



# **SOUTHERN CROSS EXPLORATION NL**

## **ANNUAL REPORT**

**For the year ended**

**31 December**

**2011**

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

**SIMPLIFIED BALANCE SHEET  
AS AT 31 DECEMBER 2011**

	\$
<b>WHAT SHAREHOLDERS OWN (Assets)</b>	
Financial Assets and Receivables	8,454,843
Exploration and Evaluation Assets	1,544,581
Investment in Bigrlyi Uranium Joint Venture	<u>8,704,300</u>
<b>TOTAL ASSETS</b>	<u><b>18,703,724</b></u>
<b>WHAT THE COMPANY OWES (Liabilities)</b>	
<b>TOTAL LIABILITIES</b>	<u><b>2,796,341</b></u>
<b>NET ASSETS</b>	<u><b>15,907,383</b></u>
Share Capital & Reserves	15,907,383
<b>TOTAL EQUITY</b>	<u><b>15,907,383</b></u>

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<i>Contents</i>	<i>Page</i>
Simplified Balance Sheet	<i>(inside front cover)</i>
Chairman's Review and Update	1
Directors' Report	6
Nomination of Auditor	8
Auditors' Independence Declaration	9
Corporate Governance	10
ASX Additional Information	12
Exploration Interests	13
Consolidated Statement of Comprehensive Income	14
Consolidated Balance Sheet	15
Consolidated Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Notes to the Consolidated Financial Statements	18
Directors' Declaration	29
Audit Report	30
Corporate Directory	<i>(inside back cover)</i>

Inserts: Notice of Meeting  
Proxy Form

## SOUTHERN CROSS EXPLORATION N L

### CHAIRMAN'S REVIEW AND UPDATE

In addition to the Directors' Report for the year ended 31 December 2011, dated 30 March 2012, the following information is provided for shareholders.

Also, the attention of shareholders and investors is drawn to the releases made by the Company to the ASX which provide information on the Company's activities. Such releases are accessible on the ASX website (under announcements for SXX) at [www.asx.com.au](http://www.asx.com.au) and some releases may also be viewed on the company's website: [www.sxxgroup.com](http://www.sxxgroup.com) (including this Annual Report, the Notice of Meeting and Proxy Form).

As implemented last year, a hard copy of the Company's Annual Report is only being mailed out to those shareholders who have requested to receive a copy. All shareholders are being mailed the Notice of Meeting for the Annual General Meeting and the Proxy Form.

#### **FINANCIAL**

SXX has a sound Balance Sheet and low gearing. Shareholders' Funds have risen to \$15,907,383 at balance date (see the Simplified Balance sheet - inside front cover), although, as can be seen in the accounts, losses are still being incurred. However, this is not unusual, especially for exploration companies, until either exploration is successful and production is achieved and/or a project is joint-ventured or realised.

As at 31 December 2011, the net tangible asset backing was 8.8 cents per share.

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

Such assets are not necessarily easily converted into cash; at the same time they could realise prices well above book values. Equally, on a "must sell now" or forced sale basis, it is likely that lower values could be realisable.

For patient investors, who take the old-fashioned medium-term view of the market and invest accordingly, a period of even three years could be considered reasonable. Today, however many investors (traders, really, by another name) look only at 3 days, 3 weeks or 3 months between short term and long-term.

#### **SHARE CAPITAL**

The Issued Capital increased by 61,000,000 shares as a result of share placements made at 4 cents and 5 cents, as detailed in the accounts. At balance date, there were 180,000,000 ordinary fully paid shares on issue.

#### **INVESTMENT IN JOINT VENTURE**

##### ***BIGRLYI URANIUM JOINT VENTURE - NORTHERN TERRITORY***

The Company's interest in the Bigrlyi Uranium Joint Venture, which is an advanced JORC-compliant mineral project, is classified in the accounts as "Investment in Joint Venture". 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.

***BIGRLYI URANIUM JOINT VENTURE - NORTHERN TERRITORY (cont'd)***

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.

***The following information is compiled from recent Reports of the Operator, Energy Metals Ltd (EME):***

Several drilling programmes have been completed at Bigrlyi since 2005, with most holes intersecting significant uranium mineralisation. Uranium and vanadium resource models were successively calculated incorporating results from these drilling programmes. An up-dated Resource Estimate was released by the Operator in June 2011, which showed a total Indicated and Inferred Mineral Resource - at 250ppm U<sub>3</sub>O<sub>8</sub> cut off - of 27 million pounds of uranium (U<sub>3</sub>O<sub>8</sub>) and 30.8 million pounds of vanadium (V<sub>2</sub>O<sub>5</sub>).

The resources were estimated by consultants Hellman & Schofield Pty Ltd (H&S) using the Multiple Indicator Kriging (MIK) method to estimate uranium resources and Ordinary Kriging (OK) to estimate vanadium resources.

Exploration and development activities carried out on the Bigrlyi Project during the year were designed to increase the resource base by targeting extensions of the mineralisation, along with obtaining core for further Metallurgical testing and Geotechnical evaluation. A pre-feasibility study was also completed during 2011. The Operator has advised that a further update of the Resource Estimate is planned to be completed shortly.

Further information on the Bigrlyi Uranium Joint Venture Project, including metallurgical testwork, resource estimates and economic studies, may be obtained from the website of the Operator, Energy Metals - [www.energymetals.net](http://www.energymetals.net).

**OTHER INVESTMENT ACTIVITIES**

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

The Company's Mortgage Investment (SXX is a 50% joint mortgagee) is secured over freehold property in Fiji owned by 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. However, as detailed in the Notice of Meeting, in view of a conflict perceived to exist by one shareholder and due to the recent change in the Board's composition, the Company is seeking shareholders' approval for the further extension of this mortgage.

