



2004 SECOND QUARTER REPORT TO SHAREHOLDERS

During the second quarter of 2004, the Company continued with its drilling in the Yarramba palaeodrainage system exploring for additional resources within economic distance of Honeymoon. In parallel, an internal review of a number of development scenarios for production from the Honeymoon Project was undertaken, including preliminary financial analysis of various annual plant production rates and corresponding mine lives using capital and operating costs estimated from the 2002 Ausenco cost and engineering report. Engineering scaling factors were used to estimate capital costs for a downsized plant and provision was also made for exchange rate movements. Updated unit costs for consumables and labour costs were used to estimate operating costs. The results from the preliminary financial analysis of the Honeymoon Project, albeit to only plus or minus 30% and not of sufficient accuracy to report, together with potential for improved uranium prices in the future, have provided the Company with the confidence to appoint external engineers to completely revise the capital and operating costs for the Honeymoon Project to a high level of accuracy.

Drilling during the quarter identified a new belt of uranium mineralization extending for over one kilometre between the Honeymoon Resource and Brooks Dam (SXR News Release May 26, 2004). The majority of this mineralization is located on Mining License 6109 and has potential to add to the life of the Honeymoon Project. Additional drilling is required to test the full potential and continuation of the mineralization as there was only time available for a small number of widely spaced holes before drilling was suspended for a scheduled two month break.

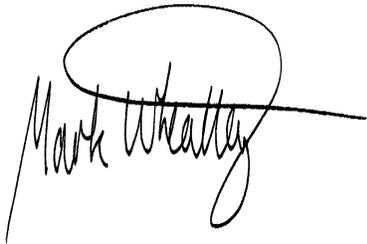
Drilling at Brooks Dam has since recommenced on July 31, 2004 and will continue until the full extent of the mineralization has been determined. Exploration activities will then move to Goulds Dam where a scoping study and testing of new targets will be undertaken. Post quarter end, the Company also signed a Heads of Agreement with Equinox Resources Ltd to explore for Tertiary uranium on EL 2896 "Ethiunda" which adjoins the Company's EL 2956 "Goulds Dam" and EL 2978 "Katchiwileroo" (SXR News Release July 14 2004). Drilling on EL 2896 will follow Goulds Dam and is expected to be completed by June 30, 2005.

The Company has appointed Brisbane based Ausenco Limited and Adelaide based GJC Consulting Group to revise the capital and operating costs estimates for the Honeymoon Project. Both organizations have complimentary experience with in situ leach (ISL) operations and GJC brings recent experience on the Beverley ISL project. The revised capital and operating costs estimates together with the additional drilling results at Brooks Dam is expected to provide the necessary information to assess the Honeymoon Project. This work is planned for completion by the end of 2004.

The spot price of uranium oxide continued to rise during the second quarter of 2004, reaching US\$18.50 per pound by the end of June 2004. This was a US\$1.00 per pound increase from the US\$17.50 per pound spot price reached at the end of March 2004. The second quarter spot price increase, while modest compared to the US\$3.00 per pound or 21% increase over the preceding quarter, is still very positive given the normal lack of activity and lighter volumes during the summer season. Supply/demand fundamentals indicate that there will continue to be upward pressure on the spot price for the foreseeable future.

During the quarter, Mr. Oliver Lennox King stepped down as Chairman and as a director of the Company and Mark Wheatley, the Company's Chief Executive Officer, was appointed Executive Chairman while continuing to serve as CEO. In other changes to the board, Rob Devereux resigned on May 15 to fully focus on Sedimentary Holdings Ltd, where he is Managing Director. Mr. John W. W. Hick replaced Mr. Devereux on the board and brings extensive experience as a director of public companies, particularly in the mining sector.

Southern Cross is in the enviable position of having the permits to proceed into production at Honeymoon. In addition, potential exists to add resources through regional exploration around Honeymoon and at Goulds Dam. The Company is therefore highly leveraged to increasing uranium prices and given the supply/demand situation that analysts are forecasting for the foreseeable future, the Company is well placed to create value for shareholders.



Mark Wheatley
Executive Chairman



Leigh Curyer
Chief Financial Officer

August 11, 2004

Southern Cross Resources Inc.
Notice to Reader

The accompanying unaudited interim consolidated financial statements and all information contained in the attached 2004 second quarter report have been prepared by and are the responsibility of the management of the Company.

The Audit Committee of the Board of Directors, consisting of three members, has reviewed the financial statements and related financial reporting matters.

The Company's independent auditors, KPMG LLP, Chartered Accountants, have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

A handwritten signature in black ink, appearing to read "L R Curyer". The signature is written in a cursive style with a large, looped "y" at the end.

