

# **Southern Cross Gold Ltd**

**ABN 70 652 166 795**

## **Financial Statements - 31 May 2022**

**Southern Cross Gold Ltd**  
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**31 May 2022**



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Directors	Ernest (Tom) Thomas Eadie (Non-Executive Chairman) Michael Robert Hudson (Managing Director) Georgina Margaret Carnegie (Non-Executive Director) David Alan Henstridge (Non-Executive Director)
Company secretary	Mr Justin Mouchacca
Notice of annual general meeting	The Company will hold its Annual General Meeting of shareholders on 21 October 2022.
Registered office	Level 21, 459 Collins Street Melbourne, VIC 3000 Ph: +61 3 8630 3321
Principal place of business	Level 21, 459 Collins Street Melbourne, VIC 3000
Share register	Computershare Investor Services Pty Ltd Yarra Falls 45 Johnson Street Abbotsford Ph: 1300 555 159 (within Australia) Ph: +61 3 8610 5000 (outside Australia)
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Stock exchange listing	Southern Cross Gold Ltd shares are listed on the Australian Securities Exchange (ASX code: SGX)
Website	<a href="http://www.southerncrossgold.com.au">www.southerncrossgold.com.au</a>
Corporate Governance Statement	Corporate governance statements are available on Southern Cross Gold Ltd's website. Refer to: <a href="https://www.southerncrossgold.com.au/corporate/corporate-governance">https://www.southerncrossgold.com.au/corporate/corporate-governance</a>

Dear Fellow Investors

Welcome to the inaugural Annual Report for Southern Cross Gold Ltd (ASX: SXG).

On 16 May 2022, SXG achieved the important milestone of listing on the Australian Securities Exchange (ASX) following the completion of an IPO which raised \$9.1 million through the issue of 45,466,500 shares at an issue price of \$0.20 per share, giving the Company a market capitalisation of approximately A\$31 million at the IPO price. We are excited by the enthusiasm and confidence that our investors placed in us.

SXG is primarily focused on gold-antimony exploration in Victoria and has a portfolio of three of the nine historic epizonal gold projects in the Melbourne Zone of Central Victoria. We hold 100% of the Sunday Creek project where we also own 132.64 hectares of freehold land. We are in a joint venture at two projects with Nagambie Resources Ltd (ASX:NAG): Redcastle (70%) and Whroo (earning up to 70%). SXG is also the largest single shareholder of NAG with a 10% interest. Antimony is present at all three properties and could be a strategic by-product in the development of these projects. The Company also owns 100% of seven exploration prospecting licences in Queensland.

Our flagship project is Sunday Creek, where we have recently increased drill capacity by 250% with one drill crew increased to three with two diamond drill rigs now operational. We have already made excellent progress since listing by announcing a spectacular 119.2 metres @ 3.9 g/t AuEq at the Apollo shoot of Sunday Creek in drillhole SDDSC033, just two weeks after the IPO and followed up post year-end with drillhole SDDSC039 intersecting 42.0 metres @ 4.8 g/t AuEq. The continuity of grade and width is encouraging, and we now know that the mineralisation found in SDDSC033, itself spectacular and high grade, extends both above and below that hole with high-grades and wide zones of gold-antimony mineralisation, which further supports Sunday Creek as a significant discovery in the Victorian goldfields.

The Company has also established very good relations with the local communities including Traditional Owners, the Taungurung Land & Waters Council. This effective communication, of course, is important everywhere but is particularly important in Victoria. Australia's most densely populated, and some might say "progressive" state.

I am very honoured to be the Chairman of the Board of SXG and am joined by an experienced team of Directors consisting of Managing Director Michael Hudson and Non-executive Directors Georgina Carnegie and David Henstridge. The Board would like to thank our management team and employees for their efforts in helping SXG to achieve such a successful IPO and initial months as a listed company. Of note, I would like to acknowledge the contribution made by General Manager Lisa Gibbons who received the 'Exceptional Woman in Victorian Resources 2022' award granted by the Minerals Council of Australia, Victoria. Lisa is a leading figure in the industry, and we are proud to have her as a key member of the team.

We are constantly looking for ways to equal or go beyond best-practice exploration techniques for the discovery and delineation of mineral resources, and in the very important field of community relations. We will continue to perform effectively and efficiently with regular news flow as we build on our already significant portfolio of gold-antimony assets.

I would also like to thank our shareholders for their support via the pre-IPO and IPO capital raises in early 2022 and for those who have joined the journey since listing. We look forward to an exciting year ahead.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Tom Eadie".

Tom Eadie  
Chairman

## HIGHLIGHTS

### *Sunday Creek Project*

- **Selected drill assay results released during the quarter from the Sunday Creek Project include:**
  - **A spectacularly wide intersection of gold-antimony mineralisation grading 119.2 m @ 3.9 g/t AuEq from 106.8 m in drill hole SDDSC033. The drill hole also intersected 8 high-grade intersections >30 g/t Au with assays up to 119.5 g/t Au**
  - **17.3 m @ 3.9 g/t Au and 0.6% Sb (4.9 g/t AuEq) from 214.4 m in hole SDDSC031 (0.3 g/t AuEq over 2 m lower cut)**
- **Purchase of 132.64 hectares of freehold land at the Sunday Creek Project**

### *Corporate*

- **Successful spin-out and listing of Southern Cross Gold Ltd ('SXG' or the 'Company') on the Australian Securities Exchange – 16 May 2022**
- **\$9.1 m capital raised at IPO at \$0.20 a share**
- **60% shareholder escrowed for two years from date of listing**

**Operational review for period from 16 May 2022 (date of IPO on ASX) to year end (May 31, 2022)**

### *Sunday Creek Project*

Diamond drilling at Sunday Creek continued during the period with the objective of defining gold mineralisation down to a depth of 400 m over an initial 1 km trend. The Company considers Sunday Creek to be one of the better new exploration discoveries to come out of Victoria in recent times with twelve (13) >100 AuEq g/t x m holes intersected at period end. Mineralisation remains open at depth and along strike. A 10 km mineralised trend at Sunday Creek that extends beyond the current Golden Dyke to Apollo drill area is defined by historic workings and soil sampling that has yet to receive any exploration drilling and offers potential future upside.

The Company drilled at Sunday Creek during the pre-IPO process period and post the IPO through to the end of May 2022, assays were reported from seven drill holes (MDDSC027, SDDSC028-033) for 1550.5 m.

Continuity, with great width and grades, is now evident down to 410 m vertical depth in the Apollo Shoot at Sunday Creek that remains open to depth, while multiple adjacent shoots remain to be drilled out.

### **Drill Hole Discussion**

Drill holes MDDSC0027 and SDDSC031-32 were targeted to extend and infill mineralisation across specific multiple north-west striking mineralised shoots in the Apollo mine area at Sunday Creek. As is typical with the property, wide mineralised zones with high grade central intersections were intersected.

Drill hole MDDSC027 intersected a significant cataclastic zone which disrupted the mineralised zone. The hole hit a broad low-grade interval including **2.5 m @ 0.5 g/t Au from 285.5 m, 1.9 m @ 0.5 g/t Au from 302.9 m and 4.0 m @ 0.3 g/t Au from 315.0 m** and is considered a near miss hole for follow-up.

Drill holes SDDSC028-29 tested a coincident gold in soil anomaly, with low grade boulders on a topographic high and a coincident 3D array IP chargeability anomaly (with higher chargeability than the main mineralised zone at Apollo). Low-grade gold, yet geologically significant, was discovered in SDDSC029 including **0.6 m @ 0.4 g/t Au from 16.0 m, 1.0 m @ 0.4 g/t Au from 26.0 m and 1.2 m @ 0.3 g/t Au from 29.8 m**. The source of soil anomalies above SDDSC029 could be explained in part by the presence of gold in drilling. SDDSC028, drilled 300m north-east of SDDSC029 did not intersect significant results and the source for the 3D IP chargeable anomalies remains unexplained. These indications of a parallel zone of gold mineralisation located 250m north of the main mineralised area opens up further opportunities for undercover parallel zones across the property.

Drill hole SDDSC030 was a short hole (104.1 m) to test earlier trench results located 200 m east of any prior drilling (Trench 1: 14.0 m at 11.5 g/t gold and 0.3% antimony including 8.0 m @ 19.6 g/t gold and 0.4% antimony and Trench 2: 2 m @ 4.9 g/t gold and 0.2% antimony). The single hole failed to intersect the mineralised structure and further drilling is warranted. The mineralised trend remains open and undrilled for 10km to the NE from these trenches.

SDDSC031 was drilled to target mineralised shoots to the west of the Apollo shaft in a 50 m gap to infill between drill hole MDDSC015A (15.3 m @ 2.2 g/t Au and 2.1% Sb (5.5 g/t AuEq) from 231.4 m) and drill hole MDDSC0012 (10.4 m @ 5.4 g/t Au and 1.1% Sb (7.0 g/t AuEq) from 203.0 m). With a 3 m @ 0.1g/t AuEq lower cut, SDDSC031 intersected **36.0 m @ 2.3 g/t Au and 0.4% Sb (2.9 g/t AuEq) from 197.7 m (109 g/t AuEq\*m)** and included high grade mineralisation:

- **1.4 m @ 10.9 g/t Au and 3.4% Sb (16.3 g/t AuEq) from 222.7 m**
- **0.4 m @ 18.0 g/t Au and 6.6% Sb (28.5 g/t AuEq) from 226.3 m**
- **0.3 m @ 66.8 g/t Au and 0.0% Sb (66.9 g/t AuEq) from 227.3 m**

SDDSC032 was drilled to test the Gladys mineralised shoots. The closest hole was historic RC hole VCRC011, located 20 m in the plane of the shoot, intersected 21.0 m @ 3.9 g/t Au from 37.0 m. With no lower cut applied, SDDSC032 intersected multiple structures yielding **97 m @ 0.7 g/t Au and 0.1% Sb (0.8 g/t AuEq) from surface**, and included high grade mineralisation:

- **0.4 m @ 15.7 g/t Au and 6.7% Sb (26.4 g/t AuEq) from 60.3 m**
- **0.3 m @ 81.2 g/t Au and 3.4% Sb (86.6 g/t AuEq) from 61.5 m**

Drill hole SDDSC033 was drilled to test a 120 m gap between two mineralised shoots to the west of the Apollo shaft between drill hole VCRC007 (28 m @ 3.0 g/t Au and 0.2% Sb (3.3 g/t AuEq) from 62.0 m) located 60m up-plunge from SDDSC033 and MDDSC012 (10.4 m @ 5.4 g/t Au and 1.1% Sb (7.0 g/t AuEq) from 203.0 m), located 40 m down-plunge.

This result is unprecedented in terms of width of high-grade mineralisation rarely, if ever, seen in the Victorian goldfields. A result of 119.2m @ 3.9 g/t AuEq places the Sunday Creek project into a new realm, and builds on what was already a remarkably successful drill program.

Within SDDSC033, three mineralised shoots have joined to form a “blow out” of the mineralised zone within altered siltstones, dioritic dykes and dyke-related breccias. The host for mineralisation is a zone of intensely altered white mica-pyritic siltstones, and white mica-pyrite-carbonate altered dyke rocks. As is typical for epizonal deposits like Fosterville and Costerfield, gold (sometimes visible) at Sunday Creek is hosted in quartz and carbonate veins, with a later intense stibnite-bearing vein and breccia overprint. A large arsenic anomaly is associated with the gold mineralisation. The orientation of the Apollo Shoot(s) are approximately 80 degrees dip towards 020 degrees azimuth, correlating with the intersection of the sub-vertical 330 degree striking mineralised veins and the steep east-west striking, north dipping dioritic dyke and related intrusive breccia.

