

# **SOUTHERN CROSS GOLDFIELDS LIMITED**

**ABN 71 124 374 321**

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2009**

# SOUTHERN CROSS GOLDFIELDS LIMITED

ABN 71 124 374 321

## HALF-YEAR FINANCIAL REPORT – 31 DECEMBER 2009

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**SOUTHERN CROSS GOLDFIELDS LIMITED**  
**ABN 71 124 374 321**

***CORPORATE DIRECTORY***

**DIRECTORS**

Samantha Tough	(Chairman)
Antony Truelove	(Managing Director)
Ian Buchhorn	(Non Executive Director)
Graham Brock	(Non Executive Director)
	(Appointed 6 October 2009)
Vernon Strange	(Resigned 16 October 2009)

**COMPANY SECRETARY**

Dan Calvert

**REGISTERED OFFICE**

Level 2, 123B Colin Street  
WEST PERTH WA 6005

Telephone: (08) 9215 7600

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Website: [www.scross.com.au](http://www.scross.com.au)

**SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
PERTH WA 6000

**AUDITORS**

Stantons International  
Level 1, 1 Havelock Street  
WEST PERTH WA 6005

**SOLICITORS**

Blakiston & Crabb  
1202 Hay Street  
WEST PERTH WA 6005

**STOCK EXCHANGE LISTING**

The Company's shares are listed and quoted on the Australian Securities Exchange Limited ("ASX").

Home Exchange: Perth, Western Australia

ASX Code: SXG  
SXGO

**SOUTHERN CROSS GOLDFIELDS LIMITED**  
**ABN 71 124 374 321**

## ***DIRECTORS' REPORT***

The directors submit their report on the Company for the half year ended 31 December 2009.

### **DIRECTORS**

The names of the Company's directors in office during the half year and until the date of this report are:

Samantha Tough  
Antony Truelove  
Ian Buchhorn  
Vernon Strange (Resigned 16/10/2009)  
Graham Brock (Appointed 06/10/2009)

### **RESULT**

The loss after tax for the half year ended 31 December 2009 was \$1,797,970 (half year ended 31 December 2008: \$3,272,161).

### **REVIEW OF OPERATIONS**

Southern Cross Goldfields Limited ("SXG") is a gold and nickel exploration company with a large tenement holding in the Central Yilgarn gold and nickel province of Western Australia. Gold resources totalling almost 425,000 ounces have been identified within the company's tenements and exploration has identified several additional gold and nickel targets. The company's exploration tenements are grouped into four major project areas:

- Parker Range Gold project
- Bullfinch North Nickel Project
- Marda Gold Project
- Perrinvale Gold Project

In addition, a tenement prospective for phosphate has been applied for in the Geraldton area known as the Moonyoonooka Phosphate Project.

### **PARKER RANGE GOLD PROJECT**

SXG holds rights to all minerals on 61 tenements (excluding iron-ore rights on ten tenements) covering approximately 190km<sup>2</sup> in the central part of the Southern Cross greenstone belt located between 3km and 100km south of Southern Cross. Seven gold deposits containing over 0.5Moz are located within the district. These generally tend to have a small surface expression and a long down plunge extent, making exploration difficult. This means that previous explorers are unlikely to have discovered all mineralisation in this district.

Gold resources have been established at Dulcie, Battler and British Hill within SXG's tenements and the Parker Range Gold Project area is considered to have the best potential for elevating SXG from an explorer to a producer in the short term, based on good infrastructure in the area and the quality of these resources.

Work by SXG during the half year ended 31 December 2009 has resulted in two new discoveries:

- A gold laterite resource at the Dulcie gold laterite project
- A high grade zone of gold mineralisation beneath the known oxide gold resource at the Battler gold project.

## ***DIRECTORS' REPORT***

### **Dulcie**

This prospect was acquired as part of a package of tenements purchased using SXG shares from Crusader Resources Ltd earlier in the year. Since acquisition, it has taken SXG less than 9 months to define a JORC resource.

As the resource is a flat lying gold laterite with a negligible strip ratio and potential to be exploited via a heap leach style of operation, it is currently being fast tracked through to preliminary feasibility study stage.

Work to date has included:

- Definition of the resource to indicated and inferred status
- Mining Lease applications lodged
- Baseline environmental surveys (flora and fauna) completed
- Metallurgy in progress
- Water sources identified
- Preliminary feasibility study in progress

Similar mineralisation has been mined along strike to the north using a heap leach style of operation. While details of this are difficult to find, it would appear from annual reports of the company involved (Thames Mining NL) that the operation was highly profitable and recovery of gold was high even though the laterite was not crushed.

