement, Mekong was granted an exclusive right to earn up to a 70% interest in SG Asia by sole funding US\$5.7 million of expenditure of the Cambodian operations. On earning a 70% interest in SG Asia, Mekong was to have the option to purchase Southern Gold's remaining 30% interest in SG Asia ("Option") for US\$4.5 million in cash (or cash and shares) plus a 1.5% net royalty. (Refer ASX announcement 5 July 2012 for details).

During May 2015, as part of Southern Gold's focus on the development of Cannon, the above Agreement was terminated in favour of a Sale, Purchase and Joint Venture Agreement (the 'New Agreement'). The New Agreement entails the sale 100% of the wholly owned subsidiary SG Asia to Mekong. Mekong will have full responsibility for owning & operating the affairs of the Cambodian operations.

As consideration for the sale of 100% of the Cambodian operations, Southern Gold retains:

- A 15% free carried interest in unincorporated Joint venture with SG Asia based on the tenements are re-granted by the Cambodian authorities until the completion of a positive definitive feasibility study; and
- A 2% gross sales royalty on all products sold from the tenements until US\$11 million is paid and then the gross sales royalty reverts to 1%.

While the New Agreement was executed in May 2015, it remains subject to the successful renewal of selected tenements. Therefore, SG Asia and its subsidiary Mekong Minerals (Cambodia) Ltd remain part of the Southern Gold consolidated Financial Statements as at 30 June 2015.

If the tenements are renewed and the New Agreement completes, the future realisable value of the consideration is uncertain. If the tenements are not renewed, and the New Agreement does not complete, the current value of net assets of the Cambodian operations will not be capable of being realised. Therefore, the Directors have taken the view that all material assets and liabilities of the Mekong operations have been revalued to nil at 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
4. INCOME TAX EXPENSE		
The components of tax benefit comprise:		
Research and development tax concession	359,339	276,507
Tax losses brought to account	81,717	-
Income tax benefit attributable to loss from ordinary activities	441,126	276,507
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 benefit calculated at 30% of operating loss	(277,250)	(452,684)
Tax effect of capital raising costs	(23,708)	(8,981)
Tax effect of Share-based payments expensed	23,405	46,125
Research and development tax concession	359,339	276,507
Timing differences and tax losses not brought to account	-	139,033
Income tax benefit attributable to loss from ordinary activities	81,787	-
Reflected in the Statement of Financial Position as follows:		
Deferred tax asset	81,787	-
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	-	139,033
c) Income tax losses		
Total deferred tax asset arising from carried forward tax losses not recognised as meeting probable criteria		
Gross tax losses	23,985,663	22,638,863
Tax Losses at 30%	7,195,699	6,791,659

The deferred tax asset is 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. In determining the extent to which sufficient future taxable profits are probable, the Group has considered the 2016 projected income from the Cannon operations (existing small pit operations) – refer Note 10.

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.

Should the Group negotiate a larger open pit operation, the extent to which unused tax losses could be utilised by future taxable profit could increase (ASX Announcement 29 July 2015).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
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5. 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 2015. The totals of remuneration paid to key management personnel during the year are as follows:

Short term employee benefits	460,849	654,054
Post employment benefits	35,034	56,542
Share-based payments	80,147	25,318
	576,030	735,914

Mr Hill is not employed by the company and provides his services as a consultant. Mr Hill was paid \$55,315 (2014: \$74,226).

6. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	857,178	460,716
Term deposits	-	14,750
	857,178	475,466

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables	52,506	14,692
Interest receivable	-	2,221
Office lease bond	10,500	-
	63,006	16,913

Trade and other receivables not considered past due and/or impaired is nil (2014: nil).

