

SOUTHERN CROSS EXPLORATION NL

ANNUAL REPORT

For the year ended

31 December

2012

SOUTHERN CROSS EXPLORATION N L

(A.B.N. 70 000 716 012)

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Inserts: Notice of Meeting
Proxy Form

SOUTHERN CROSS EXPLORATION N L

A.C.N. 000 716 012

CORPORATE DIRECTORY

DIRECTORS : BORIS GANKE (Chairman & Managing Director)
STEPHEN BAGHDADI
BRUCE BURRELL
ALEXANDER KEACH
ANTONIO VIEIRA

SECRETARY : EVELYN GOH

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ADMINISTRATIVE
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POSTAL ADDRESS : GPO BOX 4246
SYDNEY NSW 2001

SHARE REGISTRY : BOARDROOM PTY LIMITED
207 KENT STREET
SYDNEY NSW 2000
TELEPHONE : 1300 737 760
FAX : 1300 653 459

AUDITORS : CDTL CORPORATE ACCOUNTANTS

BANKERS : AUSTRALIA & NEW ZEALAND
BANKING GROUP

**STOCK EXCHANGE
LISTING** : AUSTRALIAN SECURITIES EXCHANGE
ASX CODE - "SXX"

SOUTHERN CROSS EXPLORATION N L

CHAIRMAN'S UPDATE

In addition to the statutory Directors' Report dated 28 March 2013, the following information is provided for shareholders. Since that date, shareholders have been provided with information on the Company's activities, either by releases made by the Company to the ASX or by circulars in respect of the Rights Issue.

All of the Company's releases are accessible on the ASX website (under SXX announcements) at www.asx.com.au and some releases may also be viewed on the Company's website: www.sxxgroup.com (including this Annual Report, the Notice of Meeting and the Proxy Form).

All shareholders are being mailed a Notice of Meeting for the Annual General Meeting and a Proxy Form.

FINANCIAL

Shareholders' Funds at balance date were \$3,914,884. The significant decrease in Shareholders' Funds resulted mainly from large provisions made in respect of the Bigrlyi Uranium Project and the Fiji Mortgage Investment. The net tangible asset backing was 1.9 cents per share.

The Company's assets cover three main areas of interest: Uranium projects (one of which is the well-recognised Bigrlyi Uranium Joint Venture), Gold exploration projects in the Philippines and a Mortgage and Share Investment in a Fijian property company.

As everybody would be aware, such assets are not readily saleable; at the same time, they could realise prices well above the drastically written-down book values. However, in view of the current market conditions, major provisions were made, down to what are considered to be "fire-sale" values.

As has been stated before, for investors who take the good-old medium-term view, even three years may be considered reasonable. Today, though, many investors (traders, really) look at 3 days, 3 weeks or 3 months as being short-term, medium-term and long-term! At present, we take a longer-term view of the Company's assets and believe that better values would be obtainable in due course.

SHARE CAPITAL

The Issued Capital increased by 27,000,000 shares as a result of share placements made late last year. At balance date, there were 207,000,000 ordinary fully paid shares on issue.

- Rights Issue

Recently, an entitlement Rights Issue on a 1:1 basis was announced and has been implemented. Shareholders would have received the circular with the relevant information and their Entitlement Form and are encouraged to participate at only 1.2 cents

INVESTMENT IN JOINT VENTURE

BIGRLYI URANIUM JOINT VENTURE - NORTHERN TERRITORY

The Bigrlyi project is located in the Ngalia Basin, northwest of Alice Springs, in the Northern Territory. It has relatively high uranium grades (with vanadium credits) and good metallurgical recoveries.

The Bigrlyi Uranium Joint Venture is an important investment which Southern Cross acquired as far back as 1981 in a purchase from the Commonwealth Atomic Energy Commission, which became a joint venture with a number of uranium pioneers of that era, like Central Pacific Minerals, Urangesellschaft, AGIP Nucleare and Offshore Oil N L et al. The project was subject to significant exploration activity in the period 1974 to 1983, when it was placed on care and maintenance where for many years, due to the anti-uranium policies under the "Three Mines Policy" of the Federal Government of the time. After positive changes in Government policy to uranium mining, Energy Metals Ltd (EME) obtained a majority interest in the project in November 2005 and became Operator.

In 2009 EME became a 60% subsidiary of one of the two largest Chinese nuclear power companies, China Guandong Nuclear Power Holding Co Ltd, holding a 53.3% interest - which has 6 operating nuclear power plants, with a further 15 under construction. Paladin Energy Ltd (PDN) (through a subsidiary) holds 41.7% and Southern Cross holds a 5% interest.

Further information on the Bigrlyi Uranium Joint Venture Project may be obtained from the website of the Operator, Energy Metals - www.energymetals.net - and from the Company's Quarterly Activities Reports, lodged with the ASX and also available on the Company's website at www.sxxgroup.com.

OTHER INVESTMENT ACTIVITIES

Southern Cross has for many years invested surplus funds in property, shares and other investment projects.

The Company's First Mortgage Investment (SXX is a 50% joint mortgagee) is secured over freehold property in Fiji held by the registered owner, Nadi Bay Beach Corporation Limited (NBBC). The mortgage comes up for review at various times and due to commercial and political considerations, it has been renewed by the Board as and when appropriate. The Company also has a 20% shareholding in the Fijian company. The beachfront freehold land is zoned for Special Uses, related to tourism activities. It would be suitable for the development of some 700 holiday apartments, hotels and a shopping centre. NBBC and its Consultant based in Fiji, who was appointed to oversee the project, have been actively progressing development plans for this beachfront resort project.

The Company for some years held strategic investments in two listed entities - Longreach Oil Ltd (LGO) and Chapmans Ltd (CHP). However, after several placements made by those companies, the value of these shareholdings has decreased, which has been recognised in the accounts.

LGO has been involved in exploration for Oil and Gas, Coal and other Energy resources. CHP has been operating in small scale investment projects, provision of venture capital and general investment and after recent changes to its Board, it is currently implementing a new strategy for investment. CHP also has two subsidiaries - Gladstone Development Pty Ltd (100%) and Hallmark Minerals N L (72%). Southern Cross has a 20% shareholding in Hallmark Minerals N L.

EXPLORATION

URANIUM - MKUJU RIVER, TANZANIA (7%)

Southern Cross has previously given notice under the acquisition agreement that it would increase its interest in uranium exploration licences in Tanzania from 7% to 25% by the issue of 3 million shares. That transaction has not been finalised to date. Completion of that transaction is still pending and steps are being taken to progress this matter. The uranium tenements are located north of the Mkuju River Uranium Project, which had an identified resource of over 100 million pounds @ 422 ppm of U₃O₈. In 2011, Mantra Resources, which held that project, was taken over by the Russian State Atomic Energy Corp. for close to a billion dollars - even after the Japanese tsunami. That transaction imputed a value of about A\$9.00 per pound for U₃O₈ for the Mkuju River uranium resources.