In summary, SDDSC033 reported:

- **119.2 m @ 3.2 g/t Au and 0.4% Sb (3.9 g/t AuEq) from 106.8 m in hole SDDSC033 (0.1 g/t AuEq over 3 m lower cut), including:**
  - **64.0 m @ 2.7 g/t Au and 0.2% Sb (3.0 g/t AuEq) from 110.7 m**
  - **39.0 m @ 5.2 g/t Au and 1.0% Sb (6.8 g/t AuEq) from 179.0 m**
- Higher grade zones included:
  - **5.1 m @ 17.7 g/t Au and 1.6% Sb (20.3 g/t AuEq) from 160.5 m**
  - **2.3 m @ 26.2 g/t Au and 3.7% Sb (32.0 g/t AuEq) from 184.0 m**
  - **5.2 m @ 14.7 g/t Au and 4.8% Sb (22.3 g/t AuEq) from 189.9 m**

A total of 8 high-grade intersections >30 g/t Au were intersected, and these are:

- 0.3 m @ 119.5 g/t Au and 0.7% Sb (120.6 g/t AuEq) from 161.0 m
- 0.2 m @ 57.3 g/t Au and 0.6% Sb (58.2 g/t AuEq) from 161.5 m
- 0.1 m @ 34.3 g/t Au and 7.0% Sb (45.4 g/t AuEq) from 161.9 m
- 0.3 m @ 51.6 g/t Au and 0.8% Sb (52.8 g/t AuEq) from 165.3 m
- 0.9 m @ 35.4 g/t Au and 4.0% Sb (41.8 g/t AuEq) from 180.6 m
- 0.8 m @ 54.7 g/t Au and 7.0% Sb (65.8 g/t AuEq) from 184.0 m
- 0.8 m @ 39.7 g/t Au and 11.7% Sb (58.2g/t AuEq) from 192.2 m
- 0.8 m @ 38.4 g/t Au and 7.1% Sb (58.2 g/t AuEq) from 194.3 m

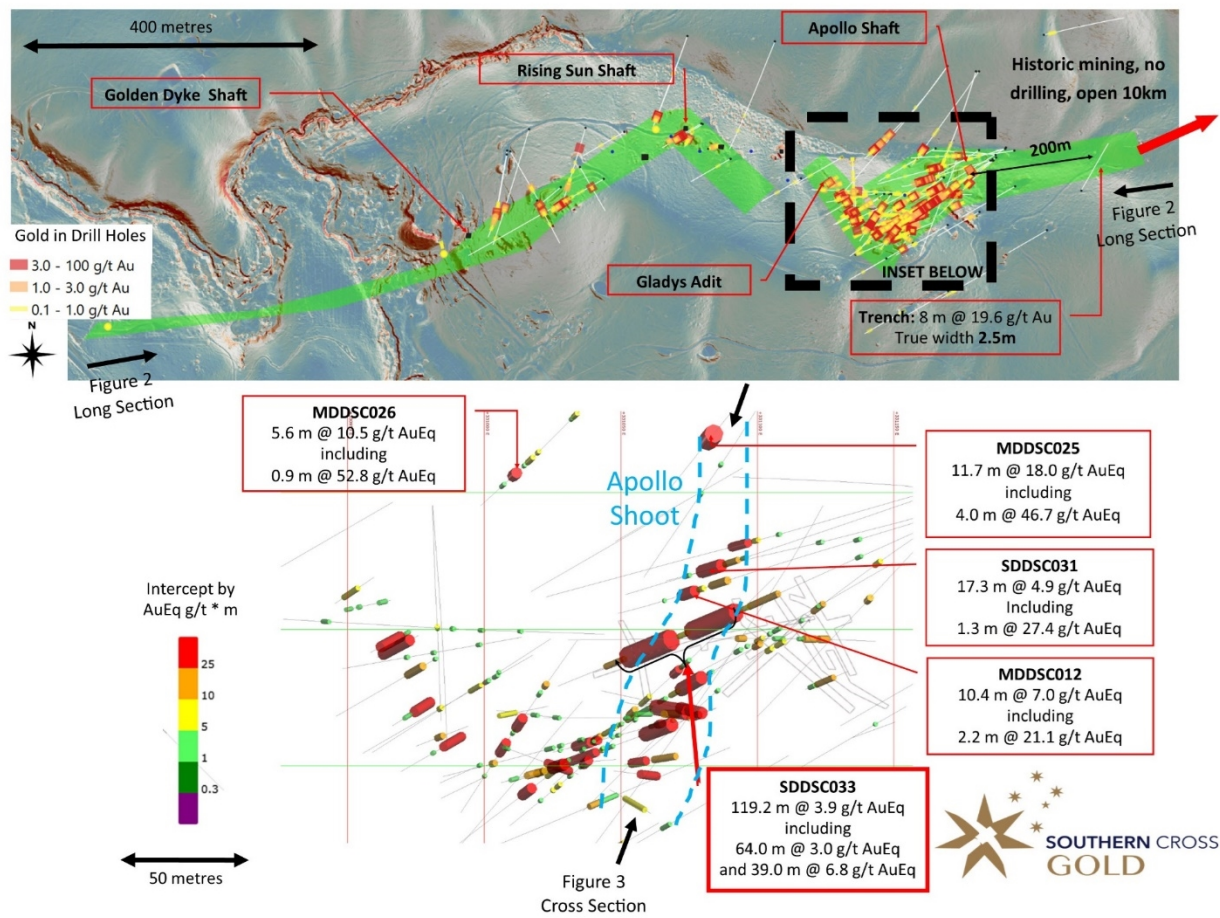
### Gold Equivalent Calculation

SXG considers that both gold and antimony that are included in the gold equivalent calculation ("AuEq") have reasonable potential to be recovered at Sunday Creek, given current geochemical understanding, historic production statistics and geologically analogous mining operations. Historically, ore from Sunday Creek was treated onsite or shipped to the Costerfield mine, located 54km to the northwest of the project, for processing during WW1. The Costerfield mine corridor, now owned by Mandalay Resources Ltd contains 2 million ounces of equivalent gold (Mandalay Q3 2021 Results), and in 2020 was the sixth highest-grade global underground mine and a top five global producer of antimony.

SXG considers that it is appropriate to adopt the same gold equivalent variables as Mandalay Resources Ltd in its [Mandalay Technical Report, 2022](#) dated 25 March 2022. The gold equivalence formula used by Mandalay Resources was calculated using recoveries achieved at the Costerfield Property Brunswick Processing Plant during 2020, using a gold price of US\$1,700 per ounce, an antimony price of US\$8,500 per tonne and 2021 total year metal recoveries of 93% for gold and 95% for antimony, and is as follows:  $AuEq = Au (g/t) + 1.58 \times Sb (\%)$ .

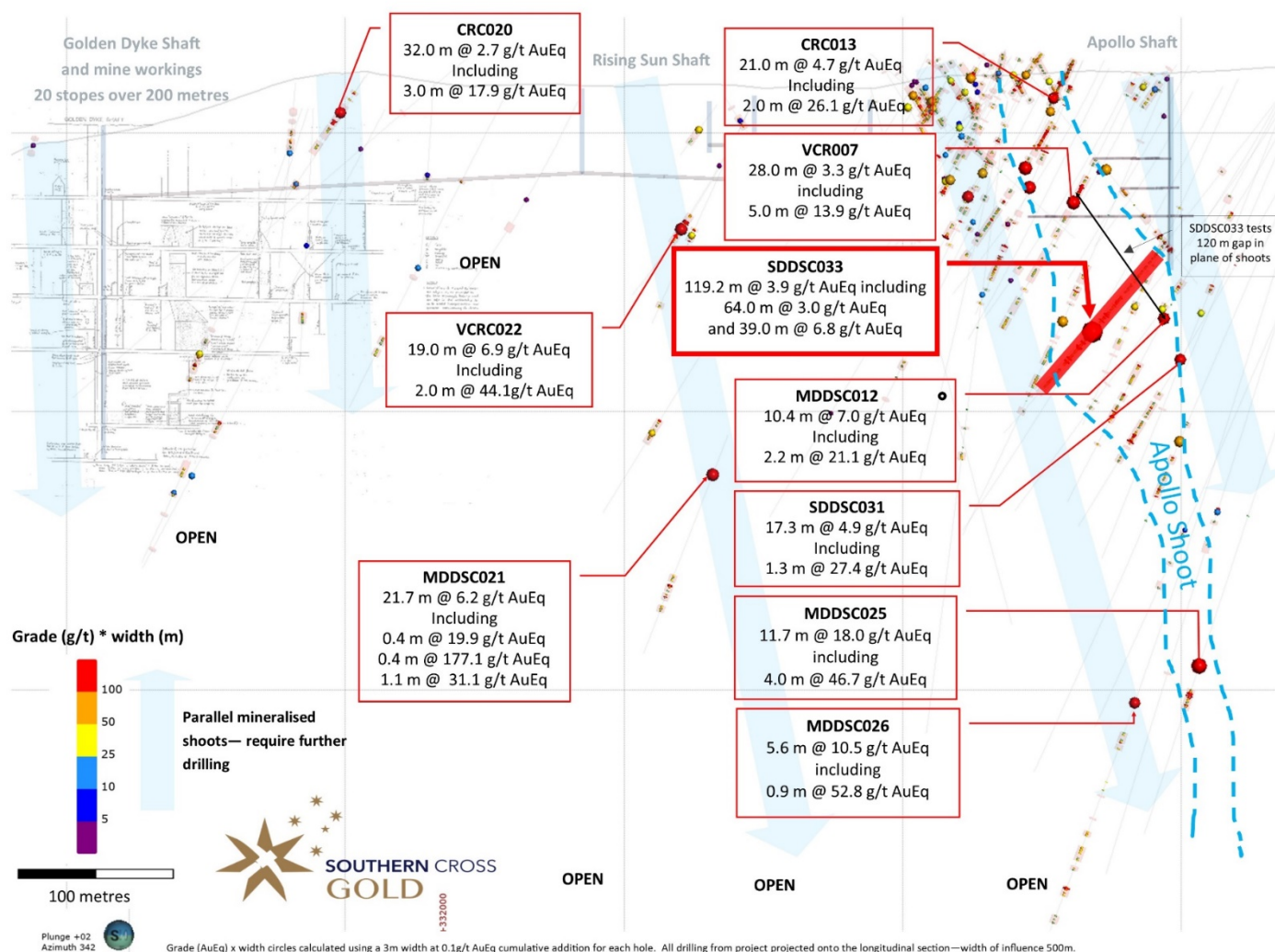


Figure 1: Sunday Creek plan view showing a selection of drillhole results discussed in this report.

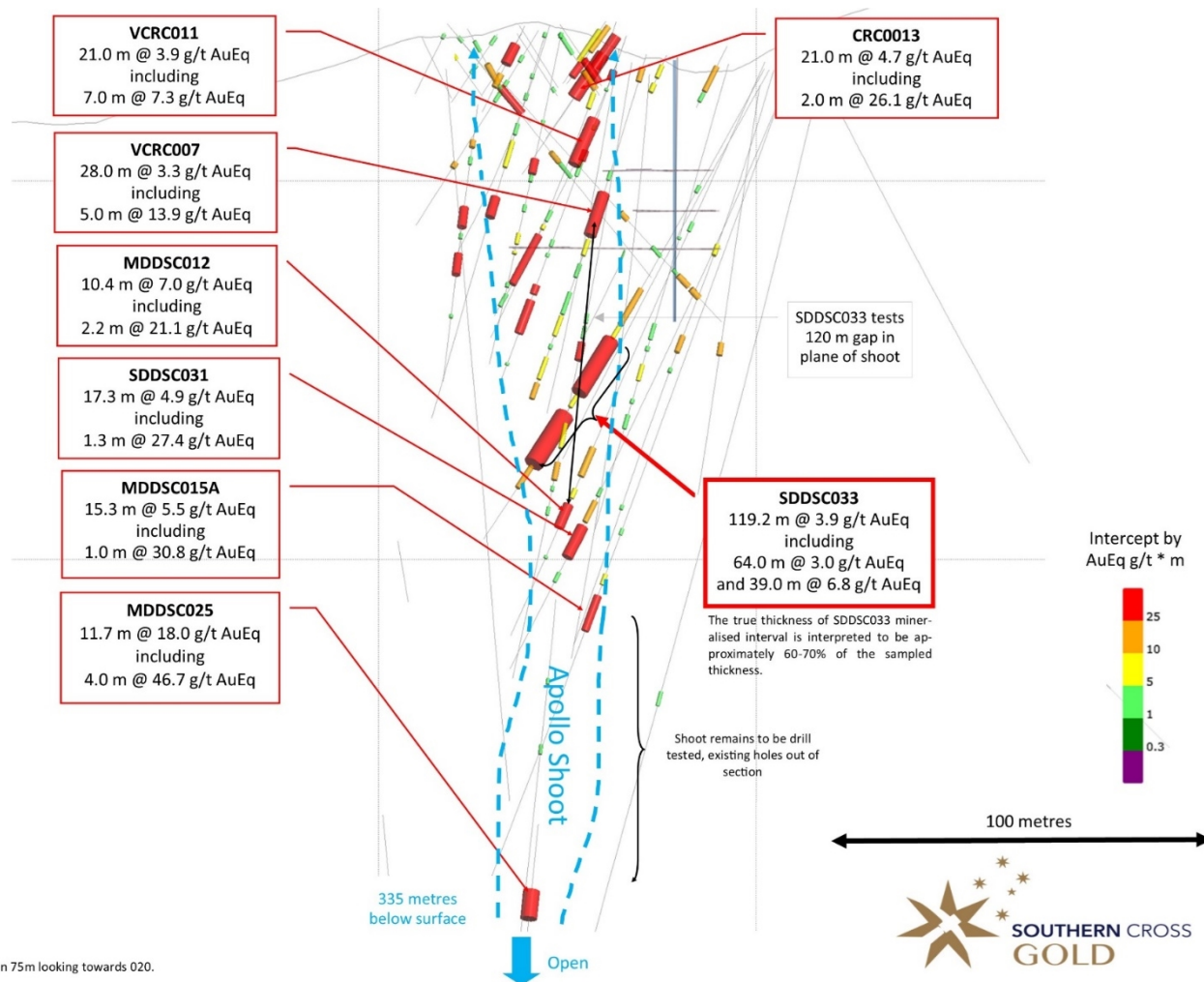




**Figure 2: Sunday Creek longitudinal section showing individual shoots defined to date and grad x width pierce points of drillholes. Broad arrows show indicative mineralised shoots. Greater than 100g/t AuEq \* m intersections shown by red circles.**



**Figure 3:** Sunday Creek cross section along the Apollo shoot looking towards 020 degrees showing continuity of wide and high-grade mineralisation down to 335 m vertically below surface.



