



## DISCOVERY OF NEAR-SURFACE HIGH-GRADE GOLD ENHANCES BATTLER DEPOSIT

*IN-FILL AND EXTENSION DRILLING CONTINUING AT KEY SOUTHERN CROSS OXIDE DEPOSITS*

### Highlights

- Drilling intersects high-grade gold within 40m of surface in previously untested area at Battler deposit.
- Assays to date include:
  - 6m @ 19.1 g/t Au including 4m @ 28.2 g/t Au (hole BGRC133); and
  - 6m @ 6.3 g/t Au including 3m @ 10.6 g/t Au (hole BGRC134); and
  - 11m @ 4.5 g/t Au including 4m @ 10.6 g/t Au (hole BGRC137);
- Several intersections are *up-dip* of, and extend, current known deeper mineralisation within the planned Battler open pit (announced 10 February 2011).
- Shoots remain open *up-dip and along strike* to the north.
- Potential to have a significant positive impact on the Battler pit and overall gold production strategy (announced 10 February 2011).
- Results from this first-pass in-fill drilling program highlight the potential within the Company's asset base that can be unlocked by re-energised and focussed exploration.
- Battler is just one of SXG's oxide deposits that underpin SXG's recently announced production strategy based on the establishment of a 400,000tpa gold processing plant at Marda and initial targeted production of 30,000 ounces per year over 5 years.

Southern Cross Goldfields Limited (SXG) is pleased to report excellent results from recent resource in-fill drilling at the Battler deposit, one of seven key oxide deposits which form part of its recently announced gold production strategy in the Southern Cross region of Western Australia (*see Figure 3*). The strategy is based on the establishment of a 400,000tpa gold processing plant at Marda and initial targeted production of 30,000 ounces per year over 5 years.

The drilling program, which commenced last month, is part of the recently announced feasibility study to confirm, and where possible, extend the current JORC Mineral Resource Estimate for the Battler deposit (Indicated and Inferred Mineral Resource of 504,000 tonnes @ 2.3g/t Au for 37,500 ounces gold of contained gold).

A number of these new holes were also drilled to specifically test shallow extensions to the Battler deposit which had not been tested previously because of drilling access difficulties which have since been resolved.





## Drilling Programme

The 12 hole drilling programme has intersected mineralisation in the expected up-dip positions. The results from 10 holes received to date have confirmed the resource model for due diligence purposes associated with the recently announced feasibility study (see *Figures 1 and 2 and Table 1 attached*) and has also pointed to further extensions of known mineralisation.

The holes drilled to test for up-dip extensions of the mineralisation returned excellent intersections at the southern end of the planned open pit and demonstrate the potential to enhance the tenor and size of the resource within 40 metres of surface.

Importantly, the shoots intersected in these drill holes are open up-dip and to the north, and are within the planned open pit that resulted from the recent preliminary mine designs using Gemcom Whittle software.

The mineralisation at Battler is also open at depth and this opportunity is yet to be fully tested. However, the tenor of the existing mineralisation at Battler provides the potential for a high grade underground mining opportunity.

The drilling programme at Battler is part of an in-fill and extensional drilling programme to be conducted at all of the Company's existing oxide deposits. The programme is designed, as a minimum, to confirm and, where possible, to extend the existing Mineral Resource Estimates at each deposit. New resource estimates will be undertaken upon the completion of this programme and these new resource estimates will then feed into the recently announced feasibility study covering all of SXG's oxide deposits in the Southern Cross region.

Diamond drilling is currently in progress at Battler to generate geotechnical data for pit optimisation. The planned RC program at Battler has now been completed and the rig has moved to SXG's King Brown gold deposit where in-fill drilling is in progress to increase confidence and upgrade the resource classification there. Drilling will then migrate to the Marda deposits for in-fill and check drilling. The rig will then return to Battler to further test the shallow mineralisation where it remains open and to test for high-grade extensions down-plunge to the north.

## SXG's Resource Potential

The establishment of the Company's gold production strategy (described below) has allowed SXG to reassess the potential for extensions at all of these deposits and how they could contribute to the overall production strategy.

High-grade intersections are present below most of the planned open pits (Whittle optimisations) on each of the Company's deposits and are evidenced in recent announcements referencing Battler, Dolly Pot, Goldstream and Python.