This style of operation generally has a very short lead time, low capital expenditure requirement and low operating cost and hence is the favoured option for treating SXG's resources at the present time.

The gold laterite mineralisation can be thought of as a large geochemical anomaly and hence drilling designed to test for oxide and primary mineralisation beneath the laterite was also completed during the half year. This resulted in the definition of three distinct zones of oxide/primary mineralisation:

- Main Zone BIF            2m @ 6.20g/t Au from 32m
- Eastern Shear Zone    14m @ 0.97g/t Au from 28m
- Scots Grey                5m @ 3.53g/t Au from 57m

Follow-up drilling is planned at Scots Grey.

### **Battler**

Based on previous drilling by SXG, potential for a higher grade zone of mineralisation was interpreted beneath the oxide resource at the Battler gold project.

Reverse circulation (RC) drilling during the current half-year has confirmed this interpretation, with significant drill intercepts returned including:

Hole Number	North	East	Local North	Local East	From (m)	To (m)	Interval (m)	g/t Au
BGRC109	6529527	727450	2525	1146	105	108	3	7.38
BGRC111	6529545	727419	2558	1131	103	108	5	11.5
BGRC112	6529534	727403	2558	1111	79	81	2	9.27
	incl.				79	80	1	17.3
					87	89	2	1.97
					93	101	8	1.81
BGRC113	6529564	727440	2561	1159	128	131	3	1.3
BGRC114	6529582	727430	2581	1161	127	129	2	3.59

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**DIRECTORS' REPORT**

					165	167	2	4.21
BGRC115	6529589	727401	2604	1141	167	168	1	1.37
BGRC116	6529515	727434	2525	1126	89	96	7	2.24
					100	104	<b>3</b>	<b>15.6</b>
BGRC117	6529531	727418	2547	1122	88	90	2	4.4
					98	100	<b>2</b>	<b>24.4</b>
	incl.				99	100	<b>1</b>	<b>44.4</b>
BGRC118	727450	6529494	2498	1127	87	91	4	1.78
BGRC119	727427	6529482	2502	1101	78	79	1	1.29
BGRC120	727367	6529562	2602	1098	111	125	<b>14</b>	<b>7.24</b>
		incl.			115	121	<b>6</b>	<b>12.3</b>

Notes:

1. Collar locations accurate to 4m; all holes surveyed downhole
2. Collar co-ordinates GDA94 Zone 50
3. Local grid oriented 35°anticlockwise from GDA94 grid
4. All holes drilled at -60° toward local grid west (235°T)
5. Drilling by 5.25 inch face sampling RC hammer; samples riffle split on site to 2kg
6. All assays by 40g fire assay at Ultratrace laboratories in Perth

These results confirm the geological interpretation and suggest the high grade zone at depth is still open down plunge to the north.

This new higher grade zone is currently being re-modelled and a resource estimated in order to assess size potential. Additional drilling down plunge to the north is also planned.

Based on these results, the Battler gold project is currently considered to have good potential to be the next production option for SXG following Dulcie.

### **BULLFINCH NORTH NICKEL PROJECT**

SXG holds rights to all minerals except iron-ore on 35 tenements covering approximately 402km<sup>2</sup> in the northern part of the Southern Cross greenstone belt between 30km and 90km northwest of Southern Cross. The plus 1Moz Copperhead gold deposit is located less than 2km from the project boundary. A small nickel sulphide deposit, Trough Well, was discovered within the project area during the 1970's "nickel boom" and this is owned by SXG.

Based on the geological setting of this area, which is no different from the rest of the greenstone belt to the south (which hosts 5 plus 1Moz gold camps), combined with the extensive transported overburden (which has hindered previous explorers), this area is considered to have excellent potential for a new major gold and/or nickel sulphide ore-body.

Exploration by SXG during the half year ended 31 December 2009 has consisted of compilation and review of all previous drilling data. This has resulted in the identification of several high priority gold and nickel sulphide targets. In particular:

- Mt Correll - 3.6km of the Copperhead Shear Zone (CSZ) beneath shallow cover with plus 1g/t Au identified in previous broad spaced RAB drilling over at least 1km and elevated gold in soils over the remainder
- Scorpio - 4.0km of the CSZ beneath shallow cover with anomalous gold in soil and RAB drilling and up to 4m @ 8.21g/t Au from 107m in limited RC follow-up
- Sirius - combined 5.2km strike of interpreted thrust faults in the pressure shadow of a granite batholith adjacent to the CSZ with elevated gold in soils and RAB.