8. OTHER ASSETS

Current

Prepayments	28,255	14,340
Other assets	3,838	7,361
	32,093	21,701

Non-Current

Exploration tenement performance bonds	-	74,318
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The tenement bonds relate to the Cambodian tenements. These have been written down to nil as at 30 June 2015. Refer Note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$

9. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest:

Exploration and evaluation phase	6,937,031	17,100,387
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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	17,100,387	16,642,080
Exploration incurred – discontinued operations	122,576	99,202
Exploration written off during the year – discontinued operations	(1,043,805)	-
Write off closing balance – discontinued operations	(8,434,630)	-
Net foreign exchange differences – discontinued operations	1,057,483	(150,539)
	8,802,011	16,590,743
Reclassified to Mine development assets	(2,438,179)	-
Expenditure incurred during the year	754,464	1,104,167
Expenditure written off / impairment for relinquished tenements	(181,266)	(594,523)
	6,937,031	17,100,387

10. MINE DEVELOPMENT ASSETS

Costs carried forward in respect of the development of Cannon	2,732,231	-
	2,732,231	-

(ii) Reconciliation

A reconciliation of the carrying amount of mine development assets is set out below:

Reclassified from exploration & evaluation expenditure	2,438,179	-
Expenditure incurred during the year	294,052	-
	2,732,231	-

On 11 November 2014, Southern Gold finalised a Mine Finance and Profit Sharing Agreement (“Agreement”), with Metals X (ASX: MLX – “Metals X”) to finance and develop its Cannon Gold Resource, located 30km from Kalgoorlie in WA. Accordingly, \$2,438,179 of the Exploration and evaluation assets, associated with the Cannon Project, has been reclassified to a Mine development asset.

Under the Agreement, Metals X provide the funding and manage all services required for the mining, haulage and the treatment of ore from the Cannon deposit, through Metals X’s nearby Jubilee Mill. Under the Agreement, the parties will aim to complete the Phase 1 development of the open pit within 12 months of commencement, with an option at that point for the parties to agree to proceed with the Phase 2 underground development.

The Mine Development asset has been tested for impairment and will be amortised over the estimated economic life of the Cannon Mine on a units of production basis. Amortisation will commence with the first commercial production of gold.

Mining Profits from the Cannon Mine will first be applied to the reimbursement of Metals X’s development costs, with all subsequent Mining Profits to be shared on a 50:50 basis. Southern Gold’s 50% share of Mining Profits will first be applied to repayment of the loan (refer note 15).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
11. PLANT AND EQUIPMENT		
Plant and equipment at cost	449,841	403,156
Less: Accumulated depreciation	(418,698)	(343,580)
	31,143	59,576
Opening written down value	59,576	97,218
Additions	4,805	-
Net foreign currency exchange differences	690	7,765
Depreciation – Discontinued Operations	(6,418)	(16,115)
Depreciation – Continuing Operations	(27,510)	(29,292)
Closing written down value	31,143	59,576

12. TRADE AND OTHER PAYABLES

Trade payables	122,553	109,331
Sundry payables and accruals	54,304	315,172
Amount payable to Directors and Key Management related entities ¹	4,991	10,435
	181,848	434,938

¹ Payable amount to Greg Boulton and Associates Pty Ltd (an entity associated with G C Boulton) of \$3,667 (2014: \$ 3,667)
 Payable amount to Red Balloon Superannuation Fund (an entity associated with Mr David Turvey) of \$145 (2014: \$Nil)
 Payable amount to Lapun Kamap Superannuation Fund (an entity associated with Mr Michael Billing) of \$145 (2014: \$Nil)
 Payable amount to Bayfront Nominees Pty Ltd (an entity associated with D L Hill) of \$1,034 (2014: \$6,768)

Sundry payables and accruals at 30 June 2014 included \$298,027 for training liabilities associated with the Cambodian operations. As a result of the New Agreement with Mekong signed in May 2015, accrued training costs of \$363,439 derecognised and included in the loss from discontinued operations. Refer Note 3 for further information.

