

SOUTH COVE LIMITED

To: All Outback Metals' Share and Option Holders

11th February 2015

Dear Sirs

Re: Proposed Compulsory Acquisition of Outback Metals Shares and Options by South Cove Limited

South Cove Limited (SCL) has acquired further shareholdings in Outback Metals (OUM) and now holds 90.17%, of the issued shares in OUM. Accordingly, SCL is entitled to compulsorily acquire all shares and options not already held by SCL.

An Independent Expert's Report (IER) has been prepared in accordance with the Corporations Act, and concludes the value of OUM shares is between nil and \$0.0003 each. SCL has fixed its acquisition price at the top of the IER range at \$0.0003 each. Payment is also to be made for all OUM options not already held by SCL.

Please see enclosed documents relating to the compulsory acquisition of your OUM shares and options and a copy of the IER.

SCL has decided to undertake this compulsory acquisition because, although SCL has supported OUM financially over the last several years, SCL cannot guarantee it will be able to support OUM financially in the future.

Unfortunately, despite a sustained effort by OUM over the last few years, buyers have not been able to be found for OUM's projects. OUM therefore may not be able to support itself financially going forward. If SCL does not compulsorily acquire OUM's shares and options, and SCL does not continue to financially support OUM, it is possible OUM could be placed in administration, and OUM share and option holders may not receive any value at all for their holdings.

You do not need to take any action in relation to the attached notice of acquisition by SCL of your OUM shares and/or options or reply to this letter if you do not wish to. Outback Metals will send you a notice separately in relation to payment etc for your shares and options. You will not need to sign any documents. However, it is important you read the enclosed documents carefully for the full details of the compulsory acquisition.

All correspondence in relation to the compulsory acquisition should be forwarded to:-

Ms Tennille Hammond

Commercial Management Plus

41 Weller Street, Goodwood, South Australia 5034

Thanks in anticipation of your understanding.

Yours faithfully,



Graham Chrisp

South Cove Limited

11th February 2015

#**[Insert address details]**#

Dear Shareholder

**Compulsory acquisition of shares in Outback Metals Limited (ACN 126 797 573)
(Outback)**

Under the *Corporations Act 2001* (Cth) (**Act**), once a person or a company:

- has voting power in a company of at least 90%; and
- becomes the holder, either alone or with a related body corporate, of full beneficial interests in at least 90% of the shares and securities convertible into shares in a company,

(90% holder), they are able to compulsorily acquire all of the remaining shares and securities convertible into shares in that company.

The 90% holder must lodge a notice of the intended compulsory acquisition with the Australian Securities and Investments Commission and give a copy of the notice to each remaining security holder. This notice must be accompanied by an independent expert's report and an objection form, which the remaining security holders may complete in order to lodge their objection to the compulsory acquisition.

As disclosed to the ASX on 10 February 2015, South Cove Limited (**SCL**) now holds 90.17% of the issued shares in Outback, giving it a voting power of 90.17%. In addition, SCL also holds full beneficial interests in at least 90% by value of all of Outback's shares and outstanding options (being securities convertible into shares).

SCL therefore intends to compulsorily acquire all of the remaining securities in Outback, being the ordinary shares and outstanding options. A separate compulsory acquisition notice has been sent to holders of the outstanding options.

As required by the Act, the notice of compulsory acquisition enclosed with this letter sets out:

- the cash sum, being \$0.0003 per share, for which SCL intends to purchase your shares;
- the last date, being 1 month from the receipt of the notice, that you can lodge an objection to the compulsory acquisition (by returning a completed copy of the objection form enclosed with this letter); and
- the compulsory acquisition procedure prescribed by the Act.

A copy of an independent expert's report prepared by RSM Bird Cameron Corporate Pty Ltd is also enclosed and states that:

- the proposed price of \$0.0003 per share is fair in their opinion; and

- SCL is the holder of at least 90% by value of all of Outback's shares and outstanding options.

Should you have any queries in relation to this, please contact Ms Tennille Hammond of Commercial Management Plus, 41 Weller Street, Goodwood, South Australia 5034.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'G. Chrisp', written in a cursive style.

Graham Chrisp
Director
South Cove Limited

[For Option A Holders - \$0.0010 Options]

11th February 2015

#[Insert address details]#

Dear Option Holder

**Compulsory acquisition of options in Outback Metals Limited (ACN 126 797 573)
(Outback)**

Under the *Corporations Act 2001* (Cth) (**Act**), once a person or a company:

- has voting power in a company of at least 90%; and
- becomes the holder, either alone or with a related body corporate, of full beneficial interests in at least 90% of the shares and securities convertible into shares in a company.

(**90% holder**), they are able to compulsorily acquire all of the remaining shares and securities convertible into share sin that company.

The 90% holder must lodge a notice of the intended compulsory acquisition with the Australian Securities and Investments Commission and give a copy of the notice to each remaining security holder. This notice must be accompanied by an independent expert's report and an objection form, which the remaining security holders may complete in order to lodge their objection to the compulsory acquisition.

As disclosed to the ASX on 10 February 2015 South Cove Limited (**SCL**) now holds 90.17% of the issued shares in Outback, giving it a voting power of 90.17%. In addition, SCL also holds full beneficial interests in at least 90% by value of all of Outback's shares and outstanding options (being securities convertible into shares).

SCL therefore intends to compulsorily acquire all of the remaining securities in Outback, being the ordinary shares and outstanding options. A separate compulsory acquisition notice has been sent to holders of the remaining shares not already acquired by Outback.

As required by the Act, the notice of compulsory acquisition enclosed with this letter sets out:

- the cash sum, being \$0.00010 per option, for which SCL intends to purchase your options;
- the last date, being 1 month from the receipt of the notice, that you can lodge an objection to the compulsory acquisition (by returning a completed copy of the objection form enclosed with this letter); and
- the compulsory acquisition procedure prescribed by the Act.

A copy of an independent expert's report prepared by RSM Bird Cameron Corporate Pty Ltd is also enclosed and states that:

- the proposed price of \$0.00010 per option is fair in their opinion; and
- SCL is the holder of at least 90% by value of all of Outback's shares and outstanding options.

Should you have any queries in relation to this, please contact Ms Tennille Hammond of Commercial Management Plus, 41 Weller Street, Goodwood, South Australia 5034.

