

## Quarterly Activities Report Quarter Ended 31 March 2022

Southern Gold Limited (ASX: SAU) (Southern Gold or the Company) is pleased to release its Quarterly Activities Report and Appendix 5B Quarterly Cashflow report for the quarter ended 31 March 2022 (the Quarter).

### Key highlights

- **Project Generation fieldwork results in 44 new licence applications**, increasing exploration licences under application to 109, covering an area of 305.4 km<sup>2</sup>
- **SAU agrees to sell 50 million of its BMV shares for \$0.9 million, with the remaining 150 million shares valued at \$5.2 million**
- **BMV accessed a funding facility to progress activities towards commencement of mining in South Korea**
- **Total cash of A\$5.2 million at 31 March 2022**

### Progress with Project Generation fieldwork

During the Quarter, Southern Gold continued Project Generation activities on the ground in South Korea with the aim of substantially growing the South Korea exploration portfolio asset base and generating drill targets.

**Southern Gold's capability increased dramatically this reporting period. Scott Randall commenced work as Chief Geologist; Tosi Santosa commenced work as Data Base Geologist; Nick Tate commenced work as field consultant. Up to three teams at a time are now being deployed in the field, allowing more targets to be covered more effectively.**

Field work during the Quarter has generated 47 new licence applications representing two extensions to current prospects (Geoje Angsan and Dokcheon), and over five new prospects. Three applications have been withdrawn or allowed to lapse. This increases the Company's exploration licences under application to 109, covering an area of 305.4 km<sup>2</sup>, being a 68% increase in the area under application.

The identification of targets, ranking them for new licence applications and for detailed follow up exploration, is being driven primarily by the Company's expanding "on the ground" geologic understanding. This understanding includes the following important observations:

- The highest prospectivity targets are those with large alteration systems and mineralisation in associated structures or breccias;
- It is becoming more apparent that there is a very close association between epithermal systems and rhyolite and dacite flow dome complexes;
- The best intermediate and high sulphidation systems have large volumes of alunite alteration close to mineralised structures, often present as abandoned mines; and
- We are seeing a clear link between quartz feldspar porphyries and epithermal systems, one of which (Dokcheon West) has intense phyllic alteration and the other (Geoje Island Angsan) has

quartz-magnetite stockworks and molybdenite mineralisation.

The close association between large clay-alunite alteration zones and epithermal mineralisation systems suggests that hyperspectral satellite image analysis will be a very effective targeting tool to locate areas of alteration that have not yet been mined.

A summary of field work observations in the Quarter are provided below, followed by a map of Southern Gold's granted licences and applications (Figure 1).

### Haenam Basin

Reconnaissance exploration commenced in the Haenam Basin in March, the start of our post-winter field campaign which will run through until June-July.

Over 80 additional targets have been added to the 85 targets initially compiled, with staff using Naver satellite imagery and their increasing understanding of key geologic features, historical mines, and topography.

The Haenam reconnaissance work is expected to be largely completed by early June, with more detailed exploration commencing in parallel through to July, including mapping, soil / clay / rock chip sampling.

With 35% of the targets field checked, 32 new applications have been made in the Quarter representing four new prospects and one extension to an existing project. Additionally, a follow-up traversing and sampling program was also conducted at the existing Daeam prospect. These six prospects are detailed further below.

#### i. Dokcheon - West Extension

This area contains a substantial abandoned alunite mine and was identified from a satellite image as a ridge with rocky white outcrops. Intense advanced argillic alteration comprising alunite, clay, silica and pyrite has destroyed most of the original breccia and porphyritic texture. The area of strong alunite alteration is at least 400m long and 200m wide in a Northwest direction. There are irregular zones of crackle breccia and very fine-grained pyrite infill and alteration. A large boulder float with gossan after coarse sulphide infill was also found.

The alteration assemblage and abundance of sulphide indicates that this area represents a high-Sulphidation epithermal system exposed at moderate depth. This contrasts with the adjacent Dokcheon low-sulphidation epithermal vein system 700m to the Northwest (drilled in 2020) which is likely exposed at a shallower level. The difference in style between the adjacent systems may suggest large variations in fluid conditions throughout the system, much like the Eunsan-Moisan systems, and which may reflect proximity to a magmatic fluid conduit, and good potential for high grade veins and structurally controlled breccias. With this new extension, Dokcheon is shaping up to be one of Southern Gold's higher priority projects.

