

SOUTHERN CROSS EXPLORATION NL

HALF-YEAR REPORT

For the period ended

31 December 2018



SOUTHERN CROSS EXPLORATION NL

A.B.N. 70 000 716 012

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Your Directors present their Report on the consolidated entity (“the Group”), which consists of Southern Cross Exploration NL (“the Company”) and the entities it controlled for the half-year ended 31 December 2018.

1. REVIEW AND RESULTS OF OPERATIONS

Announcements made by the Company to the Australian Stock Exchange (ASX) during the period, providing information on the Company's activities, are accessible on the Company's website: www.sxxgroup.com and also via the ASX website, at www.asx.com.au.

The Company's operations during the half-year ended 31 December 2018 were principally examining possible participation in a number of new projects and maintaining and reviewing the group's gold and mineral exploration projects and investments.

On 24 September 2018, the Company announced that it had completed the disposal of its shareholding in Wailoaloa Developments Ltd. The net profit from the sale was \$6,547,056 (refer to note 17 of the notes to the accounts).

The total comprehensive profit for the period was \$4,601,193 (2017: loss of \$1,181,000) and operating profit was \$4,601,193 (2017: loss of \$1,181,000).

2. DATELINE RESOURCES LIMITED (ASX: DTR)– 33.1%

As previously disclosed, the company has made loans to DTR and is DTR's largest shareholder.

The assets acquired by DTR include ~1700+ acres of freehold land, an operating and fully commissioned mill. The assets have been independently valued at USD14.4 million.

SXX is committed to its investment in Dateline Resources Limited and believes there is considerable value to be unlocked from DTR's future development of the Gold Links project in Colorado.

On November 30, 2018, Dateline announced a 10 for 1 renounceable rights issue at \$0.002 per share to raise approximately \$14,500,000. The funds raised will be used to retire debt and fund the development of the Gold Links project. SXX has undertaken to subscribe to its full entitlement in the issue and a further update will be provided once the issue is closed.

3. URANIUM

2.1 NORTHERN TERRITORY - BIGRLYI URANIUM JOINT VENTURE

Energy Metals Limited (ASX : EME) holds 72.39% and is the Operator.

EME is controlled by China General Nuclear Power Holding Company (CGNPC), which is one of the two largest nuclear power generating companies in China. It is a multi-billion dollar company which currently has 8 operating nuclear power plants, with a further 14 under construction.

The Company's investment in the Bigrlyi Uranium Joint Venture was written down to \$0 as at 31 December 2016, based upon the Director's best estimate of the joint venture and the likelihood of generating future revenues.

For detailed information on the Bigrlyi project, log onto the website of EME at www.energymetals.net.

SOUTHERN CROSS EXPLORATION NL (Directors Report Continued)

6. DIRECTORS.

The names of the Directors who have been Directors at any time during or since the end of the half-year are:

	<u>Director since</u>
Stephen Baghdadi	February 2013
Andrew Phillips	August 2013
Craig Coleman	February 2014

7. SIGNIFICANT MATTERS AFTER BALANCE DATE

On 31 January 2019, SXX took up its full entitlement in the renounceable rights issue of SXX's associate Dateline Resources Limited ("DTR"). This was paid for by converting \$4,800,300 of debt owed by DTR to SXX. This increased SXX's shareholding in DTR to 60.3%, however on 14 March 2019, DTR announced that 90.2% of the rights issue shortfall had been allotted which reduced SXX's shareholding in DTR to 34.6%.

8. AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 3.

Signed in accordance with a resolution of the Directors.

DATED at Sydney this 15th day of March 2019.



S Baghdadi
Director

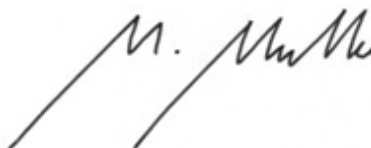
Auditor's Independence Declaration

To the directors of Southern Cross Exploration NL:

As lead auditor for the review of the financial report of Southern Cross Exploration NL for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Southern Cross Exploration NL and the entities it controlled during the period.



