



**ANNUAL REPORT  
2015/16**

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### 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

**Piper Alderman**  
Level 16, 70 Franklin Street  
Adelaide SA 5000

GPO Box 65, Adelaide SA 5001

T +61 8 8205 3333  
F +61 8 8205 3300

### 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

## CHAIRMAN'S LETTER

Dear Shareholder,

The past year has been a very exciting one and a watershed for the company with several very significant milestones being achieved. We began ore mining at our Cannon gold mine in late July 2015, poured our first gold in November 2015 and expanded the open pit with a major cutback during the first half of 2016. The company is now well set up for the future with significant cash flow from the mine expected from December 2016.

We continue to transform the business and prepare the company for the next stage of its evolution: last year we went from micro-cap explorer to an emerging gold producer and this year we have evolved further into actual gold producer status and been active on the business development front to ensure more production in the future.

Unlike previous years, where we have gone through a deep and difficult bear market in gold, the current gold price trend has been in our favour. This has not only been in US dollar gold terms, where the price has trended to around US\$1325/oz, but also in Australian dollar terms where the price sits at around A\$1750/oz as at the time of writing. This is a price level just below historical highs for the Australian dollar gold price and ensures excellent margins are being made from our Cannon mine.

I often get asked: where is the gold price going? Can we expect further upside from current levels? Always a difficult question to answer as there are so many variables, many interdependent, that drive gold price and broader investment sentiment. While I wouldn't necessarily predict a substantially higher gold price, broad macro-economic conditions, increasing geopolitical uncertainties and a weak economic recovery across the western world, despite major central bank intervention, all point to a broad, longer term recovery in the gold market and a period of supportive pricing.

In this much more positive context I would like to recap the past years achievements as I think they are significant for a company of our size:

- Mining and processing of Cannon ore resulted in our first gold pour in November 2015 and with it the first gold sales and cash flow to the project;
- After our development partner, Metals X Ltd, completed the purchase of the "Georges Reward" tenement to the north of Cannon, a joint development deal was agreed where the original 50/50 profit share arrangement was extended to the now much larger open pit;
- Commencement of mining of this expanded "Stage 2" open pit occurred in early 2016 and has enabled access to significantly more high grade gold ore at the base of the pit and we should see this turned into significant cash flow to the company beginning late 2016; and
- A deal was struck with Aruma Exploration Pty Ltd on the farm in and joint venture of the Glandore Gold Project, approximately 12 kilometres to the east of Cannon, an advanced project opportunity where we have flagged the potential to repeat the successful Cannon open pit experience in a similarly sized operation.

In addition to those significant milestones and business development initiatives, Southern Gold made a major move into South Korea post financial year end. It was announced in early July that we have purchased a substantial portfolio of gold mining and exploration assets in South Korea, including several closed gold mines that we believe could be reopened and restarted in the near term. We see the exciting opportunity to move the South Korean assets into production and generate cash flow and enable internally funded exploration. On the exploration front the assets in South Korea are first class, with what we believe to be incredible geological prospectivity that has seen only a very limited amount of historical drilling or modern exploration.

On the capital raising front, your directors have been very mindful of share dilution just prior to cash flow from Cannon. In particular it was difficult to justify a capital raising when our market capitalisation was lower than the expected cash from the gold mine. For this reason we have been managing our working capital through the Metals X loan facility and a separate convertible note both of which will be comfortably repaid from cash flow over the coming year.

We are also looking at the Total Shareholder Return benchmark and will consider a formal dividend policy at the appropriate time. As a matter of principal we would like to provide shareholders with a return from the gold mine and we will look to do this from our future mine developments whenever possible. We also expect investors to be pleasantly surprised at the value that will be released from the South Korean portfolio given we believe mining in this jurisdiction may be possible in the near term.

The above could not have been achieved without the drive and leadership of our Managing Director, Simon Mitchell guided by our Directors Mick Billing and David Turvey.

I would also like to thank all of our staff, contractors and other stakeholders for their efforts in ensuring we made a successful transition from junior gold explorer to gold producer. I believe we are about to enter an even more exciting phase: the receipt of our first cash, the potential advancement of the Cannon gold mine into underground phase and the first stages of development from the South Korean operations. I look forward to seeing the business grow even further over the next 12 months.

Yours sincerely,



Greg Boulton AM  
Chairman

Well, what a difference a year makes! The gold price has gone for a run in 2016 and sentiment in the market has turned for the better with drill rigs getting busy again. Another sure sign the market has turned is the small capitalisation space raising money and even the odd new gold listing taking place.

For Southern Gold's part we are in a good place. In fact we are about to raise a significant amount of money without having to issue any stock! With cash flow from Cannon expected over the coming 12 months we are "raising money" and this should add powerfully to our underlying value per share and be very beneficial to our faithful shareholders.

And we have several irons in the fire to make sure we can do it again, always looking for opportunities to add value to the company and secure other sources of cashflow. But first let's review the first cash flow source for the company, the Cannon Gold Mine.



Photo 3: Cannon Pit in March 2016.

**Cannon Gold Project**

Southern Gold's flagship project continues to be the Cannon Gold Mine which is located approximately 35km to the east of Kalgoorlie in Western Australia (Figure 1).

The mine is being co-developed with Metals X Ltd ("Metals X") and they have been engaged to finance and operate the project under the Mine Finance and Profit Share Agreement and subsequent Supplementary Deed to the Contracting and Finance Agreement. The execution of these agreements with Metals X Ltd covered all operational matters including mining, haulage and processing through the Jubilee Mill, approximately 30km to the south-west of the project.

The main milestones for the Cannon gold mine during the year were:

- The commencement of mining in July 2015;
- The commencement of ore processing in November 2015 and our first ever gold pour; and
- The execution of documentation with Metals X allowing for the development of a much larger open pit.

Southern Gold came to an agreement with Metals X on the commercial and legal terms of an expanded Cannon open pit development that was made possible by the combination of the Cannon Mine with Georges Reward, a deposit to the north of Cannon that was acquired by Metals X during the year. Under the new arrangement, the Cannon Open Pit Mine will continue to be developed on the original 50%:50% profit share arrangement with Metals X covering costs on a 'at cost open book' basis and providing the mine finance, with all ore being processed through the Jubilee mill at a fixed rate on a unblended, batched basis.

This new agreement was a very significant development for Southern Gold as it has increased the amount of recoverable gold by open pit methods by 270% (to around 50koz of Au recovered) and at a lower cost per ounce. The deal with Metals X also included additional \$2 million working capital debt facility that the company has drawn upon during the year to avoid dilutive capital raising.

Furthermore, the price of gold was fixed on the first 20koz of production at an average of A\$1530/oz, underpinning most of the costs of the operation. This ensured that the project was protected from the downside but left around 30koz of production unhedged. With gold being produced at around A\$1000/oz, margins were locked in of greater than 50% while managing our risks in what has been a volatile market.

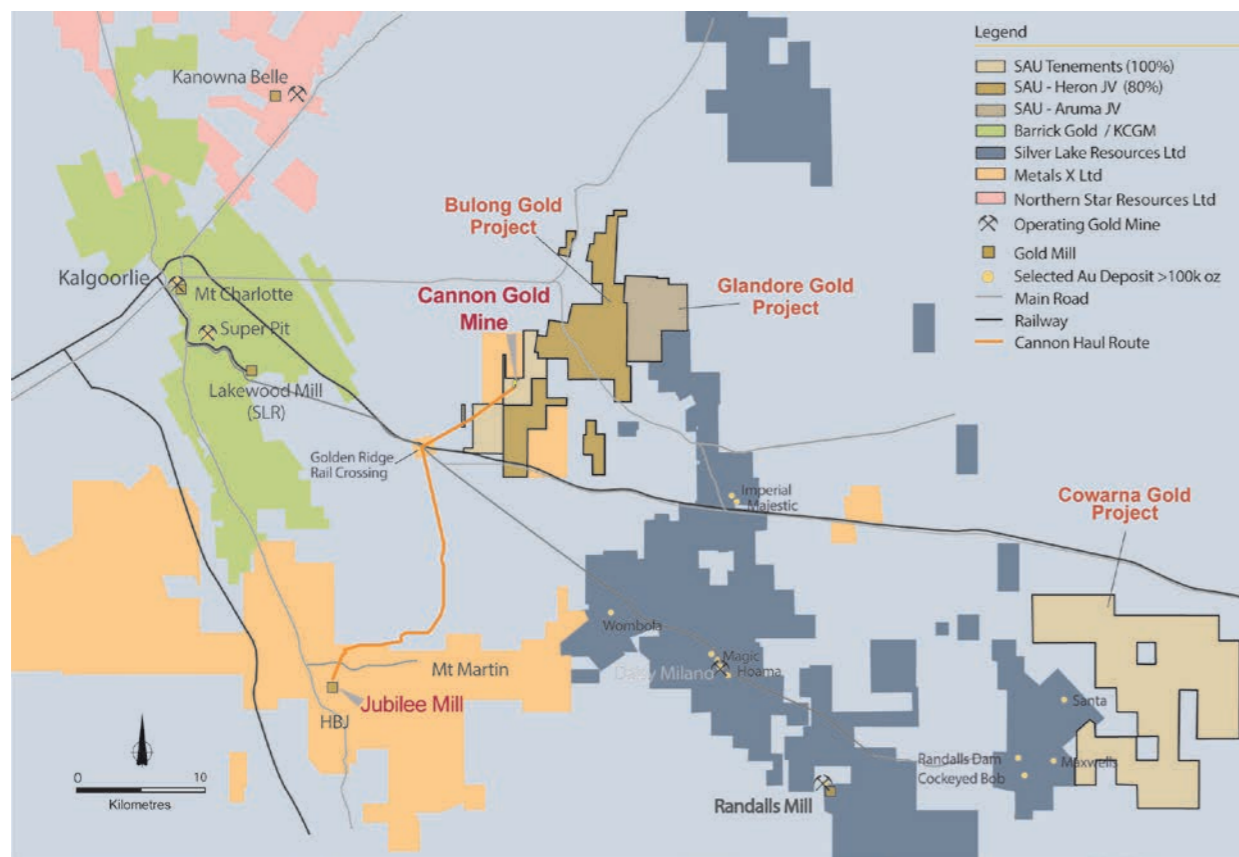


Figure 1: Cannon Gold Mine and Southern Gold Project Locations (tenements as at July 2016).



Photos 1 and 2: First gold pour in November 2015 and the first three gold dore bars.

## MANAGING DIRECTOR'S OPERATIONS REPORT

With operations now well advanced we can review progress to date and this is outlined in the table below:

		Dec Qtr	Mar Qtr	Jun Qtr	YTD	Budget	YTD Variance+%
Ore Milled	tonnes	86,333	43,790	33,704	163,827	100,000	+64%
Head Grade	g/t Au	2.57	2.68	2.09	2.60	2.92	-11%
Recovery	%	90.92%	92.85%	92.49%	91.7%	89%	+2.7%
Gold Produced	Oz.	6,474	3,504	2,095	12,074	8,333	+45%

Table 1: Cannon Year to Date (YTD) and Quarterly Production Statistics.

This illustrates that the project is performing well to date and is running well ahead of budget. The better than expected recovery factor has been especially pleasing as this has an important impact on the final bottom line of the project. While gold head grade has come in a little lower, the tonnes of ore are significantly higher and the contained gold is therefore trending above expectations, at least to this point.

Looking forward we expect the following production profile:

		Sept Qtr 2016	Dec Qtr 2016	Mar Qtr 2017	Total
Ore Milled	tonnes	102,000	110,000	167,000	379,000
Head Grade	g/t Au	~3.1	~4.8	~3.3	~3.7
Recovery	%	88%	88%	88%	88%
Gold Produced	Oz.	8,961	14,832	15,677	39,469

Table 2: Cannon Forward Gold Production Guidance to 31 March 2017.

It can be seen from this forward guidance that much of the gold is extracted from high grade zones at the base of the pit: what is often termed a "back ended" production profile. Note also that budgeted recovery is projected to be lower (88%) while the fresh rock is being processed but Southern Gold believes the final life of mine recovery figure should be a little higher than this (90%).

We have also provided guidance on the net profit attributable to Southern Gold, with an expected cash injection of A\$14.5 million, net of repayment of the Metals X debt facility.