Six new exploration licence applications have been lodged.

ii. **Jaeundo Island West**

At the southwest side of the Island a dacitic flow dome complex was identified hosting chalcodonic quartz veins with strong clay-silica-pyrite alteration that extend 10's of metres into the host rock. Veins are up to 15cm thick and occur in parallel swarms. Quartz textures are largely chalcedonic with rare examples of colloform indicating exposure at a high level (preserved system). The extent of the system is as yet unknown, but has been identified along strike for several hundred metres.

Four new exploration licence applications have been lodged.

iii. **Jaeundo Island East**

At the northeast side of the island numerous flow-banded dacite porphyry dykes with clay-silica-pyrite alteration intrude dacitic lithic tuffs with propylitic alteration. An area of dacitic volcanics on the northern margin of the island has strong hornfels development cut by pyrite veinlets with clay alteration haloes. A few fractures with clay alteration contain small amounts of rhodochrosite, a positive indication of intermediate to high-sulphidation epithermal gold-silver systems.

Eleven new exploration licence applications have been lodged.

iv. **Maebong**

On the northeast side of Jindo Island a cluster of prominent white outcrops identified on Naver comprise silica-clay-pyrite altered brecciated rhyolite. Referred to as "The Big Breccia" it appears to be a planar body about 100m thick with a steep dip. It is cross-cut by ultra-fine comb-textured quartz cement and thick coatings of manganese oxides and boxworks after 2-5% pyrite. Botryoidal manganese oxide infill overgrown by fine quartz may be after rhodochrosite. Breccia clasts are all angular and about 1m in diameter. A few clasts are vuggy silica due to leaching of clay altered feldspar crystals. The system has a lot of sulphur and has potential for gold-silver breccia and vein style deposits.

Eight new exploration licence applications have been lodged.

v. **Bongsu**

Bongsu is a historical gold occurrence that sits immediately north of Mokpo City. Reconnaissance noted extensive sheeting to stockwork veins along a long section of beach coastline. Veining was typically chalcedonic to cherty with some boxworked zones. The veining was hosted in a flow banded rhyolite with minor flow breccias; a common host rock to mineralisation in South Korea. Limited reconnaissance in the area highlighted potential further alteration associated spatially with flow dome.

Three new exploration licence applications have been lodged.

vi. **Daeam**

A follow-up traversing and sampling program was conducted at Daeam for the purpose of extending the Au mineralised Daeam vein corridor which was verified in reconnaissance work undertaken in 2020 and in the 2021 soil programme. The reconnaissance program successfully defined mineralised float and an outcropping vein system extending 1.5km further north from that previously discovered in 2020, increasing the potential total strike extent of Daeam vein corridor by 1.2km to 3km.

The Company has an existing application over this area.

## Gyeongsang South Basin

### Angsan Prospect (Geoje Island)

Field work within the Company's Angsan Licence Applications at Geoje Island was conducted around the Geoje mine vicinity, and along strike to the Northeast on Chilcheon Island. Reconnaissance field work on the island identified three new areas of interest – Gajo, Gwangri and the Samgeo mine area.

In field observations included associated stockwork and sheeted parallel vein sets outcrop in altered host metasediments over at least 400 metres. Molybdenite was observed in several veinlets on vein walls. Breccia zones up to 1 m wide cut the porphyry and have infill of biotite, magnetite and pyrite, cut by comb-textured veins with chalcopyrite. This style of mineralisation has the potential for large volume stockwork Mo-Au deposits.

One new exploration licence application has been lodged.