GOLD

PHILIPPINES

The Company is still awaiting the issue of permits to conduct exploration on these two gold projects in the Philippines. Delays have been encountered in obtaining the grant of the licences. These matters are being addressed by the local joint venture interests but results are still pending.

- BATANGAS PROJECT (10%)

Southern Cross has a 10% in the Batangas Gold Project, located some 110 km south of Manila on the Island of Luzon, in the Philippines. The Company's wholly-owned subsidiary Northern Star Investments (Qld) Pty Ltd is the holding company for the group's interest in this project. Under the original agreement, SXX has the right to increase its interest.

The Batangas Gold Project consists of an MPSA and an EP Application covering an area of approximately 3,300 ha. Approval of EPA 115 and the MPSA are still pending.

Nearby projects include the Taysan porphyry copper-gold deposit, held by Crazy Horse Resources Inc. (a Canadian company). Mindoro Resources Ltd (listed on TSX-V) controls a nearby area of some 29,000 ha south-east of Batangas. The geology of the Batangas property is viewed as a being very prospective for exploration.

- GOLD CROSS PROJECT (20%)

Southern Cross continues to hold a 20% interest in the Gold Cross Gold Project in the Philippines. This project is located in the Province of Bulacan about 100 kms north-east of Manila, on the main island of Luzon. Southern Cross can acquire an additional interest in the Gold Cross Gold Project by exercising its rights to purchase the balance of 80% in several tranches.

VICTORIA

Royal Standard Group of Gold Mines, Woods Point, Victoria

Application by a joint venture in which Southern Cross had a 50% interest for the grant and/or the renewal of these tenements, near Woods Point, was refused some years ago, due to unresolved Native Title claims. The matter remains under review.

COAL - NEW SOUTH WALES

Southern Cross initially agreed to acquire a sixty five percent (65%) interest in a Coal Exploration Licence located in central New South Wales. Following the announcement, a private company from Western Australia claimed a prior interest in the Licence, of which SXX had not been aware. Its claim was upheld and the Company has written off the costs involved and made provisions for legal costs. The Company is considering its position regarding possible redress against several parties.

MAGNESITE - IRAN

The Company's is entitled to a 10% interest in two companies holding tenements prospective for magnesite. This investment is being kept under review.

OIL & GAS & ENERGY

Possible participation in the Oil and Gas Sector in Australia and overseas continued to be examined for suitable opportunities in joint ventures or by way of equity acquisitions.

Southern Cross retains an indirect interest in Oil and Gas exploration through its substantial shareholding in Longreach Oil Ltd (LGO), an ASX-listed company. LGO has a direct 50% interest in Petroleum Lease 280 in the Surat Basin, Queensland and also holds an 11% interest in three Exploration Permits in Western Australia.

Southern Cross is participating in the promotion of an Oil and Gas Exploration and Investment company, Offshore Oil Ltd, which intends to acquire equity interests in Australian and overseas oil companies and to acquire direct interests in Oil and Gas and Energy joint ventures.

Shareholders interested in information on the Company's Exploration interests and activities should view the Company's Quarterly Reports when they are issued to the ASX, and the Company's website.

SHARE ISSUES

- Ratification of previous placement of 27 million shares

As advised, 27 million shares were issued in November 2012 to various parties and the Company is seeking ratification of the issue of those shares, as explained on the Notice of Meeting (Resolution 6).

- Authority to Place further shares

The Company is also seeking authority to place more shares and shareholders are asked to vote in favour of Resolution 7, authorising future placements. Such resolutions have been on the agenda for some years. However, other than the recent entitlement issue, there are no present plans to place more securities but such an authority from shareholders is considered worth having in reserve.

BOARD OF DIRECTORS

On 26 February 2013, the following changes occurred: Mr Eugene Ganke and Ms Evelyn Goh resigned as Directors and Messrs Stephen Baghdadi, Antonio Vieira, Mr Bruce Burrell and Mr Alexander Keach were appointed as Directors.

Mr Baghdadi is an experienced Company Director. Mr Burrell is a Director of other ASX-listed public companies, as well as a Company Secretary. Mr Keach is also a Director of Keach Securities and Investments Pty Ltd. Mr Vieira is a very experienced Petroleum Engineer (Texas A&M), who was formerly the General Manager of Ophir Energy Equatorial Guinea and the former President of Roc Oil Cabinda.

REQUISITIONED MEETINGS

A company of which Mr Timothy Lebbon is a Director requisitioned yet another General Meeting, which was set down for 26 February 2013. Prior to that meeting, the above Board changes occurred.

This step was enthusiastically embraced by certain parties from the outset. As matters developed, even if these entities did not “act in concert”, it became quite obvious that there was a lot of “symphonic harmony” in the ensuing play. As in the past, a lot of unproductive work and expenditure resulted from the calling of this meeting.

Possible Spill Motion - after “First Strike”

At the Annual General Meeting in May 2012, the Company received votes for the Remuneration Report of about 70% of the votes allowed to be cast on the Resolution (after taking into account voting exclusions). Therefore, as more than 25% of the votes cast were against the Remuneration Report, the Company received a “first strike” in respect of the Remuneration Report.

The Company has been run extremely frugally for many years, in spite of various actions against the Company by Mr Lebbon which have caused increases in administration and legal costs over more than 5 years. It was the negative voting by the Lebbon group against the Remuneration Report at the last AGM which brought about the “one strike”.

Shareholders are asked to avoid a negative vote on the Resolution to adopt the Remuneration Report at this Annual General Meeting by voting for Resolution 1. If there is a “second strike”, a spill motion will be activated and the necessity to call another General Meeting will again be costly and disruptive for the Company. *Shareholders are reminded that there are no voting exclusions applicable to the resolutions to appoint Directors at a Spill Meeting.*

PAST, PRESENT & FUTURE

Southern Cross Exploration N L was incorporated in 1970 and listed on the Sydney Stock Exchange in that year. All shares on issue are now fully paid ordinary shares (ASX code: SXX). The Company has about 900 shareholders and is about 98% Australian-owned.

Exploration for uranium, gold, other metals and minerals and oil and gas has been the Company’s principal activity since its incorporation. From time to time, the Company also invested in property, loans, shares and other securities.

The share price looked a bit stronger early in 2011 and started moving up into the 5 cent range. Then the Japanese tsunami struck! All stocks with uranium interests were subsequently badly affected and have not recovered yet. SXX did not escape the effects, and the poor results, and the provision now made against the uranium project, are direct and indirect consequences of that natural disaster.

However, many experts still believe that the price of uranium sector revival is about to start - or has already started! When there will be some proof of recovery, it is hoped that the Company's investment in the Bigrlyi Joint Venture Uranium Project will be given proper recognition by the market and that this will see renewed interest in the Company and its shares.

The Company is open to examine opportunities for exploration, mining or investment projects in Australia and overseas, which could be joint ventured with other entities.