Yours sincerely,



Graham Chrisp
Director
South Cove Limited

[For Option B Holders - \$0.0060 Options]

11th February 2015

#[Insert address details]#

Dear Option Holder

**Compulsory acquisition of options in Outback Metals Limited (ACN 126 797 573)
(Outback)**

Under the *Corporations Act 2001* (Cth) (**Act**), once a person or a company:

- has voting power in a company of at least 90%; and
- becomes the holder, either alone or with a related body corporate, of full beneficial interests in at least 90% of the shares and securities convertible into shares in a company.

(**90% holder**), they are able to compulsorily acquire all of the remaining shares and securities convertible into share sin that company.

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SCL therefore intends to compulsorily acquire all of the remaining securities in Outback, being the ordinary shares and outstanding options. A separate compulsory acquisition notice has been sent to holders of the remaining shares not already acquired by Outback.

As required by the Act, the notice of compulsory acquisition enclosed with this letter sets out:

- the cash sum, being \$0.00008 per option, for which SCL intends to purchase your options;
- the last date, being 1 month from the receipt of the notice, that you can lodge an objection to the compulsory acquisition (by returning a completed copy of the objection form enclosed with this letter); and
- the compulsory acquisition procedure prescribed by the Act.

A copy of an independent expert's report prepared by RSM Bird Cameron Corporate Pty Ltd is also enclosed and states that:

- the proposed price of \$0.00008 per option is fair in their opinion; and
- SCL is the holder of at least 90% by value of all of Outback's shares and outstanding options.

Should you have any queries in relation to this, please contact Ms Tennille Hammond of Commercial Management Plus, 41 Weller Street, Goodwood, South Australia 5034.

Yours sincerely,



Graham Chrisp
Director
South Cove Limited

[For Option C Holders - \$0.0012 Options]

11th February 2015

#[Insert address details]#

Dear Option Holder

**Compulsory acquisition of options in Outback Metals Limited (ACN 126 797 573)
(Outback)**

Under the *Corporations Act 2001* (Cth) (**Act**), once a person or a company:

- has voting power in a company of at least 90%; and
- becomes the holder, either alone or with a related body corporate, of full beneficial interests in at least 90% of the shares and securities convertible into shares in a company.

(**90% holder**), they are able to compulsorily acquire all of the remaining shares and securities convertible into share sin that company.

The 90% holder must lodge a notice of the intended compulsory acquisition with the Australian Securities and Investments Commission and give a copy of the notice to each remaining security holder. This notice must be accompanied by an independent expert's report and an objection form, which the remaining security holders may complete in order to lodge their objection to the compulsory acquisition.

As disclosed to the ASX on 10 February 2015 South Cove Limited (**SCL**) now holds 90.17% of the issued shares in Outback, giving it a voting power of 90.17%. In addition, SCL also holds full beneficial interests in at least 90% by value of all of Outback's shares and outstanding options (being securities convertible into shares).

SCL therefore intends to compulsorily acquire all of the remaining securities in Outback, being the ordinary shares and outstanding options. A separate compulsory acquisition notice has been sent to holders of the remaining shares not already acquired by Outback.

As required by the Act, the notice of compulsory acquisition enclosed with this letter sets out:

- the cash sum, being \$0.00001 per option, for which SCL intends to purchase your options;
- the last date, being 1 month from the receipt of the notice, that you can lodge an objection to the compulsory acquisition (by returning a completed copy of the objection form enclosed with this letter); and
- the compulsory acquisition procedure prescribed by the Act.

A copy of an independent expert's report prepared by RSM Bird Cameron Corporate Pty Ltd is also enclosed and states that:

- the proposed price of \$0.00001 per option is fair in their opinion; and
- SCL is the holder of at least 90% by value of all of Outback's shares and outstanding options.

Should you have any queries in relation to this, please contact Ms Tennille Hammond of Commercial Management Plus, 41 Weller Street, Goodwood, South Australia 5034.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'G Chrisp', written in a cursive style.

Graham Chrisp
Director
South Cove Limited

**OBJECTION TO A COMPULSORY ACQUISITION NOTICE
PURSUANT TO S664E(1) OF *CORPORATIONS ACT 2001* (CTH)**

The Directors
South Cove Limited
C/o Mrs Tennille Hammond
Commercial Management Plus
41 Weller Street
Goodwood
South Australia 5034

I refer to the South Cove Limited (**SCL**) compulsory acquisition notice sent to shareholders of Outback Metals Limited dated 11 February 2015.

I acknowledge receipt of:

- (a) ASIC Form 6024 Notice of Compulsory Acquisition; and
- (b) the Independent Expert's Report prepared by RSM Bird Cameron Corporate Pty Ltd (being an expert nominated by the Australian Securities and Investments Commission).

Notice is hereby given of an objection to the above-mentioned compulsory acquisition notice.

I acknowledge that:

- (a) this notice relates to all securities that are covered by the notice and held by me at the end of the objection period;
- (b) under section 664E (1) (b) of the *Corporations Act 2001* (Cth) I cannot withdraw this objection;
- (c) SCL must lodge this objection form with the Australian Securities and Investment Commission; and
- (d) SCL may make an application to the Court for approval of the acquisition within 1 month after the end of the objection period. Under section 664F of the *Corporations Act* if SCL establishes that the terms set out in the compulsory acquisition notice give a fair value for the securities, the Court must approve the acquisition of the securities on those terms.

Objector

Name of objector:			
Address			
Contact Person:			
Solicitor name and contact details			
Phone No:			
Facsimile No:		Mobile No:	
Email address:			

Dated:

If Shareholder is a natural person
Signed by in the presence of:)
)
)

Signature of witness

Signature

Print name of witness

Print name of signatory

If Shareholder or is a company

Signed by _____)
pursuant to the *Corporations Act 2001*, s 127:)

Signature

Signature

Print name

Print name

Office held

Office held

**OBJECTION TO A COMPULSORY ACQUISITION NOTICE
PURSUANT TO S664E(1) OF *CORPORATIONS ACT 2001* (CTH)**

The Directors
South Cove Limited
C/o Mrs Tennille Hammond
Commercial Management Plus
41 Weller Street
Goodwood
South Australia 5034

I refer to the South Cove Limited (**SCL**) compulsory acquisition notice sent to option holders of Outback Metals Limited dated 11 February 2015.

I acknowledge receipt of:

- (a) ASIC Form 6024 Notice of Compulsory Acquisition; and
- (b) the Independent Expert's Report prepared by RSM Bird Cameron Corporate Pty Ltd (being an expert nominated by the Australian Securities and Investments Commission).

Notice is hereby given of an objection to the above-mentioned compulsory acquisition notice.