The Company also has a 20% shareholding in the Fijian company which is the registered proprietor of the properties. The beachfront freehold land is zoned for Special Uses, related to tourism activities. It is suitable for the development of about 700 holiday apartments, hotels and a shopping centre. NBBC has recently appointed a Consultant in Fiji to progress development of these valuable beachfront properties.

The Company holds strategic investments in two listed entities - Longreach Oil Ltd (LGO) and Chapmans Ltd (CHP). LGO is concentrating on Oil and Gas, Coal and other Energy exploration. CHP has been operating in small scale investment projects, provision of venture capital and general investment. CHP also has two subsidiaries - Gladstone Development Pty Ltd (100%) and Hallmark Minerals N L (72%) - in which Southern Cross also has a 20% shareholding

**EXPLORATION**

**URANIUM - MKUJU RIVER, TANZANIA (7%)**

Southern Cross has 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 settled and is awaiting finalisation of documentation.

The uranium tenements are situated in the highly prospective Mkuju River region of south-western Tanzania. They are underlain by Karoo Group sedimentary rocks in which uranium deposits of the sandstone-hosted tabular and roll front type have been discovered in South Africa, Malawi and Tanzania.

## EXPLORATION

### URANIUM - *MKUJU RIVER, TANZANIA (7%) (cont'd)*

The tenements are located north of Mantra Resources' Mkuju River Uranium Project, with Mineral Resources reported by Mantra of 101.4 million pounds of @ 422 ppm of U<sub>3</sub>O<sub>8</sub>. Last year, ARMZ, a wholly owned subsidiary of the Russian State Atomic Energy Corp., acquired all of the issued shares in Mantra for A\$7.00 cash, when it reduced its original offer of \$8 following the Japanese tsunami. This transaction imputed a value of A\$9.00 per pound for U<sub>3</sub>O<sub>8</sub> for the Mkuju River uranium resources.

Southern Cross believes the Mkuju River tenements are prospective for the discovery of economic uranium deposits and proposes to invite other entities to participate in the exploration and development of these areas.

## GOLD

### *PHILIPPINES*

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

#### **- BATANGAS PROJECT (10%)**

In June 2011, Southern Cross exercised an option to acquire an initial 5% in the Batangas Gold Project, located in the Province of Batangas, some 110 km south of Manila, Island of Luzon, in the Philippines. On 1 September 2011, Southern Cross acquired a further 5% of the project upon the issue of 6 million shares. The Company's wholly-owned subsidiary Northern Star Investments (Qld) Pty Ltd is the holding company for the group's interest in the Batangas Gold Project.

The Batangas Gold Project consists of an MPSA and an EP Application covering an area of approximately 3,300 ha. Final documentation is awaited for the approval of EPA 115, and the evaluation of the MPSA Application is continuing.

Nearby projects to the Batangas Gold Project include the Taysan porphyry copper-gold deposit (just 6 km northeast of the Batangas tenements) acquired in 2010 by Crazy Horse Resources Inc, a Vancouver-based company, which has reported a favourable scoping study and increased mineral resources. Also, Mindoro Resources Ltd (listed on TSX-V) controls an area of some 29,000 ha which is located between 10 and 20 km to southeast of Batangas and which has similar geology, where a high grade mineral resource (66,920 oz of gold grading ~6 g/t Au) has been defined.

The geology of the Batangas property is considered a highly prospective, major gold exploration opportunity. Subject to confirmatory mapping and sampling, it is likely that the Ulanin breccia stock-work and the American Vein area could provide early drilling targets with potential for developing open pit mining resources.

#### **- 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, after long delays due to unresolved Native Title claims. The matter remains under review by the joint venture parties.

**COAL - DUBBO EAST PROJECT, NEW SOUTH WALES**

In October 2011, Southern Cross announced that it had agreed to acquire a sixty five percent (65%) interest in a Coal Exploration Licence located near Dubbo in central New South Wales. Following that announcement, a private company claimed a prior interest in the Licence, of which SXX was not aware, and commenced Court proceedings. Its claim was recently upheld. The Company is considering its position either to appeal that decision and/or it will seek to obtain at least a 30% interest in the Licence from the original Licence Holders.

**MAGNESITE - IRAN**

The company maintains its 10% interest in two private companies based in Iran. Several exploration tenements with identified outcropping dolomite/magnesite deposits are held. Cheap power is available, which is vital for commercially successful magnesite and magnesium production. This project is being kept under review.

**OIL & GAS & ENERGY**

During the year, oil and gas exploration opportunities in Australia and overseas have been examined, with a view to direct participation.

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. LGO also holds a 20% shareholding in unlisted Brisbane Petroleum Ltd (BPL) which held two Petroleum Leases - 18 and 40 - in the Surat Basin, with small oil production. In 2011, BPL sold its Oil and Gas interests to a Canadian/U.K. consortium which proposes to carry out development with drilling on the area as soon as practicable.

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**

As shown in the Notice of Meeting, shareholders are being asked to vote in favour of a resolution authorising the placement of shares. Resolutions authorising placements of securities have been submitted for shareholders' approval for some years. Such approvals have been utilised on only a few occasions and capital was raised when the market price appeared fair and reasonable to all parties. There are neither any specific plans to place securities nor are there any specific recipients identified. If any placements should be made, they would be done as advantageously as possible to ensure that existing shareholders are not disadvantaged. New capital raised would be utilised to fund existing and new exploration projects, for suitable investments, repayment of liabilities and for general purposes.

**BOARD OF DIRECTORS**

Since the end of the year, Mr Robert Adamson retired as a Director and Mr Eugene Ganke (the Chairman's son) was appointed as a non-executive Director. Eugene Ganke has a background in property management and his experience will be of assistance in dealing with the Company's mortgage and investment in Fiji. Additional appointments of independent Directors are under consideration.