13. PROVISION FOR EMPLOYEE BENEFIT

The aggregate employee benefit liability recognised in and included in the financial statements is as follows:

Provision for employee benefits

Current	3,370	65,023
Non-Current	-	21,027
	3,370	86,050
Movement schedule for employee benefits		
Opening balance	86,050	103,811
Additional provision	4,513	69,502
Benefits utilised or surrendered	(87,193)	(87,263)
Closing balance	3,370	86,050

The current provision portion relates to annual leave, while in the prior year, the non-current portion related to long service leave.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$

14. LOAN FROM MEKONG MINERALS

Loan – Mekong Minerals	-	1,255,380
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Under the existing earn-in and shareholders' agreement ('Agreement') with Mekong Minerals Limited ('Mekong'), Mekong was granted an exclusive right to earn up to a 70% interest in SG Asia by sole funding US\$5.7 million of expenditure of the Cambodian operations. The balance of the funding provided by Mekong at 30 June 2015 is \$1,861,445. This represents a non-recourse loan capable of being converted into shares in SG Asia.

During May 2015, the above Agreement was terminated in favour of a Sale, Purchase and Joint Venture Agreement (the 'New Agreement'). The New Agreement entails the 100% sale of the wholly owned subsidiary SG Asia to Mekong. While the New Agreement was executed in May 2015, it remains subject to the successful renewal of selected tenements.

As a result of the New Agreement with Mekong signed in May 2015, the non-recourse loan from Mekong has been derecognised and included in the loss from discontinued operations. Should the tenements be renewed and the New Agreement completed, the group has no further obligations relating to this loan, should the tenements not be renewed and the New Agreement does not complete, the non-recourse loan and value of the underlying net assets of the Cambodian operations will not be realised. For further background refer Note 3.

15. LOAN FROM METALS X

Loan – Metals X	533,510	-
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In addition to the Agreement detailed in Note 10, Metals X has provided a secured loan to Southern Gold of \$500,000 to enable it to complete preparations for mining. The loan is interest bearing, fixed at 8% per annum. At 30 June 2015, the balance of the loan, including accrued interest, is \$533,510. Mining profits from the Cannon Mine will first be applied to the reimbursement of Metals X's development costs, with all subsequent Mining Profits to be shared on a 50:50 basis. Southern Gold's 50% share of Mining Profits will first be applied to repayment of the loan balance. Based on the mining schedule, it is expected that the loan will be repaid within the next 12 months. The security is a first ranking fixed registered mining mortgage over the present and future right, title and interest in, to and under the tenement relating to Cannon (M25/333), and all plant and equipment and improvements on that tenement and any minerals or ores recovered from the tenement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

2015
\$

2014
\$

16. ISSUED CAPITAL

(a) Ordinary Shares

Issued share capital: **35,379,551** **34,078,307**

527,624,224 fully paid ordinary shares
(2014: 385,957,580)

Movement in issued shares for the year:

	No.	2015 \$	No.	2014 \$
Balance at beginning of financial year	385,957,580	34,078,307	346,726,851	33,507,897
Rights issue	-	-	23,518,926	352,784
Share purchase plan	36,666,644	330,270	-	-
Placement of shares	105,000,000	1,050,000	12,297,728	201,437
Shares issued for services received	-	-	3,414,075	46,125
Net costs associated with the issue of shares	-	(79,026)	-	(29,936)
Balance at end of financial year	527,624,224	35,379,551	385,957,580	34,078,307

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.

(b) Options on Issue

At 30 June 2015, there were 31,263,322 (30 June 2014: 2,930,000) unissued shares for which the following options were outstanding:

Grant Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Number under Option
15.4.2013	15.10.2017	0.010	0.060	1,930,000
27.11.2014	30.11.2019	0.007	0.025	6,000,000
3.12.2014	30.11.2015	0.000	0.015	18,333,312
1.2.2015	1.2.2020	0.007	0.025	5,000,000
				31,263,312

During the year ended 30 June 2015, the following options over ordinary shares were issued:

- 18,333,312 listed options were issued on 3 December 2014 (ASX code SAUO). The free options were issued to participants in the Security Purchase Plan on the basis of one free option attaching to each two Ordinary Shares. The exercise price is \$0.015, with an expiry of 30 November 2015.
- 6,000,000 unlisted options issued to Directors on 27 November 2014, pursuant to approval at the Annual General Meeting (2,000,000 each to Messrs. Greg Boulton, David Turvey and Michael Billing). The exercise price is \$0.025, with an expiry of 30 November 2019. The options were valued at \$43,717 using the Black Scholes method.
- 5,000,000 unlisted options are to be issued to Mr Simon Mitchell, as agreed in his contract of employment as Managing Director, on 1 February 2015. These options remain subject to shareholder approval. The options were valued at \$36,431 using the Black Scholes method and recognised in the Financial Statements for the year ended 30 June 2015, in accordance with Accounting Standards.

No options were issued in the prior corresponding period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

16. ISSUED CAPITAL cont.

(c) Capital Management

Management effectively manages the capital of the Group 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:

	2015 \$	2014 \$
Debt	533,510	1,255,380
Cash	(857,178)	(475,466)
	(323,668)	779,914
Equity	10,015,741	15,971,993
Net debt to equity ratio	-	4.8%

17. 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	30,300	26,150
Taxation and other services	-	-
Amounts received or due and receivable by overseas related practices of Grant Thornton for:		
External audit	6,001	5,463
	36,301	31,613

18. 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 25 to the financial statements.

Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 19 to the financial statements.

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) Transactions with Directors and Key Management Personnel

A rental agreement with T&E Investments, a party related to Ms Anderson, to rent office premises in Perth, Western Australia at a cost of \$22,056 per annum plus GST, on a rolling 3 month basis with a 3 month notice period was negotiated in July 2012. This agreement was terminated effective 31 August 2014. The rental fees paid for the year ended 30 June 2015 was \$3,024.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

18. RELATED PARTY AND KEY MANAGEMENT DISCLOSURES

The following comprises payments made to entities in which Directors or Key Management Personnel have an interest;

Director and Key Management Personnel	Related Party Transaction	2015 \$	2014 \$
D L Hill	Payments to a member of Key Management for financial and company secretarial services provided	55,315	74,226
GC Boulton	Payments to a Director related entity for Director services provided	40,000	60,000

d) Related party balances

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

	2015 \$	2014 \$
Current payables		
Amounts payable to Directors and Key Management Personnel related entities	4,992	10,435
	4,992	10,435

There were no amounts receivable from related parties.

e) Remuneration of Key Management Personnel (see summary in Note 5)

19. JOINT OPERATIONS

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

	Interest 2015	Interest 2014
(a) Kratie South Joint Venture – JOGMEC, Cambodia – All minerals	49.9%	49.9%
(b) Heron Resources Joint Venture	80%	80%
(c) Heron Resources KNP Joint Venture	80%	80%

Notes

- (a) Under the terms of the agreement with Japan Oil Gas Minerals National Corporation (JOGMEC), JOGMEC completed US\$3.03 million expenditure over 3 years commencing April 2008 to earn a 51% interest in two adjoining tenements, Preak Khlong and O'Kthung (Kratie South Project) in north east Cambodia. From 1 November 2011, JOGMEC have elected not to contribute further expenditure. Note the New Agreement (refer Note 3).
- (b) Under the terms of the agreement with Heron Resources Limited, Southern Gold has earned a 51% interest in 3 tenements east of Kalgoorlie in Western Australia by spending a total of \$120,000 over 2 years to September 2011. Southern Gold spent a further \$120,000 to September 2012 in order to earn a further 29%.
- (c) Under the terms of a Heads of Agreement with Heron Resources Limited, Southern Gold has the right to earn up to 80% of the gold interests associated with Heron's Bulong project. Southern Gold has met an initial requirement to spend a minimum of \$150,000 within 3 months from commencement and a further \$350,000 over the following 9 months to earn a 60% interest. Heron have elected not to contribute their ongoing 40% share of expenditures. Southern Gold had met expenditure requirements to earn an additional 20% interest during the year ended 30 June 2014. Heron holds free carry on its 20% interest, until Southern Gold meet \$8m in expenditure or conduct a feasibility study.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

20. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Group.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	2015 \$	2014 \$
Not later than one year:	1,175,165	520,648
Later than one year but not later than two years:	699,620	890,100
Later than two years but not later than five years:	1,664,395	2,670,300
Greater than five years	4,378,341	-
	7,917,521	4,081,048

(b) Service Agreements

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

(c) Office Rental

The consolidated entity entered into a rental agreement to occupy its principle office at a cost of \$38,782 per annum plus GST, for a term of one year expiring on 28 February 2016.

Not later than one year:	25,855	25,615
Later than one year but not later than two years:	-	-
Later than two years but not later than five years:	-	-
	25,855	25,615

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

21. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2015	2014
	\$	\$
Financial Assets		
Cash and cash equivalents	857,178	475,466
Loans and receivables	63,006	16,913
	920,184	492,379
Financial Liabilities		
Trade and other payables	181,848	434,938
Loans payable	533,510	1,255,380
	715,358	1,690,318

(i) Treasury Risk Management

The Board of the Consolidated Group meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks

The main risks the Consolidated Group is exposed to through its financial instruments are liquidity risk, credit 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.

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 balance 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

21. FINANCIAL INSTRUMENTS cont.

Sensitivity Analysis

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

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.

2015	Interest Bearing	Non-interest Bearing	Total	Floating interest rate
Financial assets				
Cash and deposits	857,178	-	857,178	2.00%
Receivables	-	63,006	63,006	-
Less: Payables	-	(181,848)	(181,848)	-
Less: Loans	(533,510)	-	(533,510)	(8.0%)
Net financial assets	323,668	(118,842)	204,826	

2014	Interest Bearing	Non-interest Bearing	Total	Floating interest rate
Financial assets				
Cash and deposits	475,466	-	475,466	2.40%
Receivables	-	16,913	16,913	-
Less: Payables	-	(402,708)	(402,708)	-
Less: Loans	-	(1,255,380)	(1,255,380)	-
Net financial assets	475,466	(1,641,175)	(1,165,709)	

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2015, 0% (2014: 3%) of group cash deposits are fixed.

The interest rate on the loan of \$533,510 at 30 June 2015 is a fixed interest rate of 8% per annum, compounded daily. The interest accumulates on the loan, with repayment of principal and interest due with the Group's share of cash from the Cannon development. Refer Note 15.

The face value of the loan payable to Mekong Minerals Ltd at 30 June 2015 is \$1,861,445 (2014: \$1,255,380). As a result of entering into the New Agreement with Mekong, this non-interest non-recourse loan has been recorded at nil. Refer Notes 14 & 3.

Sensitivity Analysis

The company has not performed a sensitivity analysis relating to its exposure to interest rate risk at balance date as a change in interest rates by 2% 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 2015

22. SHARE BASED PAYMENTS

Options

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.

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.

At the AGM held on 27 November 2014, shareholders separately approved the issue of 6,000,000 unlisted options to Directors.

5,000,000 unlisted options vested with Mr Simon Mitchell upon commencement of his employment as Managing Director, on 1 February 2015. These options remain subject to shareholder approval.

The following share based payment arrangements were in existence at 30 June 2015:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
April 2013 ¹	1,930,000	15.04.2013	15.10.2017	\$0.060	\$0.0106
Director Options					
November 2014 ²	6,000,000	27.11.2014	30.11.2019	\$0.025	\$0.0070
March 2015 ³	5,000,000	01.02.2015	01.02.2020	\$0.025	\$0.0070

1. In accordance with the Employee Share Option Plan, share options have been granted to employees at various times and terms show in the above table

2. 6,000,000 unlisted options issued to Directors on 27 November 2014, pursuant to approval at the Annual General Meeting (2,000,000 each to Messrs. Greg Boulton, David Turvey and Michael Billing).