Leigh Curyer
Chief Financial Officer

Southern Cross Resources Inc.

Management's Discussion and Analysis

General

The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited consolidated financial statements of the Company and related notes thereto for the second quarter ended June 30, 2004, which have been prepared in accordance with Canadian generally accepted accounting principles. This discussion covers the last completed quarter ended June 30, 2004 and up to the date hereof. All dollar amounts are Canadian dollars unless otherwise indicated.

Overall Performance

During the second quarter ended June 30, 2004, revenue, which consisted of interest income, was \$81,448 compared to \$1,164 in the same period of 2003. The additional interest was due to the increase in cash on deposit compared to the same period last year. Other income of \$45,065 was earned during the first quarter (as shown in the six months to June 30, 2004 figures) as a one-off rental of equipment and camp facilities. Australian administrative costs continue to be expensed during the quarter applying the treatment adopted in the 2003 Annual Report. (In February 2003, the Honeymoon Project was placed on care and maintenance. As a result, Australian administrative costs which were previously capitalized are expensed from this date). For this reason, total expenses for the second quarter of 2004 of \$894,360, which include a foreign exchange loss of \$404,631, were higher than the 2003 second quarter expenses of \$64,238. The foreign exchange loss relates to the appreciation of the Canadian dollar against the Australian dollar during the quarter. The Company's policy is to denominate funds in currencies proportionate to forecasted expenditures in those countries and given that most expenditures will be in Australia, cash funds are A\$5.92million and C\$300,000. Discounting the effect of foreign exchange translation, the majority of other expenses for the second quarter are consistent with that incurred during the first quarter of 2004.

Results of Operations

The Company's operations involve exploration and development of its uranium properties in South Australia with the focus in 2004 on expanding resources and assessing the Honeymoon Project. During the six month period to June 30, 2004, \$1.15 million have been spent and capitalized, including \$198,768 to purchase specialized exploration equipment. On a year to date basis, this compares to \$526,097 for the same period in 2003. Of the total spent in 2004 to June 30, \$431,703 (Q1 2003: \$279,527) was capitalized during the second quarter. No drilling was conducted during the second quarter of 2003 when the Honeymoon site was on a care and maintenance basis, incurring minimal cost.

Liquidity and Capital Resources

During the quarter, the Company received \$35,429 from parties exercising 54,506 share purchase warrants. Overall, the Company's cash and cash equivalents at the end of the second quarter is \$5,953,247 (Q2 2003: \$301,081). Overall expenditures on administrative and development activities are within budget and the Company is fully funded to perform planned exploration on all its properties, revise cost and engineering studies, continue to assess the Honeymoon Project and expand development activities beyond 2004.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the unaudited consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's shares and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model, however the future volatility is uncertain and the model has its limitations.

The Company's recoverability of its recorded value of its mineral properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

Future Prospects

The Company is focusing its efforts on testing the potential to expand resources around the Honeymoon Project and revising its cost and engineering study under various development scenarios. Work is also continuing on amending a uranium oxide sales contract to provide flexibility on product delivery and to allow additional price participation on the upside. The drilling that is underway at Brooks Dam to test the full extent of the newly discovered mineralization that has potential to add mine life to the Honeymoon Project and the work being undertaken by Ausenco and GJC to provide accurate estimates of operating and capital costs, will provide all the data that is necessary for the Board to fully assess the project. Assuming all financial hurdles are met and financing is available, a production decision is possible by the end of 2004. After the Brooks Dam drilling, exploration at Goulds Dam / Billeroo and on the Equinox JV tenement, which are located in the Curnamona region of South Australia, is planned for 2004 and 2005.

Forward Looking Statements

This quarterly report contains certain forward-looking statements relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

SOUTHERN CROSS RESOURCES INC.**Consolidated Balance Sheets**

As at (Canadian dollars)	June 30, 2004	December 31, 2003
ASSETS		
Current		
Cash and cash equivalent	5,953,247	7,312,208
Accounts receivable and other	128,891	186,684
	6,082,138	7,498,892
Capital Assets (note 3)	34,983,117	33,872,638
	41,065,255	41,371,530
LIABILITIES		
Current		
Accounts payable and accrued liabilities	340,220	691,415
Non-Current		
Loan payable (note 4)	-	4,080,000
	340,220	4,771,415
SHAREHOLDERS' EQUITY		
Share capital (note 5a)	45,227,782	40,287,352
Contributed Surplus (note 5d)	1,466,317	1,407,889
Deficit	(5,969,064)	(5,095,126)
	40,725,035	36,600,115
	41,065,255	41,371,530