## SXG's Gold Production Strategy

The Battler deposit is one of seven oxide gold deposits that underpin SXG's recently announced production strategy (see *ASX Announcement – 10 February 2011*).

The programs of in-fill resource drilling currently underway will lay the foundations for a feasibility study on an integrated development of these deposits. This production strategy is based on the establishment of a



400,000tpa gold processing facility at Marda, producing at least 30,000 ounces of gold per year where the Company's resource base is centred.

It is anticipated that the gold plant would initially be fed by material mined from the four deposits (Python, Dugite, Dolly Pot and Goldstream) within the Marda project area and which immediately surround the location of the proposed gold processing facility. This would be followed by material mined from the satellite deposits of King Brown, Battler and British Hill.

Preliminary open pit mine designs using Gemcom Whittle optimisation software (Whittle optimisations) have been undertaken recently on Measured and Indicated Mineral Resources from the initial seven deposits listed above. The Whittle optimisations resulted in potential production from these seven deposits of 1.253 million tonnes grading 2.36 g/t Au for 95,000 contained ounces.

### Significance of high-grade extensions at Battler

The discovery of high grade extensions to mineralisation within the planned open pit at Battler has the potential to have a significant impact on the evaluation of the Battler pit itself and the overall production strategy.

For the Battler deposit itself:

- the existence of near-surface, high-grade mineralisation has the potential to minimise pre-production capital expenditure ahead of positive cashflow;
- the discovery of additional high-grade mineralisation at Battler will allow the Company to evaluate the use of more selective open pit mining techniques than have been considered to date;
- trucking of higher grade potential production from Battler to a central processing plant at Marda would enhance the deposits economics; and
- higher grade feed to the proposed processing plant will result in an increased gold production rate.

For the overall production strategy, incremental increases to the Company's base case production scenario have the potential to have a significant impact on overall project economics

Commenting on the announcement, SXG's Managing Director, Mr Glenn Jardine, said: "The drilling results at Battler highlight the value of the Company's assets that can be unlocked with a focused, re-energised exploration effort in support of our gold production strategy.

"We are very pleased to have received such excellent results so early in our in-fill drilling programme and we are looking forward to progressing this drilling over the next month and reporting further results from our key oxide gold deposits," he added.