Sydney, NSW
15 March 2019

M D Muller
Partner

SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	<u>Note</u>	Consolidated 31 December 2018 \$	31 December 2017 \$
Revenue from continuing operations	2	543,001	30,399
Profit on sale of investment in Wailoaloa Developments Ltd	17	6,547,056	-
Bonus to Director on sale of Wailoaloa Developments Ltd	3	(1,488,762)	-
Share of profit/(loss) of associate	9	718,845	(632,934)
Administration expenses		(716,221)	(433,365)
Depreciation		(1,215)	(4,939)
Finance Costs		(127,016)	(83,333)
Occupancy Costs		(66,833)	(56,828)
Impairment of investment in JV	7	<u>(23,367)</u>	<u>-</u>
Profit/(Loss) from continuing operations before income tax		5,385,488	(1,181,000)
Income tax expense	4	<u>(784,295)</u>	<u>-</u>
Profit/(Loss) from continuing operations after income tax		4,601,193	(1,181,000)
Other comprehensive income:			
Items that may be classified to profit or loss		-	-
Total comprehensive Income/(Loss) for the period		<u><u>4,601,193</u></u>	<u><u>(1,181,000)</u></u>
Basic and diluted Earnings/(Loss) per share	14	\$0.0043	(\$0.0011)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income
should be read in conjunction with the accompanying Notes.

**SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES**

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018**

	<u>Note</u>	Consolidated 31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		389,767	327,491
Available for sale financial assets	5	126,449	2,227
Receivables	6	<u>234,342</u>	<u>3,912,061</u>
TOTAL CURRENT ASSETS		<u>750,558</u>	<u>4,241,779</u>
NON-CURRENT ASSETS			
Receivables	6	5,452,652	-
Investment in Joint Venture	7	-	-
Available for sale financial assets	8	4,854	4,854
Investments accounted for using the Equity Method	9	233,914	868,252
Plant and Equipment		<u>15,624</u>	<u>22,294</u>
TOTAL NON-CURRENT ASSETS		<u>5,707,044</u>	<u>895,400</u>
TOTAL ASSETS		<u>6,457,602</u>	<u>5,137,179</u>
CURRENT LIABILITIES			
Trade and other payables	10	722,661	1,177,794
Financial liabilities	11	<u>1,105,863</u>	<u>3,931,500</u>
TOTAL CURRENT LIABILITIES		<u>1,828,524</u>	<u>5,109,294</u>
TOTAL LIABILITIES		<u>1,828,524</u>	<u>5,109,294</u>
NET ASSETS		<u>4,629,078</u>	<u>27,885</u>
EQUITY			
Share capital	12	22,863,391	22,863,391
Accumulated losses	13	<u>(18,234,313)</u>	<u>(22,835,506)</u>
TOTAL EQUITY		<u>4,629,078</u>	<u>27,885</u>

The Consolidated Balance Sheet
should be read in conjunction with the accompanying Notes

**SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Share Capital \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2018	22,863,391	(22,835,506)	27,885
Net Profit for the period	-	4,601,193	4,601,193
Other comprehensive income	-	-	-
Total comprehensive income / (loss)	-	4,601,193	4,601,193
Balance as at 31 December 2018	22,863,391	(18,234,313)	4,629,078
Balance as at 1 July 2017	22,863,391	(21,329,840)	1,533,551
Net Loss for the period	-	(1,181,000)	(1,181,000)
Other comprehensive income	-	-	-
Total comprehensive income / (loss)	-	(1,181,000)	(1,181,000)
Balance as at 31 December 2017	22,863,391	(22,510,840)	352,551

The Consolidated Statement of Changes in Equity
should be read in conjunction with the accompanying Notes

**SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Consolidated	
	31 December	31 December
	2018	2017
	\$	\$
Cash flows from Operating Activities		
Interest received	-	4,346
Interest paid	(324,623)	-
Other operating payments	(2,754,706)	(799,287)
	<u>(3,079,329)</u>	<u>(794,941)</u>
Net cash flows used in Operating Activities		
Cash flows from Investing Activities		
Payment for available for sale financial assets	(196,395)	(11,055)
Loan advance to associate	(1,149,000)	(260,193)
Proceeds from sale of investments	7,127,920	675,136
Payment for fixed assets	(12,890)	-
Payment for investment in associate	-	(1,600,100)
	<u>5,769,635</u>	<u>(1,196,212)</u>
Net cash flows from/(used in) in Investing Activities		
Cash flows from Financing Activities		
Proceeds from borrowings	1,050,000	2,000,000
Repayment of loans	(3,678,030)	-
	<u>(2,628,030)</u>	<u>2,000,000</u>
Net cash flows from financing activities		
Net (decrease)/increase in cash held	62,276	8,847
Cash at the beginning of the period	<u>327,491</u>	<u>233,814</u>
Cash at the end of the period	<u><u>389,767</u></u>	<u><u>242,661</u></u>

The Consolidated Statement of Cash Flows
should be read in conjunction with the accompanying Notes.

SOUTHERN CROSS EXPLORATION NL AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1. Basis of preparation

This half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*, Australian Accounting Standards (including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board) and the *Corporations Act 2001*.

The interim report does not include full disclosures of the type normally included in an annual financial report. It should be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made during the half-year reporting period in accordance with the continuous disclosure obligations of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement and AASB 15 Revenue from Contracts with Customers replaces AASB 119 Revenue and AASB 111 Construction Contracts. These new standards are effective for the Company from 1 July 2018. The Company has performed an assessment and concluded that no transitional adjustments were required as a result of complying with the new requirements.

There are no other new accounting standards and interpretations that have been published and have been early adopted for the 31 December 2018 reporting period that are material to the financial statements

1.2. Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

During the period, the consolidated entity earned a total comprehensive income of \$4,601,193 (2017: \$1,181,000 loss) a net cash inflow of \$62,276 (2017: \$8,847) and net cash outflow from operations of \$3,079,329 (2017: \$794,941). As at 31 December 2018, the consolidated entity also had net deficit working capital of \$1,077,966 (2017: \$1,641,586) and cash assets of \$389,767 (2017: \$242,661).

As detailed in note 18, on 31 January 2019 loans receivable from DTR were reduced by \$4,800,300 as a result of SXX taking up its full entitlement in the renounceable rights issue. This reduced working capital by \$4,800,300.

The ability of the consolidated group to continue as a going concern is dependent upon the group being able to generate sufficient funds to satisfy working capital requirements and to repay loans. Discussions with the lender are advanced and the Directors are confident that the loan will be rolled over for at least a further 2 years under the same terms and conditions of the loan. The directors are in the process of taking the following measures which have been designed to ensure that the going concern assumption remains appropriate and that the group is able to settle liabilities and commitments as and when they are due:

- Seeking other funding opportunities through various transactions including future fundraising including mergers or joint ventures;
- By issuing equity to settle future liabilities, if appropriate;
- Adopting all appropriate measures to ensure that the cashflows remain sufficient to ensure that it remains a going concern;
- Deferral of loans due as noted above; and
- Realise investments as and when required.

The directors believe that the going concern basis for the preparation of the financial report of the Group is appropriate. The Directors note that should the Group be unsuccessful in implementing the above mentioned measures, there is material uncertainty the Group may be able to realise its assets or discharge its liabilities in the normal ordinary course of business and at the amounts stated in the financials report.

Accordingly, there is a material uncertainty that may cast doubt on the Group's ability to continue as a going concern. No adjustment have been made in relation to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern

**SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES**

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
NOTE REVENUE		
2		
Interest revenue	835	4,346
Realised Gain on listed investments	-	26,053
Interest revenue-related party (note 6)	278,855	-
Other revenue - related party (note 6)	263,311	-
	<u>543,001</u>	<u>30,399</u>
Other revenue - related party relates to reimbursement of expenses incurred by the Group on behalf of Dateline Resources Limited.		

