CROSS BORDER RESOURCES, INC.
Form 424B3
September 20, 2012

Filed Pursuant to Rule 424(b)(3)
SEC File No. 333-175761

Prospectus Supplement No. 1
(To Prospectus dated June 19, 2012)

Cross Border Resources, Inc.

7,209,375 Shares of Common Stock

This Prospectus Supplement No. 1 amends and supplements the Prospectus dated June 19, 2012 relating to the resale by selling stockholders identified therein of up to an aggregate of 7,209,375 shares of common stock of Cross Border Resources, Inc.

This Prospectus Supplement updates and amends information in the subsection of the Prospectus entitled "Description of Securities---Warrants---Private Offering." This Prospectus Supplement is also being filed to update and supplement the information included or incorporated by reference in the Prospectus with the information contained in the following reports:

- Amendment No. 1 to our Annual Report on Form 10-K for fiscal year ended December 31, 2011, which amendment was filed with the Securities and Exchange Commission on August 31, 2012

- Amendment No. 1 to our Quarterly Report on Form 10-Q for the fiscal period ended March 31, 2012, which amendment was filed with the Securities and Exchange Commission on August 31, 2012 and;

- Quarterly Report on Form 10-Q for the fiscal period ended June 30, 2012, filed with the Securities and Exchange Commission on September 20, 2012.

Each above-described report is set forth below.

This Prospectus Supplement No. 1 should be read in conjunction with the Prospectus dated June 19, 2012, which is to be delivered with this prospectus supplement. This Prospectus Supplement No. 1 is not complete without, and may not be delivered or utilized except in conjunction with, the Prospectus, including any amendments or supplements thereto.

Investing in our common stock involves significant risks. See the section entitled "Risk Factors" beginning on page 5 of the Prospectus to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 1 is September 20, 2012.

Warrants

Private Offering

The third paragraph of the description of warrants issued in the private offering, which description begins on page 13, is amended and restated as follows:

The number, class, and price of the common stock underlying the warrants are subject to adjustment from time to time upon the happening of certain events including a forward stock split, stock dividend, merger, consolidation, reclassification or reorganization.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to _____

COMMISSION FILE NUMBER 000-52738

CROSS BORDER RESOURCES, INC.
(Exact name of registrant as specified in its charter)

NEVADA	98-0555508
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
22610 US Highway 281 N., Suite 218 San Antonio, TX	78258
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	(210) 226-6700
Securities registered pursuant to Section 12(b) of the Act:	NONE
Securities registered pursuant to Section 12(g) of the Act:	Common Stock, $0.001 Par Value Per Share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes oNo x

Indicate by check mark whether the registrant has submitted electronically and posted on its' corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.

Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (s229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $23,457,310 as of June 30, 2011, based on the closing price of $2.14 as quoted by the OTC Bulletin Board on that date.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of August 30, 2012, the Registrant had 16,151,946 shares of common stock outstanding.

EXPLANATORY NOTE

On March 15, 2012, we filed our Annual Report on Form 10-K for the period ended December 31, 2011 (the “2011 10-K”) with the SEC. By this Amendment No. 1, we are amending the 2011 10-K to include corrections to computational errors in our accounting for business combinations, the under accrual of capital expenditures for drilling activities that occurred during the fourth quarter of 2011, and the omission of footnote disclosure for our oil and natural gas properties in our financial statements. Other correcting adjustments with regards to depletion are being made in this restatement. We have also revised the disclosure in Item 9A to reflect the material weaknesses in disclosure controls and procedures and internal controls over financial reporting from the filing of our 2011 10-K.

No other changes have been made to the 2011 10-K. This Amendment No. 1 to the 2011 10-K speaks as of the original filing date of the 2011 10-K, does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update in any way disclosures made in the 2011 10-K except as set forth above.

CROSS BORDER RESOURCES, INC.