## ***DIRECTORS' REPORT***

Several high priority nickel sulphide targets have also been identified including a number of previous broad spaced RAB intercepts with combined elevated nickel and copper:

- 24m @ 0.50% Ni, 216ppm Cu
- 2m @ 0.70% Ni, 120ppm Cu (end of hole)
- 16m @ 0.57% Ni, 483ppm Cu (incl. 4m @ 0.48% Ni, 714ppm Cu)
- 2m @ 0.11% Ni, 245ppm Cu (end of hole)
- 4m @ 0.37% Ni, 350ppm Cu
- 4m @ 0.34% Ni, 265ppm Cu
- 4m @ 0.24% Ni, 620ppm Cu
- 4m @ 0.40% Ni, 150ppm Cu & 2m @ 0.11% Ni, 2050ppm Cu

Negotiations are continuing with a specialist nickel explorer to follow up these intercepts.

### **MARDA GOLD PROJECT**

SXG holds rights to all minerals except iron-ore on 106 tenements covering approximately 1,870km<sup>2</sup> in the Marda greenstone belt approximately 170km north of Southern Cross. Part of this area is held under a conditional sale agreement which is yet to be finalised.

Gold resources have been established at King Brown and Golden Orb within SXG's tenements and at Python, Dolly Pot, Dugite, Goldstream and Mt King within the conditional purchase tenements.

Exploration by SXG during the half year ended 31 December 2009 has been limited due to priorities elsewhere and has consisted of a review of exploration data at Marda Central, Evanston Mine and Mt King as well as a baseline environmental study at Marda Central.

#### **Marda Central**

A review of previous data in the Marda Central area suggests good potential exists for increasing the known resources along strike and at depth as well as discovering additional similar styles of mineralisation. A strong north-south structural element has been interpreted that has not been adequately drill-tested.

Based on this review, a detailed re-modelling exercise is planned on the existing resources followed by updated optimisation studies.

In order to fast-track this area to mining if the re-optimisations are positive, a baseline spring botanical study has been completed. No rare flora or priority/threatened ecological communities were identified in the survey.

#### **Evanston Mine**

This area is the largest producer in the Marda greenstone belt and has been mined historically during two phases:

- 1929-1951      61,000oz produced at a grade of 16g/t Au
- 1990's         20,000oz to 40,000oz produced at a grade of 3-4g/t Au

Significant mineralisation remains unmined and all data is currently being sourced and compiled in an attempt to estimate the size and grade of existing mineralisation and to develop an exploration model.

#### **Marda Iron Ore**

Following a review of data it has been recognised that several tenements owned 100% by SXG have potential for iron ore mineralisation. It is intended to follow this up in the next period.

## ***DIRECTORS' REPORT***

### **Mt King**

A review of exploration data suggests that the high grade part of the deposit may be associated with a cross-cutting feature which has been inadequately tested by previous drilling. This requires follow-up including sourcing of additional exploration data and potentially some additional drilling.

### **PERRINVALE GOLD PROJECT**

SXG holds rights to all minerals except iron-ore on 14 tenements covering approximately 170km<sup>2</sup> in the Yerilge and Maninga greenstone belts, approximately 80km west of Menzies. As these tenements are being maintained by other parties exploring for iron-ore, no work was undertaken on this project during the reporting period.

### **OTHER**

SXG holds rights to all minerals over an additional 6 tenements covering 594km<sup>2</sup> (excluding iron-ore rights on 3 of these tenements). Due to priorities elsewhere, little work was completed on any of these.

### **EVENTS SUBSEQUENT TO REPORTING DATE**

Other than has been detailed in Note 6 to the accounts there has not been any matters that have arisen since the end of the half year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of the affairs of the Company in future financial years.

### **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 22.

Signed in accordance with a resolution of the Directors:



Antony Truelove  
Managing Director

Perth, Western Australia.  
5 February 2010.