3. 5,000,000 unlisted options to be issued to Mr Simon Mitchell, as agreed in his contract of employment as Managing Director, commencing 1 February 2015. These options remain subject to shareholder approval.

The options hold no voting or dividends rights and are unlisted.

Historical volatility has been 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 options issued to Directors, there were no other options granted to Key Management Personnel during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

22. SHARE BASED PAYMENTS cont.

Options cont.

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

Share Option Granted	2015		2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	2,930,000	\$0.074	4,380,000	\$0.100
Granted during the financial year (i)	11,000,000	\$0.025	-	-
Exercised during the financial year	-	-	-	-
Cancelled during the financial year	(1,000,000)	\$0.105	(1,450,000)	(\$0.149)
Balance at end of the financial year (ii)	12,930,000	\$0.030	2,930,000	\$0.074

(i) Options granted

There were no options granted under the Employee Share Option Plan in the year ended 30 June 2015 (2014: Nil). There were 6 million unlisted options granted to Directors during the year ended 30 June 2015, as approved by shareholder at the November 2014 AGM, and 5,000,000 unlisted options vested with the Managing Director which remain subject to shareholder approval.

(ii) Options outstanding at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of \$0.030 (2014: \$0.074) and a weighted average remaining contractual life of 1,534 days (2014: 997 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

23. OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The consolidated entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The consolidated entity has identified its operating segments to be Australia and Cambodia based on different geological regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Board of Directors for assessing performance and determining the allocation of resources within the consolidated entity.

The consolidated entity operates primarily in one business, namely the exploration of minerals.

Basis of accounting for purposes of reporting by operating segment

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

23. OPERATING SEGMENTS cont.

Details of the performance of each of these operating segments for the financial years ended 30 June 2015 and 30 June 2014 are set out below:

2015	Australia \$	Cambodia \$	Inter-Segment Elimination \$	Consolidated \$
Revenue				
Interest Income	9,640	-	-	9,640
Other Income	9,461	-	-	9,461
Revenue from Continuing Operations	19,101	-	-	19,101
Depreciation	(27,510)	-	-	(27,510)
Other Expenditure	(896,656)	-	-	(896,656)
Loss before Income Tax from Continuing Operations	(924,166)	-	-	(924,166)

2015	Australia \$	Cambodia \$	Total \$	Inter-Segment Elimination \$	Consolidated \$
Assets and Liabilities					
Segment Assets	10,713,973	20,496	10,734,469	-	10,734,469
Inter-Segment Assets	-	-	-	-	-
Total Assets	10,713,973	20,496	10,734,469	-	10,734,469
Segment Liabilities	718,728	-	718,728	-	718,728
Inter-Segment Liabilities	-	-	-	-	-
Total Liabilities	718,728	-	718,728	-	718,728
Net Assets	9,995,245	20,496	10,015,741	-	10,015,741

Segment asset changes for the period

Exploration expenditure	(5,235,315)	(4,928,041)	(10,163,356)	-	(10,163,356)
Mine Development Assets	2,732,271	-	2,732,271	-	2,732,271

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

23. OPERATING SEGMENTS cont.

2014	Australia \$	Cambodia \$	Inter-Segment Elimination \$	Consolidated \$
Revenue				
Interest Income	17,050	-	-	17,050
Other Income	15,162	-	-	15,162
Gain on sale of financial assets	206,190	-	-	206,190
Revenue from Continuing Operations	238,402	-	-	238,402
Depreciation	(29,292)	-	-	(29,292)
Expenditure	(1,251,103)	-	-	(1,251,103)
Loss before Income Tax from Continuing Operations	(1,280,395)	-	-	(1,280,395)

