
Southern Cross Gold Ltd

ACN: 652 166 795

Financial Statements

For the period 21 July 2021 to 31 December 2021

Southern Cross Gold Ltd

31 December 2021

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF
SOUTHERN CROSS GOLD LTD**

I declare that, to the best of my knowledge and belief, during the period 21 July 2021 to 31 December 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the review.



William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136



J.C. Luckins
Director

Melbourne, 9th March, 2022

ACCOUNTANTS & ADVISORS

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Southern Cross Gold Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period 21 July 2021 to 31 December 2021

	Note	31 Dec 21 \$
Administration and corporate costs		(88,802)
Depreciation and amortisation expense		(10,638)
Decrease in market value of investment in Nagambie Resources Limited	8	(350,000)
Loss before income tax expense		(449,440)
Income tax expense		-
Loss after income tax expense		(449,440)
Other comprehensive income		-
Total comprehensive loss for the period		(449,440)
Earnings per share calculated on loss for the period after income tax expense		
Basic and diluted loss per share in cents	4	(1.19)

Southern Cross Gold Ltd

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 Dec 21 \$
Current assets		
Cash and cash equivalents	5	1,388,662
Goods and services tax credits receivable		62,852
Other assets and prepaid expenses		3,126
Total current assets		1,454,640
Non-current assets		
Property, plant and equipment	6	92,695
Exploration and evaluation assets	7	6,388,435
Investment in Nagambie Resources Limited	8	2,950,000
Bonds and security deposits		55,006
Option to acquire land	21	50,000
Total non-current assets		9,536,136
Total assets		10,990,776
Current liabilities		
Trade and other payables	9	35,099
Borrowings	10	164,830
Unissued share capital	21	1,149,972
Total current liabilities		1,349,901
Total liabilities		1,349,901
Net assets		9,640,875
Equity		
Accumulated losses		(449,440)
Shareholder capital		10,090,315
Total equity		9,640,875

Southern Cross Gold Ltd

Consolidated Statement of Changes in Equity

For the period 21 July 2021 to 31 December 2021

	Accumulated Losses \$	Shareholder Capital \$	Total Equity \$
Balance at 21 July 2021	-	-	-
Comprehensive loss:			
Loss for the period	(449,440)	-	(449,440)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	(449,440)	-	(449,440)
Transactions with owners and other transfers:			
Shares issued during the period	-	10,106,076	10,106,076
Cost of equity raised during the period	-	(15,761)	(15,761)
Total transactions with owners and other transfers	-	10,090,315	10,090,315
Balance at 31 December 2021	(449,440)	10,090,315	9,640,875

Southern Cross Gold Ltd

Consolidated Statement of Cash Flows

For the period 21 July 2021 to 31 December 2021

	Notes	31 Dec 21 \$
Cash flows from operating activities		
Payments to suppliers and taxation authorities		(130,531)
Net cash used in operating activities	12	(130,531)
Cash flows from investing activities		
Payments for property, plant and equipment		(61,651)
Payments for exploration and evaluation costs		(895,082)
Proceeds from the acquisition of subsidiaries (including cash acquired)		543,749
Payments for bonds and security deposits		(1,955)
Net cash used in investing activities		(414,939)
Cash flows from financing activities		
Proceeds from borrowings with related parties	18	799,920
Proceeds raised from shares not yet issued		1,149,972
Payments for the cost of issuing share capital		(15,760)
Net cash provided by financing activities		1,934,132
Net increase in cash held		1,388,662
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	5	1,388,662

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 1. General information

The financial statements cover Southern Cross Gold Ltd as a consolidated entity consisting of Southern Cross Gold Ltd and the entities it controls at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Southern Cross Gold Ltd's functional and presentation currency.

Southern Cross Gold Ltd is a public company, which was incorporated on 21 July 2021 and is domiciled in Australia. As the company was incorporated on 21 July 2021, these are the company's first audited financial statements and as such no comparative results are disclosed.