I acknowledge that:

- (a) this notice relates to all securities that are covered by the notice and held by me at the end of the objection period;
- (b) under section 664E (1) (b) of the *Corporations Act 2001* (Cth) I cannot withdraw this objection;
- (c) SCL must lodge this objection form with the Australian Securities and Investment Commission; and
- (d) SCL may make an application to the Court for approval of the acquisition within 1 month after the end of the objection period. Under section 664F of the *Corporations Act* if SCL establishes that the terms set out in the compulsory acquisition notice give a fair value for the securities, the Court must approve the acquisition of the securities on those terms.

Objector

Name of objector:			
Address			
Contact Person:			
Solicitor name and contact details			
Phone No:			
Facsimile No:		Mobile No:	
Email address:			

Dated:

If Option holder is a natural person
Signed by in the presence of:)
)
)

Signature of witness

Signature

Print name of witness

Print name of signatory

If Option holder is a company

Signed by _____)
pursuant to the *Corporations Act 2001*, s 127:)

Signature

Signature

Print name

Print name

Office held

Office held

**Outback Metals Limited
Financial Services Guide and
Independent Expert's Report**

February 2015

We have concluded that the Consideration is Fair to the Non-Associated Shareholders of Outback Metals Limited.

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

Independent Expert's Report

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Direct Line: (08) 9261 9447
Email: andy.gilmour@rsmi.com.au
AJG/PG/SB

6 February 2015

The Directors
South Cove Limited

c/o Summit Estates
GPO Box 1401
Port Vila, Efate
Vanuatu

Dear Directors

Independent Expert's Report – Compulsory Acquisition of Outback Metals Limited

1. Introduction

- 1.1. South Cove Limited ("SCL" or "the Company") currently holds 90.17% of the issued ordinary equity of Outback Metals Limited ("OUM"), having recently increased its holding from 31.44% following the conversion of a convertible note into 834,533,710 ordinary shares of OUM in February 2015 and the purchase of the shareholding of associate, Territory Development Corporation Pty Ltd ("TDC") comprising 73,252,250 shares. SCL also holds approximately 97.5% of the issued options in OUM. Further, SCL holds all convertible notes in OUM.
- 1.2. As such, on both a diluted and undiluted basis, SCL holds a beneficial interest of at least 90% in value of all the securities of OUM and, under Section 664A of the *Corporations Act 2001* ("Corporations Act" or "the Act"), may compulsorily acquire the remaining shares ("Shares") and options ("Options") in OUM that it does not already own.
- 1.3. SCL proposes to compulsorily acquire the securities in OUM that it does not already own for the following amounts ("Consideration"):

Class of Security	Consideration \$/security
Issued Shares	\$0.00030
Options A	\$0.00010
Options B	\$0.00008
Options C	\$0.00001

Table 1: Consideration per class of security (Source: OUM)

- 1.4. RSM Bird Cameron Corporate Pty Ltd ("RSMBCC"), being independent and qualified for the purpose, has been engaged by SCL to prepare an Independent Expert's Report ("IER" or "the Report") which sets out our opinion on the fair value of the Shares for the purpose of the compulsory acquisition proceedings, pursuant to Sections 667C of the Corporations Act and ASIC Regulatory Guide 111 ("RG 111").

2. Summary and conclusion

2.1. The table below compares the value of an OUM security to the value of the Consideration for each security:

Class of Security	Fair Value		Consideration	Fairness Opinion
	Low	High		
Issued Shares	nil	\$0.0003	\$0.00030	Fair
Options A	nil	nil	\$0.00010	Fair
Options B	nil	nil	\$0.00008	Fair
Options C	nil	nil	\$0.00001	Fair

Table 2: Valuation summary (Source: RSMBCC analysis)

2.2. As the value of the consideration for each of the securities is greater than or equal to their fair values, in our opinion, the Consideration gives a fair value for the securities.

3. Scope of the Report

Purpose

- 3.1. On the basis of our calculation of the fair value of all securities issued by OUM, SCL currently holds in excess of 90% of the value of all securities in OUM that are shares or convertible into shares. Under Section 664A of the Corporations Act, SCL may compulsorily acquire the remaining securities in OUM that it does not already own and must include, with the Compulsory Acquisition Notice, an expert's report under Section 667A.
- 3.2. SCL proposes to compulsorily acquire the remaining issued shares and options that it does not already own, for the following consideration:

Class of Security	Consideration \$/security
Issued Shares	\$0.00030
Options A	\$0.00010
Options B	\$0.00008
Options C	\$0.00001

Table 3: Class of security (Source: OUM)

- 3.3. RSMBCC has been engaged to prepare an IER to opine as to whether the Consideration is fair to the Non-Associated Shareholders for the purpose of the compulsory acquisition proceedings, pursuant to Section 667C of the Corporations Act.

Basis of assessment

- 3.4. Section 667C(1) of the Corporations Act sets out the steps for determining the “fair value” of securities as follows:

- (a) First, assess the value of the company as a whole; and*
- (b) Then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk, and voting and distribution rights, of the classes); and*
- (c) Then allocate the value of each class pro rata among the securities in that class (without allowing a premium or applying a discount for particular securities in that class).*

- 3.5. In addition, Section 667C(1) of the Corporations Act states that:

“Without limiting subsection (1), in determining what is the fair value for securities for the purposes of this Chapter, the consideration (if any) paid for the securities in that class within the previous six months must be taken into account.”

Fair value

- 3.6. “Fair value” is not defined in the Corporations Act. Consequently, we have valued the Shares by reference to the accepted definition of value which is “fair market value”.
- 3.7. Fair market value is normally defined as the price which would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.