**Table 1:** Drill collar summary table for drillholes with assays released in this quarterly report.

Hole_ID	Hole Size	Depth (m)	Prospect	East GDA94_Z55	North GDA94_Z55	Elevation	Azimuth	Plunge
MDDSC027	HQ/NQ	400.0	Apollo	331150	5867964	323.0	205	-65.0
SDDSC028	HQ	150.0	north IP	331550	5868090	362.5	288	-30.0
SDDSC029	HQ	220.6	north IP	331243	5868014	343.7	90	-60.0
SDDSC030	HQ	104.1	Eastern trench	331294	5867801	320.0	42	-45.0
SDDSC031	HQ	282.0	Apollo	331191	5867860	307.4	250	-60.0
SDDSC032	HQ	140.0	Apollo	331056	5867767	319.0	228	-65.0
SDDSC033	HQ	246.1	Apollo	331172	5867842	306.3	245	-51.5

**Table 2:** Tables of mineralised drill hole intersections in this report using three intersection criteria

5.0 g/t AuEq cutoff over a maximum of 1m

Drill Hole	From (m)	To (m)	Width (m)	Au g/t	Sb %	AuEq g/t
SDDSC031	115.6	115.7	0.1	8.1	4.0	14.5
SDDSC031	222.7	224.1	1.4	10.9	3.4	16.3
SDDSC031	226.3	226.7	0.4	18.0	6.6	28.5
SDDSC031	227.3	227.6	0.3	66.8	0.1	66.9
SDDSC032	60.3	60.7	0.4	15.7	6.7	26.3
SDDSC032	61.5	61.8	0.3	81.2	3.4	86.6
SDDSC033	118.5	119.0	0.5	9.3	0.6	10.2
SDDSC033	148.9	149.4	0.5	16.4	0.0	16.5
SDDSC033	151.0	153.5	2.5	5.8	0.2	6.2
SDDSC033	154.7	154.9	0.2	24.0	0.1	24.0
SDDSC033	160.5	165.6	5.1	17.7	1.6	20.3
SDDSC033	180.6	181.5	0.9	35.4	4.0	41.8
SDDSC033	184.0	186.3	2.3	26.2	3.7	32.0
SDDSC033	189.9	195.1	5.2	14.7	4.8	22.3

0.3 g/t lower cutoff over a maximum of 2m

Drill Hole	From (m)	To (m)	Width (m)	Au g/t	Sb %	AuEq g/t
MDDSC027	285.5	288.0	2.5	0.5	0.0	0.5
MDDSC027	302.9	304.8	1.9	0.5	0.1	0.6
MDDSC027	315.0	319.0	4.0	0.3	0.0	0.4
SDDSC029	16.0	16.7	0.6	0.4	0.0	0.4
SDDSC029	26.0	27.0	1.0	0.4	0.0	0.4
SDDSC029	29.8	31.0	1.2	0.3	0.0	0.3
SDDSC031	109.5	110.6	1.1	0.4	0.0	0.5
SDDSC031	115.3	115.8	0.5	2.1	1.0	3.7
SDDSC031	<b>163.7</b>	<b>164.0</b>	<b>0.3</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>
SDDSC031	196.1	200.0	3.9	0.6	0.1	0.8
SDDSC031	202.4	212.1	9.7	1.3	0.2	1.6
SDDSC031	214.4	231.7	17.3	3.9	0.6	4.9
SDDSC031	236.3	240.7	4.4	0.7	0.0	0.7
SDDSC032	0.0	2.2	2.2	1.0	0.0	1.0
SDDSC032	7.0	8.0	1.0	0.3	0.0	0.3
SDDSC032	24.3	25.3	1.0	0.3	0.0	0.3
SDDSC032	38.4	40.2	1.8	0.9	0.0	0.9
SDDSC032	55.5	65.3	9.8	3.9	0.5	4.6
SDDSC032	68.0	68.8	0.8	0.4	0.0	0.5
SDDSC032	74.0	78.4	4.4	0.4	0.2	0.7
SDDSC032	84.0	85.0	1.0	0.3	0.0	0.3
SDDSC032	88.0	92.7	4.7	1.2	0.0	1.3
SDDSC032	96.0	97.0	1.0	7.6	0.5	8.4
SDDSC032	101.0	102.0	1.0	0.3	0.0	0.3
SDDSC032	109.7	111.6	1.9	1.1	0.0	1.1
SDDSC033	110.7	174.7	64.0	2.7	0.2	3.0
SDDSC033	179.0	218.0	39.0	5.2	1.0	6.8

0.1 g/t lower cutoff over a maximum of 3 m

hole_id	from (m)	to (m)	width (m)	Au g/t	Sb %	AuEq g/t
SDDSC033	106.8	226.0	119.2	3.2	0.4	3.9

### Purchase of Freehold Land

The Company purchased a 132.64 hectare block of freehold property that covers both the Sunday Creek project drill area and areas for potential extension of the zone to the east. The Company views that owning the freehold land better secures future surface access. The Company may also consider other uses for the freehold land in the future, such as renewable energy options, livestock grazing or agistment to help maintain the property (although there are no current plans for such additional uses). As the contract was conditional upon satisfying the requirements of the Foreign Acquisitions and Takeovers Act 1975 (Cth), a no objection notification for the freehold acquisition without conditions from the Foreign Investment Review Board ("FIRB") was received before settlement.

## **Second Drill Rig to Arrive at Sunday Creek**

Subsequent to the end of the year, the Company announced to the market on 14 June 2022 it had sourced an additional rig to mobilise to the Sunday Creek site. The Company determined that given the exceptional drilling progress it had made at made at the project, it deserved additional capacity to extend and infill mineralisation around the Apollo to Golden Dyke strike zone at Sunday Creek.

## **Critical Metal Epizonal Gold-Antimony Deposits**

Sunday Creek is an epizonal gold-antimony deposit formed in the late Devonian period (similar to Fosterville, Costerfield, Redcastle and Whroo), 60 million years later than mesozonal gold systems formed in Victoria (ie: Ballarat and Bendigo). Epizonal deposits are a form of orogenic gold deposit classified according to their depth of formation: epizonal (<6 km), mesozonal (6-12 km) and hypozonal (>12 km).

Geoscience Australia reported that as at 2019, antimony is a critical metal where China and Russia combined produce approximately 82% of the antimony raw material supply. Antimony features highly on the critical minerals lists of many countries including Australia, the United States of America, Canada, Japan and the European Union. Australia ranks seventh for antimony production despite all production coming from a single mine at Costerfield in Victoria, located nearby to all Southern Cross Gold projects. Antimony alloys with lead and tin which results in improved properties for solders, bullets, bearings and batteries. Antimony is a prominent additive for halogen-containing flame retardants. Adequate supplies of antimony are critical to the world's energy transition, and to the high tech industry especially the semi-conductor and defence sectors. For example, antimony is a critical element in the manufacture of lithium-ion batteries and to the next generation of liquid metal batteries that lead to scalable energy storage for wind and solar power.

## **Company Overview**

Southern Cross Gold Ltd is an exploration stage company, incorporated on 21 July 2021, with a focus on gold exploration in Australia. The Company's focus is primarily on the exploration and development of its portfolio of exploration projects through its wholly owned subsidiaries, Clonbinane Goldfield Pty Ltd, Mawson Victoria Pty Lt and Mawson Queensland Pty Ltd.

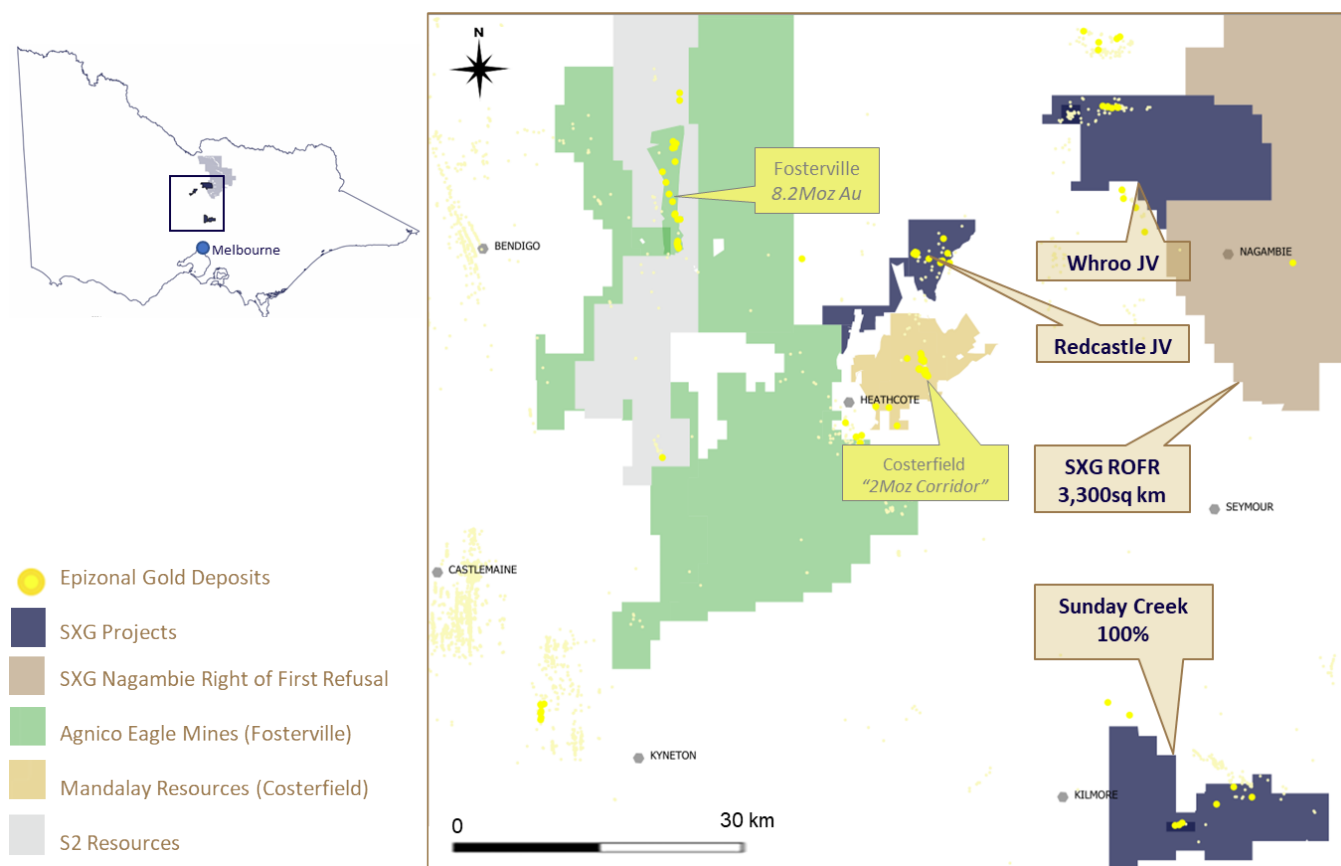
The subsidiaries of Southern Cross Gold hold interests in tenements forming the Projects that were initially acquired in March 2020 when they were subsidiaries of Mawson Gold.

Each of the subsidiary companies holds certain rights and interests forming the Projects of the Company as described below:

- Clonbinane Goldfield Pty Ltd: holds the tenements forming the Sunday Creek Project and has subsequently entered into a conditional contract to acquire 300 hectares of freehold land on the key drilled portion of the Sunday Creek Project.
- Mawson Victoria Pty Ltd: holds the rights and interests under Option Agreements with Nagambie Resources Limited (ASX:NAG) ("Nagambie") to:
  - Up to 70% of the Whroo Project. 25% can be earnt by incurring \$500,000 expenditure and paying Nagambie \$50,000, a further 35% can be earnt by incurring a further \$1,600,000 expenditure and paying Nagambie \$100,000 (\$50,000 in two separate years) and, subject to an election to form a joint venture by Nagambie, a further 10% by incurring an additional \$1,500,000 expenditure; and
  - 70% of the Redcastle Project, it being noted that the expenditure requirements for acquisition of a 70% interest in the Redcastle Project have been met and 70% of the Redcastle Project is now held by Mawson Victoria.
- Mawson Queensland Pty Ltd: holds the tenements forming the Mt. Isa Project.

The Company also acquired 50,000,000 fully paid ordinary shares in Nagambie and the benefit of a subscription agreement between Nagambie and Mawson Gold under an assignment. This benefit includes a right of first refusal in respect of 3,300 kilometres<sup>2</sup> of tenements held by Nagambie as at the date of the subscription agreement, subject to the Company maintaining the initial Nagambie shareholding in percentage terms.

**Figure 4: Location of Southern Cross Gold Victorian projects**



## Projects Overview

### Sunday Creek Project – 100% owned

The Sunday Creek Project comprises two granted exploration licences and one granted retention licence held by Clonbinane Goldfield Pty Ltd, a wholly owned subsidiary of the Company.

The Sunday Creek Project is a shallow orogenic (or epizonal) Fosterville-style deposit located 60 kilometres north of Melbourne and contained with 19,365 hectares of both granted and applied for exploration tenements.

The main historic workings at the Sunday Creek Project have been drill tested with encouraging results and remain open at depth and along strike demonstrating the Company's belief that the Project has the potential for continuity of high-grade mineralisation.

Historic gold mining between 1880-1920 occurred over a greater than 11-kilometre trend with total production being reported as 41,000 oz gold at a grade of 33 g/t gold. Drilling during 1990-2000s focused on shallow, previously mined surface workings, covering an area of 100 metres in width, 800 metres length but only to 80 metres depth on average. As such, the entire field remains open along strike and to depth.

At year's end, Southern Cross Gold had completed 37 drill holes (MDDSC001-037) for 9,222 metres at the Sunday Creek gold project where drilling continues. Geophysical surveys (3D induced polarisation and ground magnetics), a 1,200-point soil sampling program at Sunday Creek have been completed on the property extending east-northeast from drilling areas to test the 10-kilometre trend of historic epizonal dyke-hosted mineralisation within Southern Cross Gold's tenured areas.

### Whroo Project – Option to earn up to 70%

The Whroo Project comprises six granted exploration licences and one granted retention licence held by Nagambie, and one exploration licence application by Mawson Victoria. The Company, via its wholly owned subsidiary Mawson Victoria, can earn up to a 70% interest in the Whroo Project.