### **JORC COMPLIANCE STATEMENT**

The geological information in this report relating to Exploration Results and Mineral Resources has been compiled by Mr. Antony Truelove who is a director of Southern Cross Goldfields and a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person in respect of the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Notes	31 December 2009 \$	31 December 2008 \$
Exploration expenditure		(1,176,133)	(1,063,628)
Administration expenditure		(453,304)	(487,411)
Share based payments		(55,520)	(58,125)
Impairment of tenements		(92,203)	(1,709,730)
Depreciation		(45,925)	(42,623)
<b>Loss before interest and taxes</b>		<b>(1,823,085)</b>	<b>(3,361,517)</b>
Interest revenue		25,115	89,356
<b>Loss before income tax</b>		<b>(1,797,970)</b>	<b>(3,272,161)</b>
Income tax		-	-
<b>Net loss</b>		<b>(1,797,970)</b>	<b>(3,272,161)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(1,797,970)</b>	<b>(3,272,161)</b>
Earnings per share (cents per share)			
- Basic loss for the half-year	3	(1.94)	(5.05)

Diluted earnings per share does not represent an inferior view of the Company's performance and is not disclosed for this reason.

The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**SOUTHERN CROSS GOLDFIELDS LIMITED**  
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**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

	Notes	As at 31 December 2009 \$	As at 30 June 2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	3,403,633	2,479,154
Trade and other receivables		100,000	417,985
<b>Total Current Assets</b>		<u>3,503,633</u>	<u>2,897,139</u>
<b>Non-Current Assets</b>			
Receivables		90,810	90,810
Property, plant and equipment		258,641	284,291
Tenement acquisition costs		3,108,296	3,200,499
<b>Total Non-Current Assets</b>		<u>3,457,747</u>	<u>3,575,600</u>
<b>TOTAL ASSETS</b>		<u>6,961,380</u>	<u>6,472,739</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		219,509	122,204
Provisions		47,497	49,786
<b>Total Current Liabilities</b>		<u>267,006</u>	<u>171,990</u>
<b>TOTAL LIABILITIES</b>		<u>267,006</u>	<u>171,990</u>
<b>NET ASSETS</b>		<u>6,694,374</u>	<u>6,300,749</u>
<b>EQUITY</b>			
Issued capital	4(a)	14,427,615	12,301,728
Option reserve		2,505,650	2,439,942
Accumulated losses		(10,238,891)	(8,440,921)
<b>TOTAL EQUITY</b>		<u>6,694,374</u>	<u>6,300,749</u>

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

**SOUTHERN CROSS GOLDFIELDS LIMITED**  
**ABN 71 124 374 321**

**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	31 December 2009	31 December 2008
	\$	\$
Notes		
<b>Cash flows from operating activities</b>		
Payments for exploration expenditure	(1,063,346)	(1,440,644)
Payments for administration expenditure	(470,730)	(731,136)
Interest received	31,308	139,225
GST	3,006	98,620
<b>Net cash flows used in operating activities</b>	<b>(1,499,762)</b>	<b>(1,933,935)</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(20,275)	(18,700)
Proceeds from sale of assets	300,000	15,000
<b>Net cash flows from/(used in) investing activities</b>	<b>279,725</b>	<b>(3,700)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	2,361,560	-
Equity raising costs	(217,044)	-
<b>Net cash flows from/(used in) financing activities</b>	<b>2,144,516</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>	924,479	(1,937,635)
<b>Cash and cash equivalents at the beginning of the half year</b>	2,479,154	3,865,729
<b>Cash and cash equivalents at the end of the half year</b>	<b>3,403,633</b>	<b>1,928,094</b>

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

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**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	<b>Equity</b>	<b>Accumulated losses</b>	<b>Option reserve</b>	<b>Total equity</b>
	\$	\$	\$	\$
<b>At 1 July 2009</b>	12,301,728	(8,440,921)	2,439,942	6,300,749
(Loss) attributable to members of the company	-	(1,797,970)	-	(1,797,970)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive (loss)	-	(1,797,970)	-	(1,797,970)
Shares issued during the period	2,361,560	-	-	2,361,560
Equity raising costs	(235,673)	-	-	(235,673)
Options issued during the period	-	-	55,520	55,520
Options expensed during the period	-	-	10,188	10,188
<b>At 31 December 2009</b>	<b>14,427,615</b>	<b>(10,238,891)</b>	<b>2,505,650</b>	<b>6,694,374</b>

