

**Southern Cross Goldfields Ltd**

ABN 71 124 374 321

*Dominant and strategic 4,000km<sup>2</sup> tenement holding in prolific Marda & Southern Cross regions of Western Australia*

*Approximately 600,000 ounces of gold contained in high quality JORC resources*

*Production strategy based on establishment of a central gold processing facility at Marda*

*Outstanding regional gold and base metal exploration potential*

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**Board of Directors**

Samantha Tough  
*Non-Executive Chairman*

Glenn Jardine  
*Managing Director*

Graham Brock  
*Non-Executive Director*

John Rowe  
*Non-Executive Director*

**Capital Structure**

Shares on Issue: 265.1M

Options on Issue: 36.6M

**Corporate Shareholders**

Mineral Resources: 14.0%

Western Areas: 5.6%

**QUARTERLY REPORT PERIOD ENDED 31 DECEMBER 2011**

*Emerging Copper Bore VMS Copper-Gold Project enhanced by drilling and geophysics as Marda Gold Project progresses towards production*

**GOLD**

- Feasibility Study on Marda Gold Project defines robust Base Case for 400ktpa centrally located plant, with key interim results including:
  - Production of 32,000oz pa @ A\$790/oz C1 cash operating cost
  - 4.5 year mine life
  - Pre-tax operating cash flow of A\$130M
- Feasibility Study due for completion in Q1 2012.
- Systematic auger and RAB drilling set to commence across priority gold targets in Q1 2012 following completion of an exploration review.

**BASE METALS**

- Recently discovered VMS-style polymetallic mineralisation at the Southern Gossan Prospect, within the Copper Bore Project, extended with new intersections including:
  - 4.0m @ 2.2% Cu, 0.7g/t Au, 3.1% Zn, 14.3 g/t Ag, 0.4% Pb, including:
    - 2.6m @ 3.0% Cu, 0.9g/t Au, 7.1% Zn, 25.4g/t Ag and 0.4% Pb
  - 4.0m @ 0.7% Cu, 0.2g/t Au, 1.4% Zn, 4.3 g/t Ag, 0.1% Pb, including:
    - 1.5m @ 0.9% Cu, 0.2g/t Au, 3.3% Zn, 6.6g/t Ag and 0.2% Pb
- New program of systematic, project-wide ground geophysics commenced at the end of the Quarter to identify additional drill targets along the 10km strike length of prospective horizon at Copper Bore.
- Ground geophysics and diamond drilling by Western Areas commenced at the Trough Well nickel project (SXG - 30% nickel).

**CORPORATE**

- \$3.3M raised in successful Rights Issue in December following \$1.0M placement to cornerstone investors, strengthening the Company's cash position to \$3.9M at the end of the Quarter.
- Subsequent to Quarter-end, the Company entered into an agreement with a private consortium for the sale of the Dulcie laterite gold project and related tenements for consideration of \$1 million in cash plus a 5% gross royalty on future production subject to various conditions including the completion of formal documentation within a set time frame and a deed of covenant with other rights holders.

## GOLD

SXG is undertaking a Feasibility Study on a potential new gold operation at Marda, located north of Southern Cross in Western Australia. The study is targeting a minimum initial gold production rate of 30,000 ounces per annum over five years from SXG's internal resource base through the establishment of a 400,000 tonne per annum centrally located gold processing facility at Marda Central fed by ore sourced from both Northern and Southern deposits (Figure 1).

### Marda Gold Project Feasibility Study

During the Quarter, SXG reported positive initial outcomes from the Marda Feasibility Study, which has defined a robust initial base case gold operation based on the establishment of a 400,000tpa standalone gold processing facility at Marda, treating ore from multiple open pit ore sources. The results pave the way for completion of the Feasibility Study in Q1 2012 and lay the foundation for SXG's transition to gold production in 2013.

