
**SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED
(TO BE RENAMED SOUTH AMERICAN IRON LIMITED)
ACN 060 319 119
NOTICE OF GENERAL MEETING**

TIME: 10:00am (EST)
DATE: 30 June 2010
PLACE: Level 2
99 York St
Sydney, New South Wales

*The Independent Expert has concluded that the transaction the subject of Resolution 1 is FAIR AND REASONABLE to the non-associated Shareholders of the Company.
All Shareholders are encouraged to read in detail the Independent Expert's Report accompanying this Notice of Meeting.*

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.
Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Mr Kenneth Lee, on (+61 2) 9259 4300.*

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00am (EST) on 30 June 2010 at:

Level 2
99 York St
Sydney, New South Wales

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to PO BOX R1438 Royal Exchange, NSW 1225; or
- (b) facsimile to the Company on facsimile number (+61 2) 9252 5638,

so that it is received not later than 10:00am (EST) on 28 June 2010.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 10:00am (EST) on 30 June 2010 at Level 2, 99 York Street, Sydney, New South Wales.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 7:00pm (EST) on 28 June 2010.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – APPROVAL FOR ACQUISITION OF QUINCE PROJECT FROM HANWELL CHILE SA

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.1 and for all other purposes, Shareholders approve the acquisition by the Company of the remaining 90% interest in the Quince Project from Hanwell Chile SA on the terms and conditions outlined in the Explanatory Statement.”

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 1 to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Hanwell Chile SA (or its nominee) and any of its associates (including any associates of the nominee if appropriate) or any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – RATIFICATION OF SHARE ISSUE TO SOPHISTICATED INVESTORS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 23,559,804 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – RATIFICATION OF PREVIOUS SHARE ISSUE TO SUN BIOMEDICAL LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 1,600,000 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – APPROVAL FOR ISSUE OF SHARES FOR PLACEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 25,000,000 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – APPROVAL FOR ISSUE OF SHARES UPON CONVERSION OF LOANS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 13,940,196 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – ADOPTION OF EMPLOYEE OPTION PLAN

To consider and, if through fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given for the Company to adopt an employee option plan on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass, the following resolution as a **special resolution**:

"That, for the purposes of Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to South American Iron Limited."

8. RESOLUTION 8 – ISSUE OF DIRECTOR OPTIONS – TERRY CUTHBERTSON

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 6,000,000 Options to Mr Terry Cuthbertson) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Terry Cuthbertson or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 9 – ISSUE OF DIRECTOR OPTIONS – KENNETH LEE

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 6,000,000 Options to Mr Kenneth Lee on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Kenneth Lee or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 10 – ISSUE OF DIRECTOR OPTIONS – MARK BETHWAITE

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 2,000,000 Options to Mr Mark Bethwaite) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Mark Bethwaite or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 11 – ISSUE OF DIRECTOR OPTIONS – RICHARD HAREN

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 6,000,000 Options to Dr

Richard Haren) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Richard Haren or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 31 MAY 2010

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Kenneth Lee', written in a cursive style.

**MR KENNETH LEE
ACTING CEO & COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10:00am (EST) on 30 June 2010 at Level 2, 99 York Street, Sydney, New South Wales.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. BACKGROUND

1.1 Background on Option Agreement

The Company currently owns a 10% interest in the Quince Iron Ore Project (**Quince Project**). Hanwell Chille S.A (**Hanwell**) is the beneficial owner of the remaining 90% interest in the Quince Project.

On 1 March 2010, the Company announced to ASX that it had entered into a call option with Hanwell to acquire the remaining 90% interest in the Quince Project from Hanwell (**Option Agreement**), giving the Company 100% ownership of the Quince Project to complement the Company's interests in the Putu and Maullin Projects. The original Option Agreement was subsequently amended and restated on 21 May 2010.