ANNUAL REPORT ON FORM 10-K/A
FOR THE YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

PART II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is an oil and gas exploration and production company resulting from the business combination of Doral Energy Corp. and Pure L.P., effective January 3, 2011, which is described in "Item 1, Business." The merger impacts all comparisons to the prior year. Pure L.P. is the accounting predecessor entity upon which the 2010 numbers are based. Additionally, drilling activity increased in 2011 from 2010 levels. There is a lag time of several months between the expenditure of funds for drilling and completion, and the receipt of revenue from the new wells.

RESULTS OF OPERATION

Summary of Production

The following summarizes our net production sold of oil, expressed in barrels ("Bbls"), and of natural gas, expressed in thousand cubic feet ("mcf") for the years ended December 31:

	2011	2010 (Predecessor)	Percentage Increase / (Decrease)
Oil (Bbls)	56,740	36,963	54 %
Gas (mcf)	252,690	243,229	4 %
Total barrels of oil equivalent*	98,855	77,501	28 %
Average boe per day	270.8	212.3	28 %

* Oil and natural gas were combined by converting natural gas to oil equivalent on the basis of 6 mcf of gas = 1 boe.

This increase in oil and gas sales volumes is due primarily to a combination of increased production from wells added period over period and increased production brought on through the Pure Merger.

Set forth in the following schedule is the average sales price per unit and average cost of production produced by us for the years ended December 31:

	2011	2010 (Predecessor)	Percentage Increase / (Decrease)
Average sales price:			
Oil ($ per Bbl)	$86.70	$ 74.51	16 %
Gas ($ per mcf)	$6.03	$ 5.72	5 %
Average cost of production:			
Average production cost ($/boe)	$12.69	$ 4.85	162 %
Average production taxes ($/boe)	$5.41	$ 4.88	11 %

Summary of Year End Results

	Year Ended December 31		Percentage
	2011	2010	Increase /
	(As Restated)	(Predecessor)	(Decrease)
Revenue	$ 7,313,149	$ 3,808,879	92 %
Operating costs	(7,904,545)	(3,105,618)	155 %
Other income (expense)	(269,934)	(420,272)	(36)%
Income tax benefit (expense)	-	-	n/a
Net income (loss)	$ (861,330)	$ 282,989	n/m

n/m - When moving from income to expense/loss, or the reverse, the percentage change is not meaningful.

Revenues

We recognized $6.6 million in revenues from sales of oil and natural gas during the year ended December 31, 2011, compared to $3.7 million for the prior year. This increase in oil and gas sales revenue is due primarily to a combination of increased production from wells added period over period and increased production brought on through the Pure Merger. Sales volumes on a boe basis were up approximately 28% for the 2011 over 2010. In addition, average prices for the oil and natural gas sold period over period increased. We report our revenues on wells in which we have a working interest based on information received from operators. The recognition of revenues in this manner is in accordance with generally accepted accounting principles.

We recognized a $0.6 million gain on the sale of certain oil and gas properties during 2011, with no comparable gain during 2010. Other revenue, primarily the recognition of deferred revenues, was $129,915 in 2011, as compared to $97,436 during 2010. The deferred revenues primarily related to a two-year term assignment to a private party of certain oil and gas working interests located in southeastern New Mexico beginning in April 2010. Approximately $32,000 remains to be recognized during 2012.

Operating Expenses

Our operating expenses for the years ended December 31, 2011 and 2010, consisted of the following:

	Year Ended December 31		Percentage
	2011	2010	Increase /
	(As Restated)	(Predecessor)	(Decrease)
Operating costs	$ 1,444,979	$ 450,774	221 %
Production taxes	555,698	379,370	46 %
Depreciation, depletion, and amortization	2,105,851	1,199,365	76 %
Abandonment expense	49,234	-	n/a
Accretion expense	84,428	59,269	42 %
General and administrative	3,664,355	1,016,840	260 %
Total	$ 7,904,545	$ 3,105,618	155 %

