NEWSOUTHERN CAPITAL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

This financial report covers NewSouthern Capital Pty Limited. Figures in this financial report are presented in Australian dollars.

Table of Contents

The financial report was authorised for issue by the Directors on 27 September 2018.

Company Particulars

Incorporation

NewSouthern Capital Pty Limited (the Company, or NewSouthern Capital) was incorporated on 18 December 2014 with limited liability, under Australian law and is domiciled in Australia.

The Company's Australian Company Number (ACN) is 603 433 110.

Subsidiaries

NewSouthern Capital Pty Ltd has no subsidiaries.

Registration

The Company's Australian Business Number (ABN) is 98 603 433 110.

Registered Office and Principal Place of Business

C/ D'Omkara Accountants Pty Ltd
Level 9, 30 Collins Street Melbourne Vic 3000
Telephone: (03) 9579 4450

Auditors

KPMG
Tower Two
Collins Square
727 Collins Street, Melbourne VIC 3008

Accountants

D'Omkara Accountants
Level 9, 30 Collins Street Melbourne Vic 3000

Tax advisors

Ernst & Young
Level 23, 8 Exhibition Street, Melbourne Vic 3000

Bankers

Westpac 530 Collins Street, Melbourne VIC 3000
Westpac 97-99 Koornang Road, Carnegie, VIC 3000

Lawyers

Thomson Geer
Level 39, Rialto South Tower
525 Collins Street, Melbourne VIC 3000

Directors' Report

The Directors present their report together with the financial report of NewSouthern Capital Pty Ltd for the year ended 30 June 2018.

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a Director of the Company at any time during or since the end of the financial year is provided below, together with details of the Company Secretary as at the end of the financial year.

Rodney Damon Cocks
B.Comm , B.Law, MBA,MPA
Chief Executive Officer & Director

Before founding NewSouthern Capital, Rodney was a consultant with The Boston Consulting Group, later taking up a senior role at an Australian multinational before co-founding NewSouthern Capital. He heads up the capital raising and portfolio company teams at NewSouthern Capital. As a graduate of the Royal Military College, Duntroon, Rodney commenced his career as an Australian Army infantry officer and was also a senior member of the UK Government's Counter Narcotics team at The British Embassy in Kabul, which was responsible for targeting the massive opium and cannabis cultivation and trafficking issue in Afghanistan. Rodney holds a Bachelor of Commerce, Bachelor of Laws, MBA (Wharton, University of Pennsylvania), and an MPA (Harvard University). He is an admitted lawyer to the Supreme Court of New South Wales, a Graduate of the Australian Institute of Company Directors, and an Authorised Representative under an Australian Financial Services License. Rodney was also named the Victorian Australian of the Year in 2005.

Peter John Righetti
B.Comm , B.Law
Chief Operating Officer, Director and Company Secretary
Prior to establishing NewSouthern Capital, Peter worked for more than 20 years in residential and commercial property, providing strategic-level expertise in the fields of development acquisition, planning, construction/project management, project financing, and marketing. Peter heads up the investment and property teams at NewSouthern Capital. In line with NewSouthern Capital's commitment to the creation, protection, and growth of investor wealth, Peter will assume a pivotal role in the establishment and ongoing operations of NewSouthern Capital. Peter is a graduate of Royal Military College, Duntroon, and served as an Army Officer in the Royal Australian Corps of Engineers. He has held senior leadership and executive positions in private and publicly listed Australian companies. Peter holds a Bachelor of Commerce and a Bachelor of Laws. He is admitted as a barrister and solicitor of the Supreme Court of Victoria.

Principal Activities

The Company's principal activity is acting as the management company for various property developments.

The Company is also an investor in a 50% partnership with the Canadian company Cronos Group Inc. in an Australian expansion of the Canadian partner's existing medicinal cannabis operation. The Company's investment in this operation is via the two associated entities Cronos Australia Pty Ltd and Cronos (Distribution) Australia Pty Ltd.

Business Strategies and Prospects of Future Years

Likely developments in the operations of the Company and the expected results of those operations in future reporting periods have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Financial Performance

The profit after income tax attributable to members of NewSouthern Capital was $150,349 (2017: loss of 63,033).

Review of Operations

The Company continued to act as manager for two separate property developments, namely 44 Coburns and 66 & 67 Manna Gum Drive.