The company's registered office and principal administration office is:

Level 21, 459 Collins Street
Melbourne, Victoria, 3000
Australia

Note 2. Significant accounting policies

(a) Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

These financial statements are presented in Australian dollars, which is the consolidated entity's functional currency. The amounts have been rounded to the nearest dollar.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Parent entity information

These financial statements present information of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 17.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Southern Cross Gold Ltd ('company' or 'parent entity') as at 31 December 2021 and the results of all subsidiaries from 9 August 2021 to 31 December 2021, being the period the assets of such subsidiaries were acquired. Southern Cross Gold Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 2. Significant accounting policies (continued)

(c) Principles of consolidation (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting where such acquisitions involve a 'business' as opposed to an 'asset' or a 'group of assets'. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(d) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as internal reports provided to board. The board is responsible for the allocation of resources to operate segments and assessment their performance.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(f) Trade and other receivables

Trade and other receivables includes amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. The consolidated entity's property, plant and equipment are tangible items that are held for the use in the supply of services or for administrative purposes which the consolidated entity expects to use during more than one period.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 2. Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 2(j) for details of impairment).

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use.

For each class of depreciable assets the depreciation rates are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Motor vehicles	25%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss.

(h) Exploration and evaluation assets

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Such expenditure comprises direct costs and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where:

- it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale, or
- exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

If the abovementioned criteria is no longer satisfied, or where a project or an area of interest has been abandoned, the expenditure incurred is written off in the period in which the criteria is no longer satisfied or decision to abandon is made.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount (refer to Note 2(j) for details of impairment).

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 2. Significant accounting policies (continued)

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the consolidated entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

A financial liability cannot be reclassified.

The consolidated entity recognises trade and other payables and borrowings in this category.

The consolidated entity does not utilise derivative financial instruments and has no financial liabilities designated at fair value through profit or loss.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost or
- fair value through profit or loss

on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset used and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- The financial asset is managed solely to collect contractual cash flows and
- payments of principal and interest on the principle amounts outstanding on specified dates.

By default, all other financial assets that do not meet the conditions of amortised cost are subsequently measured at fair value through profit and loss.

The initial designation of the financial instruments to measure at fair value through profit and loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised. The consolidated entity has elected to subsequently measure its equity investments in listed entities at fair value through profit or loss.

In addition, the consolidated entity measures its cash and cash equivalents and trade and other receivables at amortised cost. The consolidated entity does not measure any financial assets at fair value through other comprehensive income.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 2. Significant accounting policies (continued)

(i) Financial instruments (continued)

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred
- all risk and rewards of ownership of the asset have been substantially transferred and
- the consolidated entity no longer controls the asset (i.e. has no practical ability to make unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(j) Impairment of assets

At the end of each reporting period, the consolidated entity reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that an asset may be impaired. The assessment will include consideration of external sources of information and internal sources of information.

External sources of information include but are not limited to observable indications that an asset's value has declined during the period by significantly more than would be expected as a result of the passage of time or normal use. Internal sources of information include but are not limited to evidence of obsolescence or physical damage of an asset and significant changes with an adverse effect on the consolidated entity which changes the way in which an asset is used or expected to be used.

If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 2. Summary of significant accounting policies (continued)

(k) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the consolidated entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Employee benefits

Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Short term employee benefits are not considered material to the financial statements.

Long-term employee benefits

Liabilities for wages and salaries, including long service leave, are presented as non-current in the statement of financial position if the consolidated entity has a conditional right to defer settlement for at least 12 months after the end of the reporting period. Otherwise, such employee entitlements are classified as current liabilities.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur. Long-term employee benefits are not considered material to the financial statements.

(m) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans and borrowings are classified as non-current liabilities.

(n) Issued capital

Ordinary shares are classified as equity in the statement of financial position. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The costs of an equity transaction that is abandoned are recognised as an expense in profit or loss, alongside any other equity raising costs which are not directly attributable to the issue of new shares.

(o) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Southern Cross Gold Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 2. Summary of significant accounting policies (continued)

(o) Earnings per share (continued)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(p) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Restoration and rehabilitation costs

The mining, extraction and processing activities of the consolidated entity give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. Provisions for the cost of each rehabilitation program are recognised at the time that environment disturbance occurs where such costs can be reliably measured.

Restoration and rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site discounted to their present value. When provisions for restoration and rehabilitation are initially recognised, the corresponding cost of the related asset is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance costs.

At the end of each reporting period, the restoration and rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, inflation, changes to the estimated reserves and lives of operations, new regulatory requirements, environmental policies and revised discount rates. Changes to the restoration and rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

(q) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority are included in trade receivables and trade payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 2. Summary of significant accounting policies (continued)

(r) Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measured, which include the following:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the consolidated entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and
- Level 3: Unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

(s) Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the consolidated entity and their potential impact when adopted in future periods is outlined below:

- AASB 2020-1: *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* (applicable for reporting periods commencing on or after 1 January 2022). Adoption of this standard is not expected to have a material impact.
- AASB 2020-3: *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* (applicable for reporting periods commencing on or after 1 January 2022). Adoption of this standard is not expected to have a material impact.
- AASB 17: *Insurance Contracts* (applicable for reporting periods commencing on or after 1 January 2023). Adoption of this standard is not expected to have a material impact.