Limitations and reliance on information

- 3.8. Our opinions are based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 3.9. Our Report is also based upon financial and other information provided by SCL. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to the fair market value of the Shares. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. None of these additional tasks have been undertaken.
- 3.10. An important part of the information used in forming the opinion of the kind expressed in this report is the opinions and judgements of management of the Company and OUM. This information has also been evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

4. Background information

Capital Structure

4.1. The table below sets out a summary of the top 10 shareholders in OUM.

Holder	Number	Percentage
South Cove Limited	990,902,736	90.17%
Keng Chuen Tham	12,550,406	1.14%
Ga & AM Leaver Investments	5,674,074	0.52%
Lawrence Crowe Consulting	4,302,941	0.39%
Arinya Investments Pty Ltd	4,000,000	0.36%
Mr Sik Ern Wong	3,800,000	0.35%
Twynam Agricultural Group Pty	3,661,773	0.33%
HSBC Custody Nominees	3,215,370	0.29%
Rigi Investments Pty Limited	2,908,135	0.26%
Ms Shokoofeh Poorgholamali	2,677,739	0.24%
Top 10	1,033,693,174	94.06%
Other	65,224,408	5.94%
Total	1,098,917,582	100.00%

Table 4: OUM top 10 shareholders (Source: Computershare share register and RSM analysis)

4.2. As at 10 February 2014, OUM had the following options on issue:

Options	Number on Issue	Exercise Price	Expiry Date	Secondary Options
A Options	19,063,438	\$0.0010	31 July 2015	1 for 1
B Options	9,067	\$0.0060	31 December 2017	N/A
C Options	2,252,060	\$0.0012	31 December 2017	N/A
D Options	834,533,710	\$0.0010	31 July 2015	1 for 1

Table 5: OUM options (Source: ASX Announcements)

4.3. SCL holds all of the D Options.

4.4. In addition, SCL holds all the convertible notes issued in the Company. The convertible notes have a coupon rate of 9% per annum, compounding daily. There are no other convertible notes on issue.

4.5. A summary of SCL's interest in the securities of OUM is set out below:

Class of Security	Total Securities on Issue	SCL's Interest	SCL's Interest (%)
Issued Shares	1,098,917,582	990,902,736	90.2%
A Options	19,063,438	-	0.0%
B Options	9,067	-	0.0%
C Options	2,252,060	-	0.0%
D Options	834,533,710	834,533,710	100.0%
Convertible Notes	705,955,880	705,955,880	100.0%
Total	2,660,731,737	2,531,392,326	95.1%

Table 6: Summary of SCL's securities of OUM

Overview of OUM

- 4.6. Outback Metals Limited ("OUM") is a mineral exploration and resources development company which listed on the Australian Securities Exchange ("ASX") on 2 September 2008. OUM has three main projects, Mt Wells, Maranboy and Yeuralba. All three projects have a history of small scale mining.
- 4.7. Mt Wells is a tin and copper project located approximately 200km south of Darwin. Since its discovery this project has undergone mining and exploration activities by a number of different parties. OUM has carried out some drilling and XRF surveys but otherwise no detailed exploration has been carried out. The project has a number of estimates of mineralisation but no JORC resource.
- 4.8. Maranboy is a tin project located about 400km from Darwin and 100km from Katherine. The project consists of granted mining licences and is surrounded by exploration license applications. OUM has not done any material exploration on this project.
- 4.9. Yeuralba project has mineral potential for tin, tungsten and gold. It has been explored by various explorers in the past, but not by OUM as the exploration licences comprising the project have not been granted.
- 4.10. At the Annual General Meeting held on 22 December 2014, OUM shareholders approved the following relevant resolutions:
 - Resolution 3: The restructure of the existing financial agreement with SCL and incorporating consulting fees payable to SCL into a new Convertible Note ("CN3"). This new convertible note is dated 6 November 2014 and matures on 30 April 2015, accruing interest at 5% per annum for part of the debt and 9% per annum for the remainder of the debt, compounding monthly.
 - Resolution 5: The acquisition by SCL of a relevant interest in all shares of the Company and/ or assets of the Company pursuant to each of; the Financing Agreement, Convertible Note 3; and exercise of all Options.
 - Resolution 5: Disposal of some or all of the Company's assets to SCL in satisfaction of all debts owing by the Company to SCL. This could be triggered by OUM is SCL requested repayment of the convertible notes.
- 4.11. On 19th January 2015, OUM announce that the Board of Directors of OUM have resolved to apply to the ASX Listing Committee for OUM to be removed from the ASX Official List (ie 'delisted from the ASX'). The ASX has advised it has approved OUM's application to be delisted. It is proposed OUM will be removed from the Official List of the ASX on or about 26th February 2015.

Industry overview

Copper

- 4.12. According to IBISWorld, the Copper Ore Mining industry is in the decline phase of its life cycle and value adding is expected to decrease in the future.
- 4.13. The demand for Copper products is declining due to a number of substitute products that are available. In many markets, copper miners have faced strong competition from alternative materials such as optic fibres (communications), plastics (water tubing and aluminium (motor vehicle radiators).

- 4.14. Trends in the construction industry have also impacted copper demand. Decline in construction activity worldwide due to the global financial crisis had a negative impact on the demand for copper tube and electrical wiring, resulting in a decline in demand for copper.
- 4.15. Copper prices have fallen over the last three years and, due to decreasing demand for copper, the price of copper is forecast to continue to decrease.
- 4.16. The value of the US dollar to Australian dollar exchange rate plays a key role in determining returns to Australian copper miners. Copper contracts are generally settled in US dollars. As a result, if the Australian dollar depreciates against the US dollar, export demand increases, resulting in more revenue for domestic players. The value of the Australian dollar against the US dollar is expected to weaken.

Tin

- 4.17. Tin production has fluctuated over the past five years, reflecting mine closures and restarts. During the last few years mine restarts have boosted Australia's tin output. Prices were high due to increased demand from steel mills for use of tin-plate, and from manufacturers of solder, which is composed mainly of tin. However, tin output fell over the following two years in responses to lower tin prices.
- 4.18. Tin production is expected to remain at current levels with tin prices expected to ease over the next five years as additional supply comes available.

Asset sale process

- 4.19. During the last few years, OUM has attempted to sell its assets with no significant success (other than the sale of the Wingates project) as summarised in the table below:

Period	Company	Details on discussions	\$A	Outcome
02 April 12	Exploration company from China	OUM level investment	N/A	Non-binding conditional letter of intent
15 May 12	China Australian Land Resources Pty Ltd	Wingates Gold Project	1,500,000	Sale of 8 Exploration Licenses
30 June 12	Interested investors	OUM's existing projects	N/A	Negotiations continuing
30 September 12	Various parties	OUM level / Non-core properties	N/A	Negotiations continuing
31 December 12	Various parties	OUM level investment/ OUM projects	N/A	Negotiations continuing
31 March 13	Various parties	OUM level investment/ OUM projects	N/A	Negotiations continuing
30 June 13	Various parties	OUM level investment/ OUM projects	N/A	Negotiations continuing
30 September 13	Various parties	OUM level investment/ OUM projects	N/A	Negotiations continuing
31 December 13	Various parties	OUM level / QUM assets	N/A	Negotiations continuing
31 March 14	various parties with a site visit	OUM level / OUM assets	N/A	Negotiations continuing
30 June 14	Various parties with planned site visits	OUM level / OUM assets	N/A	Negotiations continuing
3 September 14	Various parties with site visits.	OUM level / OUM assets	N/A	Disappointing discussion after site visit

Table 7: Sale of exploration and evaluation assets (Source: OUM's Quarterly Reports)

Capital raising initiatives

- 4.20. On 4 September 2014, OUM announced the results of a rights issue to raise \$240,807 via the issue of 240.8 million shares with a free attaching option and a second free option upon exercise of the first free option. The rights issue raised just \$21,315.