Operating costs were higher primarily as a result of costs related to operated assets acquired in the Pure Merger (the Stearn properties in Chavez County, New Mexico), environmental remediation and delayed joint interest billings from an operating partner. Production taxes and depletion were higher as a result of higher production and a larger depletable base. We wrote off a dry hole (the Full Moon 29#1, with a working interest of 4.69%) that was spud during 2010, which will be plugged and abandoned by the operator. We recognized $3.7 million in general and administrative expense ("G&A") during 2011 compared to $1.0 million during 2010. The increase in G&A resulted primarily from higher costs for accounting and legal services, consistent with being a public company and approximately $300,000 in one-time costs related to the merger in January 2011, as well as $681,294 of non-cash share-based compensation for employees, directors and consultants during 2011, with no comparable costs during 2010, and the addition of three full-time employees following the merger.

Price Risk Management Activities

During 2011, we recognized a net loss of $11,771 on our derivative positions, which includes a non-cash $84,994 mark to market loss (on the remaining term of our crude oil fixed price swaps), reduced by realized a gain of $73,223 for hedge settlements received (for the difference between the hedged price and the market price for the closed months).

We have two crude oil fixed price swaps in place with one counter-party as of December 31, 2011. The first swap covers 1,000 Bbls of oil per month at a price of $104.55 NYMEX-WTI through February 28, 2013. The second swap covers 2,000 Bbls of oil per month at a price of $93.50 NYMEX-WTI through November 30, 2014. An additional crude oil swap was put in place in February 2012 covering 1,000 Bbls of oil per month at a price of $106.50 per Bbl for a period beginning March 1, 2012 and ending February 28, 2014.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital and Current Ratio

	At December 31 2011 (As Restated)	At December 31, 2010 (Predecessor)	Percentage Increase / (Decrease)
Current assets	$ 3,488,192	$ 1,737,747	101 %
Current liabilities	(3,528,278)	(1,849,490)	91 %
Working capital (deficit)	$ (40,086)	$ (111,743)	n/m
Current ratio	(0.99)	0.94	(100)%

n/m - When moving from a net liability to a net asset, or the reverse, the percentage change is not meaningful.

Cash Flows

	Year Ended December 31, 2011	Year Ended December 31, 2010
Cash provided by (used in) operating activities	$ (1,724,683)	$ 2,410,828
Cash (used in) investing activities	(3,250,793)	(1,579,929)
Cash provided by (used in) financing activities	4,473,320	(612,895)
Net increase (decrease) in cash during period	$ (502,156)	$ 218,004

Cash used in operating activities is calculated by starting with the net income or loss for the period and adjusting for the non-cash income and expense items during the period, as well as for the change in operating assets and liabilities.

Cash used in investing activities represents the net of capital expenditures, for the drilling of wells and acquisitions of lease interests, and proceeds from the sale of interests in certain capital assets. The increase in this measure is a reflection of the increased level of drilling and completion activity for wells on our acreage.

Cash provided by financing activities represents funds from the sale of equity, or new borrowings, reduced by repayments of indebtedness. The provision in 2011 is primarily the result of the equity offering in May 2011.

Amended and Restated Credit Agreement with Texas Capital Bank

On January 31, 2011, we entered into an amended and restated credit agreement (the "Credit Agreement") with Texas Capital Bank, N.A. ("TCB"), with a maturity date of January 31, 2014. The Credit Agreement provided the Company with an initial borrowing base of $4.0 million. Provided that the trustee for the Company's Debentures consents, the amount available under the Credit Agreement may be increased by TCB up to $25.0 million based on the Company's reserve reports and the value of the Company's oil and gas properties. If the trustee for the Debentures does not consent, the maximum allowed under the Indenture for the Debentures will be limited to $5.0 million.

The borrowing base was increased to $4.5 million as of December 20, 2011. At year-end 2011, the balance of the loan with TCB was $2,381,000 and the available balance was $2,119,000 million under the credit facility.