There are no other accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the consolidated entity in future periods.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The directors continually evaluate its judgements and estimates in relation to assets, liabilities, revenue and expenditure.

The directors base their judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

(a) Impact of coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the consolidated entity based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 3. Critical accounting judgements, estimates and assumptions (continued)

(b) Recognition and measurement of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise such temporary differences and losses. The directors have not recognised deferred tax assets on the statement of financial position.

(c) Recognition and measurement of exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity may commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly relates to these activities and directly allocating overheads between those that are expensed and capitalised.

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest or activities that are not at a stage that permits a reasonable estimate of the existence of economically recoverable reserves. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

The directors have assessed the balance of capitalised exploration costs in line with future planned exploration activities and the consolidated entity's accounting policy and have determined that no impairment was necessary. If a tenement has been relinquished or reduced, then an impairment charge is taken. This charge is generally based on the pro-rata area reduced, however there can be other reasons for not using such an approach. When a tenement is not relinquished or reduced but is thought to be of reduced carrying value then an impairment based on the directors' estimate of fair value has been applied. Any change for impairment is recognised in profit or loss immediately.

(d) Provision for restoration and rehabilitation costs

The consolidated entity has considered whether a provision for rehabilitation of any tenement is required. The directors do not consider that such a provision is necessary due to the fact that rehabilitation is being undertaken on a progressive basis. Whilst the consolidated entity is in the exploration phase it cannot reliably estimate the scope and costs of rehabilitation work that will need to be undertaken.

(e) Acquisition of assets

On 9 August 2021 the parent entity acquired ownership and control of three subsidiaries as detailed in Note 16. The directors of the parent entity have applied significant judgement to determine whether this transaction gave rise to the acquisition of a business under AASB 3 *Business Combinations*, or whether the transaction gave rise to the acquisition of an asset (or group of assets) which is outside the scope of AASB 3 *Business Combinations*.

The directors concluded that substantially all of the fair value of the gross assets acquired as part of the acquisitions were concentrated in a group of similar identifiable assets, being the mining and exploration activities/works undertaken by each entity. As such, the directors concluded this gave rise to an asset acquisition as opposed to a business combination.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 3. Critical accounting judgements, estimates and assumptions (continued)

(f) Share-based payment transactions for the period

During the period, the parent entity issued fully paid ordinary shares to fund the:

- acquisition of subsidiaries (refer to Note 16)
- settlement of debt owed to the ultimate controlling entity (refer to Note 11)
- acquisition of an equity interest in Nagambie Resources Limited (refer to Note 11).

Each of these share issues have been measured at fair value by applying the following principles:

- The issue of 1 share for the acquisition of subsidiaries was at the formation of the parent entity and has been valued at a nominal consideration of \$1.
- The issue of 16,087,502 shares throughout the period ended 31 December 2021 in order to settle aggregated \$6,806,075 of borrowings payable to Mawson Gold Limited has been valued at 42.31 cents per share on the basis of the amount of the loan owed to Mawson Gold Limited on the date of settlement.
- The issue of 4,537,500 shares in consideration of the \$3,300,000 equity interest in Nagambie Resources Limited on 29 December 2021 has been valued at 72.73 cents per share. On a post-split basis, this is equivalent to 16 cents per share which is equivalent to the seed capital raising which was taking place at this date and concluded in January 2022.

(g) Impairment of assets

The consolidated entity assesses each cash-generating unit (CGU) to determine whether there is any indication of impairment or reversal. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs of disposal and value in use.

