



SOUTHERN GOLD LIMITED
CONSOLIDATED FINANCIAL REPORT
For the Half Year Ended
31 December 2021

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CORPORATE INFORMATION

ABN 30 107 424 519

DIRECTORS

Gregory Boulton AM	Non-Executive Chairman
Peter Bamford	Non-Executive Director
Bee Jay Kim	Executive Director
Douglas Kirwin	Non-Executive Director
Michael McNeilly	Non-Executive Director

COMPANY SECRETARY

Daniel Hill

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

10 George Street
Stepney SA 5069
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SHARE REGISTRY

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

AUDITORS

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

EXCHANGE

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

ASX CODE

Ordinary Fully Paid Shares: SAU

DIRECTORS' REPORT

The directors present their report together with the interim financial report of Southern Gold Limited and its controlled entities for the six months ended 31 December 2021 and the independent auditor's review report thereon.

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

Non-Executive Chairman	Gregory Boulton AM	BA (Accounting), FCA, FCPA, FAICD
Executive Director	Bee Jay Kim	BA (Business Administration), MBA
Non-Executive Director	Peter Bamford	BSc (Eng) Mining, ARSM, MAICD, FAusIMM
Non-Executive Director	Douglas Kirwin	MSc, FSEG, FAIG, FAusIMM
Non-Executive Director	Michael McNeilly	BA (International Economics)
Managing Director	Simon Mitchell (retired 29 th October 2021)	BSc (Hons) Geol, MAusIMM, GAICD, MSEG

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

Company Secretary	Daniel Hill	BAcc, CA, MBA, MAppFin, FFin, AGIA
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Financial Results

The loss of the Group after providing for income tax for the half year was \$4,138,708 (2020 loss: \$1,009,752).

Review of Operations

Southern Gold Limited (Southern Gold or the Company) continues with South Korea as its primary focus, aided by the arrival in country of the recently appointed Exploration Manager, Mr Robert Smillie, on 15 October 2021. It is the opinion of our experienced technical team that the prospectivity of South Korea remains very high based on historical gold production and geology. Stable government, minimum regulation and an English-speaking workforce provides a positive environment for modern exploration techniques.

The Company will also leverage its management and exploration expertise to look to expand project and country focus to Australia, by seeking a new strategic investment / project prospects for Gold and Copper. The Board expects the identification of these opportunities to take 2-3 months. Southern Gold's Australian exploration assets previously included the Bulong South, Glandore and Cowarna gold projects, as well as the development of the Cannon Gold project in Western Australia.

South Korea: 100% owned exploration projects

During the November to January winter period, a major data compilation and regional targeting study was undertaken, laying the groundwork for a major campaign of Project Generation fieldwork during the post winter period February to June 2022, with the goal of identifying new highly prospective epithermal gold-silver mineralisation in the Cretaceous-age extensional basins.

This major campaign of Project Generation fieldwork is currently underway, being led by our highly experienced team, spearheaded by our in-country Exploration Manager, Robert Smillie. Robert is leading the target work with the assistance of our NZ based geological consultancy, Craig Panther, who has in-depth experience and knowledge of South Korean geology and epithermal deposit styles through his time in-country with Ivanhoe Mining in early 2000s. Our Non-Executive Director, Doug Kirwin with Craig Panther were key players in the discovery and evaluation of the Gasado,

Moisan and Eunsan epithermal gold-silver deposits (Moisan and Gasado are currently in production), and are instrumental in progressing our assets in South Korea.

The field activities are managed by Senior Geologist, Scott Randall, along with a consultant mapping geologist and data management geologist to support our local fourteen geologists and field workers resident in South Korea.

The Company currently has 65 tenement applications in progress with a total area of 181.6 km².

Discussions have been progressed with a prep laboratory in Pohang to have the laboratory increase capacity for the field campaign. A visit to the laboratory in Pohang was conducted in December. Separate discussions continue with drilling companies, regarding potential provision of drilling services to the Company.

