



ANNUAL REPORT

2019/20



Directors

Greg Boulton AM

Non-Executive Chairman

Simon Mitchell

Managing Director

David Turvey

Non-Executive Director

Peter Bamford

Non-Executive Director

Douglas Kirwin

Non-Executive Director

Michael McNeilly

Non-Executive Director

Beejay Kim

Executive Director

Company Secretary

Daniel Hill

Corporate Governance Statement

southerngold.com.au/corporate-governance

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THE CHAIRMAN AND MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

Dear fellow Southern Gold shareholders,

No doubt 2020 will be forever remembered as the COVID-19 year, a period of unprecedented social and economic disruption on a global scale. The virus has had a profound impact on business and the manner in which it is conducted, from the prevalence of 'virtual' meetings to a more conservative risk management posture being taken by Boards, and it must be acknowledged it has also had an impact on Southern Gold Ltd ("Southern Gold" or the "Company").

Thankfully, the response to the virus has been effective in both Australia and South Korea resulting in modest impacts on our business. Most importantly our staff and contractors have not had any direct impacts or illness and the Company has managed to steer the business into a drill-intensive phase and maintain exploration momentum.

THE CHAIRMAN AND MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

While risks around longer term impacts from the virus remain, your Board has been positioning the company to ensure it can move forward and grow over the coming years. At a high level this has entailed:

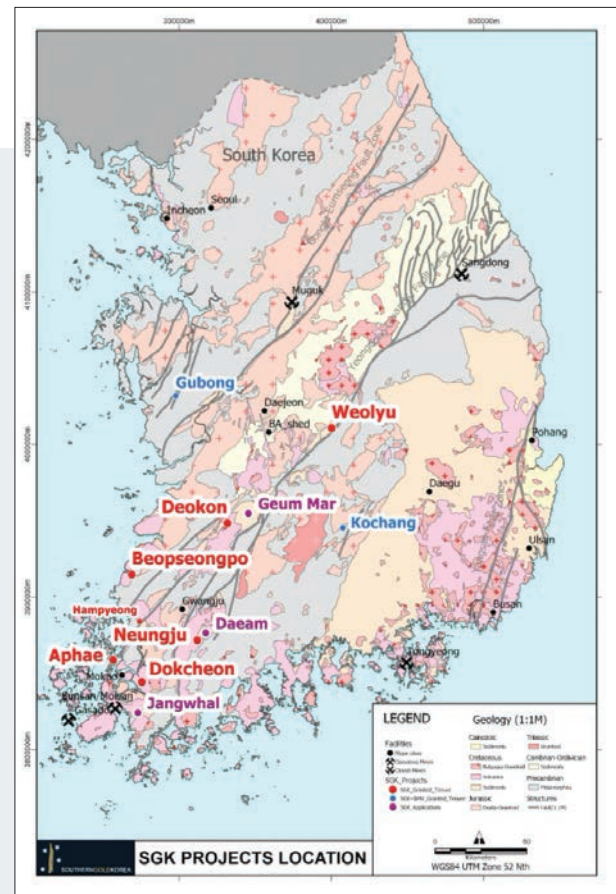
- The sale of our exploration assets in Western Australia and a shift to a 100% focus on the South Korean exploration initiative;
- The securing of significant funding, largely from technically astute institutional investors looking at the long-term prospects of the company; and
- The coming sale of our 50% interest in the Joint Venture covering the Gubong and Kochang projects expected to conclude in early 2021.

With the sale of our Australian assets early in the financial year, Southern Gold has now begun the process of building its South Korean exploration position and drill testing our targets, many generated over the past 2 years of field work. With this important change in focus, your Directors believe the Company can truly test the potential of South Korea for precious metals discovery and, ultimately, the development of high-grade gold production.

To extract the most we can from this focus on South Korea we needed the funding to ramp up activity levels. While an interim \$2 million rights issue and raising was completed earlier in the financial year, Southern Gold attempted to raise \$10 million (sufficient for 2 years of drilling activity) when the COVID-19 virus struck and had a major impact on the markets. The raising was reset to \$4 million, sufficient to cover activities in 2020. The Company subsequently raised \$10.2 million post financial year end in an institutional placement and is now well funded and well positioned to complete significant discovery drilling in 2021-2022.

As part of these funding efforts Southern Gold has secured the backing of several institutional investors, including London AIM listed Metal Tiger Plc, a specialist resources investment group that now hold 17.1% of Southern Gold, and Crescat Capital LLC, a Denver based resources investment group with a strong gold investment thematic that is also technically advised by Quinton Hennigh, Technical Director of Irving Resources Inc, a Canadian listed group actively exploring in nearby Japan.

Another development that is also important in terms of risk management and our strategic positioning is the pending sale of our interest in the joint venture over the Gubong and Kochang projects. Southern Gold has a 50% interest alongside London listed Bluebird Merchant Ventures Plc ('BMV'), also holding 50%. BMV proposed the start of the project development phase at Gubong and Kochang and, for several reasons, Southern Gold elected to not proceed with the proposal. This triggered a sale process which at the time of writing was still to be settled, although conclusion of the sale should be in early 2021.



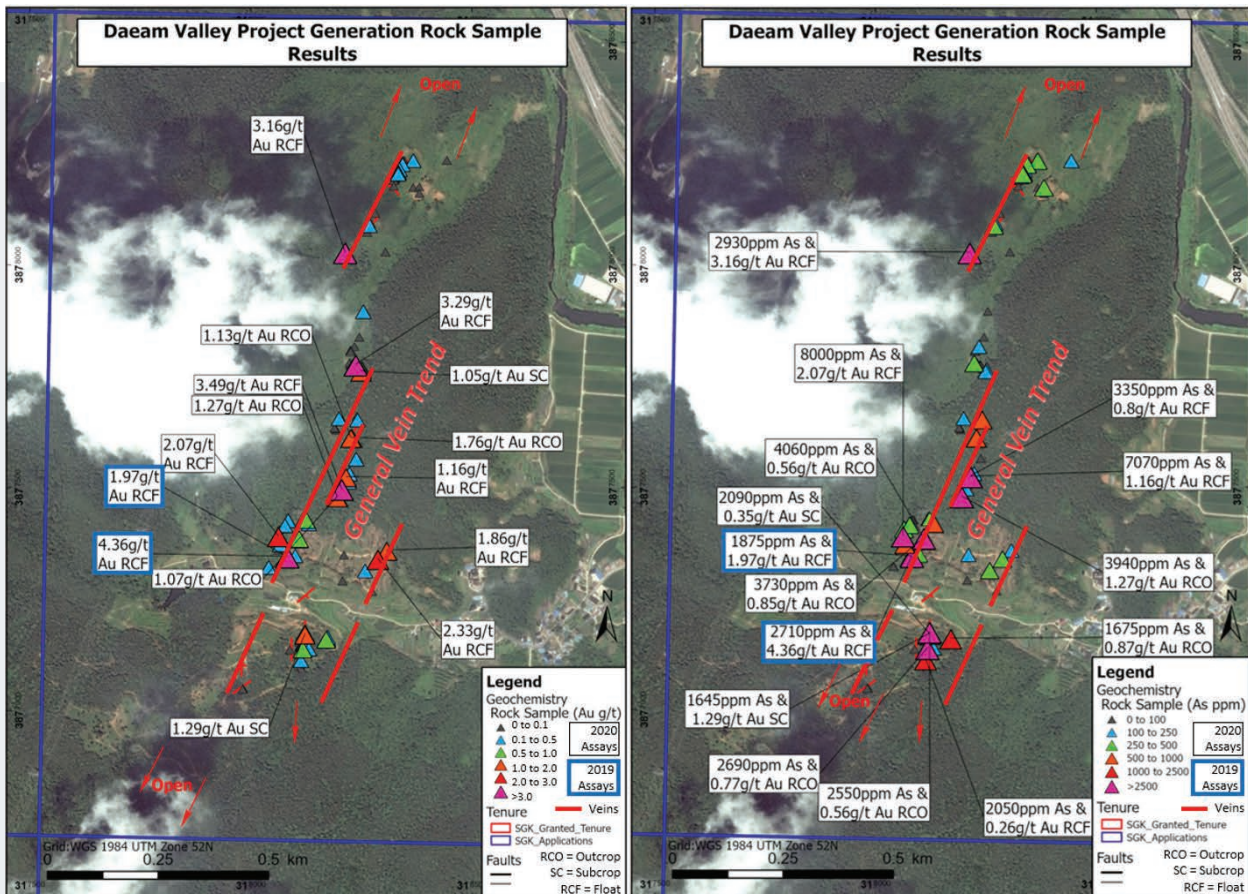
Southern Gold Project Summary Locations

THE CHAIRMAN AND MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

So, a lot has happened on the corporate side in the last 12 months, what about developments in exploration?

We continue to build our project portfolio and push the Project Generation work as the engine room of our growth. In the last financial year we have assessed several projects:

- Geum-Mar – meaning 'Golden Horse' in Korean, this project is a new grass roots exploration play with district scale mapped epithermal quartz-sulphide veining returning anomalous gold;
- Daeam Valley – is an extensive area of multiple high-level epithermal quartz-sulphide veins striking more than 1 kilometre in an area that has never been drilled; and
- Jangwhal – a new project area in the south, not far from operating mines at Moisan and Gasado Island, this target has returned anomalous gold from poorly outcropping vein systems in an area with proven economic epithermal systems.