Boris Ganke
Chairman

24 April 2013

SOUTHERN CROSS EXPLORATION N L

A.B.N. 70 000 716 012

DIRECTORS' REPORT - STATUTORY **FOR THE YEAR ENDED 31 DECEMBER 2012**

1. REVIEW OF OPERATIONS

The Company's principal activities embraced the management of its existing exploration and investment projects and examining acquisitions of new mineral exploration projects. The Company finalised agreements and acquired interests in two new projects - the Batangas Gold Project, in the Philippines, and a uranium project in Tanzania. Details of exploration operations and the Company's projects will be provided in the Annual Report.

Placements of 27,000,000 shares at 1 cent were made on the second half of the financial year.

Bigrlyi Uranium Joint Venture

The Company's investment in the Bigrlyi Uranium Joint Venture, which is a pre-development mining project, is classified as Investment in Joint Venture.

The Operator, Energy Metals Ltd (EME) has released periodic updates during the year on this project, which has a substantial JORC-compliant resource of uranium and vanadium - see EME's website at www.energymetals.net. However due to current conditions following the Tsunami in Japan, Directors have written down this asset to \$2.1 million.

2. RESULTS OF OPERATIONS

The operations during the year resulted in a comprehensive loss of \$5,229,139 which included significant items totalling \$4,893,394.

3. SIGNIFICANT CHANGES

There were significant changes in the state of affairs of the consolidated entity during the financial year, as mentioned above and elsewhere in this Report

4. PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year comprised: its continued investment in the Bigrlyi Uranium Joint Venture, on which pre-development investigations and further drilling were carried out; exploration for gold and minerals, for potential participation in exploration and mining ventures, share investments and other financial transactions. No significant change in the nature of those activities has occurred during the year.

5. SIGNIFICANT MATTERS AFTER BALANCE DATE

The Directors are not aware of any matter or circumstance not otherwise dealt with in this Report that has arisen since the end of the year that has significantly affected or may significantly affect the consolidated entity's operations; the results of those operations; or the consolidated entity's state of affairs in future financial years as otherwise stated.

6. LIKELY DEVELOPMENTS IN OPERATIONS AND EXPECTED RESULTS

The consolidated entity continues to examine various exploration and mining projects for possible joint venture participation or investment, especially in the gold, oil and gas and uranium sectors, whether by acquisition, active or passive investment or mergers. Results of such operations cannot be accurately identified or measured at this stage. SXX has been one of the principal promoters of Offshore Oil Ltd, a new Oil and Gas Exploration and Investment company. Offshore Oil will be a "hybrid" global Oil and Gas Energy company aiming to have direct participation in Oil and Gas production and exploration joint ventures as well as in energy equity investments.

DIRECTORS' REPORT - STATUTORY - 2012 (cont'd)

7. ENVIRONMENTAL REGULATION

The entity is not aware of any particular environmental regulations in respect of which it would have to report on the entity's performance.

8. DIVIDENDS

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

9. SHARE OPTIONS

As at the date of this Report, there are no outstanding options in respect of unissued shares of the Company.

10. DIRECTORS

The name of each person who has been a director of the disclosing entity at any time during or since the end of the year are as follows:

R. G. ADAMSON - MSc (Hons), MAusIMM, CP(Geo), MICA. Director appointed March, 2004 - retired 21 February 2012. Consultant Geologist.

S. BAGHDADI - Director appointed 26 February 2013.

B. BURRELL - Director appointed 26 February 2013. Director of ASX-listed public companies Chapmans Ltd (CHP), Longreach Oil Ltd (LGO) and Sunvest Corporation (SVS). Recently appointed as a non-executive Director of Metal Storm Ltd (MST). He is also the Company Secretary of ASX listed Buccaneer Energy Ltd.

B. GANKE - Director since 1976. Director of a number of public and private companies over a period of more than 35 years, including the following other listed companies: Chapmans Ltd (CHP) - since 1974; Longreach Oil Ltd (LGO) - since 1981; AusTex Oil Ltd (AOK) - March 2006-2009.

E. X. GANKE - Director appointed 21 February 2012. Resigned 26 February 2013.

E. GOH - Director since 1990; resigned 26 February 2013. Company Secretary since 1983. B.Bus.FCPA. Was a Director of Chapmans Limited - resigned 24 September 2012.

A. KEACH - Director appointed 26 February 2013. Director of Keach Securities and Investments Pty Ltd and Scintilla Strategic Investments.

A. VIEIRA - Director appointed 26 February 2013.

11. DIRECTORS' MEETINGS

The number of Directors' meeting held during the year ended 31 December 2012 was 8, which were attended by all eligible Directors.

Details of Directors' holdings of securities in the Company are set out in Note 20.2 to the Financial Report.

The Board is responsible for determining and reviewing the remuneration of Directors, within parameters approved by shareholders, and of executives and consultants. No performance hurdles have been imposed.

DIRECTORS' REPORT - STATUTORY - 2012 (cont'd)

12. REMUNERATION REPORT

During the year, the Board was comprised of two non-executive Directors and the Managing Director, B Ganke, who comprise the Key Management Personnel of the consolidated entity. Mr Ganke is entitled to receive a salary of \$120,000 p.a. Directors' Fees were increased last year to \$20,000 p.a. for each non-Executive Director. Details of Directors' remuneration are shown in Note 20.1 to the Financial Report.

Since 26 February 2013, four new Directors were appointed, viz. Stephen Baghdadi, Bruce Burrell, Alexander Keach and Antonio Vieira.

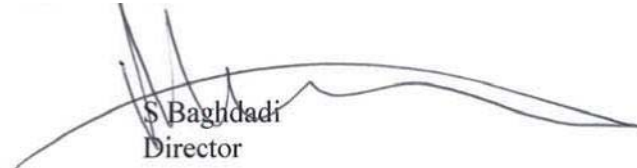
No Director received or was entitled to receive any shares or options in the Company as part of remuneration during the year.

13. 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 9.

This report is made and signed in accordance with a resolution of the Directors.


Boris Ganke
Director


S Baghdadi
Director

28 March 2013

**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

To the Directors of Southern Cross Exploration N L:

As auditors for the review of Southern Cross Exploration N L for the year ended 31 December 2012, we declare that, to the best of our knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

CDTL Corporate Accountants



Carl F. Dumbrell
Partner

Sydney, NSW Australia

28 March 2013

SOUTHERN CROSS EXPLORATION N L
AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION
CURRENT AS AT 23 APRIL 2013

CORPORATE GOVERNANCE STATEMENT

Pursuant to Australian Securities Exchange (ASX) listing rule 4.10.3, this statement outlines the main corporate governance practices that were in place throughout the period from 1 January 2012 to the date of this report. The Company has a website, on which relevant information regarding the Company and its operations can be seen (www.sxxgroup.com). The website includes a link to the ASX website (www.asx.com.au).

The Directors' mode of management of the Company's affairs, as embodied in the Corporate Governance Policies and Procedures shown below, has been in place in most respects for many years before any such provisions were formally required. Specific comments on each Principle are shown below.

1. Lay solid foundations for Board and Management

The Board of Directors has the over-all responsibility for the management and governance of the Company. The Board sets and implements the objectives and strategy of the Company. The Managing Director and Company Secretary provide day to day administration and Consultants are retained as and when required.