Index value

- 4.21. As can be seen in the diagram below, the value of the S&P/ASX Small Resources index has decreased in value over the last two years. This reflects an overall decline in investor sentiment towards small and micro cap stocks trading on the ASX.

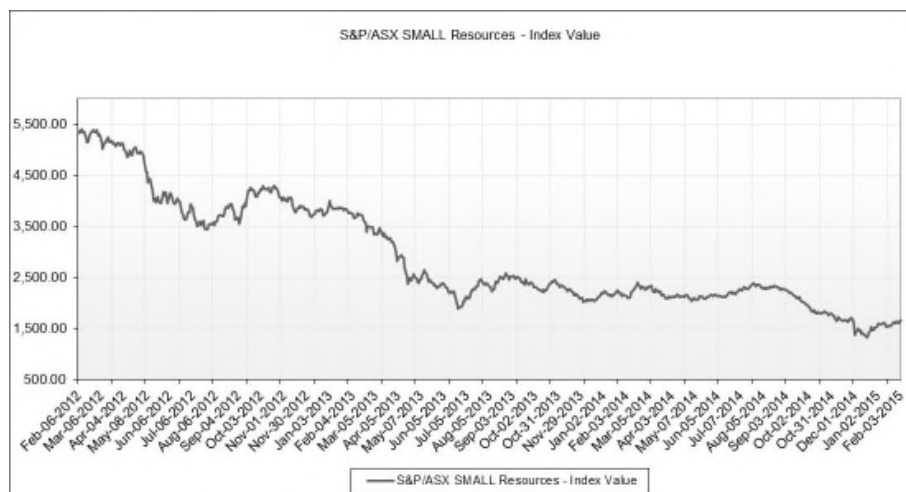


Figure 1: ASX Small Resources index (source: Capital IQ).

Financial information

- 4.22. The financial information provided below has been extracted from the audited financial statements for the year ended 30 June 2013 and 30 June 2014 and the reviewed half year ended 31 December 2014.
- 4.23. The Audit Reports for both the years ended 30 June 2013 and 30 June 2014 include material uncertainty regarding continuation as a going concern. For the half year ended 31 December 2014, the auditor has issued a Disclaimer of Opinion specifically relating to the going concern of the entity and the valuation of impairment of assets.

Financial performance

- 4.24. The table below summarises the historical consolidated financial performance of OUM for the half-year ended 31 December 2014 and the years ended 30 June 2014 and 2013.

Outback Metals Limited	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>
Statement of comprehensive income	Half-year ended	Year ended	Year ended
	31-Dec-14	30-Jun-14	30-Jun-13
	\$	\$	\$
Revenue	1,259	9,026	41,629
Other income	102	18,753	12,000
Audit fees	-	(31,850)	(33,750)
Impairment of exploration costs	(12,159)	(1,136,951)	(63,081)
Finance costs	(27)	(64,585)	(70,813)
Depreciation expense	-	(10,936)	(14,446)
Employee benefits expense	(124,402)	(216,733)	(211,602)
Professional fees and consultants	(107,430)	(99,345)	(66,642)
Other expenses	(94,091)	(208,854)	(212,055)
Total expense	(336,748)	(1,741,475)	(618,760)
Loss before income tax	(336,748)	(1,741,475)	(618,760)
Income tax benefit	-	-	-
Net loss for the year	(336,748)	(1,741,475)	(618,760)
Other comprehensive income/(loss)	-	-	-
Total comprehensive loss for the year	(336,748)	(1,741,475)	(618,760)

Table 8: OUM financial performance (Source: OUM audited financial statements)

- 4.25. OUM has incurred losses in each of past two financial years and has also incurred a loss for the half-year results to 31 December 2014.
- 4.26. OUM has ongoing corporate and administrative costs as well as financing costs, however the largest items impacting its annual performance relate to impairment of exploration costs and employee benefits expense.

Financial position

4.27. The table below summarises the consolidated financial position of OUM as at 31 December 2014, 30 June 2014 and 30 June 2013.

Outback Metals Limited Financial position		Unaudited As at 31-Dec-14 \$	Audited As at 30-Jun-14 \$	Audited As at 30-Jun-13 \$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		33,050	194,322	497,133
Trade and other receivables		4,257	2,496	10,710
Other current assets		14,993	11,455	16,444
TOTAL CURRENT ASSETS		52,300	208,273	524,287
NON CURRENT ASSETS				
Exploration and evaluation assets	6.9	984,935	985,000	1,966,852
Property, plant and equipment		20,005	20,005	29,489
TOTAL NON CURRENT ASSETS		1,004,940	1,005,005	1,996,341
TOTAL ASSETS		1,057,240	1,213,278	2,520,628
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		1,930	45,638	65,216
Borrowings	6.5	676,307	456,816	-
TOTAL CURRENT LIABILITIES		678,237	502,454	65,216
NON CURRENT LIABILITIES				
Loans - related party	6.5	695,350	695,350	661,506
TOTAL NON CURRENT LIABILITIES		695,350	695,350	661,506
TOTAL LIABILITIES		1,373,587	1,197,804	726,722
NET ASSETS		(316,347)	15,474	1,793,906
EQUITY				
Contributed Equity		18,948,080	18,942,167	18,979,124
Reserves		124,859	124,859	124,859
Accumulated Losses		(19,389,286)	(19,051,552)	(17,310,077)
TOTAL EQUITY		(316,347)	15,474	1,793,906

Table 9: OUM financial position (Source: OUM financial statements)

- 4.28. At 31 December 2014, OUM had net asset deficiency of (\$316,347). OUM has reported net assets in each of its past two financial years.
- 4.29. OUM held cash of \$33,050 at 31 December 2014.
- 4.30. The borrowings total of \$1,371,657 and comprise convertible notes owing to SCL. We note that this amount does not include accrued interest up to 31 December 2014. We have adjusted for accrued interest in our valuation in Section 6.

5. Valuation approach

Valuation methodologies

5.1. In assessing the value of the Shares, we have considered a range of valuation methodologies. RG 111 states that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings ("FME") or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale; and
- any recent genuine offers received.