Project Generation – Daeam Valley Au and As results regional reconnaissance

THE CHAIRMAN AND MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS



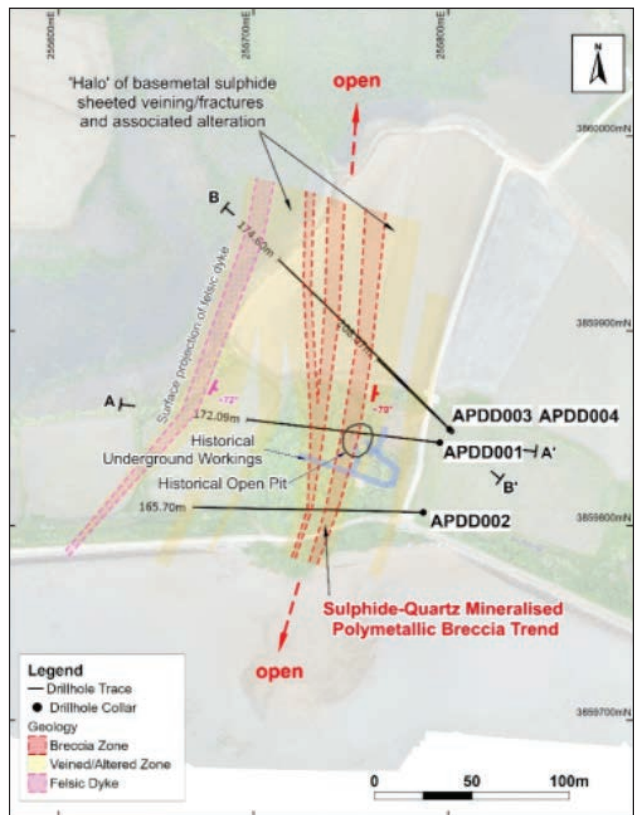
Cut core from Hand of Faith, Beopseongpo Project



Close up of drill core from Hand of Faith, Beopseongpo

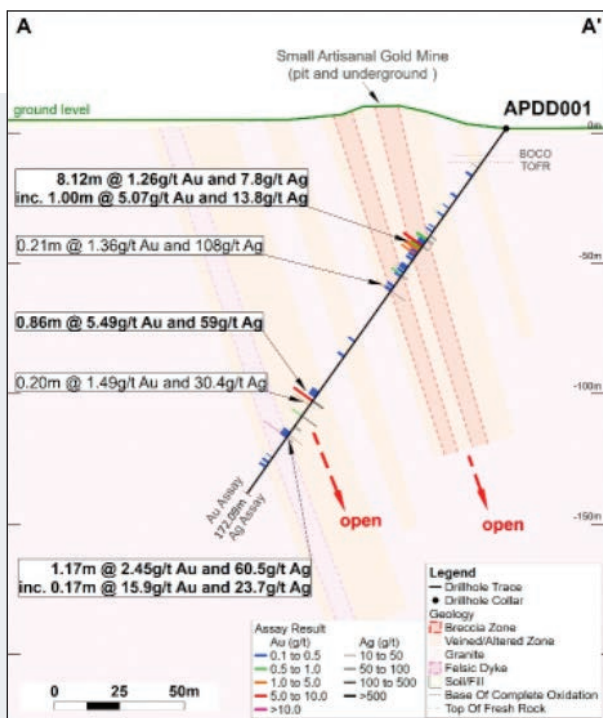
And on the drilling front we have also been very active, drilling a total of approximately 5,455m of diamond drilling for the year, including:

- Approximately 3,505m of diamond drilling at the Beopseongpo Project (in several phases), including the testing of 4 distinct targets: Lotus North (653m), Hand of Faith (1,426m), Golden Palm (455m) and Spider Zone (971m). While lower tenor gold results were returned (for example 0.96m @ 5.7g/t Au from 36.45m in BPDD006 at Hand of Faith) the overall picture from the drilling downgraded the prospectivity of the Beopseongpo Project area.
- At the Deokon Project approximately 1,228m of diamond drilling was completed across 2 target areas, Bonanza Zone (455m) and Shin Hill (773m). While at the time of writing the results for Shin Hill were still pending, the results from Bonanza Zone were disappointing (with a peak of 0.15m @ 4.49g/t Au and 708 g/t Ag from 42.35m in DKDD004), although we need to keep in mind this is early days and scout drilling of a new previously unidentified area, so further work in this district is warranted.
- And at Aphae another 720m of diamond drilling has been completed with several significant mineralisation zones in sulphidic vein breccia being defined in what was our first scout programme into the new target. Example intercepts, reported post year end, included 0.21m @ 107.5g/t Au and 166g/t Ag from 53.01m in APDD004; 8.12m @ 1.26g/t Au and 7.8g/t Ag from 51.88m in APDD001; and 40.72m @ 0.59g/t Au and 14.1g/t Ag from 65.28m in APDD003.

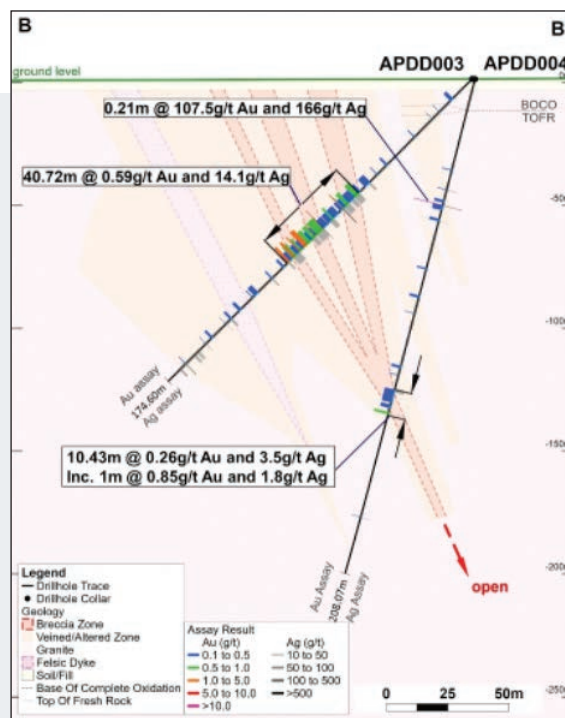


Aphae Project Area View

THE CHAIRMAN AND MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS



Aphae Project – scout drilling target plan view



Aphae Project – cross sections (Referenced to plan view)

The results from the Aphae project are very encouraging and hint at a different style of mineralisation and target type. We will complete some petrological studies and ground geophysics before returning there for follow up drilling in the new financial year.

After year-end we have begun drilling the Weolyu South target, something that the technical team has been working on for some time. The drilling platform is in government administered forestry land and requires a different regulatory approval process. While it perhaps took several months longer than first anticipated, it was the first time Southern Gold has attempted such an approval and it was very pleasing and encouraging to our team that this issue could be navigated successfully when the regulators are fully engaged in the proposal.

Because of the excellent geological context, such as the subduction zone tectonics with Korea wedged between Japan and China, both jurisdictions that have generated world-class gold deposits, the Southern Gold technical team has high confidence in making new discoveries in this unique jurisdiction. It is important to keep in mind the relative lack of modern exploration in South Korea and therefore the very high-quality walk-up drill targets that have been, and continue to be, identified through our project generation efforts. Unusually, South Korea is a 'frontier' exploration play, but an advanced fully industrialised democratic nation at the same time.

THE CHAIRMAN AND MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

And what about our people? Here too there has been a lot of developments.

This financial year has seen the appointment of two new non-executive directors. In early 2020 Mr Douglas Kirwin joined the board. While Doug has been acting in an advisory capacity to the company and has a long association with South Korea, his stepping up to the board signals a closer engagement in our progress and stronger advocacy of our strategy. Doug is well known to the international technical community, particularly economic geology, and we warmly welcome Doug to the Southern Gold Board.

Also joining us is Metal Tiger CEO, Mr Michael McNeilly. Michael has a deep understanding of capital markets given his background in broking and public company management. Michael was appointed after completion of the significant investment by Metal Tiger early in 2020. We also welcome Michael to the Southern Gold board and look forward to his contributions and support as we undertake the South Korean exploration journey.

We would like to thank our other fellow board members, staff and contractors for their significant contribution during the past year. In particular special mention goes to the South Korean team, led by our in-country Executive Director Mr Beejay Kim. The team has worked exceptionally hard to keep our operations momentum and ensure we were drilling for much of the year. Notwithstanding the COVID-19 situation and disruption to travel by expatriate staff, our South Korean team has done an exceptional job of keeping exploration on track.

And now we are busy drilling and maximising the chances of making that world-class gold deposit discovery. That's why we are in South Korea and its why we are now fully funded, with the right team in place and building our exploration business into the most substantial of any foreign operator in the country as far as we are aware. If you are a long-term shareholder, we appreciate your patient support and believe this next stage of the company's evolution will add significant value. If you are a recent addition to the register, welcome to the company and this next exciting phase of the company's development.

Yours sincerely,



Greg Boulton AM
Chairman



Simon Mitchell
Managing Director



Winter drilling at Golden Palm, Beopseongpo Project

TENEMENT SCHEDULE

The following tenements are held by a 100% owned South Korean subsidiary, Southern Gold Korea Ltd, as at 25 September 2020.

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
Hampyeong	나주	Naju	136	200970	Exploration	11/01/2018
Aphae	무안	Muan	109	200996	Exploration	6/03/2018
	무안	Muan	99	201136	Exploration	26/03/2019
Beopseongpo	법성포	Beopseongpo	29	201028	Exploration	11/07/2018
	법성포	Beopseongpo	30	201029	Exploration	11/07/2018
Deokon	전주	Jeonju	70	201041	Exploration	31/07/2018
	전주	Jeonju	80	201040	Exploration	31/07/2018
	전주	Jeonju	60	201218	Exploration	17/12/2019
Dokcheon	영암	Yeongam	116	201143	Exploration	12/04/2019
Neungju	영암	Neungju	33	201042	Exploration	31/07/2018

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 25 September 2020.

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

On 3 August 2020, Southern Gold announced that, at the most recent joint venture Board meetings for the Gubong and Kochang joint ventures, the other 50% owner in the two joint ventures, Bluebird Merchant Venture PLC (BMV), had formally submitted a 'Proposal to Redevelop' for each of the two joint ventures. Southern Gold elected to vote against the two proposals, while BMV voted in favour of the two proposals. There is a clear process under each of the joint venture agreements, where Southern Gold is taken to have placed each of its 50% interests in the joint ventures as available for sale. Further to this, as reported to the ASX on 14 September 2020, Southern Gold has received an offer from BMV and has elected to refer the matter to an independent valuer.

DIRECTORS' REPORT

The directors present their report of Southern Gold Limited (the Company) and its controlled entities (Consolidated Group or Group) for the financial year ended 30 June 2020.

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 \$4,167,510 (2019: loss of \$9,892,741).

DIVIDENDS

No dividends were declared in relation to the current financial year ended 30 June 2020, and the directors do not recommend the payment of dividends in respect of the financial year.

REVIEW OF OPERATIONS

The Group principally operates an exploration business focused on its 100% owned projects in South Korea. These largely comprise a portfolio of epithermal gold-silver projects that are at an earlier stage of exploration where the majority of field work focuses on field mapping, sampling and early stage definition followed by the scout drilling of the more promising targets. Several of these targets are high-quality exploration projects where high grade gold and silver mineralisation has been demonstrated on surface and subsequently in scout drilling and these encouraging projects will see second and third stage deeper diamond drilling. Examples of such projects are Weolyu and Beopseongpo.

The Company also has a 50% equity interest in joint venture companies that are advancing two development stage projects, Gubong and Kochang, operated by joint venture partner, Bluebird Merchant Ventures Ltd ('Bluebird'), a London stock exchange listed entity. Subsequent to year end it has been announced that Southern Gold did not vote in favour of the development proposal and as a non-proceeding joint venture partner, has indicated that its 50% interest is for sale or restructure.