The Board reviews the operational and financial performance of the Company. There are no formal statements as to the delegated authority of management. However the Board reviews all operations of the Company and monitors and manages business risk, and ensures adherence to appropriate ethical standards.

2. Structure of the Board

Directors' qualifications and experience are outlined in the Directors' Report and elsewhere in the Report. The Board is comprised of five Directors - Mr Boris Ganke, and four new Directors Mr Stephen Baghdadi, Mr Bruce Burrell, Mr Alexander Keach and Mr Antonio Vieira, who were appointed on 26 February 2013. Mr Eugene Ganke and Ms Evelyn Goh resigned on 26 February 2013. Mr Boris Ganke, the Managing Director, is a salaried Executive.

Since the recent changes on the Board, three Directors are deemed to be independent.

It has not been considered necessary to establish a nomination committee due to the size of the Company. No special policy has been found necessary in respect of the appointment or retirement of non-executive Directors, apart from the provisions of the Company's Constitution.

There are no set procedures for Directors to seek independent professional advice at the Company's expense but each Director would be able to seek independent advice and any request for payment of such costs would be treated on a case by case basis.

The Board has not established any committees to evaluate the performance of Directors and has not adopted formal performance enhancement evaluation procedures, due to the size of the Company.

3. Promote ethical and responsible decision-making

The Company, its officers, consultants and representatives are obliged to maintain the highest ethical standards in all their dealings and negotiations.

Share Trading Policy

The Company has issued a policy guideline concerning trading in Company securities by Directors, officers and consultants which imposes certain restrictions on trading and which, inter alia, requires the person to pose the question: "Is it right to deal at this stage?" A code of conduct as recommended in best practice recommendations 3.1 has not been formally established as the Board ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company, its shareholders and stakeholders for their conduct.

Approach to Diversity

Due to the size of the company, it has not yet established a formal Diversity policy. However, the Board will support gender diversity and will continue to review and disclose the inclusion of a Diversity policy when applicable.

Following changes to the Board, where previously there was one female Director who represented 33% of the Board, there is now no female Director. However, the Company Secretarial and Office Administration services are provided by females.

CORPORATE GOVERNANCE STATEMENT (cont'd)

4. Safeguard integrity in financial reporting

Auditors of the Company may be nominated by shareholders. There are no other procedures in place at present. There is no formal audit committee, as the majority of Directors are involved in performing the functions of an audit committee and reviewing the adequacy of existing audit arrangements.

5. Make timely and balanced disclosure

The Board, through its continuous disclosure policy, the maintenance of a web site, and the holding of General Meetings, where shareholders are encouraged to participate, seeks to keep shareholders fully informed of significant developments in an efficient and timely manner. The Company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules.

The Board has established policies and procedures to ensure compliance with ASX Listing Rules disclosure requirements and accountability at Director and management level for that compliance. The Board believes that the formalisation of these policies and procedures in a written form per best practice recommendation 5.1 is not necessary as the Board is satisfied that all Board members are aware of the importance of making timely and balanced disclosure.

The Chairman and/or the Company Secretary have been nominated as the persons responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX and the public.

6. Respect the rights of shareholders

The Board encourages the participation of shareholders at General Meetings to ensure a sound rapport between shareholders and the Company. The Board always asks the Auditor to attend General Meetings. On request, information is made available to shareholders by e-mail, facsimile or post.

7. Recognise and manage risk

Usual standards of identifying significant business risks are applied by the Board. Exploration for oil and gas and other minerals and metals can be viewed as high risk/high reward speculative activity. The Directors' collective experience and knowledge are relied upon in managing significant risks in such a way as to ensure that no single project or investment would jeopardise the Company's viability. The Board examines projects and investments and assesses them on a risk/reward basis. Specific areas of risk are identified in view of the inherently risky exploration industry and depending on the sovereign risk of any specific country in which the Company may be operating.

The Managing Director and the Alternative Chief Financial Officer provide the declarations recommended in best practice recommendation 4.1 regarding the Company's financial reports and confirm that they are founded on a sound system of risk management. Relative to its operations and size, the Board has not yet established a risk management committee but believes that the Company has adequately identified potential business risks and continues to operate effectively in material respects in relation to financial reporting risks.

Business Risk

The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies. Specific areas of risk that are identified are regularly considered at Board meetings. Included in these areas are performance of activities, continuous disclosure obligations, asset protection and financial exposures.

8. Remunerate fairly and responsibly

Due to the size of the Company, it has not been considered necessary to establish a remuneration committee. The Board is comprised of four non-executive Directors and one executive Director who is the Managing Director. No performance hurdles have been imposed on the executive Director. The Board is responsible for determining and reviewing the remuneration of Directors, within parameters approved by shareholders, and of executives and consultants when any are appointed.

The current remuneration of \$20,000 p.a. for each of the non-executive Directors is below the aggregate amount of \$150,000 per annum which was approved by shareholders. Remuneration of executives and consultants, when appointed, is determined by market conditions. No equity based payments or other benefits were paid to Directors or consultants during the year under review.

SOUTHERN CROSS EXPLORATION N L

AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION

CURRENT AS AT 23 APRIL 2013

1. Shareholders and voting rights

1.1 Total number of holders of fully paid shares 925

All shareholders have one vote for each share held.

1.2 Distribution schedule showing the numbers of shareholders in the following categories:

1 - 1,000	205
1,001 - 5,000	254
5,001 - 10,000	113
10,001 - 100,000	209
Over 100,000	144

2. Substantial shareholders who have notified the company

Shares

B Ganke	31,030,372
Noble Investments Pty Ltd <Noble A/c>, Noble Investments Superannuation Fund Pty Ltd <Noble Investments Superannuation Fund a/c> Leadenhall Australia Pty Ltd, Chi Investments Pty Ltd, Timothy Owen Lebbon	29,418,794
Sunvest Corporation Ltd	28,250,000

3. Top twenty shareholders

Name	Shares	%
Sunvest Corporation Ltd	28,250,000	13.6
B Ganke	14,865,000	7.2
Noble Investments Superannuation Fund Pty Ltd <Noble Inv S/F A/c>	13,902,654	6.7
Efimi Shteisel	13,167,617	6.4
Emeritus Pty Ltd	11,845,040	5.7
Etrade Nominees Pty Ltd	9,000,000	4.3
Aegian Pal Pty Ltd <Elpida Super Fund A/C>	7,650,000	3.7
Red and White Holdings Pty Ltd <Blood Super Fund A/C>	7,368,361	3.6
Noble Investments Superannuation Fund Pty Ltd <Noble Inv S/F Tol LTC A/c>	6,112,994	3.0
Noble Investments Superannuation Fund Pty Ltd <Noble Inv S/F Tol All A/c>	5,279,778	2.6
Batangas Exploration & Development Inc	5,100,000	2.5
Longreach Oil Ltd	3,435,528	1.7
S R Evans & K Mt Evans <Kamiyacho Super Fund A/c>	2,801,726	1.4
Bonds & Securities (Trading) Pty Ltd	2,780,000	1.3
Javan Investment Co Ltd	2,500,000	1.2
M J Sawyer	1,950,000	0.9
Noble Investments Superannuation Fund Pty Ltd <Noble Inv S/F CFL 2 MKT A/c>	2,280,508	1.1
Activitas Investment Group Ltd	1,559,000	0.8
Carlzo Pty Ltd	1,500,000	0.7
R L Leary & Mrs B J Leary <RL & BJ Leary Pension A/c>	1,500,000	0.7
Millennium Corporate Services Pty Ltd <The Bagnall Family A/c>	1,500,000	0.7