Covid-19

Covid-19 severely impacted field work in 2021, through the inability for key contractors and Australian based staff to travel to South Korea. During 2022, we are seeing global travel restrictions easing. However, the Company expects to continue to be impacted, albeit to a lesser degree, from temporary travel restrictions and quarantine requirements implemented by governments to manage occasional surges in new infections. The recent appointment of an in-country exploration manager has been an important step in helping to mitigate the impact of future restrictions.

Corporate

A global recruitment firm continues to conduct a search process for the right candidate to lead Southern Gold as Chief Executive Officer (CEO). The Board expects to conclude this process towards the end of the financial year. In the interim, Mr Greg Boulton, Chairman of the Board, continues as acting CEO.

All resolutions were passed by an overwhelming margin at the Company's Annual General Meeting, held 29 October 2021, including the re-election of Mr Peter Bamford as a Director. In December, Southern Gold, through its wholly owned Singaporean subsidiary International Gold Private Limited, was issued the second tranche of 150 million shares in London Stock Exchange listed Bluebird Merchant Ventures Ltd (BMV). Southern Gold now holds 200 million BMV shares, representing 32.1% of the issued capital of BMV. This concludes consideration receivable in accordance with the Completion Agreement (for further details refer ASX Announcement 29 June 2021). 75 million of the shares are subject to escrow until 28 June 2022.

Southern Gold is in a strong cash position (A\$6.1 million) and has a "drill for equity" arrangement with Ausino Drilling Services to the value of US\$1.1 million (approx. A\$1.5 million). Southern Gold's 200 million BMV shares have a "mark to market" value of £3.7 million (A\$6.6 million), at the last traded price of BMV shares of 1.75 pence on 11 March 2022. Total cash and listed securities for Southern Gold are approximately A\$12.9 million.

Events Subsequent to Reporting Date

On 11 February 2022, the Southern Gold granted 400,000 unlisted options under the Company's employee share option plan. On the same date, the Company advised that 1,500,000 unlisted Options had lapsed as a result of an employee ceasing employment.

At the date of signing of this Half Year Report, Southern Gold's 200 million BMV shares had a value of £3,700,000 million (or \$6,600,071), based on the closing price of BMV shares of 1.75 pence on 11 March 2022, being the last traded price prior to the signing of this Half Year Report. This is \$4,029,647 lower than the carrying value of \$10,029,718 as at 31 December 2021 (refer Note 6). This is a non-adjusting subsequent event under Accounting Standard AASB 110.

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

Forward-looking Statements

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

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

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

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

Auditors Independence Declaration

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

Dated at Adelaide this 15th day of March 2022 and signed in accordance with a resolution of the Directors.



G C Boulton AM
Non-Executive Chairman

Auditor's Independence Declaration

To the Directors of Southern Gold Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Southern Gold Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B K Wundersitz
Partner – Audit & Assurance

Adelaide, 15 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 31 December 2021

	Note	Half Year Ended 31 Dec 2021 \$	Half Year Ended 31 Dec 2020 \$
Interest received		469	2,017
Other Income		3,592	117,280
Exploration expenses		(534,535)	(100,605)
Salaries and wages		(450,415)	(361,999)
Directors fees		(120,000)	(139,305)
Interest expense		(2,115)	-
Shareholder relations		(132,844)	(173,556)
Other consulting expenses		(30,450)	(58,468)
Other administrative expenses		(184,983)	(163,788)
Depreciation		(57,276)	(67,866)
Share based payments	8	(174,353)	-
Transaction costs-disposal of joint ventures		(2,028)	(63,462)
Foreign exchange gain on BMV receivable	4	538,452	
Loss on realisation of BMV shares receivable	4	(2,992,222)	-
Loss before income tax		(4,138,708)	(1,009,752)
Income tax benefit/(expense)		-	-
Net loss for the half year		(4,138,708)	(1,009,752)
<u>Other Comprehensive Income</u>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation		(54,729)	(101,229)
<i>Items that may not be reclassified to profit or loss:</i>			
Fair value decrement on financial assets – FVTOCI	5	(1,498,833)	-
Total comprehensive income for the period		(5,692,270)	(1,110,981)
<u>Earnings Per Share</u>			
Basic (cents per share)		(1.94)	(0.60)
Diluted (cents per share)		(1.94)	(0.60)