As of March 1, 2012, the Company's borrowing base was increased to $9.5 million, and $4.3 million was immediately drawn for the Company's redemption of the Pure Debentures (as described below) and other corporate purposes. At March 9, 2012, the balance due on the credit facility was $8.8 million, and the balance available for borrowing was $0.7 million.

Redemption of Pure Debentures

On January 31, 2012, the Company called for payment prior to maturity all of the debentures originally issued by Pure L.P. pursuant to the provisions of the Trust Indenture dated as of March 1, 2005 (the "Pure Debentures"). The redemption of the Pure Debentures was conditional upon the anticipated increase in the line of credit issued by TCB, and upon such increase, the redemption of 100% of the Pure Debentures was completed on March 1, 2012.

2011 Equity Financing

On May 26, 2011, the Company closed a private offering exempt from registration under the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. In the offering, the Company issued an aggregate of 3,600,000 units. Each unit was sold at $1.50 and was comprised of one share of common stock and one five-year warrant to purchase a share of common stock at an exercise price of $2.25 per share. The warrants became exercisable on November 26, 2011. The Company agreed to use the net proceeds from the sale of the units for general business and working capital purposes and not to use such proceeds for the redemption of any common stock or common stock equivalents.

The investors in the offering received registration rights. The Company filed a registration statement covering the resale of the common stock issued and the common stock underlying the warrants issued to the Selling Stockholders on July 25, 2011, which was declared effective by the SEC on August 5, 2011. If at the time of exercise of the warrants there is no effective registration statement covering the resale of the shares underlying the warrant, then the Selling Stockholder has the right at such time to exercise warrants in full or in part on a cashless basis.

In addition to registration rights, the Selling Stockholders were offered a right of first refusal to participate in future offerings of common stock if the principal purpose of which is to raise capital. This right of first refusal terminates upon the earlier of a sale, merger, consolidation or reorganization of the Company or on May 26, 2012.

Potential Warrant Exercise Proceeds

In connection with the equity offering closed on May 26, 2011, the Company issued warrants to purchase an aggregate of 3,600,000 shares of the Company's common stock at a per-share price of $2.25 (the "$2.25 Warrants"). The Company also has outstanding warrants to purchase 3,125 shares of the Company's common stock at a per-share price of $5.00.

The $2.25 Warrants contain a limitation prohibiting exercise of the warrants if the shares issued would cause the holder to own more than 20% of the outstanding stock. The holder of 2,136,164 of the $2.25 Warrants currently would be disallowed from exercising those warrants under this provision. If all of the remaining 1,463,836 warrants are exercised for cash, the Company would receive $3,293,631 in aggregate proceeds. The $2.25 Warrants became exercisable in November 2011. We cannot make assurances that any of the warrants will ever be exercised for cash or at all.

2012 Capital Expenditures

We expect to participate in 24 new wells and three work-overs with our operating partners during 2012, in the Bone Spring, Abo, Yeso and Wolfberry formations on our Permian Basin leasehold acreage in southeast New Mexico and west Texas. Our Board has approved a capital expenditures budget of $12 million for these activities in 2012. In the first two months of 2012, we participated in three new wells. As of March 9, 2012, one of the three new wells is completed and producing, while two wells are at total depth and awaiting completion. Additionally, two of the four wells that were awaiting completion at December 31, 2011 have now been put on production. The remaining two wells are undergoing completion activities.

7

OFF-BALANCE SHEET ARRANGEMENTS

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and judgments, including those related to revenue recognition, recovery of oil and gas reserves, financing operations, and contingencies and litigation.

Oil and Gas Properties

We use the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells and related asset retirement costs are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Capitalized costs of producing oil and gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit-of-production method.

On the sale or retirement of a complete unit of a proved property, the cost, and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion, and amortization with a resulting gain or loss recognized in income.