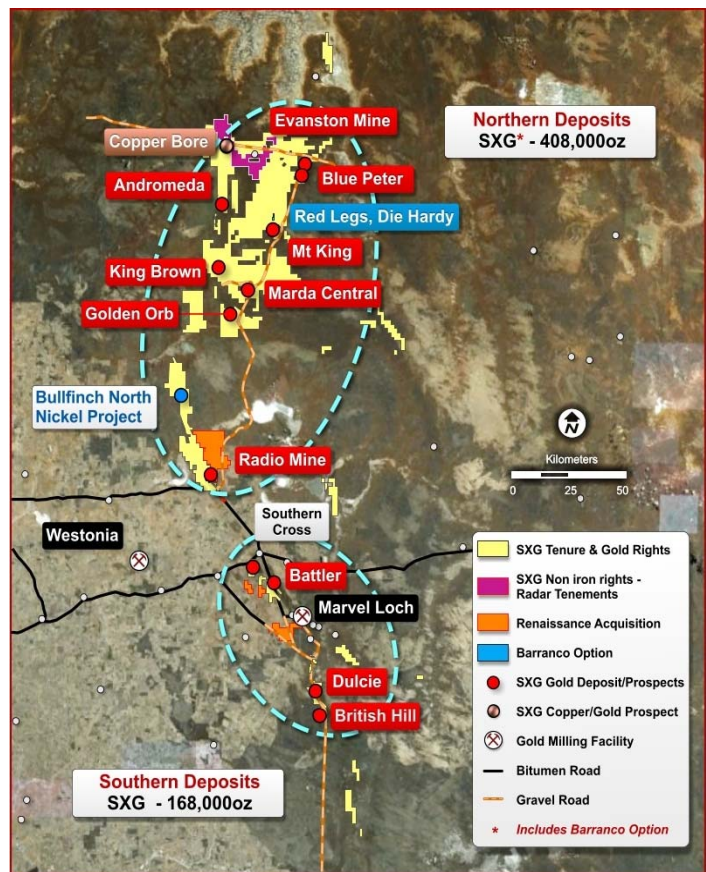


Figure 1 - SXG Project Location, Southern Cross Region

### Key Project Parameters

The Feasibility Study interim results demonstrate a technically robust mining operation with anticipated life-of-mine (LOM) parameters as follows:

Item	Description / Estimate
Whittle Optimisations Results	1.8 million tonnes @ 2.58 g/t Au
Mining method	Open Pit
Processing rate	400,000 tonnes per annum
Metallurgical recovery	95%
Average annual gold production	31,500 ounces per annum
C1 cash operating costs	A\$790 per ounce recovered
Pre-production capital cost	A\$55 million
Pre-tax operating cashflow	A\$130 million
Annual sustaining mine capital	A\$2 million
Construction commencement	H2 calendar year 2012
First production	H1 calendar year 2013

The interim results are based on detailed Feasibility Study work conducted to date, in particular the updated resource estimate, Whittle pit shell optimisations and capital and operating cost estimates.

Work required to finalise the Feasibility Study includes:

- additional metallurgical optimisation testwork, geotechnical analysis and detailed Feasibility Study documentation;
- debt funding discussions;
- optimisation testwork and studies where necessary; and
- progression of statutory approvals processes.

## Project Enhancement Opportunities

SXG will continue to progress opportunities to enhance the Base Case including conducting in-fill and extensional drilling at the Company's existing deposits and prospects to define additional Measured and Indicated resources in the Marda region, including Red Legs/Die Hardy (140,000oz Inferred Resource), Mt King (50,000oz Inferred Resource), Andromeda, Blue Peter and Evanston.

The Company has the flexibility to schedule high-grade production from existing deposits to maximise gold production and cash flow in the early years of the proposed operation. High-grade mineralisation has been intersected below the Whittle open pit optimisations, particularly at the Battler, Golden Orb and King Brown deposits and below existing workings at the historic Radio gold mine.

The definition of additional Measured and Indicated Resources at the Company's regional deposits and prospects would provide the opportunity to upgrade the throughput rate of the proposed modular process plant.

There is significant leverage from even moderate increases to the annual gold production rate to enhance the initial Base Case.

Further detail on the interim results of the Marda Project Feasibility Study, including open pit mine designs (Whittle open pit optimisations), the proposed processing flow sheet, capital cost estimates and Whittle optimisation inputs can be found in the Company's ASX Announcement of 8 November 2011 ("*SXG Reports Interim Results for Marda Gold Project Feasibility Study*".)

## JORC Resource Update

In-fill drilling has resulted in the JORC Measured resources more than doubling to 203,000oz. The Company's overall resource has increased from 7.2 million tonnes at a grade of 1.9 g/t Au for 436,000 ounces of gold contained in 2010 to 8.8 million tonnes at a grade of 2.07 g/t Au for 589,000 ounces of contained gold, including the Barranco option comprising 140,000 ounces of JORC Inferred resource at the Red Legs and Die Hardy deposits (*Table 1 and Figure 2*).