The Company divested its assets in Australia (including the Cannon Gold Mine which was on care and maintenance) to Aurrene Group Holdings Ltd for \$2.5 million in August 2019. No field work was conducted during the sale process.

South Korea – 100% Southern Gold Exploration Projects

The company continues to build a high-quality portfolio of epithermal gold-silver targets in the South-West district of South Korea with the addition of several new projects such as Daeam Valley, Geum-Mar and Jangwhal. This Project Generation work is ongoing and is expected to add tenements to existing projects and extend targets to new areas of interest in due course.

In addition to the Project Generation work, much of the financial year has progressed projects to the diamond drilling stage. With the engagement of Australian drilling contractor Ausino Drilling Services Ltd in a supervisory role, the Company's ability to execute drilling campaigns has been greatly enhanced. Drilling productivity, measured by number of drill metres per day, has increased significantly and, more importantly, drill core recovery has greatly improved. Drill programmes have been completed at Beopseongpo (Hand of Faith, Golden Palm, Spider Zone, Lotus North), Aphae and Deokon (Shin Adit and Bonanza Zone) Projects.

DIRECTORS' REPORT

REVIEW OF OPERATIONS cont.

South Korea – 100% Southern Gold Exploration Projects cont.

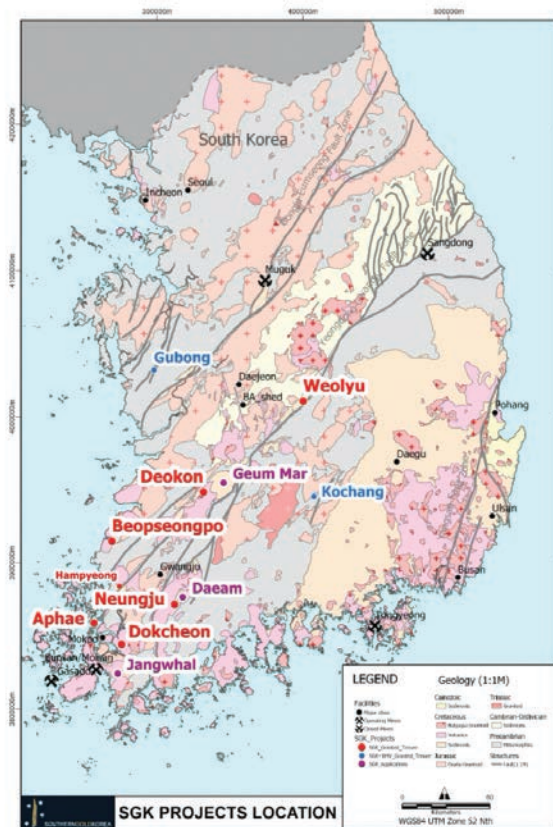
Beopseongpo Gold Project: While initial drilling results at the Hand of Faith target confirmed an epithermal system at Beopseongpo, with 0.96m @ 5.7g/t Au from 36.45m in BPDD006, subsequent drilling returned more mixed results with narrower width and lower gold tenor to the vein system. Beopseongpo was a strong technical target, with excellent structural position, good and extensive rock textures supportive of the presence of 'flash boiling' in the epithermal model and consistent relatively wide quartz-carbonate-sulphide veins. However, geochemistry and the low levels of gold and silver grades intersected at Golden Palm, Lotus North, Spider Zone and Hand of Faith have downgraded the project. There remain one or two vein targets that have not been tested but these are now deemed lower priority.

Aphae Gold Project: the Aphae project area was a target of interest to Southern Gold because of the extensive historical alluvial gold mining in the district and the presence of a small gold mine that was unlikely to be sufficient in size to explain the broader alluvial mining area. Southern Gold field reconnaissance identified gold in rock chips to the north of the project area as well as in the mullock heaps around the Aphae gold mine itself and a small scout diamond drilling programme was completed targeting this historic working. Encouragingly drilling has intersected both mineralised breccia (with relatively wide low grade intersections such as 40.72m @ 0.59g/t Au and 14.1g/t Ag from 65.28m in APDD003) and narrow very high grade quartz-sulphide veins (such as 0.21m @ 107.5g/t Au and 166g/t Ag from 53m in APDD004) both reported subsequent to year end. This drilling has demonstrated that the mineralised fluids that have penetrated the structure at Aphae are gold and silver endowed and the target will be followed up with more detailed drilling coverage in the new financial year.

Deokon Gold-Silver Project: In the middle of 2019 the discovery of the 'Golden Surprise' high grade gold-silver system was announced. 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 from surface rock chip sampling. Scout drilling returned relatively narrow vein results including 0.15m @ 4.59g/t Au and 708 g/t Ag from 42.35m in DKDD004. Broadly speaking however, the results were disappointing although significant potential remains along strike and the Thorn Zone remains untested. Drill access to the Thorn Zone has proved challenging due to local landowner access issues and this will be pursued in the new financial year.

Weolyu Gold-Silver Project: In the previous year Southern Gold completed a second phase of systematic underground channel sampling at Weolyu South which comprised 18 channel samples and 29 lines were re-assayed to check assay tenor with a number of high-grade shoots being defined. With high grade shoots being defined by this work, the next phase will see Southern Gold diamond drilling depth extensions and looking for additional veins in the footwall and hanging-wall of the Moonlight and Surprise Veins. Much of this financial year was spent securing regulatory approval for drilling access into government managed forestry land and while this is a well-defined process it does take time to navigate. This important diamond drilling programme is due to commence early in the next financial year.

The next financial year will see further emphasis on diamond drilling with drilling expected to be completed at Weolyu, Dokcheon, Aphae and Daeam Valley Projects, amongst others.



DIRECTORS' REPORT

REVIEW OF OPERATIONS cont.

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, a London listed specialist narrow-vein underground gold mining group. During this financial year, Bluebird activity was mainly focused on seeking regulatory approval at each of the projects. The Permit to Develop, as it is known in South Korea, was secured for Gubong in November 2019 and Kochang in December 2019 with only local (county) government approvals required to begin mining operations.

Subsequent to year end, Southern Gold has become a non-proceeding joint venturer and is effectively offering its 50% interest for sale (or corporate restructure) with Bluebird having the first opportunity to make an offer for the assets.

COVID-19 Impacts

The impact of COVID-19 on Southern Gold operations has been modest. While inconvenient in many respects, steps taken by both the Australian and South Korean governments have been effective in containing the virus and limiting any major outbreak. This has caused some business disruption mainly in respect of the following:

- Ensuring the health and safety of our staff and contractors;
- Logistical issues surrounding supporting field operations and the transport of samples, particularly where international travel or freight is concerned; and
- Volatility of capital markets and Southern Gold's ability to secure equity capital to continue our operations.

These issues have all been directly addressed. In terms of health of our staff we have standard practices in place to minimise the risk of COVID-19 contraction or spread: working from home where appropriate, the use of face masks in public (in South Korea) and ensuring the availability of sanitiser and social distance in the office environment. Travel to major population centres is minimised where possible and the company retains a strict policy of staff staying at home if they feel unwell.

In respect of logistical issues, there has been some unavoidable disruption to international travel but expatriate geological staff continue to support field operations remotely using digital technology. Furthermore, some adjustments to sample freight destinations have been made to ensure tighter turnaround time on analytical results.

Lastly, Southern Gold has announced to the ASX (post year-end) the raising of \$10.2 million in equity capital which significantly mitigates our capital markets risk for the next 2 years.

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.

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.

DIRECTORS' REPORT

CORPORATE

Finance

During the year ended 30 June 2020, the Company raised \$6.8 million, before capital raise costs, from a rights issue and two placements.

A non-renounceable pro-rata rights issue closed in July 2019, fully subscribed, raising \$2.3 million before costs. The rights issue provided eligible shareholders an entitlement to subscribe for 1 new share for every 3 shares held at an issue price of \$0.11 per share. The entitlement included a free attaching option on the basis of 1 option for every 2 new shares issued under the rights issue. The options are exercisable at \$0.18 per share at any time until expiry on 31 December 2021.

A further \$0.4 million was raised through a placement to four major shareholders on identical terms as the Rights issue, being 4 million shares at \$0.11 per share and 2 million free attaching options. This placement occurred on 21 October 2019, following shareholder approval on 10 October 2019.

On 23 March 2020, the Company announced a \$ 4 million placement at \$0.10 per share, completed as a two tranche process as follows:

- \$2.168 million cash through the issue of 21,680,002 on 2 April 2020; and
- \$1.832 million cash through the issue of 18,319,998 shares on 14 May 2020, following shareholder approval.

Additionally, 582,508 options from the rights issue were exercised during the financial year, at a price of \$0.18 per share, raising \$104,851.

The Company's ending cash balance was \$3,736,665.

Subsequent to the end of the financial year, in July 2020, the Company repaid a \$750,000 loan. As part of the loan facility, 4,411,765 call options held by the lender expired on 18 August 2020.

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 3 August 2020, Southern Gold announced that, at the most recent joint venture Board meetings for the Gubong and Kochang joint ventures, the other 50% owner in the two joint ventures, Bluebird Merchant Venture PLC (BMV), had formally submitted a 'Proposal to Redevelop' for each of the two joint ventures. Southern Gold elected to vote against the two proposals, while BMV voted in favour of the two proposals. There is a clear process under each of the joint venture agreements, where Southern Gold is now to be taken to have placed each of its 50% interests in the joint ventures as available for sale and BMV may now elect to make an offer to acquire each of the joint ventures. If BMV do elect to make an offer, Southern Gold may either accept, or the matter is referred to an independent valuer. As reported to the ASX on 14 September 2020, Southern Gold has received an offer from BMV and has elected to refer the matter to an independent valuer.

On the 18 August 2019, 4,411,765 unlisted options lapsed. The options were connected with a convertible loan with a face value of \$750,000. The convertible note was repaid in full early, at the election of Southern Gold, on 21 July 2020. In accordance with the option deed, the options expired 20 business days after the loan was repaid.

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

On 3 September 2020, the Southern Gold announced that it had received binding commitments from sophisticated and institutional investors in respect of a placement of 85,000,000 ordinary shares in the Company at \$0.12 per share to raise \$10.2 million. The placement includes a 2-year 18c call option for every two shares subscribed for. The placement was well oversubscribed with significant additional demand identified in Asia. The placement is being conducted in two tranches:

- Tranche 1 being 31,668,024 shares pursuant to available share placement capacity, comprising 27,834,794 issued on 11 September 2020 following the receipt of \$3.3 million cash, and a further 3,833,230 shares expected to be issued on or around 18 September 2020, together raising approximately \$3.8 million before costs; and
- Tranche 2 being 53,331,976 shares subject to shareholder approval at the forthcoming Shareholder Meeting expected to be held on 19 October 2020. As part of this placement, 42,500,000 options (the "1 for 2" 18c call options) will also be subject to shareholder approval.