## SOUTHERN CROSS EXPLORATION N L

### **AUDITOR - Appointment and Nomination**

Due to the requirements of the Corporations Act, 2001, a new Auditor was appointed during the year, as the previous Auditor could not continue to act. The Company appointed CDTL Corporate Accountants (Mr Carl Dumbrell - Partner) as Auditor during the year and this appointment is being submitted for the approval of shareholders at the Annual General Meeting. The nomination of the Auditor from a member of the Company is set out on page 8 of the Annual Report.

### **REQUISITIONED MEETING**

In June 2011, an extraordinary General Meeting was requisitioned by a private shareholder group represented by T O Lebbon for the purpose of removing the Company's entire Board of three Directors and appointing three new Directors. A lot of unproductive work and expenditure resulted from calling that meeting, which was held last August 2011. The meeting rejected the requisitionists' proposals by a large majority.

### **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). It has about 900 shareholders and is about 98% Australian-owned.

Exploration for oil and gas, gold, uranium and other metals and minerals has been its principal activity during those years. The Company also invested in property, loans, shares and other securities. In recent years, the Company has sought to obtain overseas exploration projects with early development potential.

The share price started moving up to the 5 cent range and looked a bit stronger early last year - and then the Japanese tsunami tragedy occurred. All stocks with uranium interests were badly affected by the consequences and the effects are on-going. Many experts believe that the price of uranium is set to recover as early as this year - and positive comments have been made in that regard, particularly by Mr John Borshoff, the Managing Director of Paladin Energy Ltd (PDN) (see the latest Quarterly Activities Report of PDN - on their website: [www.paladinenergy.com.au](http://www.paladinenergy.com.au)). However, at present, there is no clear evidence that it is happening yet.

When that does occur, it is hoped that the Company's valuable investment in the Bigryli Joint Venture Uranium Project will be given proper recognition by the market and the Company's participation in its other projects will see renewed interest in the Company and its shares.

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



B Ganke  
Director

24 April 2012

# SOUTHERN CROSS EXPLORATION N L

A.B.N. 70 000 716 012

## **DIRECTORS' REPORT - STATUTORY** **FOR THE YEAR ENDED 31 DECEMBER 2011**

### **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. An agreement was also entered into to acquire an interest in a coal licence in New South Wales but that acquisition has not been concluded due to subsequent Court action by a third party claiming a prior interest, which is now in dispute. Details of exploration operations and the Company's projects will be provided in the Annual Report.

Placements of 17,500,000 shares at 5 cents and 25,000,000 shares at 4 cents were made to settle loan transactions.

#### **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](http://www.energymetals.net).

### **2. RESULTS OF OPERATIONS**

The operations during the year resulted in a comprehensive loss of \$1,493,590, which included significant items totalling \$1,138,385.

### **3. SIGNIFICANT CHANGES**

There were no significant changes in the state of affairs of the consolidated entity during the financial year, except as mentioned 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, reviews of opportunities for participation in and/or acquisition of mineral exploration and mining ventures, and examination of projects in respect of different commodities, share investments, loans and other securities. No significant change in the nature of those activities has occurred during the financial 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.

### **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 is one of the two founders of Offshore Oil Ltd, a new Oil and Gas Exploration and Investment company, which is being jointly promoted with Longreach Oil Ltd. Offshore Oil, which has a target share capital of \$250,000,000, will be an "hybrid" global Oil and Gas Energy company and aims to have direct participation in Oil and Gas production and exploration joint ventures.

**DIRECTORS' REPORT - STATUTORY - 2011 (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**

Robert (Bob) Adamson retired as a Director on 21 February 2012, after having been a Director for eight years. Mr Adamson will be available to provide technical consulting services to the Company, particularly in respect of its gold and uranium projects. Mr Eugene Xavier Ganke (the son of the Chairman) was appointed as a Non-Executive Director on the same date.

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

B GANKE - Director since 1976. Director of a number of public and private companies over a period of more than 30 years, including the following other listed companies: Chapmans Ltd (CHP) - since 1974; Longreach Oil Ltd (LGO) - since 1981; AusTex Oil Ltd (AOK) - March 2006 to March 2009.

E X GANKE - Director (appointed 21 February 2012). Experience in property management.

E GOH - Director since 1990; Company Secretary since 1983. B.Bus.FCPA. Director of listed company, Chapmans Limited - since 1985.

**11. DIRECTORS' MEETINGS**

The number of Directors' meeting held during the year ended 31 December 2011 was 13, which were attended by all Directors.

Details of Directors' holdings of securities in the Company are set out in Note 19.2 to the Financial Report.

**12. REMUNERATION REPORT**

The Board is 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. Since last year, he does not receive separate Directors' Fees. Directors' Fees were increased last year to \$20,000 p.a. for each non-Executive Director. Details of Directors' remuneration are shown in Note 21.1 to the Financial Report.

R G Adamson provided part time consulting services to the Company on commercial terms, under which an amount of \$17,950 was payable for the year. As disclosed in the accounts, a private company of which B Ganke was a Director, provided all administration and management services for the consolidated entity for many years and this arrangement was discontinued during the year. The fee for the services provided during the year was \$80,000.

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

The Board is responsible for determining and reviewing the remuneration of Directors, within parameters approved by shareholders, and of executives and consultants. At this stage, there have not been any performance hurdles imposed.

**DIRECTORS' REPORT - STATUTORY - 2011 (cont'd)**

**13. NEW AUDITOR**

During the previous year, the Company's previous Auditor Mr Ian Lamb of I J Lamb & Associates had to retire after 5 years and the Company expresses its thanks to Mr Lamb for the provision of his services. New Auditors, CDTL Corporate Accountants (Mr Carl Dumbrell - Partner) were appointed.