The key terms of the Option Agreement are as follows:

- (a) in consideration for the Company paying to Hanwell the sum of US\$200,000, Hanwell grants the call option to acquire its remaining 90% interest in the Quince Project to the Company;
- (b) the call option must be exercised by 30 September 2010, otherwise the call option will lapse;
- (c) during the term of the call option, the Company must pay, on behalf of Hanwell, the mining licence fees for the Quince Project (US\$18,500) before 30 March 2010;
- (d) the Company agrees to exercise the call option immediately upon receipt of the approval of its Shareholders;
- (e) the consideration for the exercise of the call option to acquire the remaining 90% of the Quince Project is as follows:
 - (i) the payment of US\$6,800,000 to Hanwell, such amount to be deferred for up to 18 months. Interest shall be payable on the deferred amount at the rate of 12% per annum; and
 - (ii) the grant of a perpetual royalty to Hanwell of 0.75% on the FOB value of all mineral resources sold and sourced from the Quince Project;
- (f) the Company may pay all or any of the deferred consideration at any time during the 18 month period; and
- (g) the exchange rate for the conversion of US\$ to Australian Dollars is fixed at US\$0.82 for each Australian Dollar.

1.2 Quince Project

The Quince Project is situated in the north of the Chilean Pacific Iron Ore Belt and is located near Cerro Salado, some 40km inland from the Chilean coast and approximately 800km north of Santiago.

The Quince Project has a defined high intensity magnetic anomaly which is 13km (north-south) by 2km wide.

The gravity response at the Quince Project reveals a large scale gravity anomaly which is coincident with the magnetic anomaly and consistent with a large iron rich mineralised zone.

Results from preliminary drilling at the Quince Project, five (5) drill holes to date by Asarco, targeting potential copper mineralised systems returned significant iron credits.

The Quince Project mineralization may host significant copper and gold credits at depth, as the region is in a known "Iron Oxide Copper Gold" province and significant alteration is evidenced.

The Quince Project is located close to extensive infrastructure, including:

- (a) a rail line located adjacent to the Quince Project;
- (b) a major highway, located adjacent to the Quince Project;
- (c) the Chanaral airport, located 40kms from the Quince Project;
- (d) port facilities at Chanaral, located 40kms from the Quince Project; and
- (e) power, water and labour.

The Company has planned a program of infill drilling and selective metallurgical drilling, which is expected to commence shortly after the Company has exercised the option under the Option Agreement, which is conditional upon the passing of the Resolutions the subject of this Notice of Meeting.

Terence Willstead & Associates, Consulting Mining Engineers, were commissioned by the Independent Expert to provide a detailed report on the Quince Project for the purposes of the Independent Expert's Report. That report is included as an annexure to the Independent Expert's Report and was announced to the market on 31st March 2010.

1.3 Background on Hanwell

Hanwell is a stock company incorporated in accordance with the laws of the Republic of Chile, by virtue of a public deed dated 29 March 2004. The shareholders of Hanwell at the time of incorporation were:

- (a) Mrs Fernanda Garcia Gomez; and
- (b) Mrs Maria Paz Pulgar Betancourt.

Mr Franco Belli, a previous director of the Company who resigned on 22 March 2010, has advised the Company that he has a 90% beneficial interest in Hanwell and that 90% of the issued shares in Hanwell are held on trust for him. Accordingly, Hanwell is considered for the purposes of the Corporations Act to be controlled by Mr Belli.

Pursuant to the Listing Rules, a person is considered to be a related party of a corporation where the person is, or has been within the past six (6) months, a director of the corporation. Although he is no longer a director of the Company, by virtue of having been a director of the Company within the last six (6) months, Mr Belli is considered for the purposes of the Listing Rules to be a related party of the Company.

Shareholders should note that at the expiration of six (6) months from the date of resignation of Mr Belli as a director of the Company, Mr Belli (and Hanwell) will cease being related parties of the Company.

1.4 **Independent Expert**

Pursuant to the Listing Rules, the Company is required to provide Shareholders with a report on the transaction from an independent expert. The report must state whether the transaction is fair and reasonable to the Company's Shareholders.

The Company has engaged Grant Thornton to prepare the Independent Expert's Report which is enclosed with this Notice of Meeting.

Shareholders are encouraged to consider the content of the Expert's Report in detail for deciding how to vote in relation to Resolution 1.

The Independent Expert has noted in its Independent Expert's Report that: the proposed transaction the subject of Resolution 1 is **fair and reasonable** to non-associated Shareholders of the Company.

The Independent Expert's Report outlines in detail the methodology and the considerations relied on by the Independent Expert to reach its conclusion that the proposed transaction is fair and reasonable to non-associated Shareholders. All Shareholders are therefore encouraged to read the Independent Expert's Report in detail before deciding how to vote on Resolution 1.

