

## Quarterly Activities Report

### Quarter Ended 30 June 2022

Southern Gold Limited (ASX: Southern Gold) (Southern Gold or the Company) is pleased to release its Quarterly Activities Report and Appendix 5B Quarterly Cashflow report for the quarter ended 30 June 2022 (the Quarter).

#### Key highlights

- Southern Gold Exploration Manager Robert Smillie appointed Managing Director and CEO, based in South Korea
- Project Generation fieldwork results in 29 new licence applications, increasing exploration licences under application to 138 covering an area of 382km<sup>2</sup>
- Generative exploration continued in the Haenam Basin, where first-pass exploration is almost complete and generative work commenced on the Jinan Basin
- Southern Gold collected 850 rock chip samples for analysis, with results being collated and reviewed ahead of an update to the market on generative work to date in August 2022
- Mapping work on Geoje Island applications provided new insight into the geology and mineral potential of the area
- Consultant and epithermal expert Jeff Hedenquist visited South Korea for training and project review and offered key insights that will assist in project evaluation
- Southern Gold received £0.25M cash (A\$0.44M) for the sale of 50 million Bluebird Merchant Ventures (LSE: BMV) Shares, with the remaining £0.25M due by 13 September 2022
- Southern Gold's remaining 150 million BMV Shares have a mark-to-market valuation of £3.1M (approximately A\$5.3M)
- Total cash of A\$4.6M at 30 June 2022.

#### Progress with Project Generation fieldwork

During the Quarter, Southern Gold continued Project Generation exploration with the aim of substantially growing its South Korean exploration portfolio for future drill testing. Project-scale exploration also commenced at the Geoje Island project.

Field work during the Quarter generated 29 new licence applications as Southern Gold seeks to gain holdings of key districts and large alteration zones that have high potential for developing drill targets through systematic follow-up fieldwork.

Targeting is two-fold, with:

- I. Brownfields targeting around historical mines, including clay mines and/or expanding current project holdings around existing projects; and
- II. Greenfields targeting whereby regional reconnaissance fieldwork is highlighting potential new areas for possible application and subsequent detailed exploration.

This process also includes active “turning over” of licence applications should further exploration work or assay results warrant focussing activity in other areas.

Southern Gold lodged licence extensions for key projects at Dokcheon (Haenam Basin) and Deokon (Jinan Basin) as a result of fieldwork identifying exploration opportunities that extend the current holdings over additional targets and builds ground around these key projects.

Southern Gold’s technical capability continued to increase through improved understanding of the geology and prospectivity of key regions, enhancing exploration effectiveness. Geology consultant Craig Panther, who has extensive South Korean experience, was able to get on the ground and assist with fieldwork, following the loosening of border restrictions during the Quarter. Key expatriate staff are now fully embedded with the local team, who are taking a strong lead in the generative work programs.

A summary of the exploration results will be released to the market in the coming three weeks outlining the key results, including anomalous rock chip sampling assays from the recent Project Generation fieldwork.

#### **Haenam Basin**

First-pass reconnaissance exploration has largely been completed in the Haenam Basin and now will transition to more detailed sampling and follow up reconnaissance on application areas to further assess the prospectivity and to determine work programs, project ranking and priority drill targets going forward into FY Q1-Q2.

#### **Jinan Basin**

Project generation work commenced in the Jinan Basin north of Haenam Basin, including key existing projects at Deokon and Geum Mar. Recent work was able to identify highly prospective quartz vein float to the east of Deokon and licence application extensions to the east of this project were lodged during the Quarter.

#### **Gyeongsang Basin**

One licence application was added the Gampo prospect, in the Gyeongsang Basin, a brownfields area prospective for breccia pipes and intrusion-hosted targets. More detailed targeting and field work will start in this prospective district during the next quarter.

Detailed mapping and rock sampling work was carried out around the Geoje mine and on areas covered by our licence applications surrounding this historical epithermal Cu-Ag-Au mine. The mapping highlighted a thick basal conglomerate unit that contained colloform banded vein clasts that are cut by a vein 300m to the west. This is a target not previously tested, highlighting the multi-phase potential of the district. Sampling results are expected to be released in August.

