

**SOUTHERN CROSS EXPLORATION N.L.**  
**CURRENT AS AT 28 SEPTEMBER 2018**  
**CORPORATE GOVERNANCE STATEMENT**

The Company has a website, on which relevant information regarding the Company and its operations can be seen ([www.sxxgroup.com](http://www.sxxgroup.com)). The website includes a link to the ASX website ([www.asx.com.au](http://www.asx.com.au)).

**1. Lay solid foundations for Board and Management**

The Board of Directors has the over-all responsibility for the management and governance of the Company. The Board sets and implements the objectives and strategy of the Company. The Executive Director, Company Secretary and consultants carry out these tasks in addition to the general administration of the Company's operations.

The Board reviews the operational and financial performance of the Company. The Board has not delegated authority, rather it is actively involved in all operations of the Company and monitors and manages business risk, and ensures adherence to appropriate ethical standards.

**2. Structure of the Board**

The Board is comprised of three directors - Mr Stephen Baghdadi, (Executive Director) Mr Craig Coleman (non-Executive Director and Chairman). Mr Andrew Phillips (non-Executive Director) and Mr John Smith (Company Secretary).

The small size of the Board is reflective of the needs of the Company to maintain tight control on cost. The size and composition of the Board is regularly reviewed to ensure it remains capable of achieving the Company's strategies plans and is able to administer its affairs efficiently.

It has not been considered necessary to establish a nomination committee due to the size of the Company. No special policy has been found necessary in respect of the appointment or retirement of non-executive Directors, apart from the provisions of the Company's Constitution.

There is a policy in place to enable Directors to seek independent professional advice at the Company's expense. The policy provides for a Director who seeks independent advice to submit a request for the payment of costs with the request being considered by the Board on a case by case basis.

Due to the size of the Company, the Board has not established a committee to evaluate the performance of Directors and has not adopted formal performance enhancement evaluation procedures.

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**3. Promote ethical and responsible decision-making**

The Company, its officers, consultants and representatives are obliged to maintain the highest ethical standards in all their dealings and negotiations.

**Share Trading Policy**

The Company has issued a policy guideline concerning trading in Company securities by Directors, officers and consultants which imposes certain restrictions on trading and which, inter alia, requires the person to pose the question: "Is it right to deal at this stage?" A code of conduct as recommended in best practice recommendations 3.1 has not been formally established as the Board consistently ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company, its shareholders and stakeholders for their conduct.

**Approach to Diversity**

Due to the size of the Company, the Board has not established a formal diversity policy. However, the Board does support gender diversity and will continue to review and disclose the inclusion of a diversity policy when applicable.

**4. Safeguard integrity in financial reporting**

Auditors of the Company may be nominated by shareholders. Due to its size, the Board has not established an audit committee, with all directors being involved in performing the functions of an audit committee and reviewing the adequacy of existing audit arrangements.

**5. Make timely and balanced disclosure**

The Board, through its continuous disclosure policy and the holding of General Meetings, where shareholders are encouraged to participate, seeks to keep shareholders fully informed of significant developments in an efficient and timely manner. The Company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules.

The Board has established policies and procedures to ensure compliance with ASX Listing Rules disclosure requirements and accountability. The Board believes that the formalisation of these policies and procedures in a written form per best practice recommendation 5.1 is not necessary as the Board is satisfied that all Board members are aware of the importance of making timely and balanced disclosure.

The Chairman and/or the Company Secretary have been nominated as the persons responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX and the public.

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**6. Respect the rights of shareholders**

The Board encourages the participation of shareholders at General Meetings to ensure a sound rapport between shareholders and the Company. The Board asks the Auditor to attend General Meetings. On request, information is made available to shareholders.

**7. Recognise and manage risk**

Exploration for oil and gas and other minerals and metals can be viewed as high risk/high reward speculative activity. The Directors' collective experience and knowledge are relied upon in managing significant risks in such a way as to ensure that no single project or investment would jeopardise the Company's viability. The Board examines projects and investments and assesses them on a risk/reward basis. Specific areas of risk are identified in view of the inherently risky exploration industry and depending on the sovereign risk of any specific country in which the Company may be operating.

The Executive Director and the Chief Financial Officer provide the declarations recommended in best practice recommendation 4.1 regarding the Company's financial reports and confirm that they are founded on a sound system of risk management. Relative to its operations and size, the Board has not established a risk management committee but believes that the Company has adequately identified potential business risks and continues to operate effectively in material respects in relation to financial reporting risks.

**Business Risk**

The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies. Specific areas of risk that are identified are regularly considered at Board meetings. Included in these areas are performance of activities, continuous disclosure obligations, asset protection and financial exposures.

**8. Remunerate fairly and responsibly**

Due to the size of the Company, it has not been considered necessary to establish a Remuneration Committee. The Board is comprised of two non-executive Directors and one executive Director. The Board is responsible for determining and reviewing the remuneration of Directors, within parameters approved by shareholders, and of executives and consultants when such are appointed.

The current remuneration of \$2,500 per month for each of the non-executive Directors is below the aggregate amount of \$150,000 per annum which was approved by shareholders. Remuneration of executives and consultants, when appointed, is determined by market conditions. No equity based payments or other benefits were paid to Directors or consultants during the year.