

March 2023 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 March 2023 (the Quarter).

Key Highlights

- A four-hole diamond drilling program for 800m commenced at Deokon Au-Ag project on 28 February. Drill targets include potential along strike extensions to the historical high-grade Deokon Main mine and Golden Surprise trend discovered in 2019 by SAU.
- As of the end of the Quarter, drilling is progressing well with the first hole for 187 metres completed at the Deokon Main Mine and the second drillhole underway. Logging and sampling are in progress, with assays for all drillholes are expected to be returned in late May.
- Planning is on track to commence drilling at the Goseong Cu-Au-Ag Project immediately after Deokon in late April depending on Deokon drill progress, with four new four exploration licenses granted in January..
- Mapping, soil and rock chip sampling was conducted at Dokcheon South area and Aphae, and together with on-going mapping targets are being developed for drill testing after Goseong.
- New exploration licence applications were lodged overly highly prospective geology adjacent to South Korea's only two known rare earth element (REE) deposits.
- SAU commenced REE exploration in early March on the application areas with the objective of drill testing targets before the end of calendar 2023.
- Work is progressing on LCT Lithium targets with preparations underway for lodging exploration licence applications over the most prospective regions.
- Positive discussions were held during the Quarter for planning of site visits with two companies interested in potential joint venture with SAU.

Jinan Basin

Diamond drilling commenced on February 28th at the Deokon Au-Ag project, with four holes for 800m designed to test extensions at the Deokon Main Mine and Golden Surprise Trend (see ASX Release 23rd February 2023). A geophysical gravity survey conducted by Korea Institute of Geoscience and Mineral Resources (KIGAM) was completed in the previous quarter and was used to assist in the design the drill program.

Two holes for 500m are targeted at the Main Deokon Mine which was mined between 1958 and 1980 with an indicated minimum production of 37,706 oz of gold and 2,358,045 oz of silver. Underground sampling has returned very high Au-Ag grades up to 59.3 g/t Au and 9,708 g/t Ag. The Main Mine reportedly comprises at least six sub-parallel quartz-sulphide veins, mined over a strike length of approximately 350 metres on nine production levels over some 240 vertical metres.

An additional two drillholes are planned for 300m at the Golden Surprise Trend that was discovered from surface exploration in 2019. Drilling of one of these drillholes is still subject to obtaining land access at the time of this report, with discussions progressing. This NNW mineralised trend is over 1km long and 50m-100m wide and includes the Thorn, Nettle, and Bonanza Zones. Surface sampling from limited exposure returned previously reported assay results up to 32.4 g/t Au and 1,095 g/t Ag from outcrop and 78.6g/t Au and 13,000g/t Ag from float.

As of the end of the Quarter, drilling at Deokon is progressing well with the first drillhole DKDD014 completed at the Deokon Main Mine, and the second drillhole DKDD015 underway. Variably altered and mineralised volcanics, with network veining and disseminated pyrite were encountered in the first hole. Logging and sampling are in progress with assays for the Deokon program anticipated to be released following completion of full QAQC procedures, in mid-late May.

Gyeongsang Basin

Activity at Goseong Cu-Au-Ag project the Quarter focussed on preparations for drilling, after drilling is completed at Deokon in mid-late April. Land access and permitting for planned drill holes are well advanced, with an announcement on key aspects of the drill program to be made in April before drilling commences.

Work to convert exploration licence applications to granted status progressed well during the Quarter, with SAU granted four licences covering the historic Goseong, Won Geum and area 150M mine areas (Samcheonpo 2,3,12 and 13) on January 2 by South Korea's Mining Registration Office (MRO).

Fieldwork was also carried at the Gampo Cu-Au project, including rock chip sampling and geological mapping with assays pending. Further exploration is planned for the following quarter.

Haenam Basin

Assay results from soil and rock chip sampling were returned from the Dokcheon Au-Ag project in March and are currently being evaluated, and together with additional geologic mapping in the southern and northern part of the project, will be used to generate targets for drill testing. Exploration was also carried out during the Quarter at the Aphae Au-Ag project, following a major geologic review of previous work conducted by SAU and development of new geologic interpretations. Field work included geologic mapping, soil and rock chip sampling, with new targets for drill testing, potentially after drilling at Goseong, currently being generated by the team.

REE and LCT Lithium Exploration

After further targeting work of higher-priority targets over winter and preliminary reconnaissance fieldwork, SAU submitted exploration licence applications over areas surrounding the two well-known and unmined REE deposits (see ASX release 8th March 2023).

The Chungju REE Project includes 25 exploration licence applications covering an area of 68.7 km² and is adjacent to the well-documented Eorae San REE deposit, a NE-SW striking, ~2 km long, faulted REE mineralised body held by a third party, which formed from an alkaline intrusion. Geological maps, produced by Korea Institute of Geoscience and Mineral Resources ("KIGAM") and georeferenced by SAU geologists, indicate the western extent of the Eorae San REE mineralisation extending into one of SAU's licence applications.

