



Southern Cross Exploration N.L.

A.C.N. 000 716 012

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PLEASE ADDRESS ALL CORRESPONDENCE TO GPO BOX 4246 SYDNEY NSW 2001

30 September 2014

e-Lodgement

FOR PUBLIC RELEASE

Manager - Market Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Dear Madam

Re 30 June 2014 Financial Statements

Attached are the Financial Report, Directors' Report and Auditor's Report for the 18 month period ended 30 June 2014.

For and on behalf of

Southern Cross Exploration N L

A handwritten signature in blue ink, appearing to read 'A Phillips', with a long horizontal stroke extending to the right.

A Phillips
Secretary



Southern Cross Exploration N.L.

A.C.N. 000 716 012

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT - STATUTORY
FOR THE PERIOD ENDING 30 JUNE 2014

Registered Office

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2 Chifley Square
Sydney NSW 2000

GPO BOX 4246,
Sydney NSW 2001

T: +61 (02) 93752332

E-mail: mail@sxxgroup.com.au

Auditors

HLB Mann Judd
19/207 Kent Street
Sydney NSW 2000
Website: www.hlb.com.au

Share Registry

Boardroom Limited
7/207 Kent Street
Sydney NSW 2000
Website: www.boardroomlimited.com.au

Securities Exchange

Australian Securities Exchange Limited ("ASX")
Home Exchange – Sydney
ASX Symbols – SXX (ordinary shares)

Australian Company Number

ACN 000 716 012

SOUTHERN CROSS EXPLORATION N L AND CONTROLLED ENTITIES

Your Directors present their report on the consolidated entity ("the Group"), which consists of Southern Cross NL ("the Company") and the entities it controlled during the financial period ended 30 June 2014.

1. Review of operations

The operations of the Group for the period were managing the Group's existing exploration projects and investments, as well as examining acquisitions of new projects for exploration and investment.

2. Results of operations

The operations of the consolidated entity during the period resulted in a comprehensive loss of (\$2,067,321) (2012: loss of \$3,479,137).

3. Significant changes

There were significant changes impacting on the consolidated entity during the financial year, specifically:

- 3.1 Southern Cross Exploration adopted a June 30 reporting period to align its activities to the parent Company Longreach Oil Limited ("Longreach"). Accordingly the accounts are for the 18 month period from 1 January 2013 which was the first operating day after the last year end.
- 3.2 In April 2013 Southern Cross Exploration undertook a one for one rights issue to raise \$2,484,000. As a result the total issued ordinary shares increased to 414,000,000.
- 3.3 During the period Southern Cross Exploration placed a further 124,421,600 shares. As at Balance date the company has 538,421,600 shares on issue.
- 3.4 In April 2014 Southern Cross and its wholly owned subsidiary Northern Star Investments Pty Ltd issued a letter of demand to Nadi Bay Beach Corporation for the repayment of the total amount owing.

4. Principal activities

The Group's principal objectives have remained fairly constant, viz. exploration for uranium, gold and other minerals as well as examining projects for possible acquisition.

The Group has interests in the Batangas Gold Project (10%) and the Gold Cross Gold Project (20%) in the Philippines, a uranium project in Tanzania (7%) and an investment in the Bigryli Uranium Joint Venture (5%), which is located in the Ngalia Basin, Northern Territory. It also has share investments and interests in other financial transactions, including a first mortgage loan over freehold land in Fiji.

5. Significant matters after balance date

- 5.1 Since the reporting period, Longreach has disposed of its shareholding in Southern Cross. Accordingly from 2014/2015 the entities will commence reporting separately.
- 5.2 Southern Cross has made a rights issue offering to existing Shareholders giving them the right to acquire one share for each held at .001 cent per share in order to raise up to \$538,422 to meet working capital requirements. The closing date for acceptance of the offer is 2 October 2014 with allotment of new shares on 9 October 2014.
- 5.3 Southern Cross appointed a receiver to act for it in the recovery of a secured loan advanced to Nadi Bay Beach Corporation.
- 5.4 Southern Cross agreed to defer the repayment of its loan owed to Longreach to the earliest of 31 August 2015 or the time that amounts are realised from the mortgage loan asset.
- 5.5 On 3 July 2014 the company raised \$300,000 from a share placement.
- 5.6 On 2 July 2014 the company reached an agreement with Dateline Resources Limited (DRT) for Southern Cross to subscribe for 15,000,000 (representing 19.7% of DRT) fully paid ordinary shares at \$0.04 in DTR conducted in two tranches. The first tranche of 7,500,000 shares was completed on 4 July 2014. The second tranche is to be completed by 31 December 2014.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

6. Likely developments in operations and expected results

Likely developments in the operations of the consolidated entity and the expected results cannot be accurately predicted, as they will depend on the successful development of the Group's exploration projects and/or farm-outs or realisation of its investments.

7. Environmental regulations

The Group is not aware of any particular environmental regulations in respect of which it would have to report on its performance.

8. Dividends

No dividends have been paid or declared since the commencement of the financial period and no dividends have been recommended.

9. Information on Directors

The name of each person who has been a Director of the Company at any time during or since the end of the year is as follows.

Stephen Baghdadi – Executive Director. Appointed 26 February 2013.

Boris Ganke - Non-Executive Director since 1981; Retired as Chairman and Director of Southern Cross on 12 June 2014.

Bruce Burrell – Non –Executive Director Appointed on 26 February 2013 retired 29 May 2013.

Andrew Phillips, - Non-Executive Director. Appointed on 30 August 2013.

Craig Coleman - Non-Executive Director. Appointed on 20 February 2014.

Eugene Ganke Non-Executive Director. Appointed on 21 February 2012; retired 26 February 2013.

Evelyn Goh – Non-Executive Director. Appointed 1990; retired on 26 February 2013.

Alexander Keach – Non-Executive Director. Appointed on 26 February 2013; retired on 27 May 2013.

Antonio Vieira – Non-Executive Director. Appointed on 26 February 2013.

Details of Directors' interests in the securities of the Company and the Group are set out in Note 21 to the Financial Report.

10. Directors' meetings

The following table sets out the number of meetings of Directors held during the period ended 30 June 2014 and the number of meetings attended by each Director:

| | Meetings eligible to attend | Meetings attended | |
|-------------|--------------------------------|----------------------|------------------------------|
| S Baghdadi | 10 | 10 | (appointed 26 February 2013) |
| B D Burrell | 5 | 5 | (retired 29 May 2013) |
| B Ganke | 13 | 10 | (retired 12 June 2014) |
| E Ganke | 4 | 4 | (retired 26 February 2014) |
| E Goh | 4 | 4 | (retired 26 February 2013) |
| A Keach | 6 | 4 | (retired 27 May 2013) |
| A Vieira | 10 | 4 | (appointed 26 February 2013) |
| A Phillips | 5 | 5 | (appointed 30 August 2013) |
| C Coleman | 2 | 2 | (appointed 7 May 2014) |

There were also 9 circular resolutions in respect of various transactions.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

11. Remuneration Report (Audited)

Disclosure of Remuneration Policy – (Southern Cross Exploration NL).

The Board of Southern Cross Exploration NL is responsible for determining and reviewing the remuneration of the Directors of the Company, within parameters approved by shareholders. No performance hurdles have been imposed so far, due to the size of the Company and the structure of the remuneration in respect of the non-executive Directors. Remuneration is not related to companies financial performance.

