

December 2022 Quarterly Activities Report

Southern Gold Limited (ASX: SAU) (Southern Gold or the Company) is pleased to present its quarterly report for the period ended 31 December 2022 (the Quarter).

Key Highlights

- Progressing Deokon Au-Ag and Goseong Cu-Au-Ag projects towards drilling in Q1 2023.
- Land access and permitting is progressing well at both projects and will continue into February 2023 – this will determine drilling sequence.
- Detailed geologic mapping of drill target areas, drone aeromagnetic survey over 17km² and two soil sampling programs completed at Goseong. Results from the geophysical and soil programs will be reviewed and interpreted over January.
- Work to convert Goseong Exploration licence applications to granted status progressed well with one licence over the historic Daedok Mine area (Chung Mu 136) granted by South Korea's Mining Registration Office.
- Geophysical gravity survey conducted at Deokon Au-Ag project covering 30km², together with 3D modelling of historic workings to develop new targets for drilling.
- Mapping and sampling continued around historical mines at Dokcheon Au-Ag project with a soil sampling program conducted in December in the south of the project area. Results will be used to help advance Dokcheon to drill status.
- Fieldwork commenced over Rare Earth Element (REEs) and LCT Lithium target areas ahead of schedule in December following successful site visits to priority target areas in November defined by consultant group RSC.
- REE and LCT Li fieldwork continued until late December and will recommence in late February. SAU plans to lodge exploration licence applications over the most prospective REE and Li areas in early 2023.
- Heavily supported \$2M private placement to assist in funding for 2023 drilling and REE and Li exploration programs.

Gyeongsang Basin

Exploration at Goseong Cu-Au-Ag project continued over the quarter to advance the project to drill-ready status in early 2023. Korea Institute of Geology and Mining (KIGAM) completed a drone aeromagnetic survey covering 17km² in the NW region of the project in December, with results currently undergoing processing to assist in refining drill targets and to provide key structural and lithological information. A soil sampling program was completed over an area of extensive quartz-magnetite-pyrite stockwork veining outcropping over an area of 450m by 150m before going under cover.

Detailed prospect-scale geological mapping was completed at Goseong by consultant Nick Tate, including within the area covered by the drone magnetic survey which contains the historic Goseong, Won-Geum and 150M East and West mine and workings. Locations of previously reported workings and quartz veins have

subsequently been updated into a revised geological map (see ASX Release dated 28 November 2022).

This prospect-scale mapping has improved SAU's understanding of the extent and geometry of mined veins and potential location of mineralised shoots and has greatly assisted in targeting drill holes. Exposures at surface and in historical workings confirm reports of veins reaching maximum widths of up to 3m and typically between 0.5m and 1m. Clusters of large workings indicate multiple coherent shoots of mined veins extending 200-400m along strike within host structures that have extents >1km strike length.

Work to convert exploration licence applications to granted status progressed well during the quarter, with SAU granted one licence covering the historic Daedok Mine area (Chung Mu 136) on November 21 by South Korea's Mining Registration Office (MRO).

Jinan Basin

Exploration work to progress drill targeting at Deokon progressed during the quarter. A 3D geological model of historical mine workings and drilling was completed using Leapfrog software that highlighted structural trends for possible extensions to mined or mapped shoots. A geophysical gravity survey was completed covering ~30km² with the aim of delineating potential "blind" controlling and potentially mineralised structures for drill targeting. Results are presently undergoing post-processing in to assist structural interpretation and in refining planned drill targets at Deokon.

Haenam Basin

Exploration at Dokcheon Au-Ag project in the Haenam Basin continued with work focussing in the central-western portion of the project area locating historic mine workings and veins. A soil sampling program was completed in the southern portion of the project area in December that contains previously reported anomalous gold results and multiple-bladed to chalcedonic vein float and subcrop associated with silica-alunite altered rhyolite flow domes and historical clay mining pits. Assay results are expected in early February and will be used to help generate targets for drilling in 2023.

REE and LCT Lithium Exploration

After highly successful reconnaissance site visits in November, regional exploration at the priority REE and LCT Li target regions commenced in December ahead of the scheduled post-winter start date of February. This exploration will further validate and ground-truth areas prior to the winter weather pausing fieldwork until February.

SAU geologists and consultant Michael Gazley from international geology consulting group RSC completed reconnaissance site visits of priority REE and LCT Li target regions in November to assist in planning and prioritising fieldwork. These target regions were generated from a desktop prospectivity study completed in September by RSC, experts in critical minerals targeting and exploration. The study identified and ranked several targeted regions based on geology, geochemistry, geophysics, and proximity to known mineralisation and historical deposits. SAU plans to lodge exploration licence applications over the most prospective REE and Li areas in early 2023.

SAU also undertook site visits during the quarter at the historical Boam LCT Lithium Mine in Ulsan County, North Gyeongsang Province, the Hongcheon Fe-REE Carbonatite deposit in Gangwon-do Province, and the Chungju Fe REE deposit in North Chungcheong Province, all held under extraction or exploration licences by other parties. These visits improved SAU's insight into the geological setting and field characteristics of REE and Li deposits in South Korea to assist SAU in fieldwork and future targeting.

