



ANNUAL REPORT
2018/19



Directors

Greg Boulton AM

Non-Executive Chairman

Simon Mitchell

Managing Director

David Turvey

Non-Executive Director

Peter Bamford

Non-Executive Director

Company Secretary

Daniel Hill

Registered and Principal Address

10 George Street
Stepney, SA 5069

PO Box 255
Kent Town SA 5071

T +61 (0)8 8368 8888

F +61 (0)8 8363 0697

southerngold.com.au

Southern Gold Ltd.

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

CONTENTS

CHAIRMAN'S LETTER	2
MANAGING DIRECTOR'S OPERATIONS REPORT	4
TENEMENT SCHEDULE	14
DIRECTORS' REPORT	15
REMUNERATION REPORT (AUDITED)	21
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	29
STATEMENT OF FINANCIAL POSITION	30
STATEMENT OF CHANGES IN EQUITY	31
STATEMENT OF CASH FLOWS	32
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019	34
DIRECTORS' DECLARATION	64
INDEPENDENT AUDIT REPORT TO THE MEMBERS	65
SHAREHOLDER INFORMATION	68

CHAIRMAN'S LETTER

Dear fellow Southern Gold shareholders,

The previous financial year has seen very important changes to your company as we shift our strategic focus. We have transitioned from being a company exploring in two jurisdictions and capital constrained in both, to a fully funded company now focused on the opportunity presented by South Korea, a truly unique under-explored country with incredible potential for new precious metals discovery.

Our recent exploration activity there has uncovered some world-class exploration targets, many of which have never been drilled let alone assessed with first-principals geological groundwork.

The quality of the South Korean exploration opportunity, along with the potential for modest, near term production with our joint venture company at the Gubong and Kochang projects, provides your company with significant potential upside and near-term value accretion. We expect this to be reflected in the share price as we make good progress in the country.

CHAIRMAN'S LETTER

This strategic decision wasn't an easy one. We had to conclude that, given our market capitalisation and the level of sustainable funding into the medium-term Southern Gold could only focus on one jurisdiction and this meant the sale of the Western Australian assets. After an extensive sale process the assets were sold to a private equity group for \$2.5 million. While this was a sale price lower than desired, the Board agreed that mining a small deposit such as Cannon ourselves was a very high-risk option requiring significant funding well in excess of our market capitalisation at the time. So not only would this distract the company from making new discoveries in South Korea, it would add significantly to the risk level of the company on an operating and financial basis.

With the sale process to conclude in late August, the \$2.5 million proceeds, combined with the recently oversubscribed \$2.3 million rights issue and subsequent \$0.44 million placement, puts our pro-forma cash balance north of \$5 million and positions us extremely well and will fund the drill testing of several of the most promising epithermal gold-silver projects. Notwithstanding this strong cash position, the Board continues to evaluate potential future funding opportunities in other key markets outside of Australia, particularly while investor appetite for high quality gold (and silver) companies is very strong.

Now that we are focused on South Korea, what is the nature of the opportunity there?

- Southern Gold has a very large footprint of tenements in South Korea with in-excess of 70km² of tenure which is difficult to secure but ensures we enjoy a unique 'first mover' advantage in a highly prospective area;
- While we progressively release low priority tenements, we have a significant effort in assessing the grass roots opportunity presented by South Korea with a continued project generation program, which is important given the under explored nature of the country;
- Our Joint Venture with London-listed Bluebird Merchant Ventures (BMV) at the Gubong and Kochang projects will see the redevelopment of mining operations in what were historical mines going back to early last century and where there is now the potential for first gold pour in the medium term, subject to regulatory approvals; and
- The discovery of new mineralisation is a very real possibility and a good example is our recent ASX release about the Bonanza and Thorn zones at the Golden Surprise Trend, Deokon Project, where we reported ultra-high grades of gold (>50g/t Au) and silver (>1% Ag) which prompted the largest percentage increase in our share price for many years.

In summary I am very excited by our near-term prospects, with your Company having very clear priorities in place and the cash available to maximise project generation and drilling activities in South Korea over the coming 12 to 18 months. And all of this is happening in the context of a significantly improving gold price which appears to be finally having an impact in terms of investor appetite for the gold space, in terms of both retail and institutional investor interest in our story.

I would like to thank our staff, contractors and advisors for all of their efforts during the last year, particularly our South Korean staff who have kept our asset base in good standing and have done a lot of groundwork to ensure we can "hit the ground running" this next financial year.

I would also like to thank my fellow board members, and in particular our Managing Director, Mr Simon Mitchell, who has led our change in strategy and the implementation of our project generation initiative in South Korea.

Your Board now looks forward to the implementation of the new strategy and as we make our next major discovery we especially look forward to this being reflected in the share price and a well-deserved reward for our shareholders.

Yours sincerely,



Greg Boulton AM
Chairman

MANAGING DIRECTOR'S OPERATIONS REPORT

Southern Gold Limited ("Southern Gold" or the "Company") principally operates an exploration business in the South-West of South Korea (Figure 1). In addition, the Company also has a 50% equity interest in two joint venture companies that are advancing two development projects, Gubong and Kochang.

These two projects are operated by our joint venture partner, Bluebird Merchant Ventures Ltd, a London stock exchange listed entity.

Southern Gold's 100% owned projects include the more advanced exploration asset of Weolyu, where high grade gold and silver veins have been defined by drilling and in-situ channel sampling, and a portfolio of epithermal gold-silver projects that are at an earlier stage of definition.

Several of these high-quality exploration projects, such as Deokon and Beopseongpo, have already demonstrated high grade gold and silver mineralisation from surface sampling.

As at the 30 June 2019 the Company still held assets in Australia (including the Cannon Gold Mine which was on care and maintenance) but these assets were at an advanced stage of a sale process. Subsequent to year end, the sale of these assets to a private equity group for \$2.5 million (subject to completion) was announced.

Strategically the company is now focused on the excellent opportunities presented by South Korea, with the Directors of Southern Gold considering the potential for high grade gold-silver discovery being very high. The Company is now focused on finding a significant deposit of scale in South Korea, a jurisdiction that has seen very little modern exploration.

MANAGING DIRECTOR'S OPERATIONS REPORT

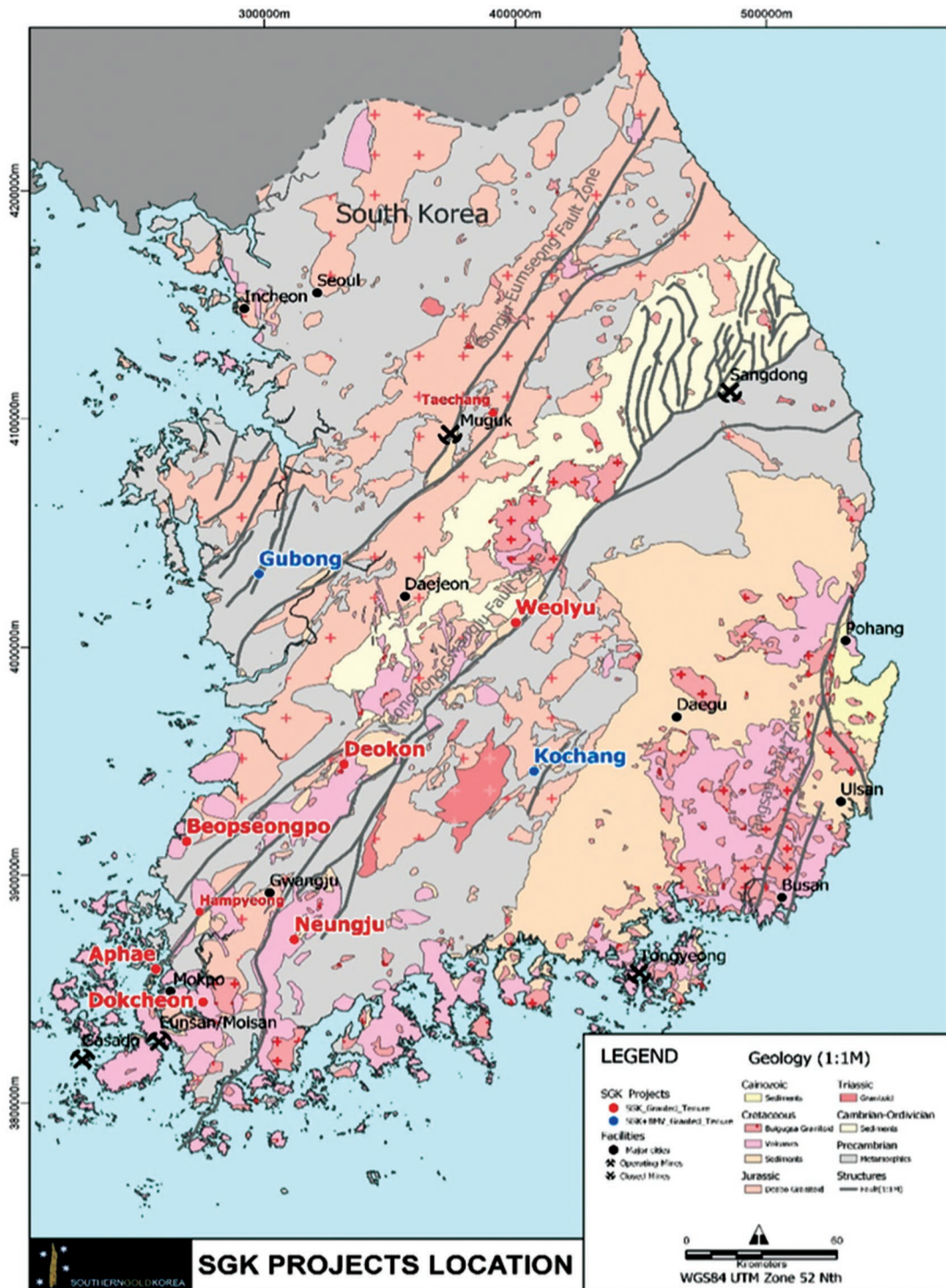


Figure 1: Location of Southern Gold Projects in South Korea with macro-geological picture.

MANAGING DIRECTOR'S OPERATIONS REPORT

South Korea – 100% Southern Gold Exploration Projects

Southern Gold has spent much of the last financial year building a high-quality portfolio of epithermal gold-silver targets in the South-West district of South Korea. This has seen the addition of several projects, namely Deokon, Beopseongpo and Neungju, among others. Tenure has also been added to Aphae and a new project called Dokcheon has seen first pass surface work. The Project Generation work that underpinned the identification, initial testing and tenure application process is ongoing and it is expected that this will either add ground to existing projects or extend targets to new areas in due course. The excellent results at Deokon at the 'Golden Surprise Trend' vindicate this first principles exploration approach. The summary priority targets are summarised in the table below:

District Group	Mine Name	Tenement Info				
		Korean	English	Area (ha)	Type	SAU Holding
Jeolla	Beopseongpo	법성포	Beopseongpo	280	Exploration	100%
		법성포	Beopseongpo	280	Exploration	100%
	Deokon	진주	Jeonju	279	Exploration	100%
		진주	Jeonju	279	Exploration	100%
	Dokcheon	독전	Yeongam	282	Exploration	100%
		능주	Neungju	281	Exploration	100%
	Aphae	무안	Muan	281	Exploration	100%
		무안	Muan	281	Exploration	100%
	Hampyeong	나주	Naju	281	Exploration	100%
Weolyu	Weolyu	영동	Yeongdong	277	Mining	100%
		영동	Yeongdong	277	Mining	100%
Taechang	Taechang (Sobo)	목계	Mockgye	137	Mining	100%
		목계	Mockgye	261	Mining	100%
Gubong	Gubong	청양	Cheongyang	276	Mining	100%
Gubong (BMV JV)	Gubong	청양	Cheongyang	276	Mining	50%
		청양	Cheongyang	276	Mining	50%
		청양	Cheongyang	276	Mining	50%
		청양	Cheongyang	276	Mining	50%
		청양	Cheongyang	276	Mining	50%
		청양	Cheongyang	276	Mining	50%
		대전	Daecheon	276	Mining	50%
		대전	Daecheon	276	Mining	50%
Kochang (BMV JV)	Kochang	안의	Aneui	279	Mining	50%
		안의	Aneui	279	Mining	50%
		안의	Aneui	279	Mining	50%
TOTAL	12 Projects		26 tenements	7061	≈70.6km²	

In parallel with this process of adding high quality projects, the Company has also been looking to divest projects that are either difficult to explore, have challenging social contexts or have more limited prospectivity to host a world-class precious metals deposit. Projects such as Hwacheon, Yangji, Daeil, Cheongwon, Jangam and Suam (among others) have been dropped or returned to the Korean prospector who originated them. This has the net effect of improving the quality of the overall portfolio.