	<b>Equity</b>	<b>Accumulated losses</b>	<b>Option reserve</b>	<b>Total equity</b>
<b>At 1 July 2008</b>	10,654,741	(4,319,019)	2,357,300	8,693,022
(Loss) attributable to members of the company	-	(3,272,161)	-	(3,272,161)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive (loss)	-	(3,272,161)	-	(3,272,161)
Options issued during the period	-	-	58,125	58,125
Options expensed during the period	-	-	10,188	10,188
<b>At 31 December 2008</b>	<b>10,654,741</b>	<b>(7,591,180)</b>	<b>2,425,613</b>	<b>5,489,174</b>

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## **CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

The financial report of Southern Cross Goldfields Limited (the Company) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 4 February 2010. Southern Cross Goldfields Limited is a limited company incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described on pages 2 to 6 in the Directors' Report.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of accounting**

The half-year financial report is a general-purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

Since 1 July 2009, the Company has adopted the following new Standards:

- AASB 101 Presentation of Financial Statements. The Company has adopted this standard. The financial statements are presented and titled in accordance with the new standard and comparatives have been re-stated in accordance with the new standard. The new standard has not resulted in any changes to the financial performance of the Company.
- AASB 3 Business Combinations. The Company has adopted this standard, but as there have been no transactions of this nature there has been no impact from adopting this standard.
- AASB 8 Operating Segments. The Company has adopted this standard, but as the Company operates as a single segment there has been no impact from adopting this standard.
- AASB 123 Borrowing Costs. The Company has adopted this standard, but as there have been no transactions of this nature there has been no impact from adopting this standard.
- AASB 127 Consolidated and Separate Financial Statements. The Company has adopted this standard, but as there are no subsidiaries there has been no impact from adopting this standard.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### **(b) Significant accounting policies**

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half year financial report should be read in conjunction with the annual Financial Report of Southern Cross Goldfields Limited as at 30 June 2009.

## **CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

It is also recommended that the half year financial report be considered together with any public announcements made by Southern Cross Goldfields Limited during the half year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.

#### **(c) Going concern**

The financial report has been prepared on a going concern basis which contemplates the continuation of the business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. As at 31 December 2009 the Company has cash on hand of \$3,403,633. Based on the Company's projected cash flows this will be sufficient for the Company to continue its projected activities until January 2011 and accordingly there is uncertainty about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on its ability to raise further capital from the market. The Directors note that capital markets are improving and the outlook for raising capital is better than in the previous eighteen months, but note that future financial shocks cannot be ruled out, and that access to further capital cannot be guaranteed.

Having regard to these factors the Directors are of the opinion that the basis upon which the financial statements are presented is appropriate in the circumstances. In the event that further capital cannot be raised, the Company may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The financial statements do not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

### **3. EARNINGS PER SHARE**

	<b>31 Dec 2009</b>	<b>31 Dec 2008</b>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(1.94)	(5.05)

Weighted average number of ordinary shares used in the calculation of basic loss per share is 92,602,586 (31 December 2008 – 64,830,000). Options to purchase ordinary shares not exercised at 31 December 2009 have not been included in the determination of basic earnings per share.

Diluted earnings per share does not represent an inferior view of the Company's performance and is not disclosed for this reason.

## **CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

### **4. CONTRIBUTED EQUITY**

#### **(a) Issued and paid up capital**

	<b>31 December 2009</b>	<b>30 June 2009</b>
<b>Ordinary shares</b>	<b>\$</b>	<b>\$</b>
Shares issued and fully paid	15,013,540	12,651,980
Capital raising costs	<u>(585,925)</u>	<u>(350,252)</u>
Issued and fully paid capital	<u>14,427,615</u>	<u>12,301,728</u>

#### **(b) Movement in ordinary shares on issue**

	<b>Number of Shares</b>	<b>Total \$</b>
1/07/2009 Opening Balance	88,558,512	12,651,980
2/12/2009 Rights Issue at 8 cents per share	29,519,504	2,361,560
	<u>                    </u>	<u>                    </u>
31/12/2009 Closing Balance	<u>118,078,016</u>	<u>15,013,540</u>

#### **(c) Movement in options on issue**

	<b>Number of Options 2009</b>
<b>(i) Unquoted options exercisable at 20 cents, on or before 31 December 2012</b>	
Opening balance	15,000,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	<u>15,000,000</u>
<b>(ii) Unquoted options exercisable at 20 cents, on or before 10 March 2011</b>	
Opening balance	5,000,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	<u>5,000,000</u>
<b>(iii) Unquoted options exercisable at 20 cents, on or before 10 March 2012</b>	
Opening balance	1,000,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	<u>1,000,000</u>