The 14-kilometre long Whroo Project is one of the largest historic epizonal goldfields in Victoria located 130 kilometres north of Melbourne within 221 kilometres<sup>2</sup> of exploration tenements. The Whroo Project consists of the Balacalava Hill area which contains thirteen named reefs from an open pit and 137 metre deep shaft, while shallow workings extend over the entire trend.

Alluvial gold mining commenced at Whroo during the initial gold boom of the 1850s and a settlement was quickly established. Significant alluvial workings are present throughout the field. Hard rock mining commenced in 1855. Production at Whroo is estimated to have been 40,000 oz of gold at grades varying from 5 g/t gold to >700 g/t gold. Prior to recent drilling by Mawson Victoria, it remained untested to depth.

In December 2021, Mawson Victoria completed two diamond holes under the Balacalava open pit, which extracted 23,600 oz gold during the 1800s. The drilling produced the best drill result on the field since hard rock mining commenced 167 years ago. Grades of up to 49.6 g/t gold over 0.6 metres and antimony grades including 0.2 metres @ 16.5% antimony demonstrate the Company's second bona fide high-grade drill project after Sunday Creek and highlight the quality of the Company's multifaceted opportunities in Victoria.

### **Redcastle Project – 70% ownership**

The Redcastle Project comprises three granted exploration licences. The main tenement is jointly held by both Mawson Victoria and Nagambie with two smaller tenements in Nagambie's name. The Company, via its wholly owned subsidiary Mawson Victoria, has earned a 70% interest in the Redcastle Project.

The Redcastle Project is located in central Victoria 120 kilometres north of Melbourne and 45 kilometres east of Bendigo. Redcastle is a shallow orogenic (or epizonal) Fosterfield-style historic high-grade field held within a tenure area of 56.7 kilometres<sup>2</sup> of granted exploration tenements. It is located 2 kilometres along strike from Mandalay Resources Ltd's Costerfield mine exploration tenements and on a parallel north-south structure 24 kilometres east of Agnico Eagle's Fosterfield mine. Fosterfield and Costerfield are two of the world's highest grade underground gold mines. Part of the northern margin of the tenement adjoins a Newmont Corporation exploration licence application.

Redcastle is one of the most significant historic epizonal high-grade goldfields in Victoria, Australia. First discovered in 1859, it is a uniquely Victorian opportunity where significant historically mined epizonal gold systems remain poorly explored to depth. Extremely high gold grades with visible gold in quartz (+/- stibnite association) were mined over a 4.5 x 7 kilometre area containing over 24 historic mining areas. Prior to Mawson Victoria's drilling over the last 18 months, the property had only seen an average depth for drilling of 40 metres, and never a test below historic workings that extend over tens of kilometres.

Mawson Victoria has completed 16 drillholes for 2,786.9 metres across eight prospects at the Redcastle Project for an average hole depth of 174.2 metres. Thin to moderate grades and widths of gold were discovered in all drill holes, with many locations requiring follow-up drilling.

### **Mt Isa – 100% owned**

Southern Cross Gold has staked through its 100% owned Australian subsidiary, Mawson Queensland, seven exploration prospecting licences for 861 kilometres<sup>2</sup> of granted exploration licences in the Cloncurry district of Mt Isa, over a combined 60 kilometres of strike, and is surrounded by South32 Ltd and Sandfire Resources Ltd.

### **Initial Public Offer**

The Company commenced trading on the Australian Securities Exchange ('ASX') on 16 May, 2022 having raised \$9.1 m in the IPO at a listing price of \$0.20. This is in addition to an oversubscribed pre-IPO capital raise of \$2.7 m in January 2022 prior to the reporting period.

The Company is a spin out of Toronto Exchange listed Mawson Gold Ltd (TSX: MAW) ('Mawson') who had invested C\$6 m in exploration expenditures for 9,000 m of drilling at the three Victorian properties since January 2020 up to the IPO process period.

Mawson is now a Nordic focused exploration and development company whose principal asset, the Rajapalot gold-cobalt project in northern Finland, is a first principal discovery with an inferred resource of 1.04 Moz @ 3.0g/t AuEq made by members of the SXG team.

Mawson remains a 60% shareholder in the Company whose shares are escrowed for two years from the date of listing (16 May 2022).



## **Safety, the Environment and our Communities**

With a strong commitment to a safe work environment, our team achieved a zero injury rate in the quarter and the field team have improved safety procedures associated with handling diamond core. We are working toward a “zero lift” core handling facility to reduce the amount of manual handling and greatly reduce the risk of injury to personnel.

We are also actively reducing the amount of waste at our core logging facility by increasing our recycling capacity with a new system that will see much of our waste recycled and minimal waste going to landfill. We will also continue to purchase Dynamics G-ex core trays that are made from 95% recycled materials. By using these core trays, we have prevented 5.71 tonnes of curbside waste from going to landfill. These trays also reduced our greenhouse gas emissions as the trays are made from local plastic waste and are manufactured in Victoria, thus reducing the amount of transport required to get the trays to our site. Additionally, we also use compostable plastic bags for our core samples and we are working with Dynamics G-ex to help local National Disability Insurance Scheme industries to produce consumables such as core blocks and calico sample bags for our exploration programs.

The Company is also actively seeking to reduce our greenhouse gas emissions by purchasing renewable energy for our facilities. Our new core shed will be designed to be energy efficient and will use renewable energy.

During the year, Southern Cross Gold was the first mining or exploration company in Victoria to employ the First Nations people's agency, Biik Environmental, to carry out rehabilitation work on old trenches left behind by previous explorers at our Sunday Creek project. Biik Environmental's work is undertaken in accordance with the Taungurung Land and Waters Council's Cultural and Natural Resource Management principles of Healing Country, Reading Country and Caring for Country.

As part of our commitment to exceeding the Victorian Code of Practice for Exploration, the Company will soon commence a proactive and voluntary environmental baseline study. This study will form part of our environmental risk assessment as we move towards a potential work program at Sunday Creek. This early work will be essential for any future mining licence to be granted. Biik Environmental has tendered for the contract to carry out the study.

During the period, the Company was active in engaging our local and broader community. With the purchase of the freehold land at Sunday Creek, we have started tours for the local community so they can see firsthand the low impact exploration methods that we are carrying out. This has led to us forming a Clonbinane Community Consultation group that will work with the Company as we progress the Sunday Creek Project. Several community projects have been proposed including Southern Cross Gold's Qualified Drone Operator helping to monitor Sunday Creek's Landcare projects and our staff helping to build nesting boxes for the local wildlife. As part of our commitment to our communities, Southern Cross held a stand at the Seymour Alternative Farming Field Day. This is a large event over three days that draws patrons in from all the areas in which we work. Our activity “your value in gold” was particularly popular with the children who visited the stand.

During the period, the Company also presented the Sunday Creek Project to the Mitchell Shire Council's Community Environmental Consultation group with very positive responses from all the community members.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Southern Cross Gold Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period 21 July 2021 to 31 May 2022.

### **Directors**

The following persons were directors of Southern Cross Gold Ltd during the whole of the financial period and up to the date of this report, unless otherwise stated:

Tom Eadie	Appointed Non-Executive Chairman 11 February 2022
Michael Hudson	Appointed Director at incorporation and Managing Director on 10 March 2022
Georgina Carnegie	Appointed Non-Executive Director 11 February 2022
David Henstridge	Appointed Non-Executive Director 11 February 2022

### **Principal activities**

The principal activity of the consolidated entity during the year was the exploration for natural resources, including metals, precious metals, lithium and minerals. There have been no significant changes in the nature of those activities during the period.

### **Dividends**

There were no dividends paid, recommended or declared during the current financial period.

### **Financial performance**

The loss of the consolidated entity after providing for income tax amounted to \$1,833,947 for the period from incorporation on 21 July 2021 through to and including 31 May 2022, the reporting period.

The loss for the reporting period is primarily driven by:

- employee benefit expense of \$297,366
- administration and corporate costs of \$709,148
- decrease in market value of investments of \$803,964

Included in the loss for the year are the following non-cash expenditure of significance:

- depreciation and amortisation of \$23,485
- share based payments recognised through employee benefits expense of \$272,271
- expenses paid for by ultimate controlling entity on behalf of the consolidated entity of \$30,776 (the borrowings of which were subsequently repaid in full during the period ended 31 May 2022)
- decrease in market value of investments of \$803,964.

Excluding these non-cash transactions, the loss for the reporting period amounted to \$703,451. This loss was largely attributable to administration and corporate costs incurred by the company as part of the listing on the Australian Stock Exchange. Refer to Note 6 for further information.

In addition, at 31 May 2022 the consolidated entity recorded:

- cash and cash equivalents of \$7,946,407
- net assets of \$19,687,434
- working capital of \$7,592,024.

Refer to the preceding Review of Operations for further details on the operations of the company.

### **Financial position**

Net assets of the consolidated entity at 31 May 2022 were \$19,687,434. Current assets of the consolidated entity at 31 May 2022 were \$8,018,106, exceeding current liabilities of \$426,082.

The increase in financial position of the Company during the year was largely due to the capital raisings amounting to \$11,817,924 before equity raising costs.

### **Cash flow**

The company raised proceeds from issue of shares of \$11,817,924 (before costs) for the period ended 31 May 2022, including \$2,724,624 via a pre-IPO capital raise and \$9,093,300 during the Initial Public Offering on the Australian Stock Exchange. Cash and cash equivalents of the consolidated entity at 31 May 2022 were \$7,946,407.

Refer to the detailed review of operations preceding this report for further information on the consolidated entity's activities.

### **Significant changes in the state of affairs**

The following significant events have occurred during the financial year:

On 21 July 2021, the company was incorporated. Accordingly, these are the company's first audited financial statements and as such no comparatives are disclosed.

On 9 August 2021, the company acquired 100% control of three subsidiaries from Mawson Gold Limited, including Mawson Queensland Pty Ltd, Mawson Victoria Pty Ltd and Clonbinane Goldfield Pty Ltd. The directors concluded the acquisition of such subsidiaries gave rise to an asset acquisition as opposed to a business combination. The company issued consideration of 1 share at \$1 to Mawson Gold Limited to acquire such subsidiaries. Refer to Note 20 for further details relating to the fair value of assets and liabilities acquired as part of the acquisition.

Following the acquisition of subsidiaries from Mawson Gold Limited on 9 August 2021, in December 2021, the company conducted a debt for equity swap with Mawson Gold Limited, whereby 16,087,502 of ordinary shares were issued at a price of 42.31 cents per share, equal to \$6,806,075 of share capital. In addition, the company issued 4,537,500 of ordinary shares to Mawson Gold Limited at a price of 72.73 cents per share, equal to \$3,300,000, acquiring Mawson Gold Limited's equity interest in Nagambie Resources Limited.

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.

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.

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. 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 \$870,100.

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 occurred on 26 May 2022. The directors incurred a further \$108,500 in stamp duty, legal and conveyancing costs which have been capitalised as part of the cost of the asset. Refer to Note 9 for further information.

On 3 March 2022, the parent entity repaid all borrowings payable to its ultimate controlling entity, Mawson Gold Limited.

On 17 March 2022 Southern Cross Gold Ltd lodged a prospectus for an offer of shares to raise between \$8 million and \$10 million (before costs). As a result of the initial public offering (IPO) \$9,093,300 was raised (before costs) via the issue of 45,466,500 shares at \$0.20 each. The company used the proceeds of the IPO with \$2.2 million of cash at hand to fund ongoing exploration at its project and to acquire 300 hectares of freehold land which forms a key portion of the drilled area at its key Sunday Creek asset. As a result of the successful capital raising offer, Southern Cross Gold Ltd listed for quotation on the ASX on Thursday, 5 May 2022.

On 30 May 2022, Southern Cross Gold Ltd announced, via the Australian Stock Exchange, that drilling at the Sunday Creek project in Victoria had uncovered a spectacularly wide intersection of gold-antimony mineralisation. As a result, Southern Cross Gold Ltd's share price increased from \$0.20 at 26 May 2022 before a trading halt to \$0.665 at 30 May 2022, effectively tripling the consolidated entities market capitalisation.

During the period ended 31 May 2022 the fair value of the consolidated entity's investments in Nagambie Resources Limited decreased by \$803,964.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

### **Matters subsequent to the end of the financial period**

Subsequent to balance date and up until the date of signing, the fair value of the consolidated entity's investment in Nagambie Resources Limited increased by \$821,142 with the share price increasing from \$0.05 (5 cents) at 31 May 2022 to \$0.066 (6.6 cents) prior to the signing of the financial report. This has increased the consolidated entity's net profit and net asset position by \$821,142 subsequent to balance date.

No other matter or circumstance have arisen since 31 May 2022 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### **Likely developments and expected results of operations**

During the current financial year, the Company has entered into agreements to acquire new projects and project rights and the success of the Company will depend on exploration activities proposed to be carried out on the current projects areas of interest which have been acquired or granted to the Consolidated entity.

The Company continues to review potential new opportunities, if the Directors are successful in acquiring new projects or entering into a joint venture, it is expected that part of the funding held by the Company may be directed to the purchase of that project and to the exploration and development plan for that project.

### **Environmental regulation**

The consolidated entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. To the best of the Directors' knowledge, the consolidated entity has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the period ended 31 May 2022 and up to the date of the Directors' report.