Weolyu Gold-Silver Project: Southern Gold completed a second phase of systematic underground channel sampling at Weolyu South which was designed to infill and extend previous results as well as for QA/QC purposes. The phase of work comprised 18 new channel samples and 29 lines were re-assayed to check assay tenor. The highlights from this sampling were:

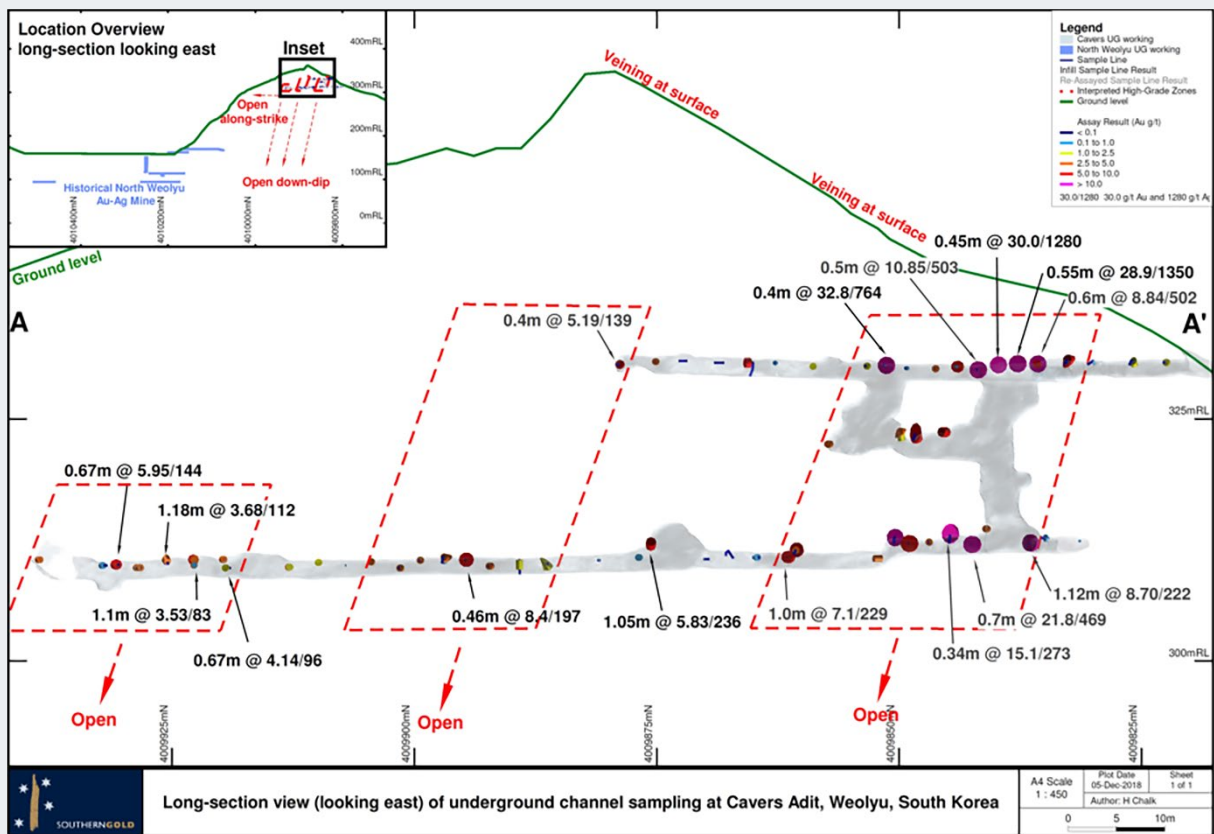
Line ID	Interval (m)	Au (g/t)	Ag (g/t)	Au (gm)
FS330N_014	0.4	32.80	764.0	13.1
FS330N_013	0.45	30.00	1,280.0	13.5
FS330S_006	0.55	28.90	1,350.0	15.9
FS310N_002	0.7	21.80	469.0	15.3
FS310N_019	0.34	15.07	272.6	5.1
FS330N_001	0.5	10.85	503.0	5.4
FS310N_001	0.55	9.94	181.0	5.5
FS330S_001	0.6	8.84	501.5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

A review into sample preparation and assaying results was conducted as part of a general QA/QC review through a third-party laboratory following indications of statistical variance in the original analysis. This review returned a significant variance on all sample fire assay gold results including an average 30% increase in gold grades from the Weolyu samples, a significant uplift which has an impact on economic potential with a clear high-grade gold-silver zone showing greater consistency.

MANAGING DIRECTOR'S OPERATIONS REPORT

A number of high-grade shoots have now been defined (see Long Section Figure below) with the Southern Shoot the largest and better defined using a simplistic length weighted calculation, the average grade of the Southern Shoot is estimated to be **10.6 g/t Au and 348 g/t Ag**, between the two levels. This will need to be more thoroughly tested with infill diamond drilling and does not utilise any statistical evaluation or top cut values.

A meter-eater drill rig and associated peripherals have been sourced to enable the use of drill sites requiring man-portability or difficult underground drilling locations. Weolyu has challenging logistics (without the presence of underground development) and this rig will enable the project to be advanced during the course of the next financial year.



Long Section Figure.

MANAGING DIRECTOR'S OPERATIONS REPORT

South Korea – 100% Southern Gold Exploration Projects cont.

Beopseongpo Gold Project: 'Boots on the ground' field work was completed at Beopseongpo and a comprehensive report was completed that concluded that the project is a very significant epithermal gold (+silver) target with multiple well-defined and extensive vein systems. The area covers a zone of >5.7km² with 5 vein zones identified with combined strike length in excess of 2,570 metres (Figure 2). The prospectivity was rated highly because:

- Well-developed and persistent fault structures that are active over long time periods and displaying evidence of dilation and multiple fluid flow events;
- A rock sequence that is amenable to the focusing of metal-bearing fluid flow into substantial veined zones over considerable strike lengths;
- The demonstrable presence of a precious metal bearing fluid source that shows evidence of boiling; and
- Limited erosion of the system which preserves the main zone of precious metal deposition below the present-day land surface.

The main target is expected around 100m to 500m below surface with drilling expected to commence at Beopseongpo early in the new financial year.



Top: Photo of the Beopseongpo Area.
Middle: Some surface rocks at the Beopseongpo Area.
Bottom: Drilling at Beopseongpo August 2019.

MANAGING DIRECTOR'S OPERATIONS REPORT

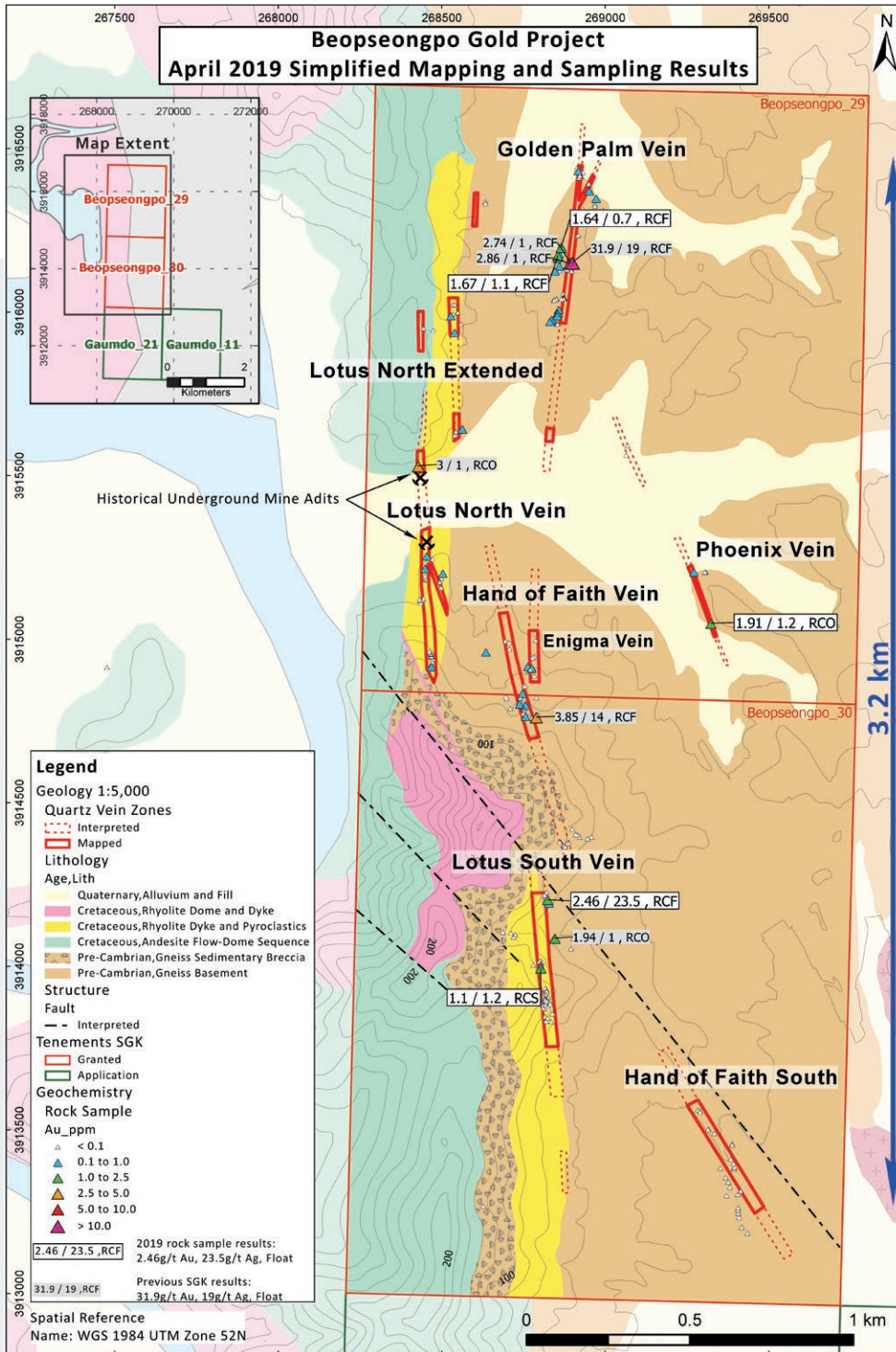


Figure 2: April 2019 Simplified Mapping and Sampling Results.

MANAGING DIRECTOR'S OPERATIONS REPORT

Deokon Gold-Silver Project: Significant 'boots on the ground' field work was also completed at Deokon in the current year although results were reported to ASX just after 30 June 2019. The results were highly significant however as they included the 'Golden Surprise' high grade gold-silver system. Golden Surprise included Bonanza and Thorn Zones approximately 500m apart with ultra-high-grade silver results have been returned from the Bonanza zone (including visible silver in hand specimen) and very high grade gold results from both locations (Figure 3). Highlights from this sampling were as follows:

Sample ID	Au (g/t)	Ag (g/t)	Sample Type	Golden Surprise Prospect
KRS206270	53.9	6240	Float	Bonanza Vein Zone
KRS206272	35.1	3270	Float	Bonanza Vein Zone
KRS206303	34.3	69	Subcrop	Thorn Vein Zone
KRS206354	32.4	1095	Outcrop	Bonanza Vein Zone
KRS206311	20.2	585	Outcrop	Thorn Vein Zone
KRS206215	19.8	425	Float	Bonanza Vein Zone
KRS206301	15.6	134	Outcrop	Thorn Vein Zone
KRS206391	14.8	3040	Float	Bonanza Vein Zone
KRS206353	14.3	1190	Outcrop	Bonanza Vein Zone
KRS206389	6.84	1010	Float	Bonanza Vein Zone

Work to date at Deokon includes systematic field traversing, extensive rock sampling and 1:5000 geological mapping. This process has succeeded in highlighting multiple untested vein systems in addition to historical mine workings. The Deokon project represents a high-quality Au-Ag fertile epithermal mineralisation system with multiple vein zone targets identified across several square kilometres of project area. With the very encouraging results from the Bonanza and Thorn Zones, the Company is looking to drill test the system as a matter of priority in the new financial year.

Hampyeong Gold Project: A maiden diamond drilling program was completed at the Hampyeong gold project and reported in July 2018. No prior drilling or systematic exploration has occurred in the area prior to Southern Gold's exploration efforts. Gold targets were outlined by rock chip sampling and geological mapping completed in mid-2017 with this round of drilling targeting the A'Cha and Nabi quartz veins. Results reported were as follows:

Hole ID	Target	From (m)	To (m)	Interval (m)*	Au (g/t)
HPDD001	A'Cha	29.70	31.70	2.00 @	1.08
	including	31.30	31.70	0.40 @	2.96
HPDD002	A'Cha	24.00	24.44	0.44 @	0.98
HPDD003	Nabi	32.60	33.55	0.95 @	5.33
	A'Cha	119.00	119.70	0.70 @	2.47

*downhole width, not true width

Neungju and Dokcheon Gold-Silver Projects: further field work has been completed at the Neungju and Dokcheon projects, including systematic field traversing, extensive surface sampling and detailed mapping. The results of this work are yet to be formally reported on by the company consultant but an ASX update is expected early in the new financial year.

MANAGING DIRECTOR'S OPERATIONS REPORT



Top: Slab photos of samples KRS205352 **78.6g/t Au and 13,000g/t Ag (upper sample)** and KRS206389 **6.8g/t Au and 1010g/t Ag (lower sample)** both float samples from the Bonanza Zone with visible native silver and electrum in hand specimen.
 Bottom: Float sample KRS206272, **35.1g/t Au and 3270g/t Ag**. Golden Surprise, **Bonanza Zone**.