5.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market Based Methods

5.3. Market based methods estimate the fair market value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- The quoted price for listed securities; and
- Industry specific methods.

5.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

5.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

5.6. We have not identified any industry specific methods which would be relevant to OUM and therefore have not utilised this methodology in assessing the fair market value of a OUM share.

Income based methods

5.7. Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

5.8. The capitalisation of earnings methodology is generally considered a short- form DCF, where an estimation of the future maintainable earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

- 5.9. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.
- 5.10. As OUM has no trading operations and does not generate operating cash flows, the use of the FME or DCF methodologies are not considered appropriate valuation methodologies.

Asset based methods

- 5.11. Asset based methodologies estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 5.12. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 5.13. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.
- 5.14. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodology

Shares

- 5.15. We note that OUM'S most recent audit report on the 30 June 2014 financial statements included a disclaimer of opinion, specifically drawing attention to going concern and valuation and impairment of assets. In assessing the fair market value of the Shares, we have therefore used the orderly realisation of assets method.
- 5.16. We have also considered the quoted market price ("QMP") of an OUM share as our secondary valuation methodology. In particular, we have reviewed the last six months trading in OUM's shares.

Options

- 5.17. The Act requires that the expert calculate the value of the company as a whole and then apportion that value across the various classes of securities. As such, when considering the value of the Options, we have relied on the valuation methodologies outlined in Paragraphs 5.14 and 5.16 .
- 5.18. We have also utilised the Binomial option valuation methodology as a secondary valuation methodology.

6. Valuation of 100% of OUM

- 6.1. As stated at paragraph 5.15 we have assessed the value of OUM using both the orderly realisation of assets method and the quoted market price method.

Orderly realisation of assets method

- 6.2. We have assessed the value of OUM to be in the range of \$nil and \$294,344 based on an orderly realisation of assets methodology, as summarised in the table below.

Outback Metals Limited Valuation - orderly realisation of assets	Ref.	Low value As at 10-Feb-15 \$	High value As at 10-Feb-15 \$
Carrying value of net assets at 31 December 2014	6.3	(316,347)	(316,347)
Increase in cash from new convertible note	6.8	100,000	100,000
Adjustment to convertible notes	6.6	(168,834)	(168,834)
Conversion of convertible notes	6.6	834,534	834,534
Adjustment to exploration assets	6.12	(984,935)	-
Cost to liquidate	6.13	(150,000)	(105,000)
Adjustment to creditors		(45,991)	(45,991)
Adjustment to cash		(4,019)	(4,019)
Assessed value of OUM		Nil	294,344

Table 10: Assessed Fair market value of a OUM Share – orderly realisation of assets method (Source: RSMBCC Analysis)

- 6.3. The starting position of our valuation is based on the net asset deficiency of OUM as at 31 December 2014 and adjusted for material changes since 31 December 2014 and the date of our Report.
- 6.4. We summarise the key assumptions and adjustments we have made to the net assets of OUM in the following paragraphs.

Borrowings

- 6.5. We have taken into account the movement in value of convertible notes between 31 December 2014 and 10 February 2015.

		Movement (\$)
Convertible note value at 31 December 2014		1,371,657
less conversion of notes	6.6	(834,534)
plus accrued interest	6.7	68,834
plus new convertible note issue	6.8	100,000
Total adjustment to convertible notes		(665,700)
Convertible note value at 10 February 2015		705,957

Table 11: Convertible notes movement (Source: RSMBCC Analysis)

- 6.6. On 10 February 2015, SCL converted 834,533,710 convertible notes into ordinary shares in OUM at \$0.001 per share.
- 6.7. Not all interest accrued on the convertible notes was included in the balance sheet as at 31 December 2014, as such, we have made an adjustment for accrued interest.
- 6.8. On 2 February 2015, SCL provided OUM with \$100,000 in consideration for convertible notes as per the financing agreement announced on 27 January 2015.

Exploration and evaluation assets

- 6.9. The balance sheet of OUM includes the following exploration and evaluation assets:

Project	\$
Mt Wells	805,071
Mt Diamond	24,399
Copperfield	889
Maranboy	107,246
Yeurelba	24,240
Bynoe	13,008
Emerald Hill	10,082
	<u>984,935</u>

Table 12: Exploration and evaluation assets (Source: OUM's Accounts at 31-Dec-14)

- 6.10. We note that the value of these assets was impaired by approximately \$1 million in FY14.
- 6.11. We have not obtained an independent valuation and consider the written down book value of the assets to reflect a high value for the assets for the following reasons:
- OUM has not undertaken any significant exploration or evaluation activity over the last 12 months and very little value adding exploration over the last three years. Mt Wells does not contain a JORC resource, however, mineralised estimates were defined a number of years ago. None of the other exploration assets have a defined resource;
 - OUM has been in regular discussions with potential purchasers or partners but has not received any offers for the assets;
 - The current market for exploration assets is depressed with very little corporate or investor demand;
 - A new purchaser would be required to meet certain tenement obligations which would deter a transaction in a depressed market;
 - Recent attempts to raise equity funding have been unsuccessful, implying that the market does not attribute value to the assets.
- 6.12. We have adjusted the value of the exploration assets to nil for our low valuation. As noted, OUM has undergone a lengthy sales process with no success. Given the lack of funding available to OUM, it unlikely that OUM would be able to continue with a sales campaign indefinitely. This means that to realise value in an orderly fashion, OUM could simply relinquish the tenements.

Cost of realising asset values

- 6.13. We have assumed a minimum of a three month period for OUM to realise the value of its assets on an orderly basis. As such, we have included an estimate of administration costs that would be incurred in order to maintain operations and dispose of assets over a three month period. We have made an adjustment of \$150,000 (low value) and \$105,000 (high value) to reflect this. These costs are based on management estimates and historic quarterly cash flows.

Quoted Price of Listed Securities

- 6.14. In order to provide a cross-check to the valuation of 100% of OUM under the orderly realisation of asset methodology, we have also assessed the fair value based on the quoted market price.
- 6.15. OUM shares recommenced trading on the ASX on 4 February 2015 after being in suspension for approximately four months. The table below shows the movement in OUM shares for the year to 6 February 2015.