NOTE BONUS TO DIRECTOR ON SALE OF WAILOALOA DEVELOPMENTS

3		
Bonus payable	<u>1,488,762</u>	<u>-</u>
Following the receipt of the proceeds from the sale of the Group's interests in Wailoaloa Developments Limited, a bonus of \$1,488,762 was payable to Executive Director Mr Stephen Baghdadi as all conditions of the bonus had been met.		

NOTE INCOME TAX EXPENSE

4		
Capital Gains Tax	<u>784,295</u>	<u>-</u>
An expense incurred upon the disposal of the Group's interests in Wailoaloa developments was an assessment of Capital Gains Tax by the Fijian Taxation Authority. This amounted to \$784,295.		

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$

NOTE AVAILABLE FOR SALE FINANCIAL ASSETS

5 CURRENT		
Listed securities (Level 1)	<u>126,449</u>	<u>2,227</u>

NOTE RECEIVABLES

6 CURRENT		
Debtors and loans- related parties	-	3,747,509
Debtors and other receivables	29,142	98,077
Goods and Services Tax	205,200	66,475
	<u>234,342</u>	<u>3,912,061</u>
6 NON-CURRENT		
Debtors and loans- related parties	<u>5,452,652</u>	<u>-</u>
	<u>5,452,652</u>	<u>-</u>

The amount owed by Dateline Resources Limited of \$5,452,652 is made up of:

- \$1,607,830 (June 2018 \$1,330,541) which are expenses paid by the Company for and on behalf of. Dateline Resources Limited. This amount is unsecured and interest free.
- \$3,844,822 (June 2018 \$2,416,967) which represents unsecured loans including interest. Refer to the table on the following page for details of loans made which are unsecured and repayable on demand. Interest of \$278,855 (Dec 2017, \$NIL) was charged on the loan during the period.

As detailed in note 19, \$4,800,300 of these receivables were converted into shares of Dateline Resources Limited on 31 January 2019.

All other debtors are unsecured and non-interest bearing. The balance of the amounts in debtors is expected to be received according to commercial arrangements.

**SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES**

Loans to Dateline Resources Limited as at 31.12.18				Interest Rate		
Date of Advance	Principal	Loan Charges	Repayment Amount	Up to 04.05.18	From 04.05.18	Line Fee
15.12.17	\$250,000	\$44,072	\$294,072	7.00%	15.06%	5.00%
15.01.18	\$1,100,000	\$197,230	\$1,297,230	10.00%	15.06%	5.00%
16.03.18	\$364,000	\$59,282	\$423,282	10.00%	15.06%	5.00%
13.04.18	\$214,000	\$33,211	\$247,211	10.00%	15.06%	5.00%
29.05.18	\$95,000	\$13,217	\$108,217	N/A	15.06%	5.00%
12.06.18	\$100,000	\$13,335	\$113,335	N/A	15.06%	5.00%
22.06.18	\$90,000	\$11,630	\$101,630	N/A	15.06%	5.00%
03.07.18	\$100,000	\$12,468	\$112,468	N/A	15.06%	5.00%
04.07.18	\$90,000	\$11,184	\$101,184	N/A	15.06%	5.00%
05.07.18	\$60,000	\$7,431	\$67,431	N/A	15.06%	5.00%
06.08.18	\$25,000	\$2,766	\$27,766	N/A	15.06%	5.00%
13.08.18	\$90,000	\$9,699	\$99,699	N/A	15.06%	5.00%
14.08.18	\$70,000	\$7,515	\$77,515	N/A	15.06%	5.00%
15.08.18	\$40,000	\$4,278	\$44,278	N/A	15.06%	5.00%
18.09.18	\$100,000	\$9,291	\$109,291	N/A	15.06%	5.00%
19.09.18	\$100,000	\$9,250	\$109,250	N/A	15.06%	5.00%
24.09.18	\$50,000	\$4,522	\$54,522	N/A	15.06%	5.00%
10.10.18	\$99,000	\$8,300	\$107,300	N/A	15.06%	5.00%
12.10.18	\$95,000	\$7,886	\$102,886	N/A	15.06%	5.00%
29.10.18	\$50,000	\$3,800	\$53,800	N/A	15.06%	5.00%
14.11.18	\$100,000	\$6,939	\$106,939	N/A	15.06%	5.00%
15.11.18	\$80,000	\$5,516	\$85,516	N/A	15.06%	5.00%
TOTAL	\$3,362,000	\$482,822	\$3,844,822			