### **Risk statement**

The consolidated entity is committed to the effective management of risk to reduce uncertainty in the consolidated entity's business outcomes and to protect and enhance shareholder value. There are various risks that could have a material impact on the achievement of the consolidated entity's strategic objectives and future prospects.

Key risks and mitigation activities associated with the consolidated entity's objectives are set out below:

#### ***COVID-19 impacts***

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of businesses, individuals and governments to operate. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the pandemic on the consolidated entity's business (or on the operations of other businesses on which it relies), and there is no guarantee that the consolidated entity's efforts to address the adverse impacts of COVID-19 will be effective. The impact to date has included periods of significant volatility in financial, commodities and other markets. This volatility, if it continues could have an adverse impact on the consolidated entity's condition and results of operations.

The pandemic may lead to delays or restrictions regarding land access and the consolidated entity's ability to freely move people and equipment to and from the consolidated entity's exploration projects, leading to delays and cost increases.

There continues to be considerable uncertainty as to the duration and further impact of COVID-19, including (but not limited to) government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions.

The impact of some or all of these factors could cause significant disruption to the consolidated entity's operations and financial performance. The consolidated entity continues to put in place mitigation strategies in relation to the COVID-19 pandemic and ensures a COVID safe environment is carried out at all of its work sites.

#### ***Exploration risk***

The consolidated entity's projects are at various stages of exploration, and potential investors should understand that mineral exploration is a high-risk undertaking. There can be no assurance that exploration of these projects, or any other tenements that may be acquired in the future, will result in the discovery of an economic mineral deposit.

The future exploration activities of the consolidated entity may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, local title processes, changing government regulations and many other factors beyond the control of the consolidated entity.

In addition, the tenements forming the projects of the consolidated entity may include various restrictions excluding, limiting or imposing conditions upon the ability of the consolidated entity to conduct exploration activities. While the consolidated entity will formulate its exploration plans to accommodate and work within such access restrictions, there is no guarantee that the consolidated entity will be able to satisfy such conditions on commercially viable terms, or at all.

The consolidated entity uses a number of exploration techniques in order to reduce the level of exploration risks and continues to explore new and innovative technologies through its day to day operations.

#### *Regulatory risk*

The consolidated entity's mining and exploration activities are dependent upon the maintenance (including renewal) of the tenements in which the consolidated entity has or acquires an interest. Maintenance of the consolidated entity's tenements is dependent on, among other things, the consolidated entity's ability to meet the licence conditions imposed by relevant authorities.

Although the consolidated entity has no reason to think that the tenements in which it currently has an interest will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed by the relevant authority or whether the consolidated entity will be able to meet the conditions of renewal on commercially reasonable terms, if at all.

The consolidated entity works with local government and mining departments to ensure it meets the required level of reporting requirements and to reduce any potential for breach of regulatory requirements.

#### *Future funding risk*

The consolidated entity has no operating revenue and is unlikely to generate any operating revenue in the foreseeable future. Exploration and development costs and pursuit of its business plan will use funds from the consolidated entity's current cash reserves and the amount raised under the Equity Offer.

The development of one or more of its projects may require the consolidated entity to raise capital in excess of the funds proposed to be raised under the Equity Offer.

Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price (or Offer Price) or may involve restrictive covenants which limit the consolidated entity's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the consolidated entity or at all.

If the consolidated entity is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the consolidated entity's activities and could affect the consolidated entity's ability to continue as a going concern. The consolidated entity's funding requirements are reviewed on a regular basis in order to mitigate future funding risk.

#### **Information on directors**

Name:	Tom Eadie
Title:	Non-Executive Chairman (appointed Non-Executive Chairman 11 February 2022)
Experience and expertise:	Mr Eadie has over 40 years' experience as an exploration leader and geophysicist in the resources industry. He is the former Executive Chairman of Copper Strike, founding Chairman of Syrah Resources and previously Executive General Manager - Exploration and Technology at Pasminco.
Other current directorships:	Alderan Resources Ltd (ASX: AL8).
Former directorships (last 3 years):	Strandline Resources Ltd (ASX: STA)(Resigned 1 July 2022)
Interests in shares:	550,000 fully paid ordinary shares
Interests in options:	400,000 Class A Options exercisable at \$0.30 (30 cents) on or before 5 May 2025 400,000 Class B Options exercisable at \$0.30 (30 cents) on or before 5 May 2026 400,000 Class C Options exercisable at \$0.30 (30 cents) on or before 5 May 2027



**Name:** Michael Hudson  
**Title:** Managing Director (appointed as a director on 21 July 2021)  
**Experience and expertise:** Professional geologist, explorationist and entrepreneur with over 30 years' experience in exploration, project development and management in Australia and internationally.

Mr Hudson commenced his career underground for three years in Broken Hill in 1990 with Pasminco Ltd. He has managed and developed exploration to pre-feasibility projects in Pakistan, Australia, Peru, Argentina, Mexico, Finland, Spain, Portugal and Sweden for major and junior mining companies. He was an integral team member for the discovery of the Portia gold mine in the Olary district of South Australia, the Duddar Pb-Zn mine in Pakistan, the Norra Karr REE deposit in Sweden, the San Martin Cu-Ag discovery in Peru and the Rompas-Rajapalot gold cobalt deposit in Finland. He is a Fellow of the Australasian Institute of Mining and Metallurgy and Member of both the Society for Economic Geologists and Australian Institute of Geoscientists.

**Other current directorships:** Mawson Gold Ltd (TSX:MAW), Hannan Metals Ltd (TSXV:HAN) and a director of Sixty Six Capital Inc. (CVE:SIX).

**Former directorships (last 3 years):** None

**Interests in shares:** 562,500 fully paid ordinary shares

**Interests in options:** 1,000,000 Class A Options exercisable at \$0.30 (30 cents) on or before 5 May 2025

1,000,000 Class B Options exercisable at \$0.30 (30 cents) on or before 5 May 2026

1,000,000 Class C Options exercisable at \$0.30 (30 cents) on or before 5 May 2027

**Name:** Georgina Carnegie

**Title:** Non-Executive Director (appointed 11 February 2022)

**Experience and expertise:** Ms Carnegie is an economist and international business consultant. She has over forty years' experience in international research and advisory work. Her early career involved senior positions in the Australian government and life insurance sectors. She recently spent more than a decade as Senior Advisor to the Chairman of a natural resources focused private equity firm.

Ms Carnegie has a B Economics (Monash) and an MPA (Kennedy School of Government, Harvard).

**Other current directorships:** Hannan Metals Ltd (TSXV:HAN).

**Former directorships (last 3 years):** None

**Interests in shares:** 250,000 fully paid ordinary shares

**Interests in options:** 350,000 Class A Options exercisable at \$0.30 (30 cents) on or before 5 May 2025

350,000 Class B Options exercisable at \$0.30 (30 cents) on or before 5 May 2026

350,000 Class C Options exercisable at \$0.30 (30 cents) on or before 5 May 2027

**Name:** David Henstridge

**Title:** Non-Executive Director (appointed on 11 February 2022)

**Experience and expertise:** Mr Henstridge is a geologist with 50 years' experience in the mining industry including 30 years managing public-listed companies. He has been associated with many mineral discoveries worldwide including in Australia, Peru and Finland. Moving into the Canadian capital markets in 1993, he has been associated with Companies raising more than \$200,000,000 for exploration and project development, been a co-founder of five capital pool Companies listed on the Toronto Venture Exchange, all succeeding with qualifying transactions in the exploration industry and the reconstruction and re-listing of several more defunct Companies.

**Other current directorships:** Mawson Gold Ltd (TSX:MAW) and Hannan Metals Ltd (TSXV:HAN), Kingsman Resources Ltd (TSXV-KNG), WhitewaterAcquisition Corp (TSXV:WWA-P.V) and Auscan Resources Inc. (TSXV:ACR-H.V)

**Former directorships (last 3 years):** None

**Interests in shares:** 412,500 fully paid ordinary shares

**Interests in options:** 350,000 Class A Options exercisable at \$0.30 (30 cents) on or before 5 May 2025

350,000 Class B Options exercisable at \$0.30 (30 cents) on or before 5 May 2026

350,000 Class C Options exercisable at \$0.30 (30 cents) on or before 5 May 2027

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

#### **Company secretary**

##### **Mr Justin Mouchacca, CA FGIA**

Mr Mouchacca is a qualified Chartered Accountant and Fellow of the Governance Institute of Australia with over 15 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. He graduated from RMIT University in 2008 with a Bachelor of Business majoring in Accounting. Mr Mouchacca completed the Chartered Accountants Program in 2011 and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies. He is also a Fellow of the Governance Institute of Australia.

#### **Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the period ended 31 May 2022, and the number of meetings attended by each director were:

	Full Board Eligible	Full Board Attended
Tom Eadie	2	2
Michael Hudson	2	2
Georgina Carnegie	2	2
David Henstridge	2	2

#### **Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

#### **Principles used to determine the nature and amount of remuneration**

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the company.



The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### *Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at a shareholder meeting held on 10 January 2022, where the shareholders approved a maximum annual aggregate remuneration of \$350,000.

#### *Executive remuneration*

The company aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has two components:

- base pay and non-monetary benefits
- share-based payments

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

The long-term incentives ('LTI') include long service leave and share-based payments. During the 2022 financial year, options were issued to directors which formed part of their remuneration.

The Company did not use any external remuneration consultants during the financial year.

#### *Consolidated entity performance and link to remuneration*

The remuneration of directors and executives are not linked to the performance, share price or earnings of the consolidated entity.

#### **Details of remuneration**

##### *Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Cash salary and fees \$	Superannuation \$	Equity settled \$	Total \$
<b>2022</b>				
<i>Non-Executive Directors:</i>				
David Henstridge	2,534	253	31,871	34,658
Georgina Carnegie	2,534	253	31,871	34,658
Tom Eadie	3,064	307	36,424	39,795
<i>Executive Directors:</i>				
Michael Hudson	14,046	-	91,061	105,107
	<u>22,178</u>	<u>813</u>	<u>191,227</u>	<u>214,218</u>

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2022	At risk - LTI 2022
<i>Non-Executive Directors:</i>		
David Henstridge	7.00%	93.00%
Georgina Carnegie	7.00%	93.00%
Tom Eadie	8.00%	92.00%
<i>Executive Directors:</i>		
Michael Hudson	13.00%	87.00%

### **Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Michael Hudson
Title:	Managing Director
Agreement commenced:	12 May 2022
Term of agreement:	This contract will continue from commencement date until terminated.
Details:	Mr. Hudson is remunerated at \$275,000 per annum (exclusive of GST).

Either party may terminate the Agreement by providing 6 months notice in writing.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

### **Share-based compensation**

#### *Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the period ended 31 May 2022.

#### *Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial period or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Tom Eadie	400,000	5/05/2022	5/05/2022	5/05/2025	\$0.30	\$0.08
Michael Hudson	1,000,000	5/05/2022	5/05/2022	5/05/2025	\$0.30	\$0.08
Georgina Carnegie	350,000	5/05/2022	5/05/2022	5/05/2025	\$0.30	\$0.08
David Henstridge	350,000	5/05/2022	5/05/2022	5/05/2025	\$0.30	\$0.08
Tom Eadie	400,000	5/05/2022	12/05/2023	5/05/2026	\$0.30	\$0.10
Michael Hudson	1,000,000	5/05/2022	12/05/2023	5/05/2026	\$0.30	\$0.10
Georgina Carnegie	350,000	5/05/2022	12/05/2023	5/05/2026	\$0.30	\$0.10
David Henstridge	350,000	5/05/2022	12/05/2023	5/05/2026	\$0.30	\$0.10
Tom Eadie	400,000	5/05/2022	12/05/2024	5/05/2027	\$0.30	\$0.11
Michael Hudson	1,000,000	5/05/2022	12/05/2024	5/05/2027	\$0.30	\$0.11
Georgina Carnegie	350,000	5/05/2022	12/05/2024	5/05/2027	\$0.30	\$0.11
David Henstridge	350,000	5/05/2022	12/05/2024	5/05/2027	\$0.30	\$0.11

Options granted carry no dividend or voting rights.

**Additional information**

The earnings of the consolidated entity since listing are summarised below:

	2022 \$
Revenue	16
Net profit/(loss) before income tax	(1,833,947)
Net profit/(loss) after income tax	(1,833,947)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022
Share price at start of financial year (\$)	-
Share price at end of financial year (\$)	0.64
Basic earnings per share (cents per share)	(0.04)
Diluted earnings per share (cents per share)	(0.04)

**Additional disclosures relating to key management personnel**

**Shareholding**

The number of shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
<b>Ordinary shares</b>					
Tom Eadie	-	-	550,000	-	550,000
Michael Hudson	-	-	562,500	-	562,500
Georgina Carnegie	-	-	250,000	-	250,000
David Henstridge	-	-	412,500	-	412,500
	-	-	1,775,000	-	1,775,000

Directors and other members of key management personnel listed above held 1,112,500 ordinary shares prior to the IPO (issued as part of pre-IPO raises completed in January/February 2022) before applying for a further 662,500 ordinary shares through the IPO. There were no ordinary shares were issued to directors/key management personnel on formation of Southern Cross Gold Ltd (otherwise referred to as founder capital).

**Option holding**

The number of options over ordinary shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
<b>Options over ordinary shares</b>					
Tom Eadie	-	1,200,000	-	-	1,200,000
Michael Hudson	-	3,000,000	-	-	3,000,000
Georgina Carnegie	-	1,050,000	-	-	1,050,000
David Henstridge	-	1,050,000	-	-	1,050,000
	-	6,300,000	-	-	6,300,000

**Loans to key management personnel and their related parties**

Mawson Gold Limited is the major shareholder of Southern Cross Gold Ltd. Southern Cross Gold Ltd's Managing Director, Michael Hudson, is the Executive Chairman and a Director of Mawson Gold Limited. In addition, David Henstridge is a director of both Southern Cross Gold Ltd and Mawson Gold Limited.