- ENDS -

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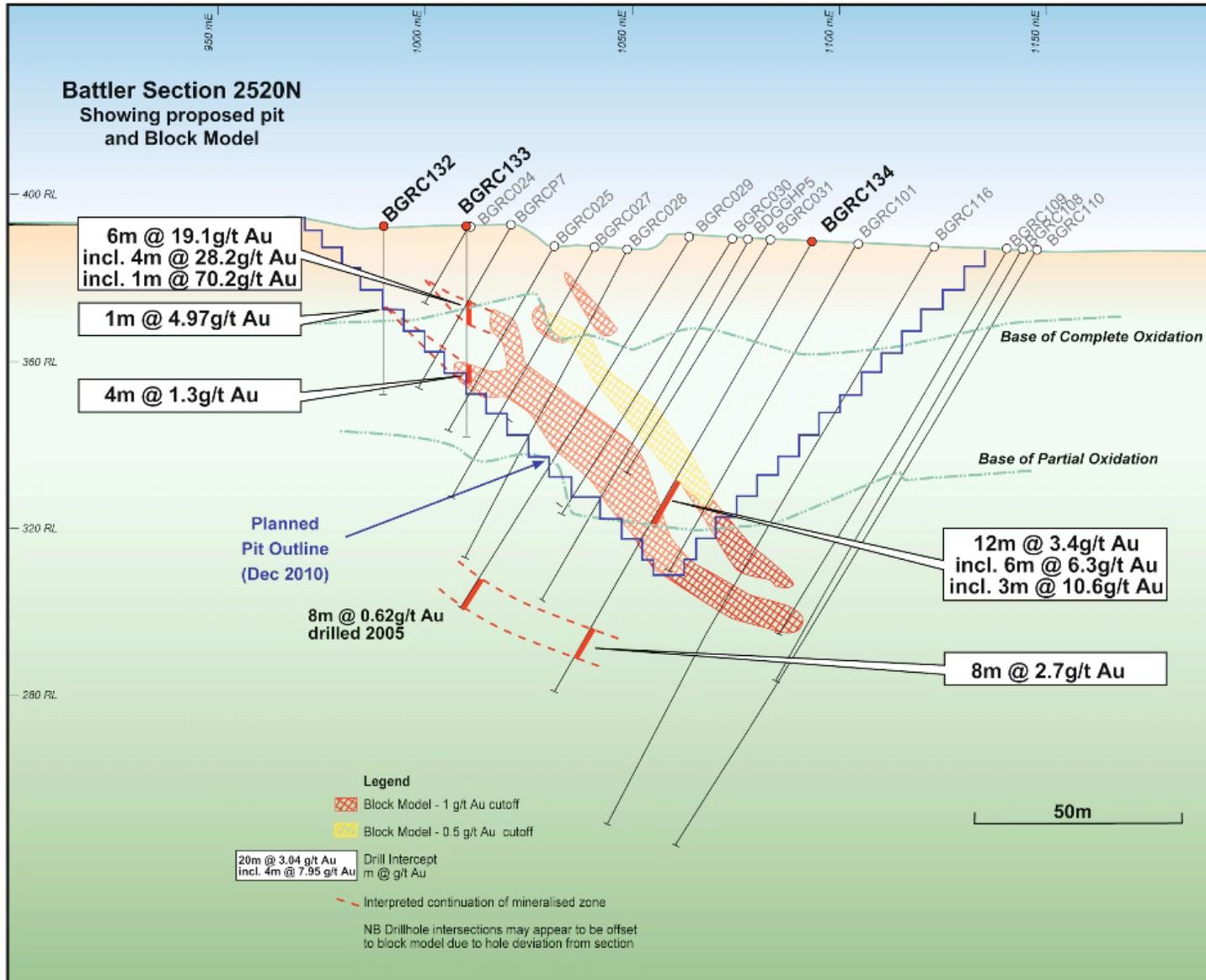