Accounting and administration services were provided by consultants at reasonable commercial rates.

The Company's Key Management Personnel comprise all of the Directors. Company Secretarial services were provided by A Phillips.

Remuneration of executives and consultants, whenever appointed, is determined by market conditions and is not linked to the Company's performance. There are no service agreements in place relating to Directors' fees paid. No equity based payments or other benefits were paid to Directors or consultants during the year under review; no shares or options were issued by way of remuneration.

Details of remuneration of the KMP of Southern Cross Exploration are shown below:

| Director | Position | 2014(\$) | 2012(\$) | |
|--------------|-------------------|----------------|----------------|--|
| S Baghdadi | Director | 30,795 | | |
| S Baghdadi | Consultant | 185,432 | | |
| A Phillips | Director | 19,989 | | |
| C Coleman | Director | 8,548 | | |
| C Coleman | Consultant | 5,000 | | |
| A Vieira | Director | 30,795 | | |
| B Ganke | Director | 8,877 | | Retired Director 12 June 2014 |
| B Ganke | Managing Director | 130,000 | 120,000 | Retired, Managing Director 28 Jan 2014 |
| E Goh | Director | 3,068 | 20,000 | Retired Director 26 Feb 2014 |
| E Goh | Company Secretary | 8,000 | 42,000 | |
| E Ganke | Director | 3,068 | 17,000 | Retired 26 Feb 2014 |
| B Burrell | Director | 5,041 | | Retired 29 May 2013 |
| A Keach | Director | 4,932 | | Retired 27 May 2013 |
| R Adamson | | | 3,000 | Retired 21 Feb 2012 |
| Total | | 443,545 | 202,000 | |

South Cross Exploration as an ASX- listed company has produced the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Southern Cross had a balance date of 31 December and has now adopted a balance date of 30 June.

End of audited Remuneration Report

12. Results - last five financial years

The following table shows the results of Southern Cross Exploration NL for the last five financial years:

| | 2010* | 2011* | 2012* | 2013* | 2014* |
|------------------------------------|------------|-------------|-------------|-----------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue from continuing operations | 353,072 | 361,063 | 338,596 | 447 | 743,258 |
| Total comprehensive profit / loss | (418,883) | (1,365,869) | (5,229,139) | (580,466) | (2,067,321) |
| Net assets | 14,393,055 | 15,907,383 | 3,914,884 | 4,929,618 | 4,919,960 |
| Share price at year end | \$0.04 | \$0.02 | \$0.01 | \$0.002 | \$0.003 |

**Note – The Results for 2010, 2011 and 2012 are at a 31 December balance date. The Accounts for 2013 are for the half year to 31 December 2013 and the accounts for 2014 are for the 18 month period to 30 June 2014. This is as a result of adopting a change in balance date from 31 December to 30 June as a consequence of the consolidation of Southern Cross into Longreach Oil.*

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

13. Non-Audit Services

No non-audit services were provided to the Group during the year by HLB Mann Judd.

14. Auditor's Independence Declaration

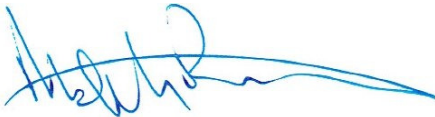
A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 6.

15. Indemnification of Officers and Auditors

During the financial year no premium was paid to insure Directors against claims while acting as a Director.

No indemnity has been granted to the Auditor of the Company.

This Report is made and signed in accordance with a Resolution of the Directors.



S Baghdadi
Director



C Coleman
Director

30 September 2014

SOUTHERN CROSS EXPLORATION N L

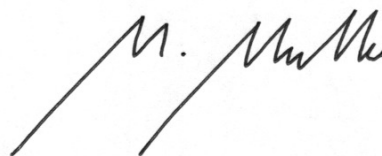
ACN 000 716 012

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Southern Cross Exploration NL for the period ended 30 June 2014 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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



M D Muller
Partner

Sydney, NSW
30 September 2014

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE 18 MONTHS ENDED 30 JUNE 2014

| | <u>Note</u> | 18 months ended 30 June 2014 \$ | 12 months ended 31 December 2012 \$ |
|--|-------------|--|--|
| Revenues | 2 | 743,258 | 338,596 |
| Administration expenses | | (722,289) | (283,181) |
| Other expenses | | (151,507) | (166,203) |
| Finance costs | 3 | <u>(359,443)</u> | <u>(194,492)</u> |
| Loss before significant items and income tax | | (489,981) | (305,280) |
| Significant items | 4 | <u>(1,577,340)</u> | <u>(5,933,848)</u> |
| Loss before income tax | | (2,067,321) | (6,239,128) |
| Income tax expense | 26 | <u>-</u> | <u>-</u> |
| Loss | | <u>(2,067,321)</u> | <u>(6,239,128)</u> |
| Net increase/(decrease)in Fair Value Reserve | 16 | <u>-</u> | <u>2,759,991</u> |
| Total comprehensive income/(loss) | | <u>(2,067,321)</u> | <u>(3,479,137)</u> |
| Earnings per share | | | |
| Basic and diluted earnings/(loss) per share | 15 | (0.005) | (0.034) |

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

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

| | <u>Note</u> | 30 June 2014 | 31 December 2012 |
|-------------------------------------|-------------|---------------------|-------------------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 301,340 | 6,022 |
| Available for sale financial assets | 6 | 62,120 | 130,103 |
| Receivables | 7 | 4,461,265 | 142,497 |
| Investment in joint venture | 8 | 2,134,706 | 2,100,000 |
| | | 6,959,431 | 2,378,622 |
| TOTAL CURRENT ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Available for sale financial assets | 9 | 14,854 | 299,043 |
| Trade and other receivables | 10 | - | 4,030,000 |
| Exploration and evaluation assets | 11 | - | 576,000 |
| | | 14,854 | 4,905,043 |
| TOTAL NON-CURRENT ASSETS | | | |
| TOTAL ASSETS | | | |
| | | 6,974,285 | 7,283,665 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 552,792 | 697,480 |
| Financial liabilities | 13 | 1,501,533 | 2,671,301 |
| | | 2,054,325 | 3,368,781 |
| TOTAL CURRENT LIABILITIES | | | |
| TOTAL LIABILITIES | | | |
| | | 2,054,325 | 3,368,781 |
| NET ASSETS | | | |
| | | 4,919,960 | 3,914,884 |
| EQUITY | | | |
| Share capital | 14 | 22,359,300 | 19,286,903 |
| Retained Earnings | 17 | (17,665,965) | (13,999,760) |
| Reserves | 16 | 226,625 | (1,372,259) |
| | | 4,919,960 | 3,914,884 |
| TOTAL EQUITY | | | |