See accompanying notes to the Consolidated Financial Statements

SOUTHERN CROSS RESOURCES INC.**Consolidated Statements of Operations and Deficit**

For the quarters and six months ended June 30 (Canadian dollars)	QUARTER		SIX MONTHS	
	2004	2003	2004	2003
Revenue :				
Interest income	81,448	1,164	169,691	2,672
Other income	-	2,785	45,065	39,445
	81,448	3,949	214,756	42,117
Expenses :				
Salaries and benefits	229,005	9,771	409,372	39,275
General and administration	148,018	31,836	262,388	65,031
Rent	24,133	16,662	55,772	39,124
Consulting fees	-	-	6,543	-
Travel	86,073	393	103,503	4,762
Amortization	2,500	1,667	5,000	4,167
Foreign exchange loss (gain)	404,631	3,909	246,116	(102,548)
Total expenses	894,360	64,238	1,088,694	49,811
Profit (loss) for the period	(812,912)	(60,289)	(873,938)	(7,694)
Deficit, beginning of the period	(5,156,152)	(4,783,477)	(5,095,126)	(4,836,072)
Deficit, end of the period	(5,969,064)	(4,843,766)	(5,969,064)	(4,843,766)

See accompanying notes to the Consolidated Financial Statements

SOUTHERN CROSS RESOURCES INC.**Consolidated Statements of Cash Flows**

	QUARTER		SIX MONTHS	
	2004	2003	2004	2003
For the quarters and six months ended June 30 (Canadian dollars)				
Operating activities :				
Profit (loss) for the period	(812,912)	(60,289)	(873,938)	(7,694)
Amortization	2,500	1,667	5,000	4,167
Non-cash compensation expense	32,007	-	58,428	-
Foreign exchange (gain)/loss on loan payable	-	3,909	-	143,439
Changes in non-cash working capital balances	(573,693)	162,610	(293,402)	286,686
Cash provided by operating activities	(1,352,098)	107,897	(1,103,912)	426,598
Financing activities :				
Shares issued	35,429	-	4,940,430	-
Debt repayment	-	-	(4,080,000)	-
Cash provided by financing activities	35,429	-	860,430	-
Investing activities :				
Deferred exploration and development costs	(409,630)	(279,048)	(916,711)	(524,356)
Acquisition of plant and equipment	(22,073)	(479)	(198,768)	(1,741)
Cash used in investing activities	(431,703)	(279,527)	(1,115,479)	(526,097)
Increase (decrease) in cash and cash equivalents during the period	(1,748,372)	(171,630)	(1,358,961)	(99,499)
Cash and cash equivalents - beginning of the period	7,701,619	472,711	7,312,208	400,580
Cash and cash equivalents - end of the period	5,953,247	301,081	5,953,247	301,081

Notes to Consolidated Financial Statements

June 30, 2004

1. NATURE OF OPERATIONS

The Southern Cross Resources Inc. (the "Company") is a Canadian corporation engaged, through its wholly-owned subsidiary Southern Cross Resources Australia Pty. Ltd. ("Southern Cross Australia"), in the acquisition, exploration and development of properties for production of uranium. The Company is in the process of determining whether certain of these properties contain ore reserves that are economically recoverable and developing a commercially viable operation for the purpose of uranium extraction.

The exploration and development of mineral properties involves significant financial risk. In the event these properties are determined to be commercially viable, additional financing will be required.

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis. As such, these unaudited consolidated financial statements do not reflect any adjustments, which may be necessary should the Company not be able to continue normal operations, in which case amounts realized for assets may be materially less than the amounts appearing in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Use of estimates

The preparation of these unaudited consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the unaudited consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

Foreign currency translation

The Company's transactions and integrated operations denominated in foreign currencies are translated into Canadian dollars as follows: monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date; non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates; revenues and expenses are translated at average rates prevailing during the year; and translation gains and losses for the year are reflected in the consolidated statements of loss and deficit.

Financial instruments

The carrying amounts for cash, short term investments, accounts payable and accrued liabilities on the balance sheet approximate fair value due to the short maturities of these instruments.

Mineral properties and exploration and development

The cost of mineral properties and related exploration and development costs are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production. Deferred costs relating to mineral properties sold or abandoned are written-off and the net gain or loss is reflected in the consolidated statement of operations. Administrative costs incurred in Australia since the removal of the yellowcake in February 2003 that was produced during the field leach trial and administrative costs in Canada are expensed in the year incurred.

Plant and equipment

Plant and equipment, which includes office furniture and equipment, are recorded at acquisition cost. Amortization of office furniture and equipment is provided on straight-line basis over a three year period. The cost of plant and equipment relating to operations will be amortized over their estimated useful lives following commencement of commercial production.