Figure 1 - Battler Cross Section 2520N

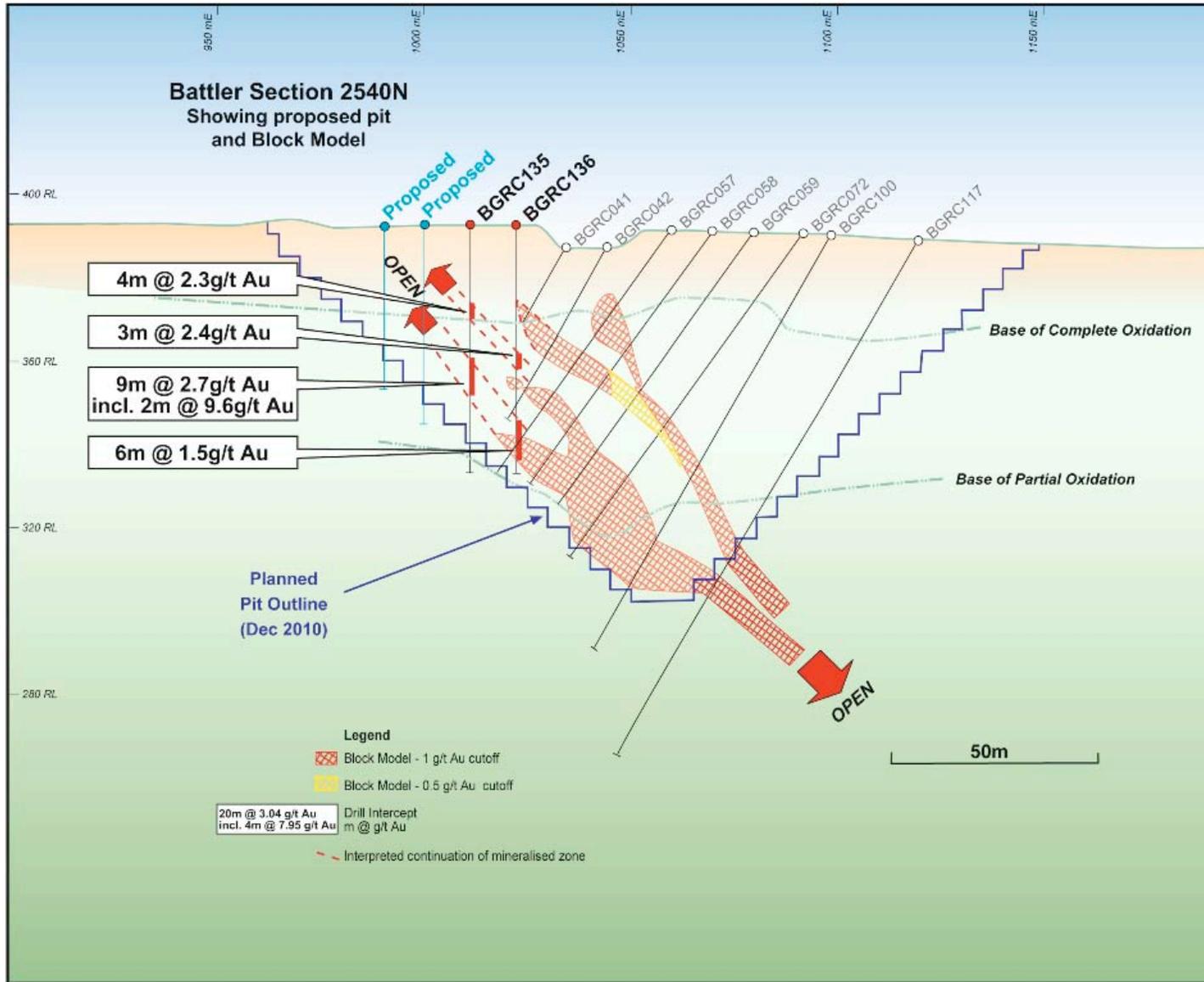


Figure 2 - Battler Cross Section 2540N



Table 1 – Assay Table RC Intersections Battler Deposit, February 2011

Hole ID	Depth	MGA East	MGA North	Azimuth	M From	M To	Interval M	Grade g/t Au
BGRC127 and	84	727444	6529467	233	64 71	68 74	4 3	0.92 <b>2.96</b>
BGRC128	90	727422	6529470	233	63	67	4	1.42
BGRC132	40	727326	6529433	0	19	20	1	<b>4.97</b>
BGRC133 including including and	50	727342	6529444	0	18 19 19 33	24 23 20 37	6 4 1 4	<b>19.1</b> <b>28.2</b> <b>70.2</b> 1.25
BGRC134 including including	125	727410	6529493	233	66 72 74 107	78 78 77 115	12 6 3 8	<b>3.39</b> <b>6.26</b> <b>10.6</b> <b>2.69</b>
BGRC135 and including	60	727331	6529461	0	19 32 39	23 41 41	4 9 2	<b>2.26</b> <b>2.68</b> <b>9.60</b>
BGRC136 and including	60	727340	6529468	0	31 47 50	34 53 53	3 6 3	<b>2.35</b> 1.49 1.90
BGRC137 including and	85	727363	6529508	233	26 26 72	37 30 75	11 4 3	<b>4.52</b> <b>10.6</b> <b>6.13</b>
BGRC138 and including	95	727371	6529514	233	40 75 77	43 81 80	3 6 3	1.21 <b>2.93</b> <b>5.20</b>

**Notes to accompany assay table:**

Collar co-ordinates in MGA94, Zone 50; local north rotated 35° anti-clockwise from true north.

All drilling is by 5.25 inch face sampling RC hammer and samples are riffle split on site to a nominal 2kg.