1.5 **Directors' Recommendation**

The Directors of the Company consider that the opportunity to acquire the remaining 90% interest in the Quince Project provides an excellent opportunity for the Company to expand its project base in Chile with the addition of a significant concession holding in an area recognised for its mineral wealth in Chile.

Each of the current Directors of the Company intends, subject to any relevant voting exclusions, to vote in favour of all Resolutions outlined in this Notice of Meeting in relation to the Shares that they control.

Shareholders are also referred to the Independent Expert's Report enclosed with this Notice of Meeting which concludes that the transaction is **fair and reasonable to the Non-Associated Shareholders of the Company**. Shareholders are encouraged to read the Independent Expert's Report in full before deciding how to vote at the General Meeting.

2. RESOLUTION 1 – APPROVAL FOR ACQUISITION OF QUINCE PROJECT FROM HANWELL CHILE SA

2.1 General

To enable the Company to complete the acquisition of the remaining 90% interest in the Quince Project, Resolution 1 seeks Shareholder approval in accordance with Listing Rule 10.1 of the ASX Listing Rules for the acquisition of the Quince Project by the Company from Hanwell.

A summary of the Quince Project is outlined in Section 1.2 above.

2.2 ASX Listing Rules

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a “substantial asset” from, or dispose of, a substantial asset to a related party.

An asset is substantial if its value or the value of the consideration for it is, or in ASX’s opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules. For the purpose of Listing Rule 10.1, the acquisition of the Quince Project from Hanwell is a “substantial asset” as the value ascribed to the Quince Project is greater than 5% of the equity interest of the Company in the financial report for the half year ended 31 December 2009. The transaction therefore requires shareholder approval for the purpose of ASX Listing Rule 10.1.

2.3 Independent Expert’s Report

ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert stating whether the transaction is fair and reasonable to the non-associated Shareholders.

Accompanying this Explanatory Statement is an Independent Expert’s Report prepared by Grant Thornton concluding that the proposed Transaction is **fair and reasonable to the Non-Associated Shareholders**.

2.4 Directors’ Recommendation

As outlined in Section 1.5 above, the Directors recommend that Shareholders vote in favour of Resolution 1 as it provides an excellent opportunity for the Company to expand its project base in Chile with the addition of a significant concession holding in an area recognised for its mineral wealth.

3. RESOLUTION 2 – RATIFICATION OF SHARE ISSUE TO SOPHISTICATED INVESTORS

3.1 General

On 20 May 2010, the Company announced to ASX that it had agreed to issue 23,559,804 Shares at \$0.04 per Share to various sophisticated investors to raise \$942,392. Although the Shares have not yet been issued, it is anticipated that they will be issued by the date of the General Meeting.

The subscribers pursuant to this issue will not be related parties of the Company.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month

period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

3.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 23,559,804 Shares were allotted;
- (b) the issue price was \$0.04 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were allotted and issued to various sophisticated investors identified and introduced to the Company; and
- (e) the funds raised from this issue are intended to be used to meet the general working capital requirements of the Company.

4. RESOLUTION 3 – RATIFICATION OF PREVIOUS ISSUE OF SHARES TO SUN BIOMEDICAL LIMITED

4.1 General

The Company has previously announced to ASX that it has issued 1,600,000 Shares to Sun Biomedical Limited (**SBN**) pursuant to the terms of a convertible note agreement entered into between the Company and SBN.

The Company announced to ASX on 1 March 2010 that it had entered into a convertible note subscription agreement with SBN pursuant to which SBN agreed to subscribe for up to five convertible notes, valued at \$100,000 per note. As a term of the convertible note subscription agreement, the Company agreed to issue SBN with 400,000 Shares for each convertible note that SBN subscribed for. Since the date of that convertible note subscription agreement, SBN has subscribed for four convertible notes, and the Company has issued SBN with 1,600,000 Shares in accordance with the terms of the convertible note subscription agreement.

Resolution 3 therefore seeks approval for the ratification of the previous issue of the 1,600,000 Shares to SBN.

A summary of the requirements of Listing Rules 7.1 and 7.4 are outlined in Section 3.1 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

4.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 1,600,000 Shares were allotted;
- (b) the Shares were issued in consideration for SBN subscribing for four convertible notes in the Company;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were allotted and issued to SBN; and
- (e) no funds were raised from the issue of the Shares as they were issued in consideration for SBN subscribing for four convertible notes at \$100,000 per convertible note. The funds raised from the issue of the convertible notes are being used to assist the Company with the acquisition of the option to acquire the Quince Project.