During the period ended 31 May 2022 Mawson Gold Limited provided Southern Cross Gold Ltd an unsecured loan facility. For the period ended 31 May 2022, the consolidated entity received \$635,071 in net cash proceeds from this facility. The loan was provided on interest free terms and was repayable on demand, which had been repaid in full at 31 May 2022. Refer to the Statement of Cash Flows and Note 22 for further information.

*Other transactions with key management personnel and their related parties*

There were no other transactions with key management personnel and their related parties during the period ended 31 May 2022.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of Southern Cross Gold Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
5/05/2022	5/05/2025	\$0.30	2,990,000
5/05/2022	5/05/2026	\$0.30	2,990,000
5/05/2022	5/05/2027	\$0.30	2,990,000
5/05/2022	16/05/2022	\$0.30	6,500,000
			<u>15,470,000</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**

There were no ordinary shares of Southern Cross Gold Ltd issued on the exercise of options during the period ended 31 May 2022 and up to the date of this report.

**Indemnity and insurance of officers**

The consolidated entity has agreed to indemnify all the directors of the consolidated entity for any liabilities to another person (other than the consolidated entity or related body corporate) that may arise from their position as directors of the consolidated entity, except where the liability arises out of conduct involving lack of good faith.

During the financial period, the consolidated entity paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

During the financial period, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the consolidated entity or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in Note 25 to the financial statements.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

**Auditor**

William Buck continues in office in accordance with section 327 of the *Corporations Act 2001*.

**Rounding of amounts**

Southern Cross Gold Ltd is a type of Company that is referred to in ASIC Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read "Tom Eadie", written over a horizontal line.

Tom Eadie  
Non-executive Chairman

23 August 2022

**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 ended 31 May 2022 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 audit.

William Buck

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

N. S. Benbow

**N. S. Benbow**  
Director  
Melbourne, 23<sup>rd</sup> August 2022

**Southern Cross Gold Ltd**  
**Consolidated Statement Of Profit Or Loss And Other Comprehensive Income**  
**For the period ended 31 May 2022**



	<b>Note</b>	<b>2022</b> <b>\$</b>
<b>Revenue</b>		
Revenue		16
<b>Expenses</b>		
Employee benefits expense	5	(297,366)
Depreciation and amortisation expense		(23,485)
Administration and corporate costs	6	(709,148)
Decrease in fair value of investment in Nagambie Resources Limited	11	<u>(803,964)</u>
<b>Loss for the period</b>		<b>(1,833,947)</b>
Other comprehensive income for the period		<u>-</u>
<b>Total comprehensive loss for the period</b>		<b><u>(1,833,947)</u></b>
<b>Earnings per share calculated on loss for the period after income tax expense</b>		<b>\$</b>
Basic earnings per share	7	(0.04)
Diluted earnings per share	7	(0.04)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**Southern Cross Gold Ltd**  
**Consolidated Statement Of Financial Position**  
**As at 31 May 2022**



	<b>Note</b>	<b>2022</b> <b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	8	7,946,407
GST receivable		68,749
Other assets and prepaid expenses		2,950
Total current assets		<u>8,018,106</u>
<b>Non-current assets</b>		
Property, plant and equipment	9	2,045,663
Exploration and evaluation	10	7,456,722
Investment in Nagambie Resources Limited	11	2,566,069
Bonds and security deposits		26,956
Total non-current assets		<u>12,095,410</u>
<b>Total assets</b>		<u>20,113,516</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	12	<u>426,082</u>
Total current liabilities		<u>426,082</u>
<b>Total liabilities</b>		<u>426,082</u>
<b>Net assets</b>		<u><u>19,687,434</u></u>
<b>Equity</b>		
Issued capital	13	20,729,110
Reserves	14	792,271
Accumulated losses		<u>(1,833,947)</u>
<b>Total equity</b>		<u><u>19,687,434</u></u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Southern Cross Gold Ltd**  
**Consolidated Statement Of Changes In Equity**  
**For the period ended 31 May 2022**



	Issued capital \$	Share-based payment Reserve \$	Accumulated losses \$	Total equity \$
Balance at 21 July 2021	-	-	-	-
Loss for the period	-	-	(1,833,947)	(1,833,947)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(1,833,947)	(1,833,947)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the period	21,924,000	-	-	21,924,000
Cost of equity raised in the period	(1,194,890)	-	-	(1,194,890)
Vesting of share based payments	-	792,271	-	792,271
Balance at 31 May 2022	<u>20,729,110</u>	<u>792,271</u>	<u>(1,833,947)</u>	<u>19,687,434</u>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**Southern Cross Gold Ltd**  
**Consolidated Statement Of Cash Flows**  
**For the period ended 31 May 2022**



	<b>Note</b>	<b>2022</b> <b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and taxation authorities		(432,499)
Interest received		<u>16</u>
Net cash used in operating activities	15	<u>(432,483)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment		(1,977,466)
Payments for exploration and evaluation costs		(1,963,369)
Payments for shares in listed entity		(70,033)
Proceeds from the acquisition of subsidiaries (including cash acquired)	20	543,749
Receipts from bonds and security deposits		<u>26,095</u>
Net cash used in investing activities		<u>(3,441,024)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares		11,817,924
Proceeds from borrowings with related parties	22	999,891
Payments for the cost of issuing share capital		(633,081)
Repayment of borrowings with related parties	22	<u>(364,820)</u>
Net cash from financing activities		<u>11,819,914</u>
Net increase in cash and cash equivalents		7,946,407
Cash and cash equivalents at the beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period	8	<u><u>7,946,407</u></u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## **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 controlled at the end of, or during, the period 21 July 2021 to 31 May 2022. 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**

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, 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.

### **Parent entity information**

In accordance with the *Corporations Act 2001*, these financial statements present information of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 21.

### **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 May 2022 and the results of all subsidiaries for the period then ended. Southern Cross Gold Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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.

## **Note 2. Significant accounting policies (continued)**

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. 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.

### **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.

### **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.

### **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.

## **Note 2. Significant accounting policies (continued)**

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.

A provision for restoration and rehabilitation costs has not been recognised on the statement of financial position at 31 May 2022. Refer to Note 3 for details of key judgements applied by the directors.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

### **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 2023).

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.

*AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable for reporting periods beginning commencing on or after 1 January 2025).

Adoption of this standard is not expected to have a material impact.

*AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections and AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (applicable for reporting periods beginning commencing on or after 1 January 2025).

Adoption of this standard is not expected to have a material impact.

*AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (applicable for reporting periods beginning on or after 1 January 2023).

Adoption of this standard is not expected to have a material impact.

## **Note 2. Significant accounting policies (continued)**

*AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (applicable for reporting periods beginning on or after 1 January 2023).

Adoption of this standard is not expected to have a material impact.

*AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information* (applicable for reporting periods beginning 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.

### *Impact of coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. 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 Coronavirus (COVID-19) pandemic.

### *Recovery 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.

### *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 charge for impairment is recognised in profit or loss immediately.



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

#### *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.

#### *Acquisition of assets*

On 9 August 2021 the parent entity acquired ownership and control of three subsidiaries as detailed in Note 20. 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.

#### *Share-based payment transactions for the period*

The Company measures the cost of equity-settled transactions with employees, consultants and suppliers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted. A significant judgement comes from the expected price volatility of the underlying share. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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

- acquisition of subsidiaries (refer to Note 20)
- settlement of debt owed to the ultimate controlling entity (refer to Note 13)
- 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.

#### *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.

#### *Recognition and measurement of equity raising costs*

Refer to Note 13 for details of the consolidated entity's accounting policy of recognising and measuring equity raising costs.

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

The directors have applied judgement when accounting for costs which relate to both the issuance of shares and the stock market listing, which are required to be allocated between those functions on a rational and consistent basis.

In the absence of a more specific basis of apportionment, which has typically been the case for such costs incurred by the consolidated entity, the directors have applied judgement to allocate common costs based on the proportion of new shares issued as part of the stock marketing listing to the total number of new and existing shares issued after the stock market listing.

Details of the company's capital structure used to allocate common costs between profit or loss and cost of equity are as follows:

<b>Detail</b>	<b>Number</b>	<b>Percentage</b>
Shares issued pre-stock market listing	110,781,250	70.90%
Shares issued on stock market listing	45,466,500	29.10%
Total	156,247,750	100.00%

### **Note 4. Operating segments**

#### *Identification of reportable operating segments*

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 May 2022 due to the phase of such exploration activities.

#### **Accounting policy for 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.

### **Note 5. Employment expenses**

	<b>2022</b>
	<b>\$</b>
Share based payment expense	272,271
Director fees	8,132
Consultant fees	14,046
Superannuation expense	1,004
Employee wages	1,913
Total employment expenses	<u>297,366</u>

### **Note 6. Administration and corporate costs**

	<b>2022</b>
	<b>\$</b>
Professional service fees	225,970
Listing costs	138,707
Marketing and public relation costs	185,116
Other expenses	159,355
	<u>709,148</u>

**Note 7. Loss per share**

**(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 on a post-split basis:

	<b>2022</b>
	<b>\$</b>
Loss	<u>(1,833,947)</u>
	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>52,234,976</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>52,234,976</u>
	<b>\$</b>
Basic earnings per share	(0.04)
Diluted earnings per share	(0.04)

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.

The director, employee and broker options have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted loss per share as they do not meet the requirements for inclusion in AASB 133 Earnings per Share. The options are non-dilutive as the consolidated entity has generated a loss for the year.

**Accounting policy for earnings per share**

*Basic loss per share*

Basic loss 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 financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

*Diluted loss per share*

Diluted loss 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.

**Note 8. Cash and cash equivalents**

	<b>2022</b>
	<b>\$</b>
<i>Current assets</i>	
Cash at bank	7,918,341
Short-term investments in term deposits	<u>28,066</u>
	<u>7,946,407</u>

**Accounting policy for 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.

**Note 9. Property, plant and equipment**

	<b>2022</b>
	<b>\$</b>
<i>Non-current assets</i>	
Land - at cost	1,958,500
Plant and equipment - at cost	45,871
Less: Accumulated depreciation	(16,501)
	<u>29,370</u>
Motor vehicles - at cost	67,618
Less: Accumulated depreciation	(14,064)
	<u>53,554</u>
Computer equipment - at cost	7,315
Less: Accumulated depreciation	(3,076)
	<u>4,239</u>
	<u><u>2,045,663</u></u>

**Movements in carrying amounts**

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

	<b>Land</b>	<b>Plant and equipment</b>	<b>Motor vehicles</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 21 July 2021	-	-	-	-	-
Additions	1,958,500	-	61,651	7,315	2,027,466
Additions through asset acquisitions	-	36,712	4,970	-	41,682
Depreciation expense	-	(7,342)	(13,067)	(3,076)	(23,485)
Balance at 31 May 2022	<u>1,958,500</u>	<u>29,370</u>	<u>53,554</u>	<u>4,239</u>	<u>2,045,663</u>

**Accounting policy for property, plant and equipment**

**Land**

Land is measured on the cost basis and is therefore carried at cost less any accumulated impairment losses.

**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.

In the event the carrying amount of property, plant and equipment, except land, 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 for details of impairment).

## **Note 9. Property, plant and equipment (continued)**

### **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:

Land	0%
Plant and equipment	20%
Motor Vehicles	25%
Computer equipment	50%

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

## **Note 10. Exploration and evaluation**

	<b>2022</b>
	<b>\$</b>
Exploration and evaluation assets	
At cost	7,456,722
Total exploration and evaluation costs	<u>7,456,722</u>

### **Movements in carrying amounts**

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

	<b>Exploration and evaluation assets \$</b>	<b>Total \$</b>
Balance at 21 July 2021		
Additions	1,963,369	1,963,369
Additions through asset acquisitions - refer note 20	<u>5,493,353</u>	<u>5,493,353</u>
Balance at 31 May 2022	<u>7,456,722</u>	<u>7,456,722</u>

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.

### **Accounting policy for 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:

**Note 10. Exploration and evaluation (continued)**

- 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 for details of impairment).

**Note 11. Investment in Nagambie Resources Limited**

	<b>2022</b>
	<b>\$</b>
<i>Non-current assets</i>	
Investment in Nagambie Resources Limited at fair value	<u>2,566,069</u>

As part of the Subscription Agreement Nagambie Resources Limited has granted the consolidated entity a right of first refusal. Refer to Note 19 for further information.

**Movements in carrying amounts**

Movements in carrying amounts for investments in Nagambie Resources Limited between the beginning and end of the period including movements in the quantity of shares held and the share price are disclosed below.

	<b>Quantity of shares held in Nagambie Resources Limited</b>	<b>Fair value per share of Nagambie Resources Limited</b>	<b>Investments in Nagambie Resources Limited at fair value</b>	<b>Total carrying amount</b>
Balance at 21 July 2021	-	\$0.085	-	-
Additions acquired by issue of share capital (refer to Note 13a)	50,000,000	\$0.066	3,300,000	3,300,000
Additions acquired by payment of cash	1,321,377	\$0.053	70,033	70,033
Decrease in fair value	-	\$0.000	(803,964)	(803,964)
Balance at 31 May 2022	51,321,377	\$0.050	2,566,069	2,566,069

The fair value of the consolidated entity's investment in Nagambie Resources Limited has changed materially since balance date. Refer to Note 24 for further information.