2014	Australia \$	Cambodia \$	Total \$	Inter-Segment Elimination \$	Consolidated \$
Assets and Liabilities					
Segment Assets	12,689,251	5,059,110	17,748,361	-	17,748,361
Inter-Segment Assets	6,937,481	-	6,937,481	(6,937,481)	-
Total Assets	19,626,732	5,059,110	24,685,842	(6,937,481)	17,748,361
Segment Liabilities	224,313	1,552,055	1,776,368	-	1,776,368
Inter-Segment Liabilities	-	6,937,481	6,937,481	(6,937,481)	-
Total Liabilities	224,313	8,489,536	8,713,849	(6,937,481)	1,776,368
Net Assets	19,402,419	(3,430,426)	15,971,993	-	15,971,993

Segment asset increases for the period

Plant & equipment	-	-	-	-	-
Exploration expenditure	484,578	(26,271)	458,307	-	458,307

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

24. EARNINGS PER SHARE

	2015 Cents per share	2014 Cents per share
From continuing & discontinued operations		
Basic (cents per share) – Loss	(1.72)	(0.40)
Diluted (cents per share) – Loss	(1.72)	(0.40)
From continuing operations		
Basic (cents per share) – Loss	(0.11)	(0.27)
Diluted (cents per share) – Loss	(0.11)	(0.27)
From discontinued operations		
Basic (cents per share) – Loss	(1.61)	(0.13)
Diluted (cents per share) – Loss	(1.61)	(0.13)

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:

	\$	\$
Earnings from continuing and discontinued operations	(7,485,386)	(1,508,947)
Earnings from continuing operations	(483,040)	(1,003,888)
Earnings from discontinued operations	(7,002,346)	(505,059)

Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the statement of financial performance.

	No.	No.
Weighted average number of ordinary shares	434,857,110	373,414,934

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as options are not considered dilutive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

25. CONTROLLED ENTITIES CONSOLIDATED

Name of Entity	Country of Incorporation	Ownership Interest	
		2015 %	2014 %
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%
Southern Gold Asia Pty Ltd ³	Australia	100%	100%
New Southern Mining Pty Ltd	Australia	100%	100%
Mekong Minerals Cambodia Pty Ltd ²	Cambodia	100%	100%

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

2 Formerly Southern Gold Cambodia Pty Ltd. All shares in Mekong Minerals Cambodia Pty Ltd are held by Southern Gold Asia Pty Ltd.

3 Southern Gold Asia Pty Ltd is subject to a conditional sale agreement at 30 June 2015. Refer Note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
26. SOUTHERN GOLD LIMITED COMPANY INFORMATION		
Parent Entity		
Assets		
Current assets	1,013,247	462,964
Non-current assets	9,698,441	15,733,342
Total assets	10,711,688	16,196,306
Liabilities		
Current liabilities	718,728	203,286
Non-current liabilities	-	21,027
Total liabilities	718,728	224,313
Equity		
Issued capital	35,379,551	34,078,307
Retained earnings	(27,386,132)	(20,025,707)
Share based payments reserve	1,999,541	1,919,393
	9,992,960	15,971,993
Financial Performance		
Profit/(loss) for the year	(7,360,425)	(1,570,635)
Other comprehensive income	-	-
Total comprehensive income	(7,360,425)	(1,570,635)
Guarantees in relation to the debts of subsidiaries	-	-
Contingent liabilities	-	-
Contractual commitments - exploration	7,917,521	4,081,048

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

27. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to commencement of site works at the Group's Cannon gold resource, Metals X acquired the adjacent Georges Reward deposit which has the potential to lead to a much larger open pit being developed than envisaged by the current Stage 1 development (ASX Announcement 29 July 2015).

Other than that noted above, there has not arisen in the interval 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.

28. RESERVES

Share options reserve – the share options reserve records items recognised as expenses on valuation of employee share options.

Foreign currency translation reserve – the foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Financial assets reserve – the financial assets reserve records unrealised movements in the valuation of financial assets.

29. GOING CONCERN BASIS OF ACCOUNTING

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

The consolidated entity incurred a net loss after tax from continuing operations of (\$483,040) for the year ended 30 June 2015, and had a net cash outflow of (\$1,427,355) from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and the provision of working capital.