5. RESOLUTION 4 – APPROVAL FOR ISSUE OF SHARES FOR PLACEMENT

5.1 General

Resolution 4 seeks Shareholder approval for the allotment and issue of up to 25,000,000 Shares at an issue price of \$0.04 per Share to raise up to \$1,000,000 (**Share Placement**).

None of the subscribers pursuant to this issue will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 3.1 above.

The effect of Resolution 3 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is 25,000,000 Shares;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price will be \$0.04 per Share;
- (d) the Directors will determine to whom the Shares will be issued but these persons will all be sophisticated investors pursuant to Section 708 of the Corporations Act and will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (f) the Company intends to use the funds raised from the Share Placement to meet the general working capital requirements of the Company.

6. RESOLUTION 5 – APPROVAL FOR ISSUE OF SHARES UPON CONVERSION OF LOANS

6.1 General

Resolution 5 seeks Shareholder approval for the allotment and issue of up to 13,940,200 Shares by the Company to be issued upon the conversion of previous loans made to the Company into equity.

On 20 May 2010, the Company announced to ASX that it had entered into loan instruments with sophisticated investors pursuant to which those investors provided \$557,608 in loan funds to the Company. It was a condition of those loans that the loans would convert to Shares at \$0.04 per Share upon Shareholders approving the issue of those Shares and the Company exercising the option to acquire the remaining 90% interest in the Quince Project.

The purpose of Resolution 5 therefore is to seek approval for the issue of those Shares to enable the existing debt in the Company to be converted into Shares.

None of the sophisticated investors that will receive Shares pursuant to this issue will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 3.1 above.

The effect of Resolution 5 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is 13,940,196 Shares;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares will be issued upon the conversion of the existing loans of \$557,608 made to the Company by the recipients of the Shares at a deemed issue price of \$0.04 per Share;
- (d) the Shares will be issued to Century Sunny Investment Limited and Li Yangyang, neither of whom are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue, as the loan funds have already been provided to the Company. Those loan funds are being used as part of the Company's general working capital and in its assessment of the exercise of the option to acquire the remaining 90% interest in the Quince Project.

7. RESOLUTION 6 – APPROVAL OF EMPLOYEE OPTION PLAN

7.1 General

Resolution 6 seeks the approval of Shareholders for the adoption of the "Directors, Employees and Consultants Option Plan" (**Plan**) to allow the issue of Options under the Plan as an exception to ASX Listing Rule 7.1 in accordance with exception 9(b) of ASX Listing Rule 7.2.

If Resolution 6 is passed, the Company will have the ability to issue Options to eligible participants under the Plan over a period of 3 years without impacting on the Company's 15% placement capacity under ASX Listing Rule 7.1.

This is a new plan and no options have yet been issued under this plan.

7.2 Terms of Plan

The main terms of the Plan are summarised below and a full copy of the Plan is available for inspection at the Company's registered office until the date of the General Meeting.

The Plan will be administered by the Directors who may grant Options to acquire Shares in the Company to any of the Company's employees (**Employees**).

The key terms and conditions applying to any issue of Options under the Plan include:

Objectives

The objective of the Plan is to assist in the recruitment, reward, retention and motivation of employees of the Company.

Consideration

Each Option issued under the Plan (**Employee Option**) will be issued free of charge.

Exercise Price

The exercise price for Employee Options granted under the Plan will be fixed by the Board prior to the grant of the Employee Option.

Exercise Restrictions

The options granted under the Plan may be subject to such other restrictions on exercise as may be fixed by the Directors prior to grant of the Employee Options including, without limitation, length of service by the employee and threshold prices at which Shares are traded on the ASX. Any restrictions so imposed by the Directors must be set out on the Employee Option certificate.

Participation in Dividends, Rights Issues and Bonus Issues

The Employee Options granted under the Plan do not give any right to participate in dividends or rights issues until Shares are allotted pursuant to the exercise of the relevant Employee Option. The number of Shares issued on the exercise of Employee Options will be adjusted for bonus issues made prior to the exercise of the Employee Options.

Eligibility

The Directors may invite full or part time employees to participate in the Plan and receive Employee Options. An employee may receive the Employee Options or nominate a relative or associate to receive the Employee Options.

Employees do not possess any rights to participate in the Plan, as participation is solely determined by the Board. Directors are not eligible to participate in the Plan.