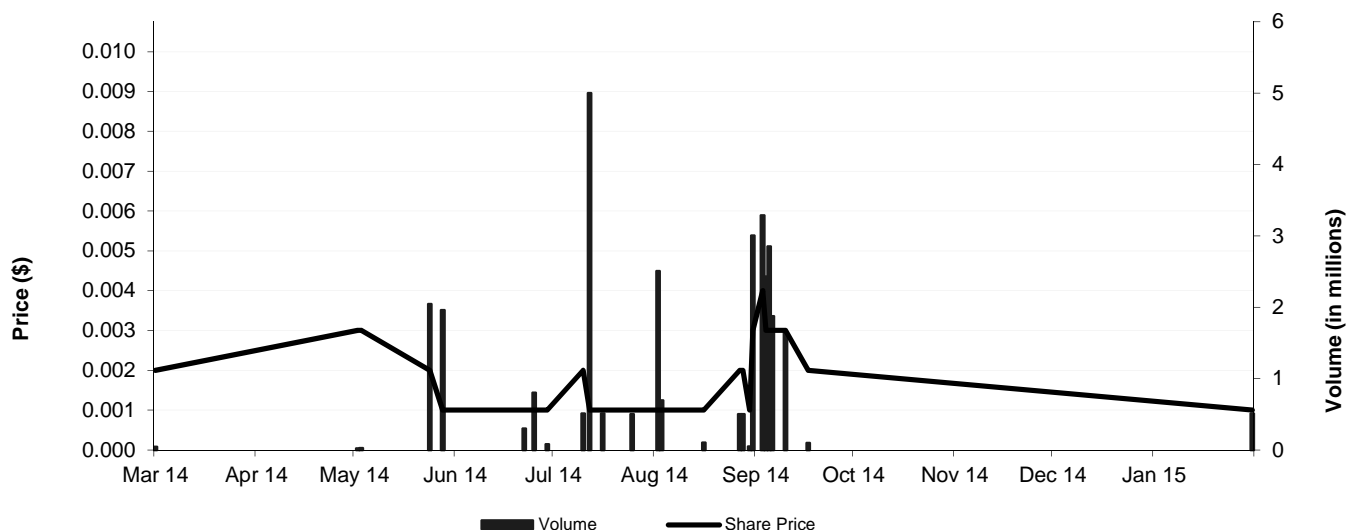


Figure 2: Daily closing price and traded volumes of OUM from 6 months prior to date of announcement.

- 6.16. Over the six months to 6 February 2015, OUM shares have traded between a low of \$0.001 and a high of \$0.005.
- 6.17. The chart above indicates an increase in trading volume between May 2014 and September 2014. Prior to this period, there were limited trading volumes in OUM. This increase in trading is unexplained and there are no announcements during the period that provide support for an increase in trading volume. As such, we imply that the increase in volume was the result of investor speculation and may not be representative of market value.

- 6.18. In order to provide further analysis of the market prices for OUM shares, we have considered the volume weighted average market price ("VWAP") for 10 day, 30 day, 60 day and 90 trading day periods to 1 October 2014 (day of suspension from ASX):

VWAP as at 1 October 2014	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP (\$)	-	-	0.002	0.003	0.002	0.002	0.002	0.002
Total Volume (000's)	0.0	0.0	98.9	16,337.9	26,059.5	31,239.5	31,284.5	31,610.9
Total Volume as a % of Total Shares	0.00%	0.00%	0.04%	6.23%	9.94%	11.92%	11.94%	12.06%
Low Price (\$)	0.000	0.000	0.002	0.001	0.001	0.001	0.001	0.001
High Price (\$)	0.000	0.000	0.002	0.005	0.005	0.005	0.005	0.005
Trading Days (no.)	0	0	1	11	17	22	24	27

Table 13: VWAP OUM share pre Proposed Transaction (Source: RSMBCC analysis)

- 6.19. The table indicates limited volume of trading on a daily basis but unusual trading activity during the period noted above.
- 6.20. There has only been two trades in OUM shares since trading recommenced; both at \$0.001. Currently there are 11 sellers with a total of 11.8 million shares being offered, 11.0 million of these shares are being offered at \$0.001. There are no bidders for OUM shares. This indicates that the market value for OUM shares would likely to be lower than \$0.001 if it could trade below this floor price (shares cannot trade below \$0.001 on the ASX).
- 6.21. We note that a number of options were exercised recently. On 7 October 2014, 9,067 options with expiration date of 31 December 2014 were exercised at \$0.004 and 2,252,060 options with expiration date of 31 July 2015 were exercised at \$0.001. These options were exercised out of the money and we consider them to be an anomaly rather than an indication of potential market value. We note that these options converted into shares and a second attaching option.

QMP value of an OUM Share

- 6.22. Given the lack of trading in OUM's shares, the number of shares currently being offered for sale at \$0.001 (approximately 8% of shares not held by SCL) and the lack of bidders for those shares, it is our opinion that the quoted market price is not reflective of the market value of a OUM share and we cannot rely on it to provide an indication of value for OUM.
- 6.23. We also highlight that, on 4 September 2014, OUM announced the results of a rights issue to raise \$240,807 via the issue of 240.8 million shares at an issue price of \$0.001 per share with a free attaching option and a second free option upon exercise of the first free option. The rights issue raised just \$21,315.

Conclusion on value of 100% of OUM

- 6.24. Based on our analysis we consider the value of 100% of OUM to be between nil and \$344,354. We have based our value on the orderly realisation of assets methodology. We considered the quoted market price methodology as a secondary valuation, however, we have found that this methodology is not applicable to OUM.
- 6.25. Other factors that we have considered to have an impact on market value but that are not implicit in our valuation methodologies include:
- SCL recently paid \$0.0002 to acquire 73.2 million OUM shares previously held by Territory Development Corporation Ltd. However, this was a related party transaction and we do not consider it reflective of an arms-length market transaction.

- If SCL were to call its debt owed under the convertible note agreement, it is likely that OUM will not have sufficient funds to meet its obligation and could be placed into administration.
- If SCL were to cease funding the operations of OUM, it is likely that OUM would not be able to meet its future obligations and could be placed into administration.
- On 22 December 2014, OUM shareholders approved the potential sale of the exploration assets to SCL in exchange for cancellation of all debt owed to SCL. In such a scenario, OUM would be left with net assets of approximately \$74,235. However, it is unlikely that OUM would have sufficient cash to continue operations and would still face the possibility of being placed into administration. We note that there could have been some value retained in OUM as a listed entity, however, shareholders also approved the delisting of OUM at the meeting.

