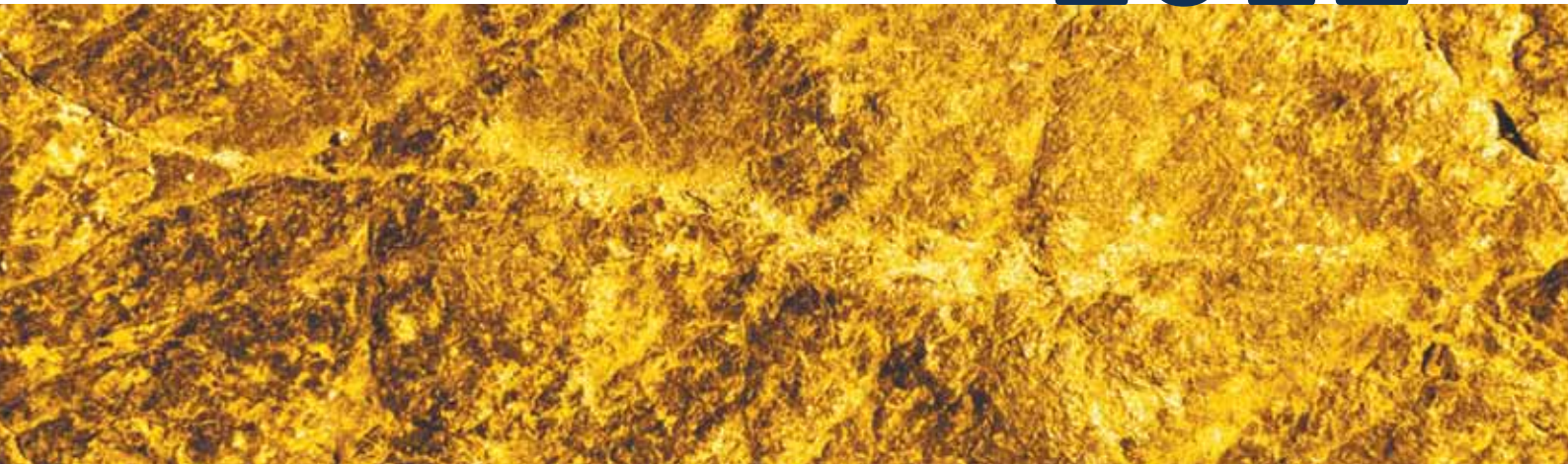


SOUTHERN CROWN RESOURCES LIMITED

ABN: 52 143 416 531

ANNUAL REPORT

2012



CORPORATE DIRECTORY

BOARD OF DIRECTORS

Rhod Grivas

Chairman

Mark Papendieck

Non-Executive Director

Adrian Hill

Non-Executive Director

COMPANY SECRETARY

Adrian Hill

REGISTERED OFFICE

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LAWYERS

Steinepreis Paganin

Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

AUDITOR

Grant Thornton Audit Pty Ltd

Level 2, 215 Spring Street
MELBOURNE VIC 3000

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace
PERTH WA 6000

STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX)

ASX Code: SWR

CONTENTS

Chairman's Review	1
Review of Operations	2
Directors' Report	6
Auditor's Independence Declaration	15
Directors' Declaration	17
Independent Audit Report	18
Consolidated Statement of Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash flows	23
Notes to the Financial Statements	24
Additional Shareholder Information	45
Corporate Governance Statement	48

CHAIRMAN'S REVIEW

Fellow shareholders, on behalf of your Board of Directors, I have pleasure in presenting the Annual Report of Southern Crown Resources Ltd ("Southern Crown" or the "Company") for the year ended 30 June 2012.

Southern Crown is a mineral exploration company established for the purpose of acquiring, exploring and developing prospective mineral deposits. The current financial year commenced following the completion of the acquisition of Rare Earth International ("REI") which held an interest in two rare earth projects in Zambia and Mozambique.

Both Nkombwa (Zambia) and Xiluvo (Mozambique) were acquired as they are large rare earth enriched carbonatite complexes. Southern Crown immediately commenced exploration activity on both projects. The exploration efforts were very successful at both projects with Nkombwa returning high grade sampling results with several samples of over 10% TREO confirming our understanding of the geology associated with the Nkombwa Complex. Xiluvo also delivered encouraging soil results and we were able to declare a JORC Code compliant resource of over 1.1mt at 2.05% TREO.

In early October 2011 the Company became aware of an over pegging tenure issue with the Nkombwa Project licence and the Board made the difficult decision to suspend the planned drilling program. It was this set back, along with the deterioration in the markets for rare earths in late 2011 that ultimately led to the decision to dispose of the rare earth projects in March 2012. Shareholders approved this decision in June 2012 and the transaction completed immediately following the end of the financial year on 6 July 2012.

The Company has refocused attention on the Australian projects, while also continuing to pursue further investment opportunities including drill-ready exploration projects through to advanced projects with existing resources and upside potential. The Board is committed to pursuing a strategy that will deliver long-term growth to shareholders and the company has the necessary cash reserves available to pursue these objectives over the coming year.

I wish to extend my sincere thanks to the Board of Southern Crown for their contributions and efforts to date. Appreciation is also extended to our shareholders for their support during the period and we look forward to success in the financial year ahead.

Yours faithfully



Rhod Grivas
Chairman

REVIEW OF OPERATIONS

INTRODUCTION

In June 2011, Southern Crown Resources Limited completed the acquisition of REI, securing two advanced rare earth exploration projects - the Nkombwa Project in Zambia and the Xiluvo Project in Mozambique. The terms of the acquisition included the appointment of Dr Robin 'Jock' Harmer as Managing Director and Mr David Reeves as Non-Executive Director.

Following the acquisition, the Group immediately commenced an aggressive exploration program on these rare earths projects.

AFRICAN RARE EARTH PROJECTS

Nkombwa Project, Zambia

The Nkombwa project is located in the north east of Zambia, 22km east of the major T2 paved national road between Lusaka (Zambian capital) and the Tanzanian border. The complex is situated near the village of Isoka and is linked to the T2 national road by well-maintained gravel regional roads. The Nkombwa Complex is a composite intrusion of several textural and compositional types of magnesian carbonatites. Historical exploration has shown the carbonatites to be enriched to varying degrees in phosphate, niobium and the rare earth elements. Earlier exploration efforts concentrated on phosphate and niobium with little attention paid to the rare earths.

EXPLORATION PROGRESS DURING THE PERIOD

A program of focused orientation outcrop sampling and ground radiometric data collection was undertaken during the period which led to the delineation of several areas of REE mineralization.

Evaluation of the complete set of geochemical data accumulated from Nkombwa revealed two distinct styles of REE mineralisation: a "primary" type of REE mineralisation hosted in coarse, vari-textured iron-rich; and a "secondary" type where elevated REE are found in the high-silica rocks described as "silicified carbonatite" by previous workers. The majority of the >7% TREO outcrop samples, and all of the >10% TREO samples, recovered are of the silica-rich type.

Preliminary mineralogical studies on silica-rich REE mineralised samples reveal that the predominant REE mineral is a low-thorium monazite, accompanied by minor amounts of bastnaesite or cerianite in some samples. Importantly, the low level of acid-consuming carbonates contained in the samples (average of 0.89% CO₃) has positive implications for eventual economic extraction of the REE from the host rocks.

A high resolution airborne magnetic and radiometric survey over the Nkombwa Hill area was completed in August 2011. The survey assisted in defining the extent of the "silicified carbonatite" unit that hosts pervasive REE mineralisation of the "silica-rich style" discussed above.





During the period, the Group received information that the portion of its licence covering the Nkombwa Project may have been improperly excised to another party without its knowledge or consent and this was reported to the ASX on 4 October 2011. As a consequence Southern Crown suspended the planned program of exploration drilling of the REE targets at Nkombwa Hill.