All 1m samples are assayed by 40g fire assay at Ultratrace laboratories, Perth

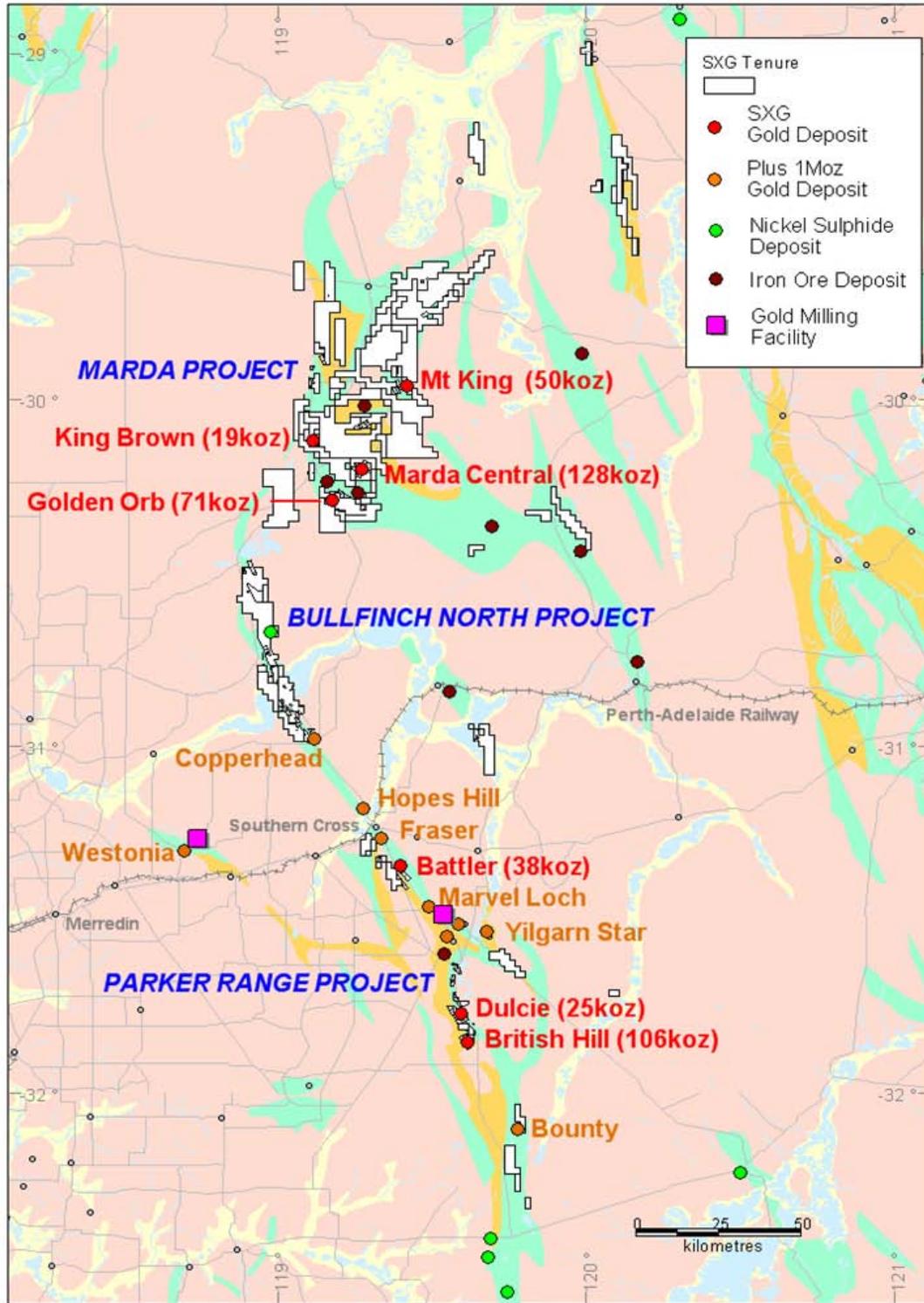


Figure 3 – Location Map

**JORC MINERAL RESOURCE ESTIMATE**

Deposit	Measured			Indicated			Inferred			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Python	502,000	2.0	32,500	241,000	1.8	14,000	117,000	1.7	6,000	859,000	1.9	52,000
Dolly Pot	488,000	1.9	29,000	178,000	1.6	9,000	85,000	1.5	4,000	751,000	1.8	43,000
Dugite	196,000	2.1	13,000	82,000	1.7	5,000	20,000	1.6	1,000	298,000	2.0	19,000
Goldstream	200,000	1.9	12,500	26,000	1.6	1,000	7,000	1.6	1,000	233,000	1.9	14,000
King Brown				176,000	3.0	17,000	25,000	2.2	2,000	201,000	2.9	19,000
Battler				432,000	2.4	33,400	72,000	1.8	4,100	504,000	2.3	37,500
British Hill				1,166,000	1.9	71,000	557,000	1.9	35,000	1,724,000	1.9	106,000
<b>Sub Total</b>	<b>1,386,000</b>	<b>2.0</b>	<b>87,000</b>	<b>2,301,000</b>	<b>2.0</b>	<b>150,400</b>	<b>883,000</b>	<b>1.9</b>	<b>53,100</b>	<b>4,570,000</b>	<b>2.0</b>	<b>290,500</b>
Golden Orb							1,023,000	2.2	71,000	1,023,000	2.2	71,000
Mt King							523,000	3.0	50,000	523,000	3.0	50,000
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,546,000</b>	<b>2.4</b>	<b>121,000</b>	<b>1,546,000</b>	<b>2.4</b>	<b>121,000</b>
<b>Total</b>	<b>1,386,000</b>	<b>2.0</b>	<b>87,000</b>	<b>2,301,000</b>	<b>2.0</b>	<b>150,400</b>	<b>2,429,000</b>	<b>2.2</b>	<b>174,100</b>	<b>6,116,000</b>	<b>2.1</b>	<b>411,500</b>
<b>Laterite</b>												
Dulcie				1,020,000	0.7	22,300	100,000	0.7	2,300	1,120,000	0.7	24,600
<b>Total Laterite</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020,000</b>	<b>0.7</b>	<b>22,300</b>	<b>100,000</b>	<b>0.7</b>	<b>2,300</b>	<b>1,120,000</b>	<b>0.7</b>	<b>24,600</b>
<b>Total</b>	<b>1,386,000</b>	<b>2.0</b>	<b>87,000</b>	<b>3,321,000</b>	<b>1.6</b>	<b>172,700</b>	<b>2,529,000</b>	<b>2.2</b>	<b>176,400</b>	<b>7,236,000</b>	<b>1.9</b>	<b>436,100</b>

**Notes to Accompany Mineral Resource Estimate table:**

- Numbers may not add due to rounding
- Resource models except for Battler, were constructed within the GS3 software, a proprietary resource modelling software developed by Hellman and Schofield.
- The resource model for Battler was constructed within the Minesight software.
- 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).
- Gold estimation and model blocks were constrained within either geologically derived or grade based wireframes.
- Resource assaying data sets derived from all available reverse circulation and diamond drill sampling. No RAB drilling or trenching assays have been used in the estimates.