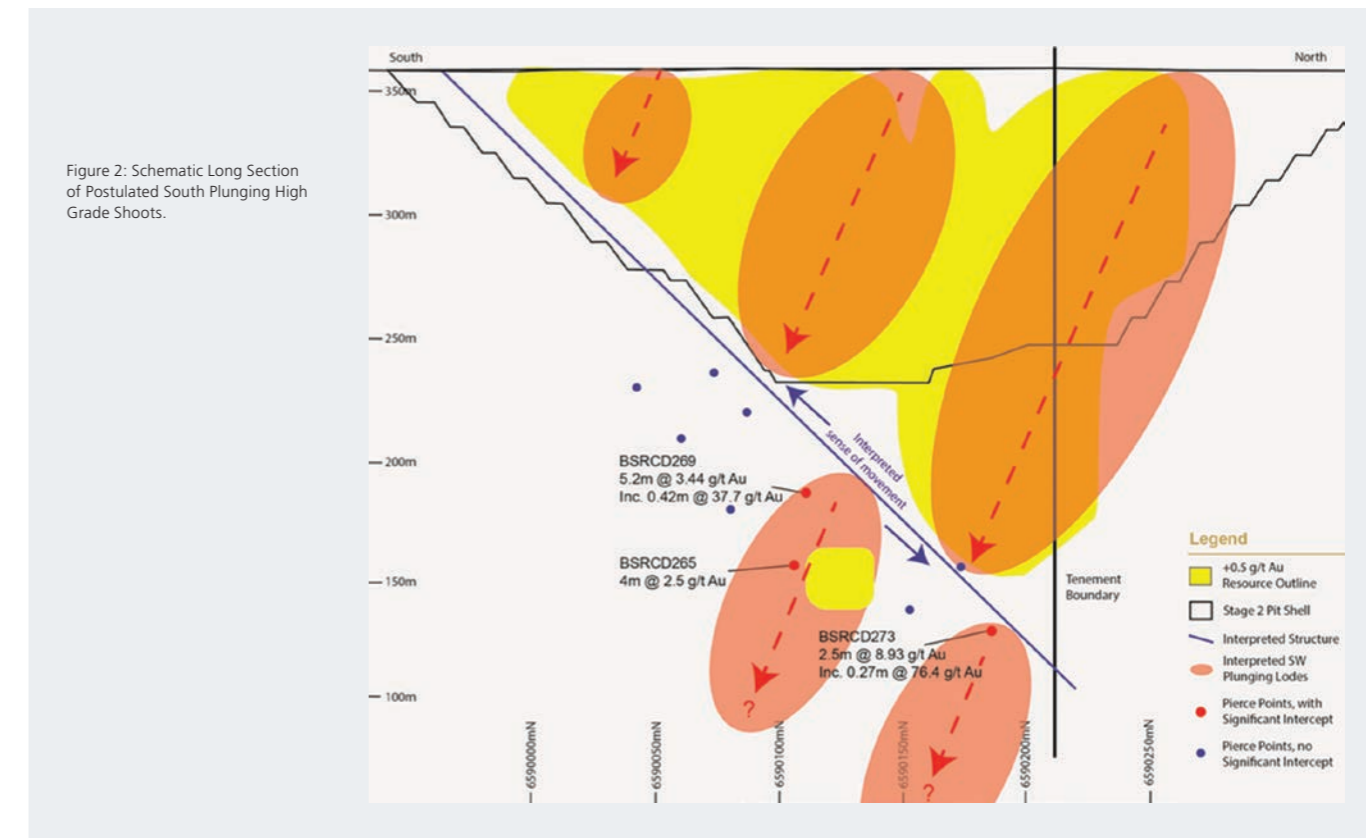
Given the importance of the deeper high grade mineralisation, four reverse circulation, diamond cored tailed holes (CARD001 – CARD004) were drilled by Metals X to evaluate the extent and potential variability of gold grade at the base of the pit. One of these holes, CARD001, returned the best intercept ever recorded at Cannon, as per Table 3 below:

Table 3: Summary Results of CARD001 (Uncut)

Hole No	Hole Type	Interval	Grade	From*
CARD001	RC/DDH	19.0m	15.1g/t Au	83.0 m
	<i>including</i>	2.8m	34.0g/t Au	87.4 m
	<i>and</i>	6.0m	22.8g/t Au	92.0 m

The results of CARD001 also highlight the importance and the potential of a future underground operation. The key will be tracking down additional high grade ore shoots such as this to underpin the economics of an underground mine.

## MANAGING DIRECTOR'S OPERATIONS REPORT



To that end, Southern Gold began drilling deeper holes outside the limits of the final open pit design to see if ore grade intercepts could be found below the south bounding structure. Recent structural interpretations also postulated that higher grade ore shoots were actually plunging to the south, complicated by the presence of this bounding structure (Figure 2).

A program of 10 RC and diamond core holes for 1823.2m was undertaken in June to evaluate the theory and to define potential extensions to the resource below the designed open pit. The best results were:

- 5.22m @ 3.44g/t Au from 128.4m in BSRCD269 (including 0.42m @ 37.7g/t Au from 133.18m), and
- 2.5m @ 8.93g/t Au from 188.5m in BSRCD273 (including 0.27m @ 76.4g/t Au from 188.5m).

The high grade interval of 0.27m @ 76.4g/t Au from 188.5m in BSRCD273 was particularly significant as the presence of albite-carbonate-silica-chlorite alteration is similar to that previously identified in high grade intersections at Cannon and is the first occurrence of this style of mineralisation below the interpreted north dipping bounding structure (Figure 2). The implication of this is that mineralisation is open in all directions and there is much potential into the medium term of defining additional underground exploitable resources.

There is much work to be done on the development of a potential underground mine at Cannon, but with more deeper drilling extending mineralisation at depth and at grades typically found at the bottom the open pit, there is a very real possibility of moving this option forward into the medium term.

Furthermore, Metals X own the tenement adjacent and to the north where additional mineralisation is likely to be defined. There will be obvious development synergies with Metals X that make the potential for an underground mine more likely and these will be explored into the coming year.



Photo 4: Drilling at Arsenal in August 2015.

**Exploration**

We have picked up exploration activity significantly in the last 12 months. Several satellite projects have been drill tested, regional projects mapped and reviewed and even some grass roots exploration has begun at modest scale at some of the more remote regional projects such as Cowarna. In each case, expenditure commitments have been measured and carefully selected but in exploration it is important to generate momentum by continuous data flow and the turnover of opportunities. A company must do this if it is to have any hope of a virgin discovery and the potential to add significant value to the underlying asset base of the company.

In the past year the exploration team has:

- Drill tested the Arsenal prospect;
- Drill tested the Tooting Bec prospect;
- Drill tested the Monument prospect; and
- Commenced modest regional exploration efforts, including some first pass auger soil sampling surveys at the Cowarna Gold Project.

At Arsenal, five holes for 658.4m (580 Reverse Circulation, 78.4 NQ core) were drilled in the vicinity of the significant Cannon-style alteration located previously in BSRC231. This programme was designed to test the immediate environs and to the south of this geological target, which also coincided with a +50ppb Au soil anomaly. No significant intersections were obtained but work is continuing on determining the source of the gold anomaly in this area.

At Tooting Bec seven RC holes were drilled on two sections for a total of 882m. The drill holes intersected elevated gold levels associated with magnetite alteration and appears to indicate that this drilling program intersected the margin of a significant mineralised system. The strongest gold grades were all found within zones of high magnetic susceptibility around the margins of the felsic intrusives. This was a very encouraging result as it is potentially a new style of mineralisation with the Southern Gold tenement package at Bulong.

Southern Gold also completed a program of 9 Reverse Circulation (RC) and two diamond core tailed RC drill holes to evaluate the Monument Prospect 800m southwest of the Cannon gold mine. The Monument Prospect is also adjacent to the Cannon Mine and the haul road to the Jubilee Mill and has the potential for a shallow, low to modest grade gold resource and given its proximity to Cannon operations, potential for small open pitable ore zones. An assessment of potential gold resources at Monument was still pending at time of writing.

At the Cowarna Gold Project several targets have been identified by a review of historical drilling, soil sampling and geophysical response (Figure 3). A trial soil sampling program at the Nightcrawler prospect consisting of 43 samples was conducted across an area previously only sampled by vacuum drilling. This trial soil sampling program used a hand auger to sample the near surface material and the results showed a much stronger response compared to vacuum drilling results. Follow up on this programme will occur next year and Southern Gold expects more news flow from these projects going forward.

**Glandore Gold Project**

Earlier this year Southern Gold announced an agreement with Aruma Exploration Pty Ltd ("AEPL"), a wholly owned subsidiary of Aruma Resources Ltd, whereby Southern Gold could earn up to a 90% interest in a package of tenements immediately east of Southern Gold's Bulong Project (Figure 1).

Southern Gold can earn up to 90% by expending a \$1.2 million in three tranches within three years:

- Tranche 1: minimum of \$300,000 qualifying expenditure in the first year to earn a 50% interest in the tenement package;
- Tranche 2: a further \$400,000 qualifying expenditure in the second year to earn an additional 25% for a total 75% interest in the tenement package at which point AEPL can elect to retain its 25% interest and a joint venture will commence;
- Tranche 3: if no JV is formed, a further \$500,000 qualifying expenditure in the third year will earn an additional 15% interest for a total 90% interest in the tenements.

Exploration by various explorers in the past identified a number of significant zones of near surface mineralisation that have not been subject to detailed economic evaluation. However work undertaken so far is extensive including auger, aircore, reverse circulation and diamond drilling and Southern Gold will undertake a review of this information as a first step.

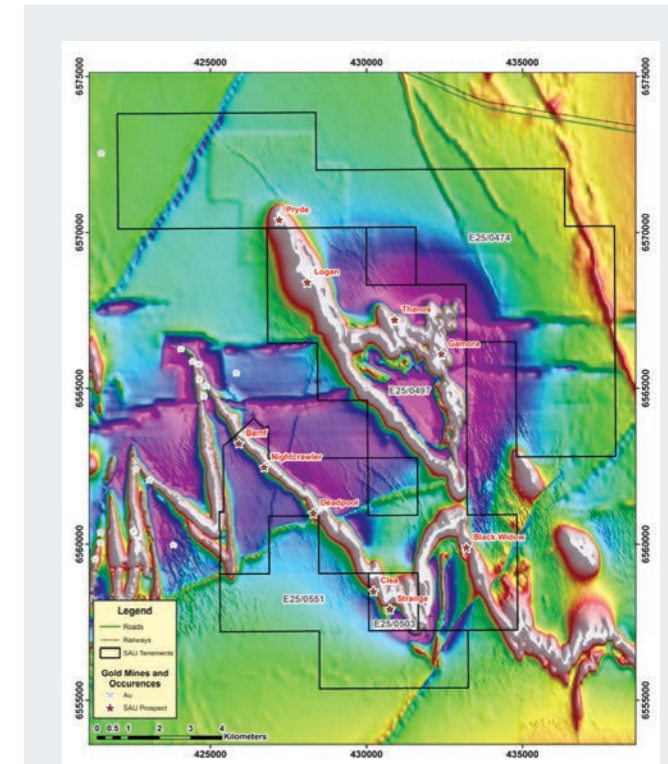


Figure 3: Cowarna Gold Project Area with Identified Targets on Aeromagnetic Image.

**Significant Event Post Financial Year End - South Korean Acquisition**

Southern Gold executed binding legal documentation with unlisted public company, Asiatic Gold Ltd ("Asiatic") to acquire its wholly-owned Singaporean registered company, International Gold Private Ltd ("IGPL"), the 100%-owner of a Korean subsidiary company that holds significant mineral tenure in South Korea, consisting of 44 granted tenements across 17 project areas totalling some 119km<sup>2</sup> and with 6 highlight projects where drilling will commence (Figure 4). The consideration included 6,294,942 Southern Gold ordinary shares and A\$116,000 cash as well as the assumption of certain liabilities in the subsidiary to the value of approximately A\$70,000.

Of the major projects several are ready for drilling or stand out for their unique prospectivity:

- **Weolyu:** historically a silver-gold-germanium mine, recent exploration has discovered classic high level low sulphidation epithermal veining at Weolyu South that has yet to see a single drill hole and with rock float sampling at surface generating up to 17.6g/t Au and 820g/t Ag. The epithermal rocks were recently confirmed in-situ in the walls of an 'artisanal' underground mine by Korean cave explorers who descended a shaft to the worked level of the artisanal mine.
- **Gubong:** historically a significant orogenic gold mining district and Korea's second largest producer, this project has the potential to open up underground workings and fast track development.
- **Hampyeong:** up to 21g/t Au in rock chip samples in classic epithermal quartz veins. The new 'A-Cha' vein discovery points to the potential for an epithermal gold system at depth. After follow up mapping and further technical work this project should be drill ready inside 12 months.
- **Kochang:** historically extremely high grade gold and silver in narrow veins were mined with old mine workings still in place. There is the potential to open up the old mine to fast track development and KORES (Korean Resources Corporation, a state owned resources group) supported drilling commenced at Kochang within 10 days of acquisition.
- **Heungdeok:** extensive area of artisanal mining across several parallel quartz veins in a district that has seen no drilling. Also potential for large tonnage Intrusion Related Gold mineralisation.
- **Taechang:** Historically mined very high grade gold deposit with old mine workings still in place and potentially accessible to fast track underground exploration and development. Access was recently gained to the underground workings and reconnaissance has commenced here.