## **CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

### **(c) Movement in options on issue (continued)**

	<b>Number of Options 2009</b>
<b>(iv) Unquoted options exercisable at 25 cents, on or before 12 March 2014</b>	
Opening balance	6,000,000
Issued during the half year	250,000
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	6,250,000
<b>(v) Unquoted options exercisable at 30 cents, on or before 12 March 2014</b>	
Opening balance	6,000,000
Issued during the half year	250,000
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	6,250,000
<b>(vi) Unquoted options exercisable at 25 cents, on or before 1 May 2014</b>	
Opening balance	25,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	25,000
<b>(vii) Unquoted options exercisable at 30 cents, on or before 1 May 2014</b>	
Opening balance	25,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	25,000
<b>(viii) Unquoted options exercisable at 25 cents, on or before 2 July 2014</b>	
Opening balance	125,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	125,000
<b>(ix) Unquoted options exercisable at 30 cents, on or before 2 July 2014</b>	
Opening balance	125,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	125,000

## **CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

**(c) Movement in options on issue (continued)**

	<b>Number of Options 2009</b>
<b>(x) Unquoted options exercisable at 25 cents, on or before 6 February 2014</b>	
Opening balance	25,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	25,000
<b>(xi) Unquoted options exercisable at 30 cents, on or before 6 February 2014</b>	
Opening balance	25,000
Issued during the half year	-
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	25,000
<b>(xii) Unquoted options exercisable at 25 cents, on or before 21 July 2014</b>	
Opening balance	-
Issued during the half year	100,000
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	100,000
<b>(xiii) Unquoted options exercisable at 30 cents, on or before 21 July 2014</b>	
Opening balance	-
Issued during the half year	100,000
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	100,000
<b>(xiv) Quoted options exercisable at 15 cents, on or before 30 November 2010</b>	
Opening balance	-
Issued during the half year	29,519,504
Exercised during the half year	-
Options lapsed during the half year	-
Balance at the end of the half year	29,519,504

## **CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

### **(d) Options expensed**

	<b>Options</b>	<b>\$</b>
(i) Unquoted options exercisable at 20 cents, on or before 10 March 2012 vesting on discovery of 250,000 ounces of gold or 5,000 tonnes of contained nickel.		
Opening balance	1,000,000	26,410
Expensed during the half year	-	10,188
Balance at the end of the half year	1,000,000	36,598

Currently there are no indications of a discovery of 250,000 ozs of gold or 5,000 tonnes of nickel on the tenements related to the granting of unquoted options to Oropa Ltd. As the Directors are unable to determine when or if, the vesting conditions will be met, these options are being expensed over the four year life of the options at a rate of \$55.37 per day.

### **5. SEGMENT INFORMATION**

Southern Cross Goldfields Limited operates within the exploration industry in Western Australia.

### **6. SUBSEQUENT EVENTS**

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors Report or the Financial Statements, that has significantly or may significantly affect, the state of affairs or operations of the reporting entity in the future financial periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2009 Financial Report.

#### *Sale of tenements to Cliffs*

As announced to the market on 23 November 2009 the Company has entered into a letter agreement with Cliffs Natural Resources Pty Ltd (Cliffs) to sell title to six of its tenements for cash consideration of \$750,000 subject to a number of conditions precedent including:

- FIRB approvals
- Third party approvals
- A deed between Cliffs and Global Iron Limited becoming unconditional
- Drafting of a formal agreement

As the conditions precedent have not yet been met the financial effects of this agreement have not been included at 31 December 2009.

### **7. CAPITAL COMMITMENTS**

On 28 August 2007, the Company entered into an agreement with International Goldfields Limited ("IGL") to acquire an interest in various tenements and joint ventures for a total consideration of \$1,825,000 made up of cash payments of \$1,325,000 and 2,500,000 shares in the Company deemed to be issued at \$0.20 each. Cash of \$875,000 has been paid to 31 December 2008 and the balance of the cash (\$450,000) and shares (deemed value \$500,000) is payable once the Company is satisfied that an A Class Nature Reserve (the proposed Mt Manning Nature Reserve) will not be established over the affected tenements. The conditions are not expected to be met in the 2009/2010 financial year and the Company is not satisfied, based on its knowledge at the date of this report, that these conditions will be met in subsequent years. At balance date the balance of the cash (\$450,000) and shares (deemed value \$500,000) had not been accrued.