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

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 18 MONTHS ENDED 31 JUNE 2014

| | Attributable to equity holders of the company | | | |
|--|--|----------------------------------|--------------------------------------|--------------------------------|
| | Share Capital \$ | Other Reserves \$ | Accumulated Losses \$ | Total Equity \$ |
| Balance at 1 January 2012 | 19,190,653 | 4,569,395 | (7,852,665) | 15,907,383 |
| Net loss for the period | - | - | (6,239,128) | (6,239,128) |
| Other comprehensive income/(loss) | - | 2,759,991 | - | 2,759,991 |
| Total comprehensive income/(loss) | - | 2,759,991 | (6,239,128) | (3,479,137) |
| Share Issues | 270,000 | - | - | 270,000 |
| Share Issue Costs | (21,000) | - | - | (21,000) |
| Share Premium/Discount Reserve | (152,750) | - | - | (152,750) |
| Transfer capital losses to/from Reserves | - | (92,033) | 92,033 | - |
| Decrease - Asset Re-valuation Reserve | - | (8,609,612) | - | (8,609,612) |
| Balance at 31 December 2012 | 19,286,903 | (1,372,259) | (13,999,760) | 3,914,884 |
| | | | | |
| Balance at 1 January 2013 | 19,286,903 | (1,372,259) | (13,999,760) | 3,914,884 |
| Net loss for the period | - | - | (2,067,321) | (2,067,321) |
| Total comprehensive income/(loss) | - | - | (2,067,321) | (2,067,321) |
| Share Issues | 3,386,108 | - | - | 3,386,108 |
| Share Issue Costs | (313,711) | - | - | (313,711) |
| Transfer capital losses to accumulated losses | - | 1,598,884 | (1,598,884) | - |
| Balance at 30 June 2014 | 22,359,300 | 226,625 | (17,665,965) | 4,919,960 |

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

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 18 MONTHS ENDED 31 JUNE 2014

| | <u>Note</u> | 18 months to 30 June 2014 | 12 months to 31 December 2012 |
|---|-------------|--------------------------------------|--|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Dividends received | | 52 | 35 |
| Interest received | | 453 | - |
| Interest paid | | (7,586) | (3,372) |
| GST credits refund | | - | 92,330 |
| Operating expenses | | (99,023) | (214,244) |
| Net cash (used in) operating activities | 29 | (106,104) | (125,251) |
| Cash flows from investing activities | | | |
| Proceeds from sale of Investments | | 5,670 | 30,660 |
| Payments for exploration prospects | | (54,676) | - |
| Payments for Joint Venture | | (34,706) | (170,317) |
| Payments for investments | | - | (21,802) |
| Repayments from loan | | 219,640 | 30,200 |
| Loans & advances made | | - | (8,041) |
| Net cash flows provided by/(used in) investing activities | | 135,928 | (139,300) |
| Cash flows from financing activities | | | |
| Proceeds from shares issued | | 389,543 | 270,000 |
| Capital raising expenses | | (114,949) | (21,000) |
| Proceeds from borrowings | | 487,090 | 243,851 |
| Repayments of borrowings | | (496,190) | (231,760) |
| Net cash flows provided by financing activities | | 265,494 | 261,091 |
| Net (decrease) in cash held | | 295,318 | (3,460) |
| Cash at the beginning of the financial year | | 6,022 | 9,482 |
| Cash at the end of the financial year | 6 | 301,340 | 6,022 |

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

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report comprises the consolidated entity consisting of Southern Cross Exploration NL and its subsidiaries.

1.1. Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board) and the Corporations Act 2001.

These consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and the investment in the joint venture that have been measured at fair value. Unless otherwise indicated the accounting policies have been applied consistently in all periods presented in these financial statements.

1.2. Going concern

The Balance Sheet of the group at 30 June 2014 showed Total Current Assets of \$6,959,431 and Total Current Liabilities of \$2,054,325 and therefore Net Current Assets of \$4,905,106. Included in the Total Current Assets is \$2,134,706 relating to an investment in a joint venture and \$4,389,969 relating to an investment in a mortgage asset expected to be realised in the next 12 months. Excluding these investments, the Group would have Net Current Liabilities of \$1,619,569. The Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2014 shows a total comprehensive loss of \$2,067,321.

The ability of the Group to pay its liabilities is dependent on the Group collecting its receivables and realising its financial assets as well as raising additional capital through placements or other share issues. This is dependent upon future events and market conditions, including the ability of the Company to raise enough capital through sale of investments and/or projects, collection of loans and/or capital raising.

Should insufficient funds be raised, there is a material uncertainty that the Company will continue as a going concern. However, the Directors believe that sufficient funds can be raised to enable the Company to continue as a going concern.

1.3. Statement of compliance

The financial report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and the International Financial Reporting Standards as issued by the International Accounting Standards Board.

1.4. Principles of Consolidation

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provided 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 Group.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

Note 1. Summary of significant accounting policies (continued)

1.5. Parent Entity Financial Information

The financial information for the parent entity Southern Cross Exploration N L has been prepared on the same basis as the consolidated financial statements.

1.6. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.7. Investments and other financial assets

Available-for-sale financial assets

Available-for-sale financial assets comprising holdings in equity securities quoted on Stock Exchanges and non-listed companies are included in non-current assets unless they are intended to be disposed of within 12 months of the balance date.

Listed investments are initially recognised at fair value plus transaction costs. The investments are subsequently measured at their fair values. Unrealised gains and losses arising from changes in the fair value are recognised in equity in the Fair Value Reserve.

Unlisted investments are initially recognised at cost where the fair value cannot be measured reliably. Where unlisted investments are subsequently revalued, the fair values are determined after considering the underlying net asset values of the companies and estimated values based on their strategic holdings.

Considerations such as a significant or prolonged decline in the fair value of investments below their cost are used in determining whether investments are impaired. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities. Impairment losses are recognised as a reduction of the available for sale investments Fair Value Reserve to the extent of any previous revaluation and otherwise in profit or loss.

1.8. Fair value measurements and disclosures

AASB 13: Fair Value Measurement was adopted from 1 July 2013 when it first became applicable to the Group. AASB 13 sets out a framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. AASB 13 does not significantly impact the fair value amounts reported in the financial statements.

Some of assets and liabilities are measured at fair value on either a recurring or non-recurring basis depending on the requirements of the applicable Accounting Standard.

Fair Value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date.

The fair value of financial instruments is measured in accordance with the following levels:

| | |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets; |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ; and |
| Level 3 | Inputs for the asset that are not based on observable market data (unobservable inputs). |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

Note 1. Summary of significant accounting policies (continued)

1.9. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are included in current assets, except for maturities greater than 12 months after the balance sheet date which are included in non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment is established for amounts due that are not likely to be collected according to the original terms of the receivables. The amount of the provision is recognised in profit or loss.

1.10. Joint ventures

Interests in joint ventures in which the group has joint control are accounted for by recognising its share of assets classified according to their nature, share of liabilities and income and expenses. Where the group does not have joint control, it accounts for its interest as an investor in Joint Ventures at fair value.

1.11. Exploration and evaluation assets

Exploration costs are accounted for under the "Area of Interest" method, whereby costs are carried forward provided that rights to tenure of the area of interest are current and either there is a reasonable probability of recoupment through successful development and exploitation or by their sale, or exploration activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable mineral reserves and active and significant operations in, or in relation to, the area are continuing. The ultimate recoupment of costs carried forward in respect of areas of interest still in the exploration or evaluation phases is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. Exploration & Evaluation Assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

1.12. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.13. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being paid on normal commercial terms

1.14. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under these leases are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

1.15. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

Note 1. Summary of significant accounting policies (continued)

1.16. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Borrowings are classified as current liabilities unless the settlement is not required for at least 12 months after the balance sheet date.

1.17. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that it can be reliably measured.

Dividends

Dividends are recognised on receipt.

Interest

Interest is recognised as it accrues.

Sale of Financial Assets

The net gains (losses) on sales are included as revenue (expenses) at the date control passes to the buyer, usually when an unconditional contract of sale is signed. The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

1.18. Segment Information

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

1.19. Accounting estimates and judgement

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying nature of assets are as follows:

- (i) Estimated fair values of unlisted investments, and investments in mining projects.