**14. AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 9.

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



B Ganke  
Director

30 March 2012

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**NOMINATION OF AUDITOR**

**E. GOH**

TELEPHONE: (02) 9233 6581

82 Elizabeth Street  
SYDNEY NSW 2001

23 March 2012

The Chairman  
Southern Cross Exploration N L  
82 Elizabeth Street  
Sydney NSW 2000

Dear Sir

As a member of Southern Cross Exploration N L, I hereby nominate CDTL Corporate Accountants (Carl Dumbrell - Partner) to be appointed as Auditor of the Company. This nomination is to be circulated to the members of the Company and put to a vote at the next Annual General Meeting.

Yours sincerely



Evelyn Goh

31 March 2012

**AUDITORS' INDEPENDENCE DECLARATION**

**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 2011, 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**  
**BCom CA (Aus) ACA (England & Wales) MTAX FTIA JP**  
**Partner**

Sydney, NSW Australia

**SOUTHERN CROSS EXPLORATION N L**  
**AUSTRALIAN STOCK EXCHANGE ADDITIONAL INFORMATION**  
**CURRENT AS AT 11 APRIL 2012**

**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 2011 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](http://www.sxxgroup.com)). The website includes a link to the ASX website ([www.asx.com.au](http://www.asx.com.au)).

The Directors' style 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 and consultants carry out these tasks and also provide overall administration. 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.

The Board is comprised of three Directors - Mr Boris Ganke, Mr Eugene Ganke and Ms Evelyn Goh, of which only the Managing Director is a salaried Executive.

Since the recent changes on the Board, none of the three Directors are considered to be independent.

The Board comprises the minimum number of Directors, due to the size of the Company and for reasons of cost-effectiveness. Whenever appropriate, the size and composition of the Board may be reviewed to achieve the Company's longer term aims and objectives. Additional independent Directors may also be appointed.

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 may 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. 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 consistently 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.

**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.

**CORPORATE GOVERNANCE STATEMENT** (cont'd)**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. 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 acutely 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 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 two non-executive Directors and one 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 such are appointed. No performance hurdles have been imposed on the executive Director, whose annual salary - which had been \$72,000 for many years - was increased to \$120,000 in 2010.

The current remuneration of \$20,000 per annum for each of the non-executive Directors is below the aggregate amount of \$150,000 per annum which was approved by shareholders in 2011.

No other benefits were paid to Directors during the year. 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.

**SOUTHERN CROSS EXPLORATION N L**

**AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION**

**CURRENT AS AT 11 APRIL 2012**

**1. Shareholders and voting rights**

**1.1** Total number of holders of fully paid shares 927  
 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	204
1,001	-	5,000	258
5,001	-	10,000	114
10,001	-	100,000	214
Over		100,000	137

**2. Substantial shareholders who have notified the company**

**Shares**

B Ganke	31,155,372
Noble Investments Pty Ltd <Noble A/c>, Noble Investments Superannuation Fund Pty Ltd <Noble Investments Superannuation Fund a/c> Leadenhall Australia Ltd, Chi Investments Pty Ltd, Timothy Owen Lebbon	
	29,418,754
Sunvest Corporation Ltd	28,250,000

**3. Top twenty shareholders**

Name	Shares	%	Name	Shares	%
Sunvest Corporation Ltd	28,250,000	15.7	S R Evans & K M Evans		
B Ganke	14,865,000	8.3	<Kamiyacho Super Fund A/c>	2,801,726	1.5
N Shteisel	12,000,000	6.7	Bonds & Securities (Trading) Pty Ltd	2,730,000	1.5
Emeritus Pty Ltd	11,845,040	6.6	Javan Investment Co Ltd	2,500,000	1.4
Batangas Exploration & Development Inc	8,665,175	4.8	Perfect Fresh Pty Ltd	2,221,516	1.2
Noble Investments Superannuation Fund Pty Ltd <Noble Inv S/F A/c>	8,663,764	4.8	M J Sawyer	2,020,000	1.1
Noble Investments Superannuation Fund Pty Ltd <Noble Inv S/F Tol LTC A/c>	8,446,328	4.7	Noble Investments Superannuation Fund Pty Ltd		
Noble Investments Superannuation Fund Pty Ltd <Noble Inv S/F Tol All A/c>	7,002,000	3.9	<Noble Inv S/F CFL 2 MKT A/c>	1,658,938	0.9
Longreach Oil Ltd	4,435,528	2.5	Carlzo Pty Ltd	1,500,000	0.8
Chapmans Ltd	4,005,373	2.2	Millennium Corporate Services Pty Ltd <The Bagnall Family A/c>	1,500,000	0.8
			Activitas Investment Group Ltd	1,404,000	0.8
			E Goh	1,327,000	0.7

**SOUTHERN CROSS EXPLORATION N L**

**SCHEDULE OF EXPLORATION INTERESTS**

**AS AT 17 MARCH 2012**

<b>LOCATION</b>	<b>LICENCE NO's</b>	<b>TOTAL AREA</b>	<b>NET INTEREST</b>
<b><u>AUSTRALIA</u></b>			
<b>NORTHERN TERRITORY</b>			
<b>- URANIUM AND VANADIUM</b>			
<i>Bigrlyi Area, Ngalia Basin</i>	ERL's 46 to 55	1,214 ha	5%
Ten Exploration Retention Licences			
<b><u>OVERSEAS</u></b>			
<b>URANIUM - TANZANIA</b>			
<b>- Mkuju River</b>			
Interest in several Exploration Licences			7%
<b>PHILIPPINES - GOLD</b>			
<i>Province of Bulacan - Island of Luzon</i>	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 Mineral Production Sharing Agreements is still pending			
<b>Batangas Gold Project</b>			
Interest in MPSA and EPA 115		3,300 ha	10%
<b>IRAN - <i>Borna Abad et al</i> - MAGNESITE</b>			
Southern Cross has an interest in two Iranian companies which hold several exploration tenements with identified outcropping dolomite/magnesite deposits			10%