DIRECTORS' REPORT

CORPORATE cont.

The placement has been strongly supported by strategic investor, Crescat Capital LLC, a Denver based asset management firm which includes a precious metals fund and is advised by technical consultant Dr Quinton Hennigh. In addition, several of Southern Gold's major shareholders such as Metal Tiger PLC and Illwella Pty Ltd (the Flannery family office), also strongly supported the raising, subscribing for approximately \$1.7 million and \$1 million respectively. This maintains Metal Tiger's shareholding at 17.1% and Illwella's at 10.4%.

This placement is a significant step for Southern Gold in its strategy to be the preeminent gold-silver explorer in South Korea, with expanded project v and drilling activity.

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

Likely Developments

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, the Company is expecting progress the sale of its 50% interests in the Kochang and Gubong projects.

Environmental Regulation and Performance Statement

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

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

Options

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

Issue Date	Date of Expiry	Fair Value at Grant Date \$	Exercise Price \$	Number under Option
17.09.2019	15.09.2023	0.104	0.240	960,000
23.12.2019	19.12.2023	0.096	0.240	500,000
20.05.2020	2.07.2024	0.116	0.240	160,000
16.10.2019	9.10.2023	0.170	0.240	3,600,000
7.05.2020	14.05.2024	0.069	0.240	400,000
25.07.2019*	31.12.2021	- *	0.180	9,845,676
25.07.2019	31.12.2020	0.073	0.150	4,000,000
21.10.2019*	31.12.2021	- *	0.180	2,000,000
				21,465,676

* The options issued on 25 July 2019 were issued to shareholders on the basis of 1 free attaching option for every 2 shares issued under a rights issue. A further 2,000,000 options were issued on 21 October 2019 to shareholders as part of a placement on the same terms as 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.

DIRECTORS' REPORT

DIRECTORS

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

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

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

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

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

Mr Boulton currently holds 2,878,256 shares and 886,148 options in Southern Gold Limited.

Simon Mitchell (Managing Director)

BSc (Hons) Geol, MAusIMM, GAICD, MSEG

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

Mr. Mitchell is a geologist and corporate executive with 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 holds 830,000 shares and 1,585,001 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 holds 868,278 shares and 483,535 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 holds 406,667 shares and 433,334 options in Southern Gold Limited.

DIRECTORS' REPORT

Douglas Kirwin (Non-Executive Director) - appointed 11 February 2020

MSc, FSEG, FAIG, FAusIMM

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

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

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

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

Michael McNeilly (Non-Executive Director) - appointed 9 June 2020

BA (Internal Economics)

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

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

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

Mr McNeilly currently holds no securities in Southern Gold Limited.

Metal Tiger Plc currently holds 22,000,000 shares.

Beejay Kim (Executive Director) - appointed 2 September 2019

BA (Business Administration), MBA

Bong Joo (Beejay) Kim is a professional project manager who has had a long career with Samsung C&T Corporation and Hyundai Engineering and Construction Company over 30 years. As a senior executive for Samsung C&T, Mr. Kim led projects in several countries and regions including the Middle East, Australia and South East Asia. This includes more recent positions of Vice President and Regional Representative of Saudi Arabia LLC and Head of MENA Regional Headquarters in the UAE for Samsung C&T.

Mr. Kim's work has been in leading construction of infrastructure in various country includes 2 years in Australia where he set up Samsung C&T's Australian office and was heavily involved in several project tenders including the successful winning of a major iron ore infrastructure project in Western Australia. Mr Kim has formal qualifications in Business Administration, including leadership program's at UC Berkley and Cornell University. He completed an MBA through Hyundai's Engineering and Construction company business school.

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

Company Secretary

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

Daniel Hill

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

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

Mr Hill currently holds no shares and 100,000 options in Southern Gold Limited.

DIRECTORS' 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 is \$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, the completion of significant value additive activity such as asset acquisitions or developments and equity capital markets achievements. Outside of this, there is no formal relationship between the board policy for remuneration of Key Management Personnel and the company's performance for the last four years.

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

Remuneration packages contain the following key elements:

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

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 2020.

Options were granted to Directors & Key Management Personnel during the year. Options granted and held by Directors & Key Management Personnel are disclosed in section (d).

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) cont.

Performance-based Remuneration 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
D Kirwin	Director – Non-Executive (appointed 11 February 2020)
M McNeilly	Director – Non-Executive (appointed 9 June 2020)
B Kim	Executive Director (appointed 2 September 2019)
Key Management Personnel	Position
D L Hill	Company Secretary

(b) Remuneration Directors and Key Management Personnel

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

1 Appointed 11 February 2020. The above table details the Directors fees paid following Mr Kirwin's appointment as a Director. From 1 July 2019 through to his appointment as a Director, Mr Kirwin was also paid \$28,000 as a consultant to Southern Gold Korea and received 100,000 options (fair value of options \$10,390), neither of which is not included in the above table.

2 Appointed 9 June 2020.

3 Appointed 2 September 2019. Prior to his appointment as a Director, Mr Kim was considered part of the Key Management Personnel from 1 July 2019. \$19,955 of the total remuneration for Mr Kim detailed in the above table relates to fees paid as a consultant to the Company in the period prior to his appointment as a Director.

4 Directors were granted unlisted options on 21 October 2019 following shareholder approval, as follows: Mr Boulton 600,000; Mr Mitchell 1,500,000; Mr Turvey 400,000; Mr Bamford 400,000; and Mr Kim 700,000. Each option expires 9 October 2023 and has an exercise price of \$0.24. The exercise price \$0.24 was set by the Board on 19 August 2019 when the underlying share price traded on the ASX was \$0.165. However, Accounting Standards require the fair value of the options to be calculated using the market price of the underlying shares on the date of shareholder approval. The underlying share price subsequently increased to \$0.25 at the time of shareholder approval on 10 October 2019. This resulted in a total fair value of \$610,600 or \$0.17 per option, an increase of 72% above the value that would have otherwise been calculated on 19 August 2019. The options vest immediately.

5 Mr Kirwin was granted 400,000 unlisted options, following shareholder approval on 7 May 2020. Each option has an exercise price of \$0.24, expires 14 May 2024 and has a fair value of \$0.069. The options vest immediately.

6 Represents 40% of the maximum 2020 bonus of \$50,000.

7 Unlisted options granted on 17 September 2019, under the Company's shareholder approved Employee Share Option Plan. Each option has an exercise price of \$0.24, expires 15 September 2023 and has a fair value of \$0.104. The options vested immediately.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) cont.

Performance-based Remuneration cont.

(b) Remuneration Directors and Key Management Personnel cont.

2019	Short Term Benefits				Share Based Payments (options)	Post Employment		
Primary Benefits	Directors' Fees	Salary and Leave	Cash Bonus	Consulting fees		Super Contribution	Total	Remuneration as share based
	\$	\$	\$	\$	\$	\$	\$	%
Directors								
G C Boulton	90,000	-	-	-	-	-	90,000	0%
S Mitchell	-	276,000	20,000	-	-	28,120	324,120	0%
M R Billing ¹	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%
Other KMP								
D L Hill	18,170	-	-	-	-	-	18,170	0%
	207,485	276,000	20,000	8,000	-	37,555	549,040	0%

¹ Resigned 30 November 2018.

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

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

30 June 2020	Balance at beginning of year ¹	Acquired/ (disposed) on market	Participation in Rights Issue ²	Participation in Placement ³	Balance at end of year
G C Boulton AM	1,716,883	89,078	572,295	500,000	2,878,256
S Mitchell	510,000	150,000	170,000	-	830,000
D J Turvey	501,208	-	167,070	200,000	868,278
P Bamford	200,000	-	66,667	140,000	406,667
D Kirwin ¹	133,334	-	-	200,000	333,334
M McNeilly	-	-	-	-	-
B Kim	-	-	-	300,000	300,000
D L Hill	-	-	-	-	-
	3,061,425	239,078	1,276,032	1,040,000	5,616,535

The above balances as at 30 June 2020, 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 The opening balance of 133,334 Shares for Mr Kirwin is the amount held as at the date of appointment, 11 February 2020.

² Directors participated in a Rights Issue in July 2019, with an entitlement of 1 share for every 3 shares held at an issue price of \$0.11, and options were issued on the basis of one option for every two shares subscribed.

³ Directors participated in a placement at \$0.10 per share, on the same terms as other placees. The participation by Directors had been approved by shareholders on 7 May 2020.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) cont.

Performance-based Remuneration cont.

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

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

30 Jun 2020	Balance at beginning of year ¹	Options granted ³	Participation in Rights Issue ²	Lapsed or Cancelled	Balance at end of year	Vested and exercisable
G C Boulton AM	633,334	600,000	286,148	(633,334)	886,148	886,148
S Mitchell	2,333,334	1,500,000	85,001	(2,333,334)	1,585,001	1,585,001
D J Turvey	633,334	400,000	83,535	(633,334)	483,535	483,535
P Bamford	-	400,000	33,334	-	433,334	433,334
D Kirwin ¹	166,667	400,000	-	-	566,667	566,667
D McNeilly	-	-	-	-	-	-
B Kim	-	700,000	-	-	700,000	700,000
D L Hill	100,000	100,000	-	(100,000)	100,000	100,000
	3,866,669	4,100,000	488,018	(3,700,002)	4,754,685	4,754,685

1 The opening balance of 166,667 Options for Mr Kirwin is the amount held as at the date of appointment, 11 February 2020.

2 Directors participated in a Rights Issue in July 2019, with an entitlement of 1 share for every 3 shares held at an issue price of \$0.11, and options were issued on the basis of one option for every two shares subscribed. The options have an exercise price of \$0.18 and expire 31 December 2021.

3 A total of 3,600,000 options were issued to Messrs Boulton, Mitchell, Turvey, Bamford and Kim on 16 October 2019, following shareholder approval on 10 October 2019 (exercise price \$0.24, expiry 9 October 2023). 400,000 Options were issued to Mr Kirwin on 14 May 2020, following shareholder approval on 7 May 2020 (exercise price \$0.24, expiry 15 May 2024). Options were issued to the Company Secretary, Mr Hill, on 25 July 2019 (exercise price \$0.24, expiry 15 September 2023).

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) cont.

(d) Service agreements

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

- Mr Mitchell commenced employment on 1 February 2015.
- For the year ended 30 June 2020, 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 2020 (2019: \$20,000).
- Termination without notice in the event that Mr Mitchell
 - is guilty of serious or wilful misconduct; or
 - fails to remedy a breach of the Agreement within 14 days of receipt of notice to do so
- Termination without cause by either party with the provision of maximum three calendar months' notice or by agreement in writing by the parties. In the event of redundancy due to takeover, merger or other corporate arrangements, a six month notice period applies.