#### **Training & Development**

Consultant and epithermal expert Jeffery Hedenquist visited South Korea for training and project reviews and offered key insights that will assist in project evaluation, targeting and assessment.

Southern Gold upgraded its core shed, including a small office space and a more suitable base of operations. TerraSpec NIR mineral identification equipment was purchased to supplement the Company’s pXRF analysis of samples and Southern Gold will look to further upgrade our in-house technical capabilities.

## Future Activity

Field activity next quarter will continue at a reduced level compared to the previous quarter due to the arrival of the wet season and prolific vegetation growth, however road-side geologic traversing and sampling by field teams will continue.

Results from the Haenam Basin project generation work, together with the Jinan Basin work when completed, will be fully collated, interpreted and ranked for subsequent detailed follow-up fieldwork in Autumn / FYQ2 after the burn-off of the summer vegetation when field activity can be increased.

Regional project generation activities will also continue next quarter at Geoje Island and around the Gyeongsang Basin, and also move to an increased level post-summer into Autumn / Q2. The identification of targets for detailed follow-up exploration in this region will take place towards the end of Q2 before the start of the winter period.

These work streams during FYQ1 and Q2 are aimed at generating a pipeline of prospective drill targets across new projects for diamond drill testing after the winter months planned for FYQ3. This deliberate investment in focussed field activity prior to re-commencing drilling in South Korea greatly enhances the opportunities for exploration success going forward.

## Tenure

The Company has increased its exploration licences under application to 138, covering an area of 382km<sup>2</sup> (prior quarter: 109 applications, covering an area of 305.4km<sup>2</sup>).

There were no changes in exploration licences held during the Quarter. The following tenements were 100%-owned by the Company as at 30 June 2022.

| Project Name | Tenement Info |               |          | Register Info |             |                  |
|--------------|---------------|---------------|----------|---------------|-------------|------------------|
|              | Korean        | English       | Block ID | No.           | Type        | Date of Granting |
| Hampyeong    | 나주            | Naju          | 136      | 200970        | Exploration | 11/01/2018       |
| Aphae        | 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       |
| Janghwal     | 해남            | Haenam        | 139      | 201302        | Exploration | 20/08/2021       |
| Neungju      | 능주            | Neungju *     | 33       | 201042        | Exploration | 31/07/2018       |

\* These exploration licences are due to expire on 31 August 2022. The exploration team are currently reviewing the merit of retaining these licences, in view of the results currently being collated for the Project Generation activities undertaken to date. These exploration licences represent \$1.7M in deferred costs on the Company's balance sheet which will be written off should these licences expire.

## Covid-19

All Southern Gold staff are double-vaccinated, the majority with boosters. Some staff have contracted Covid, however health impacts on the individuals concerned have been minimal due to vaccinations.

Towards the end of the Quarter, South Korea case numbers stabilised at ~10,000 cases per day.

## Corporate

At the beginning of the Quarter, Southern Gold held 200 million shares in London Stock Exchange-listed Bluebird Merchant Ventures Ltd (BMV). On 12 and 19 April 2022, BMV provided announcements to the London Stock Exchange (refer Southern Gold ASX announcement 19 April 2022), relating to a funding package to accelerate the move to gold production. To assist in negotiating the funding package, Southern Gold agreed to sell 50 million BMV shares at a discounted price of £0.01 per share, for total consideration of £0.5M, receivable in two equal tranches.

During the Quarter, Southern Gold received the first tranche of £0.25M (A\$0.44M), with the second tranche of £0.25M due by 13 September 2022.

The remaining 150 million BMV shares held by Southern Gold are subject to a standstill clause which expires 11 April 2023. This holding represents 23.5% of BMV's issued capital and has a mark-to-market valuation of £3.1M (approximately A\$5.3M), based on the closing price of BMV shares on the LSE of £0.0205 on 27 July 2022.