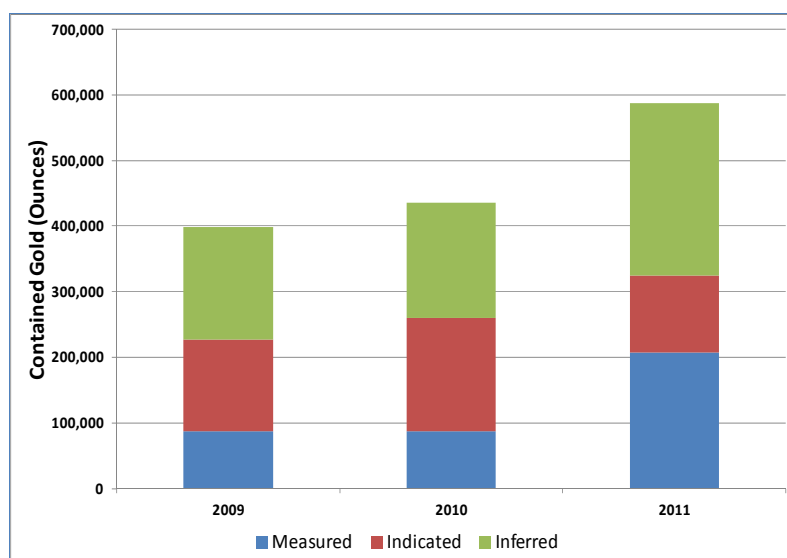


Figure 2 - Marda Project JORC Resources

The Feasibility Study is based on the revised Measured and Indicated categories of the JORC Mineral Resource Estimate completed in November 2011 by Ravensgate Minerals Industry Consultants incorporating all in-fill and extensional drilling completed by the Company during 2011.

Table 1 – Total Resource Estimate Comparison (for details refer to full Resource Estimate Table 2)

Resource Estimate (Year)	Tonnes (million)	Grade (g/t Au)	Contained Gold (Ounces)
2011	8.8	2.07	589,000
2010	7.1	1.91	436,000

Importantly from a Feasibility Study and resource confidence perspective, the JORC Measured portion of the Resource Estimate has more than doubled from 1.4 million tonnes at a grade 2.0 g/t Au for 87,000 ounces of gold contained to 2.8 million tonnes at 2.26 g/t Au for 203,000 ounces of contained gold.

## Golden Orb

Results were returned from two diamond holes drilled at the Golden Orb deposit during the Quarter. The holes were designed principally for geotechnical information and returned intersections of 1.6m at 3.6 g/t Au including 0.6m at 8.1 g/t Au (GODD001) and 9.2m at 1.41 g/t Au including 1.5m at 3.63 g/t Au (GODD002).

A revised interpretation for Golden Orb is in progress with results to date suggesting potential for a high grade shoot within the extensive mineralised zone.

## Dulcie Gold Project

*The Dulcie Gold Project is located within the Parker Range Project Group, some 40km south of the regional mining centre of Marvel Loch. The Project comprises a gold laterite resource of 1.12Mt @ 0.68g/t Au for 24,600 ounces of contained gold which is amenable to extraction using heap leach methods.*

Subsequent to Quarter-end, the Company entered into an agreement with a private consortium for the sale of the Dulcie laterite gold project and related tenements for consideration of \$1 million in cash plus a 5% gross royalty on future production subject to various conditions including the completion of formal documentation within a set time frame and a deed of covenant with other rights holders. The Company has received a \$100,000 deposit from the consortium ahead of the parties completing formal documentation.

The sale of the Dulcie laterite gold project has allowed the Company to realise immediate value for this asset and retain exposure to future gold production and the gold price.

## Regional Gold Exploration

*The Company's extensive tenement holdings of over 4,000km<sup>2</sup> in the region offer excellent potential for the discovery of significantly larger deposits in soil covered areas along strike from known gold mineralisation. The Company will undertake an exploration programme targeting the Evanston Shear zone north and south of the Red Boomerang prospect where porphyry-hosted mineralisation has been previously identified. This porphyry host rock demonstrates the potential for large mineralised systems along that trend by analogy with other porphyry-hosted systems in the Yilgarn Craton such as Kanowna Belle.*

The Company commenced a new regional gold exploration programme in the December Quarter following an independent regional exploration review undertaken during the September Quarter. The focus of attention for the review was the Evanston Shear Zone from the Evanston Mine in the north-east through Red Boomerang to the south-west and the Andromeda trend running from King Brown in the south through Andromeda to the north (Figure 3).