Xiluvo Project, Mozambique

The Xiluvo project is located 100km north-west of the major Mozambican port of Beira and covers part of the rare earth and niobium enriched Monte Xiluvo carbonatite complex. Xiluvo is bound on the northern side by the paved EN6 national road and on the west and south by the national rail routes linking Zimbabwe (via Mutare) and Beira.

The soils have accumulated in an internal basin within the central topographic bowl of the eroded Monte Xiluvo volcano structure and are derived from material shed predominantly from carbonatite plugs in the centre of the structure.

EXPLORATION PROGRESS DURING THE PERIOD

In July 2011 drilling was undertaken; where the soil

deposit was systematically drilled at 50m x 50m spacing. The drilling was carried out by specialists in the sampling of unconsolidated deposits and a powered sheathed auger technique was used to drill and sample more than 220 holes. Samples were assayed by Intertek Genalysis, Perth and a JORC-compliant resource estimate was undertaken by Widenbar and associates. Grade and tonnage estimates were made for grade cut-offs of 0%, 1%, 2% and 3% total rare earth oxides (TREO).

The JORC-compliant resource estimate returned an Indicated Mineral Resource of 1.1 Mt at 2.05% total rare earth oxides from the soil horizon shedding off the primary carbonatite using a 1% cut-off. These unconsolidated Xiluvo soils offer the prospect of a relatively easily and cheaply exploitable source of rare earths, with no or limited stripping of overburden, no blasting or crushing, and excellent road and rail access to the port of Beira, Mozambique.

The relative abundance of "Critical Rare Earth Oxides" (CREO) in the Xiluvo soil resource as revealed by the results is higher than normally encountered in carbonatite-hosted deposits, the CREO making up 22.8% of the total rare earths.

SALE OF RARE EARTH INTERNATIONAL AND THE RARE EARTHS PROJECTS

In March 2012 the Group received an offer from the original vendors of Rare Earth International (“REI Vendors”) to acquire the wholly owned Southern Crown subsidiary, Rare Earth International Ltd (“REI”) and all the Group’s rare earth projects, including the Nkombwa Project in Zambia and the Xiluvo Project in Mozambique. One of the Directors of Southern Crown, Mr. David Reeves was also a Director of one of the REI Vendor entities.

In light of the security of tenure issues experienced in Zambia, the cooling of the rare earth market and change in global economic conditions generally, the independent directors decided that the Group was better served by accepting the offer from the REI Vendors and pursuing new opportunities.

The Group entered into a binding Heads of Agreement (“Agreement”) with the REI Vendors to sell them all of the issued capital in REI in exchange for the cancellation of the existing 5 million Southern Crown shares issued as part of the original transaction, along

with the rights to any additional ordinary shares and the cancellation of the 37 million performance shares as issued on 3 June 2011.

Shareholders were provided with information concerning the proposed transaction, including an Independent Expert’s Report which concluded that the transaction was fair and reasonable to the non-associated shareholders of the Group and on 11 June 2012 shareholders approved the transaction to cancel the REI Vendor shares.

Subsequent to the end of the period, on 6 July 2012, the transaction was completed, with the transfer of all the shares in REI back to the REI Vendors and the cancellation of the 5 million ordinary shares and 37 million performance shares in Southern Crown.

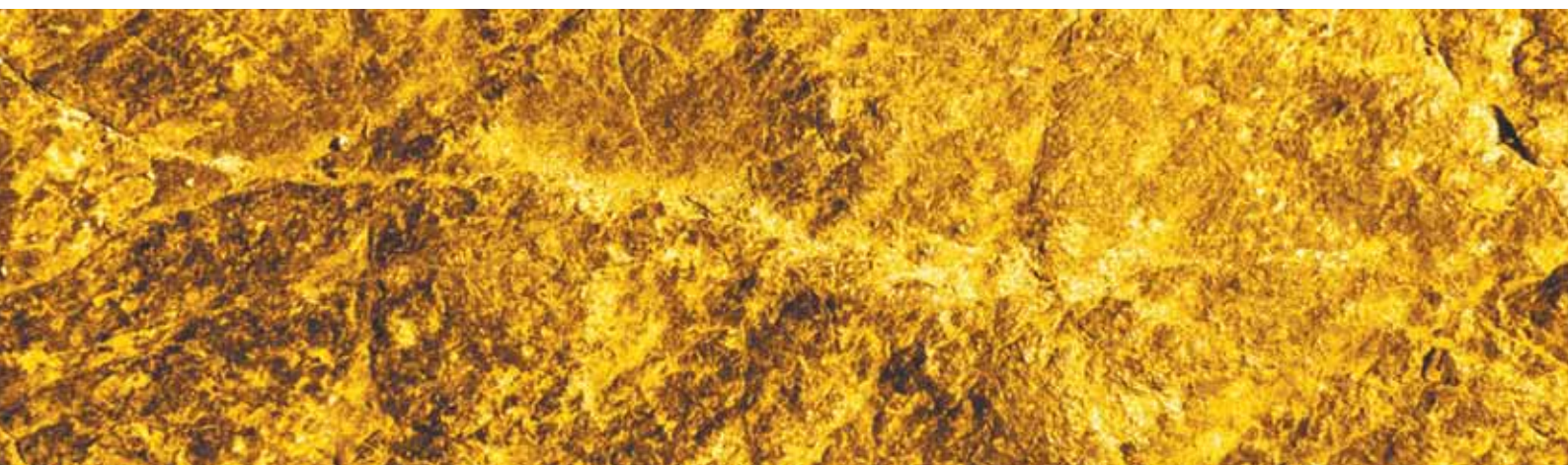
AUSTRALIAN COPPER/GOLD PROJECTS

The Group undertook very selective work on the North East Queensland and the Dish Project in New South Wales (NSW) as a result of the focus on the African projects.



SOUTHERN CROWN RESOURCES LIMITED

ABN 52 143 416 531



Directors' Report	6
Auditor's Independence Declaration	15
Directors' Declaration	17
Independent Audit Report	18
Consolidated Statement of Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash flows	23
Notes to the Financial Statements	24
Additional Shareholder Information	45
Corporate Governance Statement	48

DIRECTORS' REPORT

The Directors of Southern Crown Resources Limited and its subsidiaries (the "Group") submit herewith their report and the consolidated financial statements of the Group for the financial year ended 30 June 2012. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names and details of the Company's Directors at any time during or since the end of the financial year are outlined below. Unless otherwise disclosed, all Directors held their office from 1 July 2011 until the date of this report.

Name	Particulars
Mr Rhod Grivas	Non Executive Chairman (Appointed Chairman 12 October 2011)
Experience	Mr Rhod Grivas is a geologist with over 22 years experience in corporate and technical management of resource companies. He has held a number of executive director positions with resource companies including as Managing Director of ASX and TSX listed Doro Exploration prior to its takeover by Avoca Resources Limited in early 2010.
Listed Entity Directorships	Doro Exploration NL (Resigned March 2010) Lodestar Minerals Limited (Resigned April 2012) Canyon Resources Limited Coventry Resources Limited Equator Resources Limited
Mr Bruce Fulton	Non Executive Chairman (Resigned 12 October 2011)
Experience	Mr Bruce Fulton is a geologist with over 20 years technical and corporate experience in the resources sector and is currently the Managing Director of Ophir Partners, an executive search firm specialising in the placement of executives within the global mining and resources industry. He is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Company Directors. He is also a member of the Canadian Institute of Mining, Metallurgy and Petroleum and The Society of Economic Geologists.
Listed Entity Directorships	Universal Resources Ltd (Resigned February 2010)
Mr Mark Papendieck	Non-Executive Director
Experience	Mr Mark Papendieck is an experienced executive who has successfully managed and built exploration companies in South America and Australia. Mr Papendieck is currently the Managing Director of an unlisted public Company exploring for gold in South America. In addition to his resources industry experience, Mr Papendieck has also previously held senior executive roles in the financial services industry and holds a Diploma of Law from the NSW Legal Practitioners Admission Board.