The portfolio of projects gives an indicative exploration target range of 1Mt to 4.5Mt at between 6g/t Au and 12g/t Au (or approximately 500,000oz Au to 1,500,000oz Au) in several deposits. This exploration target is not a mineral resource and is conceptual in nature. The estimate is based on the substantial body of information relating to the mineralisation documented for the targets referred to here which has been generated by government and semi-government agencies as documented in the ASX Release of 8 July 2016.

The exploration carried out to-date is insufficient to estimate a resource and it is uncertain whether further exploration will result in the estimation of a resource. Future exploration activities that will test the validity of this exploration target will include drill testing of the historical and newly discovered zones of mineralisation diamond drilling and underground sampling, which is expected to be undertaken over the next 18 months.

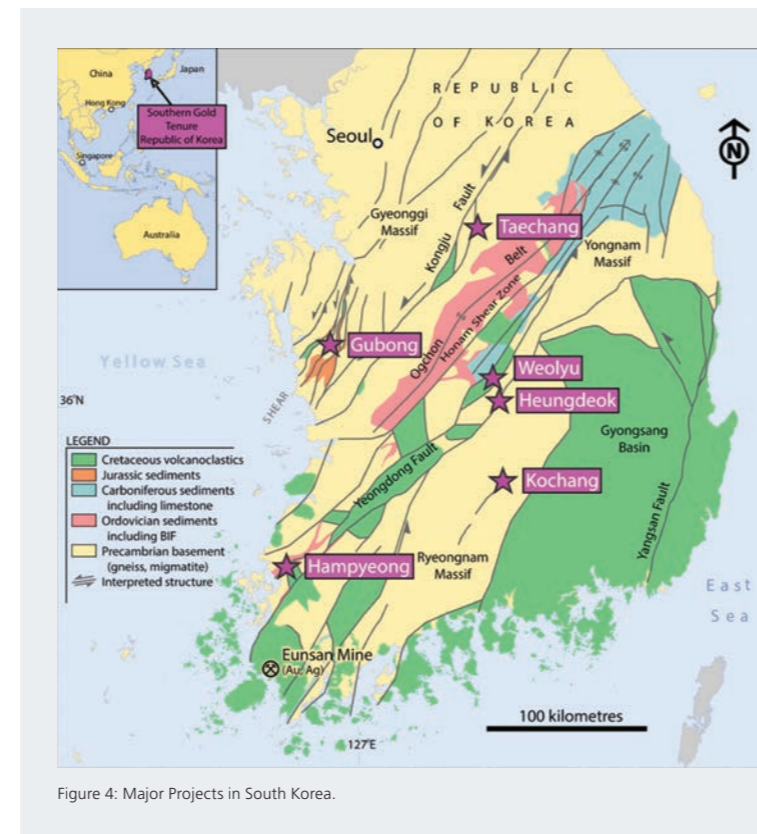


Figure 4: Major Projects in South Korea.



Photo 5: The Cannon Open Pit in late July 2016

**Corporate Development**

We have been active on the corporate development front, preparing the company for the exciting growth phase ahead and establishing the balance sheet and capital structure of a new and exciting gold producer. As part of this Southern Gold completed a 15:1 share consolidation, prudently wrote off exploration assets on the balance sheet that could no longer sustain the valuation (the Cambodian assets for example) and modified our company constitution to enable the acquisition of 'unmarketable parcels', an initiative we may look to execute in the not too distant future.

We now have a tight capital structure, a very stable top 50 shareholding group and, after completion of the in-specie distribution to Asiatic shareholders, no one shareholder will hold more than 5% of our issued capital.

**What next for Southern Gold?**

We are just about to enter one of the more rewarding phases of any mining operation: achieving a cumulative net profit position and received project dividends in the form of cash payments to the owners. The next financial year should see significant cash injected into Southern Gold as the reward for all the hard work on getting the development into production will come to fruition.

As much as this is important it isn't all about the cash! It's also about what comes next and where might the cash come from next? To that end our exploration teams are focusing on opportunities that we believe have a good potential to be monetised in the near to medium terms. This includes the possibility of underground operations at Cannon, exploration on Cannon satellite projects and potentially pleasantly surprising investors on a fast track development in South Korea.

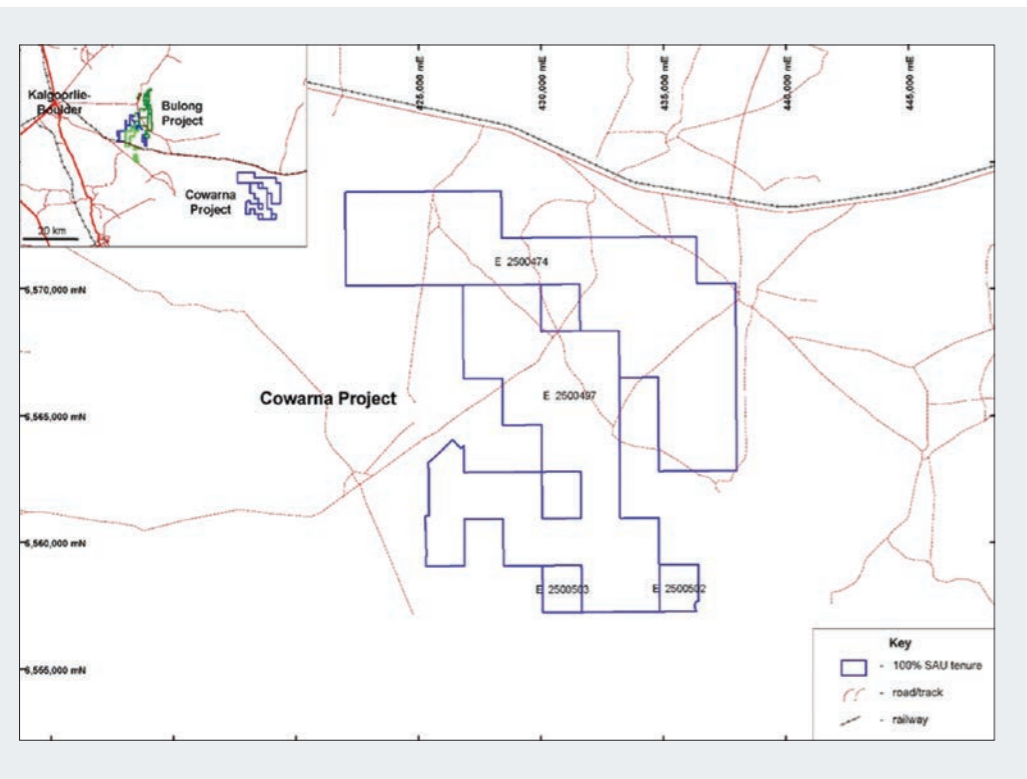
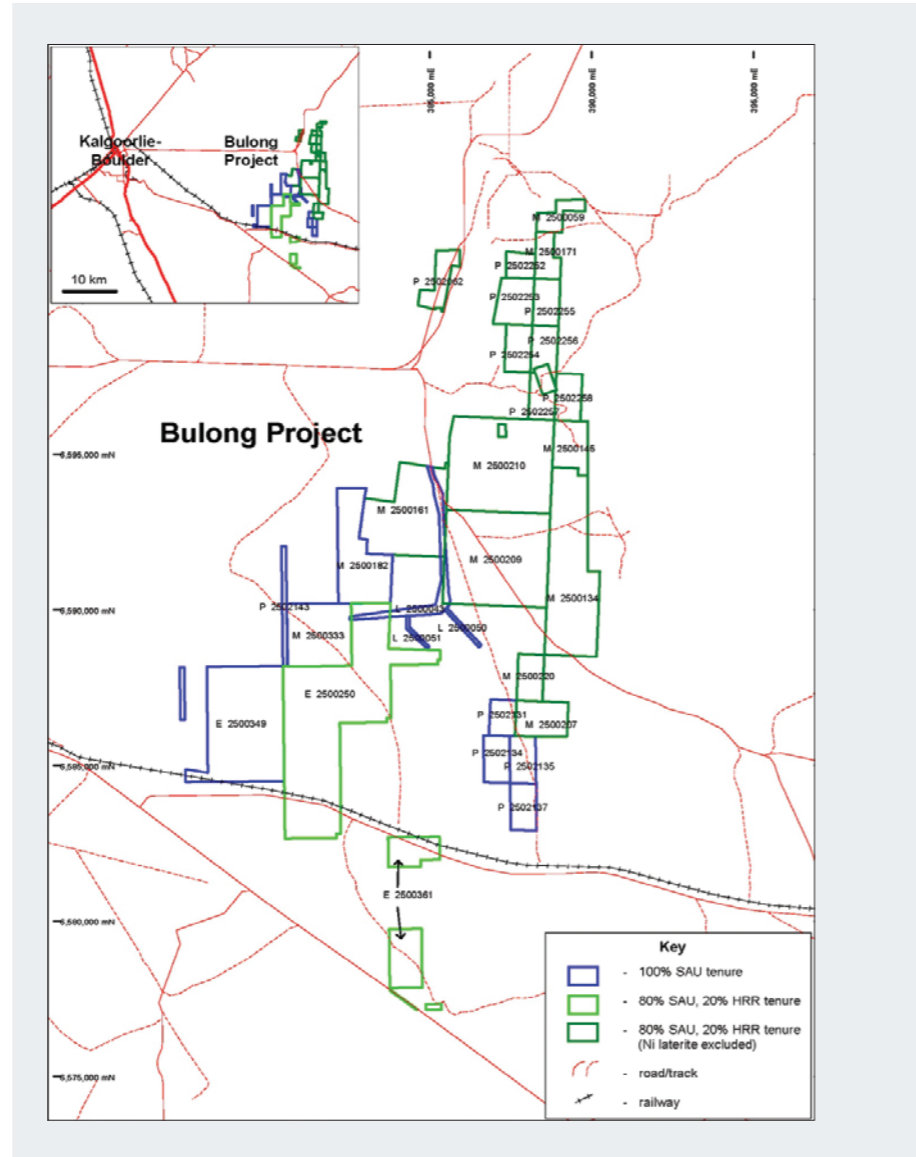
I am confident that in the coming year our cash position will be significantly enhanced, our projects in Kalgoorlie start to come together to provide for a second project and the South Korean opportunity starts to reveal some fantastic new discoveries. I am particularly excited by the possibility of 'blue sky' virgin discovery in South Korea and believe this is one jurisdiction where a company maker could be just around the corner!

Simon Mitchell  
Managing Director

# MANAGING DIRECTOR'S OPERATIONS REPORT

## TENEMENT MAP AND TENEMENT TABLE

Right – Figure 6: Map of Southern Gold Tenements in Western Australia – Bulong Project.  
Below – Figure 5: Map of Southern Gold Tenements in Western Australia – Cowarna Project.



## TENEMENT SCHEDULE – WESTERN AUSTRALIA

PROJECT	TENEMENT NUMBER	AREA	REGISTERED HOLDER	SOUTHERN GOLD EQUITY
<b>Bulong Project</b>				
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	M25/182	429 ha	Inferus Resources Limited	100%
Bulong South	M25/333	400 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%
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	M25/171	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	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%
<b>Cowarna Project</b>				
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%

\* Tenements relinquished post 30 June 2016. Deferred exploration costs associated with these tenements was written off for accounting purposes in the year ended 30 June 2016.



## MANAGING DIRECTOR'S OPERATIONS REPORT

### TENEMENT SCHEDULE - SOUTH KOREA

The following tenements are held by a 100% owned Korean subsidiary, Hee Song Metals Co Ltd, acquired on 8 July 2016.