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	<u>Note</u>	2011 \$	2010 \$
Revenues	2	361,063	353,072
Administration expenses		(297,510)	(298,473)
Other expenses		(76,855)	(175,085)
Finance costs	3	(341,903)	(216,399)
Loss before significant items and income tax		----- (355,205)	----- (336,885)
Significant items	4	(1,138,385)	-
Loss before income tax		----- (1,493,590)	----- (336,885)
Income tax expense	27	-	-
Loss		----- (1,493,590)	----- (336,885)
Other comprehensive income/(loss):			
Net increase/(decrease) in Fair Value Reserve	18	127,721	(81,998)
Total comprehensive income/(loss)		----- <u><u>(1,365,869)</u></u>	----- <u><u>(418,883)</u></u>
<b>Earnings per share</b>			
Basic earnings/(loss) per share	17	(0.010)	(0.005)
Diluted earnings/(loss) per share	17	(0.010)	(0.005)

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 2011**

	<u>Note</u>	<b>2011</b> \$	<b>2010</b> \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	9,482	1,744
Available for sale financial assets	7	240,611	197,188
Receivables	8	365,915	346,896
Investment in joint venture	9	8,704,300	8,574,542
		-----	-----
<b>TOTAL CURRENT ASSETS</b>		<b>9,320,308</b>	<b>9,120,370</b>
		-----	-----
<b>NON-CURRENT ASSETS</b>			
Available for sale financial assets	10	684,740	1,307,418
Trade and other receivables	11	7,154,095	6,816,354
Exploration and evaluation assets	12	1,544,581	797,937
		-----	-----
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,383,416</b>	<b>8,921,709</b>
		-----	-----
<b>TOTAL ASSETS</b>		<b>18,703,724</b>	<b>18,042,079</b>
		-----	-----
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	381,175	623,092
Financial liabilities	14	1,011,681	1,995,545
		-----	-----
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,392,856</b>	<b>2,618,637</b>
		-----	-----
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	15	1,403,485	1,030,387
		-----	-----
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,403,485</b>	<b>1,030,387</b>
		-----	-----
<b>TOTAL LIABILITIES</b>		<b>2,796,341</b>	<b>3,649,024</b>
		-----	-----
<b>NET ASSETS</b>		<b>15,907,383</b>	<b>14,393,055</b>
		=====	=====
<b>EQUITY</b>			
Share capital	16	19,190,653	16,396,653
Other reserves	18	4,569,395	5,187,114
Accumulated losses	5	(7,852,665)	(7,104,515)
		-----	-----
Capital and Reserves attributable to Company's equity holders		15,907,383	14,479,252
Non controlling interest		-	(86,197)
		-----	-----
<b>TOTAL EQUITY</b>		<b>15,907,383</b>	<b>14,393,055</b>
		=====	=====

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 2011**

	<b>Attributable to equity holders of the company</b>				
	<b>Share Capital</b>	<b>Other Reserves</b>	<b>Accumulated Losses</b>	<b>Minority Interests</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 January 2010	15,066,653	5,269,112	(6,767,880)	(85,947)	13,481,938
Total comprehensive income/(loss)	-	(81,998)	(336,635)	(250)	(418,883)
Share Issues	1,330,000	-	-	-	1,330,000
Balance at 31 December 2010	16,396,653	5,187,114	(7,104,515)	(86,197)	14,393,055
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

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 2011**

	<u>Note</u>	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Dividends received		119	1,354
Interest paid		(29,883)	(121,625)
Operating expenses		(250,121)	(392,209)
		-----	-----
Net cash (used in) operating activities	21	(279,885)	(512,480)
		-----	-----
<b>Cash flows from investing activities</b>			
Proceeds from sale of Investments		114,914	38,528
Payments for exploration prospects		(33,595)	(11,067)
Payments for Joint Venture		(198,701)	(352,942)
Payments for investments		(2,680)	(118,301)
Repayments by loan and other debtors		7,000	7,500
Loans & advances made		-	(4,200)
Payments for debtors and prepayments		(30,389)	-
		-----	-----
Net cash flows (used in) investing activities		143,451	(440,482)
		-----	-----
<b>Cash flows from financing activities</b>			
Proceeds from share capital		-	1,223,378
Proceeds from borrowings		463,957	1,776,519
Repayments of borrowings		(32,883)	(2,050,390)
		-----	-----
Net cash flows (used in) financing activities		431,074	949,507
		-----	-----
Net (decrease) in cash held		7,738	(3,455)
Cash at the beginning of the financial year		1,744	5,199
		-----	-----
Cash at the end of the financial year	6	9,482	1,744
		=====	=====

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 2011**

**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.

NOTE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

1.

**1.5 Investments and other financial assets (*cont'd*)**

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).

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.