On the 2 September 2019 Mr Beejay Kim was appointed as Executive Director – South Korea, with an annual salary of KRW 180,000,000, and statutory superannuation of KRW 2,622,000. Prior to 2 September 2019, Mr Beejay Kim was being paid a consulting fee of \$10,000 per month.

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

The Company entered into a service agreement with an entity associated with Mr 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.

(e) Post-employment/retirement and termination benefits

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

(f) Voting at 2019 AGM

Southern Gold Limited received more than 90.5% of 'yes' votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM on its remuneration report.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The Company held 10 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	10	10	2	2
S Mitchell	10	10	-	-
D J Turvey	10	9	-	-
P Bamford	10	10	2	2
B Kim	8	8	-	-
D Kirwin	4	4	-	-
M McNeilly	1	1	-	-

Non-audit services

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

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 2020 were nil (2019: 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.

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.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS cont.

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 2020 is set out immediately following the end of the Directors' report.

Dated at Adelaide, this 18th day of September 2020.

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

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 2020, 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 18 September 2020

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	2020 \$	2019 \$
Interest income		6,540	4,944
Other income	2	50,091	-
Share of profit / (loss) of joint ventures, accounted for using the equity method	12	(319,070)	(260,376)
Exploration expenditure written off	10	(476,289)	(6,590,267)
Exploration expenses		(325,621)	(566,377)
Salaries and wages		(546,360)	(940,065)
Directors fees		(211,187)	(198,750)
Interest expense		(116,701)	(39,963)
Shareholder relations		(245,750)	(240,586)
Other consulting expenses		(190,343)	(248,578)
Other administrative expenses		(756,954)	(886,007)
Depreciation		(149,486)	(69,326)
Share based payments	24	(837,148)	(31,500)
Transactions Costs Disposal of Australian Assets	8	(49,232)	-
Profit/(Loss) before income tax		(4,167,510)	(10,066,851)
Income tax (expense)/benefit attributable to profit/(loss) from ordinary activities	3	-	174,110
Net Profit/(Loss) for the year		(4,167,510)	(9,892,741)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation		(187,555)	66,561
Total comprehensive income		(4,355,065)	(9,826,180)
Earnings Per Share			
Basic (cents per share) – Profit/(Loss)	26	(4.48)	(17.56)
Diluted (cents per share) – Profit/(Loss)	26	(4.48)	(17.56)

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 2020

		Consolidated	
	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	5	3,736,665	392,040
Trade and other receivables	6	182,828	108,419
Other assets	7	26,853	11,993
Held for sale assets	8	1,847,595	2,365,000
Right of use asset	9	43,705	-
TOTAL CURRENT ASSETS		5,837,646	2,877,452
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	10	6,139,228	3,811,179
Plant and equipment	11	132,134	203,146
Investments accounted for using the equity method	12	-	1,293,998
Other financial assets	13	-	567,183
TOTAL NON-CURRENT ASSETS		6,271,362	5,875,506
TOTAL ASSETS		12,109,008	8,752,958
CURRENT LIABILITIES			
Trade and other payables	14	584,514	330,421
Provisions	15	154,452	82,517
Lease liability	16	43,396	-
Borrowings	17	758,815	-
TOTAL CURRENT LIABILITIES		1,541,177	412,938
NON-CURRENT LIABILITIES			
Provisions	15	42,241	23,130
Borrowings	17	-	736,950
TOTAL NON-CURRENT LIABILITIES		42,241	760,080
TOTAL LIABILITIES		1,583,418	1,173,018
NET ASSETS		10,525,590	7,579,940
EQUITY			
Issued capital	18	48,510,128	42,304,761
Reserves	30	1,151,405	922,964
Retained losses		(39,135,943)	(35,647,785)
TOTAL EQUITY		10,525,590	7,579,940

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 2020

	Issued Capital \$	Retained Losses \$	Share- Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Total \$
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/cancelled	-	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
Profit or loss	-	(4,167,510)	-	-	(4,167,510)
Other comprehensive income	-	-	-	(187,555)	(187,555)
Total comprehensive income	-	(4,167,510)	-	(187,555)	(4,355,065)
Issue of share capital	6,893,027	-	-	-	6,893,027
Options lapsed/cancelled	-	679,352	(679,352)	-	-
Fair value of options issued	-	-	1,095,348	-	1,095,348
Costs associated with the issue of shares	(687,660)	-	-	-	(687,660)
Total transactions with owners	6,205,367	679,352	415,996	-	7,300,715
Balance at 30 June 2020	48,510,128	(39,135,943)	1,115,411	35,994	10,525,590

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 2020

Consolidated

	Note	2020 \$	2019 \$
Cash flows relating to operating activities			
Interest received		6,540	4,944
Other income		50,091	-
Receipts from operations		-	-
R&D tax offset received		-	174,110
Payments to suppliers and employees		(2,233,530)	(3,203,592)
Interest paid		(114,132)	(10,176)
Short term lease payments	9	(14,953)	-
Net operating cash inflows/(outflows) (Note (a))		(2,305,984)	(3,034,714)
Cash flows relating to investing activities			
Payments for mining tenements, exploration and evaluation expenditure		(2,648,061)	(973,211)
Loans Provided to Gubong JV Company		(171,219)	(262,424)
Loans Provided to Kochang JV Company		(176,151)	(304,759)
Proceeds from sale of investments		2,321,596	-
Disposal of plant & equipment		-	5,093
Payments for plant and equipment		(21,325)	(112,122)
Net investing cash (outflows)		(695,160)	(1,647,423)
Cash flows relating to financing activities			
Proceeds from share issues		6,839,027	2,276,350
Payments for share issue costs		(416,483)	(34,131)
Payment of dividends		-	-
Proceeds of borrowings	17	-	750,000
Repayment of lease liability	9(iii)	(76,385)	-
Net financing cash inflows / (outflows)		6,346,159	2,992,219
Net increase/(decrease) in cash		3,345,015	(1,689,918)
Net foreign exchange difference		(390)	1,716
Cash at beginning of financial year	5	392,040	2,080,242
Cash at end of financial year	5	3,736,665	392,040

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 2020

Consolidated

	2020	2019
	\$	\$
Note (a): Reconciliation of net loss from ordinary activities to net cash flow from operating activities		
Profit/(Loss) from ordinary activities after income tax	(4,167,510)	(9,892,741)
Adjustments to reconcile profit before tax to net cash flows		
Share based payments	837,148	31,500
Share of profit / (loss) of joint ventures	319,070	260,376
Depreciation	149,486	69,326
Unrealised Foreign Exchange loss	(11,895)	876
Exploration written off	476,289	6,590,267
Loss on sale of plant & equipment	12,373	12,974
Transactions Costs Disposal of Australian Asset	49,232	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(75,964)	28,220
(Increase)/decrease in other financial assets	(14,974)	7,309
Increase/(decrease) in trade and other payables	29,067	(82,676)
Increase/(decrease) in provisions	91,694	(60,145)
Net operating cash flows	(2,305,984)	(3,034,714)

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 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

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

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

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

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

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

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

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

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

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

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

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

The accounting policies adopted by the group are consistent with those of the previous financial year, except for the application of new and revised accounting standards applied for the first time in the year ending 30 June 2020.

New and revised accounting standards

Effective 1 July 2019, the Company has adopted the new accounting standard AASB 16: Leases. The impact of the adoption of this Standard and the respective accounting policies is disclosed further below.

This note describes the nature and effect of the adoption of AASB 16: Leases on the Company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

The Company has adopted the transition provisions available in AASB 16, Appendix C paragraph 5(b) and therefore the changes in the Company's accounting policies have not impacted the comparatives for the 2019 reporting period.

The Company as Lessee

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

The Company as Lessee cont.

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

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

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

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

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

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

The Company as Lessor

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

Initial Application of AASB 16 Leases

The Company has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 Leases, where the Company is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for the leases have been measured and recognised in the statement of financial position as at 1 July 2019 at the same amount as the lease liability.

The following practical expedients have been used by the Company in applying AASB 16 for the first time:

- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.

Total operating lease commitments disclosed at 30 June 2019	155,340
Less Leases with remaining lease terms of less than 12 months (recognition exemption)	(31,411)
Operating lease liabilities before discounting	123,929
Discounted using incremental borrowing rate	(4,103)
Total lease liabilities recognised under AASB16 at 1 July 2019	119,826

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

a. Principles of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2020. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

b. Income Tax

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

c. Plant and Equipment cont.

Depreciation

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

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

Plant and equipment 20–33%

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

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

d. Exploration and Evaluation Expenditure

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

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

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

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

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

Accordingly costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

e. Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the interest rate method or cost.

Fair value represents the 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.

Interests in subsidiaries, associates or joint venture entities

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.

- Such financial assets are measured at amortised cost (and are not designated as FVPL) if the assets are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows. After initial recognition, the financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

g. Leases

Relating to prior year comparatives, 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. A joint venture is accounted for using the equity method.

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

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

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

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 2020	30 June 2020
Gubong Project JV Co Pte. Ltd	Singapore / Korea	Development of Gubong Gold Project	50%	50%
Kochang Project JV Co Pte. Ltd	Singapore / Korea	Development of Kochang Gold Project	50%	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 12 for further detail in relation to the two joint ventures.

Both of the joint ventures have been reclassified to Held for sale assets as at 30 June 2020 (Note 8).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

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.

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.

Estimates and judgements — Impairment of Exploration and Evaluation Assets

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

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

Estimates and judgements— Valuation of unlisted options

A key area of judgement, for the year ended 30 June 2020, relates to the calculation of the market value of the unlisted options issued to Directors, employees and the rights issue underwriters. The market value of each option series is assessed using the Black-Scholes method, and a key assumption in this calculation is the Company's future share price volatility. Future volatility was based on the historic daily price movements of the Company's ASX listed shares for the 12 months immediately prior to the relevant valuation date for each of the option series. For further information in relation to the options issued, refer to Note 24.

Estimates and judgements— discontinued operations

A disposal group qualifies as a discontinued 'operation' if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

q. Critical Accounting Estimates and Judgments cont.

Estimates and judgements– discontinued operations cont.

The disposal of the West Australian Gold Assets simply represents a disposal of the exploration assets, rather than a component of the Group's business or 'operations'. Therefore, the disposal has been classified as a disposal of an asset held for sale, rather than as a discontinued operation.

Other than as described above, the judgements, estimates and assumptions applied in the half year financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020.