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

Consolidated Statement of Financial Position as at 31 December 2021

	Note	As at 31 Dec 2021 \$	As at 30 June 2021 \$
CURRENT ASSETS			
Cash and cash equivalent		6,124,285	7,999,052
Trade and other receivables	4	234,006	10,172,827
Other assets		29,222	92,122
Held for sale assets	2	-	-
TOTAL CURRENT ASSETS		6,387,513	18,264,001
NON-CURRENT ASSETS			
Right of use asset		86,616	123,998
Exploration and evaluation expenditure	3	2,729,569	2,644,068
Plant and equipment		63,368	73,372
Financial assets	5	-	4,006,263
Investments accounted for using the equity method	6	10,029,718	-
Financial assets		-	-
TOTAL NON-CURRENT ASSETS		12,909,271	6,847,701
TOTAL ASSETS		19,296,784	25,111,702
CURRENT LIABILITIES			
Trade and other payables		137,825	335,169
Provisions		150,878	167,999
Lease liability		36,168	72,306
TOTAL CURRENT LIABILITIES		324,871	575,474
NON-CURRENT LIABILITIES			
Provisions		10,443	56,292
Lease liability		51,604	52,153
TOTAL NON-CURRENT LIABILITIES		62,047	108,445
TOTAL LIABILITIES		386,918	683,919
NET ASSETS		18,909,866	24,427,783
EQUITY			
Issued capital	7	58,011,777	58,011,777
Reserves		(1,032,464)	896,643
Accumulated losses		(38,069,447)	(34,480,637)
TOTAL EQUITY		18,909,866	24,427,783

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

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

	Issued Capital \$	Accumulated losses \$	FVTOCI Reserve \$	Share-based payment reserve \$	Foreign currency translation reserve	Total \$
Balance at 1 July 2020	48,510,128	(39,135,943)	-	1,115,411	35,994	10,525,590
Total comprehensive income in the period	-	(1,009,752)	-	-	(101,229)	(1,110,981)
Transactions with owners:						
Issue of share capital	10,200,000	-	-	-	-	10,200,000
Options issued to placement brokers	(171,951)	-	-	171,951	-	-
Options lapsed or exercised	-	311,263	-	(311,263)	-	-
Costs associated with the issue of shares	(526,400)	-	-	-	-	(526,400)
Balance at 31 December 2020	<u>58,011,777</u>	<u>(39,834,432)</u>	<u>-</u>	<u>976,099</u>	<u>(65,235)</u>	<u>19,088,209</u>
Balance at 1 July 2021	58,011,777	(34,480,637)	15,437	976,099	(94,893)	24,427,783
Total comprehensive income in the period	-	(4,138,708)	(1,498,833)	-	(54,729)	(5,692,270)
Transactions with owners:						
Options issued to Directors	-	-	-	120,583	-	120,583
Options issued to employees	-	-	-	53,770	-	53,770
Options lapsed or cancelled	-	549,898	-	(549,898)	-	-
Balance at 31 December 2021	<u>58,011,777</u>	<u>(38,069,447)</u>	<u>(1,483,396)</u>	<u>600,554</u>	<u>(149,622)</u>	<u>18,909,866</u>