**NOTE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**1.**

**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.

**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.

**SOUTHERN CROSS EXPLORATION N L (NOTES)**

<b>NOTE</b>		<b>2011</b>	<b>2010</b>
<b>2.</b>	<b>REVENUE</b>	<b>\$</b>	<b>\$</b>
	Dividends received from Corporations listed on Stock Exchanges	91	1,355
	Interest received / receivable	338,575	338,883
	Profit on Sale of Investments	-	434
	Sundry Income	22,397	12,400
		-----	-----
		<u>361,063</u>	<u>353,072</u>
<b>NOTE</b>	<b>3. FINANCE COSTS</b>		
	Interest paid/payable	341,903	216,399
		=====	=====
<b>NOTE</b>	<b>4. SIGNIFICANT ITEMS</b>		
	Deconsolidation of controlled entity	86,197	-
	Impairment losses (unlisted shares)	410,715	-
	Loss on Loan transactions	306,748	-
	Loss from sale long term investments ( See Note below)	334,725	-
		-----	-----
		<u>1,138,385</u>	<u>-</u>
		=====	=====

**Explanation of significant items**

The controlled entity Keadeber Resources (Pty ) Ltd, which had remained dormant after writing off the Ondundu gold project in Namibia several years ago, has been deregistered.

The company had bank facilities amounting to \$1,000,000 supported by a third party guarantee. A settlement with the third party was made by the issue of 30,000,000 shares. The difference of \$190,000 between the share issue consideration and the amount of the loan was included as a loss.

During the year, an amount \$242,748 in respect of outstanding loan transactions was brought into the accounts, as a previous set-off had to be reversed. The net effect of this was a loss of \$116,748.

In prior years, the company had written down certain unlisted investments to the Fair Value Reserve. The amount of \$302,944 has been reversed out of the Fair Value Reserve and together with an additional amount of \$107,771 written off as impairment losses in the Income Statement.

Loss realised on sale of long-term listed investments which had been previously written down in the Available for Sale Financial Assets Reserve.

<b>NOTE</b>	<b>ACCUMULATED LOSSES</b>	<b>2011</b>	<b>2010</b>
<b>5.</b>		<b>\$</b>	<b>\$</b>
	Balance at beginning of year	(7,104,515)	(6,767,880)
	(Loss) for the year	(1,493,590)	(336,635)
	Transfers to Capital Profits/(Losses) Reserve	745,440	-
		-----	-----
	Balance at end of year	<u>(7,852,665)</u>	<u>(7,104,515)</u>
<b>NOTE</b>	<b>CASH AND CASH EQUIVALENTS</b>		
<b>6.</b>	Cash held in banks	9,482	1,744
		=====	=====
<b>NOTE</b>	<b>AVAILABLE FOR SALE</b>		
<b>7.</b>	<b>FINANCIAL ASSETS (CURRENT)</b>		
	Listed equity securities (Level 1)	240,611	197,188
		=====	=====

**SOUTHERN CROSS EXPLORATION N L (NOTES)**

**NOTE 8. TRADE & OTHER RECEIVABLES (CURRENT)**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Deposits	14,424	13,618
Debtors & Other Receivables	351,491	333,278
	<u>365,915</u>	<u>346,896</u>

**NOTE 9. INVESTMENT IN JOINT VENTURE**

Bigryli Joint Venture - at cost	1,618,065	1,488,307
- at revaluation	7,086,235	7,086,235
	<u>8,704,300</u>	<u>8,574,542</u>

**Movement during year**

Balance at beginning of year - at cost	1,488,307	1,066,421
Expenditure capitalised	129,758	421,886
	<u>1,618,065</u>	<u>1,488,307</u>
Revaluation	7,086,235	7,086,235
Balance at end of year	<u>8,704,300</u>	<u>8,574,542</u>

**NOTE 10. AVAILABLE FOR SALE FINANCIAL ASSETS (NON-CURRENT)**

Listed equity securities (Level 1)	184,363	699,270
Shares in corporations not listed on Stock Exchange - at cost (Level 3)	500,377	608,148
	<u>684,740</u>	<u>1,307,418</u>

**NOTE 11. RECEIVABLES (NON-CURRENT)**

Deposits	70,679	70,679
Mortgage Investment - Related Parties	6,868,416	6,530,675
Other Receivables	27,500	27,500
Other Receivables - Related Parties	187,500	187,500
	<u>7,154,095</u>	<u>6,816,354</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. In view of a conflict perceived to exist by one shareholder and due to the recent change in the Board's composition, the Company may seek shareholders approval for the further extension of this mortgage, depending on legal advice.

**SOUTHERN CROSS EXPLORATION N L (NOTES)**

<b>NOTE</b>	<b>EXPLORATION &amp; EVALUATION ASSETS</b>	<b>2011</b>	<b>2010</b>
12.		<b>\$</b>	<b>\$</b>
	Exploration and evaluation expenditure - at cost	1,544,581	797,937
		<u>                    </u>	<u>                    </u>
	<b>Movement during year</b>		
	Balance at beginning of year	797,937	713,870
	Expenditure capitalised	746,644	84,067
		<u>                    </u>	<u>                    </u>
	Balance at end of year	1,544,581	797,937
		<u>                    </u>	<u>                    </u>

The ultimate recoupment of costs in the exploration or evaluation phases is dependent upon successful development, commercial exploitation, or sale.

<b>NOTE</b>	<b>TRADE &amp; OTHER PAYABLES (CURRENT)</b>		
13.			
	Trade and Other Payables	177,471	472,892
	Other Payables - Related Parties	203,704	150,200
		<u>                    </u>	<u>                    </u>
		381,175	623,092
		<u>                    </u>	<u>                    </u>

<b>NOTE</b>	<b>FINANCIAL LIABILITIES (CURRENT)</b>		
14.			
	Loan (secured by third party guarantee)	-	1,000,000
	Loans	1,011,681	995,545
		<u>                    </u>	<u>                    </u>
		1,011,681	1,995,545
		<u>                    </u>	<u>                    </u>

<b>NOTE</b>	<b>NON CURRENT LIABILITIES</b>		
15.			
	Financial liabilities - loans	1,403,485	1,030,387
		<u>                    </u>	<u>                    </u>