On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Reserve Estimates

Our estimate of proved reserves is based on the quantities of oil and gas that geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under existing economic and operating conditions. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. For example, we must estimate the amount and timing of future operating costs, severance taxes, development costs and workover costs, all of which may in fact vary considerably from actual results. In addition, as prices and cost levels change from year to year, the estimate of proved reserves also changes. The future drilling costs associated with reserves assigned to proved undeveloped locations may ultimately increase to an extent that these reserves may be later determined to be uneconomic. For these reasons, estimates of economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of future net cash flows expected there from may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of our oil and natural gas properties and/or the rate of depletion of the oil and natural gas properties. Actual production, revenues and expenditures, with respect to our reserves, will likely vary from estimates and such variances may be material. We contract with independent engineering firms to provide reserve estimates for reporting purposes.

Despite the inherent imprecision in these engineering estimates, our reserves are used throughout our financial statements. For example, since we use the units-of-production method to amortize our oil and gas properties, the quantity of reserves could significantly impact our depreciation, depletion and amortization expense. Finally, these reserves are the basis for our supplemental oil and gas disclosures.

Impairment of Oil and Natural Gas Properties

We review our oil and natural gas properties for impairment at least annually and whenever events and circumstances indicate a decline in the recoverability of their carrying value. We estimate the expected future cash flows of our oil and natural gas properties and compare such future cash flows to the carrying amount of the properties to determine if the carrying amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, we will adjust the carrying amount of the oil and natural gas properties to their fair value. The factors used to determine fair value include, but are not limited to, estimates of proved reserves, future commodity pricing, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the expected cash flows projected. Given the complexities associated with oil and natural gas reserve estimates and the history of price volatility in the oil and natural gas markets, events may arise that would require us to record an impairment of the recorded book values associated with oil and natural gas properties. We have not recognized impairments in either the current nor prior year. However, there can be no assurance that impairments will not be required in the future.

Revenue and Cost Recognition

We use the sales method to account for sales of crude oil and natural gas. Under this method, revenues are recognized based on actual volumes of oil and gas sold to purchasers. The volumes sold may differ from the volumes to which the Company is entitled based on the interest in the properties. Costs associated with production are expensed in the period incurred.

Stock-based Compensation.

We estimate the fair value of stock option awards on the date of grant using the Black-Scholes option pricing model. This valuation method requires the input of certain assumptions, including expected stock price volatility, expected term of the award, the expected risk-free interest rate, and the expected dividend yield of the Company’s stock. The risk-free interest rate used is the U.S. Treasury yield for bonds matching the expected term of the option on the date of grant. Our dividend yield is zero, as we do not pay a dividend. Because of our limited trading experience of our common stock and limited exercise history of our stock option awards, estimating the volatility and expected term is very subjective. We base our estimate of our expected future volatility, along with our own limited trading history while operating as an oil and natural gas producer. Future estimates of our stock volatility could be substantially different from our current estimate, which could significantly affect the amount of expense we recognize for any future stock-based compensation awards.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently payable plus deferred income taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred income tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when assets are recovered or settled. Deferred income taxes are also recognized for tax credits that are available to offset future income taxes. Deferred income taxes are measured by applying currently enacted tax rates to the differences between financial statement and income tax reporting. We periodically assess the realizability of our deferred tax assets. If we conclude that it is more likely than not that some portion or all of the deferred tax assets will not be realized under accounting standards, the tax asset would be reduced by a valuation allowance. We consider future taxable income in making such assessments. Numerous judgments and assumptions are inherent in the determination of future taxable income, including factors such as future operating conditions (particularly as related to prevailing oil and natural gas prices).

Derivatives

Derivative financial instruments that are utilized to manage or reduce commodity price risk related to our production are accounted for under the provisions of Accounting Standards Codification ("ASC") 815-25 (formerly SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities”). Under this pronouncement, derivatives are carried on the balance sheet at fair value. If the derivative is not designated as a hedge, changes in the fair value are recognized in other income (expense).