Listed Entity
Directorships

Centaurus Resources Ltd (Resigned March 2010)

Mr Dave Reeves

Non-Executive Director (Resigned 16 March 2012)

Experience

Mr Reeves holds a first class honours degree in mining engineering, a graduate diploma in applied finance and investment, and a Western Australian first class mine managers certificate of competency. Mr Reeves has been involved with mining precious, base and industrial minerals throughout his career. He has spent 13 years in Africa, including time with Zimplats and Afplats where he was responsible for the successful feasibility studies and development of those projects as well as being intimately involved in the sale of both companies. He has most recently been Managing Director of a private, African focused mineral development company, Southern Minerals.

Listed Entity
Directorships

Minbos Resources Ltd
Ferrex Plc

**Dr Robin 'Jock'
Harmer**

Managing Director (Resigned 3 June 2012)

Experience

Dr Harmer is an experienced exploration geologist and academic who has published 37 peer-reviewed papers, relating to carbonatites. Dr Harmer is a recognised authority on carbonatites and alkaline rocks; he co-authored the section on rare-earth elements in the publication "The Mineral Resources of South Africa" and has managed rare earth element exploration campaigns on several carbonatite complexes in Africa and Greenland.

Listed Entity
Directorships

Nil

Mr Adrian Hill

Non-Executive Director (Appointed 31 May 2012) and Company Secretary

Experience

Mr Hill is a Chartered Accountant and Fellow of the Financial Services Institute of Australia. Mr Hill has more than 19 years Australian and international experience in strategic and finance roles in the resources, infrastructure and investment banking industries. He has an established record in strategy development, investment analysis, transaction management, corporate structuring and capital raising.

Listed Entity
Directorships

Nil

Refer to the Remuneration Report for details of the Directors share and option holdings.

PRINCIPAL ACTIVITIES

During the year the principal activities of the Group consisted of exploration for rare earth resources in Southern Africa and copper-gold resources in Australia. On 11 June 2012, the shareholders of the Group unanimously passed a resolution approving the sale of Rare Earth International Ltd ("REI") and all the Group's rare earth projects. The divestment was completed immediately following the end of the reporting period in July 2012.

There were no other significant changes in the nature of the activities undertaken by the Group.

REVIEW OF OPERATIONS

Refer to the Review of Operations preceding this Directors' Report.

FINANCIAL POSITION

The net assets of the Group were \$3,434,476 as at 30 June 2012. The working capital, being current assets less current liabilities was \$2,422,334. The variance between the net assets and working capital is predominately due to exploration activities on the Group's non-current investments in The Dish and North East Queensland Projects as well as assets of disposal groups classified as held for sale.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Divestment of Assets

On 11 June 2012, the shareholders of the Group unanimously passed a resolution approving the sale of Rare Earth International Ltd ("REI"), and all the Group's rare earth projects, including the Nkombwa Project in Zambia and the Xiluvo Project in Mozambique back to the original vendors of Rare Earth International ("REI Vendors").

Subsequent to the end of the financial year, Southern Crown Resources Limited completed the divestment of REI. The Group sold all of the issued capital in REI in exchange for the cancellation of the existing 5 million Southern Crown shares issued as part of the original transaction, along with the rights to any additional ordinary shares and the cancellation of the 37 million performance shares as issued on 3 June 2011. There was a loss on disposal of \$1,384,271 during the period as a result of the revaluation of the investment in REI to an asset held for sale.

As consideration for shares in REI, the following Southern Crown shareholdings held by the REI Vendors were cancelled on 6 July 2012:

- (i) 5,000,000 Ordinary Shares;
- (ii) 7,000,000 Class A Performance Shares
- (iii) 7,500,000 Class B Performance Shares
- (iv) 7,500,000 Class C Performance Shares
- (v) 15,000,000 Class D Performance Shares

No entities were acquired during the period.

FUTURE DEVELOPMENTS

Disclosure of further information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice for the Group. Accordingly, this information has not been disclosed in this report.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any matter or circumstance, other than that referred to in Note 25 that has arisen since 30 June 2012 that has significantly affected, or may significantly affect, the operations of the Group in future financial years.

DIVIDENDS

No dividend has been declared or paid since the incorporation of the Group on 30 April 2010 and the Directors do not recommend the payment of any dividend in respect of the financial year ended 30 June 2012.

ENVIRONMENTAL REGULATIONS

The Group holds participating interests in a number of mineral exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agency during the financial year ended 30 June 2012.

SHARE OPTIONS

There have been no share options granted to Directors and executives or their nominees in the financial year ended 30 June 2012. Options over ordinary shares of Southern Crown Resources Limited at the date of this report are as follows:

Item	Number of Options	Exercise Price of Options	Exercised Options	Expired Options	Balance	Expiry Date of Options
Listed Options	9,994,355	\$0.35	-	-	9,994,355	31 Dec 2012
Unlisted Options	2,000,000	\$0.25	-	-	2,000,000	23 July 2013
	2,000,000	\$0.25	-	-	2,000,000	24 Nov 2013
	1,000,000	\$0.25	-	500,000	500,000	23 July 2015
	500,000	\$0.25	-	-	500,000	2 June 2016
	500,000	\$0.35	-	-	500,000	2 June 2016
	6,000,000		-	-	5,500,000	

REMUNERATION REPORT (AUDITED)

The Directors of Southern Crown Resources Limited present the Remuneration Report prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The remuneration report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remuneration
- b. Details of remuneration
- c. Service agreements
- d. Share-based remuneration
- e. Other information

(a) Principles used to determine the nature and amount of remuneration

The remuneration of the Group has been designed to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives based on key performance areas. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Group, as well as create goal congruence between Directors, Executives and shareholders.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Group and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

All remuneration paid to Directors and Executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders. The limit of Non-Executive Director fees was set at a maximum of \$250,000 at a Board meeting held on 12 May 2010. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Director's retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

Performance Based Remuneration

Remuneration packages do not include performance-based components. An individual member of staff's performance assessment is done by reference to their contribution to the Group's overall operational achievements. All Directors and Executives hold shares and options in the Group to facilitate goal congruence between Executives with that of the business and shareholders. Further information has not been disclosed as it is commercially confidential.

Relationship between the remuneration policy and company performance

The table below sets out summary information about the Group's earnings and movements in shareholder wealth.

	30 June 2012 \$	30 June 2011* \$
Net profit/(loss) after tax	(1,941,815)	(735,797)
Dividends (cents per share)	-	-
Share price	\$0.085	\$0.25
Basic EPS (cents)	(5.55)	(4.46)
Diluted EPS (cents)	(5.55)	(4.46)

* For the period from the date of incorporation, 30 April 2010 to 30 June 2011

The remuneration of the Directors and Executives are not linked to the performance, share price or earnings of the Group.

(b) Details of Remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel of Southern Crown Resources Limited are as follows:

30 June 2012	Short-term benefits	Post- employment	Equity based compensation		
Directors	Salary and Fees \$	Superannuation \$	Shares \$	Options \$	Total \$
Executive Director					
Dr R Harmer	198,583	-	-	-	198,583
Non-Executive Directors					
Mr R Grivas ⁶	74,899	6,741	-	-	81,640
Mr B Fulton ²	12,719	-	-	-	12,719
Mr M Papendieck ³	32,700	-	-	-	32,700
Mr D Reeves ⁴	31,338	-	-	-	31,338
Mr A Hill ⁵	3,179	-	-	-	3,179
	353,418	6,741	-	-	360,159

30 June 2011¹	Short-term benefits	Post- employment	Equity based compensation		
Directors	Salary and Fees	Superannuation	Shares	Options	Total
	\$	\$	\$	\$	\$
Executive Director					
Dr R Harmer	7,692	-	-	194,825	202,517
Mr R Grivas	55,000	4,950	-	291	60,241
Non-Executive Directors					
Mr B Fulton ²	22,258	-	-	291	22,549
Mr M Papendieck ³	20,983	-	-	-	20,983
Mr D Reeves ⁴	2,998	-	-	-	2,998
	108,931	4,950	-	195,407	309,288

¹For the period from the date of incorporation, 30 April 2010 to 30 June 2011

²Mr B Fulton's fees were paid to Maplefern Pty Ltd, an entity associated with Mr Fulton.