MINE NAME	TENEMENT INFO				REGISTER INFO	
	Korean	English	Block ID	No.	Type	Date of Granting MM/DD/YYYY
Hwangryong (Yangji)	대천	Daecheon	74	79249	Mining	10/02/2011
	대천	Daecheon	84	79250	Mining	10/02/2011
	대천	Daecheon	75	79174	Mining	24/01/2011
	대천	Daecheon	85	79251	Mining	10/02/2011
Weolyu	영동	Youngdong	66	79254	Mining	14/02/2011
	영동	Youngdong	67	79255	Mining	14/02/2011
Hampyeong Sonbul	망운	Mangun	23	79233	Mining	8/02/2011
Hwacheon	영덕	Youngduk	73	79234	Mining	8/02/2011
Ongam	대천	Daecheon	71	79231	Mining	8/02/2011
	대천	Daecheon	72	79232	Mining	8/02/2011
Daeil	설천	Seolcheon	33	79177	Mining	24/01/2011
	설천	Seolcheon	43	79224	Mining	8/02/2011
Heungdok	설천	Seolcheon	36	79223	Mining	8/02/2011
	설천	Seolcheon	46	79226	Mining	8/02/2011
Samhwang-hak	설천	Seolcheon	34	79178	Mining	24/01/2011
	설천	Seolcheon	44	79225	Mining	8/02/2011
	설천	Seolcheon	35	79179	Mining	24/01/2011
	설천	Seolcheon	45	79180	Mining	24/01/2011
	설천	Seolcheon	55	79181	Mining	24/01/2011
Pungsan	대흥	Daehung	33	79227	Mining	8/02/2011
	대흥	Daehung	43	79229	Mining	8/02/2011
	대흥	Daehung	44	79230	Mining	8/02/2011
	대흥	Daehung	34	79228	Mining	8/02/2011
Cheongwon	증평	Jeungpyeong	100	77037	Mining	19/06/2008
	미원	Miwon	91	77028	Mining	16/06/2008
Jangam	증평	Jeungpyeong	34	77066	Mining	24/06/2008
	증평	Jeungpyeong	35	77067	Mining	24/06/2008
Suam	증평	Jeungpyeong	33	77065	Mining	24/06/2008

## MANAGING DIRECTOR'S OPERATIONS REPORT

### TENEMENT SCHEDULE - SOUTH KOREA cont.

MINE NAME	TENEMENT INFO				REGISTER INFO	
	Korean	English	Block ID	No.	Type	Date of Granting MM/DD/YYYY
Gubong	청양	Cheongyang	134	78089	Mining	1/09/2009
	청양	Cheongyang	135	78090	Mining	1/09/2009
	청양	Cheongyang	136	78091	Mining	1/09/2009
	청양	Cheongyang	137	78092	Mining	1/09/2009
	청양	Cheongyang	146	78093	Mining	1/09/2009
	청양	Cheongyang	147	78094	Mining	1/09/2009
	청양	Cheongyang	145	78095	Mining	1/09/2009
	대천	Daecheon	6	78096	Mining	1/09/2009
	대천	Daecheon	7	78097	Mining	1/09/2009
Taechang (Sobo)	목계	Mockgye	136	78645	Mining	1/06/2010
	목계	Mockgye	137	78646	Mining	1/06/2010
Kochang	안의	Aneui	11	78086	Mining	1/09/2009
	안의	Aneui	12	78087	Mining	1/09/2009
	안의	Aneui	22	78088	Mining	1/09/2009
Hampyeong Sonbul	망운	Mangun	11	200136	Exploration	27/08/2012
Imcheon	부여	Buyeo	58	200222	Exploration	14/01/2013

JORC RESOURCE STATEMENT

Mineral Resource Estimate

Cannon Mineral Resource Statement										
30/06/2016										
Ore Body	Reporting Lower Cut-Off	Measured			Indicated			Inferred		
		Tonnes t	Au Grade (g/t)	Ounces Au	Tonnes t	Au Grade (g/t)	Ounces Au	Tonnes t	Au Grade (g/t)	Ounces Au
Cannon	0.7	109,238	3.07	10,795	643,969	3.87	80,132	93,053	2.05	6,118
Cannon Stockpiles	-	7,878	1.5	380	-	-	-	-	-	-
Mill stocks	-	8,512	2.55	698						
<b>Totals</b>		<b>125,628</b>	<b>2.9</b>	<b>11,873</b>	<b>643,969</b>	<b>3.87</b>	<b>80,132</b>	<b>93,053</b>	<b>2.1</b>	<b>6,118</b>

Annual Ore Reserve Inventory

Cannon Ore Reserve Statement										
30/06/2016										
Ore Body	Reporting Lower Cut-Off	Proven			Probable			Total		
		Tonnes t	Au Grade (g/t)	Ounces Au	Tonnes t	Au Grade (g/t)	Ounces Au	Tonnes t	Au Grade (g/t)	Ounces Au
Cannon Open Pit	0.7	88,038	2.8	7,918	283,210	4.1	37,328	371,248	3.79	45,248
Cannon Open Pit Stocks	-	7,878	1.5	380				7,878	1.5	380
Mill stocks	-	8,512	2.55	698				8,512	2.55	698
<b>Totals</b>		<b>104,428</b>	<b>2.68</b>	<b>8,996</b>	<b>283,210</b>	<b>4.1</b>	<b>37,328</b>	<b>387,638</b>	<b>3.7</b>	<b>46,326</b>

Cannon Reserve Reconciliation											
30/06/2016											
2015 June Reserve			2016 June Reserve			Difference			Credited Mined		
Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
458,474	3.88	57,184	371,248	3.79	45,248	87,226		11,936	157,127	2.36	11,947

Notes:

- Cannon mineral resource estimate is inclusive of the reserve estimate.
- JORC Table 1 details for the Cannon mineral resource and Competent Person statement are detailed in SAU ASX announcement of 16/06/2015.
- JORC Table 1 details for Cannon ore reserves and Competent Persons statement are detailed in MLX ASX announcement of 18/08/2017.
- Under contracting arrangements with development partner Metals X, profit from the operation exploiting the ore reserve will be split 50%/50%. This is the equivalent of attributing 50% of the ore reserve ounces in the above table to Metals X.
- Pinner resource announced ASX Jan 29, 2013 has been reclassified to mineralisation. Close spaced grade control drilling undertaken as part of the mining of the Cannon resource has highlighted the need to revise the geological model underpinning the Pinner resource. Until this review is completed the company considers it prudent to downgrade the resource to mineralisation.
- Rounding will affect numerical totals.

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 in Australia 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 Exploration Results in South Korea has been compiled under the supervision of Dr Chris Bowden (FAusIMM(CP)). Dr Bowden, who is an employee of Southern Gold Limited and a Fellow and Chartered Professional of The Australasian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bowden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Exploration Targets 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 relate to Ore Reserves has been compiled by Metals X technical employees under the supervision of Mr Paul Hucker B. Eng. (Hons) M.AusIMM. Mr Hucker is a full-time employee of Metals X. Mr Hucker has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hucker consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. Mr Hucker is eligible to participate in short and long term incentive plans and holds performance rights in the Company as has been previously disclosed.

## 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 2016.

### 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 \$1,128,867 (2015: loss of \$7,485,386).

### 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 Project

Southern Gold's flagship project continues to be the Cannon Gold Mine which is located approximately 35km to the east of Kalgoorlie in Western Australia. The mine is being co-developed with Metals X Ltd ("Metals X") and they have been engaged to finance and operate the project under two legal agreements:

- The Mine Finance and Profit Share Agreement; and subsequent
- Supplementary Deed to the Contracting and Finance Agreement.

The execution of these agreements with Metals X Ltd covered all operational matters including mining, haulage and processing through the Jubilee Mill, approximately 30km to the south-west of the project.

The main milestones for the Cannon gold mine during the year were:

- The commencement of mining in July 2015;
- The commencement of ore processing in November 2015 and our first ever gold pour; and
- The execution of documentation with Metals X allowing for the development of a much larger open pit, or 'big pit' deal, combined with their Georges Reward deposit.

During the year Southern Gold came to an agreement with Metals X on the commercial and legal terms of an expanded Cannon open pit development that was made possible by the combination of the Cannon Mine with Georges Reward, a deposit to the north of Cannon that was acquired by Metals X. Under the new arrangement, the Cannon Open Pit Mine will continue to be developed on the original 50%:50% profit share arrangement with Metals X covering costs on a 'at cost open book' basis and providing the mine finance, with all ore being processed through the Jubilee mill at a fixed rate on a unblended, batched basis.

The 'big pit' deal with Metals X also included an additional \$2 million working capital debt facility that the company has drawn upon during the year. Furthermore, as part of the 'big pit' deal, the price of gold was fixed on the first 20koz of production at an average of A\$1530/oz, underpinning a large proportion of the costs of the operation. With operations now well advanced progress to date is outlined in the table opposite:

## DIRECTOR'S REPORT

## REVIEW OF OPERATIONS cont.

Table 1: Cannon Year to Date (YTD) and Quarterly Production Statistics

		Dec Qtr	Mar Qtr	Jun Qtr	YTD	Budget	YTD Variance+%
Ore Milled	tonnes	86,333	43,790	33,704	163,827	100,000	+64%
Head Grade	g/t Au	2.57	2.68	2.09	2.60	2.92	-11%
Recovery	%	90.92%	92.85%	92.49%	91.7%	89%	+2.7%
Gold Produced	Oz.	6,474	3,504	2,095	12,074	8,333	+45%

This illustrates that the project is performing well and is running ahead of budget. The better than expected recovery factor has been especially welcome as this has an important impact on the final bottom line of the project.

Looking forward we expect the following production profile:

Table 2: Cannon Forward Gold Production Guidance to 31 March 2017

		Sept Qtr 2016	Dec Qtr 2016	Mar Qtr 2017	Total
Ore Milled	tonnes	102,000	110,000	167,000	379,000
Head Grade	g/t Au	~3.1	~4.8	~3.3	~3.7
Recovery	%	88%	88%	88%	88%
Gold Produced	Oz.	8,961	14,832	15,677	39,469

It can be seen from this forward guidance that much of the gold is extracted from high grade zones at the base of the pit in a "back ended" production profile. Note also that budgeted recovery is projected to be lower (88%) while the fresh rock is being processed but it is anticipated that the final life of mine recovery figure should be a little higher than this perhaps averaging 90% Life of Mine.

We have also provided guidance on the net profit attributable to Southern Gold, with an expected cash injection of A\$14.5 million, net of repayment of the Metals X debt facility at the current gold price (A\$1750/oz at time of writing).

Given the importance of the deeper high grade mineralisation, four reverse circulation, diamond cored tailed holes (CARD001 – CARD004) were drilled by Metals X to evaluate the extent and potential variability of gold grade at the base of the pit. One of these holes, CARD001, returned the best intercept ever recorded at Cannon: 19m @ 15.1g/t Au from 83m downhole.

Southern Gold also began drilling deeper holes outside the limits of the final open pit design to see if ore grade intercepts could be found to potentially extend mine operations to an underground phase. A program of 10 RC and diamond core holes for 1823.2m was undertaken in June and the best result being 2.5m @ 8.93g/t Au from 188.5m in BSRCD273 (including 0.27m @ 76.4g/t Au from 188.5m).

The high grade interval in BSRCD273 was particularly significant as the presence of albite-carbonate-silica-chlorite alteration is similar to that previously identified in high grade intersections at Cannon and is the first occurrence of this style of mineralisation below the interpreted north dipping bounding structure. The implication of this is that mineralisation is open in all directions and there is much potential into the medium term to define additional underground exploitable resources.

## DIRECTOR'S REPORT

### REVIEW OF OPERATIONS cont.

#### Exploration

Exploration activity has also picked up significantly in the last 12 months. Several satellite projects have been drill tested, regional projects mapped and reviewed and even some grass roots exploration has begun at modest scale at some of the more remote regional projects such as Cowarna.

In the past year the exploration team has:

- Drill tested the Arsenal prospect;
- Drill tested the Tooting Bec prospect;
- Drill tested the Monument prospect; and
- Commenced modest regional exploration efforts, including some first pass auger soil sampling surveys at the Cowarna Gold Project.

#### Glandore Gold Project

Earlier this year Southern Gold announced an agreement with Aruma Exploration Pty Ltd ("AEPL"), a wholly owned subsidiary of Aruma Resources Ltd, whereby Southern Gold could earn up to a 90% interest in a package of tenements immediately east of Southern Gold's Bulong Project (Figure 1).

Southern Gold can earn up to 90% by expending a \$1.2 million in three tranches within three years.

The tenor and distribution of mineralisation already identified at Glandore is anticipated to facilitate fast tracking of JORC resource definition activities and if successful, potential economic extraction by open pit. Several high priority prospects with significant near surface drill intersections have been identified from a review of historic exploration data: Supergene, Axial Planar and Central Zone.

### CORPORATE

#### Finance

A 1:15 share consolidation was completed on 29 October 2015, as approved by shareholders at the Company's 2015 AGM. This reduced the number of shares from 527,624,224 to 35,175,871.

On 3 November 2015, the Mine Finance and Profit Sharing Agreement ("Agreement") with Metals X was revised to cover an expanded Cannon open pit development and mining. The revised Agreement included provision of an additional \$2,000,000 secured loan facility to Southern Gold, taking the facility to \$2,500,000.

As at 30 June 2016, Southern Gold had drawn down \$2,000,000 (plus accrued interest). Interest and principal are repayable from Southern Gold's share of profit from the Cannon operations.

Southern Gold raised \$275,232 through the issue of 1,223,250 shares resulting from the exercise of the listed options at the exercise price \$0.225, expiry 30 November 2015.

Southern Gold raised an additional \$1,000,000 through an unsecured 'convertible debt facility' (refer ASX announcements dated 1 April 2016 and 28 April 2016). The following options were issued to the debt providers:

- 1,388,889 call options with an exercise price of \$0.32, expiry 30 June 2017; and
- 1,388,889 call options with an exercise price of \$0.40, expiry 30 June 2017.

If all options are exercised, the exercise price receivable by Southern Gold would fully offset the repayment of the \$1,000,000 borrowing due 30 June 2017.

In addition to the above, Southern Gold received in January 2016, a Research and Development tax refund of \$206,715.