These assessments require the use of estimates and assumptions, including the following:

- The consolidated entity's ability to raise necessary capital, whereby the consolidated entity's valuation exceeds its net assets.
- The status of tenements and compliance with tenement conditions, including whether or not the consolidated entity has met planned expenditures as required under each tenement.
- Assessing the results of exploration activity performed to date, including radar, drilling, survey and resources.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

		31 Dec 21
Note 4.	Earnings per share	Note
(a) Basic and diluted earnings per share		
The calculation of basic and diluted earnings per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding:		
Loss attributable to ordinary shareholders		(449,440)
Weighted-average number of ordinary shares		377,288
Basic and diluted loss per share		(1.19)
As at period end there were no equity or potential equity instruments that were dilutive to earnings per share as, owing to the loss result, they are antidilutive in nature.		
		31 Dec 21
Note 5.	Cash and cash equivalents	\$
<i>CURRENT</i>		
Cash at bank		1,388,662
Total cash and cash equivalents		13 1,388,662
Note 6. Property, plant and equipment		
Plant and equipment		
<i>NON-CURRENT</i>		
Plant and equipment		
At cost		45,871
Less accumulated depreciation		(13,574)
		32,297
Motor vehicles		
At cost		67,618
Less accumulated depreciation		(7,220)
		60,398
Total property, plant and equipment		92,695

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 6. Property, plant and equipment (continued)

(a) Movements in carrying amounts

Movements in carrying amounts for property, plant and equipment between the beginning and end of the period are disclosed below.

	Plant and equipment	Motor vehicles	Total
Balance at 21 July 2021	-	-	-
Additions	-	61,651	61,651
Additions through asset acquisitions (refer to Note 16(b))	36,712	4,970	41,682
Depreciation expense	(4,415)	(6,223)	(10,638)
Balance at 31 December 2021	32,297	60,398	92,695

	31 Dec 21
Note 7. Exploration and evaluation assets	\$
<i>NON-CURRENT</i>	
Exploration and evaluation assets	
At cost	6,388,435
Total exploration and evaluation costs	6,388,435

(a) Movements in carrying amounts

Movements in carrying amounts for exploration and evaluation assets between the beginning and end of the period are disclosed below.

	Exploration and evaluation assets	Total
Balance at 21 July 2021	-	-
Additions	895,082	895,082
Additions through asset acquisitions (refer to Note 16(b))	5,493,353	5,493,353
Balance at 31 December 2021	6,388,435	6,388,435

The value of the consolidated entity's interest in exploration and evaluation assets is dependent upon:

- the continuance of the consolidated entity's right to tenure of the areas of interest
- the results of future exploration and evaluation
- the recoupment of costs through successful development and exploration of the areas of interest, or alternatively, by their sale
- no significant changes in laws and regulations that greatly impact the consolidated entity's ability to maintain tenure.

The directors of the consolidated entity reassessed the recoverable value of all tenement areas to which exploration and evaluation costs have been capitalised, concluding that no impairment charge was required for the period.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

		31 Dec 21
Note 8.	Investment in Nagambie Resources Limited	Notes
		\$
<i>NON-CURRENT</i>		
Shares in Nagambie Resources Limited at fair value		2,950,000
Total investments in Nagambie Resources Limited		13 <u>2,950,000</u>

As part of the Subscription Agreement Nagambie Resources Limited has granted the consolidated entity a right of first refusal. Refer to Note 15 for further information.

(a) Movements in carrying amounts

Movements in carrying amounts for investments in Nagambie Resources Limited between the beginning and end of the period are disclosed below.

	Shares in Nagambie Resources Limited at fair value	Total
Balance at 21 July 2021	-	-
Additions	3,300,000	3,300,000
Decrease in fair value	(350,000)	(350,000)
Balance at 31 December 2021	<u>2,950,000</u>	<u>2,950,000</u>

The directors recognise changes in fair value of equity investments through profit or loss. Fair value is assigned to such investments based on quoted prices using Level 1 of the fair value hierarchy.

		31 Dec 21
Note 9.	Trade and other payables	Notes
		\$
<i>CURRENT</i>		
Trade payables		22,249
Other payables		12,850
Total trade and other payables		13 <u>35,099</u>
Note 10. Borrowings		
<i>CURRENT</i>		
Related party loans		164,830
Total current borrowings		<u>164,830</u>
Total borrowings		13 <u>164,830</u>

The consolidated entity's loan is payable to its ultimate controlling entity, being Mawson Gold Limited. The loan is unsecured, interest free, repayable on demand and does not have any equity conversion features.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 11. Shareholder capital	31 Dec 21	
	Qty	\$
<i>Ordinary shares</i>		
Issued capital	20,625,003	10,106,076

At 31 December 2021 the consolidated entity had raised \$1,149,972 in share capital which had not yet been issued at balance date. At period end, unissued share capital is disclosed as a current liability on the statement of financial position. Refer to Note 21 for further information regarding subsequent events.