The Company's two investments in the Cronos associated entities have not shown any return and the investments have been recognised as fully impaired via the Company's share of the losses of these associated entities.

The operations during the financial year, and the net profit achieved, were as expected in the opinion of the Directors.

Significant Changes in State of Affairs

No significant changes in the Company's state of affairs occurred during the reporting period.

After Balance Day Events

NewSouthern Capital has assigned all rights to property development management income to NewSouthern Holdings Pty Ltd effective 1 July 2018.

At 30 June 2018 NewSouthern Capital was owned by DMC Consultants Pty Ltd (50%) and RDC Investment Holdings Pty Ltd (50%). Post balance date a corporate restructure is underway which will see the ownership of NewSouthern Capital transferred to a new entity which will, in turn, be owned 50% by the current owners and 50% Cronos Group Inc. Cronos Group Inc. is listed on the Toronto and NASDAQ Stock Exchanges (CRON).

Environmental Regulation

The Company's operations are not, at this stage, regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends Paid, Recommended and Declared

No dividends have been paid, declared or recommended since the incorporation of the Company.

Share Options

No options over issued shares or interests in the Company were granted during or since the end of the reporting period and there were no options outstanding at the date of this report.

Indemnification and Insurance of Directors, Officers and Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the reporting period, for any person who is or has been an officer or auditor of the Company.

Proceedings on Behalf of the Entity

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the reporting period.

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

Directors	Meetings Attended	Meetings Held
R Cocks	1	1
P Righetti	1	1

Audit and Risk Committee

An Audit and Risk committee was established on 20 August 2018 and reports directly to the full Board of Directors of NewSouthern Capital. Membership of the committee is as follows:

(i) Rodney Cocks (Committee Member)
(ii) Peter Righetti (Committee Member)

The role of the Audit and Risk Committee ('Committee') is to assist the Board of Directors in its oversight responsibilities for all matters related to financial management and reporting, intellectual property, external audit and risk management of NewSouthern Capital.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (KPMG) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

(i) All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
(ii) None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

During the year, no fees were paid or payable for non-audit services provided by the auditor (KPMG):

Details of amounts paid or payable to the auditor for audit services provided during the year by the auditor are outlined in the financial statements.

Corporate Governance

The Board of Directors meet on a regular basis to review the strategic, financial and operational position of the Company and operate under a Board charter. In addition, the Board's newly formed subcommittee, Audit & Risk, are responsible for specific functions as per their charter and report to the Board on matters that require the Board's approval.

The governance structure serves the Company in all matters associated with ensuring the Board meet their ongoing governance obligations.

Signed in accordance with a resolution of the Directors.

Peter Righetti
Director

Rodney Cocks
Director

Dated: 27 September 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	***2018*** ***$***	***2017*** ***$***
Income			
Management fee income	4	447,594	18,182
Total income		**447,594**	**18,182**
Expenditure			
Professional fees	5	44,861	38,269
Licensing costs	6	9,976	11,218
Staff costs	7	170,802	24,269
Depreciation	11	9,099	-
Other Expenses		20,921	7,399
Total Expenditure		**255,659**	**81,155**
Operating profit/(loss)		**191,935**	**(62,973)**
Share of losses of associates	12	(60)	(60)
Interest income		401	-
Profit/(Loss) before tax		192,276	(63,033)
Income tax benefit / (expense)	8	(41,927)	-
Total comprehensive profit/(loss) for the year		**150,349**	**(63,033)**

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

Statement of Financial Position

as at 30 June 2018

	Notes	2018	2017
		$	$
Current Assets			
Cash and cash equivalents	9	58,702	3,858
Other receivables	10	140,664	21,842
Prepayments		12,583	12,735
Total Current Assets		**211,949**	**38,435**
Non-Current Assets			
Intangible assets		-	400
Plant and equipment	11	96,478	-
Total Non-Current Assets		**96,478**	**400**
Total Assets		**308,427**	**38,835**
Current Liabilities			
Trade and other payables	13	99,722	47,960
Income tax payable		41,927	-
Chattel mortgage liabilities	14	17,337	-
Borrowings	15	-	73,759
Total Current Liabilities		**158,986**	**121,719**
Non-Current Liabilities			
Chattel mortgage liabilities	14	81,976	-
Total Non-Current Liabilities		**81,976**	**-**
Total Liabilities		**240,962**	**121,719**
Net Assets		**67,465**	**(82,884)**
Equity			
Issued capital	16	12	12
Accumulated profits/(losses)		67,453	(82,896)
Total Equity		**67,465**	**(82,884)**