The group carries some unlisted investments at cost, and some at fair value. Cost is sometimes determined by an evaluation of the value of shares issued by the group to acquire the investments. The Directors update their assessment of the fair value and the recoverable amount of unlisted investments at least annually. The group carries its investments in mining projects at cost, subject to annual review for impairment.

- (ii) The recoverability of the Fiji loan as detailed in Note 10 is based on the future sale or development of the property, and on the basis that there is political stability in Fiji. If the sale or development of the property does not proceed according to expectations, the recoverable amount could be materially different. The Directors believe the group will recover at least the carrying value of the loan.

1.20. Income tax

Deferred income tax is provided on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

Note 1. Summary of significant accounting policies (continued)

1.20. Income tax (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and the carry forward of unused tax losses can be utilised. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

1.21. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash Flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1.22. New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group has elected not to early adopt these standards and interpretations. The following standard and interpretation is considered applicable to the Group:

AASB 9: Financial Instruments and associated Amending Standards (effective for annual reporting periods beginning on or after 1 January 2017).

The standards will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

It is anticipated that the application of this standard will not have a material effect on the Group's results of financial reports in future periods.

NOTE 2. REVENUE

| | 2014 | 2012 |
|--|-------------|-------------|
| | \$ | \$ |
| Dividends received from Corporations listed on Stock Exchanges | 52 | 41 |
| Interest received / receivable – mortgage asset | 742,753 | 337,741 |
| Interest revenue – other | 453 | 814 |
| | 743,258 | 338,596 |
| | 743,258 | 338,596 |

NOTE 3. FINANCE COSTS

| | | |
|--|---------|---------|
| Interest and finance expense – related parties | 283,002 | 150,924 |
| Interest expense – other | 36,441 | 43,568 |
| Other finance costs | 40,000 | - |
| | 359,443 | 194,492 |
| | 359,443 | 194,492 |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

| | 2014 | 2012 |
|--|------------------|------------------|
| | \$ | \$ |
| NOTE 4. SIGNIFICANT ITEMS | | |
| Bad debts written off | 303,972 | 84,810 |
| Recognition of former contingent liability (note 25) | 360,000 | - |
| Exploration expenditure written off | 630,676 | 968,581 |
| Impairment losses - listed equity investments (Level 1) | - | 2,790,454 |
| Impairment losses - shares in corporations not listed on stock exchanges (Level 3) | 134,026 | 364,851 |
| Impairment losses - mortgage asset (Level 3) | - | 1,426,156 |
| Loss on investments -listed equity investments (Level 1) | 131,291 | 92,033 |
| Legal costs expense | 17,375 | 206,963 |
| | <u>1,577,340</u> | <u>5,933,848</u> |
| NOTE 5. CASH AND CASH EQUIVALENTS | | |
| Cash held in banks | <u>301,340</u> | <u>6,022</u> |
| NOTE 6. AVAILABLE FOR SALE FINANCIAL ASSETS (CURRENT) | | |
| Listed equity securities (Level 1) | <u>62,120</u> | <u>130,103</u> |
| NOTE 7. TRADE & OTHER RECEIVABLES (CURRENT) | | |
| Mortgage Investment – Director related entity | 7,566,126 | - |
| Provision for Impairment | (3,176,157) | - |
| | <u>4,389,969</u> | <u>-</u> |
| Debtors and Loans - related parties | - | 113,337 |
| Debtors and other receivables | 71,296 | 29,160 |
| | <u>71,296</u> | <u>142,497</u> |
| | <u>4,461,265</u> | <u>142,497</u> |

Debtors are non-interest bearing and a provision for impairment has been made after assessment of any amounts that may be impaired. The balance of the amounts in debtors is expected to be received according to commercial arrangements.

Loans to related parties in 2012 were at call and interest of 9% p.a. was being charged.

Mortgage Investment is secured over freehold property in Fiji owned by Nadi Bay Beach Corporation Limited (NBBC). B Ganke and E Goh are also Directors and shareholders of NBBC.

Interest was accrued from 1989 at 12% compound until December 1999 when the rate was changed to 7% compound. From July 2002 to December 2004 interest was charged at 7% simple and currently is at 8% on the balance of the loan.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

The mortgage investment was impaired in 2012 to reflect the reduction in value of the freehold property in Fiji over which the mortgage is secured.

The fair value of receivables approximates their carrying amounts.

Provisions for impairment on loans have been made based on uncertainty of recovery.

| | 2014 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| Movement in the provision for impairment | | |
| Mortgage Investment | | |
| At beginning of year | (3,176,157) | - |
| Additional provision | - | - |
| | (3,176,157) | - |
| | (3,176,157) | - |

NOTE 8. INVESTMENT IN JOINT VENTURE

| | | |
|---------------------------------|-----------|-----------|
| Bigrlyi Joint Venture - at cost | 1,908,081 | 1,873,375 |
| - at revaluation | 226,625 | 226,625 |
| | 2,134,706 | 2,100,000 |
| | 2,134,706 | 2,100,000 |

Movement during year

| | | |
|--|-----------|-----------|
| Balance at beginning of year - at cost | 1,873,375 | 1,618,065 |
| Expenditure capitalised | 34,706 | 255,310 |
| | 1,908,081 | 1,873,375 |
| Revaluation reserve | 226,625 | 226,625 |
| | 2,134,706 | 2,100,000 |
| | 2,134,706 | 2,100,000 |

Southern Cross Exploration N L has a five percent interest in the Bigrlyi uranium project located in the Ngalia Basin in the Northern Territory. As Southern Cross does not have joint control, it accounts for its interest in the Joint Venture as an investor at fair value.

| | 2014 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| NOTE 9. AVAILABLE FOR SALE FINANCIAL ASSETS (NON-CURRENT) | | |
| Listed equity securities (Level 1) | 4,332 | 165,017 |
| Shares in corporations not listed on Stock Exchange - at cost (Level 3) | 509,399 | 498,877 |
| Provision for Impairment | (498,877) | (364,851) |
| | 14,854 | 299,043 |
| | 14,854 | 299,043 |

The shares not listed on Stock Exchanges (Level 3) are carried at cost or at fair values. They are either shares in private companies or shares in companies preparing for an I.P.O.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

| | 2014 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| NOTE 9. AVAILABLE FOR SALE FINANCIAL ASSETS (NON-CURRENT) (continued) | | |
| Movement in the provision for impairment | | |
| At beginning of year | (364,851) | - |
| Impairment losses - shares in corporations not listed on Stock Exchange - at cost (Level 3) | (134,026) | (364,851) |
| | (498,877) | (364,851) |

NOTE 10. RECEIVABLES (NON-CURRENT)

| | | |
|---|---|-------------|
| Mortgage Investment – Director related entity | - | 7,206,157 |
| Provision for Impairment | - | (3,176,157) |
| | - | 4,030,000 |

Mortgage Investment is secured over freehold property in Fiji owned by Nadi Bay Beach Corporation Limited (NBBC). B Ganke and E Goh are also Directors and shareholders of NBBC.

Interest was accrued from 1989 at 12% compound until December 1999 when the rate was changed to 7% compound. From July 2002 to December 2004 interest was charged at 7% simple and currently is at 8% on the balance of the loan.

The mortgage investment was impaired in 2012 to reflect the reduction in value of the freehold property in Fiji over which the mortgage is secured.