Consolidated	
31 December 2018	30 June 2018
\$	\$

NOTE INVESTMENT IN JOINT VENTURE

7 NON-CURRENT

Bigirlyi Joint Venture - at cost	1,965,386	1,942,019
Bigirlyi Joint Venture - impairment provision (Note 3)	(1,965,386)	(1,942,019)
	<u>-</u>	<u>-</u>

Southern Cross Exploration NL has a 5% interest in the Bigirlyi uranium project located in the Ngalia Basin in the Northern Territory. As the Company does not have joint control, it accounts for its interest in the Joint Venture as an investor at fair value. During the year ended June 30, 2017 the Directors decided to fully impair this investment.

**SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES**

Consolidated
31 December **30 June**
2018 **2018**
\$ **\$**

NOTE AVAILABLE FOR SALE FINANCIAL ASSETS

8 NON-CURRENT

Listed securities (Level 1)	4,854	4,854
	<u>4,854</u>	<u>4,854</u>

NOTE INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

9 NON-CURRENT

Set out below are the associates of the group at 31 December 2018

Associate	Country of Incorporation	Place of Business	Nature of Relationship	Ownership Interest
Dateline Resources Ltd (ASX : DTR)	Australia	Australia	Associate	33.1%
The quoted fair market value of the Group's investment in DTR at 31 December 2018 is \$720,045.				
No dividend has been received from DTR for the period ended 31 December 2018.				
The Group shares in no contingent liabilities of DTR.				

(a) Movement in Carrying Value

	WDL	DTR	Consolidated Group 31 December 2018	30 June 2018
	\$	\$	\$	\$
Carrying value at the beginning of the period	-	868,252	868,252	922,978
Investment during the period	-	-	-	1,600,100
Share of profit/(loss) after income tax	1,353,183	(634,338)	718,845	(1,485,033)
Value of investment on disposal	(1,353,183)	-	(1,353,183)	-
Share of other comprehensive income	-	-	-	(169,793)
Carrying value at the end of the period	<u>-</u>	<u>233,914</u>	<u>233,914</u>	<u>868,252</u>

(b) Summarised financial information of associates

The following table summarises the balance sheets and statements of comprehensive income for the associates. The information disclosed reflects the amounts presented in the financial statements of the associates mentioned above and not the Group's share of those amounts.

Summarised Balance Sheets

	WDL		DTR	
	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	\$	\$	\$	\$
Total current assets	N/A	1,327,600	140,615	408,302
Total non-current assets	N/A	17,415,551	20,874,296	18,732,096
Total current liabilities	N/A	(20,582,117)	(8,931,150)	(5,570,504)
Total non-current liabilities	N/A	-	(4,845,466)	(4,406,128)
Net Assets	<u>N/A</u>	<u>(1,838,966)</u>	<u>7,238,295</u>	<u>9,163,766</u>

Summarised statements of comprehensive income

Total Revenue	5,184,486	10,284,392	65,376	702,096
Profit/(Loss) from continuing operations	2,761,598	(1,954,204)	(1,887,149)	(3,622,952)
Other Comprehensive Income/(Loss)	-	-	(16,803)	(436,562)
Total Comprehensive Income	<u>2,761,598</u>	<u>(1,954,204)</u>	<u>(1,903,952)</u>	<u>(4,059,514)</u>

**SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES**

		Consolidated	
		31 December 2018	30 June 2018
		\$	\$
NOTE TRADE AND OTHER PAYABLES			
10 CURRENT			
Trade and other payables		120,074	75,993
Trade and other payables - Related parties		602,587	1,101,801
		<u>722,661</u>	<u>1,177,794</u>
NOTE FINANCIAL LIABILITIES			
11 CURRENT			
Loans - other (Unsecured)		10,000	10,000
Loans - other (Secured)		1,095,863	3,921,500
		<u>1,105,863</u>	<u>3,931,500</u>

The Company has entered into a loan agreement with Mr. Mark Johnson, a Director of Dateline Resources Limited. During the period there were several advances made as detailed in the table below. The security for the loans is a registered first charge over the current and future assets of the Company. Interest of \$324,623 and capital of \$3,678,030 relating to previously advanced loans were repaid in the period.

Loans from Mr. Mark Johnson as at 31.12.18				
Date of Advance	Principal	Loan Charges	Loan Balance	Interest Rate
18-07-18	750,000	34,110	784,110	10.00%
16-01-18	300,000	11,753	311,753	10.00%
TOTAL	<u>1,050,000</u>	<u>45,863</u>	<u>1,095,863</u>	

NOTE SHARE CAPITAL

12 Issued

1,077,243,200 ordinary shares, fully paid (June 2018 - 1,077,243,200)	<u>22,863,391</u>	<u>22,863,391</u>
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	31 December 2018	31 December 2018	30 June 2018	30 June 2018
Movement in Issued Capital	Number of Shares	\$	Number of Shares	\$
Balance at beginning of period	1,077,243,200	22,863,391	1,077,243,200	22,863,391
Balance at end of period	<u>1,077,243,200</u>	<u>22,863,391</u>	<u>1,077,243,200</u>	<u>22,863,391</u>

Ordinary shares are fully paid, rank pari passu, have no par value and carry one vote per share.

NOTE ACCUMULATED LOSSES

13

Accumulated losses at beginning of period	(22,835,506)	(21,329,840)
Total comprehensive income (loss) for the period	4,601,193	(1,181,000)
Accumulated losses at end of period	<u>(18,234,313)</u>	<u>(22,510,840)</u>

NOTE EARNINGS PER SHARE

14

Basic and diluted Earnings/(Loss) per share	\$0.0043	(\$0.0011)
Net income/(loss) used to calculate earnings/(loss) per share	\$4,601,193	(1,181,000)
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	1,077,243,200	1,077,243,200

**SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES**

**NOTE PARTICULARS OF COMPANIES INCLUDED
15 IN COMPANY ACCOUNTS**

**Parent Entity Investment
Equity Holding**

	31 December 2018	30 June 2018
Northern Star Investment Pty Ltd	100%	100%
Northern Star Investment (Qld) Pty Ltd	100%	100%
Pacific Island Properties Pty Ltd	100%	100%

There has been no change in the equity holdings of subsidiary companies since June 2018

NOTE 16 SEGMENT INFORMATION

Business Segment

The segment in which the company operates predominantly is the exploration industry, exploring for metals and other minerals and primarily for oil, gas and other energy resources, either directly and/or through equity investments in or loans provided to exploration companies. The "Other" segment predominantly relates an investment with a related company involved in the development of property, and other loans made to related and other companies

	Total Dec 2018 \$	Exploration Dec 2018 \$	Other Dec 2018 \$	Total June 2018 \$	Exploration June 2018 \$	Other June 2018 \$
Segment Assets						
Australia	6,457,602	5,813,015	644,587	5,049,253	4,615,763	433,490
Fiji (non-current)	-	-	-	87,926	-	87,926
Total	<u>6,457,602</u>	<u>5,813,015</u>	<u>644,587</u>	<u>5,137,179</u>	<u>4,615,763</u>	<u>521,416</u>
Segment Liabilities						
Australia	<u>1,828,533</u>	<u>1,828,533</u>	<u>-</u>	<u>5,109,294</u>	<u>5,109,294</u>	<u>-</u>
Segment Revenues	Dec 2018	Dec 2017				
Australia - Other	-	30,399				
Australia - Exploration	543,001	-				
Fiji - Other	<u>-</u>	<u>-</u>				
Total	<u>543,001</u>	<u>30,399</u>				
There were no inter-segment revenues						
Segment Results						
Profit/(Loss)						
Australia - Other	-	30,399				
Australia - Exploration	(2,514,751)	(1,211,399)				
Fiji - Other	<u>7,115,944</u>	<u>-</u>				
Total Profit / (Loss)	<u>4,601,193</u>	<u>(1,181,000)</u>				