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Issued capital	Accumulated losses	Total equity
		$	$	$
Balance at 1 July 2016		**12**	**(19,863)**	**(19,851)**
Total comprehensive loss for the year		-	(63,033)	(63,033)
Balance at 30 June 2017	16	**12**	**(82,896)**	**(82,884)**
Balance at 1 July 2017		**12**	**(82,896)**	**(82,884)**
Total comprehensive profit for the year		-	150,349	150,349
Balance at 30 June 2018	16	**12**	**67,453**	**67,465**

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

Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018	2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		492,354	20,000
Payments to suppliers (inclusive of goods and services tax)		(72,829)	(45,437)
Payments to employees		(165,243)	(33,369)
Interest received		401	-
Net cash inflow/(outflow) from operating activities	17	**254,683**	**(58,806)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(105,577)	-
Net cash inflow/(outflow) from investing activities		**(105,577)**	**-**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings (from development projects)		(73,759)	73,308
Drawdown of chattel mortgage loans		99,313	-
Proceeds from borrowings		(119,816)	(20,694)
Net cash inflow/(outflow) from financing activities		**(94,262)**	**52,614**
Net increase/(decrease) in cash and cash equivalents		54,844	(6,192)
Cash and cash equivalents at beginning of the financial year		3,858	10,050
Cash and cash equivalents at end of the year	9	**58,702**	**3,858**

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

Notes to the Financial Statements

for the year ended 30 June 2018

1. CORPORATE INFORMATION

This financial report for the year ended 30 June 2018 covers NewSouthern Capital Pty Limited (the "Company" or "NewSouthern Capital"). NewSouthern Capital is a Company limited by shares, was incorporated on 18 December 2014 and is domiciled in Australia.

The Company is principally engaged as the management company for various property developments. The Company is also an investor in a 50% partnership with the Canadian company Cronos Group Inc. in a medicinal cannabis start up via the two associated entities Cronos Australia Pty Ltd and Cronos (Distribution) Australia Pty Ltd. The Company's principal place of business is Level 9, 30 Collins Street Melbourne, Australia. Further information on the nature of the operations and principal activities of the Company is provided in the Directors' report.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial report of NewSouthern Capital is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. NewSouthern Capital is a for-profit entity for the purpose of preparing the financial statements.

The accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those adopted and disclosed in the prior period financial statements ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

The financial report has been prepared on a historical cost basis. The financial report is presented in Australian dollars, the Company's functional currency and all values are rounded to the nearest dollar.

Going concern

The financial report is prepared on a going concern basis, which contemplates continuity of normal operations and the realisation of assets and settlement of liabilities in the ordinary course of business operations. In making this assessment, the directors have considered future events and conditions for a period of at least 12 months following the approval of these financial statements.

The Company's ability to continue as a going concern is dependent upon realisation of loan receivables and/or raising additional funding. The directors consider that it is appropriate for the financial statements to be prepared on a going concern basis based on the following mitigating factors:

- Cronos Australia Pty Ltd, a related party of the Company and a counterparty of the loan receivable has received letters of financial support from its shareholders, including from Cronos Group Inc., a company listed on the Toronto and NASDAQ stock exchanges (CRON) and which owns 50% of the Company.

  This letter confirms that Cronos Group Inc. will continue to provide financial and other support to Cronos Australia Pty Ltd to enable it to pay its liabilities as and when they become due and payable for at least 12 months from the date of signing Cronos Australia Pty Ltd's financial report. Cronos Australia Pty Ltd's financial statements were signed on the same date as those of the Company; and

- The Company's major expenditures can be curtailed in line with cash requirements.

Refer to Note 19 Subsequent events, which provides further details on a proposed restructure.

New and revised Standards and Interpretations

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current reporting period.

This adoption has not resulted in any changes to the Company's accounting policies and has no significant effect on the amounts reported in the current and prior period. The Company is continuing to assess the impact of standards issued but not yet adopted.

