



SOUTHERN CROWN RESOURCES LIMITED
ABN: 52 143 416 531

Financial Report
for the period from the date of incorporation, 30 April 2010 to
31 December 2010 (“Interim Period”)

CORPORATE DIRECTORY

Board of Directors

Bruce Fulton
Non-Executive Chairman

Rhod Grivas
Executive Director

Mark Papendieck
Non-Executive Director

Company Secretary

Adrian Hill

Registered Office

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Auditor

Grant Thornton
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Share Registry

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Stock Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: SWR

Website Address

www.southerncrown.com.au

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SOUTHERN CROWN RESOURCES LIMITED
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DIRECTORS' REPORT

The Directors of SOUTHERN CROWN RESOURCES LIMITED submit herewith the consolidated financial report for the interim period from incorporation on 30 April 2010 through to 31 December 2010 ("Interim Period"). The Directors report as follows:

DIRECTORS

The names of the Company's Directors in office during or since the end of the interim period are:

Name	Title	Appointment date
Bruce Fulton	Chairman (non-executive)	30 April 2010
Rhod Grivas	Executive Director	30 April 2010
Mark Papendieck	Non-executive Director	30 April 2010

REVIEW OF OPERATIONS

Highlights

- **Successfully listed on the ASX on 2 December 2010 and the share price has remained at a premium to issue price.**
- **Commenced exploration on the Australian projects with preparation for a drilling program and aeromagnetic survey.**
- **Announced the conditional acquisition of Rare Earth International, a company with advanced rare earth projects and experienced management located in southern Africa.**

Introduction

Southern Crown Resources Limited was incorporated on 30 April 2010 with the purpose of acquiring, exploring and developing mineral deposits. On 29 July 2010, the Company entered into an agreement with Centaurus Metals Ltd to acquire The Dish and North East Queensland projects. In addition to these projects, the Company continues to evaluate additional mineral projects that it considers may add value to Shareholders.

On 18 October 2010 the Company lodged a prospectus with the Australian Securities and Investments Commission ("ASIC") for the initial public offer of up to 20 million shares at an issue price of \$0.20 each together with one free option for every two shares issued to raise up to \$4 million. The offer closed early due to oversubscription and the Company listed on 2 December 2010 with approximately 29.5 million shares and 15 million options on issue.

Exploration

The Company has commenced exploration on the North Queensland and New South Wales (NSW) projects with preparation for a RC drilling program at the Bernadette prospect in North Queensland and a comprehensive airborne survey at The Dish project in NSW.

A detailed aeromagnetic geophysical survey over The Dish project will be undertaken in April 2011 on 50 metre line spacings. This detailed survey will provide management with a structural and lithological interpretation tool to assist in planning the follow-up exploration.

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A data compilation of all previous exploration on the North Queensland project was commenced during December and a field reconnaissance program is expected in early 2011, subject to weather conditions.

Rare Earth International

Consistent with Southern Crown's strategy for sourcing new projects, on 21 December 2010, the Company announced the signing of a binding Heads of Agreement to purchase all of the issued capital of Rare Earth International ("REI"), subject to various conditions, including shareholder approval. The Company is completing due diligence and providing shareholders with an independent experts report on whether the proposed acquisition is fair and reasonable.

The projects are all located in southern Africa and include previously operating rare earth element ("REE") mines and exploration targets on complexes of known REE enrichment.

Completion of the Agreement is conditional upon satisfactory due diligence by both parties, all relevant shareholder approvals and Southern Crown receiving all necessary regulatory approvals.

More details of the acquisition terms are provided in the release dated 21 December 2010 which can be found on the Company website at southerncrown.com.au.

The consolidated net loss after income tax for the period was \$119,273.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporations Act 2001* in relation to the review of the interim period is included on page 4.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Bruce Fulton
Non-Executive Chairman

Melbourne
15 March 2011

Grant Thornton Audit Pty Ltd
ACN 130 913 594

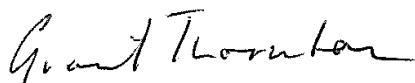
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Auditor's Independence Declaration
To The Directors of Southern Crown Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Southern Crown Resources Limited for the interim period from 30 April to 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Director - Audit & Assurance Services

Melbourne, 15 March 2011

SOUTHERN CROWN RESOURCES LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2010

	Interim period ended 31 December 2010
	\$
Interest revenue	33,676
Administration expenses	(142,571)
Employee benefits expenses	(8,630)
Share based payments expenses	(1,748)
Profit/(Loss) before income tax expense	(119,273)
Income tax expense	-
Profit/(loss) attributable to members of the parent entity	(119,273)
Other comprehensive income	-
Total comprehensive income	(119,273)
Earnings/(Loss) per share	Cents per Share
Basic earnings/(loss) per share	(1.46)
Diluted earnings/(loss) per share	(1.37)