#### Completion of the Sale of Southern Gold's Cambodian Interest

As reported in the prior financial year, the Company's 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").

The sale remained subject to successful renewal of certain tenements. Satisfactory renewal was achieved during the year ended 30 June 2016, enabling formal completion of the Sale Purchase and Joint Venture Agreement with Mekong Minerals (refer ASX announcement dated 9 February 2016).

Consideration received by Southern Gold:

- 15% free carried interest until the completion of a positive definitive feasibility study; and
- 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%.

## DIRECTOR'S REPORT

### CORPORATE cont.

#### 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 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 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.

#### 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 Reporting Date

On the 8 July 2016, Southern Gold executed a binding legal agreement with an unlisted public company, Asiatic Gold Ltd ("Asiatic"), to acquire its wholly-owned Singaporean Registered subsidiary International Gold Private Ltd ("IGPL"), itself a 100% owner of a Korean company, Hee Song Metals Co Ltd ("HSML"). Consideration paid by Southern Gold is valued at approximately A\$2 million, comprising 6,294,942 Southern Gold ordinary shares and A\$116,000 cash. The Southern Gold consideration shares will be distributed in-specie to 77 Asiatic shareholders. HSML holds mineral tenure in South Korea, consisting of 44 granted tenements across 17 project areas. For further information, refer ASX Announcement dated 8 July 2016.

As part of the above transaction, several of Asiatic's major shareholders subscribed for \$1.2m of Southern Gold shares at \$0.35/share, representing a 18% premium to the 20 day volume weighted average share price to 6 July 2016, of \$0.297. The share issue will be considered by shareholders at a general meeting on 21 September 2016.

Other than the above, 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

Southern Gold will focus on developing alternative cash flow sources from a second project or from the extension of the Cannon mine to an underground phase. There is also the possibility of early cash flow from the South Korean operations.

Emphasis will be on drilling targets with a view to defining open pitable resources around Kalgoorlie and underground high grade resources at the Korean projects. The objective is to make sufficient cash flow to pay a return to our shareholders as well as organically fund world class exploration efforts to find a world class deposit.

#### 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.

## DIRECTOR'S REPORT

### CORPORATE cont.

#### 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
15.04.2013	15.10.2017	0.150	0.900	128,670
27.11.2014	30.11.2019	0.105	0.375	400,002
01.02.2015	18.11.2020	0.109	0.375	333,334
28.04.2016	30.06.2017	0.029	0.320	1,388,889
28.04.2016	30.06.2017	0.025	0.400	1,388,889
12.07.2016	30.06.2021	0.282	0.375	1,245,000
				4,884,784

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

As noted in the above table, 1,245,000 options were issued to employees under the Company's Employee Share Options Plan, subsequent to the reporting period ending 30 June 2016.

Other than these options issued to employees, there were no other 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 2016, 1,223,250 ordinary shares of Southern Gold Limited were issued on the exercise of options, for total proceeds of \$275,232.

## 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 on the board of the Statewide Superannuation Trust and other South Australian private companies.

#### 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.

Mr Mitchell currently has 250,000 shares and 333,334 options in Southern Gold Limited.

#### Michael Billing

B Bus, CPA, MAICD (Non-Executive Director) (Audit Committee Chairman).

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 528,811 shares and 133,334 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 447,507 shares and 133,334 options in Southern Gold Limited.

#### 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 nil shares and 100,000 options 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.

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

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

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

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

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

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

#### Performance-based Remuneration

The Group currently has no performance based remuneration component built into Non-executive Director packages. The Managing Director's remuneration package includes a maximum performance incentive of \$50,000 for the period to 30 June 2016 and each year thereafter. The Managing Director's base salary package (excluding statutory superannuation) increased from \$220,000 to \$230,000 upon the first gold pour from the production at the Cannon project in November 2015. The Managing Director's base salary package increased to \$245,000 effective 1 July 2016, following an annual performance review.

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.

#### Shares and Options granted as remuneration

Options were granted as remuneration to the Managing Director in November 2015, as approved by shareholders. 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.

272,112 Shares were issued to the Non-Executive Directors as part of their remuneration for the year ended 30 June 2016. 103,413 of these Shares were issued subsequent to the end of the reporting period, on 1 July 2016.

### 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
M R Billing	Director – Non-Executive
D J Turvey	Director – Non-Executive
Key Management Personnel	Position
D L Hill	Company Secretary
I D Blucher	Project Development Manager

##### (b) Directors' remuneration

2016 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	-	-	40,000	-	80,000	50.00%
S Mitchell	-	226,416	41,000	-	25,405	292,821	-
M R Billing	18,265	-	-	20,000	1,735	40,000	50.00%
D J Turvey	18,265	-	-	20,000	1,735	40,000	50.00%
	<b>76,530</b>	<b>226,416</b>	<b>41,000</b>	<b>80,000</b>	<b>28,875</b>	<b>452,821</b>	<b>17.67%</b>

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED) cont.

#### (b) Directors' remuneration cont.

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 <sup>2</sup>	-	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 <sup>1</sup>	-	166,638	-	-	12,523	179,161	0.00%
	<b>76,522</b>	<b>258,305</b>	<b>-</b>	<b>80,147</b>	<b>24,709</b>	<b>439,683</b>	<b>18.23%</b>

<sup>1</sup> Ms Anderson resigned 31 January 2015. Ms Anderson provided consulting service to the Group through to 31 May 2015. Ms Andersen 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.

<sup>2</sup> Mr Mitchell was appointed Managing Director on 1 February 2015. Upon his appointment, Mr Mitchell was granted 333,334 unlisted options. These options were subsequently approved by shareholders on 22 October 2015.

#### (c) Other Key Management Personnel Remuneration

2016 Primary Benefits	Salary and Leave \$	Cash Bonus \$	Super Contribution \$	Share Based Payments \$	Total \$
D L Hill <sup>1</sup>	-	-	-	-	-
I D Blucher	111,186	-	10,563	-	121,749
	<b>111,186</b>	<b>-</b>	<b>10,563</b>	<b>-</b>	<b>121,749</b>

2015 Primary Benefits	Salary and Leave \$	Cash Bonus \$	Super Contribution \$	Share Based Payments \$	Total \$
D L Hill <sup>1</sup>	-	-	-	-	-
I D Blucher	126,022	-	10,325	-	136,347
	<b>126,022</b>	<b>-</b>	<b>10,325</b>	<b>-</b>	<b>136,347</b>

<sup>1</sup> 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 \$19,723 during the 2016 year (2015: \$55,315).

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED) 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 2016	Balance at beginning of year <sup>3</sup>	Acquired (disposed) on market	Issued on exercise of options during year <sup>2</sup>	Other changes during the year <sup>1</sup>	Balance at end of year
G C Boulton AM	726,835	100,000	111,112	67,114	1,005,061
S Mitchell	-	250,000	-	-	250,000
M R Billing	405,227	-	55,556	33,557	494,340
D J Turvey	268,367	-	111,112	68,028	447,507
D L Hill	51,660	(51,660)	-	-	-
I D Blucher	21,905	-	55,556	-	77,461
	<b>1,473,994</b>	<b>298,340</b>	<b>333,336</b>	<b>168,699</b>	<b>2,274,369</b>

<sup>1</sup> Shares were issued to Directors as part of their remuneration for the year ended 30 June 2016, as approved by shareholders. The shares were issued in two tranches: 134,228 shares issued in November 2015 (G Boulton 67,114, M Billing 33,557, D Turvey 33,557). The second tranche was issued on 30 June 2016 being 34,471 shares to D Turvey, and 1 July 2016 being 68,942 shares to G Boulton and 34,471 shares to M Billing. The share issue on 1 July 2016 is not reflected in the above table, as it occurred after 30 June 2016. However, the value of those shares are reflected in the remuneration table in section (b) of the Remuneration Report and is reflected in the Group's Statement of Financial Performance for the year ended 30 June 2016.

<sup>2</sup> Options exercised in November 2015. These options were originally acquired through take up of entitlements under the Share Purchase Plan offered to all shareholders. The Share Purchase Plan included one free listed option for each 2 shares acquired.

<sup>3</sup> The total number of shares held by Key Management Personnel at the beginning of the year was 22,109,860. The opening balance shown in the above table has been restated for the 1:15 share consolidation completed during the year ended 30 June 2016.

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 2016	Balance at beginning of year <sup>3</sup>	Acquired off market	Expired during the year	Other changes during the year <sup>2</sup>	Balance at end of year	Vested during the year	Vested and exercisable
G C Boulton AM	244,446	-	-	(111,112)	133,334	-	133,334
S Mitchell <sup>1</sup>	333,334	-	-	-	333,334	333,334	333,334
M R Billing	188,890	-	-	(55,556)	133,334	-	133,334
D J Turvey	188,890	55,556	-	(111,112)	133,334	-	133,334
D L Hill	-	-	-	-	-	-	-
I D Blucher	88,890	-	-	(55,556)	33,334	-	33,334
	<b>1,044,450</b>	<b>55,556</b>	<b>-</b>	<b>(333,336)</b>	<b>766,670</b>	<b>333,334</b>	<b>766,670</b>

<sup>1</sup> The options issued to Mr S Mitchell were subject to shareholder approval as at 30 June 2015. Shareholder approval was granted at the Company's Annual General Meeting dated 22 October 2015.

<sup>2</sup> The Directors exercised options in November 2015. These options were originally acquired through take up of entitlements under the Share Purchase Plan offered to all shareholders. The Share Purchase Plan included one free listed option for each 2 shares acquired.

<sup>3</sup> The total number of options held by Key Management Personnel at the beginning of the year was 14,833,332. The opening balance shown in the above table has been restated for the 1:15 share consolidation completed during the year ended 30 June 2016.

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED) 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.
- Agreed remuneration for the year ended 30 June 2016 was \$220,000 per annum plus superannuation guarantee contributions, subject to annual salary review increases for the term of the service agreement. This base salary was to increase to \$230,000 per annum after the first gold pour from production at the Cannon project. The first gold pour and associated salary increase occurred November 2015.
- Following the annual performance and salary review, effective 1 July 2016 the Managing Director's annual salary was increased to \$245,000 base salary per annum, plus statutory superannuation.
- The issuance of 333,334 unlisted options consistent with the unlisted options issued to Directors on 22 December 2014 (a five year term and an exercise price of 37.5 cents).
- The Managing Director's remuneration package includes a maximum performance incentive of \$50,000 for the period to 30 June 2016 and each year thereafter. The Managing Director was awarded \$41,000 in bonuses related to the year ended 30 June 2016.
- 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.

## DIRECTOR'S REPORT

### REMUNERATION REPORT (AUDITED) cont.

#### (g) Voting at 2015 AGM

Southern Gold Limited received more than 99.6% of 'yes' votes on its remuneration report for the 2015 financial year. The Company did not receive any specific feedback at the AGM on its remuneration report, other than the accrual for compulsory superannuation as part of normal payroll payments.

#### (h) Related party 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.

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	2016 \$	2015 \$
D L Hill	Payments to a member of Key Management for financial and company secretarial services provided	19,723	55,315
GC Boulton	Payments to a Director related entity for Director services provided <sup>1</sup>	80,000	40,000
D Turvey	Payments to a Director related entity for consulting services provided in the due diligence process for the acquisition of International Gold Private Ltd (refer Note 26)	6,534	-

<sup>1</sup> Fees for Director services, for the year ended 30 June 2016, were settled through \$40,000 in cash and \$40,000 in the issue of shares. The issue of share comprised \$20,000 issued during the year ended 30 June 2016 and \$20,000 which remained outstanding at 30 June 2016 which was satisfied through the issue of shares on 1 July 2016

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:

	2016 \$	2015 \$
Current payables	57,983	4,991
Amounts payable to Directors and Key Management Personnel related entities (refer Note 12)		
	<b>57,983</b>	<b>4,991</b>

There were no amounts receivable from related parties.

End of Remuneration Report.



## DIRECTOR'S REPORT

### MEETINGS OF DIRECTORS

The Company held 13 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	11	11	2	2
S Mitchell	11	11	2	2
M R Billing	11	11	2	2
D J Turvey	11	11	-	-

### Non-audit services

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

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

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

Non-audit services paid and/or payable to the external auditors during the year ended 30 June 2016 were \$15,317 (2015: nil), comprising taxation related services in relation to the acquisition of International Gold Private Ltd (refer ASX announcement 8 July 2016).

## 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.

#### Auditor's Independence Declaration

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 for the year ended 30 June 2016 is set out immediately following the end of the Directors' report.

Dated at Adelaide, this 20th day of September 2016.