Compliance with International Financial Reporting Standards

The financial statements of NewSouthern Capital also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 Summary of significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The Company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services

Revenue from the provision of property development services for individual projects is recognised as follows:

- Establishment fee on commencement,
- Annual fee,
- Completion fee once all individual settlements for the respective project have taken place, and
- Early completion fee subject to compliance with forecast completion period agreed at commencement.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate ("EIR") method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is recognised in the profit or loss.

(c) Taxes

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(d) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets comprise loans and receivables.

Financial assets classified as loans and receivables are recognised initially at fair value and measured at amortised cost using the effective interest method, less any provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit or loss. Loans and receivables consist of cash and cash equivalents and a loan to a related company. There is no impairment or reversal of impairment recognised in the statement of profit and loss and other comprehensive income.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its financial liabilities. Equity instruments do not include a contractual obligation to deliver cash or other financial assets to another entity. Any instrument that does have the obligation to deliver cash or another financial asset to another entity is classified as a financial liability.

Financial liabilities are presented under liabilities on the statement of financial position.

The Company's financial liabilities include trade and other payables and borrowings.

Financial liabilities are recognised at face value. There has been no subsequent measurement at amortised cost, using the effective interest rate method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and cash at bank which is subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and cash at bank.

(f) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the owners of the Company.

(g) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

There were no dividends paid or declared during the year ended 30 June 2018 (2017: $nil).

(h) Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. There is no Goodwill in the carrying amount of the investment as at 30 June 2018 (2017: $nil).

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Where the Company's share of losses exceeds its interest in the associate, the Company discontinues to recognise further losses. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of loss of associates' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(i) Goods and Services Tax (GST)

Expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flows.

(j) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Motor vehicles	8 years
Office equipment	3 years

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset. There are no impairment losses recognised during the year.

(k) Provisions

General

Provisions are recognised when the Company 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Long service leave and annual leave
The Company recognises a liability for long service leave at the beginning of the fifth year of employees providing uninterrupted service. This is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

The Company recognises a liability for annual leave at each reporting date. The provision is measured at face value as the employees are required to utilise any accumulated annual leave within the next 12 months.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

Except for the judgement on any deferred tax asset below, there are no areas that involved a higher degree of judgement or complexity, and no items which are more likely to be materially adjusted due to the high degree estimates and assumptions used.

Deferred tax
Deferred tax asset is recognised where the Company considers that it will be probable that future tax profits will be available against which tax credit will be utilised in the future. In estimating the amount of the deferred tax asset that should be recognised, the Company makes judgements based on current forecasts about the amount of future taxable profits and the timings of when these will be realised.

Provision for long service leave
In estimating the amount of provision for long service leave, management makes judgements based on employee departures, salary increases and periods of service. Provision for long service leave is recognised for employees who have completed four years of uninterrupted years of service. There were no employees who have completed four years of uninterrupted years of services as at and for the year ended 30 June 2018 and 2017 and as such there were no provision recognised in the statement of financial position.

Whilst the Company has only two employees the above recognition is considered adequate; however it may need to be re-visited in future years if the number of employees increases.

Uncertainty about the above assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of an asset in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:
- Financial instruments risk management, objectives and policies (Note 18)
- Capital management (Note 18)

4. MANAGEMENT FEE INCOME

	2018	2017
	$	$
66 & 67 Manna Gum Drive Pty Ltd	443,958	18,182
44 Coburns Pty Ltd	3,636	-
Total Management fee income	**447,594**	**18,182**

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5. PROFESSIONAL FEES

	2018	2017
	$	$
Legal	12,854	6,023
Advertising	3,484	109
Accounting	14,183	6,000
Audit	12,000	5,000
Other professional	2,340	21,137
Total professional fees	**44,861**	**38,269**

6. LICENSING COSTS

	2018	2017
	$	$
Payments made to holder of AFSL licence	9,976	11,218
Total licensing costs	**9,976**	**11,218**

NewSouthern Capital raises money from sophisticated investors under section 708 of The Corporations Act. It does so under the Australian Financials Services Licence (AFSL) of a non-related third party. That is, as the authorised representative of a licencee.