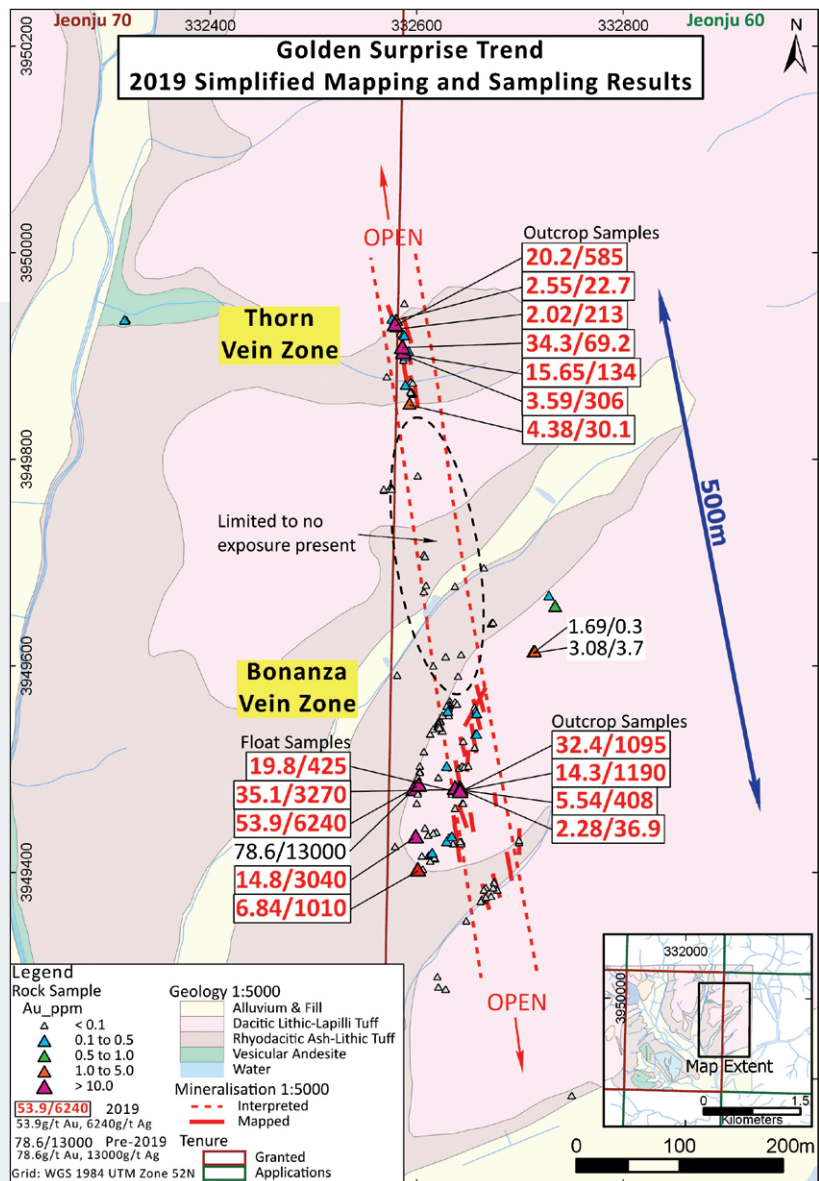


Figure 3: Deokon Project Golden Surprise Trend

MANAGING DIRECTOR'S OPERATIONS REPORT

South Korea – 50% Owned Joint Venture Projects

The company has 2 projects (Gubong and Kochang) currently being advanced under a farm-in and joint venture agreement with Bluebird Merchant Ventures Ltd ('Bluebird'), a London listed specialist narrow-vein underground gold mining group. During the year, Bluebird completed its farm in phase and provided a 'report on feasibility' of re-opening the historical gold mines to commence gold production at each of the projects. The corporate structure was established, with 50/50 joint venture corporate entities in Singapore, with the operating companies in South Korea being managed by Bluebird on a day to day basis.

Gubong Gold Project: The first 'report on feasibility' was prepared by Bluebird for the Gubong Gold Project and announced on 1 August 2018. It was not prepared in accordance with the JORC Code 2012 and as such quantitative elements of the report have not been reported to ASX. The report outlined a pre-construction phase of dewatering the lower levels, establishing a permanent entrance to the mine and extensive sampling for both quantitative assessment and metallurgical testing programmes. This phase is estimated to cost the joint venture US\$850,000 and is in progress.

The high-level conclusion of the report was that it should be feasible to re-open the old workings and commission a low-cost vat leach processing system. The aim is to produce a modest amount of gold initially but then ramp up production with time and the benefit of cash flow.

Potential ore sources were identified as (1) stockpiles, (2) sweeping and vamping, (3) small remnant pillars and (4) unmined ore blocks. The aim would be to start with approximately 150t of production per day using flat back stoping or mechanised room and pillar mining and to progressively expand this over a 5-year period. Initial metallurgical testing has shown high recoveries from a proposed vat leach method which will reduce overall upfront capital costs.

Bluebird are currently in the regulatory approval process where permits and approvals are being sought under the Korean "Permit to Develop" approval system, with the next iteration of feedback from regulators expected early in the next financial year.

Kochang Gold Project: in August 2018 Bluebird completed the second of the A\$250,000 placements to Southern Gold as part of the terms of the Share Subscription, Farm In and Incorporated Joint Venture Agreement – Kochang Project.

At Kochang, significant channel sampling and easy access to the old workings have advanced the project. Metallurgical test work was conducted by Bluebird at the Mines and Geoscience Bureau and Intertek in Manila, Philippines and was undertaken to evaluate the most appropriate method of recovery of gold and silver from the Kochang ore. The test work was conducted under the direction and supervision of Bluebirds Metallurgical Manager, Mr Peter Wallwin, who has over 40 years of project development experience and found gravity recoveries of up to 80% for gold and 60% for silver which is considered very high for this stage of study. (See ASX Release 6 December 2018 for details)

In late January Bluebird submitted to Southern Gold the 'report on feasibility' of reopening the Kochang Project which resulted in the 50/50 Joint Venture being established. The report had many parallels with the study conducted at Gubong, with the intent of establishing a very low capital cost operation to produce gold at small scale then ramping up operations progressively over the subsequent years. Note that the report was not completed to JORC 2012 standard and therefore there is no public reporting of the quantitative elements of the report.

At the time of writing the Kochang Project 'Permit to Develop' application is also still in process. Bluebird reported a delay in the process due to a change in the Counter Measure Against Natural Disasters Act (CMANDA) which resulted in a new proclamation that was distributed to all government departments. This recent clarification of the CMANDA will enable the 'Permit to Develop' application to proceed to the next stage.

MANAGING DIRECTOR'S OPERATIONS REPORT

Australia

Very limited field work has been completed on the Australian assets in the past year. The Cannon project, which has been one of the main drivers of activity in the Companies Australian exploration portfolio, was on care and maintenance with a delay to underground development post the Northern Star acquisition of Westgold's Kalgoorlie based assets.

Ultimately, with the high cost of holding assets in the region, combined with a strategic vision to concentrate on South Korea, the Directors of Southern Gold elected to divest the Australian assets in a comprehensive sale process which culminated in the sale to Aurene for \$2.5 million, subject to completion of the transaction which is expected in August - September 2019.

Cannon Gold Mine: While a development arrangement with Westgold Resources Ltd ('Westgold') was announced early in 2018, a 5 year right-to-mine with a targeted production date during the course of the last financial year, other corporate events overtook development of the project. Subsequent to this deal, Westgold sold its Kalgoorlie assets to Northern Star Ltd and this resulted in a development hiatus for the Cannon project. Ultimately the assets were restructured in a deal announced by Southern Gold in December 2018 which had the net result of a consolidation of the Cannon deposit under one owner, with Northern Star selling its interest in 'George's Reward' tenement M25/357 to Southern Gold in exchange for the assumption of historical liabilities associated with the open pit.

During the period Southern Gold also announced a Cannon underground reserve with the conversion of the resource to Probable Reserve under the JORC Code 2012. The Cannon Ore Reserve at a 3.0g/t Au cut off is as follows (see ASX release 6 May 2019 for details):

Classification	Tonnes (kt)	Grade (g/t)	Ounces (koz.)
Proved	Nil	Nil	Nil
Probable	117	5.31	20
Total	117	5.31	20

Both the consolidation of the project area under ownership of Southern Gold and the definition of the ore reserve under the JORC Code contributed to the smooth sale process during the balance of the financial year.

Next Year

With the Australian assets sold and a focus on the South Korean opportunity the company is looking to lift its activity levels significantly. This will mean an uplift in the drill metres, the testing of multiple projects and the follow up work on some of the more promising projects such as Deokon in the near future.

In parallel with this drilling work, and particularly after the snow melt post-winter, we will also look to mobilise field teams to go out and do the 'boots on the ground' mapping and reconnaissance work that is the fundamental way that new discoveries are made. While we have been fortunate to locate and initially define some very promising projects in South Korea, we believe this is only the start of a much larger and longer story. There is much work to be done but there can be nothing more exciting than the prospect of new discovery, potentially several of them over the coming years!

MANAGING DIRECTOR'S OPERATIONS REPORT

TENEMENT SCHEDULE – SOUTH KOREA

The following tenements are held by a 100% owned South Korean subsidiary, Southern Gold Korea Ltd, as at 29 August 2019.

Project Name	Tenement Info			Register Info		
	Korean	English	Block ID	No.	Type	Date of Granting
Weolyu	영동	Yeongdong	66	79254	Mining	14/02/2011
	영동	Yeongdong	67	79255	Mining	14/02/2011
Gubong	청양	Cheongyang	137	78092	Mining	1/09/2009
Taechang (Sobo)	목계	Mockgye	136	78645	Mining	1/06/2010
	목계	Mockgye	137	78646	Mining	1/06/2010
Imcheon	부여	Buyeo	58	200222	Exploration	14/01/2013
Hampyeong	나주	Naju	136	200970	Exploration	11/01/2018
Aphae	무안	Muan	109	200996	Exploration	6/03/2018
	무안	Muan	99	201136	Exploration	26/03/2019
Beopseongpo	법성포	Beopseongpo	29	201028	Exploration	11/07/2018
	법성포	Beopseongpo	30	201029	Exploration	11/07/2018
Deokon	덕온	Jeonju	70	201041	Exploration	31/07/2018
	덕온	Jeonju	80	201040	Exploration	31/07/2018
Dokcheon	독천	Yeongam	116	201143	Exploration	12/04/2019
Neungju	능주	Neungju	33	201042	Exploration	31/07/2018

The following tenements are held by two joint venture companies, 50% owned by Southern Gold and 50% owned by Bluebird Merchant Ventures Ltd, as at 29 August 2019.

Mine Name	Tenement Info			Register Info		
	Korean	English	Block ID	No.	Type	Date of Granting
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	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
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

TENEMENT SCHEDULE – WESTERN AUSTRALIA

On 5 August 2019, the Company announced that a binding agreement had been executed with Aurene Group Holdings Pty Ltd for the sale of the Company's Australian gold assets. The documentation for the transfer of all Southern Gold's interests in its Western Australian tenements was executed on 29 August 2019, with full contract completion scheduled to formally occur on 30 August.

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 2019.

Principal Activities

The principal continuing activity of the group in the year was the mining of gold and exploration for gold, silver, 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 \$9,892,741 (2018: loss of \$702,955) after including a loss of \$6,010,002 in relation to impairment on the Australian exploration assets as at 30 June 2019, pending divestment. A sale agreement for the Australian exploration assets was completed subsequent to 30 June 2019, refer subsequent events section of this report.

Dividends

No dividends were declared in relation to the current financial year ended 30 June 2019, and the directors do not recommend the payment of dividends in respect of the financial year.

REVIEW OF OPERATIONS

Southern Gold Limited ("Southern Gold" or the "Company") principally operates an exploration and project development business focused on South Korea. Southern Gold's 100% owned projects include the more advanced exploration asset of Weolyu, where high grade gold and silver veins have been defined by drilling and in-situ channel sampling, and a portfolio of epithermal gold-silver projects that are at an earlier stage of definition. Several of these high-quality exploration projects, such as Deokon and Beopseongpo, have demonstrated high grade gold and silver mineralisation from surface sampling.

The Company also has a 50% equity interest in joint venture companies that are advancing two development projects, Gubong and Kochang. These two projects are operated by joint venture partner, Bluebird Merchant Ventures Ltd ('Bluebird'), a London stock exchange listed entity.

As at the 30 June 2019 the Company still held assets in Australia (including the Cannon Gold Mine which was on care and maintenance) but these assets were at an advanced stage of a sale process. Subsequent to year end the sale of these assets to Aureenne Group Holdings Pty Ltd for \$2.5 million was announced.

South Korea – 100% Southern Gold Exploration Projects

Southern Gold has spent much of the last financial year building a high-quality portfolio of epithermal gold-silver targets in the South-West district of South Korea. This has seen the addition of several projects, namely Deokon, Beopseongpo and Neungju, among others. The Project Generation work that underpinned the identification, initial testing and tenure application process is ongoing and it is expected that this will either add ground to existing projects or extend targets to new areas in due course. The excellent results at Deokon at the 'Golden Surprise Trend' vindicate this first-principles exploration approach.

In parallel with this process of adding high quality projects, the Company has also been looking to divest projects that are either difficult to explore, have challenging social contexts or have more limited prospectivity to host a world-class precious metals deposit. Projects such as Hwacheon, Cheongwon, Jangam and Suam (among others) have been dropped or returned to the Korean prospector who originated them.

Weolyu Gold-Silver Project: Southern Gold completed a second phase of systematic underground channel sampling at Weolyu South which was designed to infill and extend previous results as well as for QA/QC purposes. The phase of work comprised 18 new channel samples and 29 lines were re-assayed to check assay tenor with a number of high-grade shoots being defined. The Southern Shoot is the largest and better defined with the average grade estimated to be 10.6 g/t Au and 348 g/t Ag, between the two levels. This will need to be more thoroughly tested with infill diamond drilling and does not utilise any statistical evaluation or top cut values.

DIRECTOR'S REPORT

REVIEW OF OPERATIONS cont.

South Korea – 100% Southern Gold Exploration Projects cont.

Beopseongpo Gold Project: 'Boots on the ground' field work was completed at Beopseongpo and a comprehensive report was completed that concluded that the project is a very significant epithermal gold (+silver) target with multiple well-defined and extensive vein systems. The area covers a zone of >5.7km² with 5 vein zones identified with combined strike length in excess of 2,570 metres. The main target is expected around 100m to 500m below surface with drilling expected to commence at Beopseongpo early in the new financial year.

Deokon Gold-Silver Project: Significant 'boots on the ground' field work was also completed at Deokon in the current year although results were reported to ASX after 30 June 2019. The results were highly significant with the discovery of the 'Golden Surprise' high grade gold-silver system. Golden Surprise included Bonanza and Thorn Zones approximately 500m apart with ultra-high-grade silver results from the Bonanza zone (including visible silver in hand specimen and up to 1.3% silver) and very high-grade gold results (up to 54g/t Au) from both locations.

South Korea – 50% Owned Joint Venture Projects

The company has 2 projects, Gubong and Kochang, currently being advanced under a farm-in and joint venture agreement with Bluebird, a London listed specialist narrow-vein underground gold mining group. During the year, Bluebird completed its farm in phase and provided a 'report on feasibility' of re-opening the historical gold mines to commence gold production at each of the projects. The corporate structure was established, with 50/50 joint venture corporate entities in Singapore, with the operating companies in South Korea being managed by Bluebird on a day to day basis.