(a) Movements in issued capital

Movements in issued capital between the beginning and end of the period are disclosed below.

	Cents per share	Qty of shares issued	Issued capital \$
Balance at 21 July 2021 at incorporation of the parent entity		-	-
Acquisition of subsidiaries on 9 August 2021 from Mawson Gold Limited	100.00	1	1
Debt for equity swap with Mawson Gold Limited through issue of share capital	42.31	16,087,502	6,806,075
Acquisition of equity interest in Nagambie Resources Limited	72.73	4,537,500	3,300,000
Balance at 31 December 2021		<u>20,625,003</u>	<u>10,106,076</u>

(b) Share issue details

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the consolidated entity, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up to the shares held.

(c) Voting entitlements

Ordinary shares entitle their holder to one vote, either in person or in proxy, at a meeting of the company. The fully paid ordinary shares have no par value and the consolidated entity does not have a limited amount of authorised capital.

(d) Dividends

No dividends have been paid or provided for during the period ended 31 December 2021.

(e) Options

No options were issued, exercised, lapsed or outstanding during the period ended 31 December 2021.

(f) Capital management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity has loans payable to its ultimate parent. There have been no events of default on such borrowings during the period ended 31 December 2021.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

	31 Dec 21
Note 12. Cash flow information	\$
Reconciliation of loss to net cash provided by operating activities	
Loss after income tax expense	(449,440)
Non cash items included in loss after income tax expense:	
- depreciation expense	10,638
- expenses incurred by ultimate controlling entity on behalf of consolidated entity	30,757
- decrease in market value of investment in Nagambie Resources Limited	350,000
Changes in assets and liabilities:	
- (Increase)/decrease in goods and services tax credits receivable	48,844
- (Increase)/decrease in other assets and prepaid expenses	(1,955)
- Increase/(decrease) in trade and other payables	(119,375)
Net cash flows provided by operating activities	<u>(130,531)</u>

Note 13. Financial risk management

The consolidated entities' financial instruments consisted mainly of deposits with banks, bonds and security deposits, accounts receivable and payable, investments in listed entities, borrowings and unissued share capital. The consolidated entity does not have any derivatives.

The board of directors is responsible for monitoring and managing the financial risk exposures of the consolidated entity, to which end it monitors the financial risk management policies and exposures and approves financial transactions and reviewed related internal controls within the scope of its authority.

The board of directors has determined that the only significant financial risk exposures of the consolidated entity are liquidity and market (price) risk. Other financial risks are not significant to the consolidated entity due to the following factors:

- The consolidated entity has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars.
- The consolidated entity has no receivable balances.
- The consolidated entity's mining operations are in the exploration phase and therefore have no direct exposure to movements in commodity prices.
- The consolidated entity's interest bearing instruments are held at amortised cost which have fair values that approximate their carrying values since all cash and payables have maturity dates within 12 months.
- The consolidated entity's financing is from equity and loans payable to its ultimate controlling entity.
- The consolidated entity has no externally imposed capital requirements.

Further details regarding the categories of financial instruments held by the consolidated entity that hold such risk exposure are detailed below.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

		31 Dec 21
Note 13. Financial risk management (continued)	Notes	\$
(a) Categories of financial instruments		
Financial assets		
Cash and cash equivalents at amortised cost	5	1,388,662
Investment in Nagambie Resources Limited at fair value through profit or loss	8	2,950,000
Bonds and security deposits at amortised cost		55,006
		<u>4,393,668</u>
Financial liabilities		
Trade and other payables at amortised cost	9	35,099
Borrowings at amortised cost	10	164,830
		<u>199,929</u>

At period end, the fair value of financial instruments approximated their carrying values.

(b) Price risk

The consolidated entity is exposed to securities price risk on investments in listed entities. At 31 December 2021 the consolidated entity held an investment in a listed entity for \$2,950,000, the entity of which operates within the mining sector. These shares are listed on the Australian Stock Exchange and the price will fluctuate.

The following table shows the impact of a 50% change in the price of those listed securities:

	Average price increase			Average price decrease		
	% change	effect on profit before tax	effect on equity	% change	effect on profit before tax	effect on equity
Shares in listed entities	+50%	1,475,000	1,475,000	-50%	(1,475,000)	(1,475,000)

(c) Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast project and operating cash flows and ensuring that a minimum level of uncommitted cash is available for immediate use and consists of cash on deposit and/or borrowing facilities. At 31 December 2021 the consolidated entity held cash deposits of \$1,388,662 that are expected to readily generate cash inflows for managing liquidity risk. The consolidated entity's contractual obligations generally have maturity dates of 60 days or less.