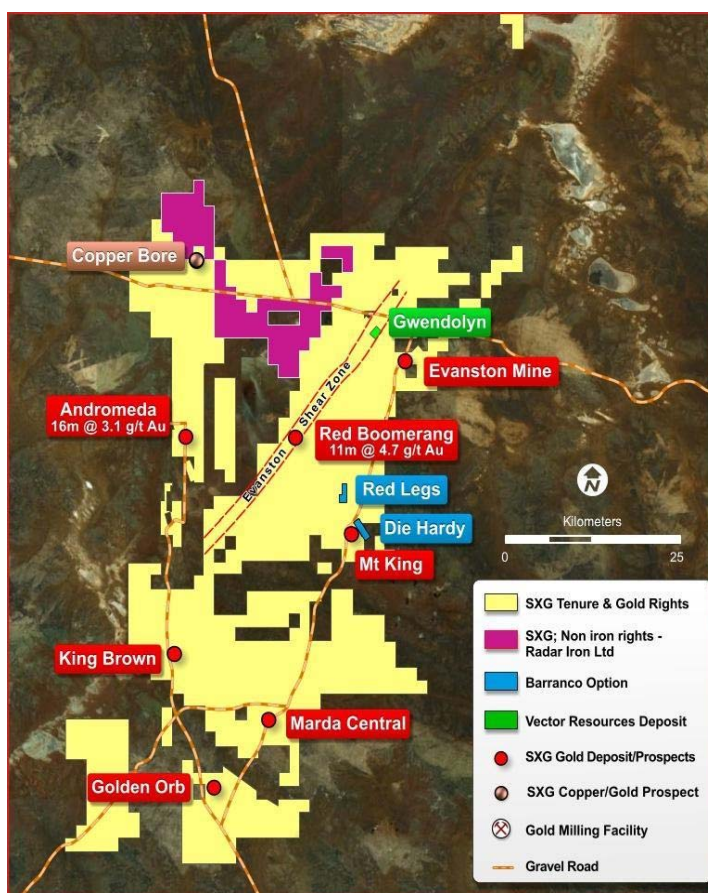


Figure 3 - Marda Gold Project Exploration Target Zones

Auger drilling to collect soil samples over several priority target areas has commenced. Initial assays from the auger drilling programme show that the technique has located gold anomalism in an area interpreted to be structurally favourable for mineralisation. A full interpretation will be completed on receipt of all assays from the program.

## BASE METALS

The Company has significant base metals prospectivity across its 4,000km<sup>2</sup> tenement package and has recently announced the discovery of a volcanogenic massive sulphide (VMS) base metal system at its Copper Bore Project. Copper Bore is located 400km north-east of Perth at the northern end of the Marda region within the richly endowed Central Yilgarn Mineral Province.

### Copper Bore Base Metal Project

Two new extensional drill holes, SGRC004D and SGRC005D, were completed at the Southern Gossan Prospect during the Quarter (*Figure 4*) with results as follows:

*SGRC004D*      **4.0m @ 2.2% Cu, 0.7g/t Au, 3.1% Zn, 14.3 g/t Ag and 0.4% Pb**  
*including*      **2.6m @ 3.0% Cu, 0.9g/t Au, 7.1% Zn, 25.4g/t Ag and 0.4% Pb**

*SGRC005D*      **4.0m @ 0.7% Cu, 0.2g/t Au, 1.4% Zn, 4.3 g/t Ag and 0.1% Pb**  
*including*      **1.5m @ 0.9% Cu, 0.2g/t Au, 3.3% Zn, 6.6g/t Ag and 0.2% Pb**

These intersections follow on from previous drilling by the Company including:

*CBRC020*      **12m @ 1.2% Cu, 1.1g/t Au, 5.5% Zn, 18.8g/t Ag and 0.4% Pb, from 165m**  
*including*      **5m @ 2.0% Cu, 1.9g/t Au, 7.1% Zn, 25.4 g/t Ag and 0.4% Pb, and**

*SGRC003*      **2m @ 2.0% Cu, 2.0g/t Au, 4.3% Zn, 32.6g/t Ag and 0.2% Pb from 103m down-hole**

Drillhole SGRC005D extended mineralisation approximately 300 metres below surface or approximately 150 metres below previous SXG drill hole CBRC020. Drillhole SGRC006D, which was designed to test for extensions to mineralisation at Southern Gossan, was terminated as a result of excessive hole deviation and did not intersect the targeted mineralised shale horizon.

#### Downhole Geophysics

Down-hole geophysics was successfully completed on recently completed drill holes at Southern Gossan in January 2012. The DHEM located conductors in the expected positions. The results are currently being interpreted and will be used to identify strong off-hole conductors in proximity to the drill pattern.

#### Surface Geophysics

The Company also commenced a new programme of project wide-ground geophysics in December 2011 which was completed in January. The results of this programme are pending and will be used to identify new drilling targets along the Copper Bore trend. Early indications are that new drill targets have been identified.