Gubong Gold Project: The first 'report on feasibility' was prepared by Bluebird for the Gubong Gold Project and announced on 1 August 2018. It was not prepared in accordance with the JORC Code 2012 and as such quantitative elements of the report have not been reported to ASX. The report outlined a pre-construction phase of dewatering the lower levels, establishing a permanent entrance to the mine and extensive sampling for both quantitative assessment and metallurgical testing programmes. This phase is estimated to cost the joint venture US\$850,000 and is in progress.

The high-level conclusion of the report was that it should be feasible to re-open the old workings and commission a low-cost vat leach processing system. The aim is to produce a modest amount of gold initially but then ramp up production with time and the benefit of cash flow.

Kochang Gold Project: At Kochang channel sampling and easy access to the old workings have advanced the project. Test work estimated gravity recoveries of up to 80% for gold and 60% for silver which is considered very high for this stage of study (see ASX Release 6 December 2018).

In late January Bluebird submitted to Southern Gold the 'report on feasibility' of reopening the Kochang Project which resulted in the 50/50 Joint Venture being established. The report had many parallels with the study conducted at Gubong, with the intent of establishing a very low capital cost operation to produce gold at small scale then ramping up operations progressively over the subsequent years. Note that the report was not completed to JORC Code 2012 standard and therefore there is no public reporting of the quantitative elements of the report.

Australia

Very limited field work has been completed on the Australian assets in the past year. The Cannon project, which has been one of the main drivers of activity in the Companies Australian exploration portfolio, was on care and maintenance with a delay to underground development after the Northern Star acquisition of Westgold's Kalgoorlie based assets.

Cannon Gold Mine: While a development arrangement with Westgold Resources Ltd ('Westgold') was announced early in 2018, Westgold subsequently sold its Kalgoorlie assets to Northern Star Ltd and this resulted in a development hiatus for the Cannon project. Ultimately the assets were restructured in a deal with Northern Star which had the net result of a consolidation of the Cannon deposit under one owner in exchange for the assumption of historical liabilities associated with the Cannon open pit. During the period Southern Gold also announced a Cannon underground reserve with the conversion of the resource to Probable Reserve under the JORC Code 2012. The Cannon Probable Ore Reserve, at a 3.0g/t Au cut off, was 117,000t @ 5.31g/t Au for 20,000Au oz contained.

Both the consolidation of the project area under ownership of Southern Gold and the definition of the ore reserve under the JORC Code 2012 contributed to the smooth sale process during the balance of the financial year.

Other projects in WA: Very limited field work and desk top studies were completed on the tenement portfolio during the financial year. Much of this holding was rationalised during the year, including the return of the Transfind Extended project to the original prospectors, with some ground being dropped at the Glandore (where Southern Gold completed its 90% earn-in during the year, subsequently moving to 100% with Aruma taking a royalty) and Bulong Projects.

DIRECTOR'S REPORT

REVIEW OF OPERATIONS cont.

Competent Person's Statements

The information in this report that relates to Exploration Results has been compiled under the supervision of Mr. Paul Wittwer (AIG, AusIMM). Mr Wittwer who is an employee of Southern Gold Limited and a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Wittwer consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to JORC Resources has been compiled under the supervision of Mr. Paul Androvic (AusIMM). Mr Androvic who is a former employee of Southern Gold Limited and a Member of the Australasian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Mr Androvic consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to JORC Reserves has been compiled by Mr. Christopher Hiller, of Hiller Enterprises, is not an employee of Southern Gold Limited but has been engaged by Southern Gold to prepare the report. Mr Hiller is a Member of the Australasian Institute of Mining and Metallurgy, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Mr Hiller consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Forward-looking statements

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

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

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

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

DIRECTOR'S REPORT

CORPORATE

Finance

During the year ended 30 June 2019, the Company raised \$2.03 million before capital raise costs from two placements, in October 2018 and February 2019.

The Company also raised \$250,000 in August 2018 through the issue of 647,668 shares to Bluebird Merchant Ventures Ltd ('Bluebird'). The placement was made pursuant to the Share Subscription, Farm In and Joint Venture Agreement – Kochang Project, which had been executed earlier in the year (refer ASX release 13 February 2018).

A further \$750,000 in funds were raised through an unsecured loan for a term of 18 months, with interest payable at 12% per annum paid quarterly in arrears. The debt is due to be repaid in full on 19 August 2020. Southern Gold may repay all or part of the debt at anytime during the loan period. As part of the loan facility, 4,411,765 call options were issued to the lender. The options are exercisable at \$0.17/option, in multiples of \$250,000, anytime through to expiry date of 16 September 2019.

During the year ended 30 June 2019, Southern Gold also received a Research and Development tax refund of \$174,110.

The Company's ending cash balance was \$392,040.

On 17 June 2019, the Company announced a non-renounceable pro-rata rights issue to eligible shareholders, at an issue price of \$0.11 per share and on the basis of an entitlement to subscribe for 1 new share for every 3 shares held at the record date on 21 June 2019. The entitlement included a free attaching option, exercisable at \$0.18 per share at any time until expiry on 31 December 2021, on the basis of 1 option for every 2 new shares issued under the rights issue. The rights issue closed subsequent to the end of financial year and was fully subscribed, raising \$2.3 million before costs.

Changes in State of Affairs

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

Events Subsequent to Reporting Date

On the 17 July 2019, the Company announced that field work completed in April to June has located the outcrop representing the source of the bonanza grade gold-silver float sample previously reported (78.6g/t Au and 13,000g/t Ag) in ASX release 3rd April 2019. This newly identified area has been renamed the 'Bonanza Zone' (previously reported as the 'East Vein Zone'). In addition, another new area of extensive outcrop was located approximately 500m to the north and named the 'Thorn Zone'. When combined with the 'Bonanza Zone' it represents a mineralised vein corridor of over 500m that remains open in both directions, collectively named the 'Golden Surprise Trend'. Refer to the ASX Announcement on 17 July 2019 for further detail.

On the 25 July 2019, pursuant to the rights issue offer announced on 17 June 2019, the Company issued 20,856,127 shares and 10,428,184 options, raising \$2.3 million before costs.

On 30 July 2019, the Company announced it had agreed a placement with four major shareholders, subject to shareholder approval at the next General Meeting of Shareholders, to raise \$440,000 on the same terms as the Rights Issue, being 4 million shares at \$0.11 per share and 2 million free attaching options with an exercise price of \$0.18 per and expiry date of 31 December 2021.

On the 5 August 2019, the Company announced a binding agreement was executed with Aurene Group Holdings Pty Ltd for the sale of the Company's Australian gold assets for cash consideration of \$2,500,000.

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

The Company's main objective in the coming financial year is the drill testing of several of the epithermal gold-silver targets in the South-West district of South Korea. The aim is twofold: the new discovery of valuable precious metal deposits and the definition of minerals resources in accordance with the JORC Code 2012. In addition, while not directly controlling day to day activity, the Company is expecting progress towards development and production at either the Kochang or Gubong projects under the joint venture arrangement with Bluebird Merchant Ventures.

DIRECTOR'S REPORT

CORPORATE cont.

Environmental Regulation and Performance Statement

The Company's Australian operations were 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. These obligations have been transferred to the purchaser of the Australian tenements.

In South Korea exploration and mining activity is principally regulated at the national level by the Ministry of Trade, Industry and Energy (MOTIE) which in turn manages mining and exploration affairs through the Mine Registration Office and the Mine Safety Office.

Environmental issues are regulated through either the Framework Act on Environmental Policy or the Environmental Impact Assessment Act. Southern Gold is currently investigating the detailed regulatory framework in South Korea to ensure it manages the business prudently as we move projects forward into production.

Southern Gold's wholly owned subsidiary in South Korea, Southern Gold Korea, carries out exploration activities and there have been no known environmental breaches attributed to these exploration activities to date.

Options

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

Issue Date	Date of Expiry	Fair Value at Grant Date	Exercise Price	Number under Option
27.11.2014	30.11.2019	0.105	0.375	266,668
01.02.2015	18.11.2020	0.109	0.375	333,334
12.07.2016	30.06.2021	0.282	0.375	420,000
26.10.2017	25.10.2020	0.153	0.400	1,500,000
26.10.2017	25.10.2020	0.139	0.500	1,500,000
30.11.2017	30.11.2022	0.112	0.375	475,000
30.11.2017	31.07.2022	0.108	0.375	30,000
22.02.2019	16.09.2020	0.0045	0.170	4,411,765
25.07.2019	31.12.2021	Nil*	0.180	10,428,184
25.07.2019	31.12.2020	Nil*	0.150	4,000,000
				23,364,951

*Options were issued to shareholders on the basis of 1 free attaching option for every 2 shares issued under the rights issue.

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

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

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 (Non-Executive Chairman) (Member of Audit Committee)

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

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

Mr Boulton is currently on the board of ASX listed Kangaroo Island Plantation Timbers Ltd, Super SA (Chairman) and Kogi Iron Limited, and other South Australian private companies.

Mr Boulton currently has 2,289,178 shares and 919,482 options in Southern Gold Limited.

Simon Mitchell (Managing Director)

BSc (Hons) Geol, MAusIMM, GAICD, MSEG

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

Mr. Mitchell is a geologist and corporate executive with 29 years of resources industry experience in technical and finance roles including 10 years gold exploration and mine development experience with Normandy NFM, RGC, Goldfields and Aurora Gold in countries as diverse as Australia, Bolivia, Chile, Papua New Guinea and Indonesia. Mr Mitchell worked for 6 years at the Commonwealth Bank of Australia, predominantly in Project Finance, and more than 6 years with Toro Energy as General Manager of Business Development where he was responsible for the raising of more than US\$80 million in capital and engaging investors worldwide. More recently Mr. Mitchell has been Managing Director of Asiatic Gold Ltd, an unlisted public company with gold exploration projects in South Korea, a company subsequently acquired by Southern Gold in mid-2016.

Mr Mitchell currently has 830,000 shares and 2,418,335 options in Southern Gold Limited.

David Turvey (Non-Executive Director)

B Sc(Hons) Geol, MAusIMM

Mr Turvey is a geologist with over 35 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 is currently acting Managing Director of Kogi Iron Limited, and was formerly a Non-Executive Director of ASX listed Lawson Gold Limited until July 2013, previously Managing Director of FerrAus Limited from December 2005 to June 2009.

Mr Turvey currently has 668,278 shares and 716,869 options in Southern Gold Limited.

Peter Bamford (Non-Executive Director) (Chair of Audit Committee)

BSc (Eng) Mining, ARSM, MAICD, FAusIMM

Mr Bamford has a career spanning more than 40 years in the construction and mining industries, principally in underground mining operations as a mining engineer and corporate executive. His experience includes senior appointments with Mount Isa Mines, Metana/Gold Mines of Australia, and Doray Minerals and he has served as a director on the Boards of Maiden Gold, Heron Resources and Dominion Mining. His responsibilities have included reviewing merger and acquisition opportunities as well as development and project oversight including accountability for establishing Challenger, Andy Well and Deflector gold mines in Australia. He also served for nine years until 2017 as a member of the Executive Council for the Chamber of Minerals and Energy of Western Australia.

Mr Bamford currently has 266,667 shares and 33,334 options in Southern Gold Limited.

Michael Billing (Non-Executive Director, retired 30 November 2018)

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

Mr Billing is an accountant with in excess of 40 years of mining industry experience in senior management, 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 held 558,811 shares and 633,334 options in Southern Gold Limited as at date of resignation being 30 November 2018. The options have subsequently lapsed on 25 February 2019.

Company Secretary

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

Daniel Hill

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

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

Mr Hill is also Company Secretary of LBT Innovations Ltd (ASX: LBT).

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 detailed below.

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

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 each year. The Managing Director's base salary package increased from \$270,000 to \$276,000 effective 1 July 2018, and has been maintained at that amount as at the date of this report. In deciding the bonus to be paid to the Managing Director each year, the Board take into account a number of performance criteria including share price performance against peers, the maintenance of expenses within budget and operational milestones. Outside of this, there is no formal relationship between the board policy for remuneration of Key Management Personnel and the company's performance for the last four years.

The Group has 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 – base 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 in section (d) of the Remuneration Report and in Note 4 of the Financial Report.

Shares and Options granted as remuneration

No remuneration shares were issued in the year ended 30 June 2019.

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

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

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) cont.

Remuneration of Directors and Key Management Personnel

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

a) Directors and Key Management Personnel

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

Directors	Position
G C Boulton AM	Chairman – Non-Executive
S Mitchell	Managing Director – Executive
D J Turvey	Director – Non-Executive
P Bamford	Director – Non-Executive
M R Billing	Director – Non-Executive (resigned 30 November 2018)
Key Management Personnel	Position
D L Hill	Company Secretary

b) Directors' remuneration

2019	Short Term Benefits				Share Based Payments (options)	Post Employment	Total	Remuneration as share based %
	Primary Benefits	Directors' Fees	Salary and Leave	Cash Bonus		Consulting fees		
	\$	\$	\$	\$	\$	\$	\$	%
G C Boulton	90,000	-	-	-	-	-	90,000	0%
S Mitchell	-	276,000	20,000	-	-	28,120	324,120	0%
M R Billing*	17,123	-	-	-	-	1,627	18,750	0%
D J Turvey	41,096	-	-	5,000	-	3,904	50,000	0%
P Bamford	41,096	-	-	3,000	-	3,904	48,000	0%
	189,315	276,000	20,000	8,000	-	37,555	530,870	0%

*Resigned 30 November 2018.