Capitalization of interest

Net interest costs incurred during the development, construction and start-up phase of major projects are capitalized.

Other asset

The Company's interest in process technology is carried at acquisition cost and is being amortized on a straight-line basis over a twenty year period.

Stock options

The Company has a stock option plan, which is described in Note 5. Effective January 1, 2003, the Company adopted the new recommendations in the CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments, on a prospective basis, as permitted by the standard. This Section requires a fair value based method of accounting to be applied to all stock-based payments. Effective January 1, 2003, the Company accounts for vested employee stock options by measuring compensation costs for options granted on or after January 1, 2003 under the fair value based method of accounting, using the Black-Scholes option pricing model. Consideration paid on the exercise of stock options and warrants is credited to share capital.

3. CAPITAL ASSETS

	As at June 30, 2004			As at December 31, 2003		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Mineral properties	6,042,000	-	6,042,000	6,042,000	-	6,042,000
Deferred exploration and development	25,198,237	-	25,198,237	24,281,526	-	24,281,526
Plant and equipment	3,948,995	331,949	3,617,043	3,750,227	331,949	3,418,278
Other assets	200,000	74,166	125,834	200,000	69,166	130,834
	<u>35,389,232</u>	<u>406,115</u>	<u>34,983,117</u>	<u>34,273,753</u>	<u>401,115</u>	<u>33,872,638</u>

4. LOAN PAYABLE

On February 17, 2004, after the expiry of a 30 trading day period during which the Company's share price averaged greater than \$1.14 per share, being 175 % of the \$0.65 exercise price of the share purchase warrants granted to RCF, the Company exercised its right to require RCF to exercise its 6,276,923 share purchase compensation warrants (the RCF Warrants").

The \$4.08 million proceeds received from the exercise of the RCF Warrants was immediately used to repay the \$4.08 million long term debt owed to RCF. After this repayment, the Company became debt free.

5. SHARE CAPITAL

(a) Authorized and issued

The Company is authorized to issue an unlimited number of common shares.

The following table summarizes the movements in the company's outstanding issued shares.

Share Capital	Period Ended June 30, 2004		Year Ended December 31, 2003	
	# of shares	\$	# of shares	\$
Opening balance	52,372,879	40,287,352	30,452,487	29,113,371
Issued for cash during the period	1,154,506	860,430	14,823,151	8,278,539
Issued for RCF warrants / loan repayment (note 4)	6,276,923	4,080,000	6,476,190	2,720,000
Issued for interest payable (note 4)	-	-	621,051	175,442
Total common shares	59,804,308	45,227,782	52,372,879	40,287,352

During the first quarter of 2004, the Company exercised its right to require RCF to exercise its 6,276,923 share purchase warrants and used the proceeds from this conversion to repay the RCF loan payable (see note 4). Also \$860,430 was received from combination of exercise of warrants and stock options (804,506 and 350,000 units respectively).

(b) Stock options

The Company has a stock option plan (the Plan) which was approved by shareholders on January 3, 1997 and modified by shareholders on June 10, 2002.

The purpose of the Plan is to attract, retain and motivate management, staff and consultants by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth. Options granted under the Plan are non-assignable and may be granted for a term not exceeding ten years. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and any vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 5,000,000 shares.

A total of 3,145,000 stock options are issued and outstanding under the Plan as of June 30, 2004, with exercise prices ranging from \$0.38 to \$1.25 per share. A former employee who left the company in April 2003 exercised 350,000 options during the first quarter of 2004. For the six months ended June 30, 2004, the Compensation expense totaled \$58,428. A total of 520,000 additional stock options were granted on June 9, 2004.

Options to purchase common shares of the Company have been granted in accordance with the Plan, as follows:

	Period Ended June 30, 2004		Year Ended December 31, 2003	
	Options	Weighted Average Exercise Price \$	Options	Weighted Average Exercise Price \$
Opening balance	2,975,000	0.86	2,485,000	0.98
Granted	560,000	0.91	690,000	0.52
Exercised	(350,000)	0.96	-	-
Cancelled	-	-	-	-
Expired	(40,000)	1.25	(200,000)	1.25
Outstanding, end of period	<u>3,145,000</u>	0.85	<u>2,975,000</u>	0.86
Options exercisable at end of period	<u>2,515,003</u>		<u>2,508,333</u>	

The following table summarizes information about the stock options outstanding as at June 30, 2004.