7. Allocation of 100% value of OUM to the securities of OUM

7.1. The securities of OUM include the following:

Class of Security	Total Securities on Issue	Value		Value per security(\$)	
		Low (\$)	High (\$)	Low (\$)	High (\$)
Issued Shares	1,098,917,582	nil	\$294,344	nil	\$0.0003
A Options	19,063,438	nil	Nil	nil	nil
B Options	9,067	nil	Nil	nil	nil
C Options	2,252,060	nil	Nil	nil	nil
D Options	834,533,710	nil	Nil	nil	nil
Convertible Notes	705,955,880	nil	Nil	nil	nil
Total	2,660,731,737	nil	\$294,344	nil	\$0.0003

Table 14: Securities of OUM (Source: RSMBCC analysis)

7.2. In order to allocate value to each of the securities in the table above, we have considered the risks and voting and distribution rights of each class of security. In our opinion, the full value of OUM is attributable to the issued shares in OUM on the following basis:

- All of the options are out of the money. Our valuation methodology applied to value 100% of OUM has not factored any dilution or increase in cash as a result of the exercise of the options. As such, we do not consider the options to have any value. Optionholders have no voting rights and there is considerable risk that a value is not achieved to justify converting the options to shares. In order to support our opinion, we have prepared option valuations for each of the options using the Binomial valuation methodology.
- The convertible notes are out of the money. We have assumed that the convertible notes are retained as debt and paid out upon realisation of any value from the assets of OUM. We note that the convertible note holder has the ability to call its debt, which could force OUM into administration if it could not find a way to finance the debt obligation. Whilst this would result in the value of OUM being allocated to the convertible notes, it is likely that this value would be nil, thereby resulting no value being allocated to any of the securities. The value of the convertible notes is considered to be their face value, which has been factored into our valuation methodology.

Valuation of Options using Binomial Option Pricing Model

- 7.3. In order to cross check our allocation of value to the options, we have used the Binomial option pricing model to calculate the value of the options. The value of the options are summarised below:

Class	Expiry	Exercise Price	Number	Value	Total Value
A Options	31 July 15	\$0.001	19,063,438	\$0.00000	\$81.24
B Options	31 December 17	\$0.006	9,067	\$0.00001	\$0.09
C Options	31 December 17	\$0.0012	2,252,060	\$0.00004	\$84.03
D Options	31 July 2017	\$0.001	834,533,710	\$0.00000	\$217.09

Table 15: Summary of options in OUM (Source: RSMBCC analysis)

- 7.4. We have used the following assumptions when calculating the value of the options:
- Spot price – we have assumed a spot price of the mid point of values as set out in Paragraph 7.1.
 - Exercise price – the conversion price of the options being; \$0.001 the A Options, \$0.006 for the B Options, \$0.0012 for the C Options and \$0.001 for the D Options.
 - Expected future volatility – We have applied a volatility rate of 100% for our option valuation. This reflects the expected volatility of a micro cap trading company in a similar industry.
 - Risk free rate - We have determined this based on the yields of Commonwealth bonds using a three year bond, being the period which most closely correspond to the life of the Notes. A three year bond yielded 1.80% on 3 February 2015 as disclosed by the Reserve Bank of Australia.
 - Dividend Yield – We have assumed a 0% dividend yield for OUM as it does not have a history of paying dividends and we do not expect any dividends to be paid over the vesting period.
- 7.5. The table above indicates there is no significant value in the options held in OUM. In our opinion, the Binomial option valuation methodology supports our allocation of nil value to the Options.

8. Valuation of the Consideration

- 8.1. The Consideration SCL proposes for the compulsory acquisition of the securities it does not already own is set out below:

Class of Security	Consideration \$/security
Issued Shares	\$0.00030
Options A	\$0.00010
Options B	\$0.00008
Options C	\$0.00001

Table 16: Summary of consideration (Source: OUM)

9. Fairness

9.1. The table below compares the value of an OUM security to the value of the Consideration:

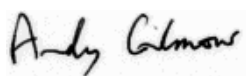
Class of Security	Fair Value		Consideration	Fairness Opinion
	Low	High		
Issued Shares	nil	\$0.0003	\$0.00030	Fair
Options A	nil	nil	\$0.00010	Fair
Options B	nil	nil	\$0.00008	Fair
Options C	nil	nil	\$0.00001	Fair

Table 17: Fairness of each class of security (Source: RSMBCC analysis)

9.2. As the value of the consideration for each of the securities is greater than or equal to their fair values, in our opinion, the consideration gives a fair value for the securities.

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD



A J GILMOUR
Director

APPENDIX A

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Andrew Gilmour is a director of RSM Bird Cameron Corporate Pty Ltd. Mr Gilmour is a Chartered Accountant with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders of OUM in considering the fairness of the Consideration. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of OUM and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the proposed compulsory acquisition, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of \$12,000 based on time occupied at normal professional rates for the preparation of this Report. All fees are payable regardless of whether OUM receives Shareholder approval for the proposed compulsory acquisition, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the documents to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of Meeting or Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of Meeting, or Explanatory Statement.

APPENDIX B

In preparing this report we have relied upon the following principal sources of information:

- OUM's audited financial statements for the years ended 30 June 2013 and 30 June 2014.
- OUM's unaudited half-year financial statements for the six months ended 31 December 2014
- OUM share register listing provided by OUM management dated 23 January 2015.
- Information provided by SCL management through meetings and correspondence.
- Capital IQ, IBIS World and other financial databases and subscription services.
- Publicly available information including ASX announcements.

APPENDIX C – Glossary of terms

Glossary of Terms and Abbreviations

Term or Abbreviation	Definition
\$	Australian Dollar
Act	Corporations Act
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Consideration	The cash paid for the shares and options not already owned by SCL
Company	SCL
Corporations Act	Corporations Act 2001
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Equity	The owner's interest in property after deduction of all liabilities
Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FOS	Financial Ombudsman Service
Going Concern	An ongoing operating business enterprise
IER	This Independent Expert Report
IBIS	IBISWorld, producer of industry reports
Non-Associated Shareholders	Holder of the Shares
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
OUM	Outback Metals Limited
Options	Options in OUM
QMP	Quoted Market Price
Report	This Independent Experts Report
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
R SMBCC	RSM Bird Cameron Corporate Pty Ltd
SCL	South Cove Limited
Shares	The issued shares that SCL does not hold in OUM
the Act	Corporations Act 2001
VWAP	Volume weighted average share price

Our one-firm structure enables us to provide strong connections and a focus on client relationships. Clients can readily connect to our national and international expertise and networks, our extensive understanding of Australian business and to our senior advisors. With RSM Bird Cameron you really are... Connected for Success

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