SOUTHERN CROSS EXPLORATION N L

SCHEDULE OF EXPLORATION INTERESTS

AS AT 23 APRIL 2013

LOCATION	LICENCE NUMBERS	TOTAL AREA	NET INTEREST
<u>AUSTRALIA</u>			
URANIUM AND VANADIUM			
- NORTHERN TERRITORY			
<i>Bigrlyi Area, Ngalia Basin</i>	ERL's 46 to 55	1,214 ha	5%
Ten Exploration Retention Licences			
<u>OVERSEAS</u>			
URANIUM			
- TANZANIA - Mkuju River			
Interest in several Exploration Licences			7%
GOLD			
PHILIPPINES			
- Province of Bulacan - Island of Luzon			
MA-P-III-02-04; MA-P-III-05-04; MA-P-III-06-04; MA-P-III-07-04		8,000 ha	20%
The issue of the MPSAs is still pending			
- Batangas Gold Project			
Interest in MPSA and EPA 115		3,300 ha	10%
IRAN - <i>Borna Abad et al</i> - MAGNESITE			
Southern Cross has an interest in two companies which hold several exploration tenements			10%

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>Note</u>	2012 \$	2011 \$
Revenues	2	338,596	361,063
Administration expenses		(283,181)	(297,510)
Other expenses		(166,203)	(76,855)
Finance costs	3	(194,492)	(341,903)
Loss before significant items and income tax		----- (305,280)	----- (355,205)
Significant items	4	(4,893,394)	(1,138,385)
Loss before income tax		----- (5,198,674)	----- (1,493,590)
Income tax expense	27	- -----	- -----
Loss		----- (5,198,674)	----- (1,493,590)
Other comprehensive income/(loss):			
Net increase/(decrease) in Fair Value Reserve	18	(30,465)	127,721
Total comprehensive income/(loss)		----- <u><u>(5,229,139)</u></u>	----- <u><u>(1,365,869)</u></u>
 Earnings per share			
Basic earnings/(loss) per share	17	(0.028)	(0.010)
Diluted earnings/(loss) per share	17	(0.028)	(0.010)

The Consolidated Statement of Comprehensive Income should be read in conjunction
with the accompanying Notes

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	<u>Note</u>	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	6	6,022	9,482
Available for sale financial assets	7	130,103	240,611
Receivables	8	142,497	365,915
Investment in joint venture	9	2,100,000	8,704,300
		-----	-----
TOTAL CURRENT ASSETS		2,378,622	9,320,308
		-----	-----
NON-CURRENT ASSETS			
Available for sale financial assets	10	299,043	684,740
Trade and other receivables	11	4,030,000	7,154,095
Exploration and evaluation assets	12	576,000	1,544,581
		-----	-----
TOTAL NON-CURRENT ASSETS		4,905,043	9,383,416
		-----	-----
TOTAL ASSETS		7,283,665	18,703,724
		-----	-----
CURRENT LIABILITIES			
Trade and other payables	13	697,480	381,175
Financial liabilities	14	557,764	1,011,681
		-----	-----
TOTAL CURRENT LIABILITIES		1,255,244	1,392,856
		-----	-----
NON-CURRENT LIABILITIES			
Financial liabilities	15	2,113,537	1,403,485
		-----	-----
TOTAL NON-CURRENT LIABILITIES		2,113,537	1,403,485
		-----	-----
TOTAL LIABILITIES		3,368,781	2,796,341
		-----	-----
NET ASSETS		3,914,884	15,907,383
		=====	=====
EQUITY			
Share capital	16	19,286,903	19,190,653
Other reserves	18	(2,412,713)	4,569,395
Accumulated losses	5	(12,959,306)	(7,852,665)
		-----	-----
TOTAL EQUITY		3,914,884	15,907,383
		=====	=====

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 YEAR ENDED 31 DECEMBER 2012**

	Attributable to equity holders of the company				
	Share Capital	Other Reserves	Accumulated Losses	Minority Interests	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 January 2011	16,396,653	5,187,114	(7,104,515)	(86,197)	14,393,055
Total comprehensive income/(loss)	-	127,721	(1,493,590)	-	(1,365,869)
Share Issues	2,794,000	-	-	-	2,794,000
Transfer capital losses to/from Reserves	-	(745,440)	745,440	-	-
Deconsolidation of controlled entity	-	-	-	86,197	86,197
Balance at 31 December 2011	19,190,653	4,569,395	(7,852,665)	-	15,907,383
Balance at 1 January 2012	19,190,653	4,569,395	(7,852,665)	-	15,907,383
Total comprehensive income/(loss)	-	(30,465)	(5,198,674)	-	(5,229,139)
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	-	(6,859,610)	-	-	(6,859,610)
Balance at 31 December 2012	19,286,903	(2,412,713)	(12,959,306)	-	3,914,884

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 YEAR ENDED 31 DECEMBER 2012**

	<u>Note</u>	2012 \$	2011 \$
Cash flows from operating activities			
Dividends received		35	119
Interest paid		(3,372)	(29,883)
GST credits refund		92,330	-
Operating expenses		(214,244)	(250,121)
		-----	-----
Net cash (used in) operating activities	21	(125,251)	(279,885)
		-----	-----
Cash flows from investing activities			
Proceeds from sale of Investments		30,660	114,914
Payments for exploration prospects		-	(33,595)
Payments for Joint Venture		(170,317)	(198,701)
Payments for investments		(21,802)	(2,680)
Repayments by loan and other debtors		30,200	7,000
Loans & advances made		(8,041)	-
Payments for debtors and prepayments		-	(30,389)
		-----	-----
Net cash flows (used in) investing activities		(139,300)	143,451
		-----	-----
Cash flows from financing activities			
Proceeds from share capital		270,000	-
Share Issued		(21,000)	-
Proceeds from borrowings		243,851	463,957
Repayments of borrowings		(231,760)	(32,883)
		-----	-----
Net cash flows (used in) financing activities		261,091	431,074
		-----	-----
Net (decrease) in cash held		(3,460)	7,738
Cash at the beginning of the financial year		9,482	1,744
		-----	-----
Cash at the end of the financial year	6	6,022	9,482
		=====	=====

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 YEAR ENDED 31 DECEMBER 2012

NOTE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied unless otherwise stated. The financial report comprises the consolidated entity consisting of Southern Cross Exploration N L 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 Sale Financial Assets and Investment in Joint Ventures that are measured at fair value. Unless otherwise indicated the accounting policies have been applied consistently in all periods presented in these financial statements.