If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report, given the Group's development of the Cannon gold project and access to sources of capital prior to cash inflows from Cannon.

30. REGISTERED OFFICE AND PRINCIPLE OFFICE

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

Level 1, 8 Beulah Road, Norwood
South Australia, 5067
ABN 30 107 424 519

DIRECTORS' DECLARATION

The Directors of Southern Gold Limited declare that:

- a) the financial statements and notes, as set out on pages 34 to 67 are in accordance with the Corporations Act 2001, and:
 - i) give a true and fair view of the financial position as at 30 June 2015 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 11th day of September 2015.



S Mitchell
Managing Director



G C Boulton AM
Chairman

INDEPENDENT AUDIT REPORT TO THE MEMBERS



Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN GOLD LIMITED

Report on the financial report

We have audited the accompanying financial report of Southern Gold Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

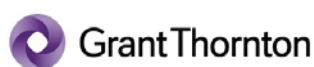
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Southern Gold Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 29 in the financial report which indicates that the consolidated entity incurred a net loss of \$483,040 from continuing operations during the year ended 30 June 2015 and operations were funded by a net cash outlay of \$1,427,355 from operating and investing activities. These conditions, along with other matters as set forth in Note 29, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

INDEPENDENT AUDIT REPORT TO THE MEMBERS



Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Southern Gold Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

A handwritten signature in cursive script that reads 'Grant Thornton'.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in cursive script that reads 'I S Kemp'.

I S Kemp
Partner – Audit & Assurance

Adelaide, 11 September 2015

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2015.

1. SUBSTANTIAL EQUITY HOLDERS

Name	Fully Paid Shares	
	Number	Percentage
Integra Mining Limited (wholly owned subsidiary of Silverlake Resources Limited)	43,277,337	8.20
PS Super Nominee Pty Ltd	31,781,000	6.02

2. NUMBER OF SHAREHOLDERS

Number of Shareholders	Class of Shares	Voting Rights
2,206	ORD	Full

3. DISTRIBUTION OF EQUITY SECURITIES

Distribution of holdings:	Number of Holders	Ordinary Shares	% of Issued Capital
1 - 1,000	231	96,730	0.02
1,001 - 5,000	338	1,011,893	0.19
5,001 - 10,000	270	2,221,534	0.42
10,001 - 100,000	887	36,469,999	6.91
100,001 - and over	495	487,824,068	92.46
	2,219	527,624,224	100.00
Holding less than a marketable parcel	1,303	13,362,461	

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	Integra Mining Limited (wholly owned subsidiary of Silverlake Resources Limited)	43,277,337	8.20
2	PS Super Nominee Pty Ltd	31,781,000	6.02
3	Dr Gary Bennett Branch	23,500,000	4.45
4	J P Morgan Nominees Australia	18,142,828	3.44
5	Hush Hush Pty Ltd	11,000,000	2.08
6	G Boulton Pty Ltd	10,902,516	2.07
7	Nanette Anderson	10,737,125	2.03
8	Agnew Super Pty Ltd	10,000,000	1.90
9	Weybridge Pty Ltd	9,690,862	1.84
10	Mr David Samuel Nour	9,500,565	1.80
11	Thomas Super Fund	8,955,839	1.70
12	Myoora Pty Ltd	8,000,000	1.52
13	Elaine & Larry Gibson	7,654,112	1.45
14	National Nominees Limited	7,620,000	1.44
15	Taycol Nominees Pty Ltd	7,500,000	1.42
16	Citic Australia Pty Ltd	6,473,000	1.23
17	Jetosea Pty Limited	6,400,000	1.21
18	HSBC Custody Nominees	5,952,572	1.13
19	Citicorp Nominees Pty Limited	5,771,428	1.09
20	Michael Robert Billing	5,688,586	1.08
		248,547,770	47.11

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Southern Gold Limited
ACN 107 424 519