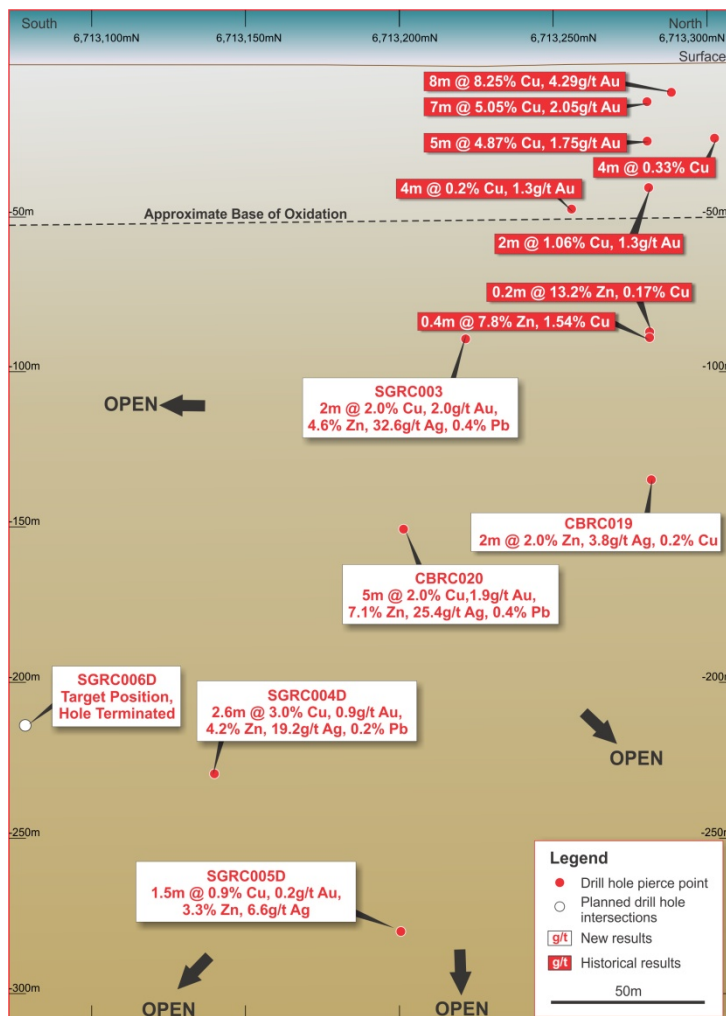


Figure 4 - Southern Gossan Long Projection

### *New Planned Drilling*

A final interpretation of the EM response along the entire 10km of strike is pending. The next round of drilling at the Copper Bore Project will commence in February to test targets generated by aeromagnetic interpretation and the project-wide ground and downhole geophysics programmes.

Auger drilling has also been undertaken to collect soil samples across Southern Gossan. The results are pending and will be analysed for gold and multi-elements in order to test the efficacy of historical sampling and to characterise the soil sample response over known base metals mineralisation. A broader district wide auger program is planned to locate extensions to, and repeats of, the Copper Bore trend.

The known strike to be explored in the Copper Bore Project is in excess of 10km and there is evidence that the mineralised horizon is folded and repeated to the west. This western horizon is also 10km long and has not received any exploration for base metals. The horizon will be mapped and sampled by SXG to define new targets.

### **Western Areas NL Nickel Joint Venture (SXG 30% interest)**

During the Quarter, Western Areas commenced exploration in the Bullfinch North area, where numerous nickel sulphide targets had been identified, including the Trough Well Nickel Prospect. Past drilling at Trough Well had confirmed multiple zones of nickel sulphides over a strike length of 800m. Results previously reported by SXG included an intersection of 20m at 0.62% Ni including 4m at 1.41% Ni. The latest interpretation by WSA for Trough Well indicates a similar structural setting, and geometry to the Forrestania type nickel deposits.

Exploration during December included a moving loop electromagnetic (MLEM) survey and the commencement of a new diamond drill hole. WSA report that the initial EM results are encouraging with a number of anomalies associated with known nickel sulphide mineralisation and others where there is no previous work. Drilling of the first diamond hole is still in progress and MLEM surveys will continue into Q1, 2012.

## **BUSINESS DEVELOPMENT**

The Company has continued to assess business development opportunities particularly focussed on regional gold opportunities that would augment the potential gold operation at Marda and the Company's regional exploration potential.

## **CORPORATE**

The Company successfully completed a Rights Issue in December which raised \$3.3 million after costs following a successful \$1.0 million placement in October 2011 to key shareholders.