## Yeongdong Basin

### Sangju Prospect

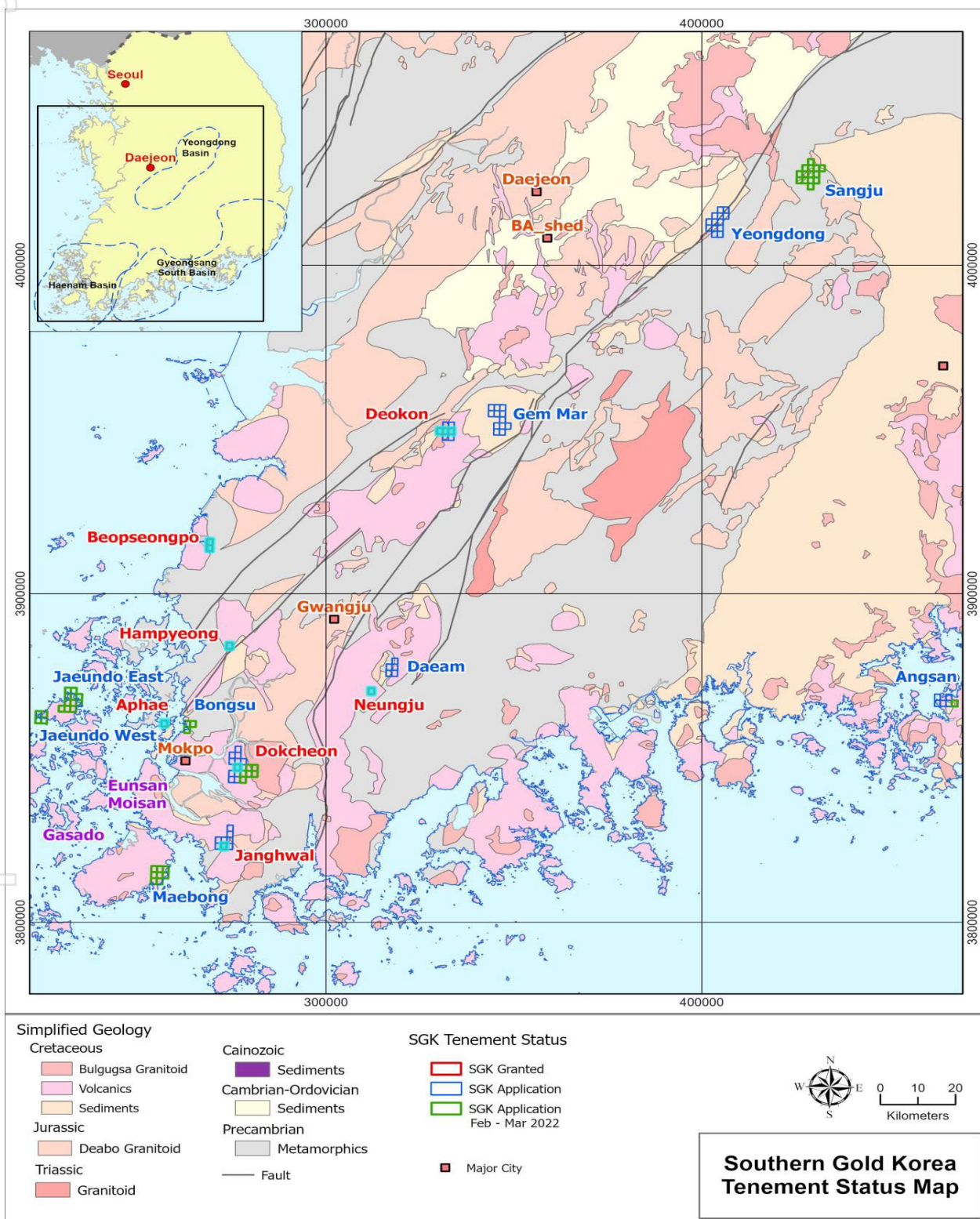
The Sangju prospect covers a cluster of over 20 historical gold mines over the historic Sangju Goldfield within the Yeongdong Basin, 75km east of Daejeon.

This prospect is not part of our targeting program, but rather is an opportunistic application given its proximity to Daejeon, and although not our main target type of epithermal gold, has potential to add value to our overall exploration portfolio as a secondary, lower-priority prospect. At the abandoned Daerae Gold mine, mineralisation occurs in quartz veins in granodiorite, mapped by KIGAM as gneiss, but is clearly igneous due to the presence of orbicules. It is cut by pegmatites and aplites. Clots of magnetic pyrrhotite occur in quartz veins together with patches of sphalerite, galena and chalcopyrite. Alteration immediately adjacent to veins is strong phyllic.