The fair value of receivables approximates their carrying amounts.

Provisions for impairment on loans have been made based on uncertainty of recovery.

| | 2014 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| Movement in the provision for impairment | | |
| Mortgage Investment | | |
| At beginning of year (see note 29) | - | (1,750,001) |
| Additional provision | - | (1,426,156) |
| | - | (3,176,157) |

NOTE 11. EXPLORATION & EVALUATION EXPENDITURE

Movements during the year

| | | |
|--|-----------|-----------|
| Carrying amount at beginning of the year | 576,000 | 1,544,581 |
| Expenditure incurred | 54,676 | - |
| Expenditure written off | (630,676) | (968,581) |
| | - | 576,000 |

Exploration projects in which the company has an interest have been obtained on conditions that provide for exploration expenditure during the currency of the permits, with the right to withdraw at various stages, with or without retaining the interest earned up to that stage. The ultimate recoupment of costs carried forward in respect of areas of interest still in the exploration or evaluation phases is dependent upon successful development and commercial exploitation, or sale of the respective areas.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

| | 2014 | 2012 |
|--|-------------|-------------|
| | \$ | \$ |
| NOTE 12. TRADE & OTHER PAYABLES (CURRENT) | | |
| Trade and Other Payables | 68,877 | 249,970 |
| Other Payables - Related Parties | 426,217 | 247,510 |
| Provision for legal costs | 57,698 | 200,000 |
| | 552,792 | 697,480 |

NOTE 13. FINANCIAL LIABILITIES (CURRENT)

| | | |
|-----------------------|-----------|-----------|
| Loans-related parties | 1,031,533 | 2,425,981 |
| Loans-other | 470,000 | 245,320 |
| | 1,501,533 | 2,671,301 |

The loans related parties were due to Longreach Oil Limited the Group's parent company, and are due on call. An annual finance fee of \$150,000 plus compound interest of 10% (9% simple interest up to 31 December 2013) were payable on this loan.

| | 2014 | 2012 | | 2012 |
|--|----------------------|-------------|----------------------|-------------|
| | \$ | \$ | | \$ |
| NOTE 14. SHARE CAPITAL | | | | |
| 538,821,600 Ordinary fully paid shares (2012: 207,000,000) | 22,359,300 | 19,286,903 | | |
| Ordinary shares carry one vote per share | | | | |
| | 2014 | 2014 | 2012 | 2012 |
| | No. of shares | \$ | No. of shares | \$ |
| Movement in Issued Capital | | | | |
| Balance at the beginning of the year | 207,000,000 | 19,286,903 | 180,000,000 | 19,037,903 |
| Share placements | 331,821,600 | 3,386,108 | 27,000,000 | 270,000 |
| Share issue costs | - | (313,711) | - | (21,000) |
| | 538,821,600 | 22,359,300 | 207,000,000 | 19,286,903 |

| | 2014 | 2012 |
|--|-------------|-------------|
| | \$ | \$ |
| NOTE 15. EARNINGS PER SHARE | | |
| Basic earnings/(loss) per share | (0.005) | (0.0034) |
| Diluted earnings/(loss) per share | (0.005) | (0.0034) |
| Net loss used to calculate earnings/(loss) per share | (2,067,321) | (6,239,128) |
| Number of weighted ordinary shares used in calculating earnings/(loss) per share | 391,052,204 | 183,426,026 |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

| | 2014 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| NOTE 16. RESERVES | | |
| Asset Revaluation | 226,625 | 226,625 |
| Capital Profits/(Losses) | - | (1,598,884) |
| | 226,625 | (1,372,259) |
| Movement in Reserves | | |
| <i>Asset Revaluation</i> | | |
| Balance at beginning of year | 226,625 | 8,836,235 |
| -Write down revaluation - Investment in Joint Venture | - | (6,859,610) |
| -Write down revaluation – Mortgage investment | - | (1,750,000) |
| | 226,625 | 226,625 |
| <i>Available for Sale Financial Assets</i> | | |
| Balance at beginning of year | - | (2,759,991) |
| - Write back fair value adjustments on Investments | - | - |
| - Written off to Income Statement | - | 2,759,991 |
| | - | - |
| <i>Capital Profits/(Losses)</i> | | |
| Balance at beginning of year | (1,598,894) | (1,506,851) |
| Transfer to retained earnings | 1,598,894 | (92,033) |
| | - | (1,598,884) |
| Nature and purpose of Reserves | | |
| Asset Revaluation Reserve | | |
| The Asset Revaluation Reserve comprises the revaluation of the Investment in the Bigrlyi Uranium Joint Venture. | | |
| Available for Sale Financial Assets Reserve | | |
| Changes in the fair value of available for sale financial assets are taken to this Reserve. | | |
| Capital Profits/(Losses) Reserve | | |
| The Capital Profits/(Losses) Reserve includes capital profits and losses from sale of investments and other items of a capital nature | | |

| | 2014 | 2012 |
|---|--------------|--------------|
| | \$ | \$ |
| NOTE 17. ACCUMULATED LOSSES | | |
| Balance at beginning of year | (13,999,760) | (7,852,665) |
| Total comprehensive loss | (2,067,321) | (6,239,128) |
| Transfers from Capital Profits/(Losses) Reserve | (1,598,884) | 92,033 |
| | (17,665,965) | (13,999,760) |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

NOTE 18. SEGMENT INFORMATION

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

| | Total 2014 \$ | Exploration 2014 \$ | Other 2014 \$ | Total 2012 \$ | Exploration 2012 \$ | Other 2012 \$ |
|---------------------------------------|------------------------------|------------------------------------|------------------------------|------------------------------|------------------------------------|------------------------------|
| Segment Assets | | | | | | |
| Geographical | | | | | | |
| Australia | 2,584,316 | 2,211,680 | 372,636 | 2,703,665 | 2,555,146 | 148,519 |
| Fiji (non-current) | 4,389,696 | - | 4,389,696 | 4,030,000 | | 4,030,000 |
| Philippines | - | - | - | 500,000 | 500,000 | - |
| Tanzania | - | - | - | 50,000 | 50,000 | - |
| Total | 6,974,012 | 2,211,680 | 4,762,332 | 7,283,665 | 3,105,146 | 4,178,519 |
| Segment Revenues | | | | | | |
| Australia | 505 | 52 | 453 | 855 | 41 | - |
| Fiji | 742,753 | - | 742,753 | 337,741 | - | 337,741 |
| Total | 743,258 | 52 | 743,206 | 338,596 | 41 | 337,741 |
| There were no inter-segment revenues. | | | | | | |
| Segment Liabilities | | | | | | |
| Australia | 2,054,325 | 2,054,325 | - | 3,368,781 | 3,368,781 | - |
| Segment Results | | | | | | |
| Profit/ (Loss) | | | | | | |
| Fiji - Other | 438,781 | - | 438,781 | 252,931 | - | 252,931 |
| Australia - Exploration | (2,506,100) | (2,506,100) | - | (6,492,060) | (6,492,060) | - |
| Total Loss | (2,067,319) | (2,506,100) | 438,781 | (6,239,129) | (6,492,060) | 252,931 |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