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. Parent Entity

The financial information of the parent entity, Southern Gold Limited, disclosed at note 28, 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.

t. 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 18th September 2020 by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

2. OTHER INCOME

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

Government grants	50,000	-
Other	91	-
	50,091	-

3. INCOME TAX EXPENSE

The components of tax benefit comprise:

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

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% of operating loss	1,146,065	2,768,384
Tax effect of capital raising costs	107,695	14,892
Tax effect of Share-based payments expensed	(230,216)	(8,663)
Research and development tax concession	-	(174,110)
Timing differences and tax losses not brought to account	(1,023,544)	(2,600,503)
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	-	-
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c) Income tax losses

Total deferred tax asset arising from carried forward tax losses not recognised as meeting probable criteria		
Gross tax losses	21,221,610	19,544,436
Tax Losses at 27.5%	5,835,943	5,374,720

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 2020

	2020	2019
	\$	\$

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 2020. The totals of remuneration paid to key management personnel during the year are as follows:

Short term employee benefits	720,802	511,485
Post-employment benefits	37,289	37,555
Share-based payments	648,070	-
	1,406,161	549,040

5. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	3,736,665	392,040
	3,736,665	392,040

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables	109,159	30,870
Office lease bond	73,669	77,549
	182,828	108,419

Trade and other receivables considered past due and/or impaired is nil (2019: 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

Current		
Prepayments	26,853	11,993
	26,853	11,993

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
8. HELD FOR SALE ASSETS		
Opening Balance	2,365,000	-
Transfers from exploration and evaluation assets	-	2,365,000
Sale of Australian exploration and evaluation assets	(2,365,000)	-
	-	2,365,000
Transfer from Investments accounted for using the equity method: Gubong JV	524,283	-
Transfer from Financial assets: Loan to Gubong Project Chusik Hoesa	433,643	-
	957,926	-
Transfer from Investments accounted for using the equity method: Kochang JV	408,759	-
Transfer from Financial assets: Loan to Kochang Project Chusik Hoesa	480,910	-
	889,669	-
	1,847,595	2,365,000

The Southern Gold Board has decided to focus the Company's resources on its 100% owned tenements in South Korea. Accordingly, the carrying value of its investments in its 50% owned Kochang and Gubong joint ventures at 30 June 2020, were reclassified in the Statement of Financial Position from 'Investments accounted for using the equity method' (Note 12) to 'Held for sale assets' as at 30 June 2020. Southern Gold's 50% share of funding each of the joint ventures to date has been provided as a loan. These loans have previously been classified as 'Financial assets' (Note 13). As these loans are more in the nature of equity style risk, the carrying value of the loans have also been reclassified in the Statement of Financial Position to 'Held for sale assets'. A further update is provided in the Subsequent Events note (Note 29).

In the prior financial year ended 30 June 2019, the Company announced a formal process to dispose or restructure its gold assets in Australia (refer ASX Announcement 1 April 2019). Therefore, the carrying value of the Company's Australian gold assets at 30 June 2019 were reclassified in the Statement of Financial Position from 'Exploration and evaluation expenditure' (Note 10) to a 'Held for sale asset'. The carrying value of \$2,365,000 reflected the estimated sales value of \$2,500,000 for the Australian gold assets, based on the status of negotiations with preferred bidders at 30 June 2019, less estimated transaction costs of \$135,000.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2020
\$

2019
\$

9. RIGHT OF USE ASSET

The Company's Right of use assets comprise the leased offices in Australia and Korea and a building to house exploration equipment in Korea.

Lease Details	Remaining term from 1 July 2019	Options to Extend
Australian Office	19 months	Yes
Korean Office	20 months	No
Korean Shed	17 months	No

Options to extend or terminate

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

Variable lease payments

The company does not have any variable lease payments.

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

Leased building	119,780	-
Less: accumulated depreciation	(76,075)	-
Right of Use Asset	43,705	-

Movements in Carrying Amount

Opening balance	-	-
Recognised on initial application of AASB16 (previously classified as an operating lease under AASB117)	119,780	-
Depreciation expense	(76,075)	-
	43,705	-

(ii) AASB 16 related amounts recognised in the Statement of Comprehensive Income/(Loss)

Depreciation charge related to right of use asset	(76,075)	-
Interest expense on lease liabilities	(3,477)	-
Short term lease expense (included in Other administration expenses)	(14,953)	-

(iii) Total Full Year cash out flows for leases	(76,385)	-
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

10. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest:

Exploration and evaluation phase	6,139,228	3,811,179
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	3,811,179	13,248,642
Net foreign exchange differences	(55,289)	76,353
Expenditure incurred during the year	2,859,627	997,424
Expenditure written off / impairment for relinquished tenements – Korea ¹	(476,289)	(580,265)
Expenditure written off / impairment for relinquished tenements – Australia ²	-	(6,010,002)
Transfers to Held for sale assets ³	-	(2,365,000)
Transfer of tenements to Joint Ventures ⁴	-	(1,555,973)
	6,139,228	3,811,179

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

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 \$508,265 relating to 17 mining and exploration leases that were relinquished during the year or planned to be relinquished.

2 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.

3 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 asset' (refer Note 8).

4 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 (BMV) 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 12); 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 12).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
11. PLANT AND EQUIPMENT		
Plant and equipment at cost	519,975	651,914
Less: Accumulated depreciation	(387,841)	(448,768)
	132,134	203,146
Opening written down value	203,146	176,242
Additions	20,036	113,439
Net foreign currency exchange differences	(1,434)	893
Disposals	(16,203)	(18,102)
Depreciation	(73,411)	(69,326)
Closing written down value	132,134	203,146

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Gubong Joint Venture¹

Initial Cost of Investment	857,571	857,571
Share of profit / (loss) of Joint Venture	(305,403)	(147,856)
Share of foreign currency translation reserve	(27,885)	1,421
	524,283	711,136
Transfer to held for sale assets (Note 8)	(524,283)	-
	-	711,136

Kochang Joint Venture¹

Initial Cost of Investment	697,526	697,526
Share of profit / (loss) of Joint Venture	(274,043)	(112,520)
Share of foreign currency translation reserve	(14,724)	(2,144)
	408,759	582,862
Transfer to held for sale assets (Note 8)	(408,759)	-
	-	582,862
	-	1,293,998

1 JV investments reclassified to Assets Held for Sale refer Note 8.

Gubong Joint Venture

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 prior year 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 10) 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 13).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.

Kochang Joint Venture

The joint venture is being conducted through a Joint Venture Company incorporated in Singapore, Kochang Project JV Co Pte. Ltd. (Kochang JV Company), which 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 10) 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 13).

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:

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	5,466	113,224
Other current assets	10,902	12,559
Total current assets	16,368	125,783
Non-current assets		
Mine Development	1,769,875	1,629,100
Property Plant & equipment	2,581	5,251
Total non-current assets	1,772,456	1,634,351
Total Assets	1,788,824	1,760,134
CURRENT LIABILITIES		
Trade payables	-	-
Other current liabilities	-	-
Total current liabilities	-	-
Non-current liabilities		
Other Non-current liabilities	2,455,400	2,053,005
Total Non-current liabilities	2,455,400	2,053,005
Total liabilities	2,455,400	2,053,005
Net Assets/(liabilities)	(666,576)	(292,871)
Reconciliation to carrying amounts:		
Opening net assets 1 July	(292,871)	-
Loss for the period	(315,093)	(295,713)
Foreign exchange translation movement	(58,612)	2,842
Closing net asset/(liabilities)	(666,576)	(292,871)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.

Summarised financial information for the Gubong JV Company cont.

Group's 50% share:

Group's share in JV's net assets/(liabilities)	(333,288)	(146,435)
Cost of investment (value of tenement transferred)	857,571	857,571
Carrying amount	524,283	711,136

Summarised statement of comprehensive income:

Salaries and wages	(143,882)	(115,716)
Other expenses	(171,211)	(179,997)
Income tax expense	-	-
Loss for the period	(315,093)	(295,713)
Other comprehensive income	(58,612)	2,842
Total comprehensive income	(373,705)	(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	5,553	147,406
Other current assets	9,895	11,649
Total current assets	15,448	159,055

Non-current assets

Mine Development	1,687,460	1,472,586
Property Plant & equipment	-	-
Total non-current assets	1,687,460	1,472,586

Total Assets

1,702,908 **1,631,641**

CURRENT LIABILITIES

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

Non-current liabilities

Other Non-current liabilities	2,280,442	1,860,969
Total Non-current liabilities	2,280,442	1,860,969
Total liabilities	2,280,442	1,860,969

Net Assets/(liabilities)

(577,534) **(229,328)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD cont.

Summarised financial information for the Kochang JV Company cont.

Reconciliation to carrying amounts:

Opening net assets 1 July	(229,328)	-
Loss for the period	(323,046)	(225,040)
Foreign exchange translation movement	(25,160)	(4,288)
Closing net assets/(liabilities)	(577,534)	(229,328)

Group's 50% share:

Group's share in JV's net assets/(liabilities)	(288,767)	(114,664)
Cost of investment (value of tenement transferred)	697,526	697,526
Carrying amount	408,759	582,862

Summarised statement of comprehensive income:

Salaries and wages	(145,473)	(105,862)
Other expenses	(177,573)	(119,178)
Income tax expense	-	-
Loss for the period	(323,046)	(225,040)
Other comprehensive income	(25,160)	(4,288)
Total comprehensive income	(348,206)	(229,328)

13. FINANCIAL ASSETS

Loan to Gubong Project Chusik Hoesa	433,643	262,424
Reclassified to held for sale assets (Note 8)	(433,643)	-
Loan to Kochang Project Chusik Hoesa	480,910	304,759
Reclassified to held for sale assets (Note 8)	(480,910)	-
	-	567,183

Southern Gold meets its obligation to fund 50% of the cash requirements of each of its two joint ventures through loans. Refer Note 12 for further description of the structure of each of the two joint ventures. Given that the loans are more in the nature of equity style risk, the loans have been reclassified as at 30 June 2020, along with the equity accounted investment balances (Note 12), to held for sale assets (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

14. TRADE AND OTHER PAYABLES

Trade payables	386,742	160,362
Sundry payables and accruals	178,164	131,082
Interest Payable	-	22,774
Amount payable to Directors and Key Management related entities ¹	19,608	16,203
	584,514	330,421

¹ Payable to Greg Boulton and Associates Pty Ltd (an entity associated with G C Boulton) \$7,500 (2019: \$ 7,500).

Payable to Red Balloon Superannuation Fund (an entity associated with Mr David Turvey) of \$325 (2019: \$325).

Payable to Bayfront Nominees Pty Ltd (an entity associated with D L Hill) \$748 (2019: \$3,968).