<b>NOTE</b>	<b>SHARE CAPITAL</b>		
16.			
	180,000,000 Ordinary fully paid shares		
	(2010 119,000,000)	21,523,158	18,729,158
	Transfer from Share Premium/Discount Reserve	(2,332,505)	(2,332,505)
		<u>                    </u>	<u>                    </u>
		19,190,653	16,395,653
		<u>                    </u>	<u>                    </u>

<b>Movements</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<u>No. of shares</u>	<u>\$</u>	<u>No. of shares</u>	<u>\$</u>
Balance at beginning of year	119,000,000	18,729,158	56,000,000	8,569,888
Acquisition of exploration interests	16,100,000	799,000	-	-
Acquisition of investments	2,000,000	100,000	-	-
Call on partly paid shares	-	-	60,000,000	1,200,000
Consultants	400,000	20,000	-	-
Loan settlements	42,500,000	1,875,000	-	-
Share placements	-	-	3,000,000	130,000
Transfer partly paid shares to fully paid shares	-	-	-	8,829,270
Balance at end of year	<u>180,000,000</u>	<u>21,523,158</u>	<u>119,000,000</u>	<u>18,729,158</u>

21,000,000 Options over ordinary shares exercisable at 15 cents each expired in November 2011.

**SOUTHERN CROSS EXPLORATION N L (NOTES)**

<b>NOTE</b>	<b>EARNINGS PER SHARE</b>	<b>2011</b>	<b>2010</b>
<b>17.</b>		<b>\$</b>	<b>\$</b>
	Basic earnings/(loss) per share	(0.010)	(0.003)
	Diluted earnings/(loss) per share	(0.010)	(0.003)
	Net loss used to calculate earnings/(loss) per share	(\$1,493,590)	(\$336,885)
	Number of weighted ordinary shares used in calculating earnings/(loss) per share	148,481,918	116,731,507
<b>NOTE</b>	<b>RESERVES</b>		
<b>18.</b>			
	Asset Revaluation	8,836,235	8,836,235
	Available for Sale Financial Assets	(2,759,991)	(2,887,712)
	Capital Profits/(Losses)	(1,506,851)	(761,409)
		-----	-----
		4,569,395	5,187,114
		=====	=====
	<b>Movement in Reserves</b>		
	Available for Sale Financial Assets		
	Balance at beginning of year	(2,887,712)	(2,805,714)
	- Write back fair value adjustments on Investments written off to Income Statement	260,549	-
	- Changes in fair value - available for sale financial assets	(132,828)	(81,998)
		-----	-----
	Net increase/(decrease)	127,721	(81,998)
		-----	-----
	Balance at end of year	(2,759,991)	(2,887,712)
		=====	=====

***Nature and purpose of Reserves***

**Asset Revaluation Reserve**

The Asset Revaluation Reserve comprises the revaluation of the Investment in the Bigrlyi 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.

**SOUTHERN CROSS EXPLORATION N L (NOTES)**

**NOTE 19. SEGMENT INFORMATION**

	Total Assets 2011 \$	Exploration 2011 \$	Investments 2011 \$	Total Assets 2010 \$	Exploration 2010 \$	Investments 2010 \$
Australia	10,187,255	97,528	10,089,727	10,533,695	-	10,533,695
Burkina Faso	-	-	-	86,954	86,954	-
Fiji	6,868,416	-	6,868,416	6,530,675	-	6,530,675
Iran	201,000	-	201,000	201,000	-	201,000
Philippines	1,311,198	1,311,198	-	663,688	663,688	-
Tanzania	135,855	135,855	-	26,067	26,067	-
	<u>18,703,724</u>	<u>1,544,581</u>	<u>17,159,143</u>	<u>18,042,079</u>	<u>776,709</u>	<u>17,265,370</u>

		2011 \$	2010 \$
Australia	Total Liabilities	<u>2,796,341</u>	<u>3,649,024</u>

**Segment Revenues**

Australia	Investments	<u>361,063</u>	<u>353,072</u>
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**Segment Results - Loss**

Australia	Investments	<u>(1,493,590)</u>	<u>(336,885)</u>
-----------	-------------	--------------------	------------------

**SOUTHERN CROSS EXPLORATION N L (NOTES)**

**NOTE 20. DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL AND RELATED PARTIES**

B Ganke, E Goh and R Adamson each held office as a Director of the parent entity in the consolidated entity at any time during the financial year ended 31 December 2011.

<b>20.1 Directors' remuneration</b>			<b>2011</b>	<b>2010</b>
<b>Name</b>	<b>Position</b>	<b>Remuneration</b>	<b>\$</b>	<b>\$</b>
B Ganke	Chairman	Director's Fees	-	5,000
" "	Managing Director	Salary	120,000	120,000
E Goh	Director (non-executive)	Director's Fees	20,000	5,000
R Adamson	Director (non-executive)	Director's Fees	20,000	5,000
" "		Consultants Fees	<u>17,950</u>	<u>40,000</u>
<b>Total remuneration</b>			<u>179,950</u>	<u>175,000</u>

R Adamson provided part-time consulting services to the company on commercial terms. No Director received or was entitled to receive any shares or options as part of remuneration during the year.