We are permitted to net the fair values of derivative assets and liabilities for financial reporting purposes, if such assets and liabilities are with the same counterparty and subject to a master netting arrangement. We have elected to employ net presentation of derivative assets and liabilities when these conditions are met. We routinely exercise our contractual right to net realized gains against realized losses when settling with our swap counterparty.

Business Combinations

We follow ASC 805, Business Combinations ("ASC 805"), and ASC 810-10-65, Consolidation ("ASC 810-10-65"). ASC 805 requires most identifiable assets, liabilities, non-controlling interests, and goodwill acquired in a business combination to be recorded at "fair value." The statement applies to all business combinations, including combinations among mutual entities and combinations by contract alone. Under ASC 805, all business combinations will be accounted for by applying the acquisition method. Accordingly, transactions costs related to acquisitions are to be recorded as a reduction of earnings in the period they are incurred and costs related to issuing debt or equity securities that are related to the transaction will continue to be recognized in accordance with other applicable rules under U.S. GAAP. ASC 810-10-65 requires non-controlling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. The statement applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to Financial Statements:

Audited financial statements as of December 31, 2011, including:

Financial Statements of Cross Border Resources, Inc.

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.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Cross Border Resources, Inc.
San Antonio, Texas

We have audited the accompanying balance sheets of Cross Border Resources, Inc. (CBR) as of December 31, 2011 and 2010 and the related statements of income, stockholders' equity and comprehensive income, and cash flows for the years then ended. CBR's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CBR as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the accompanying financial statements of CBR, the beginning retained earnings as of December 31, 2008 has been restated to correct misstatements from the Company's previously issued financial statements.

As described in Note 3 to the accompanying financial statements of CBR, the financial statements as of December 31, 2011 have been restated to correct misstatements from the Company's previously issued consolidated financial statements.

/s/DARILEK BUTLER & ASSOCIATES, PLLC

San Antonio, Texas
March 15, 2012, except for as described in Note 3, as to which the date is August 31, 2012

Cross Border Resources, Inc.

Balance Sheets
December 31, 2011 and 2010

	2011 (As Restated)	2010 (Predecessor) (As Restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	$472,967	$ 975,123
Accounts receivable - production	1,184,544	512,624
Accounts receivable - related party	-	250,000
Prepaid expenses	1,808,944	-
Current tax asset	21,737	-
Total Current Assets	3,488,192	1,737,747
Oil and Natural Gas Properties, Successful Efforts Method:		
Oil and gas properties	34,986,566	19,421,621
Less accumulated depletion and depreciation	(9,667,031)	(7,328,326)
Net Property and Equipment	25,319,535	12,093,295
Other Assets:		
Other property and equipment, net of accumulated depreciation of $126,473 and $94,759 in 2011 and 2010, respectively	95,988	124,776
Deferred bond costs, net of accumulated amortization of $344,300 and $293,915 in 2011 and 2010, respectively	159,554	209,939
Deferred bond discount, net of accumulated amortization of $127,483 and $108,827 in 2011 and 2010, respectively	59,077	77,733
Other Assets	119,070	112,532
Total Other Assets	433,689	524,980
TOTAL ASSETS	$29,241,416	$ 14,356,022

The accompanying notes are an integral part of these financial statements

F-2

Cross Border Resources, Inc.
Balance Sheets
December 31, 2011 and 2010

	2011 (As Restated)	2010 (Predecessor) (As Restated)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable - trade	$1,177,383	$ 875,881
Accounts payable - revenue distribution	143,215	49,880
Interest payable	112,659	107,875
Accrued expenses	484,595	28,460
Deferred revenues	32,479	162,394
Notes payable - current	764,278	-
Bonds payable - current portion	570,000	475,000
Creditors payable - current portion	186,761	150,000
Derivative liability - current portion	56,908	-
Total Current Liabilities	3,528,278	1,849,490
Other Liabilities:		