This statement is to be read in conjunction with the notes to the financial statements

SOUTHERN CROWN RESOURCES LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	31 December 2010
	\$
Current Assets	
Cash and cash equivalents	4,060,677
Trade and other receivables	19,506
Total Current Assets	4,080,183
Non-Current Assets	
Tenement acquisition and exploration costs	410,798
Total Non-Current Assets	410,798
Total Assets	4,490,981
Current Liabilities	
Trade and other payables	69,966
Total Current Liabilities	69,966
Total Liabilities	69,966
Net Assets	4,421,015
Equity	
Share capital	4,540,288
Accumulated losses	(119,273)
Total Equity	4,421,015

This statement is to be read in conjunction with the notes to the financial statements

SOUTHERN CROWN RESOURCES LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2010

	Share Capital	Accumulated Losses	Total
Equity as at 30 April 2010	1	-	1
Shares and options issued during the period	4,914,044	-	4,914,044
Transaction costs	(373,757)	-	(373,757)
Loss for the period (A)	-	(119,273)	(119,273)
Equity as at 31 December 2010	4,540,288	(119,273)	4,421,015

(A) Loss for the period equals total comprehensive income for the period.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2010

	Interim period ended 31 December 2010 \$
Cash Flows From Operating Activities	
Interest received	33,676
Receipts from others	3,000
Payments to employees and others	(103,742)
Net cash (used in)/provided by operating activities	<u>(67,066)</u>
Cash Flows From Investing Activities	
Payments for exploration and development expenditure	(2,500)
Net cash (used in)/provided by investing activities	<u>(2,500)</u>
Cash Flows From Financing Activities	
Proceeds from issue of equity securities	4,504,000
Payment for equity issue costs	(373,757)
Net cash flows from financing activities	<u>4,130,243</u>
Net Increase (Decrease) in cash and cash equivalents	4,060,677
Cash and cash equivalents at beginning of the interim period	<u>-</u>
Cash and cash equivalents at the end of the interim period	<u><u>4,060,677</u></u>

This statement is to be read in conjunction with the notes to the financial statements

SOUTHERN CROWN RESOURCES LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim financial report does not include notes of the type normally included in an 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 consolidated entity as the full financial report.

It is recommended that the interim financial report be considered together with any public announcements made by Southern Crown Resources Limited and its controlled entity ("Group") during the interim period ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation

This financial report is for Southern Crown Resources Limited and its controlled entity during the period since incorporation on 30 April 2010 through to 31 December 2010. Southern Crown Resources Limited is limited by shares, incorporated and domiciled in Australia.

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The interim financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The following significant accounting policies have been adopted in the preparation and presentation of the interim financial report:

Basis of consolidation

A controlled entity is any entity that Southern Crown Resources Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

(a) Income Tax

The income tax expense (revenue) comprises current income tax expense (income) and deferred tax expense (income).

Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(d) Exploration Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i. the rights to tenure of the area of interest are current; and
- ii. at least one of the following conditions is also met:
 - a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest or by its sale; or
 - b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the group's financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the group's financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments issued by the group

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(g) Share-Based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is determined by application of the Black-Scholes methodology.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed equity.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- iii. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- iv. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Adoption of new and revised accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process. AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project. AASB 2010-3 amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters. The key clarifications include:

- i. The measurement of non-controlling interests in a business combination
- ii. Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008)
- iii. Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported in the current period.

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2. OPERATING SEGMENTS

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The group currently operates in one operating segment being the exploration and development of mineral resources.

The directors are of the opinion that the current financial position and performance of the Group is equivalent to the operating segment identified above and as such no further disclosure is required.

3. ISSUE OF EQUITY SECURITIES

		Options	Ordinary	Share Capital
		No.	Shares	\$
			No.	
Private placement	(i)	3,000,000	6,650,000	68,248
Reconstruction of shares issued through private placement	(ii)	-	(2,216,663)	-
Private placement	(iii)	-	3,500,000	437,500
Securities issued to Centaurus Metals Limited	(iv)	2,000,000	1,562,500	408,297
Securities issued through Initial Public Offer	(v)	10,000,000	20,000,000	4,000,000
Capital raising costs	(vi)	-	-	(373,757)
Total		15,000,000	29,495,837	4,540,288

(i) Private Placement

Following incorporation, the Company raised capital from directors and investors via an initial seed raising. 100 ordinary shares were issued at incorporation on 30 April 2010 at 1 cent per share and 6,649,000 ordinary shares were issued on 20 July 2010 at 1 cent per share.