2018	Short Term Benefits				Share Based Payments (shares)	Post Employment	Total	Remuneration as share based %
	Primary Benefits	Directors' Fees	Salary and Leave	Cash Bonus		Consulting fees		
	\$	\$	\$	\$	\$	\$	\$	%
G C Boulton	90,000	-	-	-	-	-	90,000	0%
S Mitchell	-	270,000	15,000	-	-	27,075	312,075	0%
M R Billing	41,096	-	-	1,000	-	3,904	46,000	0%
D J Turvey	41,096	-	-	6,148	-	3,904	51,148	0%
P Bamford*	15,656	-	-	-	-	1,487	17,143	
	187,848	270,000	15,000	7,148	-	36,370	516,366	0%

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) cont.

c) Other Key Management Personnel remuneration

2019 Primary Benefits	Salary and Leave \$	Cash Bonus \$	Super Contribution \$	Share Based Payments \$	Total \$
D L Hill ¹	-	-	-	-	-
	-	-	-	-	-

2018 Primary Benefits	Salary and Leave \$	Cash Bonus \$	Super Contribution \$	Share Based Payments \$	Total \$
D L Hill ¹	-	-	-	-	-
	-	-	-	-	-

¹ Mr Hill provides services as a consultant to act as Company Secretary of Southern Gold Limited. Mr Hill was paid \$18,170 during the 2019 year (2018: \$13,972).

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 2019	Balance at beginning of year	Acquired/ (disposed) on market	Issued on exercise of options during year	Other changes during the year	Balance at end of year
G C Boulton AM	1,666,883	-	-	50,000	1,716,883
S Mitchell	510,000	-	-	-	510,000
M R Billing ¹	558,811	-	-	-	558,811
D J Turvey	501,208	-	-	-	501,208
P Bamford	-	200,000	-	-	200,000
D L Hill	-	-	-	-	-
	3,236,902	200,000	-	50,000	3,486,902

The above balances as at 30 June 2019, may differ from the holdings disclosed in the Directors Report, as the Directors Report provides each Directors' shareholdings as at the date of the Directors report.

¹ M R Billing resigned as Director effective 30 November 2018, ordinary shares held reported in table (d) above are as at 30 November 2018.

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 2019	Balance at beginning of year	ESOP options granted	Other changes during the year	Balance at end of year	Vested during the year ¹	Vested and exercisable
G C Boulton AM	633,334	-	-	633,334	-	633,334
S Mitchell	2,333,334	-	-	2,333,334	-	2,333,334
M R Billing ¹	633,334	-	-	633,334	-	633,334
D J Turvey	633,334	-	-	633,334	-	633,334
P Bamford	-	-	-	-	-	-
D L Hill	100,000	-	-	100,000	-	100,000
	4,333,336	-	-	4,333,336	-	4,333,336

¹ M R Billing resigned as Director effective 30 November 2018, options held reported in table (d) above are as at 30 November 2018. These options subsequently lapsed on 25 February 2019.

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.
- For the year ended 30 June 2019, the Managing Director's annual salary was set at \$276,000 base salary per annum, plus statutory superannuation.
- Following the annual performance and salary review, the Managing Director's annual salary was maintained at \$276,000 base salary per annum, plus statutory superannuation
- The Managing Director's remuneration package includes a maximum performance incentive of \$50,000 per annum. The Managing Director was awarded \$20,000 in bonuses, plus superannuation at 9.5%, related to the year ended 30 June 2019.
- Termination without notice in the event that Mr Mitchell
 - is guilty of serious or wilful misconduct; or
 - fails to remedy a breach of the Agreement within 14 days of receipt of notice to do so
- Termination without cause by either party with the provision of maximum three calendar months' notice or by agreement in writing by the parties. In the event of redundancy due to takeover, merger or other corporate arrangements, a six month notice period applies.

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

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

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.

f) Post-employment/retirement and termination benefits

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

g) Voting at 2018 AGM

Southern Gold Limited received more than 79.5% of 'yes' votes on its remuneration report for the 2018 financial year. The Company did not receive any specific feedback at the AGM on its remuneration report.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) cont.

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	2019 \$	2018 \$
D L Hill	Payments to a member of Key Management for financial and company secretarial services provided	18,170	13,972
GC Boulton	Payments to a Director related entity for Director and consulting services provided*	90,000	90,000
D Turvey	Payments to a Director related entity for consulting services provided	5,000	6,148
P Bamford	Payments to a Director related entity for consulting services provided	3,000	-
M Billing	Payments to a Director related entity for consulting services provided	-	1,000

*During the year ended 30 June 2019, the value of payments comprised Directors fee of \$90,000, and consulting fees of nil. (For the year ended 30 June 2018, the value of payments comprised Directors fee of \$90,000, and consulting fees of nil.)

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

	2019 \$	2018 \$
Current payables		
Amounts payable to Directors and Key Management Personnel related entities (refer Note 13) ¹	16,203	21,157
	16,203	21,157

1 Payable to Greg Boulton and Associates Pty Ltd (an entity associated with G C Boulton) \$7,500 (2018: \$7,500).

Payable to Red Balloon Superannuation Fund (an entity associated with Mr David Turvey) of \$325 (2018: \$651).

Payable to Bayfront Nominees Pty Ltd (an entity associated with D L Hill) \$3,968 (2018: \$1,954).

Payable to Simon Mitchell Super Fund SMSF, (an entity associated with Simon Mitchell \$4,085 (2018: \$9,750)

Payable to Bamford Superannuation fund (an entity associated with Peter Bamford) \$325 (2018: \$651)

Payable to Lapun Kamap Superannuation fund (an entity associated with Michael Billing \$nil (2018: \$651)

There were no amounts receivable from related parties.

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 Meetings Eligible to Attend	Number of Meetings Attended	Number of Meetings Eligible to Attend	Number of Meetings Attended
G C Boulton AM	13	13	2	2
S Mitchell	13	13	-	-
D J Turvey	13	13	-	-
P Bamford	13	13	1	1
M R Billing (retired 30/11/18)	5	4	1	-

Non-audit services

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

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 2019 were nil (2018: nil).

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.

DIRECTOR'S REPORT

MEETINGS OF DIRECTORS cont.

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 2019 is set out immediately following the end of the Directors' report.

Dated at Adelaide, this 29th day of August 2019.

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 3, 170 Frome Street
Adelaide SA 5000

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 2019, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 29 August 2019

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

www.grantthornton.com.au

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

Liability limited by a scheme approved under Professional Standards Legislation.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
	Note	2019 \$	2018 \$
Revenue		-	1,997,548
Cost of Sales		-	(820,725)
		-	1,176,823
Other revenue	2(a)	4,944	1,554,536
Share of profit / (loss) of joint ventures, accounted for using the equity method	11	(260,376)	-
Exploration expenditure written off	9	(6,590,267)	(102,530)
Exploration expenses		(566,377)	(461,905)
Exploration expenses (Cannon underground)		-	(437,846)
Salaries and wages		(940,065)	(818,057)
Directors fees		(198,750)	(197,143)
Interest expense		(39,963)	-
Shareholder relations		(240,586)	(275,003)
Other consulting expenses		(248,578)	(267,560)
Other administrative expenses	2(b)	(886,007)	(945,833)
Depreciation		(69,326)	(59,372)
Share based payments	22	(31,500)	(56,547)
Profit/(Loss) before income tax		(10,066,851)	(890,437)
Income tax (expense)/benefit attributable to profit/(loss) from ordinary activities	3	174,110	187,482
Net Profit/(Loss) for the year		(9,892,741)	(702,955)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation		66,561	217,280
Total comprehensive income		(9,826,180)	(485,675)
Earnings Per Share			
Basic (cents per share) – Profit/(Loss)	24	(17.56)	(1.44)
Diluted (cents per share) – Profit/(Loss)	24	(17.56)	(1.44)

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 2019

Consolidated

	Note	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	5	392,040	2,080,242
Trade and other receivables	6	108,419	134,994
Other assets	7	11,993	19,090
Held for Sale Assets	8	2,365,000	-
TOTAL CURRENT ASSETS		2,877,452	2,234,326
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	9	3,811,179	13,248,642
Plant and equipment	10	203,146	176,242
Investments accounted for using the equity method	11	1,293,998	-
Financial assets	12	567,183	-
TOTAL NON-CURRENT ASSETS		5,875,506	13,424,884
TOTAL ASSETS		8,752,958	15,659,210
CURRENT LIABILITIES			
Trade and other payables	13	330,421	340,635
Provisions	14	82,517	134,121
TOTAL CURRENT LIABILITIES		412,938	474,756
NON-CURRENT LIABILITIES			
Provisions	14	23,130	31,094
Borrowings	15	736,950	-
TOTAL NON-CURRENT LIABILITIES		760,080	31,094
TOTAL LIABILITIES		1,173,018	505,850
NET ASSETS		7,579,940	15,153,360
EQUITY			
Issued capital	16	42,304,761	40,072,064
Reserves	30	922,964	1,112,836
Retained losses		(35,647,785)	(26,031,540)
TOTAL EQUITY		7,579,940	15,153,360

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 2019

	Issued Capital \$	Retained Losses \$	Share- Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 30 June 2017	39,607,530	(27,304,391)	2,875,107	(60,292)	15,117,954
Profit or loss	-	(702,955)	-	-	(702,955)
Other comprehensive income	-	-	-	217,280	217,280
Total comprehensive income	-	(702,955)	-	217,280	(485,675)
Issue of Share Capital	464,534	-	-	-	464,534
Options lapsed or exercised	-	1,975,806	(1,975,806)	-	-
Fair value of options issued	-	-	56,547	-	56,547
Costs associated with the issue of shares	-	-	-	-	-
Total transactions with owners	464,534	1,975,806	(1,919,259)	-	521,081
Balance at 30 June 2018	40,072,064	(26,031,540)	955,848	156,988	15,153,360
Profit or loss	-	(9,892,741)	-	-	(9,892,741)
Other comprehensive income	-	-	-	66,561	66,561
Total comprehensive income	-	(9,892,741)	-	66,561	(9,826,180)
Issue of share capital	2,286,850	-	-	-	2,286,850
Options lapsed or exercised	-	276,496	(276,496)	-	-
Fair value of options issued	-	-	20,063	-	20,063
Costs associated with the issue of shares	(54,153)	-	-	-	(54,153)
Total transactions with owners	2,232,697	276,496	(256,433)	-	2,252,760
Balance at 30 June 2019	42,304,761	(35,647,785)	699,415	223,549	7,579,940

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 2019

Consolidated

	Note	2019 \$	2018 \$
Cash flows relating to operating activities			
Interest received		4,944	54,438
Other income		-	98
Receipts from operations		-	3,685,413
R&D tax offset received		174,110	187,482
Payments to suppliers and employees		(3,203,592)	(3,334,428)
Interest paid		(10,176)	-
Net operating cash inflows/(outflows) (Note (a))		(3,034,714)	593,003
Cash flows relating to investing activities			
Payments for mining tenements, exploration and evaluation expenditure		(973,211)	(2,881,523)
Loans Provided to Gubong JV Company		(262,424)	-
Loans Provided to Kochang JV Company		(304,759)	-
Disposal of plant & equipment		5,093	-
Payments for plant and equipment		(112,122)	(64,102)
Net investing cash (outflows)		(1,647,423)	(2,945,625)
Cash flows relating to financing activities			
Proceeds from share issues		2,276,350	-
Payments for share issue costs		(34,131)	-
Payment of dividends		-	(945,648)
Proceeds of borrowings	15	750,000	-
Net financing cash inflows / (outflows)		2,992,219	(945,648)
Net increase/(decrease) in cash		(1,689,918)	(3,298,270)
Net foreign exchange difference		1,716	1,604
Cash at beginning of financial year	5	2,080,242	5,376,908
Cash at end of financial year	5	392,040	2,080,242

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 2019

	Consolidated	
	2019	2018
	\$	\$
Note (a): Reconciliation of net loss from ordinary activities to net cash flow from operating activities		
Profit/(Loss) from ordinary activities after income tax	(9,892,741)	(702,955)
Adjustments to reconcile profit before tax to net cash flows		
Share based payments	31,500	56,547
Share of profit / (loss) of joint ventures	260,376	-
Depreciation	69,326	59,372
Unrealised Foreign Exchange loss	876	-
Exploration written off and expensed – continuing operations	6,590,267	102,530
Loss on sale of plant & equipment	12,974	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	28,220	273,946
(Increase)/decrease in other financial assets	7,309	4,869
(Increase)/decrease in inventories	-	820,724
Increase/(decrease) in trade and other payables	(82,676)	(14,328)
Increase/(decrease) in provisions	(60,145)	(7,702)
Net operating cash flows	(3,034,714)	593,003

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 2019

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 Limited is a for-profit entity for the purpose of preparing the financial statements.

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

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

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

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

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

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

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

The accounting policies adopted by the group are consistent with those of the previous financial year with the exception of new and revised accounting standards described below, and the accounting for the investment in the new joint ventures (Note 1(i)).

New and revised accounting standards

New and revised standards which were effective for annual periods beginning on or after 1 July 2018 are as follows:

- AASB 15 Revenue from Contracts with Customers and
- AASB 9 Financial Instruments became effective for periods beginning on or after 1 January 2018.

Accordingly, the Group applied AASB 15 and AASB 9 for the first time for the year ended 30 June 2019. Changes to the Group's accounting policies arising from these standards are summarised below.

AASB 15 Revenue from Contracts with Customers

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

AASB 9 Financial Instruments

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

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

Classification and measurement of the Group's financial assets

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Classification and measurement of financial liabilities

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

The above amendment did not have a material impact on the Group.

Reconciliation of finance instrument classifications

The following table provides a reconciliation of financial instrument classifications on AASB 9 adoption as at 1 July 2018.

	Classification		Carrying Amount	
	AASB 139	AASB 9	AASB 139	AASB 9
Financial Assets				
Trade and other receivables	Loans and receivables	Amortised cost	51,730	51,730
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	340,635	340,635

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

a. Principles of Consolidation

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. 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 / (benefit) and deferred income tax expense / (benefit).