Note 14. Planned exploration expenditure	31 Dec 21
	\$
The amounts detailed below are the minimum expenditure required to maintain ownership of the current tenements held. An obligation may be cancelled if a tenement is surrendered:	
Not longer than 1 year	1,991,150
Longer than 1 year and not longer than 5 years	5,266,100
Longer than 5 years	2,403,650
	<u>9,660,900</u>

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 15. Contingent liabilities and contingent assets

Security deposits:

The consolidated entity holds security deposits, in the form of term deposits with its banker. These are guarantees for performance conditions set by the Department of Economic Development, Jobs, Transport and Resources Victoria on mining tenements held by the consolidated entity. Such guarantees are held to cover any future rehabilitation obligations the consolidated entity may have on the mining tenements. When all obligations in relation to a mining tenement are finalised, the relevant guarantee will be released and associated security deposit will be redeemed. The deposits are shown as non-current assets since it is not expected that they will be repaid within 12 months from balance date.

Redcastle joint venture:

The consolidated entity is party to an Option and Joint Venture Agreements with Nagambie Resources Limited for the Redcastle Joint Venture tenements. In meeting \$1,000,000 of exploration commitments over a 5 year period set under the Farm-in Agreements by 25 March 2025, the consolidated entity will have a 70% economic interest in those tenements. Once the consolidated entity earns a 70% economic interest, a joint venture between the parties will be formed. Nagambie Resources Limited may then contribute its 30% share of further exploration expenditures or, if it chooses to not contribute, dilute its interest.

Should Nagambie Resource Limited's interest be reduced to less than 5%, it will be deemed to have forfeited its interest in the joint venture to the consolidated entity in exchange for a 1.5% net smelter return royalty ("NSR") on gold revenue. Should Nagambie Resources Limited be granted the NSR, the consolidated entity will have the right to acquire the NSR for \$4,000,000 per property. As of this date, the consolidated entity has earned 70% and the companies are proceeding to form a joint venture.

Whroo joint venture:

The consolidated entity is party to an Option and Joint Venture Agreements with Nagambie Resources Limited for the Whroo Joint Venture tenements. In meeting \$4,000,000 of exploration commitments and \$250,000 cash payments over a 6 year period set under the Farm-in Agreements by 2 December 2026, the consolidated entity will have up to a 70% economic interest in those tenements. Once the consolidated entity earns a 70% economic interest, a joint venture between the parties will be automatically formed. Nagambie Resources Limited may then contribute its 30% ownership with further exploration expenditures or, if it chooses to not contribute, dilute its interest.

Should Nagambie Resource Limited's interest be reduced to less than 5%, it will be deemed to have forfeited its interest in the joint venture to the consolidated entity in exchange for a 1.5% net smelter return royalty ("NSR") on gold revenue. Should Nagambie be granted the NSR, the consolidated entity will have the right to acquire the NSR for \$4,000,000.

Right of first refusal:

Nagambie Resources Limited has granted the consolidated entity a right of first refusal in respect of any proposal by Nagambie Resources Limited and a third party to relinquish, sell, grant an option over, conduct a joint venture in relation to, or enter into any tolling, streaming, royalty or similar arrangements or understanding in respect of part or all a tenement (as defined in the Subscription Agreement and inclusive of the tenements forming the Victorian projects of the consolidated entity, it being noted that the tenements forming the Sunday Creek project are wholly owned by the consolidated entity via its subsidiary Clonbinane Goldfield Pty Ltd). The right of first refusal is able to be exercised by the consolidated entity at any time from receipt of a right of first refusal notice from Nagambie Resources Limited up to 5:00pm on the 30th day after receipt of the right of first refusal notice. For the duration of the right of first refusal, Nagambie Resources Limited shall ensure all tenements remain current and in good standing, and that all fees, taxes, levies and payments of any kind associated with the tenements are up to date.