Project Generation Fieldwork

Project generation fieldwork continued during the quarter. Reconnaissance exploration was also conducted around the historical Palgong Au-Ag mine in the Jinan Basin, with two applications lodged over the area in December. Reconnaissance exploration was also conducted at our Gasado North and Aphae projects in the Haenam Basin during the quarter. Assay results from project generation work are currently being reviewed and interpreted over the winter months, and will be reported in the subsequent quarter.

Future Activity

Upcoming exploration for the next quarter will focus on commencing drilling at either Goseong or Deokon projects in late-February / early-March, depending upon progress of land access and permitting, which is progressing well by the SAU Community Relations Team.

Detailed exploration work will continue at key areas within our Dokcheon Au-Ag project to generate targets for drilling around Q4 FY23. Exploration will continue within our higher-priority projects within the Jinan, Haenam and Gyeongsang Basins for generation of new drill targets for FY24.

REE and LCT Li fieldwork will recommence in late-February while consultant group RSC continues to compile and process regional exploration data over winter for preparation for lodging of new exploration licence applications over the highest-ranked targets and the generation of new targets.

Tenure

The Company has increased its exploration licences under application to 128, covering an area of 358.69km² (prior quarter: 127 applications, covering an area 356.10 km²).

During the quarter one exploration licence, Chungmu at the Goseong Project, was granted.

The following tenements were 100% owned by the Company at 31 December 2022:

Tenement Info				Register Info		
Project Name	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
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
Goseong	충무	Chungmu	136	201414	Exploration	22/11/2022

Table 1: Granted SAU tenements

On the 27 October 2022, the Company held its Annual General Meeting (AGM). All resolutions were approved by shareholders by a significant margin. At the conclusion of the AGM, Mr Peter Bamford was appointed as Chair of the Board. Peter has been a Non-Executive Director of the Board since February 2018. Peter replaced Mr Greg Boulton, who retired after 14 years of service to the Company.

On 16 November 2022, Southern Gold announced a private placement totalling \$2M, for 86,956,523 new fully paid ordinary shares (Shares) in the Company at an issue price of 2.3 cents per share (the Placement). The Placement was heavily supported, with applications being scaled back. The Placement was managed by Prenzler Group, with participation by Southern Gold's two largest shareholders: Metal Tiger Plc and Ilwella Pty Ltd. The Placement was underwritten in equal proportion by Southern Gold's three largest shareholders Metal Tiger Plc, Ilwella Pty Ltd and PS Super Nominees Pty Ltd.

Tranche 1 of the Placement, comprising 53,332,120 Shares, was completed during the quarter for \$1.2M, as reported in the Quarterly Cash flow report. Tranche 2 of the Placement, comprising 33,624,403 Shares for \$0.8M, was approved by shareholders at a General Meeting held 12 January 2023.

Quarterly Cashflows

For the Quarter, the Company had total net cash outflows of \$0.1M, comprising:

- Net cash outflows from Operating and Investing activities of \$1.2M, which included outflows of \$0.7M related directly to exploration activities; and
- Net cash inflows from Financing activities of \$1.1M, relating to the capital raising noted above;

Southern Gold remains in a strong position as at 31 December 2022 with cash of A\$3.9M, together with a further \$0.8M received in January 2023 from tranche 2 of the Placement, and a mark to market valuation of \$4.8M for the 150 million shares held in LSE listed Bluebird Merchant Ventures Ltd.

Cash flows for the Quarter include related party payments of \$136,000, comprising Non-Executive Directors fees and remuneration for the Managing Director.


Authorised for release by the Board of Southern Gold Limited.


Further Information

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Southern Gold Limited: Company Profile

Southern Gold Ltd is a successful gold explorer listed on the Australian Securities Exchange (under ASX ticker "SAU"). Southern Gold owns 100% of a substantial portfolio of high-grade copper-gold-silver projects in South Korea that are largely greenfield epithermal gold-silver targets in the south 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")

31 DECEMBER 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(695)	(1,307)
	(b) development		
	(c) production		
	(d) staff costs	(164)	(326)
	(e) administration and corporate costs	(237)	(436)
1.3	Dividends received (see note 3)		
1.4	Interest received	8	12
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid		
1.7	Other revenue		
1.8	Other (short term lease payments)	(8)	(15)
1.9	Net cash from / (used in) operating activities	(1,097)	(2,073)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(74)	(79)
	(d) exploration & evaluation	(31)	(31)
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities (JV sale transaction costs)		
	(b) tenements		
	(c) property, plant and equipment	2	2
	(d) investments – sale of BMV shares	-	428
	(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)		
2.6	Net cash from / (used in) investing activities	(103)	320

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,227	1,227
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	(68)	(68)
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)	(19)	(38)
3.10	Net cash from / (used in) financing activities	1,140	1,121

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,977	4,561
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,097)	(2,073)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(103)	320
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,140	1,121

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	26	14
4.6	Cash and cash equivalents at end of period	3,943	3,943

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	744	621
5.2	Call deposits	3,199	3,356
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,943	3,977

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	136
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>		

The above amount at item 6.1 relates to Directors fees, including the executive salary of the Company's Managing Director.

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,097)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(31)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,128)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,943
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	3,943
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.5
<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:	

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

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:30 January 2023.....

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.