³Mr M Papendieck's fees were paid to Charlomont Group Pty Ltd, an entity associated with Mr Papendieck.

⁴Mr D Reeve's fees were paid to Wilgus Investments Pty Ltd, an entity associated with Mr Reeves.

⁵Mr A Hill's fees were paid to Matzo Consulting Pty Ltd, an entity associated with Mr Hill.

⁶Mr R Grivas role changed from Executive Director to Non-Executive Director effective 1 December 2011.

(c) Service Agreements

The Group has a management services agreement in place with Westoria Capital Pty Ltd which has provided company secretarial, accounting and other administrative services. Westoria Capital was paid \$144,000 for these services in addition to \$25,000 advisory fees and \$25,800 Rent during the financial year ended 30 June 2012. Mr Adrian Hill is an Executive Director of Westoria Capital Pty Ltd.

(d) Share Based Remuneration

Options Issued as Part of Remuneration for the financial year ended 30 June 2012

No options were issued during the period as part of the compensation.

Shares Issued as Part of Remuneration for the financial year ended 30 June 2012

No shares were issued during the period as part of the compensation.

(e) Other Information

The following table provides details of shares and options held by Key Management Personnel.

Share and Option holdings of Directors and Key Management Personnel or their nominees

The relevant interest of each director in the shares and options over such shares issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, as at 30 June 2012 is as follows:

Shares			Options				
	Ordinary Shares No.	Performance Shares No.	Director Options No.	Exercise Price \$	First exercise date	Last exercise date	Listed Options No.
Mr B Fulton	333,334	-	-	-	-	-	-
Mr R Grivas	676,667	-	500,000	\$0.25	-	23 July 2015	5,000
Dr R Harmer	-	-	500,000	\$0.25	-	2 June 2016	-
			500,000	\$0.35	-	2 June 2016	-
Mr M Papendieck	25,000	-	-	-	-	-	12,500
Mr D Reeves	621,389	4,598,269*	-	-	-	-	62,500
Mr A Hill	275,000	-	-	-	-	-	62,500

* The Performance Shares comprise of the following which were cancelled on the 6 July 2012:

- Class A Performance Shares - 869,941
- Class B Performance Shares - 932,084
- Class C Performance Shares - 932,084
- Class D Performance Shares - 1,864,160

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year ended 30 June 2012 and the number of meetings attended by each Director. During the period, 12 Board meetings were held. There is no separate nomination, remuneration or audit committee.

DIRECTORS	BOARD OF DIRECTORS	
	HELD	ATTENDED
Mr B Fulton*	4	3
Mr R Grivas	12	12
Dr R Harmer *	11	11
Mr M Papendieck	12	12
Mr D Reeves *	10	10
Mr A Hill *	1	1

*Mr B Fulton did not stand for re-election as a Director at the 12 October 2011 AGM; Mr R Grivas was appointed Chairman on that date. Mr D Reeves resigned from his position as Director effective 16 March 2012. Dr R Harmer resigned on 3 June 2012 and Mr A Hill was appointed on 31 May 2012.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial period, the Group renewed a premium in respect of a contract insuring the Directors of the Group (as named above), the company secretary and all executive officers of the Group and of any related body corporate against a liability incurred as such as a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of the non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

No officers of the Group are former partners of Grant Thornton.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under *Section 237 of the Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the Corporation Act 2001 in relation to the audit of the full year is included in page 16.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

Grant Thornton Audit Pty Ltd continues in office in accordance with s. 327 of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'Rhod Grivas', with a stylized flourish at the end.

Rhod Grivas
Chairman

12 September 2012

Grant Thornton Audit Pty Ltd
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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 audit of Southern Crown Resources Limited for the year ended 30 June 2012, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 12 September 2012

DIRECTOR'S DECLARATION

In the Director's opinion:

- a) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- b) the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements; and
- c) the attached financial statements and notes thereto, are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the Group.

The Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Rhod Grivas
Chairman

12 September 2012

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

We have audited the accompanying financial report of Southern Crown Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes

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evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Southern Crown Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Southern Crown Resources Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 12 September 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Note	30 June 2012 \$	30 June 2011 \$
Interest revenue		154,748	140,810
Other income		-	1,625
Administration expenses		(229,644)	(115,461)
Professional fees		(304,685)	(469,826)
Employee benefits expenses		(177,963)	(96,372)
Impairment of asset held for sale	28	(1,384,271)	-
Share based payments expense		-	(196,573)
Loss before income tax expense		(1,941,815)	(735,797)
Income tax expense	5	-	-
Loss attributable to members of the parent entity		(1,941,815)	(735,797)
Other comprehensive income		-	-
Total comprehensive loss		(1,941,815)	(735,797)
Loss per share	23	Cents per Share	Cents per Share
Basic loss per share		(5.55)	(4.46)
Diluted loss per share		(5.55)	(4.46)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

	Note	As at 30 June 2012 \$	As at 30 June 2011 \$
Current Assets			
Cash and cash equivalents	8	2,417,105	3,328,481
Trade and other receivables	9	13,067	45,870
Other current assets	10	38,620	106,620
Total Current Assets		2,468,792	3,480,971
Assets and disposal group classified as held for sale	28	425,000	-
Non-Current Assets			
Property, plant & equipment	11	-	2,300
Other non-current assets	12	12,500	5,005
Tenement acquisition and exploration costs	13	574,642	1,960,264
Total Non-Current Assets		587,142	1,967,569
Total Assets		3,480,934	5,448,540
Current Liabilities			
Trade and other payables	14	46,458	70,189
Employee provisions		-	2,060
Total Current Liabilities		46,458	72,249
Net Assets		3,434,476	5,376,291
Equity			
Share capital	15	5,819,717	5,819,717
Option Reserves		292,080	292,371
Accumulated losses		(2,677,321)	(735,797)
Total Equity		3,434,476	5,376,291

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Share Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
Consolidated Equity at incorporation	1	-	-	1
Total comprehensive loss for the period	-	-	(735,797)	(735,797)
Shares and options issued during the period	6,193,474	292,371	-	6,485,845
Costs associated with issuing of shares and options	(373,758)	-	-	(373,758)
Balance at 30 June 2011	5,819,717	292,371	(735,797)	5,376,291
Total comprehensive loss for the period	-	-	(1,941,815)	(1,941,815)
Transfer of share based payments lapsed/forfeited	-	(291)	291	-
Balance at 30 June 2012	5,819,717	292,080	(2,677,321)	3,434,476

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Note	30 June 2012 \$	30 June 2011* \$
Cash Flows From Operating Activities			
Interest received		190,728	80,084
Payments to suppliers and employees		(668,521)	(574,523)
Net cash from (used in) operating activities	21	(477,793)	(494,439)
Cash Flows From Investing Activities			
Purchase of tenements, acquisitions and exploration costs		(423,649)	(301,967)
Payments for property, plant and equipment		(2,439)	(2,325)
Proceeds from security deposit		5,005	-
Payment for security deposit		(12,500)	(5,005)
Net cash from (used in) investing activities		(433,583)	(309,297)
Cash Flows From Financing Activities			
Proceeds from issue of equity securities		-	4,505,974
Payment for equity issue costs		-	(373,757)
Net cash flows from (used in) financing activities		-	4,132,217
Net change in cash and cash equivalents		(911,376)	3,328,481
Cash and cash equivalents at beginning of period		3,328,481	-
Cash and cash equivalents at the end of period	8	2,417,105	3,328,481

* For the period from the date of incorporation, 30 April 2010 to 30 June 2011

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

1. GENERAL INFORMATION

Southern Crown Resources Limited (the “Company”) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). Southern Crown Resources Limited is a for-profit entity for the purpose of preparing the financial statements. The addresses of its registered office and principal place of business are disclosed in the introduction to the financial report. The principal activities of the Company and its subsidiaries (the “Group”) are described in the Director’s Report.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 Standards and Interpretations affecting amounts reported in the current period

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 30 June 2012. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

3.1 Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRS’s) as issued by the International Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with IFRS’s.