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

Consolidated Statement of Cash Flows for the Half Year ended 31 December 2021

Note	Half Year Ended 31 Dec 2021 Inflows (Outflows) \$	Half Year Ended 31 Dec 2020 Inflows (Outflows) \$
Cash flows related to operating activities		
Interest received	469	2,017
Other income	3,592	117,280
Payments to suppliers and employees	(1,080,287)	(946,987)
Exploration and evaluation	(537,320)	(101,023)
Interest Expense	(2,115)	(5,657)
Short term lease payments	(10,502)	(7,203)
Net operating cash flows	(1,626,163)	(941,573)
Cash flows related to investing activities		
Payments for mining tenements, exploration and evaluation expenditure	(196,425)	(1,370,978)
Loans provided to Gubong JV Company	-	(41,541)
Loans provided to Kochang JV Company	-	(41,541)
Payments for plant and equipment	(11,904)	(4,841)
Proceeds from the sale of plant and equipment	-	1,064
Transaction costs on disposal of JV Investments	(2,028)	(63,462)
Net investing cash flows	(210,357)	(1,521,299)
Cash flows related to financing activities		
Proceeds from share issues	-	10,200,000
Payment for share issue costs	-	(526,401)
Repayment of lease liability	(35,480)	(36,696)
Repayment of borrowings	-	(750,000)
Net financing cash flows	(35,480)	8,886,903
Net increase/(decrease) in cash	(1,872,000)	6,424,031
Cash at beginning of financial period	7,999,052	3,736,665
Exchange rate adjustments on opening cash	(2,767)	(702)
Cash at end of financial period	6,124,285	10,159,994

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

Condensed Notes to the financial statements for the Half Year ended 31 December 2021

1. BASIS OF PREPARATION OF ACCOUNTS

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Southern Gold Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the ASX Listing Rules.

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

Southern Gold Limited is a company domiciled in Australia (the Company). The Consolidated half year financial report of the Company as at, and for the six months ended, 31 December 2021 comprises the Company and its subsidiaries (together referred to as the Consolidated Entity or Group).

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

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

New standards adopted as at 1 July 2021

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

Estimates and judgements

When preparing the half year financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Estimates and judgements - Valuation of unlisted options

A key area of judgement, for the half year ended 31 December 2021, relates to the calculation of the market value of the unlisted options issued to Directors, employees. 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 24 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 8.

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 2021.

2. HELD FOR SALE ASSETS

	31 December 2021 \$	30 June 2021 \$
Opening Balance Gubong JV	-	957,926
Shareholder funding advanced	-	41,541
Disposal		(999,467)
	-	-
Opening Balance Kochang JV	-	889,669
Shareholder funding advanced	-	41,541
Disposal		(931,210)
	-	-
Total held for sale assets	-	-

In the prior period ended 31 December 2020, the held for sale assets, comprising Southern Gold's 50% ownership interests in the two Joint Venture companies, were divested to Bluebird Merchant Ventures Ltd (BMV) for consideration of 200 million BMV Shares. Southern Gold received the final 150 million BMV Shares on 22 December 2021 (refer Note 4).

3. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2021 \$	30 June 2021 \$
A reconciliation of the carrying amount of exploration and evaluation phase expenditure is set out below:		
Costs brought forward	2,644,068	6,139,228
Net foreign exchange differences	(46,435)	(157,268)
Expenditure incurred during the year	131,936	1,779,083
Expenditure written off / impairment for relinquished tenements – Korea	-	(5,116,975)
	2,729,569	2,644,068

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

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

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

In the half year ended 31 December 2021, the reduced exploration expenditure capitalised reflects a greater focus by the Group on Project Generation work to identify new tenements and areas of interest that will form the basis of a targeted pipeline of exploration targets for future exploration drilling.

4. TRADE AND OTHER RECEIVABLES

	31 December 2021	30 June 2021
	\$	\$
Trade and other receivables	34,230	29,773
BMV receivable	-	9,976,058
Lease bonds	199,776	166,996
	<u>234,006</u>	<u>10,172,827</u>

The BMV receivable at 30 June 2021 represented the obligation of BMV to pay the Group US\$7,500,000 by 26 January 2022 through the issue of a further 150 million BMV shares. The receivable was part of the consideration for the Group's divestment of its 50% interest in two joint venture companies. The receivable was recognised in the Group's financial statements at the lower of the value of the US\$7,500,000 cash receivable and the fair value of the 150 million shares. Accordingly, the receivable at 30 June 2021 was recognised at AU\$9,976,058 being the US\$7,500,000 at the AUD:USD exchange rate at 30 June 2021 of \$0.7518.