1.2 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.

1.3 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 companies are eliminated

1.4 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 the Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

1.5 Investments and other financial assets

Available-for-sale financial assets

The group classifies shares listed on Stock Exchanges and investments in unlisted corporations as available-for-sale financial assets and are included in non-current assets unless they are intended to be disposed 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 based on the underlying net asset values of the companies and estimated values based on their strategic holdings.

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). |

NOTE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1.

1.5 Investments and other financial assets (cont'd)

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.

1.6 Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement.

1.7 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.

1.8 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.

1.9 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.

Interest

Interest is recognised as it accrues.

Available for Sale Financial Assets

The net gain (loss) of 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.

1.10 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.

1.11 Joint ventures

Interests in Joint Ventures in which the company 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 company does not have joint control, it accounts for its interest as an investor in the Joint Venture at fair value.

NOTE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**1.****1.12 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. The 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 substantially 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.

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 assets and losses can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

1.13 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 and services is not recoverable from the taxation authority, in which case the GST is not 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 are classified as operating cash flows.

1.14 Accounting Estimates and Judgement

The Group makes estimates and judgements based on historical and future expectations that may have a financial impact on the entity. Actual results may differ from these estimates. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets are as follows:

(i) Estimated fair values of unlisted investments

The fair value of investments that are not quoted in an active market is determined using other methodologies and at balance date the fair value was assessed as equal to cost. The fair value of these investments may differ materially if they were to be sold or become listed in the future.

(ii) Fiji Loan

The recoverability of the Fiji loan 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.

NOTE	REVENUE	2012	2011
2.		\$	\$
	Dividends received from Corporations listed on Stock Exchanges	41	91
	Interest received / receivable	338,555	338,575
	Sundry Income	-	22,397
		-----	-----
		<u>338,596</u>	<u>361,063</u>

SOUTHERN CROSS EXPLORATION N L (NOTES)

NOTE	FINANCE COSTS	2012	2011
		\$	\$
3.	Interest paid/payable	194,492	341,903
		<u> </u>	<u> </u>
NOTE	SIGNIFICANT ITEMS		
4.	Bad debts written off	84,810	-
	Deconsolidation of controlled entity	-	86,197
	Exploration expenditure written off	71,528	-
	Impairment losses (unlisted shares)	-	410,715
	Loss on loan transactions	-	306,748
	Loss from sale of investments	92,033	334,725
	Legal costs expense and provisions	206,962	-
	Provision for Impairments - Unlisted shares	364,851	-
	- Exploration and evaluation assets	897,053	-
	- Mortgage Investment	3,176,157	-
		<u> </u>	<u> </u>
		4,893,394	1,138,385
		<u> </u>	<u> </u>
NOTE	ACCUMULATED LOSSES		
5.	Balance at beginning of year	(7,852,665)	(7,104,515)
	(Loss) for the year	(5,198,674)	(1,493,590)
	Transfers to Capital Profits/(Losses) Reserve	92,033	745,440
		<u> </u>	<u> </u>
	Balance at end of year	(12,959,306)	(7,852,665)
		<u> </u>	<u> </u>
NOTE	CASH AND CASH EQUIVALENTS		
6.	Cash held in banks	6,022	9,482
		<u> </u>	<u> </u>
NOTE	AVAILABLE FOR SALE		
7.	FINANCIAL ASSETS (CURRENT)		
	Listed equity securities (Level 1)	130,103	240,611
		<u> </u>	<u> </u>
NOTE	TRADE & OTHER RECEIVABLES (CURRENT)		
8.	Debtors and Loans - related parties	113,337	141,431
	Debtors and other receivables	29,160	224,481
		<u> </u>	<u> </u>
		142,497	365,915
		<u> </u>	<u> </u>
NOTE	INVESTMENT IN JOINT VENTURE		
9.	Bigrlyi Joint Venture - at cost	1,873,375	1,618,065
	- at revaluation	226,625	7,086,235
		<u> </u>	<u> </u>
		2,100,000	8,704,300
		<u> </u>	<u> </u>
	Movement during year		
	Balance at beginning of year - at cost	1,618,065	1,488,307
	Expenditure capitalised	255,310	129,758
		<u> </u>	<u> </u>
	Balance at end of year - at cost	1,873,375	1,618,065
		<u> </u>	<u> </u>
	Revaluation	226,625	7,086,235
		<u> </u>	<u> </u>
	Balance at end of year	2,100,000	8,704,300
		<u> </u>	<u> </u>

SOUTHERN CROSS EXPLORATION N L (NOTES)

NOTE	AVAILABLE FOR SALE	2012	2011
10.	FINANCIAL ASSETS (NON-CURRENT)	\$	\$
	Listed equity securities (Level 1)	165,017	184,363
	Shares in corporations not listed on Stock Exchange - at cost (Level 3)	498,877	500,377
	Provision for Impairment	(364,851)	-
		<u>299,043</u>	<u>684,740</u>

NOTE	RECEIVABLES (NON-CURRENT)		
11.			
	Deposits	-	70,679
	Mortgage Investment - Related Parties	7,206,157	6,868,416
	Provision for Impairment	(3,176,157)	27,500
	Other Receivables - Related Parties	-	187,500
		<u>4,030,000</u>	<u>7,154,095</u>

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 9% simple. Interest accrued for the year was \$337,741.

The mortgage comes up for review every two years and due to commercial and political considerations, it has been renewed by the Board as and when appropriate.

NOTE	TRADE & OTHER PAYABLES (CURRENT)		
12.			
	Trade and Other Payables	249,970	177,471
	Other Payables - Related Parties	247,510	203,704
	Provision for legal costs	200,000	-
		<u>697,480</u>	<u>381,175</u>

NOTE	TRADE & OTHER PAYABLES (CURRENT)		
13.			
	Trade and Other Payables	249,970	177,471
	Other Payables - Related Parties	247,510	203,704
	Provision for legal costs	200,000	-
		<u>697,480</u>	<u>381,175</u>

NOTE	FINANCIAL LIABILITIES (CURRENT)		
14.			
	Loans-related parties	321,127	740,484
	Loans-other	236,637	271,197
		<u>557,764</u>	<u>1,011,681</u>

NOTE	NON CURRENT LIABILITIES		
15.			
	Financial liabilities - loans related parties	2,113,537	1,403,485
		<u>2,113,537</u>	<u>1,403,485</u>

SOUTHERN CROSS EXPLORATION N L (NOTES)

NOTE	SHARE CAPITAL	2012	2011
16.		\$	\$
	207,000,000 Ordinary fully paid shares (2011 180,000,000)	21,772,158	21,523,158
	Transfer from Share Premium/Discount Reserve	(2,485,255)	(2,332,505)
		-----	-----
		<u>19,286,903</u>	<u>19,190,653</u>