The directors of the company were also issued with 1,000,000 options exercisable at 25 cents with an expiry date of 23 July 2015. The grant date fair value of options issued was 0.06 cents per option.

Westoria Capital Pty Ltd (formerly Lachlan Group) was issued with 2,000,000 options exercisable at 25 cents with an expiry date of 23 July 2013. The grant date fair value of options issued was 0.06 cents per option.

The fair value of all options issued at grant date was measured at \$1,748.

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(ii) Share Consolidation

On 28 September 2010, the shareholders resolved to consolidate the share capital of investors and directors who had been issued securities under the above private placement on the basis that every three ordinary shares be consolidated into two ordinary shares.

(iii) Private Placement

The Company raised capital from investors via the issue of 3,500,000 shares at 12.5 cents per share on 7 October 2010.

(iv) Vendor Shares

SC Resources Pty Ltd (a wholly-owned subsidiary of Southern Crown Resources Limited) entered into a sale agreement with Centaurus Metals Limited on 29 July 2010. As part of the Initial Public Offer, 1,562,500 shares and 2,000,000 options were issued as consideration for the acquisition of the Tenements held by Centaurus Metals Limited.

The amount payable upon exercise of each option will be 25 cents. The options expire on 24 November 2013. The grant date fair value of shares issued was measured at 20 cents per share and the grant date fair value of options issued was measured at 4.8 cents per option.

(v) Initial Public Offer

20,000,000 shares, were issued through the initial public offer for cash consideration of 20 cents per share. One option was issued for every two shares issued. The amount payable upon exercise for each option will be 35 cents with an expiry date of 31 December 2012. A total of 10,000,000 options were issued under the offer.

(vi) Capital Raising Costs

Capital raising costs represents the cost of issuing options and shares under the Prospectus dated 18 October 2010.

4. ACQUISITION AND DISPOSAL OF ENTITIES

On 17 May 2010, the Company acquired SC Resources Pty Ltd for the nominal sum of \$1. SC Resources Pty Ltd did not consist of any assets or liabilities at the date of acquisition. No entities were disposed of during the period.

5. COMMITMENTS FOR EXPENDITURE

Exploration Tenements – Commitments for expenditure

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity are required to outlay rentals to meet minimum expenditure requirements of the Mineral Resources Authority. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment.

These obligations are not recorded in the financial statements and are payable:

	31 December 2010
Not Longer than 1 year	\$130,000
Longer than 1 year and not longer than 5 years	\$160,000
Longer than 5 years	-
Exploration tenements – commitments for expenditure	\$290,000

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6. SUBSEQUENT EVENTS

On 21 December 2010, Southern Crown Resources Limited entered into a binding Heads of Agreement (“Agreement”) to purchase all of the issued capital of Rare Earth International (“REI”), a company which has secured two advanced rare earth exploration projects and an application over a third historical mining project.

This acquisition is consistent with Southern Crown’s strategy of actively seeking projects that will add shareholder value.

The projects are all located in southern Africa and include previously operating rare earth element (“REE”) mines and exploration targets on complexes of known REE enrichment.

The Directors of Southern Crown have agreed to acquire all the shares in REI for which the consideration will be satisfied by the issuance of ordinary fully paid shares and Performance Shares in Southern Crown. These Performance Shares will only convert to fully paid ordinary shares upon the satisfaction of certain performance hurdles.

The Company is undertaking due diligence and has appointed independent experts. Shareholders will have the opportunity to vote on the transaction and a notice of meeting of shareholders is expected to be provided in March 2011. The transaction is expected to settle immediately following the meeting of shareholders, assuming all relevant approvals are obtained.

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DIRECTORS' DECLARATION

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink that reads "B. Fulton". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Bruce Fulton
Non-Executive Chairman

Melbourne
15 March 2011

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Independent Auditor's Review Report To the Members of Southern Crown Resources Limited

We have reviewed the accompanying interim financial report of Southern Crown Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 30 April 2010 to 31 December 2010, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim 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 consolidated interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report 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 consolidated entity's financial position as at 31 December 2010 and its performance for the period from 30 April 2010 to 31 December 2010; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Southern Crown Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim 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.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

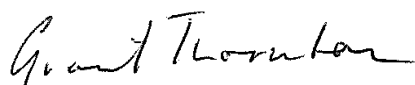
Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of Southern Crown Resources Limited for the interim period from 30 April 2010 to 31 December 2010 included on Southern Crown Resources Limited's web site. The Company's directors are responsible for the integrity of Southern Crown Resources Limited's web site. We have not been engaged to report on the integrity of Southern Crown Resources Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Southern Crown Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the period from 30 April 2010 to 31 December 2010; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Director - Audit & Assurance
Melbourne, 15 March 2011