Range of Exercise Prices	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	Number Outstanding As at June 30, 2004	Weighted Avg Remaining Life (years)	Weighted Avg Exercise Price \$	Number Exercisable As at June 30, 2004	Weighted Avg Exercise Price \$
\$ 0.38 - 0.40	500,000	4.12	0.38	216,667	0.39
\$0.62	50,000	4.37	0.62	50,000	0.62
\$0.75 – 0.85	900,000	2.08	0.76	900,000	0.76
\$0.92-\$1.00	1,145,000	3.55	0.96	798,336	0.98
\$1.20	<u>550,000</u>	<u>2.66</u>	<u>1.20</u>	<u>550,000</u>	<u>1.20</u>
	<u>3,145,000</u>	<u>3.07</u>	<u>0.85</u>	<u>2,515,003</u>	<u>0.81</u>

(c) Warrants

At June 30, 2004 outstanding warrants to purchase common shares were as follows:

	<u>Total Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Series C warrants	3,503,676	\$0.65	July 11, 2005
Conversion warrants	4,857,143	\$0.65	July 11, 2005
Series C warrants	250,000	\$0.65	August 8, 2005
Share Purchase Warrants	<u>8,610,819</u>		
Broker warrants	377,181	\$0.65	July 11, 2005
Broker warrants	315,790	\$1.15	December 16, 2005
Compensation Warrants	<u>692,971</u>		
TOTAL	<u>9,303,790</u>		

During the six month period ended June 30, 6,276,923 compensation warrants were exercised by RCF for proceeds of \$4,080,000 (see note 4). 500,000 Series C warrants were also exercised as well as 304,506 broker warrants at \$0.65. All proceeds were credited to share capital.

(d) Contributed Surplus

The following table summarizes contributed surplus as at June 30, 2004:

<u>Valuation of</u>	<u>Fair Value \$</u>	<u>Expensed To</u>
Stock options	184,611	Compensation Expense
Agent compensation warrants	271,121	Issue cost
RCF debt extension warrants	1,010,585	Capital assets
Contributed Surplus	<u>1,466,317</u>	

6. INCOME TAX

At present, the tax calculation is performed on an annual basis.

The Company's income tax provision (recovery) as at December 31, 2003, has been calculated as follows:

	2003 \$
Loss for the year	<u>(259,054)</u>
Income tax recovery at Canadian federal and provincial statutory rates	(95,000)
Effect of income tax rates of Australia compared to Canadian rates	80,000
Unrecorded benefit of income tax losses in Canada	(349,000)
Unrecorded benefit of income tax losses in Australia	<u>364,000</u>
Provision for (recovery of) income taxes	<u>-</u>
Future income tax asset	
Non-capital losses carried forward	2,460,000
Less: Valuation allowance	<u>(2,460,000)</u>
Future income tax asset recorded	<u>-</u>

Management reviews the valuation allowance of the future income taxes on an ongoing basis and adjusts the valuation allowance, as necessary, to reflect its anticipated realization.

In Canada, the Company has loss carry forwards for income tax purposes of approximately \$2.9 million which may be used to reduce future taxable income. These losses expire in 2005 through 2009.

In Australia, the Company has loss carry forwards for income tax purposes of approximately \$22.3 million which may be used to reduce future taxable income. These losses may be carried forward indefinitely.

7. LOSS PER SHARE

The loss per share for the first six months of 2004 has been calculated using the weighted average number of shares outstanding at the end of the period of 57,772,652 common shares being a loss of \$0.015 per share (2003: \$0.02). In 2004 and 2003, all stock options and warrants were excluded from the loss per share calculation as their effect was anti-dilutive.

8. LEASE COMMITMENTS

The Company has future net obligations under operating leasing agreements of \$108,000.

9. RELATED PARTY TRANSACTIONS

Mr. James McClements, a director of the Company, is the Senior Partner of Resources Capital Fund L.P., a former provider of long term debt to the Company (see note 4).

10. NATIVE TITLE CLAIMS

The Company's interests in the Honeymoon and Goulds Dam properties are subject to two Native Title claims. Agreements have been secured with both groups, whereby the Company pays annual administration fees to each claimant group.

11. SEGMENTED INFORMATION

Substantially all of the Company's working capital balances and capital assets are situated in Australia.

12. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Period Ended June 30, 2004	Year Ended December 31, 2003
	\$	\$
Accounts receivable and other	(57,793)	42,834
Accounts payable and accrued liabilities	351,195	234,938
	<u>293,402</u>	<u>277,772</u>

Company Information

Directors

Mark Wheatley
Executive Chairman
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Adelaide, Australia

George Bell
President and Chief Executive Officer
Hornby Bay Exploration Ltd.
Toronto, Ontario

Donald Falconer
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Mark Wheatley
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Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: SXR