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.

*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 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.
- Level 3: Unobservable inputs for the asset or liability.

**Note 11. Investment in Nagambie Resources Limited (continued)**

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.

**Note 12. Trade and other payables**

	<b>2022</b>
	<b>\$</b>
<i>Current liabilities</i>	
Trade payables	268,921
Accrued expenses	155,749
Other payables	1,412
	<u>426,082</u>

Refer to Note 17 for further information on financial risk management.

**Accounting policy for 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.

**Note 13. Issued capital**

	<b>2022</b>	
	<b>Shares</b>	<b>\$</b>
Ordinary shares - fully paid	<u>156,247,750</u>	<u>20,729,110</u>

**(a) Movements in issued capital**

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

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance at 21 July 2021 at incorporation of the parent entity				
Incorporation	21-Jul-21		\$0.00	
issue of shares for acquisition of subsidiaries from Mawson Gold Limited	09-Aug-21	1	\$1.00	1
Issue of shares for acquisition of Nagambie Resources Limited shares	29-Dec-21	4,537,500	\$0.73	3,300,000
Debt for equity swap with Mawson Gold Limited	31-Dec-21	16,087,502	\$0.42	6,806,075
Share split (4.54545388 : 1)	10-Jan-22	73,124,997	\$0.00	-
Pre-IPO raise	20-Jan-22	11,593,125	\$0.16	1,854,524
Pre-IPO raise	04-Feb-22	5,438,125	\$0.16	870,100
IPO	16-May-22	45,466,500	\$0.20	9,093,300
Less: capital raising costs		-	\$0.00	(1,194,890)
Balance	31 May 2022	<u>156,247,750</u>		<u>20,729,110</u>

**Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.



**Note 13. Issued capital (continued)**

**(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 May 2022.

**(e) Options**

No options were issued, exercised, lapsed or outstanding during the period ended 31 May 2022.

**(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 held loans payable to its ultimate parent which were repaid in full at balance date. There have been no events of default on such borrowings during the period ended 31 May 2022.

The consolidated entity would look to raise capital as when required through a number of options, which can include through the issue of new shares in the company. The company recently listed on ASX and is able to issue up to 15% of its issued capital within any 12 month period, which can subsequently be refreshed at shareholder meetings.

The company seeks to ratify its placement capacity at each Annual General Meeting and General Meeting.

**Accounting policy for 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.

The directors have applied the key judgements disclosed in Note 3 and have accounted for costs relating to the listing, issue of shares, the issue of options over shares and common costs as follows:

Detail	Nature	Profit or loss (\$)	Cost of capital (\$)	Total (\$)
Professional service fees	Both	225,970	92,742	318,712
Listing costs	Listing	138,707	-	138,707
Share issue costs	Options issue over ordinary shares	-	582,148	582,148
Share based payments to directors and employees	Listing	272,271	-	272,271
Share based payments to IPO broker	Options issue over ordinary shares	-	520,000	520,000
<b>Total</b>		<b>636,948</b>	<b>1,194,890</b>	<b>1,831,838</b>

Refer to:

- Note 6 for further information regarding administration and corporate costs
- Note 13 for further information regarding share capital
- Note 23 for further information regarding share-based payments.

**Note 14. Reserves**

	<b>2022</b> <b>\$</b>
Share-based payments reserve	<u>792,271</u>

*Movements in reserves*

Movements in each class of reserve during the current financial period are set out below:

	<b>Share-based payment reserve</b> \$	<b>Total</b> \$
Balance at 21 July 2021	-	-
Options issued to brokers	520,000	520,000
Options issued to Directors and Employees	272,271	272,271
	<hr/>	<hr/>
Balance at 31 May 2022	<u>792,271</u>	<u>792,271</u>

**Note 15. Cash flow information**

Reconciliation of loss to net cash provided by operating activities

	<b>2022</b> <b>\$</b>
Loss for the period	(1,833,947)
Non cash items included in loss after income tax expense:	
Depreciation and amortisation	23,485
Share-based payments	272,271
Expenses incurred by ultimate controlling entity on behalf of consolidated entity	30,776
Decrease in market value of investment in Nagambie Resources Limited	803,964
Change in assets and liabilities:	
(Increase)/decrease in goods and services tax credits receivable	43,158
(Increase)/decrease in other assets and prepaid expenses	(1,990)
Increase/(decrease) in trade and other payables	<u>229,800</u>
Net cash used in operating activities	<u>(432,483)</u>

**Note 16. Key management personnel disclosures**

*Directors*

The following persons were directors of Southern Cross Gold Ltd during the financial period:

Tom Eadie (Non-Executive Chairman)	Appointed Non-Executive Chairman 11 February 2022
Michael Hudson (Managing Director)	Appointed at incorporation and Managing Director on 10 March 2022
Georgina Carnegie (Non-Executive Director)	Appointed Non-Executive Director 11 February 2022
David Henstridge (Non-Executive Director)	Appointed Non-Executive Director 4 February 2022

**Note 16. Key management personnel disclosures (continued)**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>2022</b>
	<b>\$</b>
Short-term employee benefits	22,178
Post-employment benefits	813
Share-based payments	191,227
	<u>214,218</u>

**Note 17. 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. 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 value since all cash and payables have maturity dates within 12 months.
- The consolidated entity's financing is from equity.
- 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.

**(a) Categories of financial instruments**

Cash and cash equivalents at amortised cost	8	7,946,407
Investment in Nagambie Resources Limited at fair value through profit or loss	11	2,566,069
Bonds and security deposits at amortised cost		26,956
		<u>10,539,432</u>
Financial liabilities		
Trade and other payables at amortised cost	12	426,082
		<u>426,082</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 May 2022 the consolidated entity held an investment in a listed entity for \$2,566,069, the entity of which operates within the mining sector. These shares are listed on the Australian Stock Exchange and the price will fluctuate.

**Note 17. Financial risk management (continued)**

The following table shows the impact of a 15% change in the price of those listed securities:

2022	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Shares in listed entities	15%	<u>384,910</u>	<u>384,910</u>	(15%)	<u>(384,910)</u>	<u>(384,910)</u>

**(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 May 2022 the consolidated entity held cash deposits of \$7,946,407 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.

**Accounting policy for 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.

## **Note 17. Financial risk management (continued)**

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 consolidated entity measures its cash and cash equivalents and trade and other receivables at amortised cost, and its investments at fair value through profit or loss. The consolidated entity does not measure any financial assets at fair value through other comprehensive income.

### *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.

## **Note 18. Planned exploration expenditure**

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:

	<b>2022</b>
	<b>\$</b>
Within one year	2,034,600
One to five years	5,560,500
More than five years	<u>2,568,600</u>
Total planned exploration expenditure	<u><u>10,163,700</u></u>

## **Note 19. 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 noncurrent assets since it is not expected that they will be repaid within 12 months from balance date.

**Note 19. Contingent liabilities and contingent assets (continued)**

*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.

The right of first refusal is conditional upon the consolidated entity continuing to hold the 50,000,000 Nagambie Resources Limited shares initially subscribed for by Mawson Gold Limited and transferred to Southern Cross Gold Ltd. 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 May 2022.

**Note 20. Controlled entities**

**(a) Group structure**

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

**Note 20. Controlled entities (continued)**

<b>Entity</b>	<b>31 May 2022 Equity Interest</b>	<b>Country of Incorporation</b>
Southern Cross Gold Ltd	Parent	
<b>Subsidiaries</b>		
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 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.

	<b>Notes</b>	<b>Mawson Queensland Pty Ltd \$</b>	<b>Mawson Victoria Pty Ltd \$</b>	<b>Clonbinane Goldfield Pty Ltd \$</b>	<b>Total</b>
<i>Financial position:</i>					
<b>ASSETS</b>					
Cash and cash equivalents		219,968	102,326	221,455	543,749
Goods and services tax credits receivable		1,816	40,882	69,020	111,718
Other assets and prepaid expenses		1,149	-	-	1,149
Property, plant and equipment	9	36,712	4,970	-	41,682
Bonds and security deposits		5,000	-	48,051	53,051
Option to acquire land		-	-	50,000	50,000
Total assets		<u>264,645</u>	<u>148,178</u>	<u>388,526</u>	<u>801,349</u>
<b>LIABILITIES</b>					
Trade and other payables		599	1,406	152,469	154,474
Borrowings		<u>1,308,938</u>	<u>2,027,942</u>	<u>2,803,348</u>	<u>6,140,228</u>
Total liabilities		<u>1,309,537</u>	<u>2,029,348</u>	<u>2,955,817</u>	<u>6,294,702</u>
Net assets acquired		(1,044,892)	(1,881,170)	(2,567,291)	(5,493,353)
Exploration and evaluation assets acquired	10	<u>1,044,892</u>	<u>1,881,170</u>	<u>2,567,291</u>	<u>5,493,353</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 13(a) for further information.



## **Note 21. Parent entity information**

Set out below is the supplementary information about the parent entity.

### *Statement of profit or loss and other comprehensive income*

	<b>Parent 2022 \$</b>
Loss	(8,636,258)
Other comprehensive income for the period	-
Total comprehensive loss	(8,636,258)

### *Statement of financial position*

	<b>Parent 2022 \$</b>
Total current assets	10,591,932
Total non-current assets	2,538,003
Total assets	13,129,935
Total current liabilities	244,812
Total liabilities	244,812
Net assets	12,885,123
Equity	
Issued capital	20,729,110
Share-based payments reserve	792,271
Accumulated losses	(8,636,258)
Total equity	12,885,123

### *Contingent liabilities*

There are no contingent liabilities at 31 May 2022.

### *Contingent asset*

There are no contingent assets at 31 May 2022.

### *Ultimate controlling entity*

The ultimate controlling entity at 31 May 2022 was Mawson Gold Limited, which owned 60% of the parent entity's shares.

### *Capital commitments*

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

### *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.

## **Note 22. Related party transactions**

### *Subsidiaries*

Interests in subsidiaries are set out in Note 20.

### *Key management personnel*

Disclosures relating to key management personnel are set out in Note 16 and the remuneration report included in the directors' report.

### *Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the reporting date.

### *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. During the period ended 31 May 2022, Mawson Gold Limited provided Southern Cross Gold Ltd an unsecured loan facility. For the period ended 31 May 2022, the consolidated entity received \$635,071 in net proceeds from this facility. Refer to the statement of cash flows for further information. Directors' Michael Hudson and David Hestridge are also directors of Mawson Gold Limited.

The loan was provided on interest free terms and was repayable on demand. The loan had been repaid in full at 31 May 2022. The consolidated entity has therefore not recorded any interest expense for the period ended 31 May 2022 nor is any interest payable to Mawson Gold Limited at balance date.

### *Movements in carrying amounts*

Movements in carrying amounts for transactions associated with borrowings payable to Mawson Gold Limited between the beginning and end of the period are disclosed below.

<b>Details</b>	<b>Related Party Loan Transactions \$</b>	<b>Total \$</b>
Opening balance at 21 July 2021	-	-
Borrowings acquired through acquisition of subsidiaries (refer to Note 20)	6,140,228	6,140,228
Drawdowns (cash) for the period ended 31 May 2022	999,891	999,891
Drawdowns (non-cash) for the period ended 31 May 2022	30,776	30,776
Repayments (cash) for the period ended 31 May 2022	(364,820)	(364,820)
Debt for equity swap for the period ended 31 May 2022 (refer to Note 13a)	(6,806,075)	(6,806,075)
Closing balance at 31 May 2022	-	-

## **Note 23. Share-based payments**

### *Issue of shares*

During the period ended 31 May 2022, the company issued the following shares in lieu of payment:

- On 9 August 2021 the company issued 1 share at an issue price of \$1 to Mawson Gold Limited for acquisition of subsidiaries and tenement
- On 29 December 2021 the company issued 4,537,500 shares at an issue price of \$0.73 to Mawson Gold Limited for acquisition of shares in Nagambie Resources Limited
- On 31 December 2021 the company issued 16,087,502 shares at an issue price of \$0.42 to Mawson Gold Limited for settlement of debt.

Refer to Note 13(a) for further details regarding the issue of shares for the period and Note 3 for details of critical accounting judgements, estimates and assumptions applied by the directors in these transactions.

**Note 23. Share-based payments (continued)**

*Options to directors and employees*

During the period ended 31 May 2022, 8,970,000 options over fully paid ordinary shares were issued to directors and employees of the company, with an exercise price of \$0.30, expiring between 3 and 5 years from the listing date.

Set out below are summaries of options granted to directors and employees during the period ended 31 May 2022:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
05/05/2022	05/05/2025	\$0.30	-	2,990,000	-	-	2,990,000
05/05/2022	05/05/2026	\$0.30	-	2,990,000	-	-	2,990,000
05/05/2022	05/05/2027	\$0.30	-	2,990,000	-	-	2,990,000
			-	8,970,000	-	-	8,970,000

The weighted average remaining contractual life of options outstanding to directors and employees of the company at the end of the period was approximately 4 years.

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value per option	Dividend yield	Fair value of option class
05/05/2022	05/05/2025	\$0.20	\$0.30	80.00%	0.66%	\$0.08	-	\$239,200
05/05/2022	05/05/2026	\$0.20	\$0.30	80.00%	0.66%	\$0.10	-	\$299,000
05/05/2022	05/05/2027	\$0.20	\$0.30	80.00%	0.66%	\$0.11	-	\$328,900

*Options to Lead Manager*

During the period ended 31 May 2022, 6,500,000 options over fully paid ordinary shares were issued to the Lead Manager under the Broker Options Offer in connection with the IPO, with an exercise price of \$0.30, expiring 3 years from listing date.