**Glenn Jardine**  
Managing Director

Table 2 – SXG JORC Mineral Resource Estimate

	Measured			Indicated			Inferred			Total		
	Tonnes	Grade (g/t Au)	Ounces	Tonnes	Grade (g/t Au)	Ounces	Tonnes	Grade (g/t Au)	Ounces	Tonnes	Grade (g/t Au)	Ounces
<b>Northern Deposits</b>												
Marda Central	1,918,197	1.91	117,506	161,609	1.61	8,344	326,748	1.70	17,895	2,406,554	1.86	143,745
King Brown	100,288	4.36	14,060	63,334	2.59	5,274	73,925	2.95	7,012	237,547	3.45	26,346
Golden Orb	415,829	3.01	40,246	102,890	1.97	6,517	175,600	1.79	10,107	694,319	2.55	56,870
Mt King							523,000	3.00	50,450	523,000	3.00	50,450
<b>Sub-Total</b>	<b>2,434,314</b>	<b>2.20</b>	<b>171,812</b>	<b>327,833</b>	<b>1.91</b>	<b>20,136</b>	<b>1,099,273</b>	<b>2.42</b>	<b>85,464</b>	<b>3,861,420</b>	<b>2.23</b>	<b>277,412</b>
Barranco Option							1,711,000	2.54	139,741	1,711,000	2.54	139,741
<b>Sub-Total</b>	<b>2,434,314</b>	<b>2.20</b>	<b>171,812</b>	<b>327,833</b>	<b>1.91</b>	<b>20,136</b>	<b>2,810,273</b>	<b>2.49</b>	<b>225,205</b>	<b>5,572,420</b>	<b>2.33</b>	<b>417,153</b>
<b>Southern Deposits</b>												
Battler	361,344	2.69	31,255	39,300	3.46	4,372	52,087	3.53	5,912	452,731	2.85	41,539
British Hill				1,166,000	1.90	71,235	557,000	1.90	34,029	1,723,000	1.90	105,264
<b>Sub-Total</b>	<b>361,344</b>	<b>2.69</b>	<b>31,255</b>	<b>1,205,300</b>	<b>1.95</b>	<b>75,607</b>	<b>609,087</b>	<b>2.04</b>	<b>39,941</b>	<b>2,175,731</b>	<b>2.10</b>	<b>146,803</b>
<b>Total</b>	<b>2,795,658</b>	<b>2.26</b>	<b>203,066</b>	<b>1,533,133</b>	<b>1.94</b>	<b>95,743</b>	<b>3,419,360</b>	<b>2.41</b>	<b>265,146</b>	<b>7,748,151</b>	<b>2.26</b>	<b>563,955</b>
<b>Laterite</b>												
Dulcie				1,020,000	0.70	22,958	100,000	0.70	2,251	1,120,000	0.70	25,209
<b>Sub-Total</b>				<b>1,020,000</b>	<b>0.70</b>	<b>22,958</b>	<b>100,000</b>	<b>0.70</b>	<b>2,251</b>	<b>1,120,000</b>	<b>0.70</b>	<b>25,209</b>
<b>Total</b>	<b>2,795,658</b>	<b>2.26</b>	<b>203,066</b>	<b>2,553,133</b>	<b>1.45</b>	<b>118,701</b>	<b>3,519,360</b>	<b>2.36</b>	<b>267,397</b>	<b>8,868,151</b>	<b>2.07</b>	<b>589,164</b>

Notes to Accompany Mineral Resource Estimate table:

- Numbers may not add due to rounding.
- Resource models for the Barranco Option resources, were constructed within the GS3 software, a proprietary resource modelling software developed by Hellman and Schofield.
- The resource model for King Brown, Golden Orb, Battler and Marda Central (Python, Dolly Pot, Dugite, Goldstream, Cobra, Taipan and Green Tree) were constructed using Minesight software. The resource estimates for these deposits utilized a block model with block dimensions typically of 5m by 2m by 2.5m blocks (X, Y Z).
- Block interpolation was estimated using Ordinary Kriging within mineralization wire-frames based upon a -0.50g Au/t lower delineation cut-off.
- The Marda Central project area is comprised of the Python, Dolly Pot, Dugite, Goldstream Cobra, Taipan, and Green Tree deposits.
- Resource classification has been considered with respect to various reporting 'modifying factors' as outlined in the JORC Code (Dec 2004). Consideration has been given to data quality, drilling and sample density, distances of interpolated blocks from assays points and the associated statistical local spatial distribution of gold and estimation variances.
- The Dulcie resource was estimated using Ordinary Kriging within a wireframe of laterite using 20m by 20m by 1m blocks. The resources for all other deposits are estimates of recoverable tonnes and grades using Multiple Indicator Kriging with block support correction into model blocks customised to the average drill hole spacing for each deposit and assuming smallest mining unit for ore selection in mine grade control of 3 metres (across the general strike of mineralisation) by 5 metres (along strike) by 2.5 metres (elevation).
- Resource assaying data sets derived from all available reverse circulation and diamond drill sampling.
- Geology 'rock mass' models and interpreted fault or shear zones have been used to constrain mineralisation as appropriate.
- Weathering domains have been used to constrain mineralisation and help assign representative bulk density estimates
- Bulk densities are based on testwork carried out by SXG and previous companies.
- Data density varies and is reflected in the resource category which has been applied. All measured resources have a drill-hole density of approximately 12.5m x 12.5m. All indicated resources except Dulcie and Battler have a drill-hole density of approximately 25m x 25m. Dulcie has a drill density of 40m x 40m. Battler has a drill density of 20m x 12.5m. Inferred resources have variable density but always less than 50m x 50m except for Mt King which has variable drill-hole spacing between 25m and 100m and the Barranco Option resources which have an approximate drill hole spacing of 100m x 20m and were assigned an Inferred Resource status.
- Assays are generally fire assay, with limited aqua regia assays in the weathered zone.
- All drill-hole collars are surveyed by GPS). Down hole survey data is limited for historic drilling, except at British Hill, where most drill-holes are surveyed. All SXG's drilling has adequate down hole survey information.
- A lower reporting cut-off of 1.0 g/t Au has been used except at Dulcie where a lower cut-off of 0.4g/t Au has been used.
- The resource estimation for Barranco Option resources was by polygonal cross-sectional methodology with the mean of all assays within a polygon used as the calculated grade.