Current income tax expense / (benefit) 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 / (benefit) reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

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

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

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

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

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

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

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 43.5% 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

c. Plant and Equipment

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

Plant and equipment

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

Depreciation

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

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

Plant and equipment 20–33%

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

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

d. Exploration and Evaluation Expenditure

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

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

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

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

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

e. Financial Instruments

Accounting policy applicable to the year ended 30 June 2018

Refer to the initial section of Note 1 under the section entitled 'New and revised accounting standards'.

Accounting policy applicable to the year ended 30 June 2019

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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

e. Financial Instruments cont.

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

Impairment

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

f. Impairment of Non Financial Assets

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

i. Joint Ventures

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

i. Joint Operations cont.

The Group has two joint ventures as at period end date, the Gubong Joint Venture and Kochang Joint Venture.

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			30 June 2019	30 June 2018
Gubong Project JV Co Pte. Ltd	Korea	Development of Gubong Gold Project	50%	-%
Kochang Project JV Co Pte. Ltd	Korea	Development of Kochang Gold Project	50%	-%

The country of incorporation is Singapore for both companies. Each company conducts its operations through a wholly owned company incorporated in the Republic of Korea (South Korea). The principal place of business for both joint venture operations is South Korea. The proportion of ownership interest is the same as the proportion of voting rights held for both joint ventures. Refer Note 11 for further detail in relation to the two joint ventures.

j. Employee Benefits

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

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

Share based payments

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

k. 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.

l. 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.

m. Revenue

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

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

n. 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.

o. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

p. Comparative Figures

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

q. 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 — 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.

r. 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.

s. 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 2019. 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 16 Leases

AASB 16 replaces AASB 117 Leases and some lease related Interpretations, and applies for financial reporting periods beginning on or after 1 January 2019. Early adoption is permitted. Southern Gold have not elected to early adopt this standard. Key features of AASB 16 are:

- elimination of classification of leases as either operating leases or finance leases for a lessee;
- the recognition of lease assets and liabilities on the balance sheet, initially measured at present value of unavoidable future lease payments;
- recognise depreciation of lease assets and interest on lease liabilities on the statement of profit or loss and other comprehensive income over the lease term;
- separation of the total amount of cash paid into a principal portion and interest in the statement of cash flows. Leases of low-value assets (such as personal computers) are exempt from the requirements;
- short-term leases (less than 12 months) & leases of low value assets (such as computers) are exempt.

The Group has undertaken a preliminary assessment of the first time adoption of the accounting standard for the period beginning 1 July 2019. The impact upon adoption is expected to be:

	Carrying Amount	
	AASB 117	AASB 16
Lease asset	-	\$148,409
Lease liability	-	\$148,409

The above operating leases had previously been recognised in accordance with AASB 117 as operating leases and as such were not recorded on the balance sheet but future commitments were disclosed in note 20(c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

t. Parent Entity

The financial information of the parent entity, Southern Gold Limited, disclosed at note 26, has been prepared on the same basis, using the same accounting policies as the consolidated financial statements, other than investments in controlled entities which are carried at cost, less any provision for impairment.

u. 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.

The financial report was authorised for issue on 29th August 2019 by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$

2. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from ordinary activities included the following items of revenue and expense:

a) Other Revenue

Right to mine income ¹	-	1,500,000
Interest received/receivable	4,944	54,438
Other income	-	98
	4,944	1,554,536

b) Other Administrative Expenses

Office rent	170,126	169,274
-------------	---------	---------

¹ On 23rd January 2018, the Southern Gold entered a new agreement with development partner, Westgold for the underground development phase at Southern Gold's Cannon gold mine. In exchange for this right to mine, Westgold paid Southern Gold \$1.5 million up front.

The Westgold assets in the Kalgoorlie area were subsequently acquired by Northern Star Resources Ltd ('Northern Star') in early 2018. During the year ended 30 June 2019, a new agreement was reached with Northern Star where their right to mine was terminated and the adjacent Georges Reward tenement (M25/357) was transferred to Southern Gold in exchange for assuming the environmental liability from the open pit. Subsequent to the year ended 30 June 2019, Southern Gold sold all of its Australian tenements, including the Cannon mine, to Aurenne Group Holdings Pty Ltd (refer subsequent events note, Note 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
--	------------	------------

3. INCOME TAX EXPENSE

The components of tax benefit comprise:

Research and development tax concession	174,110	187,482
Tax (expense)/benefit	-	-
Income tax (expense)/benefit attributable to loss from ordinary activities	174,110	187,482

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

Income tax (expense)/benefit at 27.5% (2018: 27.5%) of operating loss	2,768,384	244,870
Tax effect of capital raising costs	14,892	-
Tax effect of Share-based payments expensed	(8,663)	(15,550)
Research and development tax concession	(174,110)	(187,482)
Timing differences and tax losses not brought to account	(2,600,503)	(41,838)
Income tax benefit attributable to loss from ordinary activities	-	-

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	19,544,436	17,329,153
Tax Losses at 27.5%	5,374,720	4,765,517

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$

4. KEY MANAGEMENT PERSONNEL REMUNERATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2018. The totals of remuneration paid to key management personnel during the year are as follows:

Short term employee benefits	493,315	479,996
Post-employment benefits	37,555	36,370
Share-based payments	-	-
	530,870	516,366

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 \$18,170 during the 2019 year (2018: \$13,972).

5. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	392,040	2,080,242
	392,040	2,080,242

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables	30,870	51,730
Office lease bond	77,549	83,264
	108,419	134,994

Trade and other receivables considered past due and/or impaired is nil (2018: nil). There has been no provision recognised in relation to the expected credit loss model, based on outstanding balances at balance date.

7. OTHER ASSETS

Prepayments	11,993	19,090
	11,993	19,090

8. HELD FOR SALE ASSETS

Opening Balance	-	-
Transfers from exploration and evaluation assets (refer Note 9)	2,365,000	-
	2,365,000	-

The Company announced a formal process to dispose or restructure its gold assets in Australia (refer ASX Announcement 1 April 2019). The carrying value of the Company's Australian gold assets at 30 June 2019 was therefore reclassified in the Statement of Financial Position from 'Exploration and evaluation expenditure' (refer Note 9) to a 'Held for sale asset'. The carrying value of \$2,365,000 reflects the expected sales value of \$2,500,000 for the Australian gold assets, based on the status of negotiations with preferred bidders at 30 June 2019, less estimated transaction costs of \$135,000.

Subsequent to 30 June 2019, a binding sale and purchase agreement was executed with Aurene Group Holdings Pty Ltd for cash consideration of \$2,500,000 (refer ASX Announcement 5 August 2019).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$

9. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest:

Exploration and evaluation phase	3,811,179	13,248,642
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	13,248,642	10,270,630
Net foreign exchange differences	76,353	184,112
Expenditure incurred during the year	997,424	2,896,430
Transfer of tenements to Joint Ventures ³	(1,555,973)	-
Expenditure written off / impairment for relinquished tenements – Australia ¹	(6,010,002)	(102,530)
Expenditure written off / impairment for relinquished tenements – Korea ²	(580,265)	-
Transfers to held for sale assets (Note 8) ¹	(2,365,000)	-
	3,811,179	13,248,642

- During the year ended 30 June 2019, Southern Gold has written off exploration and evaluation expenditure of \$6,010,002 relating to its Australian exploration assets as follows:
 - \$2,094,472 relating to 9 Australian tenements that were relinquished or were planned to be relinquished as at 31 December 2018, together with another 4 where farm-in rights had expired;
 - \$826,082 relating to the write down of the Bulong tenements, including the Cannon gold mine, to assessed recoverable amount based on a review as at 31 December 2018;
 - \$3,089,448 write down of the remaining carrying value of the total Australian gold assets, including the Cannon gold mine, to the assessed net realisable value at 30 June 2019 of \$2,365,000. The net realisable value of \$2,365,000 was based upon the expected sales value of \$2,500,000 based on the status of negotiations with preferred bidders at 30 June 2019, less estimated transaction costs of \$135,000.

Given the impending sale of the Company's Australian gold assets, the carrying amount of \$2,365,000 at 30 June 2019 was reclassified in the Statement of Financial Position from 'Exploration and evaluation expenditure' to a 'Held for sale assets' (refer Note 8).
- During the year ended 30 June 2019, Southern Gold was granted a number of highly prospective exploration leases in South Korea. This necessitated a rationalisation of its existing portfolio of exploration and mining leases in South Korea, to focus the Company's resources on those leases with the greatest potential for a world class precious metals discovery. This resulted in a write down of \$580,265 relating to 17 mining and exploration leases that were relinquished during the year or planned to be relinquished going forward.
- During the year ended 30 June 2019, the Company transferred a number of mining leases in South Korea to two joint venture companies, each owned 50:50 with London Stock Exchange listed Bluebird Merchant Ventures Ltd (Bluebird) as follows:
 - 8 mining leases (the Gubong Project) were transferred to the South Korean joint venture company Gubong Project Chusik Hoesa. The carrying value of these mining leases of \$857,571 was transferred from Southern Gold's Exploration and evaluation asset to form the initial cost of the Investment in that joint venture (refer Note 11); and
 - 3 mining leases (the Kochang Project) were transferred to the South Korean joint venture company Kochang Project Chusik Hoesa. The carrying value of these mining leases of \$697,526 was transferred from Southern Gold's Exploration and evaluation asset to form the initial cost of the Investment in that joint venture (refer Note 11).

During prior year ended 30 June 2018, Southern Gold had written off exploration and evaluation expenditure of \$102,530 relating to eight tenements in Western Australia that were relinquished.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
10. PLANT AND EQUIPMENT		
Plant and equipment at cost	651,914	561,823
Less: Accumulated depreciation	(448,768)	(385,581)
	203,146	176,242
Opening written down value	176,242	168,308
Additions	113,439	64,102
Net foreign currency exchange differences	893	3,204
Disposals	(18,102)	-
Depreciation	(69,326)	(59,372)
Closing written down value	203,146	176,242

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Gubong Joint Venture		
Initial Cost of Investment	857,571	-
Share of profit / (loss) of Joint Venture	(147,856)	-
Share of foreign currency translation reserve	1,421	-
	711,136	-
Kochang Joint Venture		
Initial Cost of Investment	697,526	-
Share of profit / (loss) of Joint Ventures	(112,520)	-
Share of foreign currency translation reserve	(2,144)	-
	582,862	-
	1,293,998	-

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

Gubong Joint Venture

Following the required US\$500,000 expenditure at Gubong, Bluebird and Southern Gold executed a definitive Farm In and Joint Venture Agreement for the Gubong Gold Project (refer ASX Announcement 29 March 2018). The document provided the final framework for the management of the Joint Venture, with Bluebird as operators. The Joint Venture commenced after submission of a report on feasibility for the Gubong Gold Project (refer ASX Announcement 1 August 2018). The joint venture is being conducted through a Joint Venture Company incorporated in Singapore, Gubong Project JV Co Pte. Ltd. (Gubong JV Company), which is 50% owned by Southern Gold and 50% owned by Bluebird. The Gubong JV Company in turn owns 100% of a company incorporated in South Korea, Gubong Project Chusik Hoesa. During the period ended 30 June 2019, Southern Gold transferred ownership of the Gubong Project, comprising 8 mining leases, to Gubong Project Chusik Hoesa. The book value of the tenements in Southern Gold of \$857,571, was transferred from an exploration asset (Note 9) to form the cost of Southern Gold's initial investment in the Joint Venture. Southern Gold meets its obligation to fund 50% of the cash requirements of the joint venture through a long term loan to Gubong Project Chusik Hoesa (refer Note 12).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.

Kochang Joint Venture

Southern Gold extended its Farm In and Joint Venture arrangement with Bluebird to include the Kochang project in South Korea. The terms for the Kochang gold project are in line with what was previously agreed for the Gubong and Taechang Projects, being a farm-in stage where Bluebird are required to invest US\$0.5 million in compiling a high level report on project feasibility targeting capital expenditure of no more than US\$10 million and Bluebird (or one of its associates) is to complete a placement in Southern Gold shares to the value of A\$250,000 at A\$0.386/share. The placement was completed to an entity controlled by Bluebird (refer ASX Announcement 20 August 2018). The joint venture is being conducted through a Joint Venture Company incorporated in Singapore, Kochang Project JV Co Pte. Ltd. (Kochang JV Company), which is 50% owned by Southern Gold and 50% owned by Bluebird. Kochang JV Company in turn owns 100% of a company incorporated in South Korea, Kochang Project Chusik Hoesa. During the period ended 30 June 2019, Southern Gold transferred ownership of the Kochang Project, comprising 3 mining leases, to Kochang Project Chusik Hoesa. The book value of the tenements in Southern Gold of \$697,526, was transferred from an exploration asset (Note 9) to form the cost of Southern Gold's initial investment in the joint venture. Southern Gold meets its obligation to fund 50% of the cash requirements of the joint venture through a long term loan to Kochang Project Chusik Hoesa (refer Note 12).

Taechang Project

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

Summarised financial information for the Gubong JV Company

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

Summarised balance sheet:

CURRENT ASSETS		
Cash and cash equivalents	113,224	-
Other current assets	12,559	-
Total current assets	125,783	-
Non-current assets		
Mine Development	1,629,100	-
Property Plant & equipment	5,251	-
Total non-current assets	1,634,351	-
Total Assets	1,760,134	-
CURRENT LIABILITIES		
Trade payables	-	-
Other current liabilities	-	-
Total current liabilities	-	-
Non-current liabilities		
Other Non-current liabilities	2,053,005	-
Total Non-current liabilities	2,053,005	-
Total liabilities	2,053,005	-
Net Assets/(liabilities)	(292,871)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.

Summarised financial information for the Gubong JV Company cont.