Term of Employee Options

The Employee Options granted under the Plan have a term specified on the face of each certificate.

Subdivision or Consolidation

If the Company, after having granted any Employee Option, reduces its issued Share capital or subdivides or consolidates its Shares, the number of the Shares issued to the option holder on exercise of an Employee Option will be reduced, subdivided or consolidated, as the case may be, in accordance with the ASX Listing Rules.

Restrictions on Transfer

Employee Options are not transferable.

Limitation on offers

If the Company makes an offer under the Plan where:

- (a) the total number of Shares to be received on exercise of Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or
- (b) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184,

the Company must comply with Chapter 6D of the Corporations Act at the time of that Offer.

8. RESOLUTION 7 – CHANGE OF NAME

Resolution 7 seeks approval from Shareholders to change the name of the Company to "South American Iron Limited".

The Directors consider that the name of the Company should be shortened and simplified whilst maintaining the key elements of the Company's name recognised by Shareholders.

Resolution 7 is a special resolution, and therefore, in order to be passed, 75% or more of the votes cast on Resolution 7 must be in favour of the Resolution.

9. RESOLUTIONS 8 TO 11 – ISSUE OF DIRECTOR OPTIONS

9.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 20,000,000 Options (**Director Options**) to Mr Terry Cuthbertson,

Mr Kenneth Lee, Mr Mark Bethwaite and Dr Richard Haren (**Related Parties**) as incentive remuneration

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

In general, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

Following advice from an independent remuneration consultant, the Directors have formed the view that the exception in Section 211 of the Corporations Act applies to the issue of the Director Options.

Section 211 provides that Shareholder approval is not required to give a financial benefit to a related party where the benefit is remuneration to a related party as an officer of the company and the remuneration would be reasonable given the circumstances of the public company giving the remuneration.

Accordingly, Shareholder approval is only being sought for the grant of Director Options to Mr Cuthbertson, Mr Lee, Mr Bethwaite and Dr Haren under ASX Listing Rule 10.11.

9.2 Shareholder Approval (Listing Rule 10.11)

The following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties to whom the Director Options will be issued are Terry Cuthbertson, Kenneth Lee, Mark Bethwaite and Richard Haren who are all related parties by virtue of being Directors of the Company;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted is:
 - (i) Mr Cuthbertson – 6,000,000 Director Options;
 - (ii) Mr Lee – 6,000,000 Director Options;
 - (iii) Mr Bethwaite – 2,000,000 Director Options; and
 - (iv) Dr Haren – 6,000,000 Director Options .
- (c) the Director Options will be exercisable as follows and otherwise on the terms and conditions outlined in Schedule 1:

Director	Number of Directors Options exercisable at 10 cents after first anniversary of grant	Number of Directors Options exercisable at 15 cents after second anniversary of grant	Number of Directors Options exercisable at 20 cents after third anniversary of grant	Aggregate number of Total Directors Options
Kenneth Lee	2,000,000	2,000,000	2,000,000	6,000,000
Richard Haren	2,000,000	2,000,000	2,000,000	6,000,000
Terry Cuthbertson	2,000,000	2,000,000	2,000,000	6,000,000
Mark Bethwaite	666,666	666,667	666,667	2,000,000

- (d) the Director Options will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (e) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule 2.
- (g) Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to Mr Cuthbertson, Mr Lee, Mr Bethwaite or Dr Haren as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to Dr Haren will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.
- (h) Each Director's recommendation in relation to resolutions 8 to 11 (inclusive) is as follows:

Director	Reason
Kenneth Lee Richard Haren Terry Cuthbertson Mark Bethwaite	Each Director declined to make a recommendation about resolutions 8 to 11 (inclusive) because he is the subject of one of those resolutions pursuant to which he will receive Options in the Company and the other three resolutions in respect of the grant of Options to other Directors may be considered cognate and therefore each Director may have a material personal interest in the outcome of these four resolutions.

- (i) If the Directors Options proposed to be granted are exercised, the effect will be to increase the Company's cash reserves and dilute the shareholding of existing shareholders. It may also increase the number of securities these Directors hold in the Company;

- (j) The relevant interests of Directors in the securities of the Company as of the date of this Notice are:

Name of Director	Shares	Options
Kenneth Lee	666,807 ¹	NIL
Richard Haren	163,653	NIL
Terry Cuthbertson	198,307	NIL
Mark Bethwaite	NIL	NIL

¹These shares includes 300,000 shares acquired under the company's employee share purchase plan, prior to K Lee's appointment as a director, and held by Aconcagua SPP Nominees Pty Limited, a nominee company as security for a non recourse loan.