- Geology has been used to constrain mineralisation as appropriate.
- Weathering domains have been used to constrain mineralisation where appropriate.
- 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.
- Assays are generally fire assay, with limited aqua regia assays in the weathered zone.
- All drill-hole collars are surveyed by GPS. Down hole surveys are limited, except at British Hill, where most drill-holes are surveyed.
- A lower cut-off of 0.5g/t Au has been used except at Dulcie where a lower cut-off of 0.4g/t Au has been used.

**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 Battler deposit is based on work completed by independent consultant Mr Dean Fredericksen of Fredericksen Geological Solutions based on resource drilling data sets provided by SXG. Mr Fredericksen is a Member of The Australasian Institute of Mining and Metallurgy and qualifies as a Competent Person in respect of the 2004 JORC code by virtue of having sufficient experience which is relevant to the style of mineralisation and deposit types being estimated. Mr Fredericksen has consented to the inclusion of this information in the form and context in which it appears in this report.

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 King Brown, Golden Orb, British Hill, Python, Dolly Pot, Dugite, Goldstream and Mount King deposits is based on work completed by Mr Nic Johnson utilising resource drilling data sets provided by SXG. Mr Johnson is a full time employee of Hellman and Schofield Pty Ltd and a member of the Australian Institute of Geoscientists. Mr Johnson 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 Johnson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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## Forward-Looking Statements

This document contains forward looking statements concerning the projects owned by SXG. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on SXG's beliefs, opinions and estimates as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Data and amounts shown in this document relating to capital costs, operating costs and project timelines are internally generated best estimates only. All such information and data is currently under review as part of SXG's ongoing development and feasibility studies. Accordingly, SXG makes no representation as to the accuracy and/or completeness of the figures or data included in the document until the feasibility studies are completed.

## JORC – Exploration Targets

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information in this document relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.