The financial statements were authorised for issue by the directors on 7 September 2012.

3.2 Basis of preparation

The 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.

3.3 Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries as listed in Note 26 (collectively the “Group”). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

All inter-company balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those policies applied by the parent entity.

3.4 Going Concern

The financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business. The going concern of the Group is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the Group. The Directors are confident that sufficient funds can be secured if required by a combination of capital raising, sale of assets or joint ventures to enable the Group to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

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

3.5 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured.

3.5.1 Interest Revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

3.6 Share based payments

Equity-settled share-based payments to 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 the option reserve.

No amounts have been recognised in the financial statements in respect of other equity-settled share based payments.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognized in profit or loss for the year.

3.7 Taxation

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

3.7.1 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.

3.7.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 (and tax laws) that have been 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 assets or liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

3.7.3 Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

3.8 Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognized in prior financial periods shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

The useful lives of Fixed Assets of 2-4 years have been used in the calculation of depreciation and amortization.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.9 Goods and services tax

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

- 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
- 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 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable, the tax authority.

3.10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

3.11 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:

- the rights to tenure of the area of interest are current; and
- 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 is 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.

3.12 Operating Segments

Operating Segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

3.13 Contributed Equity

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

3.14 Impairment of non-financial assets

At each reporting date or more frequently if events or changes in circumstances indicate a possible impairment, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset excluding goodwill (cash-generating unit) 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 recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with the dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.16 Business Combination

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

3.17 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for impairment.

3.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

3.19 Non-current assets and liabilities classified as held for sale and discontinued operations

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position. Liabilities are classified as 'held for sale' and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some 'held for sale' assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets. Once classified as 'held for sale', the assets are not subject to depreciation or amortisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

Tax Losses

The Group has not recognized a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Group will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilized in the foreseeable future.

Share Based Payment Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to the equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Exploration and Evaluation Assets

At each reporting date, the directors review the carrying value of each area of interest, with reference to the indicators of impairment outlined in AASB 6 - Exploration for and Evaluation of Mineral Resources.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

5. INCOME TAX EXPENSE

	30 June 2012	30 June 2011
	\$	\$
(a) The components of income tax expense/(benefit) comprise:		
Current income tax charge	-	-
Deferred income tax relating to utilisation/(recognition) of tax losses	-	-
Deferred income tax relating to origination and reversal of temporary differences	-	-
Income tax expense/(benefit) reported in profit or loss	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) from ordinary activities before income tax	(1,941,815)	(735,797)
Prima facie tax benefit at the Australian tax rate of 30%	582,544	220,739
Tax effect of amounts which are not deductible in calculating taxable income:		
- Other non-deductible expenses	-	(19,926)
Add/(Less) Temporary Differences		
- Annual leave accrual	-	(618)
- Unpaid superannuation	(312)	-
Under/(over) provision – prior year	(3,488)	-
Tax effect of current period tax losses for which no deferred tax asset has been recognised	(578,744)	(200,195)
Income tax expense/(benefit)	-	-
(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility occur:		
Temporary differences	312	618
Tax losses: operating losses	778,939	200,195
	779,251	200,813

The taxation benefits of losses and temporary differences not brought to account will only be obtained if:

- i) The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realized;
- ii) The Group continues to comply with the conditions for deductibility imposed by law; and
- iii) No change in tax legislation adversely affects the Group in realizing the benefits from deducting the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

6. KEY MANAGEMENT PERSONNEL

- (a) The names of key management personnel of the entity at any time during the financial year ended 30 June 2012 are:

Mr B Fulton	Non-executive Chairman	resigned	12 October 2011
Mr R Grivas	Non-executive Chairman		
Dr R Harmer	Managing Director	resigned	3 June 2012
Mr A Hill	Company Secretary		
Mr M Papendieck	Non-executive Director		
Mr D Reeves	Non-executive Director	resigned	16 March 2012
Mr A Hill	Non-executive Director	appointed	31 May 2012

Mr Adrian Hill's services as the Company Secretary are provided as part of an ongoing management services agreement between the Group and Westoria Capital Pty Ltd.

Since 30 June 2011 changes in key management personnel have been:

- Mr B Fulton did not stand for re-election as a director and resigned on 12 October 2011.
- Mr R Grivas was an executive director up until his appointment as Non-Executive Chairman on 12 October 2011.
- Mr D Reeves resigned on 16 March 2012.
- Mr A Hill was appointed as a Non-Executive Director on 31 May 2012.
- Dr R Harmer did not renew his 12 month contract and he resigned as a director on 3 June 2012.

(b) Compensation practices

Details of Key Management Personnel compensation practices are contained in the Remuneration Report within the Director's Report.

(c) Aggregate Key Management Personnel Compensation

	30 June 2012 \$	30 June 2011 \$
Short-term employment benefits	353,418	108,931
Post employment benefits	6,741	4,950
Equity based payments	-	195,407
	360,159	309,288

The Group has a management services agreement in place with Westoria Capital Pty Ltd which has provided company secretarial, accounting and other administrative services. Westoria Capital was paid \$144,000 for these services during the financial year ended 30 June 2012. Mr Adrian Hill is an Executive Director of Westoria Capital Pty Ltd.

Information regarding individual directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors Report.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

(d) Option holdings by Directors and Key Management Personnel or their nominees

The movement during the reporting period in the number of options over ordinary shares in Southern Crown Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2012	Opening Balance	Granted as Compensation	Exercised	Other Changes*	Vested and exercisable at 30 June 2012
Mr B Fulton	500,000	-	-	(500,000)	-
Mr R Grivas	505,000	-	-	-	505,000
Dr R Harmer	1,000,000	-	-	-	1,000,000
Mr M Papendieck	12,500	-	-	-	12,500
Mr D Reeves	62,500	-	-	-	62,500
Mr A Hill	62,500	-	-	-	62,500
Total	2,142,500	-	-	(500,000)	1,642,500

* Other changes represent options that expired or were forfeited during the year.

2011	Opening Balance	Director Options	Listed Options	Other Changes	Vested and exercisable at 30 June 2011
Mr B Fulton	-	500,000	-	-	500,000
Mr R Grivas	-	500,000	5,000	-	505,000
Dr R Harmer	-	1,000,000	-	-	1,000,000
Mr M Papendieck	-	-	12,500	-	12,500
Mr D Reeves	-	-	62,500	-	62,500
Mr A Hill	-	-	62,500	-	62,500
Total	-	2,000,000	142,500	-	2,142,500

(e) Share holdings by Directors and Key Management Personnel or their nominees

2012	Opening Balance	Conversion of Options	Compensation	Purchased/ (Sold)	Balance 30 June 2012
Mr B Fulton	333,334	-	-	-	333,334
Mr R Grivas	676,667	-	-	-	676,667
Mr M Papendieck	25,000	-	-	-	25,000
Mr D Reeves	5,219,658	-	-	-	5,219,658
Mr A Hill	125,000	-	-	150,000	275,000
Total	6,379,659	-	-	150,000	6,529,659

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

2011	Opening Balance	Ordinary Shares	Performance Shares	Options Exercised	Balance 30 June 2011
Mr B Fulton	-	333,334	-	-	333,334
Mr R Grivas	-	676,667	-	-	676,667
Mr M Papendieck	-	25,000	-	-	25,000
Mr D Reeves	-	621,389	4,598,269*	-	5,219,658
Mr A Hill	-	125,000	-	-	125,000
Total	-	1,781,390	4,598,269	-	6,379,659

* The Performance Shares comprise of the following:

Class A Performance Shares - 869,941
Class B Performance Shares - 932,084
Class C Performance Shares - 932,084
Class D Performance Shares - 1,864,160

(f) Loans/Payables to Key Management Personnel

There are no amounts payable to Key Management Personnel at 30 June 2012.