Movements	2012	2012	2011	2011
	No. of shares	\$	No. of shares	\$
Balance at beginning of year	180,000,000	21,523,158	119,000,000	18,729,158
Acquisition of exploration interests	-	-	16,100,000	799,000
Acquisition of investments	-	-	2,000,000	100,000
Consultants	-	-	400,000	20,000
Loan settlements	-	-	42,500,000	1,875,000
Share placements	27,000,000	270,000	-	-
Share Issue costs		(21,000)	-	-
			-----	-----
Balance at end of year	<u>207,000,000</u>	<u>21,772,158</u>	<u>180,000,000</u>	<u>21,523,158</u>

NOTE	EARNINGS PER SHARE	2012	2011
17.		\$	\$
	Basic earnings/(loss) per share	(0.028)	(0.010)
	Diluted earnings/(loss) per share	(0.028)	(0.010)
	Net loss used to calculate earnings/(loss) per share	(\$5,198,674)	(\$1,493,590)
	Number of weighted ordinary shares used in calculating earnings/(loss) per share	183,426,026	148,481,918

NOTE	RESERVES	2012	2011
18.			
	Asset Revaluation	1,976,625	8,836,235
	Available for Sale Financial Assets	(2,790,454)	(2,759,991)
	Capital Profits/(Losses)	(1,598,884)	(1,506,851)
		-----	-----
		<u>(2,412,713)</u>	<u>4,569,395</u>
	Movement in Reserves		
	Asset Revaluation		
	Balance at beginning of year	8,836,235	8,836,235
	- Write down revaluation - Investment in Joint Venture	(6,859,610)	-
		-----	-----
	Balance at end of year	<u>1,976,625</u>	<u>8,836,235</u>
	Available for Sale Financial Assets		
	Balance at beginning of year	(2,759,991)	(2,887,712)
	- Write back fair value adjustments on Investments written off to Income Statement	-	260,549
	- Changes in fair value - available for sale financial assets	(30,465)	(132,828)
		-----	-----
	Net increase/(decrease)	<u>(30,465)</u>	<u>127,721</u>
	Balance at end of year	<u>(2,790,456)</u>	<u>(2,759,991)</u>

SOUTHERN CROSS EXPLORATION N L (NOTES)

NOTE RESERVES (cont'd)

18.		2012	2011
		\$	\$
	Movement in Reserves (cont'd)		
	Capital Profits/(Losses)		
	Balance at beginning of year	(1,506,851)	(761,411)
	Transfer losses on investments	(92,033)	(745,440)
		-----	-----
	Balance at end of year	<u>(1,598,884)</u>	<u>(1,506,851)</u>

Nature and purpose of Reserves

Asset Revaluation Reserve

The Asset Revaluation Reserve comprises the revaluation of the Investment in the Bigryli Uranium Joint Venture and the investment in the Fiji mortgage.

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.

NOTE SEGMENT INFORMATION

19.

	Total Assets	Exploration	Investments	Total Assets	Exploration	Investments
	2012	2012	2012	2011	2011	2011
	\$	\$	\$	\$	\$	\$
Australia	2,612,639	26,000	2,586,639	10,116,229	97,528	10,018,701
Fiji	4,101,026	-	4,101,026	6,939,442	-	6,939,442
Iran	20,000	-	20,000	201,000	-	201,000
Philippines	500,000	500,000	-	1,311,198	1,311,198	-
Tanzania	50,000	50,000	-	135,855	135,855	-
	-----	-----	-----	-----	-----	-----
	<u>7,283,665</u>	<u>576,000</u>	<u>6,707,665</u>	<u>18,703,724</u>	<u>1,544,581</u>	<u>17,159,143</u>

		2012	2011
		\$	\$
Australia	Total Liabilities	<u>3,368,781</u>	<u>2,796,341</u>

Segment Revenues

Australia	855	23,322
Fiji	337,741	337,741
	-----	-----
	<u>338,596</u>	<u>361,063</u>

SOUTHERN CROSS EXPLORATION N L (NOTES)

NOTE SEGMENT INFORMATION (cont'd)

19.

Segment Results - Profit/(Loss)		2012	2011
		\$	\$
Australia (Investments)	Loss	(1,098,354)	(1,831,331)
	Provision for Impairment	(180,851)	-
		<u>(1,279,205)</u>	<u>(1,831,331)</u>
Fiji (Invesments)	Profit	337,741	337,741
	Provision for Impairment	(3,176,157)	-
		<u>(2,838,416)</u>	<u>337,741</u>
Iran (Invesments)	Provision for Impairment	(184,000)	-
Philippines (Exploration)	Provision for Impairment	(811,198)	-
Tanzania (Exploration)	Provision for Impairment	(85,855)	-
		<u>(1,081,053)</u>	<u>-</u>
Total Loss		<u>(5,198,674)</u>	<u>(1,493,590)</u>

NOTE DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

20.

B Ganke, E Goh, E Ganke (appointed 21 February 2012) and R Adamson (retired 21 February 2012), each held office as a Director of the parent entity in the consolidated entity at any time during the financial year ended 31 December 2012. Since the end of the financial year E Goh and E Ganke have resigned on 26 February 2013.

20.1 Directors' remuneration

Name	Position	Remuneration	2012	2011
			\$	\$
B Ganke	Chairman	Director's fees	-	-
" "	Managing Director	Salary	120,000	120,000
E Ganke	Director	Director's fees	17,000	-
E Goh	Director	Director's fees	20,000	20,000
E Goh		Accounting & Secretarial	42,000	-
R Adamson	Director (non-executive)	Director's fees	3,000	20,000
" "		Consultants fees	-	<u>17,950</u>
Total remuneration			<u>202,000</u>	<u>179,950</u>

No Director received or was entitled to receive any shares or options as part of remuneration during the year. K. Skelton provided office administration services for an annual fee of \$33,000.

20.2 Director's equity holdings (including relevant interests)

	Balance	Change	Balance
Shares	1 January 2012		31 December 2012
B Ganke	28,250,372	2,780,000	31,030,372
E Ganke		485,000	485,000
E Goh	<u>1,327,000</u>	<u>-</u>	<u>1,327,000</u>
	<u>29,577,372</u>	<u>3,265,000</u>	<u>32,842,372</u>

SOUTHERN CROSS EXPLORATION N L (NOTES)

NOTE Directors and related party transactions and balances

20.3	2012	2011
	\$	\$
Aggregate Receivables at balance date		
Receivables:		
Directors (Staff Incentive Scheme)	-	137,500
Director related entities	-	50,000
Mortgage Investment (refer Note 11)	4,030,000	6,530,675
	-----	-----
	<u>4,030,000</u>	<u>6,718,175</u>
 Current Liabilities		
Other Payables - Directors	298,260	203,704
-Director related party	9,750	-
	-----	-----
	<u>308,010</u>	<u>203,704</u>

20.4 Total amounts recognised as revenue and expense resulting from transactions with related parties were are follows:

Revenue		
Interest	338,589	338,575
	-----	-----
Expense		
Consultant services	75,000	17,950
Interest	168,401	135,676
Management fees	-	80,000
	-----	-----
Total	<u>243,401</u>	<u>233,626</u>