The Jangnam REE Project includes 53 exploration licence applications covering an area of 143.8 km², is adjacent to the unmined Hongcheon REE carbonatite deposit held by a third party. The Jangnam REE Project application areas are just ~1 km north and ~1.7 km west of the Hongcheon REE carbonatite and cover the crustal-scale Hongcheon Fault, and accordingly are highly prospective for further REE discoveries along strike. The Hongcheon REE mineralised carbonatite dykes have up to 19.75% TREO in a rock sample collected by KIGAM at the southern outcrop. Anomalous thorium (up to 160 counts per second) were returned in the project area from government 1986 geophysical survey: detailed historical KIGAM reports obtained by SAU are currently being interpreted to assist in further exploration planning.

Reconnaissance exploration across these two REE project areas commenced in early March with field support from RSC consulting group, and will continue into Q4. Exploration activity comprises stream sediment sampling, geological mapping and rock chip sampling. In addition, detailed historical KIGAM reports obtained by SAU are currently being interpreted to assist in further exploration planning.

Lithium exploration during the Quarter focussed on compiling data from a number of open file reports and published papers over high priority areas determined by the RSC targeting study in preparation for lodging licence applications.

Project Generation Fieldwork

Results were received from a remote sensing Hyperspectral study over the Haenam and Gyeongsang Basins based on the number of clay alteration systems in the region visited during fieldwork. A preliminary interpretation has selected at least 80 spectral anomalies which will be ranked and prioritised for follow up reconnaissance field work.

Future Activity

Positive discussions were held during the Quarter for planning of site visits with two companies interested in potential joint venture with SAU. These visits are anticipated to occur early next quarter.

Upcoming exploration for the next quarter will focus on completing drilling at Deokon and commencing drilling at Goseong Cu-Au project.

Land access permitting will progress at our Dokcheon Au-Ag and Aphae Au-Ag projects with drilling on either project planned to occur after Goseong drilling. Exploration will continue within our higher-priority projects within the Jinan, Haenam and Gyeongsang Basins for the generation of new drill targets for FY24.

REE fieldwork will continue through next quarter including continuation of stream sediment work together with mapping and sampling at Chungju and Janghwal projects. Exploration licence applications will be lodged over highest LCT ranked targets, with reconnaissance fieldwork planned with support from RSC technical experts.

Tenure

The Company has increased its exploration licences under application to 203, covering an area of 557.06 km² (prior quarter: 128 applications, covering an area 358.69km²).

During the Quarter four exploration licences (Samcheonpo 2, 3, 12 and 13) at the Goseong Project, were granted.

The following tenements were 100% owned by the Company at 31 March 2023:

	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
	삼천포	Samcheonpo	2	201422	Exploration	02/01/2030
	삼천포	Samcheonpo	3	201423	Exploration	02/01/2030
	삼천포	Samcheonpo	12	201424	Exploration	02/01/2030
	삼천포	Samcheonpo	13	201425	Exploration	02/01/2030

Table 1: Granted SAU tenements

Corporate

The Company completed the second tranche of its \$2M share placement, following shareholder approval at a general meeting held on 12 January 2023. The second tranche comprised the issue of 33,624,403 Shares at 2.3 cents per share, raising \$0.8M. Participants in the second tranche comprised three of Southern Gold's Directors and its two largest shareholders: Metal Tiger Plc and Ilwella Pty Ltd.

At the same general meeting, shareholders also approved the issue of 5 million performance rights to the Managing Director, Mr Robert Smillie. The performance rights are intended to incentivise and reward share price growth. As such, the number of performance rights that will convert to shares on 9 May 2024 will be determined by the Company's share price prior to that date. If the share price is below \$0.10, no performance rights will convert to shares. Further details are provided in the Notice of Meeting lodged with the ASX on 2 December 2022.

Quarterly Cashflows

For the Quarter, the Company had total net cash outflows of \$0.4M, comprising:

- Net cash outflows from Operating and Investing activities of \$1.1M, which included outflows of \$0.6M related directly to exploration activities; and
- Net cash inflows from Financing activities of \$0.7M, relating to the second tranche of the capital raising noted above;

Southern Gold remains in a strong position as at 31 March 2023 with cash of A\$3.6M, together with 150 million shares held in LSE listed Bluebird Merchant Ventures Ltd with a mark to market valuation of \$3.9M based on the LSE closing price of £0.014 per share as at 20 April 2023.

Cash flows for the Quarter include related party payments of \$103,000, 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 MARCH 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(422)	(1,729)
	(b) development		
	(c) production		
	(d) staff costs	(231)	(557)
	(e) administration and corporate costs	(262)	(698)
1.3	Dividends received (see note 3)		
1.4	Interest received	10	22
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid		
1.7	Other revenue	16	16
1.8	Other (short term lease payments)	(7)	(22)
1.9	Net cash from / (used in) operating activities	(896)	(2,969)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(8)	(87)
	(d) exploration & evaluation	(129)	(160)
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities (JV sale transaction costs)		
	(b) tenements		
	(c) property, plant and equipment	-	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	(137)	183

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	773	2,000
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	(75)	(143)
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)	(56)
3.10	Net cash from / (used in) financing activities	680	1,801

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,943	4,561
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(896)	(2,969)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(137)	183
4.4	Net cash from / (used in) financing activities (item 3.10 above)	680	1,801

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(5)	9
4.6	Cash and cash equivalents at end of period	3,585	3,585

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	176	744
5.2	Call deposits	3,409	3,199
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)	3,585	3,943

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	103
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)	(896)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(129)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,025)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,585
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	3,585
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:	

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:21 April 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.