(g) Other transactions with Key Management Personnel

Other transactions with Key Management Personnel during the financial year ended 30 June 2012 are detailed in Note 19.

	30 June 2012 \$	30 June 2011 \$
7. AUDITORS REMUNERATION		
Audit services		
Auditing and/or reviewing the financial report	34,000	34,500
Total audit services remuneration	34,000	34,500
Other services		
Investigating Accountants Report	-	8,000
Employee Share Scheme Advice	-	3,950
Total other services remuneration	-	11,950
Total Auditor's remuneration	34,000	46,450

8. CASH AND CASH EQUIVALENTS

Cash at Bank	6,557	6,733
High Interest Account	160,548	121,748
Term Deposits	2,250,000	3,200,000
	2,417,105	3,328,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

9. TRADE AND OTHER RECEIVABLES

Goods and services tax receivables	11,567	44,245
Other receivables	1,500	1,625
	<u>13,067</u>	<u>45,870</u>

All the receivables are short term and the carrying values of the items are considered to be a reasonable approximation of fair value.

10. OTHER CURRENT ASSETS

Pre-paid Expenses	13,874	45,894
Interest Receivable	24,746	60,726
	<u>38,620</u>	<u>106,620</u>

11. PROPERTY, PLANT & EQUIPMENT

Opening balance	2,300	-
Acquisitions	2,439	2,325
Disposals	(3,833)	-
Depreciation	(906)	(25)
	<u>-</u>	<u>2,300</u>

12. OTHER NON-CURRENT ASSETS

Security Bond	<u>12,500</u>	<u>5,005</u>
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13. TENEMENT ACQUISITION AND EXPLORATION COSTS

Movement in exploration and evaluation assets

Opening balance at cost	1,960,264	-
Capitalised exploration expenditure		
Australian Projects	63,325	523,817
African Projects	360,324	1,436,447
Balance Additions	<u>423,649</u>	<u>1,960,264</u>
Disposals	-	-
Transferred to assets held for sale	<u>(1,809,271)</u>	<u>-</u>
Carrying amount at the end of year	<u>574,642</u>	<u>1,960,264</u>

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources.

Expenditure of \$423,649 has been included in cash flows from investing activities in the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

14. TRADE AND OTHER PAYABLES

Trade and other payables	46,458	70,189
Employee Provisions	-	2,060
	<u>46,458</u>	<u>72,249</u>

All the payables are short term and the carrying values of the items are considered to be a reasonable approximation of fair value.

15. ISSUE OF EQUITY SECURITIES

	30 June 2012 \$	30 June 2011 \$
Fully paid ordinary shares	5,819,717	5,819,717
Ordinary shares		
Balance at the beginning of the reporting period	35,001,482	-
Shares issued during the period	-	35,001,482
Balance at reporting date	35,001,482	35,001,482

16. SHARE-BASED PAYMENTS

Share Options

The option reserve records items recognised as expenses on valuation of share options.

2012

Grant date	Expiry Date of Options	Exercise Price of Options	Balance at start of year	Exercised during the year	Expired / Forfeited/ Other	Balance at end of the year	Exercisable at end of year
23/7/2010	23/7/2015	\$0.25	1,000,000	-	(500,000)	500,000	500,000
23/7/2010	23/7/2013	\$0.25	2,000,000	-	-	2,000,000	2,000,000
1/12/2010	24/11/2013	\$0.25	2,000,000	-	-	2,000,000	2,000,000
3/6/2011	2/6/2016	\$0.25	500,000	-	-	500,000	500,000
3/6/2011	2/6/2016	\$0.35	500,000	-	-	500,000	500,000
			6,000,000	-	(500,000)	5,500,000	5,500,000
Weighted average exercise price			\$0.26	\$0.00	\$0.25	\$0.26	\$0.26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2011

Grant date	Expiry Date of Options	Exercise Price of Options	Balance at start of year	Exercised during the year	Expired / Forfeited/ Other	Balance at end of the year	Exercisable at end of year
23/7/2010	23/7/2015	\$0.25	1,000,000	-	-	1,000,000	1,000,000
23/7/2010	23/7/2013	\$0.25	2,000,000	-	-	2,000,000	2,000,000
1/12/2010	24/11/2013	\$0.25	2,000,000	-	-	2,000,000	2,000,000
3/6/2011	2/6/2016	\$0.25	500,000	-	-	500,000	500,000
3/6/2011	2/6/2016	\$0.35	500,000	-	-	500,000	500,000
			6,000,000	-	-	6,000,000	6,000,000
Weighted average exercise price			\$0.26	\$0.00	\$0.00	\$0.26	\$0.26

Option Valuation

In accordance with AASB 2, the value of options granted has been independently assessed.

Expenses arising from share-based payment transactions

In total, \$nil (2011: \$292,080) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss for 2012 and credited to share option reserve.

17. DIVIDENDS

There have been no dividends paid or proposed during in respect of the period ended 30 June 2012.

18. COMMITMENTS FOR EXPENDITURE

In order to maintain current rights of tenure to exploration tenements, the Group is required to outlay rentals to meet minimum expenditure requirements of the relevant 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.

	30 June 2012 \$	30 June 2011 \$
Exploration Tenements – Commitments for expenditure		
Not longer than 1 year	100,000	140,000
Longer than 1 year and not longer than 5 years	-	100,000
	<u>100,000</u>	<u>240,000</u>

19. RELATED PARTY DISCLOSURES

Key Management Personnel Compensation

Details of key management personnel compensation are disclosed in the Remuneration Report and Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Transactions with Key Management Personnel

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

Transactions with Director Related Entities

The Group has a management services agreement in place with Westoria Capital Pty Ltd which has provided company secretarial, accounting and other administrative services. Westoria Capital was paid \$144,000 for these services in addition to \$25,000 advisory fees and \$25,800 Rent during the financial year ended 30 June 2012. Mr Adrian Hill is an Executive Director of Westoria Capital Pty Ltd.

Mr D Reeves was a Director of Southern Minerals which was one of the REI vendor entities. Mr Reeves resigned as a Director of Southern Crown Resources Ltd prior to the transaction being finalised.

There were no other transactions with director related entities during the period other than those disclosed in the Remuneration Report and Note 6.

Transactions with Controlled Entities

There were no transactions with controlled entities during the period.

20. PARENT ENTITY INFORMATION

Set out below is supplementary information about the parent entity.

	Parent 30 June 2012 \$	Parent 30 June 2011 \$
Statement of Comprehensive Income		
Loss after Income Tax	(1,941,815)	(735,797)
Total Comprehensive Income	<u>(1,941,815)</u>	<u>(735,797)</u>
Statement of Financial Position		
Total Current Assets	2,893,792	3,480,971
Total Assets	3,480,934	5,448,540
Total Current Liabilities	46,458	72,249
Total Liabilities	46,458	72,249
Equity		
Contributed Equity	5,819,717	5,819,717
Option reserves	292,080	292,371
Accumulated Losses	(2,677,321)	(735,797)
Total Equity	3,434,476	5,376,291

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2012.

Capital commitments

Refer to Note 18 for details. The exploration commitments relate to the subsidiary in which the mining assets are being held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.

21. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated	
	For period ended	
	30 June 2012	30 June 2011
	\$	\$
(a) Reconciliation of Cash and Cash Equivalents		
For the purpose of the statement of cash flows, cash includes cash in hand and in banks and term deposits. Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	2,417,105	3,328,481
(b) Financing Facilities		
The Company had the following credit card facilities	20,000	-
Amounts utilised	(854)	-
	<u>19,146</u>	<u>-</u>
(c) Reconciliation of Net Profit/(Loss) from ordinary activities after related income tax to net cash flows from operating activities		
Profit/(Loss) after related income tax	(1,941,815)	(735,797)
Non-cash activities:		
Depreciation and amortization of non-current assets	906	25
Loss on disposal of assets	3,833	-
Impairment of assets held for sale	1,384,271	-
Option Premium Expense	-	196,573
Advisory Fees	-	125,000
Changes in assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/Decrease in assets:		
Interest Receivable	35,980	(60,726)
Prepayments and other receivables	64,823	(91,763)
Increase/(Decrease) in liabilities:		
Accounts Payable and Accrued Expenses	(25,791)	72,251
Net cash used in operating activities	(477,793)	(494,439)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instrument is cash and cash equivalents. The main purpose of this financial instrument is to finance the Group's operations. The Group has other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. The main risk arising from the Group's financial instruments is the cash flow interest rate risk.