## **CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

### **8. CONTINGENT LIABILITIES**

In the opinion of the directors, there are no contingent liabilities at 31 December 2009 and none were incurred in the interval between the period end and the date of this financial report.

### **9. CASH AND CASH EQUIVALENTS**

For the purposes of the half year Cash Flow Statement, cash and cash equivalents comprise the following at 31 December 2009:

	<b>31 December 2009</b>	<b>31 December 2008</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	45,598	9,750
Short-term deposits	3,358,035	1,918,344
	3,403,633	1,928,094

### **10. RELATED PARTY DISCLOSURES**

The following table provides the total amount of transactions (including GST if applicable) that were entered into with related parties for the half year ended 31 December 2009 and 2008:

Related party		Fees charged by related parties \$	Amounts owed to related parties \$
Southern Cross Drilling Services	2009	5,028	-
	2008	33,181	7,134
Vernon Strange	2009	-	-
	2008	3,356	-

Mr Strange ceased to be a related party of the Company on 16 October 2009 when he resigned as a Director of the Company. The related party interests noted are up until the date Mr Strange ceased to be a related party.

Mr Vernon Strange is a director and shareholder of Southern Cross Drilling Services Pty Ltd which has provided exploration services to the Company on normal terms and conditions.

### **11. SHARE BASED PAYMENTS**

On 21 July 2009, 200,000 share options were granted to an employee. The options are exercisable from date of grant and expire on 21 July 2014. 100,000 options have an exercise price of \$0.25 each and the remaining 100,000 options have an exercise price of \$0.30 each.

On 20 November 2009, 500,000 share options were granted to a Director. The options are exercisable from date of grant and expire on 12 March 2014. 250,000 options have an exercise price of \$0.25 each and the remaining 250,000 options have an exercise price of \$0.30 each.

The fair value of the above options is estimated at the date of grant using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

## **CONDENSED NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

### **11. SHARE BASED PAYMENTS (Continued)**

The following table lists the inputs to the Black Scholes option pricing model.

<b>Expiry Date</b>	<b>Exercise Price (cents)</b>	<b>Expected volatility (%)</b>	<b>Term of Option (years)</b>	<b>Risk free interest rate (%)</b>	<b>Market price at grant date (cents)</b>	<b>Estimated fair value at grant date (cents)</b>
21 Jul 09	25.00	222	5	2.5	7.1	6.94
21 Jul 09	30.00	222	5	2.5	7.1	6.93
20 Nov 09	25.00	177	4.3	3.0	9.3	8.37
20 Nov 09	30.00	177	4.3	3.0	9.3	8.29

## ***DIRECTORS' DECLARATION***

In accordance with a resolution of the directors of Southern Cross Goldfields Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2009 and of the performance for the half-year ended on that date of the Company; and
  - (ii) complying with Accounting Standards AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (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.

On behalf of the Board



Antony Truelove  
Managing Director

Perth, Western Australia  
5 February 2010.

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SOUTHERN CROSS GOLDFIELDS LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Southern Cross Goldfields Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, a condensed statement of accounting policies, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of Southern Cross Goldfields Limited (the Company) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of Interim Financial and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Southern Cross Goldfields Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

### *Independence*

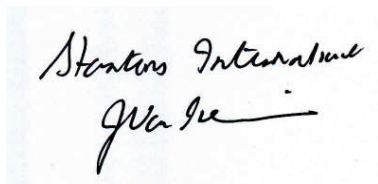
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Southern Cross Goldfields Limited on 5 February 2010.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Southern Cross Goldfields Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**STANTONS INTERNATIONAL**  
**(An Authorised Audit Company)**

A handwritten signature in black ink, reading "Stantons International" on the top line and "John P Van Dieren" on the bottom line, is written over a light blue rectangular background.

**John P Van Dieren**  
**Director**

West Perth, Western Australia  
5 February 2010

5 February 2010

Board of Directors  
Southern Cross Goldfields Limited  
Level 2, 123B Colin Street  
WEST PERTH WA 6005

Dear Directors

**RE: SOUTHERN CROSS GOLDFIELDS LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Southern Cross Goldfields Limited.

As Audit Director for the review of the financial statements of Southern Cross Goldfields Limited for the six months ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

**STANTONS INTERNATIONAL**  
**(Authorised Audit Company)**



**John P Van Dieren**  
**Director**