Reconciliation to carrying amounts:

Opening net assets 1 July	-	-
Loss for the period	(295,713)	-
Foreign exchange translation movement	2,842	-
Closing net asset/(liabilities)	(292,871)	-

Group's 50% share:

Group's share in JV's net assets/(liabilities)	(146,435)	-
Cost of investment (value of tenement transferred)	857,571	-
Carrying amount	711,136	-

Summarised statement of comprehensive income:

Salaries and wages	(115,716)	-
Other expenses	(179,997)	-
Income tax expense	-	-
Loss for the period	(295,713)	-
Other comprehensive income	2,842	-
Total comprehensive income	(292,871)	-

Summarised financial information for the Kochang JV Company

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

Summarised balance sheet:

CURRENT ASSETS		
Cash and cash equivalents	147,406	-
Other current assets	11,649	-
Total current assets	159,055	-
Non-current assets		
Mine Development	1,472,586	-
Property Plant & equipment	-	-
Total non-current assets	1,472,586	-
Total Assets	1,631,641	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.		
Summarised financial information for the Kochang JV Company cont.		
CURRENT LIABILITIES		
Trade payables	-	-
Other current liabilities	-	-
Total current liabilities	-	-
Non-current liabilities		
Other Non-current liabilities	1,860,969	-
Total Non-current liabilities	1,860,969	-
Total liabilities	1,860,969	-
Net Assets/(liabilities)	(229,328)	-
Reconciliation to carrying amounts:		
Opening net assets 1 July	-	-
Loss for the period	(225,040)	-
Foreign exchange translation movement	(4,288)	-
Closing net assets/(liabilities)	(229,328)	-
Group's 50% share:		
Group's share in JV's net assets/(liabilities)	(114,664)	-
Cost of investment (value of tenement transferred)	697,526	-
Carrying amount	582,862	-
Summarised statement of comprehensive income:		
Salaries and wages	(105,862)	-
Other expenses	(119,178)	-
Income tax expense	-	-
Loss for the period	(225,040)	-
Other comprehensive income	(4,288)	-
Total comprehensive income	(229,328)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$

12. FINANCIAL ASSETS

Loan to Gubong Project Chusik Hoesa	262,424	-
Loan to Kochang Project Chusik Hoesa	304,759	-
Non-Current Financial Assets	567,183	-

Southern Gold meets its obligation to fund 50% of the cash requirements of each of its two joint ventures through long term loans. Refer Note 11 for further description of the structure of each of the two joint ventures. Based on the terms of the loans receivable and the operations of the joint operation, no provision has been recognised for the expected credit loss model.

13. TRADE AND OTHER PAYABLES

Trade payables	160,362	190,227
Sundry payables and accruals	131,082	129,251
Interest Payable	22,774	-
Amount payable to Directors and Key Management related entities ¹	16,203	21,157
	330,421	340,635

¹ Payable to Greg Boulton and Associates Pty Ltd (an entity associated with G C Boulton) \$7,500 (2018: \$7,500).

Payable to Red Balloon Superannuation Fund (an entity associated with Mr David Turvey) of \$325 (2018: \$651).

Payable to Bayfront Nominees Pty Ltd (an entity associated with D L Hill) \$3,968 (2018: \$1,954).

Payable to Simon Mitchell Super Fund SMSF, (an entity associated with Simon Mitchell \$4,085 (2018: \$9,750).

Payable to Bamford Superannuation fund (an entity associated with Peter Bamford) \$325 (2018: \$651).

Payable to Lapun Kamap Superannuation fund (an entity associated with Michael Billing \$nil (2018: \$651).

14. PROVISIONS

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

Current Provisions

Employee entitlements provision	82,517	134,121
	82,517	134,121

Non-Current Provisions

Employee entitlements provision	23,130	31,094
	23,130	31,094

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
15. BORROWINGS		
Convertible Debt	736,950	-
	736,950	-

Convertible Debt

During the year ended 30 June 2019, Southern Gold raised \$750,000 through an unsecured loan for a term of 18 months, with interest payable at 12% per annum paid quarterly in arrears. The debt is due to be repaid in full on 19 August 2020. Southern Gold may repay all or part of the debt at anytime during the loan period.

As part of the loan facility, 4,411,765 call options were issued to the lender. The options are exercisable at \$0.17/option, in multiples of \$250,000, anytime through to expiry date of 16 September 2020. If Southern Gold elect to repay the loan in full earlier than the due date, the options expire 20 days after the debt is repaid. Any options exercised shall be applied to repayment of any of the loan outstanding at that time.

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

16. ISSUED CAPITAL

a) Ordinary Shares

Issued share capital:	42,304,761	40,072,064
62,568,372 fully paid ordinary shares (2018: 49,150,553)		

Movement in issued shares for the year:	2019		2018	
	No.	\$	No.	\$
Balance at beginning of the financial year	49,150,553	40,072,064	47,292,415	39,607,530
Dividend reinvestment plan	-	-	1,858,138	464,534
Shares Issued to JV partner (20 August 2018)	647,668	250,000	-	-
Placement of shares (15 & 16 Oct 2018)	6,037,352	1,026,350	-	-
Shares issued to service provider (15 Feb 2019)	66,133	10,500	-	-
Placement of shares (22 Feb 2019)	6,666,666	1,000,000	-	-
Net costs associated with the issue of shares	-	(54,153)	-	-
Balance at end of the financial year	62,568,372	42,304,761	49,150,553	40,072,064

On 20 August 2018, a total of 647,668 shares were issued to Bluebird Merchant Ventures Ltd ('Bluebird'), for proceeds of \$250,000. The placement was made pursuant to the Share Subscription, Farm In and Joint Venture Agreement – Kochang Project, which had been executed earlier in the year (refer ASX release 13 February 2018).

On 15 and 16 October 2018, Southern Gold raised \$1.03 million cash through the issue of 6,037,352 shares at a placement price of \$0.17 per share.

On 15 February 2019, 66,133 shares were issued at \$0.158 to Aetus Global Markets Limited as part payment of \$10,500 for consultancy services provided.

On 22 February 2019, Southern Gold raised \$1 million cash through the issue of 6,666,666 shares at a placement price of \$0.15 per share.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$

16. ISSUED CAPITAL cont.

b) Options on Issue

At 30 June 2019, there were 8,936,767 unlisted options outstanding (30 June 2018: 5,943,336).

The above options comprise:

- 4,525,002 options held by employees and directors. Refer Note 22 for further detail; and
- 4,411,765 options issued to a lender as part of a debt facility agreement. Refer Note 15 for further detail.

c) Capital Management

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

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

Debt	(736,950)	-
Cash	392,040	2,080,242
	(344,910)	2,080,242
Equity	7,579,940	15,153,360
Net debt to equity ratio	4.6%	0%

17. REMUNERATION OF AUDITORS

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

Amounts received or due and receivable by Grant Thornton for:

An audit or review of the financial report of the entity and any other entity of the group	44,107	38,725
Taxation and other services	-	-
	44,107	38,725

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

18. RELATED PARTY AND KEY MANAGEMENT DISCLOSURES

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

a) Equity Interests

Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 25 to the financial statements.

Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 11 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	2019 \$	2018 \$
D L Hill	Payments to a member of Key Management for financial and company secretarial services provided	18,170	13,972
GC Boulton	Payments to a Director related entity for Director and consulting services provided*	90,000	90,000
D Turvey	Payments to a Director related entity for consulting services provided	5,000	6,148
M Billing	Payments to a Director related entity for consulting services provided	-	1,000
P Bamford	Payments to a Director related entity for consulting services provided	3,000	-

*During the year ended 30 June 2019, the value of payments comprised Directors fee of \$90,000, and consulting fees of nil. (For the year ended 30 June 2018, the value of payments comprised Directors fee of \$90,000, and consulting fees of nil.)

d) Related party balances

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

Current trade and other payables

Amounts payable to Directors and Key Management Personnel related entities	16,203	21,157
	16,203	21,157

There were no amounts receivable from related parties.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

19. JOINT OPERATIONS

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

	Interest 2018	Interest 2017
Southern Gold (Asia) Joint Venture (SG Asia) ¹	15%	15%
Heron Resources KNP Joint Venture ²	-%	80%
Glandore Joint Venture - Aruma ³	100%	75%
<p>1. 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.</p> <p>2. Under the terms of a Heads of Agreement with Heron, Southern Gold had earned a 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. Southern Gold relinquished its interest in these tenements during the year ended 30 June 2019.</p> <p>3. On 4 April 2016, Southern Gold entered into the Glandore Project Farm In and Joint Venture Agreement ("Glandore Agreement") with Aruma Exploration Pty Ltd. Under the Glandore Agreement, Southern Gold had reached the required expenditure level to achieve a 75% interest at 30 June 2018, and this was further increased to 100% during the year ended 30 June 2019 in readiness for sale of the Australian gold assets. An agreement for the sale of Southern Gold's Australian gold assets, including its interest in the Glandore tenements, was executed subsequent to 30 June 2019 (refer subsequent events note, Note 29).</p>		
	2019 \$	2018 \$

20. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

a) Exploration Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum annual amounts on such works on mineral exploration tenements in Australia.

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

Total expenditure commitments at 30 June 2019 in respect of these minimum tenement expenditure requirements, not otherwise provided for in the financial statements, are nil (2018: \$6,425,844) on the basis that the Company was in the final stages of negotiating the sale of these tenements. A sale and purchase agreement was executed subsequent to 30 June 2019 (refer subsequent events note, Note 29).

Not later than one year:	-	617,664
Later than one year but not later than two years:	-	590,166
Later than two years but not later than five years:	-	1,573,022
Greater than five years	-	3,644,992
	-	6,425,844

b) Service Agreements

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

c) Property Rentals

The consolidated entity has the following rental agreement commitments (excluding GST).

Not later than one year:	108,449	109,973
Later than one year but not later than two years:	46,891	-
Later than two years but not later than five years:	-	-
	155,340	109,973

The above lease commitments at 30 June 2019 includes \$13,463 that relates to a property lease in Western Australia that will be transferred to the purchaser of the Company's Australian gold assets (refer subsequent events note, Note 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$

21. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

Financial Assets

Cash and cash equivalents	392,040	2,080,242
Trade and other receivables	108,419	134,994
	500,459	2,215,236

Financial Liabilities

Trade and other payables	330,421	340,635
Borrowings	736,950	-
	1,067,371	340,635

(i) Treasury Risk Management

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

(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 report date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

No receivables are considered past due and/or impaired at report 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 2019

21. FINANCIAL INSTRUMENTS cont.

(ii) Financial Risks cont.

2019	Interest Bearing	Non-interest Bearing	Total	Floating interest rate	Fixed interest rate
Financial assets					
Cash and deposits	392,040	-	392,040	0.50%	-
Receivables	-	108,419	108,419	-	-
Less: Payables	-	(330,421)	(330,421)	-	-
Less: Borrowings	(736,950)	-	(736,950)	-	12%
Net financial assets	(344,910)	(222,002)	(566,912)		
2018					
Financial assets					
Cash and deposits	2,080,242	-	2,080,242	0.50%	-
Receivables	-	134,994	134,994	-	-
Less: Payables	-	(340,635)	(340,635)	-	-
Net financial assets	2,080,242	(205,641)	1,874,601	0.50%	-

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2019, none of group cash deposits are fixed (2018: nil).

Refer Note 15 for further details in relation to 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 2019

22. SHARE BASED PAYMENTS

Shares

The Company has a share based payment arrangement with an external service provider as part payment for consultancy services provided. Remuneration for the service provider includes shares issued to the value of \$10,500 per quarter, for one year commencing 1 October 2018. In the year ended 30 June 2019, the Company issued shares to the service provider to the value of \$10,500 and has an obligation as at 30 June 2019 to issue further shares to the value of \$21,000.

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. Options to Directors are separately approved by shareholders prior to being issued.

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

The following share based payment arrangements were in existence at 30 June 2019:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
July 2016 ¹	420,000	12.07.2016	30.06.2021	\$0.375	\$0.282
November 2017 ⁵	475,000	30.11.2017	30.11.2022	\$0.375	\$0.112
November 2017 ⁶	30,000	30.11.2017	31.07.2022	\$0.375	\$0.108
Director Options					
November 2014 ²	266,668	27.11.2014	30.11.2019	\$0.375	\$0.105
March 2015 ³	333,334	01.02.2015	18.11.2020	\$0.375	\$0.109
April 2017 ⁴	1,500,000	03.04.2017	25.10.2020	\$0.400	\$0.153
April 2017 ⁴	1,500,000	03.04.2017	25.10.2020	\$0.500	\$0.139

- 1,245,000 unlisted options were granted to employees on 12 July 2016, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The \$351,170 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 113% and an interest rate of 1.66% (the five year Australian Government bond rate). 825,000 options have lapsed to date, including 535,000 in the year ended 30 June 2019.
- 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 were restated for a 1 for 15 share consolidation in November 2015. 133,334 options lapsed in the year ended 30 June 2019, upon the retirement of Mr Billing as a director.
- 5,000,000 unlisted options were agreed to be issued to Mr Simon Mitchell, as agreed in his contract of employment as Managing Director, commencing 1 February 2015. These options vested upon 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.
- 3,500,000 options were proposed to be granted to the Directors, subject to shareholder approval (announced to the ASX on 3 April 2017). These options vested in the current financial year, upon shareholder approval on 25 October 2017. 1,750,000 of the options have an exercise price of \$0.40, and the other 1,750,000 have an exercise price of \$0.50. The \$511,891 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 86% and an interest rate of 1.88% (the three year Australian Government bond rate). 250,000 of the \$0.40 and 250,000 of the \$0.50 options lapsed in the year ended 30 June 2019, upon the retirement of Mr Billing as a director.
- 475,000 unlisted options were issued to new employees on 30 November 2017, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The \$53,320 fair value of the options was calculated, using the Black Scholes valuation, using a volatility of 58% and an interest rate of 2.09% (the five year Australian Government bond rate). 375,000 of these options lapse, unless exercised before 28 September 2019.
- 30,000 unlisted options were issued to a new employee on 30 November 2017, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The \$3,226 fair value of the options was calculated, using the Black Scholes valuation, using a volatility of 58% and an interest rate of 2.09% (the five year Australian Government bond rate).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

22. SHARE BASED PAYMENTS cont.

Options cont.