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 2016, I declare that, to the best of my knowledge and belief, there have been:

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

  
GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

  
I S Kemp

Partner - Audit & Assurance  
Adelaide, 20 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
	Note	2016 \$	2015 \$
<b>Continuing Operations</b>			
Revenue from ordinary activities	2(a)	10,490	19,101
Exploration expenditure written off		(961,685)	(181,266)
Exploration expenses		(71,502)	(2,306)
Mining costs		(460,726)	-
Mine development amortisation		(1,089,009)	-
Salaries and wages		(297,962)	(106,347)
Directors fees		(80,000)	(80,000)
Interest expense		(120,119)	(33,510)
Shareholder relations		(113,187)	(53,600)
Other consulting expenses		(240,129)	(173,530)
Other administrative expenses	2(b)	(393,662)	(205,050)
Depreciation		(26,594)	(27,510)
Share based payments		(80,000)	(80,148)
<b>Loss before income tax</b>		<b>(3,924,085)</b>	<b>(924,166)</b>
Income tax benefit attributable to loss from ordinary activities	4	2,817,998	441,126
<b>(Loss) from continuing operations</b>		<b>(1,106,087)</b>	<b>(483,040)</b>
<b>Discontinued Operations</b>			
Loss from discontinued operations	3	(22,780)	(7,002,346)
<b>Net (loss) for the year</b>		<b>(1,128,867)</b>	<b>(7,485,386)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Exchange differences on translation and disposal of foreign controlled entity, net		-	147,742
<b>Total comprehensive income</b>		<b>(1,128,867)</b>	<b>(7,337,644)</b>
<b>Earnings Per Share</b>			
<b>From continuing &amp; discontinued operations</b>			
Basic (cents per share) – Loss	23	(3.14)	(25.82)
Diluted (cents per share) – Loss	23	(3.14)	(25.82)
<b>From continuing operations</b>			
Basic (cents per share) – Loss	23	(3.08)	(1.67)
Diluted (cents per share) – Loss	23	(3.08)	(1.67)
<b>From discontinued operations</b>			
Basic (cents per share) – Loss	23	(0.06)	(24.15)
Diluted (cents per share) – Loss	23	(0.06)	(24.15)

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 2016

		Consolidated	
	Note	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,441,891	857,178
Trade and other receivables	7	53,896	63,006
Other assets	8	-	32,093
<b>TOTAL CURRENT ASSETS</b>		<b>1,495,787</b>	<b>952,277</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation expenditure	9	7,132,433	6,937,031
Mine development assets	10	1,655,478	2,732,231
Deferred tax asset	4	2,693,070	81,787
Plant and equipment	11	31,054	31,143
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,512,035</b>	<b>9,782,192</b>
<b>TOTAL ASSETS</b>		<b>13,007,822</b>	<b>10,734,469</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	669,039	181,848
Provision for employee benefits	13	10,910	3,370
Borrowings	14	3,045,146	533,510
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,725,095</b>	<b>718,728</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>3,725,095</b>	<b>718,728</b>
<b>NET ASSETS</b>		<b>9,282,727</b>	<b>10,015,741</b>
<b>EQUITY</b>			
Issued capital	15	35,700,379	35,379,551
Reserves	27	2,074,566	1,999,541
Retained losses		(28,492,218)	(27,363,351)
<b>TOTAL EQUITY</b>		<b>9,282,727</b>	<b>10,015,741</b>

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 2016

	Issued Capital \$	Retained Losses \$	Share- Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 July 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
Profit or loss	-	(1,128,867)	-	-	(1,128,867)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(1,128,867)	-	-	(1,128,867)
Issue of share capital	325,232	-	-	-	325,232
Fair value of options issued to lenders	-	-	75,025	-	75,025
Costs associated with the issue of shares	(4,404)	-	-	-	(4,404)
Total transactions with owners	320,828	-	75,025	-	395,853
<b>Balance at 30 June 2016</b>	<b>35,700,379</b>	<b>(28,492,218)</b>	<b>2,074,566</b>	<b>-</b>	<b>9,282,727</b>

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 2016

		Consolidated	
	Note	2016 \$	2015 \$
<b>Cash flows relating to operating activities</b>			
Interest received		7,490	11,861
Other income		3,000	9,461
R&D tax offset received		206,715	359,339
Mining costs		(136,049)	-
Payments to suppliers and employees		(958,193)	(790,315)
Interest paid		(33,458)	-
Net operating cash outflows used in continuing operations		(910,495)	(409,654)
Net operating cash outflows used in discontinued operations		-	(191,298)
<b>Net operating cash outflows (Note (a))</b>		<b>(910,495)</b>	<b>(600,952)</b>
<b>Cash flows relating to investing activities</b>			
Payments for mining tenements, exploration and evaluation expenditure		(1,222,561)	(737,473)
Payments for mine development assets		(22,954)	(283,355)
Disposal of subsidiary (cash held)		(2,779)	-
Payments for plant and equipment		(27,326)	(4,805)
Net investing cash outflows used in continuing operations		(1,275,620)	(1,025,633)
Net investing cash inflows from discontinued operations		-	199,230
<b>Net investing cash outflows</b>		<b>(1,275,620)</b>	<b>(826,403)</b>
<b>Cash flows relating to financing activities</b>			
Proceeds from share issues		275,232	1,380,270
Payments for share issue costs		(4,404)	(79,026)
Proceeds of borrowings		2,500,000	500,000
<b>Net financing cash inflows</b>		<b>2,770,828</b>	<b>1,801,244</b>
<b>Net increase in cash</b>		<b>584,713</b>	<b>373,889</b>
<b>Net foreign exchange difference</b>		<b>-</b>	<b>7,823</b>
<b>Cash at beginning of financial year</b>	<b>6</b>	<b>857,178</b>	<b>475,466</b>
<b>Cash at end of financial year</b>	<b>6</b>	<b>1,441,891</b>	<b>857,178</b>

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

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 \$	2015 \$
<b>Note (a): Reconciliation of net loss from ordinary activities to net cash flow from operating activities</b>		
Loss from ordinary activities after related income tax	(1,128,867)	(7,485,386)
<b>Adjustments to reconcile profit before tax to net cash flows</b>		
Share based payments	80,000	80,148
Depreciation	26,594	33,928
Unrealised foreign exchange	-	(53,910)
Mine development amortisation	1,089,009	-
Exploration written off and expensed – continuing operations	1,033,188	181,266
Exploration written off – discontinued operations	-	1,043,805
Net adjustments to carrying values – discontinued operations	-	5,767,405
Loss on disposal of subsidiary	22,780	-
<b>Changes in assets and liabilities</b>		
(Increase) decrease in trade and other receivables	3,394	(45,037)
(Increase) decrease in other financial assets	19,772	(7,697)
(Increase) decrease in deferred tax assets	(2,611,283)	(81,787)
Increase/(decrease) in trade and other payables	548,521	48,687
Increase/(decrease) in provisions	6,397	(82,374)
<b>Net operating cash flows</b>	<b>(910,495)</b>	<b>(600,952)</b>

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 2016

## 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

There were no material new and revised standards which were effective for annual periods beginning on or after 1 July 2015 that were adopted by the group.

#### a. Principles of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

#### b. Income Tax

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

#### b. Income Tax cont.

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.

#### Research and development tax incentive

To the extent that research and development costs are eligible activities under the "Research and development tax incentive" programme, a 45% refundable tax offset is available for companies with annual turnover less than \$20 million. The Group recognises refundable tax offsets received in the financial year as an income tax benefit, in profit or loss, resulting from the monetisation of available tax losses that otherwise would have been carried forward.

#### 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 2016

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

#### f. Impairment of Non Financial Assets

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

#### g. 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.

#### 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 18.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

#### 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

#### 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 – 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.

In determining the extent to which sufficient future taxable profits are probable, the Group has considered the 2016 projected income from the Cannon operations. The recognition of a \$2,611,283 increase in the deferred tax asset, during the year ended 30 June 2016, reflects the revised Mine Finance and Profit Sharing Agreement with Metals X Limited (ASX: MLX – “Metals X”) (refer ASX announcement 3 November 2015). Under the revised agreement, the development of the Company’s Cannon Gold Resource was expanded to a larger open pit. The larger open pit development has increased expectation for future taxable income. 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 2016

### 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 2016. 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 (December 2014)**

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model.

These latest amendments now complete the new financial instruments standard. This standard does not apply mandatorily before 1 January 2018.

Adoption of this amendment will not result in a material impact on the Group's financial statements.

##### **AASB 15 Revenue from Contracts with Customers**

AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. This standard does not apply mandatorily before 1 July 2017.

Adoption of this amendment will not result in a material impact on the Group's financial statements.

##### **AASB 16 Leases**

AASB 16 replaces AASB 117 Leases and some lease related Interpretations. The new standard requires all leases to be accounted for as 'on balance sheet' by lessees, other than short term and low value asset leases.

The standard provides new guidance on the application of the definition of lease and on sale and lease back accounting. The standard also requires new and different disclosures about leases. This standard does not apply mandatorily before 1 January 2019.

Adoption of this amendment will not result in a material impact on the Group's financial statements.

##### **AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations**

AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This standard does not apply mandatorily before 1 January 2016. The amendments require:

- the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 Joint Arrangements; and;
- the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

Adoption of this amendment will not result in a material impact on the Group's financial statements.

##### **AASB 1057 Application of Australian Accounting Standards**

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRS to minimise Australian specific wording even further. The AASB noted that IFRS do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards. This standard does not apply mandatorily before 1 January 2016.

Adoption of this amendment will not result in a material impact on the Group's 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

#### v. Parent Entity

The financial information of the parent entity, Southern Gold Limited, disclosed at note 25, 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.

#### 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 incurred in 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 20th September 2016 by the Board of Directors.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$

### 2. LOSS FROM CONTINUING OPERATIONS

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

#### a) Operating Revenue

Interest received/receivable	7,490	9,640
Other income	3,000	9,461
	10,490	19,101

#### b) Other Administrative Expenses

Office rent	43,691	74,938
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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$

### 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)
Exploration written off during the year	-	(1,043,805)
	-	(1,234,941)
Write off closing balance of exploration expenditure	-	(8,434,630)
Write off tenement bonds	-	(91,147)
Loan from Mekong Minerals	-	1,861,445
Other liabilities	-	363,440
Write off foreign currency translation reserve	-	533,487
Net adjustments to carrying values	-	(5,767,405)
Write off remaining net assets at completion	(22,780)	-
Loss from discontinued operations	(22,780)	(7,002,346)

Since 2012, Southern Gold had been party to an earn-in and shareholders' agreement ("Agreement") with Mekong Minerals Limited ('Mekong'), whereby Mekong had 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').

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 was to sell 100% of the wholly owned subsidiary SG Asia to Mekong, for the following consideration:

- 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
- 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 remained subject to the successful renewal of selected tenements. Therefore, SG Asia and its subsidiary Mekong Minerals (Cambodia) Ltd remained part of the Southern Gold consolidated Financial Statements as at 30 June 2015. However, all material assets and liabilities of the Cambodian Operations had been revalued to nil, leaving just 22,780 of net assets included in the Group's Consolidated Statement of Financial Position at 30 June 2015.

Satisfactory renewal of selected tenements was achieved during the year ended 30 June 2016, enabling formal completion of the New Agreement (refer ASX announcement dated 9 February 2016). As a result, the remaining net assets of \$22,780 have been treated as having been disposed of during the year ended 30 June 2016.

Due to the uncertain nature of the consideration for valuation purposes, being the 15% free carry interest and the gross sales royalty, no amount has been recognised in the Group's Statement of Financial Position as at 30 June 2016.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>4. INCOME TAX EXPENSE</b>		
The components of tax benefit comprise:		
Research and development tax concession	206,715	359,339
Deferred tax benefit	2,611,283	81,787
Income tax benefit attributable to loss from ordinary activities	2,817,998	441,126
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	1,177,226	277,250
Tax effect of capital raising costs	1,321	23,708
Tax effect of Share-based payments expensed	(24,000)	(23,405)
Research and development tax concession	(206,715)	(359,339)
Prior period timing differences and tax losses brought to account	1,663,451	163,573
Income tax benefit attributable to loss from ordinary activities	2,611,283	81,787
Reflected in the Statement of Financial Position as follows:		
Deferred tax liability: Exploration	(1,991,396)	(1,932,775)
Deferred tax liability: Mine development	(496,643)	(819,669)
Deferred tax asset: Equity raising and Legal costs	59,315	59,315
Deferred tax asset: Tax losses	5,098,193	2,771,989
Other	23,601	2,927
Deferred tax asset	2,693,070	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	-	-
c) Income tax losses		
Total deferred tax asset arising from carried forward tax losses not recognised as meeting probable criteria		
Gross tax losses	17,929,442	23,985,663
Tax Losses at 30%	5,378,833	7,195,699

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.