There are no other contingent assets or liabilities at 31 December 2021.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 16. Controlled entities

(a) Group structure

The consolidated financial statements include the financial statements of Southern Cross Gold Ltd and the subsidiaries listed below:

Entity	31 Dec 21 Equity interest	Country of incorporation
Southern Cross Gold Ltd	Parent	
Subsidiaries:		
- Mawson Queensland Pty Ltd	100%	Australia
- Mawson Victoria Pty Ltd	100%	Australia
- Clonbinane Goldfield Pty Ltd	100%	Australia

(b) Acquisition of subsidiaries

Southern Cross Gold Ltd acquired control of the abovementioned subsidiaries on 9 August 2021. The directors concluded the acquisition of such subsidiaries gave rise to an asset acquisition as opposed to a business combination. Refer to Note 3(e) for further details regarding the key judgements applied by the directors.

The fair values of assets and liabilities acquired on acquisition, and details of consideration paid for such assets and liabilities are disclosed below.

	Notes	Total	Mawson Queensland Pty Ltd	Mawson Victoria Pty Ltd	Clonbinane Goldfield Pty Ltd
<i>Financial position:</i>					
ASSETS					
Cash and cash equivalents		543,749	219,968	102,326	221,455
Goods and services tax credits receivable		111,718	1,816	40,882	69,020
Other assets and prepaid expenses		1,149	1,149	-	-
Property, plant and equipment	6(a)	41,682	36,712	4,970	-
Bonds and security deposits		53,051	5,000	-	48,051
Option to acquire land		50,000	-	-	50,000
Total assets		801,349	264,645	148,178	388,525
LIABILITIES					
Trade and other payables		154,474	599	1,406	152,469
Borrowings		6,140,228	1,308,938	2,027,942	2,803,348
Total liabilities		6,294,702	1,309,537	2,029,348	2,955,817
Net assets acquired		(5,493,354)	(1,044,892)	(1,881,170)	(2,567,291)
Less consideration paid by parent	11(a)	1			
Exploration and evaluation assets acquired	7(a)	5,493,353			

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 16. Controlled entities (continued)

(b) Acquisition of subsidiaries (continued)

The parent entity issued consideration of 1 share at \$1 to Mawson Gold Limited to acquire the abovementioned subsidiaries. The parent entity subsequently undertook a debt for equity swap with Mawson Gold Limited, being the ultimate parent entity. Refer to Note 11(a) for further information.

	31 Dec 21
Note 17. Parent entity	\$
Set out below is the supplementary information about the parent entity:	
<i>Financial performance:</i>	
Loss after income tax expense	(7,271,618)
Other comprehensive income	-
Total comprehensive income for the period	(7,271,618)
<i>Financial position:</i>	
ASSETS	
Current assets	1,195,888
Non-current assets	2,950,000
Total assets	4,145,888
LIABILITIES	
Current liabilities	1,327,192
Total liabilities	1,327,192
Net assets	2,818,696
EQUITY	
Accumulated losses	(7,271,619)
Shareholder capital	10,090,315
Total equity	2,818,696

Capital commitments

There are no capital expenditure commitments contracted for but not capitalised in the financial statements.

Contingent liability

There are no contingent liabilities at 31 December 2021.

Contingent asset

There are no contingent assets at 31 December 2021.

Ultimate controlling entity

The ultimate controlling entity at 31 December 2021 was Mawson Gold Limited, which owned 100% of the parent entity's shares.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

Note 17. Parent entity (continued)

Financial support for controlled entities

The parent entity, Southern Cross Gold Ltd, is providing and will continue to provide financial support to all its controlled entities.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity as disclosed in Note 2.

	31 Dec 21
Note 18. Related party transactions	\$
<i>Subsidiaries</i>	
Interests in subsidiaries are set out in Note 16.	
<i>Compensation</i>	
The consolidated entity's key management personnel are as follows:	
<ul style="list-style-type: none"> - Board of directors - General Manager - Technical Advisor - Manager Corporate Development 	
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity, remuneration of which was paid to respective managed entities for the period, is set out below:	
Short-term remuneration paid to managed entities	156,373
Total compensation to directors and key management personnel	156,373

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal market conditions.

Transactions and balances with related parties

Mawson Gold Limited is the major shareholder of Southern Cross Gold Ltd. At 31 December 2021, Mawson Gold Limited provided an unsecured loan facility to Southern Cross Gold Ltd for \$164,830. For the period then ended, the consolidated entity received \$799,920 in net proceeds from this facility. Refer to the statement of cash flows for further information.

The loan is provided on interest free terms and is repayable on demand. The consolidated entity has therefore not recorded any interest expense for the period ended 31 December 2021 nor is any interest payable to Mawson Gold Limited at balance date.

