



Welcome from the Chairman

Welcome to our first SXGNews.

2008 was an extraordinary year for our Company. I encourage you to read our [Annual Report](#) (at www.scross.com.au/reports) as it highlights the high level of work, encouraging exploration results and solid planning the Board and management team have expended since listing.

We are mailing this edition to Shareholders but I encourage you to register your email address with us in order to receive future copies of SXGNews. Through registering, you will also receive advice of ASX releases plus go in the draw for a SXG gold nugget.

Best wishes for the year ahead
Samantha Tough, Chairman, SXG



L to r:
Ian Buchhorn (Director), Dan Calvert (CFO), Samantha Tough (Chairman), Tony Truelove (Managing Director), Vern Strange (Director)

SXG sponsors Health Worker training

SXG is sponsoring the Goldfields Western Desert Kidney Project, a major health program targeting kidney disease in Goldfields. The project aims to improve the health and life expectancy of hundreds of people in regional communities, with the likelihood of being applied to communities Australia wide.

Co-ordinated by Dr Christine Jeffries-Stokes from Kalgoorlie, in partnership with the University of Western Australia Rural Clinical School, the project will bring changes through medical consultation and education, with emphasis on learning through arts and cultural activities.

SXG supported the training of eight local health workers who will be pivotal throughout the three year long pilot project.



Win SXG Gold!

Shareholders and members of the public who register their email address with SXG or with our registry manager, Computershare Investor Services, will go in the draw for a SXG gold nugget.



Those on our register can receive SXG ASX releases and quarterly e-newsletters.

Register through our www.scross.com.au/subscribe.php or www.computershare.com.au/easyupdate/sxg

The lucky winner's e-contacts will be drawn end of February.

Nugget kindly donated by Vern Strange, SXG Director/Prospector.

Our privacy policy for e-subscribers

We respect your privacy and commit to the following:

- Your details will only ever used by us to provide you with information directly related to our products and services
- We will never pass your details onto another party
- We keep your information as safe and secure as practically possible
- Whenever you wish to stop receiving email newsletters from us you simply click the unsubscribe link that is at the bottom of every email we send.

Recent Company announcements

EM Anomalies at Bullfinch North Nickel Project	22 Jan 2009
Details of Parker Range and Andromeda tenement acquisition	4 Dec 2008
SXG acquires additional Parker Range and Andromeda tenements	4 Dec 2008
Further encouragement from Trough Well and Andromeda drill results	24 Nov 2008
SXG announces exciting new Nickel and Gold intercepts	20 Oct 2008
Drilling confirms significant gold and nickel mineralisation	19 Aug 2008

Calendar 2009

January 30	SXG Quarterly Report
February 18	SXG Extraordinary General Meeting
February 27	SXG Half Yearly Report
March 16	SXG Half yearly accounts
March 20	Anniversary of SXG listing on ASX

SXG Contacts

Level 2, 123B Colin Street, West Perth
PO Box 708, West Perth 6872
Telephone +61 8 9215 7600
West Perth Office admin@scross.com.au



Background brief from the MD: Formation of Kambalda Type Nickel Sulphide Deposits

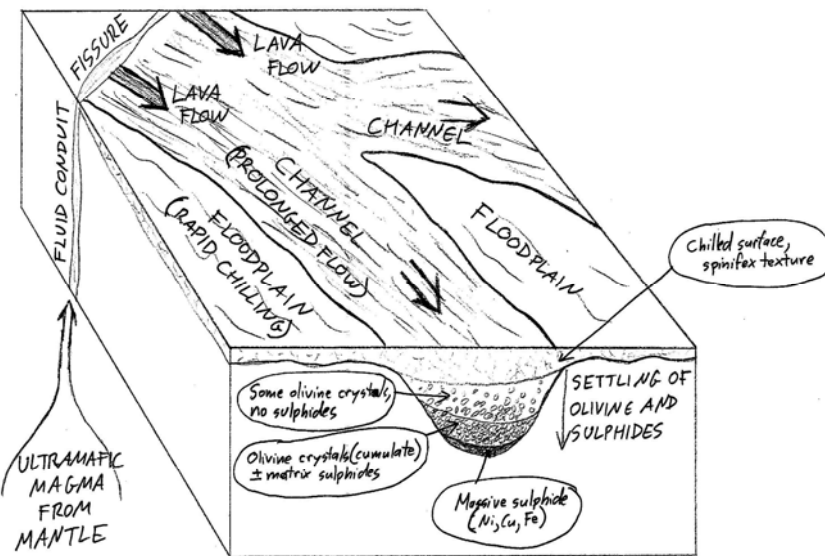
As Managing Director of SXG and a geologist of some 28 years, I've made several public presentations recently on how nickel sulphide deposits form. This has generally been well received and I wanted to share this with Shareholders so as to pass on the excitement our geological team and I have exploring the treasure trove of our Central Yilgarn Nickel and Gold Province.