7. STAFF COSTS

	2018	*2017*
	$	*$*
Wages	143,200	20,000
Superannuation and workcover	13,859	2,569
Entertainment	6,853	-
Training	1,370	1,700
Travel	5,520	-
Total staff costs	**170,802**	**24,269**

8. INCOME TAX BENEFIT/(EXPENSE)

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2018 and 2017:

	2018	**2017**
	$	**$**
Accounting profit before income tax	192,276	(63,033)
Non-deductible temporary differences:		
Superannuation payable	13,135	1,900
Accrued expenses claimed in previous year	(7,000)	(18,363)
Accrued expenses	32,184	7,000
Entertainment	4,525	-
Share of losses of associates	60	60
Prepayment claimed in previous year	12,735	17,197
Prepayments	(12,583)	(12,735)
Adjusted taxable profit	**235,332**	**(67,974)**
Utilisation of previously unrecognised tax losses	(82,871)	-
Taxable profit	**152,461**	**-**
At Australia's statutory income tax rate of 27.5%	41,927	-
At the effective income tax rate of 21.8%	**41,927**	**-**
Income tax expense reported in the statement of profit or loss	41,927	-

$41,927 in income tax is payable due to the Company incurring an operating profit for the financial year ended 30 June 2018. This amount of income tax payable is after the utilisation of eligible carry forward tax losses from prior years.

No deferred tax asset had been recognised in prior years, in relation to the losses, due to unpredictability of future taxable trading operating profits. Tax assets in relation to tax losses are only recognised, at the time, to the extent that it is probable that it can be offset against future taxable income.

Total tax losses, of which no deferred tax asset is recognised in the statement of financial position, amount to $nil (2017: $82,871).

Similarly, no deferred tax assets have been recognised in relation to timing differences. Total accrued expenses, of which no deferred tax asset is recognised in the statement of financial position, amount to $32,184 (2017: $7,000).

9. CASH AND CASH EQUIVALENTS

	2018	***2017***
	$	***$***
Cash on Hand	12	12
Cash at Bank	58,690	3,846
Total Cash and Cash Equivalents	**58,702**	**3,858**

10. OTHER RECEIVABLES

	2018	***2017***
	$	***$***
Current		
GST Receivable	-	1,149
Loans to Related Parties:		
Loan - Cronos (Distribution) Australia Pty Ltd	139,534	20,693
Loan - NewSouthern Holdings Pty Ltd	1,130	-
Total current other receivables	**140,664**	**21,842**

11. PLANT & EQUIPMENT

	Motor Vehicles	*Office equipment*	*Total*
	$	*$*	*$*
Cost			
At 1 July 2017	-	-	-
Additions	103,024	2,553	105,577
At 30 June 2018	**103,024**	**2,553**	**105,577**
Depreciation			
At 1 July 2017	-	-	-
Depreciation charged for the year	8,326	773	9,099
At 30 June 2018	**8,326**	**773**	**9,099**
Net book value			
At 30 June 2018	**94,698**	**1,780**	**96,478**

Plant and equipment granted as security for Chattel Mortgage contracts

The motor vehicles are financed under chattel mortgage agreements.

The carrying amount of plant and equipment held under chattel mortgage contracts at 30 June 2018 was $94,698 (2017: $nil). The motor vehicle assets above are pledged as security for the related chattel mortgage liabilities.

12. INVESTMENT IN ASSOCIATES

(a) Details of Associates

	Equity Instrument	Ownership Interest 2018	Ownership Interest 2017	Measurement Basis	Principal place of business and Country of incorporation
Associates:					
Cronos Australia Pty Ltd	Ordinary shares	50%	50%	Equity accounted	Victoria, Australia
Cronos (Distribution) Australia Pty Ltd	Ordinary shares	50%	-	Equity accounted	Victoria, Australia

(b) Summarised Financial Information for Associates

	Cronos Australia	Cronos (Distribution) Australia	Total
Reconciliation of carrying amount in associates:			
Opening balance at 1 July 2016	-	-	-
Investment	60	-	60
Total share of loss	(60)	-	(60)
Closing balance at 30 June 2017	**-**	**-**	**-**
Opening balance at 1 July 2017	-	-	-
Investment	-	60	60
Total share of loss	-	(60)	(60)
Closing balance at 30 June 2018	**-**	**-**	**-**

(i) Cronos Australia Pty Ltd

During the year ended 30 June 2017, the company made a co-investment with Cronos Group Inc. to establish Cronos Australia Pty Ltd, an Australian based company created to secure and hold licences in the field of medical cannabis. Cronos Australia now holds licences to manufacture and research cannabis in Australia and to import cannabis into Australia. In the year ended 30 June 2018, the net loss for Cronos Australia was $402,040 (2017: net loss of $22,341). As at 30 June 2018 net assets of Cronos Australia were $(424,261) (2017: $(22,221)).