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

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

In determining the extent to which sufficient future taxable profits are probable, the Group has considered the 2016 projected income from the Cannon operations. The recognition of a \$2,611,283 increase in the deferred tax asset, during the year ended 30 June 2016, reflects the revised Mine Finance and Profit Sharing Agreement with Metals X Limited (ASX: MLX – “Metals X”) (refer ASX announcement 3 November 2015). Under the revised agreement, the development of the Company’s Cannon Gold Resource was expanded to a larger open pit. The larger open pit development has increased expectation for future taxable income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>5. KEY MANAGEMENT PERSONNEL REMUNERATION</b>		
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 2016. The totals of remuneration paid to key management personnel during the year are as follows:		
Short term employee benefits	455,132	460,849
Post employment benefits	39,438	35,034
Share-based payments	80,000	80,147
	<b>574,570</b>	<b>576,030</b>
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 \$19,723 during the 2016 year (2015: \$55,315).		
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	1,441,891	857,178
	<b>1,441,891</b>	<b>857,178</b>
<b>7. TRADE AND OTHER RECEIVABLES</b>		
Trade and other receivables	43,396	52,506
Office lease bond	10,500	10,500
	<b>53,896</b>	<b>63,006</b>
Trade and other receivables not considered past due and/or impaired is nil (2015: nil).		
<b>8. OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	-	28,255
Other assets	-	3,838
	-	<b>32,093</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>9. EXPLORATION AND EVALUATION EXPENDITURE</b>		
Costs carried forward in respect of areas of interest:		
<b>Exploration and evaluation phase</b>	<b>7,132,433</b>	<b>6,937,031</b>
The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of respective areas.		
(i) Reconciliation		
A reconciliation of the carrying amount of exploration and evaluation phase expenditure is set out below:		
Costs brought forward	6,937,031	17,100,387
Exploration incurred – discontinued operations	-	122,576
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
	6,937,031	8,802,011
Reclassified to Mine development assets	-	(2,438,179)
Expenditure incurred during the year	1,157,087	754,464
Expenditure written off / impairment for relinquished tenements	(961,685)	(181,266)
	<b>7,132,433</b>	<b>6,937,031</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>10. MINE DEVELOPMENT ASSETS</b>		
Costs carried forward in respect of the development of Cannon	2,744,487	2,732,231
Accumulated amortisation	(1,089,009)	-
	<b>1,655,478</b>	<b>2,732,231</b>
(ii) Reconciliation		
A reconciliation of the carrying amount of mine development assets is set out below:		
Costs brought forward	2,732,231	-
Reclassified from exploration and evaluation expenditure	-	2,438,179
Expenditure incurred during the year	12,256	294,052
Amortisation expense	(1,089,009)	-
<b>Expenditure incurred during the year</b>	<b>1,655,478</b>	<b>2,732,231</b>

On 11 November 2014, Southern Gold finalised a Mine Finance and Profit Sharing Agreement with Metals X to finance and develop its Cannon Gold Resource, located 30km from Kalgoorlie in WA. Mining operations commenced in August 2015.

On 3 November 2015, the agreement was revised to cover an expanded Cannon open pit development ("Revised Agreement"). Under the Revised Agreement, Metals X continue to 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. Completion of the Phase 1 mining of the expanded open pit is expected in the first quarter of calendar 2017, with an option at that point for the parties to agree to proceed with Phase 2 underground development.

The Mine Development asset is being amortised over the estimated economic life of the open pit operation on the basis of tonnes of ore mined. Amortisation commenced during the year ended 30 June 2016, with the first commercial production of gold.

Subsequent to August 2015, any costs incurred directly by Southern Gold in overseeing the Mining contractor (Metals X) and exploration costs associated with the existing resource, are expensed as incurred. The costs are shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as 'Mining Costs'.

Under the Revised Agreement, the mine development costs and costs of mining incurred by Metals X are only recoverable from the Mining Profits. During this period, Metals X own the ore from the time it is mined. Once all of Metal X's mining and development costs have been repaid from the Mining Profits, all subsequent Mining Profits are 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 14).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>11. PLANT AND EQUIPMENT</b>		
Plant and equipment at cost	249,417	449,841
Less: Accumulated depreciation	(218,363)	(418,698)
	<b>31,054</b>	<b>31,143</b>
Opening written down value	31,143	59,576
Additions	27,326	4,805
Net foreign currency exchange differences	-	690
Depreciation – Discontinued Operations	-	(6,418)
Disposal of subsidiary	(821)	-
Depreciation – Continuing Operations	(26,594)	(27,510)
<b>Closing written down value</b>	<b>31,054</b>	<b>31,143</b>

### 12. TRADE AND OTHER PAYABLES

Trade payables	512,243	122,553
Sundry payables and accruals	98,813	54,304
Amount payable to Directors and Key Management related entities <sup>1</sup>	57,983	4,991
	<b>669,039</b>	<b>181,848</b>

<sup>1</sup> Payable to Greg Boulton and Associates Pty Ltd (an entity associated with G C Boulton) of \$3,667 (2015: \$ 3,667), and \$20,000 in Director fees to be settled by the issue of shares on 1 July 2016.

Payable to Red Balloon Superannuation Fund (an entity associated with Mr David Turvey) of \$145 (2015: \$145).

Payable to Lapun Kamap Superannuation Fund (an entity associated with Mr Michael Billing) of \$145 (2015: \$145), and \$10,000 in Director fees to be settled by the issue of shares on 1 July 2016.

Payable to Bayfront Nominees Pty Ltd (an entity associated with D L Hill) of \$2,126 (2015: \$1,034)

Payable to Mr Simon Mitchell, being a final bonus relating to the year ended 30 June 2016 \$21,900 (2015: \$nil)

### 13. PROVISION FOR EMPLOYEE BENEFITS

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

Provision for employee benefits		
Current	10,910	3,370
Non-Current	-	-
	<b>10,910</b>	<b>3,370</b>
Movement schedule for employee benefits		
Opening balance	3,370	86,050
Provision in subsidiary disposed	1,143	-
Additional provision	6,397	4,513
Benefits utilised or surrendered	-	(87,193)
<b>Closing balance</b>	<b>10,910</b>	<b>3,370</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>14. BORROWINGS</b>		
Metals X loan	2,109,957	533,510
Convertible debt	935,189	-
	<b>3,045,146</b>	<b>533,510</b>

#### Metals X loan

In addition to the terms of the Revised Agreement as detailed in Note 10, Metals X has provided a secured loan facility to Southern Gold of \$2,500,000. The loan is interest bearing, fixed at 8% per annum. As at 30 June 2016, \$2,000,000 has been drawn down. The loan balance at 30 June 2016, inclusive of accrued interest is \$2,109,957.

At 30 June 2015, the loan facility was \$500,000. The loan facility was increased in response to the larger open pit development which would increase returns but delay profits from operations, and distributions to the Company, by six months.

Mining profits from the Cannon Mine will first be applied to the reimbursement of Metals X's mining and 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.

#### Convertible debt

Southern Gold raised \$1,000,000 through an unsecured 'convertible debt facility' (refer ASX announcements dated 1 April 2016 and 28 April 2016). The following options were issued to the debt providers:

- 1,388,889 call options with an exercise price of \$0.32, expiry 30 June 2017; and
- 1,388,889 call options with an exercise price of \$0.40, expiry 30 June 2017.

If all options are exercised, the exercise price receivable by Southern Gold would fully offset the repayment of the \$1,000,000 borrowing due 30 June 2017.

The agreed interest rate on the face value of \$1,000,000 is 8%. The carrying value of the borrowing was discounted using an assessed market rate for unsecured short term borrowings of 15%, to provide an opening balance of \$924,975. Interest expense is recognised at that 15% using the 'effective interest rate method', rather than the stated rate of 8% payable, the difference incrementally increasing the balance of the borrowings to the \$1,000,000 face value repayable at 30 June 2017.

The value of the options were recognised as \$75,025, being the difference between the \$1,000,000 proceeds of borrowings received and the initial book value of the borrowing recognised of \$924,975. The value of the options are recognised in the Share Based Payments Reserve.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$

### 15. ISSUED CAPITAL

#### (a) Ordinary Shares

<b>Issued share capital:</b>	<b>35,700,378</b>	<b>35,379,551</b>
------------------------------	-------------------	-------------------

36,567,820 fully paid ordinary shares  
(2015: 527,624,224)

#### Movement in issued shares for the year:

	No.	2016 \$	No.	2015 \$
Balance at beginning of financial year	527,624,224	35,379,551	385,957,580	34,078,307
Restated for share consolidation 1:15 <sup>1</sup>	35,175,871	35,379,551		
Shares issued to Directors	168,699	50,000		
Options exercised	1,223,250	275,232	-	-
Share purchase plan	-	-	36,666,644	330,270
Placement of shares	-	-	105,000,000	1,050,000
Net costs associated with the issue of shares	-	(4,404)	-	(79,026)
<b>Balance at end of financial year</b>	<b>36,567,820</b>	<b>35,700,379</b>	<b>527,624,224</b>	<b>35,379,551</b>

<sup>1</sup> The number of shares at 1 July 2015 was 527,624,224. This has been restated for the impact of the 1:15 share consolidation completed on 29 October 2015.

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 2016, there were 3,639,784 (30 June 2015: 2,084,221) unissued shares for which the following options were outstanding:

Grant Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Number under Option
15.04.2013	15.10.2017	0.150	0.90	128,670
27.11.2014	30.11.2019	0.105	0.375	400,002
19.11.2015	15.11.2020	0.109	0.375	333,334
28.04.2016	30.06.2017	0.029	0.32	1,388,889
28.04.2016	30.06.2017	0.025	0.40	1,388,889
				<b>3,639,784</b>

The number of options on issue at 29 October 2015 were adjusted for the share consolidation. The number of options were reduced to 1 option for every 15 options on issue, and the exercise price was increased by a factor of 15.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 15. ISSUED CAPITAL cont.

#### (b) Options on Issue cont.

During the year ended 30 June 2016, the following options over ordinary shares were issued:

- 2,777,778 unlisted options were issued to two debt providers. The face value of the debt provided to Southern Gold was \$1,000,000, repayable 30 June 2017. The debt is unsecured. 1,388,889 options have an exercise price of \$0.32, with an expiry of 30 June 2017. The other 1,388,889 options have an exercise price of \$0.40, with an expiry of 30 June 2017. The fair value of the options was calculated as the difference between the cash funding received of \$1,000,000 and the net present value of the interest and principal repayment using an effective interest rate of 15% (refer Note 14).
- 333,334 unlisted options were issued to Mr Simon Mitchell, as agreed in his contract of employment as Managing Director. These options were accounted for in the prior year ending 30 June 2015, using the Black Scholes valuation method. During the year ended 30 June 2016, these options vested and were issued to Mr Mitchell, following shareholder approval on 22 October 2015.

#### (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:

	2016 \$	2015 \$
Debt	3,045,146	533,510
Cash	(1,441,891)	(857,178)
	1,603,255	(323,668)
Equity	9,282,727	10,015,741
Net debt to equity ratio	17.3%	-

### 16. 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	34,316	30,300
Taxation and other services	15,317	-
Amounts received or due and receivable by overseas related practices of Grant Thornton for:		
External audit	-	6,001
	<b>49,633</b>	<b>36,301</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 17. 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 24 to the financial statements.

##### *Equity Interests in joint ventures*

Details of interests in joint ventures are disclosed in Note 18 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

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	2016 \$	2015 \$
D L Hill	Payments to a member of Key Management for financial and company secretarial services provided	19,723	55,315
GC Boulton	Payments to a Director related entity for Director services provided <sup>1</sup>	80,000	40,000
D Turvey	Payments to a Director related entity for consulting services provided in the due diligence process for the acquisition of International Gold Private Ltd (refer Note 26)	6,534	-

<sup>1</sup> Fees for Director services, for the year ended 30 June 2016, were settled through \$40,000 in cash and \$40,000 in the issue of shares. The issue of share comprised \$20,000 issued during the year ended 30 June 2016 and \$20,000 which remained outstanding at 30 June 2016 which was satisfied through the issue of shares on 1 July 2016.