Southern Gold remains in a strong position as at 30 June 2022 with cash of A\$4.6M, together with the second tranche of \$0.44M due from the sale of the 50 million BMV shares and a mark to market valuation of \$5.3M for the remaining 150 million BMV shares.

## Quarterly Cashflows

For the Quarter, the Company had:

- Net cash outflows from Operating and Investing activities of \$0.66M, which included outflows of \$0.51M related directly to exploration activities and an inflow of \$0.44M for the first tranche of proceeds received from the sale of 50 million BMV Shares;
- Net cash outflows from Financing activities of \$0.02M, comprising leasing costs;
- Providing total net cash outflows of \$0.68M, and an ending cash balance of \$4.6M.

Cash flows for the Quarter include related party payments of \$209,000, comprising Directors fees and remuneration for Executive Directors. In the current Quarter this includes a payment of \$61,000, relating to accrued leave and other entitlements under South Korean law, paid to Mr Beejay Kim who retired as an Executive at the end of April 2022. Mr Kim remains as a Non-Executive Director.

Authorised for release by the Board of Southern Gold Limited.

Further Information:

Robert Smillie

08 8368 8888

[info@southerngold.com.au](mailto:info@southerngold.com.au)

Investor and Media Relations

Maude Lacasse

[maude@nwrcommunications.com.au](mailto:maude@nwrcommunications.com.au)

+61 (0) 416 499 856

### **Southern Gold Limited: Company Profile**

*Southern Gold Ltd is a successful gold explorer listed on the Australian Securities Exchange (under ASX ticker "Southern Gold"). Southern Gold owns 100% of a substantial portfolio of high-grade gold projects in South Korea that are largely greenfield epithermal gold-silver targets in the south-west of the country. Backed by a first-class technical team, Southern Gold's aim is to find world-class epithermal gold-silver deposits in a jurisdiction that has seen very little modern exploration.*

### **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 maybe required under applicable laws. Recipients should make their own enquiries in relation to any investment decisions from a licensed investment advisor.*

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

SOUTHERN GOLD LIMITED

ABN

30 107 424 519

Quarter ended ("current quarter")

30 JUNE 2022

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|--|
| <b>1.</b>                            | <b>Cash flows from operating activities</b>           |                            |  |
| 1.1                                  | Receipts from customers                               |                            |  |
| 1.2                                  | Payments for  |                            |  |
|                                      | (a) exploration & evaluation                          | (490)                      | (1,509)                                |
|                                      | (b) development                                       |                            |  |
|                                      | (c) production  |                            |  |
|                                      | (d) staff costs                                       | (241)                      | (1,104)                                |
|                                      | (e) administration and corporate costs                | (216)                      | (790)                                  |
| 1.3                                  | Dividends received (see note 3)                       |                            |  |
| 1.4                                  | Interest received                                     | -                          | 2                                      |
| 1.5                                  | Interest and other costs of finance paid              | (1)                        | (4)                                    |
| 1.6                                  | Income taxes paid                                     |                            |  |
| 1.7                                  | Other revenue   | 1                          | 5                                      |
| 1.8                                  | Other (short term lease payments)                     | (7)                        | (24)                                   |
| <b>1.9</b>                           | <b>Net cash from / (used in) operating activities</b> | <b>(954)</b>               | <b>(3,424)</b>                         |
| <b>2.</b>                            | <b>Cash flows from investing activities</b>           |                            |  |
| 2.1                                  | Payments to acquire or for:                           |                            |  |
|                                      | (a) entities  |                            |  |
|                                      | (b) tenements   |                            |  |
|                                      | (c) property, plant and equipment                     | (128)                      | (160)                                  |
|                                      | (d) exploration & evaluation                          | (18)                       | (210)                                  |
|                                      | (e) investments                                       |                            |  |
|                                      | (f) other non-current assets                          |                            |  |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|---|------------------------------------|---|
| 2.2   | Proceeds from the disposal of:                        |                                    |   |
|   | (a) entities (JV sale transaction costs)              | -                                  | (2)   |
|   | (b) tenements   |                                    |   |
|   | (c) property, plant and equipment                     |                                    |   |
|   | (d) investments – Sale of BMV shares                  | 436                                | 436   |
|   | (e) other non-current assets                          |                                    |   |
| 2.3   | Cash flows from loans to other entities               |                                    |   |
| 2.4   | Dividends received (see note 3)                       |                                    |   |
| 2.5   | Other (loans to 50% owned JV's)                       |                                    |   |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>290</b>                         | <b>64</b>                                       |