<b>20.2 Director's equity holdings (including relevant interests)</b>	<b>Balance</b>	<b>Change</b>	<b>Balance</b>
<b>Shares</b>	<b>1 January 2011</b>		<b>31 December 2011</b>
B Ganke	28,250,372	-	28,250,372
E Goh	1,327,000	-	1,327,000
R Adamson	<u>400,000</u>	<u>25,000</u>	<u>425,000</u>
	<u>29,977,372</u>	<u>25,000</u>	<u>30,002,372</u>

**20.3 Directors and related party transactions and balances**

<b>Aggregate Receivables at balance date</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Receivables:		
Directors (Staff Incentive Scheme)	137,500	137,500
Director related entities	50,000	50,000
Mortgage Investment (refer Note 11)	6,530,675	6,530,675
	<u>6,718,175</u>	<u>6,718,175</u>
<b>Current Liabilities</b>		
Other Payables - Directors	203,704	150,200
	<u>203,704</u>	<u>150,200</u>

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

Revenue		
Interest	338,575	335,242
	<u>338,575</u>	<u>335,242</u>
Expense		
Consultant services	17,950	40,000
Management fees	80,000	120,000
	<u>97,950</u>	<u>160,000</u>
<b>Total</b>	<u>97,950</u>	<u>160,000</u>

A private company of which B Ganke was a Director provided all administration, management and secretarial services for part of the year and these arrangements have been discontinued.

**SOUTHERN CROSS EXPLORATION N L (NOTES)**

**NOTE CASH FLOW RECONCILIATION**

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

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
(Loss)	(1,493,590)	(336,885)
<b>Non cash items:</b>		
Deconsolidation of controlled entity	86,197	-
Impairment losses	410,715	-
(Profit)/Loss on investments	334,725	(434)
Loss on loan transactions	306,748	-
Other non cash items	(2,097)	20,916
<b>Changes in Assets &amp; Liabilities:</b>		
Change in trade and other receivables	(213,154)	(366,938)
Change in trade and other payables	(21,449)	75,653
Change in financial liabilities	312,020	94,774
	-----	-----
Net cash used in operating activities	(279,885)	(512,480)
	=====	=====
<b>Non cash financing and investing activities</b>		
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 \$9,482 (2010 \$1,744).

**NOTE AUDITOR'S REMUNERATION**

**22.**

Audit and review of financial reports (no other services)	5,000	5,000
	=====	=====

**NOTE SUMMARY OF PARENT ENTITY**

**23. FINANCIAL INFORMATION**

Current Assets	9,302,047	9,065,596
Non Current Assets	7,028,729	6,716,270
	-----	-----
Total Assets	16,330,776	15,781,866
	-----	-----
Current Liabilities	1,380,809	2,609,000
Non Current Liabilities	1,403,485	1,030,387
	-----	-----
Total Liabilities	2,784,294	3,639,387
	-----	-----
Net Assets	13,546,482	12,142,479
	=====	=====
Share Capital	19,190,653	16,396,653
Reserves	4,312,748	4,881,228
Accumulated losses	(9,956,919)	(9,135,402)
	-----	-----
Total Equity	13,546,482	12,142,479
	=====	=====
(Loss) for the year	(1,524,472)	(493,454)
	=====	=====

**SOUTHERN CROSS EXPLORATION N L (NOTES)**

**NOTE PARTICULARS RELATING TO CONTROLLED ENTITIES**

24. <b>Controlled Entities</b>	Place of Incorporation	Class of Shares	<b>Parent Entity's Investment</b>			
			2011		2010	
			\$	%	\$	%
Northern Star Investments Pty Ltd	NSW	Ordinary	4	100	4	100
Northern Star Investments (Qld) Pty Ltd	QLD	Ordinary	2	100	2	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 of \$535,355 which involved the issue of shares at above market price at the time. If the party is not able to sell the shares for the value of the loan and interest, Southern Cross will be liable to cover any shortfall that may occur. No liability may crystallise but if it does, it should not exceed \$500,000.

**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:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Loss from ordinary activities	(1,493,590)	(336,885)
Prima facie income tax expense/(benefit) calculated at 30% (2010 30% ) on the Loss from ordinary activities	(448,077)	(101,065)
Tax effect of adjustments:		
Future tax benefits not brought to account	448,077	101,065
Income Tax expense relating to ordinary activities	-	-

**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 in respect of several parcels of listed shares amounting to about \$300,000. 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 2011**

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 2011 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 Ganke  
Director

Sydney  
30 March 2012

**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 2011', 'Consolidated Statement of Comprehensive Income for the year ended 31 December 2011', 'Consolidated Statement of Changes in Equity for the year ended 31 December 2011', 'Consolidated Statement of Cash Flows for the year ended 31 December 2011' and 'Notes to and forming part of the Consolidated Financial Statements for the year ended 31 December 2011'.

*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 2011 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 2011. 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 2011, complies with section 300A of the Corporations Act 2001.

**CDTL Corporate Accountants**

**Carl F. Dumbrell**  
**BCom CA (Aus) ACA (England & Wales) MTAX FTIA JP**  
**Partner**

Sydney, NSW Australia

Date: 31 March 2012

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# SOUTHERN CROSS EXPLORATION N L

A.C.N. 000 716 012

## CORPORATE DIRECTORY

**DIRECTORS** : BORIS GANKE (Chairman & Managing Director)  
EUGENE GANKE  
EVELYN GOH

**SECRETARY** : EVELYN GOH

**REGISTERED &  
ADMINISTRATIVE  
OFFICE** : 9TH FLOOR, 82 ELIZABETH STREET  
SYDNEY NSW 2000 AUSTRALIA  
TELEPHONE : (02) 9233 6022  
FAX : (02) 9233 6475  
e-mail : [sxx@sxxgroup.com](mailto:sxx@sxxgroup.com)  
web site : [www.sxxgroup.com](http://www.sxxgroup.com)

**POSTAL ADDRESS** : GPO BOX 4246  
SYDNEY NSW 2001

**SHARE REGISTRY** : BOARDROOM PTY LIMITED  
207 KENT STREET  
SYDNEY NSW 2000  
TELEPHONE : (02) 9290 9600  
FAX : (02) 9279 0664

**AUDITORS** : CDTL CORPORATE ACCOUNTANTS

**BANKERS** : AUSTRALIA & NEW ZEALAND  
BANKING GROUP

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