(ii) Cronos (Distribution) Australia Pty Ltd

During the year ended 30 June 2018, the company made another co-investment with Cronos Group Inc. this time to establish Cronos (Distribution) Australia Pty Ltd, an Australian based company created to manage the distribution of medical cannabis. In the year ended 30 June 2018, the net loss for Cronos (Distribution) Australia was $2,430 and net assets as at 30 June 2018 were $(2,310).

Recognition and Measurement

Investments in Associates

Investments in entities over which the Company has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment in associates is carried at cost plus any post-acquisition changes in the Company share of the associates' net assets, less any impairment in value.

13. TRADE AND OTHER PAYABLES

	2018	*2017*
	$	***$***
Current		
Trade Creditors	5,993	-
Funds in transit	154	-
Amount owing to directors	120	60
Accrued expenses	32,184	7,000
Wages payable	-	38,000
Super Guarantee charge payable	165	-
Superannuation payable	7,876	1,900
PAYG payable	27,300	1,000
GST payable	25,930	-
Total current trade and other payables	**99,722**	**47,960**

Trade payables are non-interest bearing and are normally settled on a 30 day term.

Amounts owing to directors are non-interest bearing and undocumented.

14. CHATTEL MORTGAGE LIABILITIES

	2018	2017
	$	$
Current		
Chattel mortgage liability - motor vehicle 1	10,569	-
Less: interest not yet accrued	(1,964)	-
	8,605	**-**
Chattel mortgage liability - motor vehicle 2	10,709	-
Less: interest not yet accrued	(1,977)	-
	8,732	**-**
Total current chattel mortgage liability	**17,337**	**-**
Non-current		
Chattel mortgage liability - motor vehicle 1	43,392	-
Less: interest not yet accrued	(2,517)	-
	40,875	**-**
Chattel mortgage liability - motor vehicle 2	43,626	-
Less: interest not yet accrued	(2,525)	-
	41,101	**-**
Total non-current chattel mortgage liability	**81,976**	**-**
Total chattel mortgage liability	**99,313**	**-**

Chattel mortgage loans were taken out in March 2018 to finance the purchase of two commercial motor vehicles. There were no chattel mortgage liabilities as at 30 June 2017.

The loans are for a period of 3 years at an interest rate of 4.31%. They involve 36 monthly payments including repayment of a 50% residual along with the final payment.

15. BORROWINGS

	2018 $	2017 $
Current		
Loans from Related Parties:		
RDC Investment Holdings Pty Ltd	-	451
44 Coburns Pty Ltd	-	16,000
66 & 67 Manna Gum Drive Pty Ltd	-	57,308
Total Current Borrowings	**-**	**73,759**

The above related parties are all 100% owned by the Directors of NewSouthern Capital Pty Ltd.

16. ISSUED CAPITAL

Issued and paid up capital

	2018 shares	2017 shares	2018 $	2017 $
Reconciliation of Shares on Issue				
Ordinary A Class Shares	**12**	**12**	**12**	**12**
Shares on issue at beginning and end of the reporting year	12	12	12	12
Issued Capital	**12**	**12**	**12**	**12**

Ordinary fully paid Class A shares carry one vote per share and carry a right to dividends. There are no rights, preferences or restrictions on any of the shares that have been issued.

The shares currently authorised and on issue as at 30 June 2018 have a par value of $1 per share.

17. CASH FLOW INFORMATION

	2018	2017
	$	$
Reconciliation of the net profit/(loss) before tax to the net inflow/(outflow) from operating activities		
Profit/(loss) for the year	192,276	(63,033)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of plant and equipment	9,099	-
Amortisation of intangible assets	400	200
Share of losses in associated entities	60	60
Working capital adjustments:		
(Increase)/Decrease in Trade & Other Receivables	-	1,769
(Increase)/Decrease in prepayments	152	4,462
Increase/(Decrease) in payables	52,696	(2,264)
	254,683	(58,806)
Income tax paid	-	-
Net cash inflow/(outflow) from operating activities	**254,683**	**(58,806)**

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES

This note explains the Company's exposure to financial instruments risks and how these risks could affect the Company's future financial performance.