BMV chose to settle the liability with the issue of 150 million BMV shares to the Group, received on the 22 December 2021 (refer ASX announcement 21 December 2021).

The market value of the 150 million BMV shares received were recognised at \$7,522,288, being the 150,000,000 BMV Shares valued at the closing price of £0.0270 (\$0.05) for BMV Shares traded on the LSE on 22 December 2021. The resulting net loss of A\$2,453,769 has been disclosed in the Statement of Profit or Loss and Other Comprehensive Income as follows:

- **\$538,452 Foreign exchange gain on BMV receivable** being the difference between the AUD value of the US\$7,500,000 receivable of:
 - \$9,976,058 at 30 June 2021, converted at the USD:AUD exchange rate of 0.7518 applicable at 30 June 2021; and
 - \$10,514,510 at the date of settlement on 22 December 2021, converted at the USD:AUD exchange rate of 0.7133 applicable at that date; and
- **(\$2,992,222) Loss on realisation of BMV shares receivable** being the difference between:
 - \$10,514,510 AUD value of the US\$7,500,000 cash receivable at the date of settlement on 22 December 2021; and
 - \$7,522,288 market value, at that same date, of the 150,000,000 BMV shares received in lieu of the cash (refer Note 5 for further details).

5. FINANCIAL ASSETS

	31 December 2021	30 June 2021
	\$	\$
BMV Ordinary Shares	-	4,006,263
	<u>-</u>	<u>4,006,263</u>

The Financial asset balance at 30 June 2021 comprised 50 million BMV Shares received on 29 June 2021 as the first tranche of the consideration payable by BMV to acquire the Group's 50% interest in two joint venture companies. The fair value of the 50 million BMV shares at 30 June 2021 was AU\$4,006,263, being valued at the closing price of BMV shares traded on the LSE at 30 June 2021 of £0.0435 (AU\$0.08), translated to AUD at the AUD:GBP exchange rate of 0.5429 applicable on 30 June 2021.

On the 22 December 2021, a further 150 million BMV shares were issued to the Group, as full settlement of the outstanding receivable for the Group's divestment of its interest in its joint venture companies (refer ASX announcement 21 December 2021 and Note 4 for further details).

With the resulting balance of 200 million BMV Ordinary Shares representing 32% of the issued capital of BMV, the financial asset was reclassified to an investment in an associate, subject to equity accounting, from 22 December 2021 (refer Note 6).

5. FINANCIAL ASSETS (continued)

Fair value decrement on financial assets – FVTOCI **\$,1,498,833**

Immediately prior to reclassification to an equity accounted investment, the initial 50 million BMV Shares were revalued to a fair value of \$2,507,430, being valued at the closing price of £0.0270 (\$0.0501) for BMV Shares traded on the LSE on 22 December 2021. The resulting revaluation decrement of \$1,498,833 was recognised through Other Comprehensive Income, as the Group made an irrevocable election at 30 June 2021 to recognise its initial holding of 50 million BMV shares, as a financial asset fair valued through Other Comprehensive Income (FVTOCI).

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2021	30 June 2021
	\$	\$
Investment in BMV	10,029,718	-
	<u>10,029,718</u>	<u>-</u>

The total balance of 200 million BMV Ordinary Shares, held by Southern Gold from 22 December 2021, represents 32% of the issued capital of BMV. With this interest being in excess of the 20% threshold for the application of equity accounting under Accounting Standard AASB128, the interest in BMV is disclosed as an investment in an associate, subject to equity accounting from that date.

The initial value of the equity accounted investment was valued at \$10,029,718 on 22 December 2021, comprising:

- \$7,522,288 being the fair value of the 150 million BMV shares received on 22 December 2021 valued at the closing price of £0.0270 (AU\$0.05) for BMV Shares traded on the London Stock Exchange on that date (refer Note 4); and
- \$2,507,430 being the fair value of the original 50 million BMV Shares, reclassified from Financial assets on that date (refer Note 5).