NOTE 18. SEGMENT INFORMATION (continued)

| | Total 2014 | Exploration 2014 | Other 2014 | Total 2012 | Exploration 2012 | Other 2012 |
|-------------------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------------|-----------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Total Segment Loss included: | | | | | | |
| Australia | | | | | | |
| Interest Revenue | 743,258 | 505 | 742,753 | 338,596 | 855 | 337,741 |
| Interest Expense | (359,440) | (359,443) | - | (194,492) | (194,492) | - |
| Material Non cash Items: | | | | | | |
| Exploration expenditure written off | (630,676) | (630,676) | - | (968,581) | (968,581) | - |
| Impairment losses | (134,026) | (134,026) | - | (4,581,467) | (3,155,311) | (1,426,156) |
| Loss on investments | (131,291) | (131,291) | - | (92,033) | (92,033) | - |
| Bad debts expense | (303,972) | - | (303,972) | (84,810) | - | (84,810) |
| | | | | 2014 | | 2012 |
| | | | | % | | % |

NOTE 19. EXPLORATION AND EVALUATION ASSETS

Southern Cross Exploration N L held the following interests in exploration projects:

OVERSEAS

TANZANIA - Mkuju River (URANIUM)

Interest in several Exploration Licences 7 7

PHILIPPINES (GOLD)

Batangas Gold Project (approx. 100km south of Manila)
Interest in MPSA and EPA 115 (3,300 ha) 10 10

Gold Cross Project - Province of Bulacan

- Island of Luzon (8,000 ha)
MA-P-111-02-04; MA-P-111-05-04;
MA-P-111-06-04; MA-P-111-07-04
(The issue of the MPSAs is still pending) 20 20

IRAN - Boma Abad et al (MAGNESITE)

Southern Cross has an interest in two companies which hold several exploration tenements.

At 30 June 2014 the Group has impaired all carried forward capitalised exploration assets in line with Australian Accounting Standards. Refer to note 11.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

| | 2014 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| NOTE 20. AUDITOR'S REMUNERATION | | |
| Audit and review of financial reports (no other services) | | |
| HLB Mann Judd | 29,500 | - |
| CDTL Corporate Accountants | 28,621 | 8,000 |
| | 58,121 | 8,000 |

NOTE 21. SUMMARY OF PARENT ENTITY FINANCIAL INFORMATION

| | | |
|-------------------------|--------------|--------------|
| Current Assets | 4,985,221 | 2,359,357 |
| Non Current Assets | 1,311,320 | 3,922,118 |
| Total Assets | 6,296,541 | 6,281,475 |
| Current Liabilities | 2,039,817 | 3,356,926 |
| Non Current Liabilities | - | - |
| Total Liabilities | 2,039,817 | 3,356,926 |
| Net Assets | 4,256,724 | 2,924,549 |
| Share Capital | 22,359,300 | 19,286,903 |
| Reserves | 226,625 | (1,344,602) |
| Accumulated losses | (18,329,201) | (15,017,752) |
| Total Equity | 4,256,724 | 2,924,549 |
| (Loss) for the year | (2,147,217) | (5,112,274) |

Southern Cross Exploration NL has not provided any guarantees in relation to any of its controlled entities.

There were no contingent liabilities.

There were no commitments for the acquisition of property plant and equipment.

NOTE 22. PARTICULARS RELATING TO CONTROLLED ENTITIES

| Controlled Entities | Place of Incorporation | Class of Shares | Parent Entity's Investment | |
|---|---------------------------|--------------------|----------------------------|--------|
| | | | 2014 % | 2012 % |
| Northern Star Investments Pty Ltd | NSW | Ordinary | 100 | 100 |
| Northern Star Investments (QLD) Pty Ltd | QLD | Ordinary | 100 | 100 |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

NOTE 23. NET FAIR VALUE OF FINANCIAL INSTRUMENTS

The net fair values of financial assets and liabilities recorded are determined on the following basis:

Financial instruments

Listed Investments included in Available for Sale Financial Assets are valued at their quoted market bid price. Unlisted Investments are at cost, which approximates their fair values. The fair values of unlisted investments are based on the estimated values of the investments and in view of their strategic holdings.

The carrying values of all other financial assets and liabilities are stated at their approximate fair value.

NOTE 24. FAIR VALUE

The following table presents the assets and liabilities measured and recognised at fair value as at 30 June 2014:

| As at 30 June 2014 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|---------------|---------------|---------------|-------------|
| Recurring fair value measurements | | | | |
| Listed equity securities | 66,452 | - | - | 66,452 |
| Mortgage investment | - | - | 4,389,969 | 4,389,969 |
| Investment in joint venture | - | - | 2,134,706 | 2,134,706 |
| As at 31 December 2012 | | | | |
| Recurring fair value measurements | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| Listed investments | 295,120 | - | - | 295,120 |
| Mortgage asset | - | - | 4,030,000 | 4,030,000 |
| Investment in joint venture | - | - | 2,100,000 | 2,100,000 |

Valuation process of the Group in determining level 3 fair values

For the purpose of financial reporting the Board performs assessments of individual asset values, including level 3 fair values and engages external, independent and qualified valuers to determine the fair values of assets at least every three years. The Board discusses the valuation process, results and reasons for the fair value movements, in line with the half-yearly and yearly financial statement reporting timelines. A description of the key valuation policies and sensitivity of significant unobservable inputs of level 3 fair values is detailed below:

| | Valuation policies and relationships of inputs | Sensitivity of fair values to unobservable inputs |
|-----------------------------|---|--|
| Mortgage Investment | Level 3 fair values of the mortgage investment are calculated using market evidence of comparable property sales in Fiji and the subject land area and adjusted for differences in key attributes. The significant unobservable inputs in this valuation approach is comparative sales. | Fair values will be sensitive to future property sales in Fiji and other market conditions which influence property sales, as well as movements in foreign exchange rates. |
| Investment in Joint Venture | Level 3 fair values of the investment in the joint venture are calculated using future expected uranium prices, returns and estimated uranium deposits. These are the significant unobservable inputs to this value. | Fair values will be sensitive to future price movements in uranium and changes in estimates of the uranium deposit. |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

NOTE 25. CONTINGENT LIABILITY

At 31 December 2012 the Company recognised a contingent liability in respect of a loan transaction which involved the issue of shares at above market price at the time. During the period the Company has re-negotiated this transaction and recognised a liability at 30 June 2014 of \$360,000.

NOTE 26. INCOME TAX

The prima facie income tax (expense)/benefit on the pre-tax accounting loss reconciles to the income tax expense in the accounts as follows:

| | 2014 | 2012 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Loss from ordinary activities | <u>(2,067,321)</u> | <u>(6,239,129)</u> |
| Prima facie income tax expense/(benefit) calculated at 30% (2012 30%) on the Loss from ordinary activities | (620,196) | (1,871,739) |
| Amounts non deductible | 148,208 | 1,374,438 |
| Future tax benefits not brought to account | <u>471,988</u> | <u>497,301</u> |
| Income Tax expense relating to ordinary activities | <u>-</u> | <u>-</u> |

Deferred tax assets estimated in excess of \$2,000,000 have not been brought to account. The deferred tax assets will only be utilised if:

- (a) the consolidated entity derives future assessable income of a nature and of sufficient amount to enable the deferred tax assets to be realised;
- (b) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- (c) legislation will not change in a manner which would adversely affect the consolidated entity's ability to realise the deferred tax assets.