(a) **Exposure to risks**

The Company's capital structure and the nature of the business activities result in limited exposure to operational risk and a number of financial risks including:

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents and Non-current other receivables	Aging analysis Credit ratings	Credit limits, letters of credit
Liquidity risk	Trade and other payables Hire purchase liabilities Borrowings	Rolling cash flow forecasts	Availability of credit lines and borrowing facilities

(b) **Use of financial instruments**

The Company holds the following financial instruments for operational, financing and risk management reasons:

- Cash and cash equivalents
- Trade and other payables
- Non-current other receivables
- Chattel mortgages
- Borrowings

Risk management is carried out by the Board of Directors and is reviewed periodically. The senior management identifies, evaluates and manages financial risks in close co-operation with the Directors. The Directors provide written principles for overall risk management, as well as policies covering specific areas, such as credit risk and liquidity risk.

(c) **Credit risk**

The Company is exposed to credit risk from its investing activities (primarily for the loan to a related company) and from its operations, which includes deposits with banks and financial institutions. Management assesses the related company's ability to pay as part of its credit risk management whilst cash is placed with established financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(d) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities, to meet obligations when due and to close out market positions. At the end of the reporting period, the Company held cash and cash equivalents of $58,702 (2017: $3,858) that are expected to readily generate cash inflows for managing liquidity risk. Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents (Note 9) on the basis of expected cash flows. In addition, NewSouthern Capital liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

NewSouthern Capital manages liquidity risk by monitoring forecast cash flows and raising additional capital when needed. The ongoing liquidity of the Company, its ability to meet its commitments as they fall due, and execute its existing and future commercialisation plans, are mainly dependent on being successful in:

- raising additional capital from new and existing shareholders;
- drawing on new loans from related parties;
- relying of financial support from Cronos Group Inc.; and
- ongoing management of expenditure.

Financing arrangements

The Company has no access to undrawn borrowing facilities at the end of the reporting year. The Company does however have access to the financial support offered by Cronos Group Inc.

Maturities of financial liabilities

The tables below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The Company does not hold any derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Contractual maturities of financial liabilities	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount**
	$	$	$	$	$	$	$
At 30 June 2018							
Non-derivatives:							
Trade and other payables	99,722	-	-	-	-	99,722	99,722
Chattel mortgage loan 1	5,284	5,284	10,569	32,823	-	53,960	53,960
Chattel mortgage loan 2	5,355	5,355	10,709	32,917	-	54,336	54,336
Borrowings	-	-	-	-	-	-	-
Total non-derivatives	110,361	10,639	21,278	65,740	-	208,018	208,018

The above chattel mortgage liabilities exclude the monthly administration fee of $6 that is charged on top of the monthly repayment amount for each loan.

The Company does not have any plans to repay any of the financial liabilities above, before their maturity date.

(e) **Fair values**

The carrying amounts of financial assets and liabilities are recorded in the financial statements at their approximate fair values, determined in accordance with the accounting policies disclosed in Note 2.

(f) **Capital management**

When managing capital, management's objectives are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure, in order to reduce the cost of capital.

There were no dividends paid or declared during the year ending 30 June 2018 (2017: $nil).

The Company is not subject to any externally imposed capital requirements.

Refer to Note 18 for information on the Company's financing arrangements and maturities of financial liabilities.

19. SUBSEQUENT EVENTS

NewSouthern Capital has assigned all rights to property development management income to NewSouthern Holdings Pty Ltd effective 1 July 2018.

Post balance date a corporate restructure is underway which will see the ownership of NewSouthern Capital transferred to a new entity which will, in turn, be owned 50% by the current owners and 50% Cronos Group Inc which is listed on the Toronto and NASDAQ Stock Exchanges (CRON).