- (k) As of the date of this Notice, the issued capital of the Company comprised of 169,332,027 ordinary fully paid shares and 8,223,750 unexercised options. If Options are issued to Directors as proposed, those Options will represent some 10.1% of the Company's issued capital on a fully diluted basis.
- (l) The market price of the Company's shares during the term of the Directors Options will normally determine whether or not the option holder exercises the Directors Option. At the time any Directors Options are exercised and shares issued pursuant to the exercise of the Directors Options, the Company's ordinary shares may be trading on the ASX at a price which is higher than the exercise price of the Directors Options.
- (m) The Directors Options will not be quoted on ASX and as such have no actual market value. The highest price of fully paid ordinary shares in the Company trading on ASX in the last 12 months was 14.5 cents which occurred on 30th June 2009 and the lowest price of shares in the Company trading on ASX was 4.0 cents which occurred on 25th May 2010.
- (n) It is not considered that from an economic and commercial point of view there are any costs or detriment's, including opportunity costs or taxation consequences, for the Company or benefits forgone by the Company resulting from the issue of the Options pursuant to resolutions 8 to 11 (inclusive) other than that the relevant accounting standard (AASB2) requires that share based payments be reflected in the Company's profit or loss in the year in which the transaction occurs. It is estimated that the costs to be reflected in the Company's profit and loss as a consequence of issue of all these Options will be, as follows

Financial Year	Financial Year	Financial Year
2010/11	2011/12	2012/13
\$71,734	\$40,200	\$24,456

- (o) Apart from the information set out in this Explanatory Memorandum, there is no other information that is known to the Company or any of its Directors that is reasonably required by shareholders to decide whether or not it is in the Company's interests to pass Resolutions 8 to 11 inclusive.

10. ENQUIRIES

Shareholders may contact the Company Secretary, Mr Kenneth Lee, on (+ 61 2) 9259 4300 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting means the meeting convened by the Notice of Meeting.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company means South American Iron & Steel Corporation Limited (ACN 060 319 119).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

EST means Eastern Standard Time, as observed in Sydney, New South Wales.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Hanwell means Hanwell Chile (SA), a company incorporated in Chile.

Independent Expert means Grant Thornton.

Independent Expert's Report means the report by the Independent Expert prepared by the Independent Expert annexed to this Notice of Meeting as Annexure A.

Notice of Meeting or **Notice of General Meeting** means this notice of General Meeting including the Explanatory Statement.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Quince Project means the Quince Iron Ore project located in northern Chile.

Resolutions means the resolutions set out in the Notice of Meeting, and **Resolution** means any one of them, as the context requires.

Securities means Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

US\$ means US dollars.

SCHEDULE 1 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Option in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5:00 pm (EST) on that date which is five years from the date of their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be in accordance with the Table in paragraph 1.2 (c) of this Explanatory Statement (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 10,000 must be exercised on each occasion.
- (e) A Optionholder may exercise his Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

(Exercise Notice).

- (f) A Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares allotted upon the exercise of the Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

SCHEDULE 2 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 4 to 7 have been valued by internal management.

Using the Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

Assumptions:	
Valuation date	26 May 2010
Market price of Shares	\$0.05
Exercise price	Various Prices
Expiry date	May 2015
Risk free interest rate	5.27%
Volatility	40%
Indicative value per Director Option	10 Cent Director Option \$0.01076
	15 cent Director Option \$0.00603
	20 cent Director Option \$0.00367
Total Value of Director Options	\$136,390
Mr Terry Cuthbertson (Resolution 8)	\$40,917
Mr Kenneth Lee (Resolution 9)	\$40,917
Mr Mark Bethwaite (Resolution 10)	\$13,639
Dr Richard Haren (Resolution 11)	\$40,917

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not necessarily the market prices for taxation purposes.

**PROXY FORM
APPOINTMENT OF PROXY**

**SOUTH AMERICAN IRON AND STEEL CORPORATION LIMITED
ACN 060 319 119**

GENERAL MEETING

I/We

of

being a member of South American Iron and Steel Corporation Limited entitled to attend and vote at the General Meeting, hereby

Appoint

--

Name of proxy

OR

--

the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 10:00am (EST), on 30 June 2010 at Level 2 99 York St Sydney NSW 2000, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

--

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 6** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 6 and that votes cast by the Chair of the General Meeting for Resolutions 1 to 6 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 6 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 6.