Set out below are summaries of options granted to the Lead Manager under the Broker Options Offer during the period ended 31 May 2022:

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired / forfeited / other	Balance at the end of the period
05/05/2022	05/05/2025	\$0.30	-	6,500,000	-	-	6,500,000

The weighted average remaining contractual life of options outstanding to the Lead Manager under the Broker Options Offer of the company at the end of the period was approximately 3 years.

The valuation model inputs used to determine the fair values at the grant date of options issued to the Lead Manager under the Broker Options Offer are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value per option	Dividend yield	Fair value of option class
05/05/2022	05/05/2025	\$0.20	\$0.30	80.00%	0.66%	\$0.08	-	\$520,000

*Accounting policy for share-based payments*

Equity-settled share-based compensation benefits are provided to employees and (IPO) brokers.

**Note 23. Share-based payments (continued)**

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and brokers in exchange for the rendering of services. The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees and broker to receive payment. No account is taken of any other vesting conditions.

**Note 24. Events after the reporting period**

Subsequent to balance date and up until the date of signing, the fair value of the consolidated entity's investment in Nagambie Resources Limited increased by \$821,142 with the share price increasing from \$0.05 (5 cents) at 31 May 2022 to \$0.066 (6.6 cents) prior to the signing of the financial report. This has increased the consolidated entity's net profit and net asset position by \$821,142 subsequent to balance date.

No other matter or circumstance have arisen since 31 May 2022 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 25. Auditor remuneration**

The following fees were paid or payable for services provided by William Buck, the auditor of the company:

	<b>2022</b>
	<b>\$</b>
<i>Audit services - William Buck</i>	
Audit or review of the financial statements	32,841
<i>Other services - William Buck</i>	
Investigating Accountant's Report	15,659
Total remuneration of auditors	48,500

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 May 2022 and of its performance for the financial period ended on that date and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in blue ink, appearing to read "Tom Eadie", written over a horizontal line.

Tom Eadie  
Non-executive Chairman

23 August 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 May 2022, 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 then ended, 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, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 31 May 2022 and of its financial performance for the period ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### 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 (including Independence Standards)* (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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ACCOUNTING FOR TRANSACTIONS RELATING TO THE INITIAL PUBLIC OFFERING (“IPO”)	
Area of focus	How our audit addressed it
<p>As set out in Note(s) 3, 10, 13, 14, 20, 22 and 23 the Company conducted an IPO transaction during the year. In leading up to this event, the Group conducted the following significant transactions:</p> <ul style="list-style-type: none"> <li>— The Group structured its exploration areas of interests into the Southern Cross Gold Ltd corporate structure through asset acquisitions, which had attaching related party debt and also off-balance sheet Farm-in and royalty arrangements that the Group will be obliged to honour in the event that those areas of interest are commercially exploited;</li> <li>— Converted to equity the said related party debt acquired upon asset acquisition through the issue of ordinary shares;</li> <li>— Performed a share split on a 4.54545388:1 basis;</li> <li>— Raised pre-IPO capital through the issue of ordinary shares;</li> <li>— Raised capital under the IPO;</li> <li>— Issued broker and employee options as part of incentives set out in the IPO Prospectus;</li> <li>— Incurred capital raising costs from its brokers, professional advisors and regulators in-relation to the IPO.</li> </ul> <p>These significant transactions were key sources of estimation and judgement uncertainty for these financial statements, namely:</p> <ul style="list-style-type: none"> <li>— Accounting for the acquisitions of areas of interest as asset acquisitions ;</li> <li>— Appropriately accounting for the shares issued to settle the related party debt;</li> <li>— Appropriately valuing the options and shares issued for nil cash consideration at their appropriate fair value, vested in the appropriate accounting period;</li> <li>— Ensuring that all related party transactions were completely and accurately disclosed; and</li> <li>— Determining the appropriate apportionment of costs of the IPO between equity, when directly connected to the issue of new share capital, and a charge to the profit or loss, when connected to the quotation of existing share capital.</li> </ul>	<p>In addressing these transactional risks we performed the following procedures:</p> <ul style="list-style-type: none"> <li>— We examined share-purchase agreements supporting the purchases of areas of interest and ensured that the accounting derived from those purchases was appropriate in the context of those agreements;</li> <li>— We traced through all obligations attached to these IPO costs to supporting documentation, including also the appropriateness of disclosures of the Farm-in and future royalty obligations;</li> <li>— We recalculated the calculation of the broker and employee options , which were valued using Black-Scholes models and assessed the appropriateness of inputs applied in the model;</li> <li>— We recalculated the vesting charge of those options taken to 31 May 2022;</li> <li>— We recalculated the roll of equity from incorporation through to 31 May 2022, which includes the funds raised from the IPO, pre-IPO capital raising, settlement of related party debt and the share split; and</li> <li>— We assessed the appropriateness of the treatment of the IPO costs, those of which were classified as equity and those charged to the profit or loss depending upon their linkage to the issue of new share equity.</li> </ul> <p>We also assessed the appropriateness of disclosures made in-relation to these matters, as described in <i>critical estimates and judgements</i> in a note to the financial statements and also the attaching related party disclosures.</p>



## Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the period ended 31 May 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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 the *Corporations Act 2001* 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.

## 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

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

## Report on the Remuneration Report

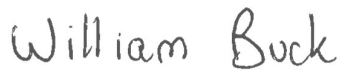
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the period ended 31 May 2022.

In our opinion, the Remuneration Report of Southern Cross Gold Ltd for the period ended 31 May 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



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



**N. S. Benbow**  
Director  
Melbourne, 23<sup>rd</sup> August 2022

The shareholder information set out below was applicable as at 19 August 2022.

### **Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	<b>Ordinary shares</b>		
	<b>Number of holders</b>	<b>Number of shares</b>	<b>% of total shares issued</b>
1 to 1,000	65	51,890	0.03
1,001 to 5,000	228	655,748	0.42
5,001 to 10,000	167	1,469,932	0.94
10,001 to 100,000	440	17,820,796	11.41
100,001 to 9,999,999,999	106	136,249,394	87.20
<b>Total</b>	<b>1,006</b>	<b>156,247,760</b>	<b>100.00</b>

### **Equity security holders**

#### *Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	<b>Ordinary shares</b>	<b>Ordinary shares</b>
	<b>Number held</b>	<b>% of total shares issued</b>
Mawson Gold Limited	93,750,000	60.00
HSBC Custody Nominees (Australia) Limited	4,322,211	2.77
BNP Paribas Nominees Pty Ltd (B AU Noms Retailclient DRP)	2,590,787	1.66
Mr David Davidson	2,125,000	1.36
Equity Trustees Limited (Lowell Resources Fund A/C)	2,012,500	1.29
Starwest Pty Ltd	1,875,000	1.20
Mr Giovanni Bernard Stagno	1,400,000	0.90
Fahey Services Pty Ltd (The Fahey Services A/C)	1,350,000	0.86
Miss Belinda Lees	992,473	0.64
Elton Holdings Pty Ltd	875,000	0.56
Adare Manor Pty Ltd (Adare Manor Super Fund A/C)	750,000	0.48
Mr Craig Graeme Chapman (Nampac Discretionary A/C)	700,000	0.45
Citicorp Nominees Pty Limited	685,792	0.44
Mr Courtney Jon Turnbull	680,000	0.44
Scott Robertson	625,000	0.40
Lien Pty Ltd (The Neil Pension Fund A/C)	562,500	0.36
Thea Management Pty Ltd	550,000	0.35
Vivien Enterprises Pte Ltd	550,000	0.35
Aymon Pacific Pty Ltd (Jerezos Discretionary A/C)	500,000	0.32
Buckland Super Fund Pty Ltd (6784044 A/C)	500,000	0.32
Mr Mark Francalanza	500,000	0.32
<b>Top 21 holders of fully paid ordinary shares</b>	<b>117,896,263</b>	<b>75.47</b>

#### *Unquoted equity securities*

The Company has 15,470,000 unquoted options on issue as follows:

- 6,500,000 unlisted options exercisable at \$0.30 on or before 16 May 2025;
- 2,990,000 unlisted options exercisable at \$0.30 on or before 5 May 2025;
- 2,990,000 unlisted options exercisable at \$0.30 on or before 5 May 2026; and
- 2,990,000 unlisted options exercisable at \$0.30 on or before 5 May 2027;

### **Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Mawson Gold Limited	93,750,000	60.00

### **Voting rights**

The voting rights attached to ordinary shares are set out below:

#### *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### **Restricted securities**

The following restricted securities are on issue:

#### **Securities subject to voluntary escrow**

- Fully paid ordinary shares – 93,985,000 fully paid ordinary shares.
- 6,500,000 options exercisable at \$0.30 on or before 16 May 2025, classified by ASX as restricted securities and to be held in escrow until 16 May 2024, being 24 months from the date of Quotation.
- 2,200,000 options exercisable at \$0.30 on or before 5 May 2025, classified by ASX as restricted securities and to be held in escrow until 16 May 2024, being 24 months from the date of Quotation.
- 2,200,000 options exercisable at \$0.30 on or before 5 May 2026, classified by ASX as restricted securities and to be held in escrow until 16 May 2024, being 24 months from the date of Quotation.
- 2,200,000 options exercisable at \$0.30 on or before 5 May 2027, classified by ASX as restricted securities and to be held in escrow until 16 May 2024, being 24 months from the date of Quotation.

### **Consistency with business objectives - ASX Listing Rule 4.10.19**

In accordance with ASX Listing Rule 4.10.9, the company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the company. Consistent with the use of funds which were disclosed in the company's Prospectus dated 17 March 2022, the company believes it has used its cash in a consistent manner.

**Interests in Mining Tenements**

<b>Mining Tenement</b>	<b>Location</b>	<b>Beneficial Percentage Held</b>	<b>Interest acquired/farm-in or disposed/farm-out during the quarter</b>
EL 6163 – Sunday Creek	Victoria, Australia	100%	-
EL 7232 – Sunday Creek	Victoria, Australia	100%	-
RL 6040 – Sunday Creek	Victoria, Australia	100%	-
EL 6158 – Whroo	Victoria, Australia	- (*Subject to earn-in)	-
EL 6212 – Whroo	Victoria, Australia	- (*Subject to earn-in)	-
EL 7205 – Whroo	Victoria, Australia	- (*Subject to earn-in)	-
EL 7209 – Whroo	Victoria, Australia	- (*Subject to earn-in)	-
EL 7237 – Whroo	Victoria, Australia	- (*Subject to earn-in)	-
EL 7238 – Whroo	Victoria, Australia	- (*Subject to earn-in)	-
RL 2019 – Whroo	Victoria, Australia	- (*Subject to earn-in)	-
ELA 7653 – Whroo	Victoria, Australia	- (*Subject to earn-in)	-
EL 5546 – Redcastle	Victoria, Australia	**70%	-
EL 7498 – Redcastle	Victoria, Australia	**70%	-
EL 7499 – Redcastle	Victoria, Australia	**70%	-
EPM 26940 – Mt Isa	Queensland, Australia	100%	-
EPM 27022 – Mt Isa	Queensland, Australia	100%	-
EPM 27025 – Mt Isa	Queensland, Australia	100%	-
EPM 26481 – Mt Isa	Queensland, Australia	100%	-
EPM 26483 – Mt Isa	Queensland, Australia	100%	-
EPM 27625 – Mt Isa	Queensland, Australia	100%	-
EPM 27626 – Mt Isa	Queensland, Australia	100%	-

**\*Whroo joint venture**

A subsidiary of the Company, Mawson Victoria Pty Ltd, is party to an Option and Joint Venture Agreement with Nagambie Resources Limited for the Whroo Joint Venture tenements. In meeting \$2,500,000 of exploration commitments and \$250,000 cash payments over a 4-year period set under the Farm-in Agreements by 2 December 2024, Mawson Victoria Pty Ltd will have a 60% economic interest in those tenements. Upon Mawson Victoria Pty Ltd earning a 60% interest, either party may elect by notice to the other to form a joint venture (“JV”) under which the percentage ownership of each of Nagambie Resources Limited and Mawson Victoria Pty Ltd will be 40% and 60%, respectively.

Should the parties not elect to form a 40/60% JV, Mawson Victoria Pty Ltd will then have the option to earn an additional 10% interest in the Optioned Property (for an aggregate 70% interest) by incurring an additional A\$1.5M of exploration expenditures on or before the end of year 6 (cumulative A\$4.0M in years 1 to 6). Once Mawson Victoria Pty Ltd earns a 70% interest, a JV 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 Resources Limited’s interest be reduced to less than 5.0%, it will be deemed to have forfeited its interest in the JV to Mawson Victoria Pty Ltd in exchange for a 1.5% net smelter return royalty (“NSR”) on gold revenue.

Should Nagambie Resources Limited be granted the NSR, Mawson Victoria Pty Ltd will have the right to acquire the NSR for A\$4,000,000. As of this date, Mawson Victoria Pty Ltd has met its minimum first year commitments and is working towards meeting its second-year commitment by 2 December 2022.

**\*\* Redcastle Joint Venture**

A subsidiary of the Company, Mawson Victoria Pty Ltd, is party to an Option and Joint Venture Agreement 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 Company in exchange for a 1.5% net smelter return royalty ("NSR") on gold revenue. Should Nagambie Resources Limited be granted the NSR, the Company will have the right to acquire the NSR for \$4,000,000 per property. As of this date, the Company has earned 70% and the companies are proceeding to form a joint venture.