Payable to Simon Mitchell Super Fund SMSF, (an entity associated with Simon Mitchell) \$4,085 (2019: \$4,085)

Payable to Bamford Superannuation fund (an entity associated with Peter Bamford) \$325 (2019: \$325)

Payable to Douglas Kirwin \$4,000 (2019: nil)

Payable to Michael McNeilly \$2,625 (2019: nil)

15. PROVISIONS

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

Current Provisions		
Employee entitlements provision	154,452	82,517
	154,452	82,517
Non-Current Provisions		
Employee entitlements provision	42,241	23,130

16. LEASE LIABILITY

Current lease liability	43,396	-
	43,396	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
17. BORROWINGS		
Current Borrowings		
Convertible Debt	758,815	-
	758,815	-
Non-Current 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 was due to be repaid in full on 19 August 2020.

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.

Subsequent to the year ended 30 June 2020, Southern Gold elected to repay the loan early and the options lapsed on 18 August 2020 (refer Note 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

18. ISSUED CAPITAL

a) Ordinary Shares

Issued share capital:	48,510,128	42,304,761
128,328,756 fully paid ordinary shares (2019: 62,568,372)		

Movement in issued shares for the year:	2020		2019	
	No.	\$	No.	\$
Balance at beginning of 2019 financial year	62,568,372	42,304,761	49,150,553	40,072,064
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
Placement of shares (25 Jul 2019)	20,856,127	2,294,176	-	-
Options exercised (various dates)	582,508	104,851	-	-
Shares issues to service providers (22 Nov 2019)	321,749	54,000	-	-
Placement of shares (21 Oct 2019)	4,000,000	440,000	-	-
Placement of shares (2 Apr 2020)	21,680,002	2,168,000	-	-
Placement of shares (14 May 2020)	18,319,998	1,832,000	-	-
Net costs associated with the issue of shares	-	(687,660)	-	(54,153)
Balance at end of the financial year	128,328,756	48,510,128	62,568,372	42,304,761

On 25 July 2019, a total of 20,856,127 shares were issued as result of 1:3 Rights issue at an issue price of \$0.11, and options issued on the basis of one option for every two shares subscribed.

A total of 582,208 unlisted options expiring 31 Dec 2021 were exercised at \$0.18.

On 21 October 2019, 4,000,000 shares were issued to placees on the same terms as the rights issue completed on 25 July 2020 (\$0.11 per shares and options issued on the basis of one option for every two shares subscribed).

On 22 November 2019, 209,249 shares were issued at \$0.15 and 112,500 shares were issued at \$0.20 to service providers, totalling \$54,000.

On 23 March 2020, the Company announced a \$ 4 million placement at \$0.10 per share, completed as a two tranche process as follows:

- \$2.168 million cash through the issue of 21,680,002 on 2 April 2020; and
- \$1.832 million cash through the issue of 18,319,998 shares on 14 May 2020, following shareholder approval.

The net costs associated with the issue of shares in the year ended 30 June 2020 of \$687,660 includes \$291,200 for the assessed fair value of 4,000,000 unlisted options issued on 25 July 2019 to underwriters of the rights issue (refer Note 24).

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 2020

	2020	2019
	\$	\$

18. ISSUED CAPITAL cont.

b) Options on Issue

At 30 June 2020, there were 25,717,441 unlisted options outstanding (30 June 2019: 8,936,767).

The above options comprise:

- 9,620,000 options held by employees, directors and service providers. Refer Note 24 for further detail;
- 9,845,676 options held by participants in the rights issue completed on 25 July 2019. 10,428,184 options were issued to participants in the rights issue on the basis of one option for every two shares subscribed for. Through to 30 June 2020, 582,508 of these options have been exercised; and
- 4,411,765 options issued to a lender as part of a debt facility agreement. Refer Note 17 for further details.

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	(758,815)	(736,950)
Cash	3,736,665	392,040
	2,977,850	(344,910)
Equity	10,701,345	7,579,940
Net debt to equity ratio	0%	4.6%

19. 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	41,885	44,107
Taxation and other services	-	-
	41,885	44,107

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2020	2019
\$	\$

20. 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 27 to the financial statements.

Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 12 to the financial statements. The operations of the joint ventures are funded through shareholder loans (Note 13). The carrying value of both the joint venture interests and the loans provided to the joint ventures have been reclassified to Assets held for sale at 30 June 2020 (Note 8).

b) Transactions within wholly owned group

The wholly owned group includes:

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

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

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

c) Related party balances

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

Current payables

Amounts payable to Directors and Key Management Personnel related entities	19,005	16,203
	19,005	16,203

There were no amounts receivable from related parties.

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

21. JOINT OPERATIONS

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

	Interest 2020	Interest 2019
Southern Gold (Asia) Joint Venture (SG Asia)	15%	15%

Notes

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

22. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

a) Exploration Expenditure Commitments

The Group had certain obligations to perform exploration work and expend minimum annual amounts on such works on mineral exploration tenements in Australia. These tenements were disposed of on 25 August 2019.

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

b) Service Agreements

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

23. 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	3,736,665	392,040
Trade and other receivables	182,828	108,419
	3,919,493	500,459

Financial Liabilities

Trade and other payables	584,514	330,421
Borrowings	758,815	736,950
	1,343,329	1,067,371

(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.

As at 30 June 2020, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$

23. FINANCIAL INSTRUMENTS cont.

(ii) Financial Risks cont.

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

30 June 2019	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Borrowings	736,950	-	-	-
Trade and other payables	330,421	-	-	-
Total	1,067,371	-	-	-

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.

Share price risk

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

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.

2020	Interest Bearing	Non-interest Bearing	Total	Floating interest rate	Fixed interest rate
Financial assets					
Cash and deposits	3,736,665	-	3,736,665	0.50%	-
Receivables	-	182,828	182,828	-	-
Less: Payables	-	(584,514)	(584,514)	-	-
Less: Borrowings	(758,815)	-	(758,815)	-	12%
Net financial assets	2,977,850	(401,686)	2,576,164		
2019					
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)		

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2020, none of group cash deposits are fixed (2019: nil).

Refer Note 17 for further details in relation to the terms of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

23. FINANCIAL INSTRUMENTS cont.

(ii) Financial Risks cont.

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.

24. SHARE BASED PAYMENTS

Shares

On 22 November 2019, the Company issued 209,249 shares at \$0.15 and 112,500 shares at \$0.20 to service providers, totalling \$54,000. \$33,000 of this amount was recognised as a share based payments expense in the year ended 30 June 2020. The remaining \$21,000 formed part of the share based payments expense recognised in the year ended 30 June 2019 of \$31,500.

Options – Directors and Employees

The Group has an ownership-based compensation plan for employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders at an Annual General Meeting, Directors may issue options to purchase shares in the company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No Directors participate in the Employee Share Option Plan. Options to Directors are separately approved by shareholders prior to being issued.

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

A total of \$804,148 was recognised as a share based payments expense, relating to options issued to directors and employees, in the year ended 30 June 2020 (2019: nil).

Options – Underwriters

4,000,000 unlisted options were issued on 25 July 2019 to underwriters of the rights issue, as part payment of their underwriting fee. The \$291,200 fair value of the options granted was recognised as a capital raising cost in the year ended 30 June 2020 (Note 18).

The following share based payment arrangements were in existence at 30 June 2020:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
September-2019 ¹	960,000	17/09/2019	15/09/2023	\$0.240	\$0.104
December-2019 ²	500,000	23/12/2019	19/12/2023	\$0.240	\$0.096
July-2020 ³	160,000	10/07/2020	2/07/2024	\$0.240	\$0.116
Director Options					
October-2019 ⁴	3,600,000	16/10/2019	9/10/2023	\$0.240	\$0.170
May-2020 ⁵	400,000	14/05/2020	14/05/2024	\$0.240	\$0.069
Underwriters					
July 2019 ⁶	4,000,000	26/07/2019	31/12/2020	\$0.15	\$0.073

1. 960,000 unlisted options were granted to employees on 17 September 2019, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The \$99,744 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 96% and an interest rate of 0.95% (the five year Australian Government bond rate).

2. 500,000 unlisted options were granted to employees on 23 December 2019, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The \$48,100 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 89% and an interest rate of 0.98% (the five year Australian Government bond rate).

3. 160,000 unlisted options were issued to employees 10 July 2020, under the Company's shareholder approved Employee Share Option Plan. The options vested immediately. The fair value of the options was expensed in the year ended 30 June 2020, as Board approval to offer the options to employees had occurred prior to 30 June 2020. The \$18,624 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 109% and an interest rate of 0.41% (the five year Australian Government bond rate).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

24. SHARE BASED PAYMENTS cont.

Options cont– Underwriters cont.

4. 3,600,000 options were issued to the Directors 16 October 2019, following shareholder approval on 10 October 2019. The options vested immediately. The \$610,200 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 97% and an interest rate of 0.64% (the five year Australian Government bond rate). The underlying market price of the Company's shares was \$0.165 at the time the Board set the exercise price of \$0.24 on 19 August 2019. However, Accounting Standards require the fair value of the options to be calculated using market price of the underlying shares on the date of shareholder approval. This had a significant impact on the fair value calculation, with the market price of the underlying shares increasing to \$0.25 by the time of shareholder approval on 10 October 2019. The fair value of \$610,200 is 72% above the value that would have otherwise been calculated based on information available to the Board at the time of setting the option terms on 19 August 2019.
5. 400,000 unlisted options were granted to a Director, following shareholder approval on 7 May 2020. The options vested immediately. The \$27,480 fair value of the options was calculated, using the Black Scholes valuation, using a volatility of 106% and an interest rate of 0.41% (the five year Australian Government bond rate).
6. 4,000,000 unlisted options issued to underwriters on 25 July 2019, as part of their fee for underwriting the rights issue. The options vested immediately. The \$291,200 fair value of the options was calculated, using the Black Scholes valuation method, using a volatility of 89% and an interest rate of 0.91% (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.

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

Options granted as share based payments	2020		2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	4,525,002	\$0.425	5,943,336	\$0.419
Granted during the financial year (i)	9,620,000	\$0.203	-	-
Exercised during the financial year	-	-	-	-
Lapsed/cancelled during the financial year	(4,525,002)	\$0.425	(1,418,334)	\$0.401
Balance at end of the financial year (ii)	9,620,000	\$0.203	4,525,002	\$0.425

(i) Options granted

9,620,000 options, relating to share based payments, were granted in the year ended 30 June 2020 (2019: nil), comprising 1,620,000 issued to employees under the Employee Share Option Plan, 4,000,000 issued to Directors following approval by shareholders and 4,000,000 issued to underwriters of the rights issue in July 2019.