NOTE 27. RISK

- (a) Market risk: The group's investments in available for sale financial assets are subject to fluctuations in market conditions. No material reduction in value is anticipated.
- (b) Interest rate risk: There is no significant exposure to interest rate risk as the group's borrowings are on fixed rates.
- (c) Credit risk: The carrying amounts of Receivables net of any provisions represent the maximum exposure to credit risk.
- (d) Liquidity risk: The Directors are responsible for management of the short, medium and long term liquidity requirements.
- (e) Exploration risk: The exploration industry is inherently risky. Such risk is carefully assessed on a case by case basis.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

NOTE 27. RISK (continued)

- (f) Capital risk: The Directors' objectives when managing capital are to safeguard the group's ability to continue as a going concern and in due course to increase the value of its shares and returns to its shareholders. The group has adequate assets and ability to raise equity capital to maintain its normal operations. Acquisition of exploration projects and other associated expenditure can often be satisfied by the issue of equity securities. The group's gearing has remained quite low in accordance with the Board's policy and it is not proposed to make any changes in that respect.
- (g) Currency risk: The Group has no payables or receivables in foreign currency.

NOTE 28. DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

The following were key management personnel of the consolidated entity during the year ended 30 June 2014.

B Ganke, Chairman and Managing Director, retired 12 June 2014

E Goh, retired 26 February 2013

E Ganke, retired 26 February 2013

A Vieira, appointed 26 February 2013

S Baghdadi, appointed 26 February 2013

A Keach, appointed 26 February 2013, retired 27 May 2013

B Burrell, appointed 26 February 2013, retired 29 May 2013

A Phillips, appointed 30 August 2013

C Coleman, appointed 20 February 2014

28.1 Directors' remuneration

| Name | Position | Remuneration | 2014 \$ | 2012 \$ |
|--------------------|--------------------|--------------------------|------------|------------|
| B Ganke | Chairman | Directors' fees | 8,877 | 120,000 |
| B Ganke | Managing Director | Managing Directors' fees | 130,000 | 20,000 |
| E Goh | Director | Directors' fees | 3,068 | 42,000 |
| E Goh | Director | Consulting fees | 8,000 | 17,000 |
| E Ganke | Director | Directors' fees | 3,068 | - |
| S Baghdadi | Director | Directors' fees | 30,795 | - |
| S Baghdadi | Executive Director | Consulting fees | 185,432 | - |
| A Keach | Director | Directors' fees | 4,923 | - |
| B Burrell | Director | Directors' fees | 5,041 | - |
| A Phillips | Director | Directors' fees | 19,989 | - |
| A Vieira | Director | Directors' fees | 30,795 | - |
| C Coleman | Director | Directors' fees | 8,548 | - |
| C Coleman | Director | Consultant | 5,000 | - |
| R Adamson | Director | Directors' fees | - | 3,000 |
| Total remuneration | | | 443,544 | 202,000 |

No Director received or was entitled to receive any shares or options as part of remuneration during the year.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

**NOTE 28. DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL AND RELATED PARTIES
(continued)**

28.2 Shareholdings of key management personnel in Southern Cross Exploration N L

| Name | Balance 30 June 2014 Number | Change Number | Director Resignation Number | Balance 31 December 2012 Number |
|------------|-----------------------------------|-------------------|-----------------------------------|---------------------------------------|
| S Baghdadi | 88,731,381 | 88,731,381 | - | - |
| B Ganke | - | - | (31,030,372) | 31,030,372 |
| A Phillips | 600,000 | 600,000 | - | - |
| C Coleman | 100,000 | 100,000 | - | - |
| E Goh | - | - | (1,327,000) | 1,327,000 |
| A Vieira | 50,000 | 50,000 | - | - |
| E Ganke | - | - | (485,000) | 485,000 |
| | <u>89,481,381</u> | <u>89,481,381</u> | <u>(32,842,372)</u> | <u>32,842,372</u> |

| Name | Balance 31 December 2012 | Change | Director Resignation Number | Balance 31 December 2011 |
|-----------|--------------------------------|------------------|-----------------------------------|--------------------------------|
| B Ganke | 31,030,372 | 2,780,000 | - | 28,250,372 |
| E Goh | 1,327,000 | - | - | 1,327,000 |
| R Adamson | - | - | (425,000) | 425,000 |
| E Ganke | 485,000 | 485,000 | - | - |
| | <u>32,842,372</u> | <u>3,265,000</u> | <u>(425,000)</u> | <u>30,002,372</u> |

28.3 Directors and related party transactions and balances

| | 2014 \$ | 2012 \$ |
|--|---------------|----------------|
| Aggregate payables and borrowings at balance date | | |
| Accrued Directors' fees | | |
| B Ganke | - | 121,686 |
| S Baghdadi | 20,963 | - |
| A Phillips | 19,800 | - |
| C Coleman | 8,548 | - |
| E Goh | - | 65,474 |
| E Ganke | - | 17,000 |
| A Vieira | 26,666 | - |
| | <u>75,977</u> | <u>204,160</u> |
| Loans (unsecured) owing to: | | |
| E Ganke | - | 8,683 |
| S Baghdadi (consolidated) | 27,873 | - |
| | <u>27,873</u> | <u>8,683</u> |

No interest is payable on the above loans.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

**NOTE 28. DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL AND RELATED PARTIES
(continued)**

28.4 Other Director related party transactions

The following are disclosures of transactions and balance during the year with related parties and the relationship of the Directors to those entities.

B Ganke is a Director of Acron Pacific Ltd, Offshore Oil Ltd, Emeritus Pty Ltd, Bonds and Securities (Trading) Pty Ltd, Nadi Bay Beach Corporation Ltd. He was a Director of Chapmans Ltd until 30 May 2013 and Longreach Oil Ltd until 29 November 2013. B Ganke was a Director of Southern Cross Exploration N L (resigned June 2014).

S Baghdadi is a Director of Longreach Oil Ltd.

B Burrell is a Director of Chapmans Ltd and was a Director of Southern Cross Exploration N L (resigned May 2013).

P Hetherton is a Director of Acron Pacific Ltd, Nadi Bay Beach Corporation Ltd and Offshore Oil Ltd. He was a Director of Chapmans Ltd (resigned September 2012).

| | CONSOLIDATED | |
|--|---------------------|-------------|
| | 2014 | 2012 |
| | \$ | \$ |
| Aggregate receivables at balance date | | |
| Amounts receivable from: | | |
| Debtors | | |
| Bonds and Securities (Trading) Pty Ltd | - | 91,500 |
| Nadi Bay Beach Corporation Ltd | - | 6,607 |
| | - | 98,107 |
| Loans – non current | | |
| Acron Pacific Ltd | - | 15,230 |
| Nadi Bay Beach Corporation Ltd | - | 4,030,000 |
| | - | 4,045,230 |

During the year the company received repayments of \$219,640 from Nadi Bay Beach Corporation Ltd.