**JORC Code Compliance Statement**

The geological information in the report to which this statement is attached that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Richard Simmons who is a Member of The Australasian Institute of Mining and Metallurgy. Richard Simmons is a full time employee of Southern Cross Goldfields Limited. Richard Simmons has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Richard Simmons consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The resource estimation of the King Brown deposit is based on work completed by independent consultant Mr Don Maclean of Ravensgate Minerals Industry Consultants based on resource drilling data sets provided by SXG. Mr Maclean is a Member of The Australasian Institute of Mining and Metallurgy and qualifies as a Competent Person in respect of the 2004 JORC code and has sufficient experience relevant to the style of

mineralisation and deposit type being estimated. Mr Maclean has consented to the inclusion of this information in the form and context in which it appears in this report.

Resource estimations for the Golden Orb deposit in the Jackson Trend Area as well as the Battler deposit in the Parker Range Project Area is based on work completed by independent consultant Mr Stephen Hyland of Ravensgate Minerals Industry Consultants which is based on resource drilling data sets provided by SXG. Mr Hyland is a Fellow of The Australasian Institute of Mining and Metallurgy and qualifies as a Competent Person in respect of the 2004 JORC code and has sufficient experience relevant to the style of mineralisation and deposit type being estimated. Mr Hyland has consented to the inclusion of this information in the form and context in which it appears in this report.

The updated resource estimations for the Marda Project Area deposits, including the Python, Dolly Pot, Dugite, Goldstream, Cobra, Taipan and Green Tree deposits were also carried out by Mr Stephen Hyland again utilizing resource drilling data sets provided by SXG. Mr Hyland is a Principal Consultant with Ravensgate Minerals Industry and is also a Fellow of the The Australasian Institute of Mining and Metallurgy. Mr Hyland has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hyland also consents to the inclusion in the report of the resource estimation matters for these deposits based on the reporting information in the form and context in which it appears.

The resource estimation of the Dulcie deposit is based on work completed by Mr Jonathon Abbott utilising resource drilling data sets provided by SXG. Mr Abbott is a full time employee of Hellman and Schofield Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Mr Abbott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The resource estimation of the Red Legs and Die Hardy deposits is based on information compiled by Mr A J Maynard, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves'.

The geophysical data and interpretations have been reviewed by William Amann of Newexco Services Pty Ltd. Mr Amann consents to the inclusion of these interpretations in the form and context in which they appear.

#### **Disclaimer:**

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1.12 Total operating and investing cash flows (brought forward)	(1,863)	(1,908)
<b>Cash flows related to financing activities</b>		
1.13 Proceeds from the issue of shares, options, etc.	4,208	4,208
1.14 Proceeds from the sale of forfeited shares		
1.15 Proceeds from borrowings		
1.16 Repayment of borrowings		
1.17 Dividends paid		
1.18 Other (provide details if material) Equity raising costs	(88)	(88)
<b>Net financing cash flows</b>	<b>4,120</b>	<b>4,120</b>
<b>Net increase (decrease) in cash held</b>		
1.19 Cash at beginning of quarter/year to date	2,257	2,212
1.20 Exchange rate adjustments	1,614	1,659
1.21 <b>Cash at end of quarter</b>	<b>3,871</b>	<b>3,871</b>

**Payments to Directors of the entity and associates of the Directors,  
payments to related entities of the entity and associates of the related entities**

	Current Qtr \$A'000
1.22 Aggregate amount of payments to the parties included in item 1.2	(142)
1.23 Aggregate amount of loans to the parties included in item 1.10	

1.24 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation (A\$141,700).