20. RELATED PARTY DISCLOSURES

(a) **Directors and Key Management Personnel**

The directors and key management personnel of NewSouthern Capital during the period were:

Directors and management	**Position**
Peter Righetti	Executive Director
Rodney Cocks	Executive Director

Related Entities	**Relationship**
Cronos (Distribution) Australia Pty Ltd	Associated entity
Cronos Australia Pty Ltd	Associated entity
NewSouthern Holdings Pty Ltd	Entity controlled by directors
66 & 67 Manna Gum Lane Pty Ltd	Entity controlled by directors
44 Coburns Pty Ltd	Entity controlled by directors
D.M. Consultants Pty Ltd	Entity controlled by director
RDC Investment Holdings Pty Ltd	Entity controlled by director

Director and Key management personnel compensation

	2018 **$**	**2017** **$**
Short term employee benefits	114,400	-
Motor vehicles expense compensation	3,837	-
	118,237	-

Motor vehicles with an aggregate net book value of $94,698 (2017: $nil) have been provided to the directors for their personal use.

Shares issued to directors and key management personnel *(includes direct and indirect holdings)*

Number of shares in NewSouthern Capital issued in the year ended 30 June 2018:

	Balance at 1-Jul-17 Ordinary	Allocated as Remuneration Ordinary	Acquired Ordinary	Other Ordinary	Balance at 30-Jun-18 Ordinary
D.M. Consultants Pty Ltd	6	-	-	-	6
RDC Investment Holdings Pty Ltd	6	-	-	-	6

Number of shares in NewSouthern Capital issued in the year ended 30 June 2017:

	Balance at 1-Jul-16 Ordinary	Allocated as Remuneration Ordinary	Acquired Ordinary	Other Ordinary	Balance at 30-Jun-17 Ordinary
D.M. Consultants Pty Ltd	6	-	-	-	6
RDC Investment Holdings Pty Ltd	6	-	-	-	6

Loans to Directors and other key management personnel during the financial period

There have been no loans to Directors and other key management personnel during the financial period.

Other related party transactions with key management personnel

Transactions with related parties are on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated.

(b) **Transactions with related parties**

Transactions with related parties consisted of the provision of Management Services by NewSouthern Capital Pty Ltd listed under Note 4.

(c) **Loans to or from related parties**

Loans made to or obtained from related parties in the financial year ending 30 June 2018 or in previous financial years are included under the following:

- Other Receivables - listed in Note 10.
- Trade and Other Payables (namely Amount to directors) – listed in Note 13
- Borrowings - listed in Note 15.

21. AUDITORS' REMUNERATION

	2018 $	2017 $
Amounts due and receivable by KPMG for:		
Statutory audit of the financial reports of NewSouthern Capital	19,000	7,000
Total	**19,000**	**7,000**

22. OPERATING SEGMENTS

The company has only one operating segment, which aligns with the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position.

Directors' Declaration

In the Directors' opinions:

(a) the financial statements and notes set out on pages 8 to 31:

 (i) comply with Accounting Standards and other mandatory professional reporting requirements; and

 (ii) give a true and fair view of NewSouthern Capital's financial position as at 30 June 2018 and of its performance, as represented by the results of the operations, changes in equity and the cash flows, for the financial period ended on that date; and

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

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

Peter Righetti
Director

Rodney Cocks
Director

27 September 2018

Independent Auditor's Report

To the Directors of NewSouthern Capital Pty Ltd

Opinion

We have audited the ***Financial Report*** of NewSouthern Capital Pty Ltd (the ***Company***).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of the Company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with *Australian Accounting Standards.*

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2018
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the *Financial Report* in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Restriction on use and distribution

The Financial Report has been prepared to assist the Directors of NewSouthern Capital Pty Ltd for the purpose of their due diligence in relation to an Initial Public Offering.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of NewSouthern Capital Pty Ltd and should not be used by or distributed to parties other than the Directors of NewSouthern Capital Pty Ltd. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the Directors of NewSouthern Capital Pty Ltd or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in NewSouthern Capital Pty Ltd's reporting that contains or accompanies the Financial Report, which is provided in addition to the Financial

Report and the Auditor's Report. This consists of the Directors' Declaration. It does not include the Offering Memorandum. Management is responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Management for the Financial Report

Management is responsible for:

- the preparation and fair presentation of the Financial Report in accordance with the *Australian Accounting Standards*, and have determined that the financial reporting framework is appropriate to meet the needs of the Directors of NewSouthern Capital Pty Ltd for the purpose of their due diligence in relation to the Initial Public Offering;
- implementing necessary internal control to enable the preparation of the Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Melbourne

27 September 2018

Gordon Sangster
Partner