#### 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:

	2016 \$	2015 \$
<b>Current payables</b>		
Amounts payable to Directors and Key Management Personnel related entities (refer Note 12)	57,983	4,991
	<b>57,983</b>	<b>4,991</b>

There were no amounts receivable from related parties.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 18. JOINT OPERATIONS

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

	Interest 2016	Interest 2015
(a) Kratie South Joint Venture – JOGMEC, Cambodia – All minerals	-	49.9%
(b) Southern Gold (Asia) Joint Venture	15%	100%
(c) Heron Resources Joint Venture	80%	80%
(d) Heron Resources KNP Joint Venture	80%	80%
(e) Glandore Joint Venture - Aruma	0%	n/a

#### Notes

- (a) The joint operations were related to the tenements held through Southern Gold's former subsidiary Southern Gold (Asia) Pty Ltd ("SG Asia"). The sale of this subsidiary was completed during the year ended 30 June 2016 (refer Note 3).
- (b) Under the terms of the sale of Southern Gold's former subsidiary SG Asia, Southern Gold retains a 15% free carried interest in an unincorporated Joint venture with SG Asia based on selected tenements held by SG Asia that were re-granted by the Cambodian authorities until the completion of a positive definitive feasibility study, together with a 2% gross sales royalty on all products sold from the tenements until US\$11 million is received, then reverting to a 1% gross sales royalty (refer Note 3).
- (c) Under the terms of the agreement with Heron Resources Limited ("Heron"), Southern Gold has earned an 80% interest in 3 tenements east of Kalgoorlie, in Western Australia, by spending a total of \$240,000 over 3 years to September 2012. One of these tenements was relinquished subsequent to 30 June 2016 (any associated deferred expenditure for the relinquished tenement was written down to nil at 30 June 2016). The other two tenements continue to remain valid.
- (d) Under the terms of a Heads of Agreement with Heron, Southern Gold earned an 80% gold interest associated with Heron's Bulong Project (held by Hampton Nickel Pty Ltd), by meeting agreed exploration expenditures through to 30 June 2014. Heron continues to hold a free carry 20% interest, until Southern Gold meet \$8m in total expenditure or conduct a feasibility study.
- (e) On 4 April 2016, Southern Gold entered into the Glandore Project Farm In and Joint Venture Agreement ("Glandore Agreement") with Aruma Exploration Pty Ltd (refer ASX announcement 4 April 2016). Under the Glandore Agreement, Southern Gold may earn up to a 90% interest in the Glandore tenements, through staged exploration expenditure of up to \$1,200,000 within three years from the date of the agreement. The Glandore tenements comprise 28.7 km<sup>2</sup> of contiguous tenements located adjacent to Southern Gold's Bulong Project.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 19. 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.

The Group also has exploration expenditure commitments pursuant to the Glandore Agreement (refer Note 18 (e)).

Total expenditure commitments at balance date in respect of these minimum tenement expenditure requirements, not otherwise provided for in the financial statements, are as follows:

	2016 \$	2015 \$
Not later than one year:	868,450	1,175,165
Later than one year but not later than two years:	992,396	699,620
Later than two years but not later than five years:	1,779,784	1,664,395
Greater than five years	4,145,011	4,378,341
	<b>7,785,641</b>	<b>7,917,521</b>

#### (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 \$44,864 per annum plus GST, for a term of one year expiring on 28 February 2017.

	2016	2015
Not later than one year:	29,909	25,855
Later than one year but not later than two years:	-	-
Later than two years but not later than five years:	-	-
	<b>29,909</b>	<b>25,855</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 20. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management

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

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

	2016 \$	2015 \$
<b>Financial Assets</b>		
Cash and cash equivalents	1,441,891	857,178
Trade and other receivables	53,896	63,006
	<b>1,495,787</b>	<b>920,184</b>
<b>Financial Liabilities</b>		
Trade and other payables	669,039	181,848
Borrowings	3,045,146	533,510
	<b>3,714,185</b>	<b>715,358</b>

#### (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.

##### Sensitivity Analysis

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

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 20. FINANCIAL INSTRUMENTS cont.

#### (ii) Financial Risks cont.

2016	Interest Bearing	Non-interest Bearing	Total	Floating interest rate	Fixed interest rate
<b>Financial assets</b>					
Cash and deposits	1,441,891	-	1,441,891	1.50%	-
Receivables	-	53,896	53,896	-	-
Less: Payables	-	(669,039)	(669,039)	-	-
Less: Borrowings	(3,045,146)	-	(3,045,146)	-	(10.1%)
<b>Net financial assets</b>	<b>(1,603,255)</b>	<b>(615,143)</b>	<b>(2,218,398)</b>		

2015	Interest Bearing	Non-interest Bearing	Total	Floating interest rate	Fixed interest rate
<b>Financial assets</b>					
Cash and deposits	857,178	-	857,178	2.00%	-
Receivables	-	63,006	63,006	-	-
Less: Payables	-	(181,848)	(181,848)	-	-
Less: Borrowings	(533,510)	-	(533,510)	-	(8%)
<b>Net financial assets</b>	<b>323,668</b>	<b>(118,842)</b>	<b>204,826</b>		

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2016, nil (2015: nil) of group cash deposits are fixed.

The fixed interest rate applicable to Borrowings as at 30 June 2016 is a weighted average between the interest rates applicable to the MLX loan and the Convertible debt. Refer Note 14 for further details of the terms of the borrowings.

#### Sensitivity Analysis

The company has not performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date as a change in interest rates by 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 2016

### 21. 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.

The following share based payment arrangements were in existence at 30 June 2016:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
<b>Employee Share Option Plan</b>					
April 2013 <sup>1</sup>	128,670	15.04.2013	15.10.2017	\$0.900	\$0.150
<b>Director Options</b>					
November 2014 <sup>2</sup>	400,002	27.11.2014	30.11.2019	\$0.375	\$0.105
March 2015 <sup>3</sup>	333,334	01.02.2015	18.11.2020	\$0.375	\$0.109

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. The number of options and the exercise price has been restated for the impact of the 1 for 15 share consolidation in November 2015.

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). The number of options and the exercise price has been restated for the impact of the 1 for 15 share consolidation in November 2015.

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 vested during the current year, following shareholder approval on 22 October 2015. The number of options and the exercise price has been restated for the impact of the 1 for 15 share consolidation in November 2015.

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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 21. SHARE BASED PAYMENTS

#### Options cont.

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 Mr Mitchell, there were no other options granted to Key Management Personnel during the year.

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

Share Option Granted	2016		2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	12,930,000	\$0.030	2,930,000	\$0.074
Restated for 1:15 consolidation	862,006	\$0.453	-	-
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
Balance at end of the financial year (ii)	862,006	\$0.453	12,930,000	\$0.030

#### (i) Options granted

There were no options granted under the Employee Share Option Plan in the year ended 30 June 2016 (2015: Nil).

#### (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 \$0.453 (2015: \$0.453, restated for the 1:15 share consolidation) and a weighted average remaining contractual life of 1,269 days (2015: 1,534 days).

### 22. OPERATING SEGMENTS

#### Segment Information

##### Identification of reportable segments

AASB 8 Operating Segments 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 segments and to assess its performance.

The consolidated entity has determined that there is only one operating segment in the year ended 30 June 2016, being the Australian geographical segment with similarity of assets within that one segment. The consolidated entity operates primarily in one business, namely the exploration of minerals. 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. Therefore, no segment information is provided for the year ended 30 June 2016.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 23. EARNINGS PER SHARE

	2016 Cents per share	2015 Cents per share
<b>From continuing &amp; discontinued operations</b>		
Basic (cents per share) – Loss	(3.14)	(25.82)
Diluted (cents per share) – Loss	(3.14)	(25.82)
<b>From continuing operations</b>		
Basic (cents per share) – Loss	(3.08)	(1.67)
Diluted (cents per share) – Loss	(3.08)	(1.67)
<b>From discontinued operations</b>		
Basic (cents per share) – Loss	(0.06)	(24.15)
Diluted (cents per share) – Loss	(0.06)	(24.15)

#### 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:

	2016 \$	2015 \$
Earnings from continuing and discontinued operations	(1,128,867)	(7,485,386)
Earnings from continuing operations	(1,106,087)	(483,040)
Earnings from discontinued operations	(22,780)	(7,002,346)

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

	2016 No.	2015 No.
<b>Weighted average number of ordinary shares</b>	<b>35,968,081</b>	<b>28,990,474</b>

The weighted average number of ordinary shares for the year ended 30 June 2016 and the comparative for the year ended 30 June 2015 have been restated for the impact of the 1:15 share consolidation completed on 29 October 2015. These restated weighted averages have been used for the calculations of earnings per share in the both years. The weighted average number of ordinary shares, reported in the prior year, for the year ended 30 June 2015 was 434,857,110.

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 2016

### 24. CONTROLLED ENTITIES CONSOLIDATED

Name of Entity	Country of Incorporation	Ownership Interest	
		2016 %	2015 %
<b>Parent Entity</b>			
Southern Gold Limited	Australia		
<b>Controlled Entities</b>			
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 <sup>1</sup>	Australia	100%	100%
New Southern Mining Pty Ltd	Australia	100%	100%

<sup>1</sup> All shares in Inferus Resources Pty Ltd are held by Southern Mining Pty Ltd

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 25. SOUTHERN GOLD LIMITED COMPANY INFORMATION

	2016 \$	2015 \$
<b>Parent Entity</b>		
<b>Assets</b>		
Current assets	1,495,787	1,013,247
Non-current assets	11,512,035	9,698,441
<b>Total assets</b>	<b>13,007,822</b>	<b>10,711,688</b>
<b>Liabilities</b>		
Current liabilities	3,725,094	718,728
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>3,725,094</b>	<b>718,728</b>
<b>Equity</b>		
Issued capital	35,700,379	35,379,551
Retained earnings	(28,492,218)	(27,386,132)
Share based payments reserve	2,074,566	1,999,541
	<b>9,282,727</b>	<b>9,992,960</b>
<b>Financial Performance</b>		
Profit/(loss) for the year	(1,106,086)	(7,360,425)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(1,106,086)</b>	<b>(7,360,425)</b>
Guarantees in relation to the debts of subsidiaries	-	-
Contingent liabilities	-	-
Contractual commitments - exploration	7,785,641	7,917,521

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 26. EVENTS SUBSEQUENT TO REPORTING DATE

On the 8 July 2016, Southern Gold executed a binding legal agreement with an unlisted public company, Asiatic Gold Ltd ("Asiatic"), to acquire its wholly-owned Singaporean Registered subsidiary International Gold Private Ltd ("IGPL"), itself a 100% owner of a Korean company, Hee Song Metals Co Ltd ("HSML"). Consideration paid by Southern Gold is valued at approximately A\$2 million, comprising 6,294,942 Southern Gold ordinary shares and A\$116,000 cash. The Southern Gold consideration shares will be distributed in-specie to 77 Asiatic shareholders. HSML holds mineral tenure in South Korea, consisting of 44 granted tenements across 17 project areas. For further information, refer ASX Announcement dated 8 July 2016.

As part of the above transaction, several of Asiatic's major shareholders subscribed for \$1.2m of Southern Gold shares at \$0.35/share, representing a 18% premium to the 20 day volume weighted average share price to 6 July 2016, of \$0.297. The share issue will be considered by shareholders at a general meeting on 21 September 2016.

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.

### 27. RESERVES

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

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

### 28. 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 are in accordance with the Corporations Act 2001, and:
  - i.) give a true and fair view of the financial position as at 30 June 2016 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 20th day of September 2016.



S Mitchell  
Managing Director



G C Boulton AM  
Chairman



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 2016, 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.

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.

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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 2016 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.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

  
GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

  
I S Kemp  
Partner - Audit & Assurance

Adelaide, 20 September 2016

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 12 September 2016.

### 1. SUBSTANTIAL EQUITY HOLDERS

Name	Fully Paid Shares	
	Number	Percentage
Asiatic Gold Limited	6,294,942	14.7
Dr Gary Bennett Branch	1,566,667	3.6

### 2. NUMBER OF SHAREHOLDERS

Number of Shareholders	Class of Shares	Voting Rights
2,357	ORD	Full

### 3. DISTRIBUTION OF EQUITY SECURITIES

Distribution of holdings:	Number of Holders	Ordinary Shares	% of Issued Capital
1 - 1,000	932	311,554	0.73
1,001 - 5,000	671	1,680,881	3.91
5,001 - 10,000	241	1,771,588	4.12
10,001 - 100,000	446	13,663,546	31.80
100,001 - and over	67	25,538,606	59.44
	<b>2,357</b>	<b>42,966,175</b>	<b>100.00</b>
Holding less than a marketable parcel	1,059	473,546	

## 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 Asiatic Gold Limited	6,294,942	14.7
2 Dr Gary Bennett Branch	1,566,667	3.6
3 National Nominees Limited	1,223,515	2.8
4 G Boulton Pty Ltd	1,074,003	2.5
5 Nanette Anderson	715,809	1.7
6 Mr Gary Philip Lambe	681,000	1.6
7 Mr David Samuel Nour	650,752	1.5
8 Weybridge Pty Ltd	646,058	1.5
9 HSBC Custody Nominees	643,585	1.5
10 PS Super Nominee Pty Ltd	580,063	1.4
11 Elaine & Larry Gibson	553,275	1.3
12 J P Morgan Nominees Australia	533,662	1.2
13 Mr Alexandre De Sousa Mendes	525,000	1.2
14 Michael Robert Billing	502,824	1.2
15 Dr Leon Eugene Pretorius	500,000	1.2
16 Mr David John Turvey	447,507	1.0
17 Citic Australia Pty Ltd	431,534	1.0
18 G & K Luscombe Pty Ltd	332,182	0.8
19 Mr Gregory Denis O'Reilly	323,334	0.8
20 Mr Norman Colburn Mayne	300,000	0.7
	<b>18,525,712</b>	<b>43.1</b>





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Southern Gold Limited  
ACN 107 424 519