Consolidated	
31 December 2018 \$	31 December 2017 \$

NOTE PROFIT ON SALE OF INVESTMENT IN WAILOALOA DEVELOPMENTS

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Proceeds from sale of investment	7,940,000	-
Accounting and Legal Fees	(27,785)	-
Loss on disposal of Fixed Assets	(18,345)	-
Gain on write off of Loans	6,369	-
Carrying value of investment at date of disposal (Note 9)	<u>(1,353,183)</u>	<u>-</u>
	<u>6,547,056</u>	<u>-</u>

SOUTHERN CROSS EXPLORATION NL AND CONTROLLED ENTITIES

NOTE 18 CONTINGENT LIABILITY

There are no contingent liabilities as at 31 December 2018.

As at 30 June 2018 the following contingent liability existed:

During the year ended 30 June 2017, the Directors agreed to a bonus payable to Mr. Baghdadi in relation to the real estate development project by Wailoaloa Developments Ltd. Mr. Baghdadi will be paid an amount equivalent to 3% of the gross sales of the project subject to the gross sales being more than F\$65,000,000 and that the gross profit from the project be at least F\$30,000,000. Originally, the project had to be finalised by 30 June 2018 for Mr. Baghdadi to receive the bonus. During the year ended 30 June 2018, the terms of this bonus were amended as noted below:

- The gross sales are based upon the sales value of land sold plus the market value of unsold land; and
- The project no longer needs to be finalised by 30 June 2018 but instead the bonus is strictly contingent upon SXX receiving A\$2 million from Wailoaloa Developments Ltd, after receiving clearance from all Fijian Government agencies, before 31 December 2018. It is acknowledged that the required clearance from Fijian Government is not assured within the above time frame.

The amount of the bonus payable should the above conditions be met is estimated to be \$1,458,875. On 17 September 2018 this liability was no longer contingent due to the above conditions being met.

NOTE 19 SIGNIFICANT MATTERS AFTER BALANCE DATE

On 31 January 2019, SXX took up its full entitlement in the renounceable rights issue of SXX's associate Dateline Resources Limited ("DTR"). This was paid for by converting \$4,800,300 of debt owed by DTR to SXX. This increased SXX's shareholding in DTR to 60.3%, however on 14 March 2019, DTR announced that 90.2% of the rights issue shortfall had been allotted which reduced SXX's shareholding in DTR to 34.6%.

SOUTHERN CROSS EXPLORATION NL
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

In the Directors' opinion:

- (a) the consolidated financial statements and notes, set out on pages 8 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulation 2001*, and other mandatory professional reporting requirements, and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



S Baghdadi
Director

Sydney, NSW
15 March 2019

Independent auditor's review report to the members of Southern Cross Exploration NL:

Report on the Consolidated Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Southern Cross Exploration NL ("the company") which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Southern Cross Exploration NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1.2, which indicates that the company's ability to continue as a going concern is dependent on it raising sufficient capital or disposing of part of its investment in its associate. These conditions, along with other matters set forth in Note 1.2, indicate the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Auditor's Responsibility (continued)

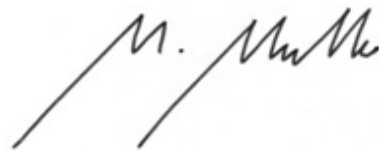
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.



HLB Mann Judd
Chartered Accountants



M D Muller
Partner

Sydney, NSW
15 March 2019