Amounts payable to related parties at balance date

Creditors (unsecured) owing to:

Loans payable – current

| | | |
|--------------|---|---------|
| Chapmans Ltd | - | 312,444 |
|--------------|---|---------|

Loans payable – current

| | | |
|-------------------|-----------|-----------|
| Longreach Oil Ltd | 1,003,660 | 2,113,537 |
|-------------------|-----------|-----------|

All transactions with related parties are on agreed commercial terms.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

**NOTE 28. DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL AND RELATED PARTIES
(continued)**

28.4 Other Director related party transactions (continued)

| | CONSOLIDATED | |
|---|---------------------|-------------|
| | 2014 | 2012 |
| | \$ | \$ |
| Amounts included in the determination of Operating Loss before Income Tax that resulted from transactions with Directors and Director related parties were as follows: | | |
| Interest revenue – Director related parties | | |
| Nadi Bay Beach Corporation Ltd | 681,958 | 337,741 |
| Interest expense – Director related parties | | |
| B Ganke | - | 1,116 |
| E Ganke | - | 683 |
| Champans Ltd | - | 14,578 |
| Continental Retailers | - | 66 |
| Offshore Oil Ltd | - | 403 |
| Emeritus Pty Ltd | - | 140 |
| | - | 16,986 |
| Bad debt expense – Director related parties | | |
| Nadi Bay Beach Corporation Ltd | 171,252 | - |
| Investments in shares in related parties – Director related parties | | |
| Southern Cross has investments in the following unlisted Director related entities: | | |
| Activas Investment Group | - | 24,000 |
| Nadi Bay Beach Corporation | - | 70,176 |
| Offshore Oil Ltd | - | 1,000 |
| | - | 95,176 |
| Southern Cross had investments in the following unlisted Director related entity: | | |
| Chapmans Ltd (market value) | - | 163,935 |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

**NOTE 28. DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL AND RELATED PARTIES
(continued)**

28.5 Related party transactions with Longreach Oil Ltd (LGO)

| | 2014 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| Amounts payable at balance date | | |
| Loans payable - current | 1,003,660 | 2,113,537 |
| Investment in shares | | |
| Listed shares in LGO (market value) | 61,560 | 120,076 |
| Amounts included in the determination of Operating Loss before Income Tax that resulted from transactions with Directors and Director related parties were as follows: | | |
| Finance fees | 280,002 | 150,924 |
| Rent expense | 37,508 | 48,656 |
| Other transactions | | |
| Cash repayment of loans | 144,000 | 12,300 |
| Cash advance of loan | 275,900 | 110,270 |
| Other non-cash transactions repayments/(advances) | 1,241,777 | (150,924) |

NOTE 29. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|-------------|-------------|
| Loss for the financial year | (2,067,321) | (5,198,674) |
| Non-cash items | | |
| Loss on investments | 265,317 | 92,033 |
| Exploration expenditure written off | 630,676 | 968,581 |
| Bad debts written off | 303,972 | 84,810 |
| Provision for impairment – mortgage investment | - | 3,176,157 |
| Recognition of former contingent liability | 360,000 | - |
| Equity settled transactions | 834,708 | - |
| Provision for impairment – unlisted shares | - | 364,851 |
| Other | - | 191,120 |
| Change in Assets and Liabilities | | |
| Change in trade and other receivables | (288,768) | (158,935) |
| Change in trade and other payables | (144,688) | 354,806 |
| Net cash flows from/(used in) operating activities | (106,104) | (125,251) |

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 30 JUNE 2014

NOTE 30. EVENTS SUBSEQUENT TO REPORTING DATE

Since the reporting period, Longreach has disposed of its shareholding in Southern Cross. Accordingly from 2014/2015 the entities will commence reporting separately.

Southern Cross has made a rights issue offering to existing Shareholders giving them the right to acquire one share for each held at .001 cent per share in order to raise up to \$538,422 to meet working capital requirements. The closing date for acceptance of the offer is 2 October 2014 with allotment of new shares on 9 October 2014.

Southern Cross appointed a receiver to act for it in the recovery of a secured loan advanced to Nadi Bay Beach Corporation.

Southern Cross agreed to defer the repayment of its loan owed to Longreach to the earliest of 31 August 2015 or the time that amounts are realised from the mortgage loan asset.

On 3 July 2014 the company raised \$300,000 from a share placement.

On 2 July 2014 the company reached an agreement with Dateline Resources Limited (DRT) for Southern Cross to subscribe for 15,000,000 (representing 19.7% of DRT). Fully paid ordinary shares at \$0.04 in DTR conducted in two tranches. The first tranche of 7,500,000 shares was completed on 4 July 2014. The second tranche is to be completed by 31 December 2014.

NOTE 31. RESTATEMENT OF COMPARATIVE AMOUNTS

Subsequent to the issue of the financial statements for the year ended 31 December 2012, an immaterial difference was identified relating to the asset revaluation and available for sale financial assets reserve balances. Due to the immaterial nature and amount of the difference and given it had no impact on the net assets of the Group, the 2012 financial statements were not required to be reissued. However, to correct the difference certain adjustments were made to the comparative amounts included in the financial statements for the current reporting period. As a result of these adjustments the 'asset revaluation reserve' was decreased in the Consolidated Balance Sheet by \$1,750,001 and the 'impairment losses – mortgage asset (Level 3) expense was decreased by the same amount in the Statement of Profit or Loss and Other Comprehensive Income, reducing accumulated losses. Similarly the 'available for sale financial assets reserve was increased by \$2,790,454 in the Consolidated Balance Sheet and an impairment loss for the same amount was recognised in the Statement of Profit and Loss and Other Comprehensive Income increasing accumulated losses. Corresponding adjustments were made to the relevant items in the Consolidated Statement of Changes in Equity, in note 4, note 17 and note 18 in the financial statements.

**SOUTHERN CROSS EXPLORATION N L
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

FOR THE PERIOD ENDED 30 JUNE 2014

1. In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 31 are in accordance with the Corporations Act 2001, including:

(i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

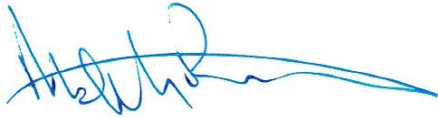
(ii) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for period ended on that date;

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. The Notes to the financial statements include a statement of compliance with International Reporting Standards.

The Directors have been given the declarations by the Equivalent Chief Executive Officer and the Equivalent Chief Financial Officer required by Section 295A of the Corporations Act 2001.

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



S Baghdadi
Director



C Coleman
Director

30 September 2014

SOUTHERN CROSS EXPLORATION N L

ACN 000 716 012

INDEPENDENT AUDITOR'S REPORT

To the members of Southern Cross Exploration NL

Report on the Financial Report

We have audited the accompanying financial report of Southern Cross Exploration NL ("the company"), which comprises the consolidated balance sheet as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the period.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

SOUTHERN CROSS EXPLORATION N L

ACN 000 716 012

**INDEPENDENT AUDITOR'S REPORT
(continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, given to the directors of the company on 30 September 2014, would be in the same terms if provided to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Southern Cross Exploration NL is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1.2 (Going concern) in the financial report, which indicates that at 30 June 2014 the company had net current assets of \$4,905,106 which included \$2,134,706 relating to an investment in a joint venture and \$4,389,969 relating to an investment in a mortgage asset. Excluding these assets the company would have net current liabilities of \$1,619,569. The company also incurred a net loss of \$2,067,321 during the period ended 30 June 2014. These conditions, along with other matters as set forth in Note 1.2 (Going concern), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

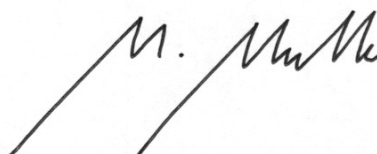
We have audited the Remuneration Report included in page 4 of the Directors' Report for the period ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Southern Cross Exploration for the period ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

**HLB Mann Judd
Chartered Accountants**

A handwritten signature in black ink that reads 'M. D. Muller'.

**M D Muller
Partner**

**Sydney, NSW
30 September 2014**