|             |   |             |             |
|-------------|---|-------------|-------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>   |             |             |
| 3.1         | Proceeds from issues of equity securities (excluding convertible debt securities)       |             |             |
| 3.2         | Proceeds from issue of convertible debt securities                                      |             |             |
| 3.3         | Proceeds from exercise of options   |             |             |
| 3.4         | Transaction costs related to issues of equity securities or convertible debt securities |             |             |
| 3.5         | Proceeds from borrowings  |             |             |
| 3.6         | Repayment of borrowings   |             |             |
| 3.7         | Transaction costs related to loans and borrowings                                       |             |             |
| 3.8         | Dividends paid  |             |             |
| 3.9         | Other (repayment of lease liability)  | (18)        | (70)        |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>(18)</b> | <b>(70)</b> |

|           |  |       |         |
|-----------|--|-------|---------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |       |         |
| 4.1       | Cash and cash equivalents at beginning of period                             | 5,241 | 7,999   |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (954) | (3,424) |
| +4.3      | Net cash from / (used in) investing activities (item 2.6 above)              | 290   | 64      |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | (18)  | (70)    |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|---|------------------------------------|---|
| 4.5   | Effect of movement in exchange rates on cash held | 2                                  | (8)   |
| 4.6   | <b>Cash and cash equivalents at end of period</b> | <b>4,561</b>                       | <b>4,561</b>                                    |

| <b>5. Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances  | 348                                | 205                                 |
| 5.2 Call deposits  | 4,213                              | 5,036                               |
| 5.3 Bank overdrafts  |                                    |                                     |
| 5.4 Other (provide details)  |                                    |                                     |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>4,561</b>                       | <b>5,241</b>                        |

| <b>6. Payments to related parties of the entity and their associates</b>  | <b>Current quarter<br/>\$A'000</b> |
|---|------------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1   | 209                                |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2   |                                    |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i> |                                    |

Mr Beejay Kim retired as an Executive at the end of April 2022. The above amount of \$209,000 includes \$61,000 relating to accrued leave and other entitlements due under South Korean law. Mr Kim remains as a Non-Executive Director, receiving Director's fees consistent with other Non-Executive Directors.

The above amount also includes the executive salary of the newly appointed Managing Director from 9 May 2022.



## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

|   |   |  |
|---|---|--|
| <b>7. Financing facilities</b><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.<br/>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>   | <b>Total facility amount at quarter end<br/>\$A'000</b> | <b>Amount drawn at quarter end<br/>\$A'000</b> |
| 7.1 Loan facilities   |   |  |
| 7.2 Credit standby arrangements   |   |  |
| 7.3 Other (please specify)  |   |  |
| 7.4 <b>Total financing facilities</b>   |   |  |
| 7.5 <b>Unused financing facilities available at quarter end</b>   |   |  |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. |   |  |

|   |                |
|---|----------------|
| <b>8. Estimated cash available for future operating activities</b>  | <b>\$A'000</b> |
| 8.1 Net cash from / (used in) operating activities (item 1.9)   | (954)          |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))  | (18)           |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2)  | (972)          |
| 8.4 Cash and cash equivalents at quarter end (item 4.6)   | 4,561          |
| 8.5 Unused finance facilities available at quarter end (item 7.5)   | -              |
| 8.6 Total available funding (item 8.4 + item 8.5)   | 4,561          |
| 8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>   | 4.7            |
| <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> |                |
| 8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:   |                |
| 8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?   |                |
| Answer:   |                |
| 8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?              |                |
| Answer:   |                |

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....28 July 2022.....

Authorised by: .....The Board of Directors.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.