The host rock, vein style, quartz textures and sulphide assemblage and alteration are typical of plutonic level mesothermal vein gold deposits. However, given the rarity of large shoots in these kinds of systems and the cost of exploring them, this project is secondary to the epithermal systems we are pursuing.

Fourteen new exploration licence applications have been lodged.

Figure 1: Southern Gold granted licences and applications at 31 March 2022.





## Tenure

During the Quarter, one exploration licence expired in Aphae project area (block ID 109, register number 200996) and was not renewed based on 2021 drill results. There were no other changes in exploration licences held during the Quarter. The following tenements were 100% owned by the Company at 31 March 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

The Company has increased its exploration licences under application to 109, covering an area of 305.4 km<sup>2</sup> (prior quarter: 65 applications with an area of 181.6 km<sup>2</sup>).

## 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. The exploration program has progressed well despite very high Covid cases in South Korea, in excess of 700,000 a day in March, with staff taking maximum precautions including regular RAT tests.

## Corporate

Southern Gold currently holds 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 SAU ASX announcement 19 April 2022), relating to a funding package to accelerate the move to gold production, with the highlights being:

- Comprehensive funding package secured to enable BMV to advance to gold production in 2022;
- BMV Board of Directors demonstrate commitment through agreeing to 12 months lock-in on their respective shareholdings;
- Existing BMV debt refinanced on attractive terms; and
- Search for a UK based Executive who will be responsible for promoting the Company who will be responsible for promoting BMV and engaging with shareholders as the Company progresses to production.

To assist in achieving the funding package, Southern Gold have agreed to sell 50 million BMV shares at £0.01 per share, for total consideration of £500,000 or approximately \$880,000. Southern Gold has also agreed to a 12-month standstill clause on its remaining 150 million BMV shares. The remaining 150 million BMV shares represents to 23.6% of BMV's issued capital and has a mark to market valuation of \$5.2 million based on the closing price of BMV shares on the LSE of £0.0195 on 28 April 2022.

Southern Gold is in a strong position with cash of A\$5.2 million, together with the \$0.9 million receivable from the sale of BMV shares and a mark to market valuation of \$5.2 million for the remaining BMV shares (assuming the option for the second 25 million is exercised). Additionally, the Company has a "drill for equity" arrangement with Ausino Drilling Services to the value of US\$1.1 million (approx. A\$1.5 million).

### Quarterly Cashflows

For the Quarter, the Company had:

- Net cash outflows from Operating and Investing activities of \$0.9 million, which included \$0.5 million of exploration expenditure;
- Net cash outflows from Financing activities of \$0.02 million, comprising leasing costs;
- Providing total cash outflow of \$0.9 million, and an ending cash balance of \$5.2 million.

Cash flows for the Quarter include related party payments of \$0.12 million being Directors fees and remuneration for the one Executive Director.

Authorised for release by the Board of Southern Gold Limited.

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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 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.*

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## 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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(478)	(1,019)
(b) development		
(c) production		
(d) staff costs	(205)	(863)
(e) administration and corporate costs	(152)	(574)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid		
1.7 Other revenue	1	4
1.8 Other (short term lease payments)	(6)	(17)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(839)</b>	<b>(2,470)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(20)	(32)
(d) exploration & evaluation	-	(192)
(e) investments		
(f) other non-current assets		

## 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
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments – JV disposal transaction costs	-	(2)
	(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	<b>Net cash from / (used in) investing activities</b>	<b>(20)</b>	<b>(226)</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)	(17)	(52)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(17)</b>	<b>(52)</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	6,124	7,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(839)	(2,470)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(226)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(17)	(52)

## 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	(7)	(10)
4.6	Cash and cash equivalents at end of period	5,241	5,241

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	205	278
5.2	Call deposits	5,036	5,846
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)	5,241	6,124

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	124
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
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.		

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

7.	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$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.		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(839)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(839)
8.4	Cash and cash equivalents at quarter end (item 4.6)	5,241
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	5,241
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	6.2
<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: .....29 April 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.