The Group only has the same access to financial and operating information as all other shareholders of BMV. As such, the Group does not have access to the financial information of BMV through to 31 December 2021.

However, it is unlikely that the Group's 32% interest in the BMV Profit or Loss would be material for the 9 days between 22 December 2021 and 31 December 2021. In this regard, the Southern Gold Board note that BMV has not released any announcements to the London Stock Exchange subsequent to 22 December 2021, that would indicate the existence of unusual or material transactions or other accounting adjustments in that period. The lack of access to this financial information means the Group is unable to disclose the summarised financial information of BMV, as required under Accounting Standard AASB128.

75 million of the BMV shares are subject to voluntary escrow until 28 June 2022.

At the date of signing of this Half Year Report, Southern Gold's 200 million BMV shares have a value of £3,700,000 million (or \$6,600,071), based on the closing price of BMV shares of 1.75 pence on 11 March 2022, being the last traded price prior to the signing of this Half Year Report. This is \$4,029,647 lower than the carrying value of \$10,029,718 as at 31 December 2021.

7. ISSUE OF SECURITIES

Fully paid ordinary shares issued

<i>Ordinary shares on issue</i>	Number	\$
At 31 December 2021	<u>213,328,756</u>	<u>58,011,777</u>

There was no change in ordinary shares on issue in the half year ended 31 December 2021.

8. SHARE-BASED PAYMENTS RESERVE

During the half year ended 31 December 2021, the Share based payments reserve reduced by (\$375,545) to \$600,554. This change comprised:

- \$174,353 share-based payments expense recognised in the Consolidated Statement of Profit or Loss, comprising:
 - \$120,583 being the fair value of 3,700,000 unlisted options issued to Directors on 2 November 2021, following shareholder approval at the Company's AGM on 29 October 2021. The options are exercisable at \$0.12 at any time through to the expiry date of 31 October 2025. The fair value was calculated using the Black-Scholes method with a volatility of 74% and an underlying market price of the shares of \$0.074, being the ASX closing price of SAU's shares the day prior to the AGM.
 - \$53,770 being the fair value of 1,890,000 unlisted options issued to employees on 17 September 2021, under the Company's employee share option plan. The options are exercisable at \$0.10 at any time through to the expiry date of 16 September 2025. The fair value was calculated using the Black-Scholes method with a volatility of 74% and an underlying market price of the shares of \$0.064, being the ASX closing price of SAU's shares on 8 September 2021.
- (\$549,898) being the value of 4,120,000 options lapsed or cancelled in the half year period.

9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2021.

10. SUBSEQUENT EVENTS

On 11 February 2022, the Southern Gold granted 400,000 unlisted options under the Company's employee share option plan. On the same date, the Company advised that 1,500,000 unlisted Options had lapsed as a result of an employee ceasing employment.

At the date of signing of this Half Year Report, Southern Gold's 200 million BMV shares had a value of £3,700,000 million (or \$6,600,071), based on the closing price of BMV shares of 1.75 pence on 11 March 2022, being the last traded price prior to the signing of this Half Year Report. This is \$4,029,647 lower than the carrying value of \$10,029,718 as at 31 December 2021 (refer Note 6). This is a non-adjusting subsequent event under Accounting Standard AASB 110.

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

Directors' Declaration

Directors' Declaration for the six months ended 31 December 2021

The Directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 7 to 15 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standards AASB 134 Interim Financial Reporting; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021, and of its performance for the half-year ended on that date.
- 2) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



G C Boulton AM
Non-Executive Chairman

Adelaide, South Australia
15th day of March 2022

Independent Auditor's Review Report

To the Members of Southern Gold Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Southern Gold Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of Southern Gold Limited's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B K Wundersitz
Partner – Audit & Assurance

Adelaide, 15 March 2022