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

Share Option Granted	2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	5,943,336	\$0.419	5,767,006	\$0.453
Granted during the financial year (i)	-	-	505,000	\$0.375
Exercised during the financial year	-	-	-	-
Lapsed during the financial year	(1,418,334)	\$0.401	(328,670)	\$0.900
Balance at end of the financial year (ii)	4,525,002	\$0.425	5,943,336	\$0.419

(i) Options granted

No options were granted under the Employee Share Option Plan in the year ended 30 June 2019 (2018: 505,000 options were issued).

(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 \$0.425 (2018: \$0.419) and a weighted average remaining contractual life of 509 days (2018: 955 days).

23. OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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

This method of segmenting the Company's financial information will no longer be relevant for future reporting periods given the divestment of the Australian gold assets subsequent to the year ended 30 June 2019 (refer subsequent events note, Note 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

23. OPERATING SEGMENTS cont.

Segment Information cont.

Identification of reportable segments cont.

Year ended 30/6/2019	South Korea \$	Australia \$	Consolidated \$
Segment Revenue			
Revenue from Joint Operations	-	-	-
Other Income	401	4,543	4,944
Total Segment Revenue	401	4,543	4,944
Segment Expenses			
Exploration expenditure written off	(580,265)	(6,010,002)	(6,590,267)
Exploration expenses	(86,468)	(479,909)	(566,377)
Share of JV losses	(260,376)	-	(260,376)
Other expenditure	(933,787)	(1,210,189)	(2,143,976)
Total Segment Expenditure	(1,860,896)	(7,700,100)	(9,560,996)
Segment Profit/(Loss) before Income Tax	(1,860,495)	(7,695,557)	(9,556,052)
Corporate expenses			(510,799)
Profit/(loss) before income tax			(10,066,851)
Income tax benefit/(expense)			174,110
Profit/(loss)			(9,892,741)
Year ended 30/6/2018			
Segment Revenue			
Revenue from Joint Operations ¹	-	1,997,548	1,997,548
Other Income	477	1,554,059	1,554,536
Total Segment Revenue	477	3,551,607	3,552,084
Segment Expenses			
Exploration expenditure written off	-	(102,530)	(102,530)
Exploration expenses	(351,109)	(110,796)	(461,905)
Exploration expenses (Cannon underground)	-	(437,846)	(437,846)
Share of Joint Operations expenses	-	(820,725)	(820,725)
Other expenditure	(851,265)	(1,241,066)	(2,092,331)
Total Segment Expenditure	(1,202,374)	(2,712,963)	(3,915,337)
Segment Profit/(Loss) before Income Tax	(1,201,897)	838,644	(363,253)
Corporate expenses			(527,184)
Profit/(loss) before income tax			(890,437)
Income tax benefit/(expense)			187,482
Profit/(loss)			(702,955)

¹ The comparative period ending 30 June 2018, comprised two final cash distributions totalling \$2,185,413, representing the Company's 50% share of revenues of \$1,997,548 and cost of goods sold of \$820,725 relating to mining at the Cannon gold mine. Open cut mining activities had otherwise been completed in March 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

23. OPERATING SEGMENTS cont.

Segment Information cont.

Identification of reportable segments cont.

As at 30/6/2019	Exploration \$	Production \$	Consolidated \$
Assets and Liabilities			
Exploration and evaluation expenditure	3,811,179	-	3,811,179
Investment in JV Companies	1,293,998	-	1,293,998
Loan to JV Companies	567,183	-	567,183
Assets Held for Sale	-	2,365,000	2,365,000
Other segment assets	239,057	-	239,057
Segment Assets	5,911,417	2,365,000	8,276,417
Segment Liabilities	123,579	-	123,579
Segment Liabilities	123,579	-	123,579
Segment Net Assets	5,787,838	2,365,000	8,152,838
Corporate net assets			
Cash			392,040
Other assets			84,501
Liabilities			(1,049,439)
Total Net Assets			7,579,940
As at 30/6/2018			
Assets and Liabilities			
Exploration and evaluation expenditure	4,954,956	8,293,686	13,248,642
Other segment assets	188,315	142,011	330,326
Segment Assets	5,143,271	8,435,697	13,578,968
Segment Liabilities	43,588	462,262	505,850
Segment Liabilities	43,588	462,262	505,850
Segment Net Assets	5,099,683	7,973,435	13,073,118
Corporate net assets			
Cash			2,080,242
Total Net Assets			15,153,360

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

24. EARNINGS PER SHARE

	2019 Cents per share	2018 Cents per share
Basic (cents per share) – Profit/(Loss)	(17.56)	(1.44)

Basic and Dilutive Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	\$	\$
Earnings from operations	(9,892,741)	(702,955)
Earnings used in the calculation of basic and diluted earnings per share agree directly to net profit/(loss) in the statement of financial performance.		
	No.	No.
Weighted average number of ordinary shares	56,337,363	48,840,015

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 for the year ended 30 June 2019, as options are not considered dilutive, as a loss was incurred.

25. CONTROLLED ENTITIES CONSOLIDATED

Name of Entity	Country of Incorporation	Ownership Interest	
		2019 %	2018 %
Parent Entity			
Southern Gold Ltd.	Australia		
Controlled Entities			
Challenger West Holdings Pty Ltd	Australia	100%	100%
CMH Resources Pty Ltd	Australia	100%	100%
Gawler Arc Holdings Pty Ltd	Australia	100%	100%
Southern Mining Pty Ltd	Australia	100%	100%
Inferus Resources Pty Ltd ¹	Australia	100%	100%
New Southern Mining Pty Ltd	Australia	100%	100%
International Gold Private Limited	Singapore	100%	100%
Southern Gold Korea Ltd. ²	South Korea	100%	100%
Gubong Project JV Co Pte. Ltd. ³	Singapore	50%	100%
Kochang Project JV Co Pte. Ltd. ³	Singapore	50%	100%

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

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

3 The two companies were incorporated in Singapore on 18 June 2018. All shares in these new companies, as at 30 June 2018, were held by International Gold Private Limited, having been established with the intention of being the holding companies for the two 50:50 joint venture operations with Bluebird Merchant Ventures Limited for the development of mining operations at the Gubong and Kochang projects in South Korea. Accordingly 50% ownership in each company was transferred to Bluebird Merchant Ventures Limited during the year ended 30 June 2019. Refer Note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

26. SOUTHERN GOLD LIMITED COMPANY INFORMATION

	2019 \$	2018 \$
Parent Entity		
Assets		
Current assets	2,755,611	1,996,024
Non-current assets	6,111,837	13,619,598
Total assets	8,867,448	15,615,622
Liabilities		
Current liabilities	1,026,309	431,168
Non-current liabilities	23,130	31,094
Total liabilities	1,049,439	462,262
Equity		
Issued capital	42,304,761	40,072,064
Retained earnings	(35,186,167)	(25,874,552)
Share based payments reserve	699,415	955,848
	7,818,009	15,153,360
Financial Performance		
Profit/(loss) for the year	(9,588,111)	(554,400)
Other comprehensive income	-	-
Total comprehensive income	(9,588,111)	(554,400)
Guarantees in relation to the debts of subsidiaries	-	-
Contingent liabilities	-	-
Contractual commitments - exploration	-	6,425,844

The contractual commitments for the prior year ended 30 June 2018 related to minimum annual exploration expenditure required under the Company's tenement leases in Australia. These commitments have been removed as at 30 June 2019, given that the Company was in the final stages of divesting its Australian exploration assets. The sale of the Australian exploration assets occurred subsequent to 30 June 2019. Refer to the subsequent events note (Note 29).

27. DIVIDEND PAYABLE

The cash outflow for the payment of dividends in the Statement of Cash Flows for the comparative year ended 30 June 2018, relates to a dividend of \$0.03 per share that was declared on 6 June 2017. Shareholders were provided with the option to receive the dividend, in part or in whole, through a dividend re-investment plan with Shares priced at \$0.25 per share. On 30 August 2017, the Company paid the dividend as \$945,648 in cash and issued 1,858,138 shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

28. ECONOMIC DEPENDENCY

The consolidated entity incurred a net loss after tax from continuing operations of \$9,892,741 for the year ended 30 June 2019, and a net cash outflow of \$4,682,137 from operating and investing activities. The consolidated entity is reliant upon raising capital in order to continue to fund the planned level of exploration activities of the business.

It is noted that subsequent to 30 June 2019, the Company raised \$2,294,174 through a fully subscribed rights issue, successfully divested the Western Australian gold assets for \$2,500,000 upfront cash consideration and has agreed a placement subject to shareholder approval to raise a further \$440,000.

29. EVENTS SUBSEQUENT TO REPORTING DATE

On the 25 July 2019, pursuant to the rights issue offer announced on 17 June 2019, the Company issued 20,856,127 shares and 10,428,184 options, raising \$2.29 million before costs. The Rights Issue offer (Announced 17 June 2019) comprised 1 new share at a price of \$0.11 per share for every 3 shares held at the record date on 21 June 2019. The offer included a free attaching option, exercisable at \$0.18 per share at any time until expiry on 31 December 2021, on the basis of 1 option for every 2 new shares issued under the rights issue.

On 30 July 2019, the Company announced it had agreed a placement with four major shareholders, subject to shareholder approval at the next General Meeting of Shareholders, to raise \$440,000 on the same terms as the Rights Issue, being 4 million shares at \$0.11 per share and 2 million free attaching options with an exercise price of \$0.18 per and expiry date of 31 December 2021).

On 5 August 2019, the Company announced a binding agreement was executed with Aurenne Group Holdings Pty Ltd for the sale of the Company's Australian gold assets for cash consideration of \$2,500,000. This follows the formal process undertaken to dispose or restructure its gold assets in Australia (refer ASX Announcement 1 April 2019). The carrying value of the Company's Australian gold assets at 30 June 2019 was therefore reclassified in the Statement of Financial Position from 'Exploration and evaluation expenditure' to a 'Held for sale asset' (Refer Note 8).

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

30. 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 and two 50% owned Joint Venture companies.

31. REGISTERED OFFICE AND PRINCIPLE OFFICE

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

10 George St, Stepney,
South Australia, 5069

ABN 30 107 424 519

DIRECTORS' DECLARATION

The Directors of Southern Gold Limited declare that:

- a) the financial statements and notes are in accordance with the Corporations Act 2001, and:
 - i. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Consolidated Group; and
 - ii. comply with Accounting Standards; and
 - iii. Southern Gold Limited complies with International Financial Reporting Standards as described in Note 1; and
- b) the Chief Executive Officer and Finance Manager have declared that:
 - i. The financial records of the Company for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
 - ii. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - iii. The financial statements and notes for the financial year give a true and fair view;
- c) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Adelaide, this 29th day of August 2019.



S Mitchell
Managing Director



G C Boulton AM
Chairman

INDEPENDENT AUDIT REPORT TO THE MEMBERS



Level 3, 170 Frome Street
Adelaide SA 5000

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 audit of the financial report

Opinion

We have audited the financial report of Southern Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

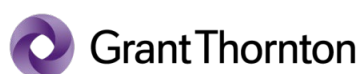
Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

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

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDIT REPORT TO THE MEMBERS



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets - Notes 1d, 1q & 9	
<p>At 30 June 2019 the carrying value of exploration and evaluation assets was \$3,811,179.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;• reviewing management's area of interest considerations against AASB 6;• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including:<ul style="list-style-type: none">– tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;– enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;– understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;• assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;• evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and• assessing the appropriateness of the related financial statement disclosures.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

INDEPENDENT AUDIT REPORT TO THE MEMBERS



Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 21 to 25 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Southern Gold Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A stylized, handwritten signature of Grant Thornton in dark ink.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized, handwritten signature of I S Kemp in dark ink.

I S Kemp
Partner – Audit & Assurance

Adelaide, 29 August 2019

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 August 2019.

1. SUBSTANTIAL EQUITY HOLDERS

The following individual shareholders have a relevant interest of 5% or more in the total ordinary shares on issue as at 26 August 2019.

Name of Shareholders	Number Held	Percentage of Issued Shares
PS SUPER NOM PL	8,420,844	10.1
ILWELLA PL	6,984,012	8.4
POTEZNA GROMADKA LTD	6,092,780	7.3
VALBONNE II	4,654,185	5.6

2. NUMBER OF SHAREHOLDERS

Number of Shareholders	Class of Shares	Voting Rights
1,269	ORD	Full

3. DISTRIBUTION OF EQUITY SECURITIES

Distribution of holdings:	Number of Holders
1 - 1,000	122
1,001 - 5,000	392
5,001 - 10,000	219
10,001 - 100,000	428
100,001 - and over	108
	1,269
Number of holders of less than a marketable parcel of \$500	298

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	PS SUPER NOM PL	8,420,844	10.1
2	ILWELLA PL	6,984,012	8.4
3	POTEZNA GROMADKA LTD	6,092,780	7.3
4	VALBONNE II	4,654,185	5.6
5	HSBC CUSTODY NOM AUST LTD	3,251,582	3.9
6	G BOULTON PL	2,289,178	2.8
7	GARY B BRANCH PL	2,093,334	2.5
8	GUERLAIN ERIC	2,020,050	2.4
9	BNP PARIBAS NOM PL	1,393,842	1.7
10	WEYBRIDGE PL	1,361,867	1.6
11	WEEKES COLIN	1,267,662	1.5
12	MAYNE NORMAN COLBURN	1,100,000	1.3
13	NATIONAL NOM LTD	1,020,211	1.2
14	LEON ROBERT	1,000,000	1.2
15	CAZNA AUST PL	906,622	1.1
16	PRETORIUS LEON EUGENE	860,000	1.0
17	HEARNE ROBERT PATRICK	840,000	1.0
18	MITCHELL S F + ELLIOTT R	830,000	1.0
19	THOMAS SUPER FUND	702,120	0.9
20	HELM SHANE R + E M G	697,474	0.8
		47,785,763	57.3

SOUTHERNGOLD.COM.AU

Southern Gold Ltd.
ACN 107 424 519