22.1 Cash flow interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk. Instead consideration is given to a mixture of fixed and variable interest rates.

The cash amounts and interest rates effective at the reporting date are:

Rate Type	Amount \$	Effective Rate %	Maturity Date
Fixed	800,000	5.13	13 August 2012
Fixed	750,000	5.10	18 August 2012
Fixed	700,000	5.68	17 August 2012
Variable	160,548	3.50	On-Call
Variable	6,557	-	On-Call
Total Cash	2,417,105		

An increase/decrease in interest rates of 30% (2011: 30%) would have a favourable/adverse affect on profit before tax of \$37,401 (2011: \$60,911) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

22.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet debt requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group aims at maintaining flexibility in funding by having in place operational plans to source further capital as required.

As at 30 June 2012, the Group's liabilities are summarized below:

	Current		Non-Current	
	Within 6 months \$	6 to 12 months \$	Within 6 months \$	6 to 12 months \$
Trade and other payables	46,458	-	-	-
Total	46,458	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

22.3 Credit Risk

Credit risk arises from cash and cash equivalents and outstanding receivables. The cash balances are held in financial institutions with high ratings and the receivables comprise interest receivables and GST input tax credit refundable by the ATO. The Group has assessed that there is minimal risk that the cash and receivables balances are impaired.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

Classes of financial assets	30 June 2012 \$	30 June 2011 \$
Cash and cash equivalents	2,417,105	3,328,481
Trade and other receivables	13,067	45,870
Interest receivable	24,746	60,726
Carrying Amount	2,454,918	3,435,077

22.4 Capital Risk Management

When managing capital, management's objectives are to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintains a capital structure that ensures the lowest cost of capital available to the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or enter into joint ventures.

The Group does not have a defined share buy-back plan.

No dividends are expected to be paid in 2012.

There is no current intention to incur debt funding on behalf of the Group as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The Group is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a monthly basis.

22.5 Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group's exposure to foreign exchange risk during the period related to transactions associated with on-going exploration costs on the Nkombwa and Xiluvo Projects in Zambia and Mozambique respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

23. EARNINGS PER SHARE

	30 June 2012 Cents Per Share	30 June 2011 Cents Per Share
Basic loss per share	(5.55)	(4.46)
Diluted loss per share	(5.55)	(4.46)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	\$	\$
Earnings*	(1,941,815)	(735,797)

*Earnings are the same as the loss after tax in the statement of comprehensive income

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in the calculation of basic loss per share:	35,001,482	16,482,378
Weighted average number of ordinary shares used in the calculation of diluted loss per share:	35,001,482	16,482,378

Diluted Earnings per Share

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purpose of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the exercise price was significantly higher than the Group's share price as at 30 June 2012.

24. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 30 June 2012.

25. AFTER REPORTING DATE EVENTS

Subsequent to 30 June 2012, Southern Crown Resources Limited completed the divestment of its 100% equity interest in its subsidiary REI in July 2012. Full details of this transaction have been provided within note 28.

There has not been any other matter or circumstance that has arisen since 30 June 2012 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

26. CONTROLLED ENTITIES

The financial information contained within this section incorporates the assets, liabilities, results and equity of the following entities in accordance with the principles of consolidation described in Note 3.3.

Name of Entity	Country of Registration	Class of Shares	Equity Holding
SC Resources Pty Ltd (controlled entity)	Australia	Ordinary	100%
Rare Earth International Limited (controlled entity)	British Virgin Islands	Ordinary	100%

27. OPERATING SEGMENTS

The Group currently undertakes commodity exploration across two geographic regions. All revenues and costs are handled centrally and only exploration expenditures are considered across the two regions separately. There are no revenues from these exploration activities. Capitalised exploration and acquisition expenditure for the period across the African segment was \$360,324 and across the Australian segment was \$63,325.

28. ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 11 June 2012, the shareholders of Southern Crown Resources Limited unanimously passed a resolution approving the sale of Rare Earth International Ltd ("REI"), and all the Group's rare earth projects, including the Nkombwa Project in Zambia and the Xiluvo Project in Mozambique back to the original vendors of Rare Earth International ("REI Vendors").

Southern Crown Resources Limited completed the divestment of its 100% equity interest in its subsidiary REI in July 2012. The Group sold all of the issued capital in REI in exchange for the cancellation of the existing 5 million Southern Crown shares issued as part of the original transaction, along with the rights to any additional ordinary shares and the cancellation of the 37 million performance shares as issued on 3 June 2011. There was a loss on disposal of \$1,384,271 during the period as a result of the revaluation of the investment in REI to fair value.

The non-current asset held for sale is carried at the lower of its carrying amount and fair value less costs to sell. The carrying amounts of assets and liabilities in this disposal group are summarized as follows:

	30 June 2012 \$	30 June 2011 \$
Non-current assets		
Tenement acquisition and exploration costs	425,000	-
Assets classified as held for sale	425,000	-

No entities were acquired during the period.

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 29 August 2012.

1. Distribution of Shareholders

Analysis of number of shareholders by size of holding:

Category of Holding	Number of Holders	Number of Shares	% of Capital
1 - 1,000	7	1,324	0.00
1,001 – 5,000	22	81,315	0.27
5,001 – 10,000	73	686,948	2.29
10,001 – 100,000	257	9,342,019	31.14
100,001 and over	49	19,889,876	66.30
Total	408	30,001,482	100.00%

There were 34 holders holding less than a marketable parcel of shares representing 111,096 shares.

2. Twenty Largest Shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

Rank	Name	Shares	% of Shares
1	WESTORIA RESOURCE INVESTMENTS LIMITED	3,233,334	10.78%
2	CENTAURUS METALS LTD	1,562,500	5.21%
3	MRS KATRINA FRANCES BANKS-SMITH	1,151,250	3.84%
4	TEMPO CAPITAL PTY LTD <TEMPO GROWTH FUND A/C>	1,090,000	3.63%
5	KIMBRIKI NOMINEES PTY LTD <KIMBRIKI HAMILTON S/F A/C>	1,000,000	3.33%
6	MR DIRK VAN DER STRUYF + MRS STEPHANIE VAN DER STRUYF <VAN DER STRUYF S/F A/C>	862,500	2.87%
7	MR GRANT POVEY	788,675	2.63%
8	MR NICHOLAS SIMON DRAPER + MRS MELINDA JANE DRAPER <DRAPER SUPER FUND A/C>	760,000	2.53%
9	GOODHEART PTY LTD	666,667	2.22%
10	GANDRIA CAPITAL PTY LTD <THE TEDBLAHNKI FAMILY A/C>	544,147	1.81%
11	INVICTUS CAPITAL PTY LTD <MAIN FAMILY A/C>	529,609	1.77%
12	MR BRIAN MARK BATES	447,500	1.49%
13	522 INVESTMENTS PTY LTD <THE NATHAN BRAY S/F A/C>	430,000	1.43%
14	NATIONAL NOMINEES LIMITED	392,387	1.31%
15	MAPLEFERN PTY LTD	333,334	1.11%
16	ZENIX NOMINEES PTY LTD	333,334	1.11%
17	MR BRIAN MCCUBBING <BRIAN MCCUBBING S/F A/C>	300,000	1.00%
18	MR ROBERT LINDSAY SHIRLEY + MRS GINA MICHELLE SHIRLEY <R L SHIRLEY SUPER FUND A/C>	300,000	1.00%
19	TRISTESSE PTY LTD <THE BANKS-SMITH FAMILY A/C>	290,000	0.97%
20	CHALKSTICK PTY LTD <THE FRAGOMENI S/F A/C>	287,000	0.96%
Top 20 holders of Ordinary Fully Paid Shares		15,302,237	51.00%
Total Remaining Holders Balance		14,699,245	49.00%

