



SOUTHERN CROSS GOLDFIELDS LTD

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23 February 2011

Dear Shareholder,

Join SXG's Exciting Future

On 23 February 2011, Southern Cross Goldfields Limited (**Company**) lodged a prospectus offering up to approximately 60,118,479 New Shares at an issue price of 6.5 cents per New Share by way of a renounceable pro-rata entitlements issue (**Rights Issue**) on the basis of 3 New Shares for every 7 Existing Shares held by shareholders registered as at the Record Date whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

The Rights Issue is being fully underwritten by Patersons Securities Limited (**Patersons**).

The bulk of proceeds from the Rights Issue will be used to underpin a feasibility study on a proposed integrated development of the Company's portfolio of oxide gold deposits in the Southern Cross region of Western Australia as part of a near-term production strategy.

This strategy, as announced on 10 February 2011, is based on the establishment of a 400,000tpa gold processing facility at the Marda Project, where the Company's resource base is centred, with an initial production target of 30,000 ounces per annum over five years. Based on identified parameters, SXG is targeting cash operating costs in the region of A\$750-800 per ounce from this scale of operation, which would enable the Company to generate strong cash flows at current gold prices. The feasibility study is targeted for completion in mid-2011, with first production targeted for mid-2012.

An infill and extensional drilling programme is currently underway as part of the feasibility study to confirm and, where possible, increase the Company's resource base. For example, recent drilling at the Battler gold deposit (as announced on 14 February 2011 and 18 February 2011) has confirmed the discovery of a near-surface zone of high grade gold mineralisation within the planned open pit and the discovery of a new target zone north of the existing resource and planned open pit.

The Company believes there is significant potential for new discoveries and resource extensions within the Company's tenements, which can be unlocked through a re-energised and focused exploration campaign generated by the establishment of a centrally located treatment facility.

The Company expects the Rights Issue to be conducted in accordance with the following timetable:

Securities are quoted on an "ex" basis (the "ex" date) and rights trading commences	1 March 2011
Record Date for Rights Issue	7 March 2011
Despatch prospectus and entitlement and acceptance forms to Eligible Shareholders and announce despatch has been completed	10 March 2011
Offer opens	10 March 2011
Rights trading ends	18 March 2011
New Shares quoted on deferred settlement basis	21 March 2011
Acceptances close	25 March 2011
Notify ASX of under subscriptions	30 March 2011
Despatch date of holding statements	4 April 2011
Trading commences for New Shares on a normal basis	5 April 2011

The above dates are indicative only. The Company, in conjunction with the underwriter, reserves the right to vary the above dates, subject to the ASX Listing Rules and Corporations Act.

A prospectus for the Rights Issue has been lodged with the ASIC. The New Shares to be issued pursuant to the Rights Issue will rank equally with the Existing Shares.

The funds raised from the Rights Issue will be used for the following purposes:

- to conduct a feasibility study on the Marda Central, King Brown and Battler gold deposits;
- to fund ongoing regional exploration at Marda, Copper Bore, Parker Range and Bullfinch North;
- working capital; and
- to fund Rights Issue expenses.

In the event that circumstances change or other opportunities arise the Directors reserve the right to vary the proposed use of funds to maximise benefits to shareholders.

Eligible Shareholders will receive a copy of the prospectus and must complete the application form accompanying the prospectus to take up their entitlements. Eligible Shareholders may also apply for additional shares in excess of their entitlement.

A table setting out the capital structure of the Company after completion of the Rights Issue is set out below (assuming no exercise of Options before the Record Date and full subscription for New Shares):

Shares on issue at the date of the announcement of the Rights Issue	140,276,451
New Shares issued pursuant to the Rights Issue	60,118,479
Total Shares on issue after completion of the Rights Issue	200,394,930
Unlisted Options exercisable at \$0.20 on or before 10 March 2011	5,000,000
Unlisted Options exercisable at \$0.20 on or before 10 March 2012	1,000,000
Unlisted Options exercisable at \$0.15 on or before 8 August 2012 (voluntarily escrowed until 8 February 2012)	2,000,000
Unlisted Options exercisable at \$0.20 on or before 31 December 2012	15,000,000
Unlisted Options exercisable at \$0.25 on or before 12 March 2014	6,575,000
Unlisted Options exercisable at \$0.30 on or before 12 March 2014	6,575,000
Unlisted Options exercisable at \$0.25 on or before 2 July 2014	125,000
Unlisted Options exercisable at \$0.30 on or before 2 July 2014	125,000
Unlisted Options exercisable at \$0.25 on or before 21 July 2014	100,000
Unlisted Options exercisable at \$0.30 on or before 21 July 2014	100,000
Unlisted Options exercisable at \$0.20 on or before 1 October 2014	2,000,000
Unlisted Options exercisable at \$0.25 on or before 1 October 2014	1,000,000
Unlisted Options exercisable at \$0.30 on or before 1 October 2014	1,000,000
Unlisted Options exercisable at \$0.40 on or before 1 October 2014	1,000,000

Patersons is acting as lead manager and underwriter to the Rights Issue and is entitled to be paid the following fees (exclusive of GST):

- an underwriting fee of 5.5% for the amount underwritten; and
- a lead manager fee of \$60,000.

Should you have any questions regarding the Rights Issue you may contact the Company on (08) 9215 7600 or consult your stockbroker or professional adviser. A copy of the prospectus may be viewed on the ASX Limited website, or alternatively at the Company's website at www.scross.com.au.

We look forward to your participation in the Rights Issue.

Yours sincerely,



Glenn Jardine

**MANAGING DIRECTOR
SOUTHERN CROSS GOLDFIELDS LIMITED**