As well, in telling the story, I trust the more technical information we release through the ASX as part of our exploration and testing will complete the exciting picture of the discoveries we are making in this nickel and gold rich part of the country.

The nickel sulphide deposits of Kambalda or Forrestania type formed about 2,700 million years ago, during the Archaean era of earth's history. Nickel is concentrated deep in the earth's interior layer known as the mantle and is generally at low levels in rocks nearer the surface layer (the crust). Hence if a certain type of magma from the deep mantle (known as ultramafic magma) is brought to the surface, it can carry with it the raw ingredients needed to form a nickel sulphide deposit.

During the Archaean era, the crust was thinner than it is now and the average heat flow higher. This enabled fractures in the crust to tap into the mantle easily, forming conduits for the ultramafic magma to be brought to the surface. These magmas were very hot, over 1600°C and much hotter than most modern magmas, and had a low viscosity so they flowed like water. As they flowed over the surface, they concentrated in low topographical features such as river channels and lakes. The lava in these channels continued to flow over long distances and extended periods of time, often below a solidified surface.



As the lava cooled, crystals of a mineral called olivine formed. These olivine crystals settled out of the liquid magma and accumulated near the base of the flow forming rocks called, logically enough, olivine cumulates. The surface of the flow tended to chill quickly and formed long narrow crystals which interlock to form a texture which looks like spinifex grass (again quite logically known as spinifex texture).

The lava was rich in nickel and other metals such as magnesium, iron, copper and platinum (which are generally enriched in the mantle) and hence rocks formed from the lava are generally also enriched with these metals.

If the lava also has a source of sulphur, such as might be obtained by flowing over surface rocks rich in sulphur (which were abundant at that time) then the metals would tend to combine with the sulphur and form sulphides such as pentlandite (nickel sulphide), chalcopyrite (copper sulphide) and pyrite/pyrrhotite (iron sulphides).



Being heavier, these sulphides also tend to settle to the bottom of the lava flow, along with the olivine crystals, and often form sulphides between the olivine crystals (matrix sulphides) or, if enough sulphides form over a long enough period of time, they can concentrate in a layer composed mainly of sulphides (massive sulphides). Generally speaking, the higher the concentration of sulphides, the higher the nickel, copper and other metal concentrations, so the massive sulphides tend to be higher grade than the matrix sulphides.

Hence, in exploring for Kambalda or Forrestania type nickel sulphides, geologists look for:

1. ultramafic rocks showing that magma with high background nickel content is present
2. olivine cumulates showing extended flow of the ultramafic lava in distinct channels
3. high nickel and, in particular, high copper in rocks, soil or drill samples which show metal sulphides have been formed; high nickel may just indicate high background or an elevated concentration due to weathering (nickel laterite) whereas copper tends to be mainly associated with sulphides in ultramafic rocks.

If all these factors are present, the chances of a nickel sulphide deposit are significantly enhanced.

Geologists also have an additional tool at their disposal called electromagnetic surveying (or EM for short). This involves transmitting an electric current into the ground. If conductive rocks such as massive sulphides are present, these generate a secondary field which can be directly measured by nearby sensors. Using this technique it is possible to identify conductors such as massive sulphides or graphitic rocks at depths of up to 250m below surface.

So we can add a fourth point to our list of clues to where nickel sulphides might be:

4. EM conductor, suggesting massive sulphides (or graphitic rock if you are unlucky) at depth.

In the Bullfinch North Nickel Project, SXG has already discovered sub-economic nickel sulphide mineralisation at Trough Well and Trough Well Extended. Known ultramafic rocks cover over 60km and numerous olivine cumulates have been identified, several with co-incident high nickel and copper in rocks, soil or shallow drilling and at least one with a strong EM conductor outlined at depth. All these features coinciding get our geologists very excited and significantly improve the possibility of a nickel sulphide deposit being present within SXG's tenements.

The belt of rocks we are in hosts some of the highest grade and lowest production cost nickel sulphide deposits in the world at Western Area's Flying Fox (which is making money even in the current low nickel price environment) and Spotted Quoll deposits. As these deposits are generally quite simple to mine and treat, the time frame from exploration to production is relatively short and hence they are very attractive targets.

In signing off, I wish you the very best for 2009 and I look forward to sharing SXG news and progress with you over the months to come.

Tony Truelove
SXG Managing Director
Tel (08) 9215 7600