NOTE CASH FLOW RECONCILIATION

21. Reconciliation of Net Cash Flows provided by/(used in) operating activities with Loss after Income Tax:

(Loss)	(5,198,674)	(1,493,590)
 Non cash items:		
Deconsolidation of controlled entity	-	86,197
Impairment losses	-	410,715
Bad debt w/off	84,810	-
Loss on investments	92,033	334,725
Loss on loan transactions	-	306,748
Exploration w/off	71,528	-
Provision for impairment - exploration assets	897,053	-
Provision for impairment - mortgage investment	3,176,157	-
Provision for impairment - unlisted shares	364,851	-
Other non cash items	-	(2,097)
 Changes in Assets & Liabilities:		
Change in trade and other receivables	(158,935)	(213,154)
Change in trade and other payables	354,806	(21,449)
Change in financial liabilities	191,120	312,020
	-----	-----
Net cash used in operating activities	<u>(125,251)</u>	<u>(279,885)</u>
 Non cash financing and investing activities		
Issues of shares for acquisition of exploration interests	-	799,000
Issues of shares for investments	-	100,000
Issues of shares for loan settlements	-	1,875,000

Reconciliation of Cash - for the purposes of the statement of cash flows, cash comprises cash in banks \$6,022 (2011 \$9,482)

SOUTHERN CROSS EXPLORATION N L (NOTES)

NOTE AUDITOR'S REMUNERATION

22.

Audit and review of financial reports (no other services)	8,000	5,000
	<u>8,000</u>	<u>5,000</u>

NOTE SUMMARY OF PARENT ENTITY

23. **FINANCIAL INFORMATION**

Current Assets	2,359,358	9,302,047
Non Current Assets	3,941,420	7,028,729
	-----	-----
Total Assets	6,300,778	16,330,776
	-----	-----
Current Liabilities	1,243,390	1,380,809
Non Current Liabilities	2,113,537	1,403,485
	-----	-----
Total Liabilities	3,356,927	2,784,294
	-----	-----
Net Assets	2,943,851	13,546,482
	<u>2,943,851</u>	<u>13,546,482</u>
Share Capital	19,286,903	19,190,653
Reserves	(2,658,619)	4,312,748
Accumulated losses	(13,684,433)	(9,956,919)
	-----	-----
Total Equity	2,943,851	13,546,482
	<u>2,943,851</u>	<u>13,546,482</u>
(Loss) for the year	<u>(3,680,956)</u>	<u>(1,524,472)</u>

NOTE PARTICULARS RELATING TO CONTROLLED ENTITIES

24. **Controlled Entities**

	Place of Incorporation	Class of Shares	Parent Entity's Investment	
			2012	2011
			%	%
Northern Star Investments Pty Ltd	NSW	Ordinary	100	100
Northern Star Investments (Qld) Pty Ltd	QLD	Ordinary	100	100

NOTE NET FAIR VALUE OF FINANCIAL INSTRUMENTS

25. 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 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.

Risk Management

The consolidated entity's exposures to risk at reporting date in relation to each class of recognised financial assets and liabilities is the carrying amounts shown in the balance sheet and any variation that may occur as a result of market fluctuations, interest rate rises or falls and similar factors.

NOTE CONTINGENT LIABILITY

26.

The Company has a contingent liability in respect of a loan transaction which involved the issue of shares at above market price at the time. If the party E Shteisel is unable to sell the shares by February 2014 for at least \$360,000, Southern Cross will be liable to cover any shortfall that may occur.

SOUTHERN CROSS EXPLORATION N L (NOTES)

NOTE INCOME TAX

27.

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

	2012	2011
	\$	\$
Loss from ordinary activities	(5,198,674)	(1,493,590)
	<u> </u>	<u> </u>
Prima facie income tax expense/(benefit) calculated at 30% (2011 30%) on the Loss from ordinary activities	(1,559,602)	(448,077)
Tax effect of adjustments:		
Amounts non deductible	1,356,861	-
Future tax benefits not brought to account	202,741	448,077
	-----	-----
Income Tax expense relating to ordinary activities	-	-
	<u> </u>	<u> </u>

NOTE EXPENDITURE COMMITMENTS

28. Expenditure commitments in respect of exploration and investment in certain joint venture projects are conditional to some extent on the provisions where the Company can choose not to participate. Expenditure commitments are not expected to exceed \$400,000 over the next twelve months.

The company has entered into Put Option Agreements amounting to about \$400,000 in respect of several parcels of listed shares. These transactions are not expected to have any material effect on the financial position of the company.

NOTE EVENTS SUBSEQUENT TO REPORTING DATE

29. Since the end of the financial year, no matters or circumstances have arisen which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, except as stated elsewhere in this Report.

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

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2012

1. In the Directors' opinion:
 - (a) the financial statements and notes set out on pages 14 to 28 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 31 December 2012 and its performance;
 - (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 resolution of the Directors.



B. Grant
Director



S. Baghdadi
Director

Sydney
28 March 2013

Independent auditor's report to the members of the Southern Cross Exploration N L:**Report on the financial report**

We have audited the accompanying financial report of Southern Cross Exploration N L, which comprises the 'Consolidated Balance Sheet as at 31 December 2012', 'Consolidated Statement of Comprehensive Income for the year ended 31 December 2012', 'Consolidated Statement of Changes in Equity for the year ended 31 December 2012', 'Consolidated Statement of Cash Flows for the year ended 31 December 2012' and 'Notes to and forming part of the Consolidated Financial Statements for the year ended 31 December 2012'.

Directors' responsibility for the financial report

The directors of Southern Cross Exploration N L 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 is free from material misstatement, whether due to fraud or error.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity's 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 procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Independent auditor's report to the member's of Southern Cross Exploration N L (continued)*Auditor's opinion*

In our opinion:

- (a) the financial report of Southern Cross Exploration N L is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Southern Cross Exploration N L and the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.2.

Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 31 December 2012. 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. My responsibility is to express an opinion on the Remuneration Report, based on my audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In my opinion the Remuneration Report of Southern Cross Exploration N L for the year ended 31 December 2012, complies with section 300A of the Corporations Act 2001.

CDTL Corporate Accountants

Carl F. Dumbrell
Partner

Sydney, NSW Australia

28 March 2013

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

**SIMPLIFIED BALANCE SHEET
AS AT 31 DECEMBER 2012**

	\$
WHAT SHAREHOLDERS OWN (Assets)	
Financial Assets and Receivables	4,607,665
Exploration and Evaluation Assets	576,000
Investment in Bigrlyi Uranium Joint Venture	<u>2,100,000</u>
TOTAL ASSETS	<u>7,283,665</u>
WHAT THE COMPANY OWES (Liabilities)	
TOTAL LIABILITIES	<u>3,368,781</u>
NET ASSETS	<u>3,914,884</u> =====
Share Capital & Reserves	3,914,884
TOTAL EQUITY	<u>3,914,884</u> =====