(ii) Options outstanding at end of the financial year

9,620,000 options, relating to share based payments, are outstanding at the end of the financial year and had an average exercise price of \$0.203 (2019: \$0.425) and a weighted average remaining contractual life of 790 days (2019: 509 days).

25. OPERATING SEGMENTS

Segment Information

Identification of reportable segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Board has concluded that at this time, there are no separately identifiable operating segments. However, prior to the divestment of the Australian gold assets on 5 August 2019, the consolidated entity 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 were previously 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

25. OPERATING SEGMENTS cont.

Segment Information cont.

Identification of reportable segments cont.

Year ended 30/6/2020	South Korea \$	Australia \$	Consolidated \$
Segment Revenue			
Revenue from Joint Operations	-	-	-
Total Segment Revenue	-	-	-
Segment Expenses			
Exploration expenditure written off	(476,289)	-	(476,289)
Exploration expenses	(325,621)	-	(325,621)
Share of JV losses	(319,070)	-	(319,070)
Other expenditure	(377,230)	(49,232)	(426,462)
Total Segment Expenditure	(1,498,210)	(49,232)	(1,547,442)
Segment Profit/(Loss) before Income Tax	(1,498,210)	(49,232)	(1,547,442)
Corporate revenue			56,631
Corporate expenses			(2,676,699)
Profit/(loss) before income tax			(4,167,510)
Income tax benefit/(expense)			-
Profit/(loss)			(4,167,510)
Year ended 30/6/2019			
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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

25. OPERATING SEGMENTS cont.

Segment Information cont.

Identification of reportable segments cont.

As at 30/6/2020	South Korea \$	Australia \$	Consolidated \$
Assets and Liabilities			
Exploration and evaluation expenditure	6,139,228	-	6,139,228
Investment in JV Companies	-	-	-
Loan to JV Companies	-	-	-
Assets held for sale	1,847,595	-	1,847,595
Other segment assets	326,369	-	326,369
Segment Assets	8,313,192	-	8,313,192
Segment liabilities	494,919	-	494,919
Segment Liabilities	494,919	-	494,919
Segment Net Assets	7,818,273	-	7,818,273
Corporate net assets			
Cash			3,736,665
Other corporate assets			59,151
Other corporate liabilities			(1,088,499)
Total Net Assets			10,525,590
As at 30/6/2019			
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 corporate assets			84,501
Other corporate liabilities			(1,049,439)
Total Net Assets			7,579,940

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

26. EARNINGS PER SHARE

	2020 Cents per share	2019 Cents per share
Basic (cents per share) – Profit/(Loss)	(4.48)	(17.56)

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	(4,167,510)	(9,892,741)
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	92,991,925	56,337,363

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as options are not considered dilutive, as a loss was incurred in both the years, ending 30 June 2020 and 30 June 2019.

27. CONTROLLED ENTITIES CONSOLIDATED

Name of Entity	Country of Incorporation	Ownership Interest	
		2020 %	2019 %
Parent Entity			
Southern Gold Limited	Australia		
Controlled Entities			
Challenger West Holdings Pty Ltd	Australia	100%	100%
CMH Resources Pty Ltd	Australia	100%	100%
Gawler Arc Holdings Pty Ltd	Australia	100%	100%
Southern Mining Pty Ltd	Australia	100%	100%
Inferus Resources Pty Ltd ¹	Australia	100%	100%
New Southern Mining Pty Ltd	Australia	100%	100%
International Gold Private Limited	Singapore	100%	100%
Southern Gold Korea Ltd. ²	South Korea	100%	100%

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

28. SOUTHERN GOLD LIMITED COMPANY INFORMATION

	2020 \$	2019 \$
Parent Entity		
Assets		
Current assets	5,549,830	2,755,611
Non-current assets	6,144,896	6,111,837
Total assets	11,694,726	8,867,448
Liabilities		
Current liabilities	1,046,258	1,026,309
Non-current liabilities	42,241	23,130
Total liabilities	1,088,499	1,049,439
Net Assets	10,606,227	7,818,009
Equity		
Issued capital	48,510,128	42,304,761
Retained earnings	(38,980,708)	(35,186,167)
Foreign Currency Translation Reserve	(38,604)	-
Share based payments reserve	1,115,411	699,415
	10,606,227	7,818,009
Financial Performance		
Profit/(loss) for the year	(4,473,893)	(9,588,111)
Other comprehensive income	(38,604)	-
Total comprehensive income	(4,512,497)	(9,588,111)
Guarantees in relation to the debts of subsidiaries	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

29. EVENTS SUBSEQUENT TO REPORTING DATE

On 3 August 2020, Southern Gold announced that, at the most recent joint venture Board meetings for the Gubong and Kochang joint ventures, the other 50% owner in the two joint ventures, Bluebird Merchant Venture PLC (BMV), had formally submitted a 'Proposal to Redevelop' for each of the two joint ventures. Southern Gold elected to vote against the two proposals, while BMV voted in favour of the two proposals. There is a clear process under each of the joint venture agreements, where Southern Gold is now to be taken to have placed each of its 50% interests in the joint ventures as available for sale and BMV may now elect to make an offer to acquire each of the joint ventures. If BMV do elect to make an offer, Southern Gold may either accept, or the matter is referred to an independent valuer. As reported to the ASX on 14 September 2020, Southern Gold has received an offer from BMV and has elected to refer the matter to an independent valuer.

On the 18 August 2019, 4,411,765 unlisted options lapsed. The options were connected with a convertible loan with a face value of \$750,000. The convertible note was repaid in full early, at the election of Southern Gold, on 21 July 2020. In accordance with the option deed, the options expired 20 business days after the loan was repaid.

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

On 3 September 2020, the Southern Gold announced that it had received binding commitments from sophisticated and institutional investors in respect of a placement of 85,000,000 ordinary shares in the Company at \$0.12 per share to raise \$10.2 million.

The placement includes a 2-year 18c call option for every two shares subscribed for. The placement was well oversubscribed with significant additional demand identified in Asia. The placement is being conducted in two tranches:

- Tranche 1 being 31,668,024 shares pursuant to available share placement capacity, comprising 27,834,794 issued on 11 September 2020 following the receipt of \$3.3 million cash, and a further 3,833,230 shares expected to be issued around or on 18 September 2020, together raising approximately \$3.8 million before costs; and
- Tranche 2 being 53,331,976 shares subject to shareholder approval in the forthcoming Shareholder Meeting expected to be held on 19 October 2020. As part of this placement, 42,500,000 options (the "1 for 2" 18c call options) will also be subject to shareholder approval.

The placement has been strongly supported by strategic investor, Crescat Capital LLC, a Denver based asset management firm which includes a precious metals fund and is advised by technical consultant Dr Quinton Hennigh. In addition, several of Southern Gold's major shareholders such as Metal Tiger PLC and Illwella Pty Ltd (the Flannery family office), also strongly supported the raising, subscribing for approximately \$1.7 million and \$1 million respectively. This maintains Metal Tiger's shareholding at 17.1% and Illwella's at 10.4%.

This placement is a significant step for Southern Gold in its strategy to be the preeminent gold-silver explorer in South Korea, with expanded project and drilling activity.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 2020 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 18th day of September 2020.



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

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 2020, 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 2020 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.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets - Notes 1d, 1q & 10	
<p>At 30 June 2020 the carrying value of exploration and evaluation assets was \$6,139,228.</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 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

INDEPENDENT AUDIT REPORT TO THE MEMBERS



Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Southern Gold Limited, for the year ended 30 June 2020 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 handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to be "B K Wundersitz".

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 18 September 2020

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 25 September 2020.

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 25 September 2020, as disclosed in the most recent substantial shareholder notices.

Name of Shareholders	Date of Notification	Number Shares Held	Percentage of Issued Shares
METAL TIGER PLC	14/05/2020	22,000,000	17.14
ILWELLA PTY LTD	17/04/2020	13,484,012	12.26
PS SUPER NOM PL	21/07/2020	10,355,003	8.07

2. NUMBER OF SHAREHOLDERS

The number of Ordinary Shares on issue at 25 September 2020 is 159,996,780 held by 1,570 shareholders.

3. DISTRIBUTION OF EQUITY SECURITIES

Ordinary Shares

Distribution of holdings:	Number of Holders
1 - 1,000	131
1,001 - 5,000	438
5,001 - 10,000	285
10,001 - 100,000	574
100,001 - and over	142
	1,570

Number of holders of less than a marketable parcel of \$500	473
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Unlisted Options (various exercise prices and expiry dates)

Distribution of holdings:	Number of Holders
1 - 1,000	75
1,001 - 5,000	86
5,001 - 10,000	52
10,001 - 100,000	98
100,001 - and over	31
	342

SHAREHOLDER INFORMATION

4. TWENTY LARGEST SHAREHOLDERS

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

	Name	Number Held	Percentage of Issued Shares
1	HSBC CUSTODY NOMINEES	23,407,572	14.63
2	METAL TIGER PLC	22,000,000	13.75
3	PS SUPER NOMINEE PTY LTD	10,632,793	6.65
4	CS THIRD NOMINEES PTY LIMITED	6,563,404	4.10
5	VALBONNE II	6,318,970	3.95
6	CITICORP NOMINEES PTY LIMITED	4,697,021	2.94
7	US GLOBAL INVESTORS FUNDS -	3,833,230	2.40
8	POTEZNA GROMADKA LTD	3,484,594	2.18
9	G BOULTON PTY LTD	2,878,256	1.80
10	BNP PARIBAS NOMINEES PTY LTD	2,773,333	1.73
11	MCNEIL NOMINEES PTY LIMITED	2,308,316	1.44
12	GARY B BRANCH PTY LIMITED	2,093,334	1.31
13	CAZNA AUSTRALIA PTY LTD	1,959,190	1.22
14	DR LEON EUGENE PRETORIUS	1,760,000	1.10
15	MR ROBERT LEON	1,500,000	0.94
16	HSBC CUSTODY NOMINEES	1,404,677	0.88
17	J P MORGAN NOMINEES AUSTRALIA	1,384,012	0.87
18	WEYBRIDGE PTY LTD	1,361,867	0.85
19	POTEZNA GROMADKA LTD	1,250,000	0.78
20	POTEZNA GROMADKA LTD	1,169,591	0.72
		102,780,160	64.24

5. UNQUOTED EQUITY SECURITIES

Class	Unlisted Options (various exercise prices and expiry dates)
Number on issue	21,465,676
Number of holders	342

Option holders with greater than 20% of options on issue:

Name	Number Held	Percentage of Options on Issue
1 PS SUPER NOMINEE PTY LTD	5,454,727	25.41
	5,454,727	25.41

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Southern Gold Ltd.
ACN 107 424 519