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

## Financing facilities available

Add notes as necessary for an understanding of the position

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	700
4.2 Development	
4.3 Administration	400
<b>Total</b>	<b>1,100</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to related items in the accounts as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	3,442	1,010
5.2 Deposits at call	429	604
5.3 Bank Overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b>	<b>3,871</b>	<b>1,614</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at Begin of Quarter	Interest at End of Quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	See attached schedule		
6.2	Interests in mining tenements acquired or increased	See attached schedule		

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (\$)	Amount paid up per security (see note 3) (\$)
<b>7.1 Preference securities</b> <i>(description)</i>				
<b>7.2 Changes during Quarter</b> (a) Increases through share issues (b) Decreases through returns of capital, buybacks, redemptions				
<b>Ordinary securities</b>	265,135,046	265,135,046		Fully Paid
<b>7.3 Changes during Quarter</b> (a) Increases through share issues (b) Decreases through returns of capital, buybacks	64,740,116	64,740,116		
<b>7.4 Convertible debt securities</b> <i>(description)</i>				
<b>7.5 Changes during Quarter</b> (a) Increases through issues (b) Decreases through securities matured, converted				

	Total number	Number quoted	Issue price per security (see note 3) (\$)	Amount paid up per security (see note 3) (\$)
<b>7.6 Options</b>			<i>Exercise Price</i>	<i>Expiry Date</i>
Unlisted Options	1,000,000	Nil	\$0.20	10/03/2012
Unlisted Options	15,000,000	Nil	\$0.20	31/12/2012
Unlisted Options	2,000,000	Nil	\$0.15	08/08/2012
Unlisted Options	6,575,000	Nil	\$0.25	12/03/2014
Unlisted Options	6,575,000	Nil	\$0.30	12/03/2014
Unlisted Options	25,000	Nil	\$0.25	02/07/2014
Unlisted Options	25,000	Nil	\$0.30	02/07/2014
Unlisted Options	100,000	Nil	\$0.25	21/07/2014
Unlisted Options	100,000	Nil	\$0.30	21/07/2014
Unlisted Options	2,000,000	Nil	\$0.20	01/10/2014
Unlisted Options	1,000,000	Nil	\$0.25	01/10/2014
Unlisted Options	1,000,000	Nil	\$0.30	01/10/2014
Unlisted Options	1,000,000	Nil	\$0.40	01/10/2014
Unlisted Options	2,350,000	Nil	\$0.10	31/07/2014
Unlisted Options	500,000	Nil	\$0.20	31/07/2014
Unlisted Options	500,000	Nil	\$0.25	31/07/2014
<b>7.7 Issued during Quarter</b>			<i>Exercise Price</i>	<i>Expiry Date</i>
<b>7.8 Exercised during Quarter</b>	Nil	Nil	N/A	N/A
<b>7.9 Expired during Quarter</b>	Nil	Nil	N/A	N/A
<b>7.9 (a) Cancelled during Quarter</b>	Nil	Nil	N/A	N/A
<b>7.10 Debentures (totals only)</b>				
<b>7.11 Unsecured notes (totals only)</b>				

### Compliance 2.1

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows.

Nil.

**6.1 Interests in Mining Tenements transferred, relinquished, reduced or lapsed**

<b>Tenement</b>	<b>Nature of Interest</b>	<b>% Begin Quarter</b>	<b>% End Quarter</b>
E77/1063	Granted	100	0
E77/1272	Granted	100	0
E77/1283	Granted	100	0
E77/1623	Granted	100	0
P77/3526	Granted	100	0
P77/3525	Granted	100	0
E77/1294	Granted	100	0
P77/3524	Granted	100	0
P77/3523	Granted	100	0
P77/3604	Granted	100	0
P77/3603	Granted	100	0
P77/3602	Granted	100	0
P77/3601	Granted	100	0
E77/1268	Granted	100	0
E77/1063	Granted	100	0
E77/1272	Granted	100	0
E77/1283	Granted	100	0

**6.2 Interests in Mining Tenements acquired or increased**

<b>Tenement</b>	<b>Nature of Interest</b>	<b>% Begin Quarter</b>	<b>% End Quarter</b>
P77/4036	Registered Holder	0	100
P77/4037	Registered Holder	0	100
P77/4038	Registered Holder	0	100
L77/223	Registered Holder	0	100
L77/226	Registered Holder	0	100
E77/1879	Registered Holder	0	100
E77/1880	Registered Holder	0	100
E77/1937	Registered Holder	0	100
E77/1938	Registered Holder	0	100
E77/1939	Registered Holder	0	100
P77/4036	Registered Holder	0	100
P77/4037	Registered Holder	0	100
P77/4038	Registered Holder	0	100
L77/223	Registered Holder	0	100
E77/2024	Registered Applicant	0	100
E77/2025	Registered Applicant	0	100
P77/4118	Registered Applicant	0	100
P77/4119	Registered Applicant	0	100
P77/4107	Registered Applicant	0	100

## Compliance Statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.



Sign here: \_\_\_\_\_

Date: 31 January 2012

Chief Financial Officer

Print name: Stephen Jones

## Notes

1. The Quarterly Report is to provide a basis for informing the market how the entity's activities have been financed for the past Quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of Interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.