3. Twenty Largest Option Holders

The names of the twenty largest option holders by account holding of listed options are listed below:

Rank	Name	Listed Options	% of Options
1.	JACOBS CORPORATION PTY LTD	370,417	3.71
2.	TEMPO CAPITAL PTY LTD <TEMPO GROWTH FUND A/C>	360,000	3.60
3.	MR GRANT POVEY	352,547	3.53
4.	MR NICHOLAS SIMON DRAPER + MRS MELINDA JANE DRAPER <DRAPER SUPER FUND A/C>	200,000	2.00
5.	MR BRIAN MCCUBBING <BRIAN MCCUBBING S/F A/C>	200,000	2.00
6.	INVICTUS CAPITAL PTY LTD <MAIN FAMILY A/C>	180,000	1.80
7.	MR BRADLEY GEORGE BOLIN	175,000	1.75
8.	MR BRIAN MARK BATES	155,000	1.55
9.	BATAVIA CAPITAL PTY LTD <AUSTLEY A/C>	130,000	1.30
10.	CLODENE PTY LTD	125,000	1.25
11.	JACOBSON GEOPHYSICAL SERVICES PTY LTD <JACOBSON INVESTMENT A/C>	125,000	1.25
12.	MR DIRK VAN DER STRUYF + MRS STEPHANIE VAN DER STRUYF <VAN DER STRUYF S/F A/C>	125,000	1.25
13.	BROOKMAN RESOURCES PTY LTD <DAVID MCSWEENEY S/F A/C>	112,500	1.13
14.	CITYLIGHT ASSET PTY LTD <GRAHAM SUPER FUND A/C>	112,500	1.13
15.	EARLEWOOD INVESTMENTS PTY LTD	100,000	1.00
16.	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	100,000	1.00
17.	STARLET COURT PTY LTD <MUSGRAVE SUPER FUND A/C>	100,000	1.00
18.	SWANCAVE PTY LTD <THE BMC FAMILY A/C>	100,000	1.00
19.	VIAVAN PTY LTD <THE BERSON INVESTMENT A/C>	95,000	0.95
20.	STARPOINT NOMINEES PTY LTD	90,000	0.90
Top 20 holders of Listed Options Expiry 31/12/2012 @\$0.35		3,307,964	33.10
Total Remaining Holders Balance		6,686,391	66.90

4. Restricted Securities

There were 3,313,752 restricted securities at 29 August 2012.

5. Substantial Shareholders

As at 29 August 2012 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Westoria Resource Investments Ltd	3,233,334	10.78
Centaurus Metals Ltd	1,562,500	5.21

6. Voting Rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.

7. Schedule of Mining and Exploration Tenements as at 30 June 2012

Project Name	Locality	Tenement	Equity
Percyvale	Queensland	Exploration Permit 16117	100%
The Dish	New South Wales	Exploration Licence 6910	100%
Xiluvo*	Mozambique		0%
Nkombwa*	Zambia		0%

* The Xiluvo and Nkombwa Projects were transferred to the REI Vendors on completion of the REI Sale Transaction on 6th July 2012.

Subsequent to 30 June 2012, an exploration licence application over the Ropewalk tenement in North East Queensland (EPM 18325) was formally granted on 30 July 2012 for a period of 3 years.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Southern Crown Resources Limited and its controlled entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Group complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations. The statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these principles, unless otherwise stated, were in place for the full reporting period.

Further information on the Group's corporate governance policies and practices can be found on the Southern Crown Resources Limited web-site at www.southerncrown.com.au.

PRINCIPLE	Compliance
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Principle 1 – Lay solid foundation for management and oversight

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| 1.1 | Establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | ✓ |
| 1.2 | Disclose the process for evaluating the performance of senior executives. | ✓ |
| 1.3 | Provide the information indicated in the Guide to reporting on Principal 1. | ✓ |

Principle 2 – Structure the Board to add value

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| 2.1 | A majority of the Board should be independent directors.

<i>Due to the Group's size and its specialized operations, the Board considers that a majority of Independent Directors is not currently warranted. As the Group's activities expand, this policy will be reviewed, with a view to aligning the Group's policies to conformity with this recommendation. The Board recognizes that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.</i> | ✗ |
| 2.2 | The chair should be an independent director. | ✓ |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same person | ✓ |
| 2.4 | The board should establish a nomination committee.

<i>Given the size and scale of Southern Crown Resources Limited, it has been determined that a nomination committee is not warranted at this stage. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis. The Board's policy for appointment of new directors to the Board can be accessed at www.southerncrown.com.au</i> | ✗ |

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| 2.5 | Disclose the process for evaluating the performance of the board, its committee and individual directors | ✘ |
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As noted, the role of the nomination committee is carried out by the full Board.

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| 2.6 | Provide the information indicated in the Guide to reporting on Principle 2. | ✔ |
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Principle 3 – Promote ethical and responsible decision-making

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| 3.1 | Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practice necessary to maintain confidence in the Group’s integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | ✔ |
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| 3.2 | Establish a policy concerning trading in Group securities by directors, senior executive and employees, and disclose the policy or a summary of the policy. | ✔ |
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The Group has adopted a trading policy that can be accessed at www.southerncrown.com.au

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| 3.3 | Provide the information indicated in the Guide to reporting in Principle 3. | ✔ |
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Principle 4 – Safeguard integrity in financial reporting

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| 4.1 | The board should establish an audit committee. | ✘ |
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Given the size and scale of Southern Crown Resources Limited the Board has decided not to have a separate audit committee. The role of the audit committee is carried out by the full Board. The need for an audit committee will be reviewed by the board as the Group’s activities expand with a view to aligning the Group’s policies to conformity with this recommendation

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| 4.2 | The audit committee should be structured so that it: <ul style="list-style-type: none"> • Consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members | ✘ |
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As noted in 4.1, the role of the audit committee is carried out by the full board.

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| 4.3 | The audit committee should have a formal charter. | ✔ |
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| 4.4 | Provide the information in the Guide to reporting on Principle 4. | ✔ |
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Principle 5 – Make timely and balanced disclosure

- 5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies. ✓
The Disclosure Policy can be accessed at www.southerncrown.com.au
- 5.2 Provide the information indicated in the Guide to reporting on Principle 5. ✓

Principle 6 – Respect the rights of shareholders

- 6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy. ✓
The Group has adopted a Shareholder Communications Policy which can be accessed at: www.southerncrown.com.au
- 6.2 Provide the information indicated in the Guide to reporting on Principle 6. ✓

Principle 7 – Recognize and manage risk

- 7.1 Establish policies for the oversight and management of material business risk and disclose a summary of those policies. ✓
The Risk Management Policy can be accessed at: www.southerncrown.com.au
- 7.2 The board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks. ✗
Management has not formally reported to the board as to the effectiveness of the Group's management of its material business risks. Given the nature and size of the Group and the Board's ultimate responsibility to manage the risks of the Group this is not considered critical. The Group intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
- 7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A in the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting tasks. ✓
- 7.4 Provide the information indicated in the Guide to reporting on Principle 7. ✓

Principle 8 – Remunerate fairly and responsibly

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| 8.1 | The board should establish a remuneration committee.

<i>It is not a Group policy to have a remuneration committee, given the size and scale of Southern Crown Resources Limited. The role of a remuneration committee is carried out by the full Board. The full board considers the remuneration of directors and executives on a case by case basis in accordance with the remuneration policy. The Board's policy for remuneration can be accessed at www.southerncrown.com.au</i> | ✘ |
| 8.2 | Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | ✓ |
| 8.3 | Provide the information indicated in the guide to reporting on Principle 8. | ✓ |

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