Note 19. Segment information

The consolidated entity operates in one principal geographical area - in Australia. The consolidated entity carries out exploration for gold associated minerals in the area. The consolidated entity generated no revenue for the period ended 31 December 2021 due to the phase of such exploration activities.

Southern Cross Gold Ltd

Notes to the Consolidated Financial Statements

For the period 21 July 2021 to 31 December 2021

	31 Dec 21
Note 20. Auditor remuneration	\$
The following fees were paid or payable for services provided by William Buck, the auditor of the company:	
Audit of the financial statements	17,500

Note 21. Events after the reporting period

The following significant events have occurred subsequent to balance date:

- On 10 January 2022, the parent entity completed a share split on the basis of 1 : 4.54545388, resulting in the company having issued a total of 93,750,000 on this date. This had no impact on the consolidated entity's net profit or net assets subsequent to balance date.
- On 10 January 2022, the shareholders of the parent entity approved the conversion of the company's status to public. This conversion was gazetted by the Australian Securities and Investments Commission (ASIC) on 25 February 2022. This had no impact on the consolidated entity's net profit or net assets subsequent to balance date.
- On 12 January 2022, the parent entity received \$199,990 in loan proceeds from its ultimate controlling entity, Mawson Gold Limited. The loan is payable in accordance with terms and conditions disclosed at Note 10. This transaction had no impact on the consolidated entity's net profit or net assets subsequent to balance date.
- On 20 January 2022, the parent entity issued 11,593,125 fully paid ordinary shares with an issue price of \$0.16 (16 cents) per share, raising \$1,854,524, a part of which related to the unissued shares of \$1,149,972 raised at balance date, in addition to a further \$704,552 raised subsequent to period-end. In addition, on 4 February 2022, the parent entity issued a further 5,438,125 fully paid ordinary shares with an issue price of \$0.16 (16 cents) per share, raising an additional \$870,476. The issue of such shares had a material impact on the consolidated entity's asset, liability and equity position subsequent to balance date.
- On 22 February 2022, Clonbinane Goldfield Pty Ltd, a subsidiary of the consolidated entity, exercised its option to acquire land at 35 Hibberds Lane, Clonbinane, after entering into a contract of sale on that date. The option to acquire land, which was set to expire on 25 February 2022, provided Clonbinane Goldfield Pty Ltd with an exclusive option to acquire the land. The contract of sale specifies an agreed purchase price of \$1.85m and settlement is scheduled for 26 May 2022. A deposit equal to 10% of the purchase price, being \$185,000, less the \$50,000 option price, was due and payable on 22 February 2022. The outstanding deposit of \$135,000 was paid on 1 March 2022. The directors expect to incur a further \$140,000 in stamp duty, legal and conveyancing costs.
- On 3 March 2022, the parent entity repaid all borrowings payable to its ultimate controlling entity, Mawson Gold Limited. Following the receipt of \$199,990 in loan proceeds on 12 January 2022 as disclosed above, the settlement of debt resulted in the repayment of \$364,820 to Mawson Gold Limited. This transaction had no impact on the consolidated entity's net profit or net assets subsequent to balance date.
- Subsequent to balance date and up until the date of signing, the fair value of the consolidated entity's investments in Nagambie Resources Limited decreased by \$350,000 with the share price decreasing from \$0.059 (5.9 cents) at 31 December 2021 to \$0.052 (5.2 cents) on 7 March 2022. This transaction decreased the consolidated entity's net profit and net asset position by \$350,000 subsequent to balance date.

Other than the above, there has not been any other matter or circumstance that has arisen after the balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

Southern Cross Gold Ltd

Directors' Declaration

In accordance with a resolution of the directors of Southern Cross Gold Ltd, the directors of the consolidated entity declare that:

1. the financial statements and notes of the consolidated entity:
 - a. comply with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with the International Financial Reporting Standards ('IFRS') and
 - b. give a true and fair view of the financial position as at 31 December 2021 and of its performance and cash flows for the period ended on that date of the consolidated entity
2. In the director's opinion there are reasonable grounds to believe 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 board of directors.

On behalf of the directors:



Michael Hudson
Director

Dated: **9 March 2022**

Southern Cross Gold Ltd

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Southern Cross Gold Ltd (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 period of its incorporation on 21 July 2021 through to 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group:

- (i) gives a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the period ended on that date; and
- (ii) complies with Australian Accounting Standards and Interpretations.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

ACCOUNTANTS & ADVISORS

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.



William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136



J.C. Luckins

Director

Melbourne, 9th March, 2022