OR

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Approval for Acquisition of Quince Project from Hanwell Chille S.A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Ratification of Share Issue to Sophisticated Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Ratification of Previous Share Issue to Sun Biomedical Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval for Issue of Shares for Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval for Issue of Shares upon Conversion of Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Adoption of Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Issue of Directors Options Terry Cuthbertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Issue of Directors Options Kenneth Lee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Issue of Directors Options Mark Bethwaite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – Issue of Directors Options Richard Haren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Signature of Member(s): _____

Date: _____

Individual or Member 1

--

**Sole Director/Company
Secretary**

Member 2

--

Director

Member 3

--

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

SOUTH AMERICAN IRON AND STEEL CORPORATION
ACN 060 319 119

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to PO BOX R1438 Royal Exchange NSW 1225; or
 - (a) facsimile to the Company on facsimile number (+61 2) 9252 5638,so that it is received not later than 10:00 am (EST) on 28 June 2010.

Proxy forms received later than this time will be invalid.

CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

Shareholder Details

This is to certify that by a resolution of the Directors of:

.....(Company),
[Insert name of shareholder company]

has appointed:

.....
[Insert name of corporate representative]

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that company at the meeting of the members of South American Iron & Steel Corporation Limited to be held on 30 June 2010 and at any adjournments of that meeting/all meetings of the members of South American Iron & Steel Corporation Limited.

DATED 2010

Please sign here

Executed by the Company)
in accordance with its constituent)
documents)

.....
Director

.....
Director/Secretary

.....
Name of authorised representative (print)

.....
Position of authorised representative
(print)

.....
Signature of authorised representative

Instructions for Completion

1. Insert name of appointor company and the name or position of the appointee (eg "John Smith" or "each director of the company").
2. Execute the Certificate following the procedure required by your Constitution or other constituent documents.
3. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
4. Insert the date of execution where indicated.
5. Send or deliver the Certificate to the South American Iron & Steel Corporation Limited registered office at Level 10, 8-10 Loftus Street, Sydney, NSW 2000 or fax the Certificate to the registered office at +61 2 9252 5638.

South American Iron & Steel Corporation Limited

Independent Expert's Report and Financial Services Guide

28 May 2010

The Directors
South American Iron & Steel Corporation Limited
Level 10
8-10 Loftus Street
Sydney NSW 2000

28 May 2010

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T + 61 2 8297 2400
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E info@gtnsw.com.au
W www.grantthornton.com.au

Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

South American Iron and Steel Corporation Limited ("SAY" or the "Company") is a public Australian company listed on the Australian Securities Exchange ("ASX"). The Company is involved in iron sands exploration and development activities in South America. As at 24 May 2010, the Company's market capitalisation was approximately A\$8 million. SAY currently holds interests in exploration and mining concessions covering iron sands deposits in Ecuador and Chile, including a 10% interest in the Quince project ("SAY's Quince Interest").

Hanwell Chile SA ("Hanwell") is incorporated in Chile and holds a number of mining concessions around the region of Quince, Chile. Hanwell currently holds a 90% interest ("Hanwell's Quince Interest") in the Quince Iron Ore Project. Mr Franco Belli, who stepped down as a director of SAY on 22 March 2010, currently holds a 90% interest in Hanwell and a 28.6% interest in SAY. Hanwell and Mr. Franco Belli are deemed related parties to the Company in accordance with the Corporations Act.

On 21 May 2010, SAY entered into an option agreement ("Amended Quince Purchase Option")¹ based on the following key terms:

- in consideration of the payment by SAY of a non-refundable deposit of US\$0.2 million, Hanwell granted to SAY the exclusive option to acquire the Hanwell's Quince Interest;

¹ On 1 March 2010, SAY announced that it had acquired a call option (the "Original Quince Purchase Option") to purchase Hanwell's Quince Interest. In conjunction with the Original Quince Purchase Option, SAY intended to undertake a renounceable rights issue to raise approximately A\$10.2 million in gross proceeds. However, due to the volatility in the financial markets, the Company was unable to secure the necessary support from SAY Shareholders and the underwriter in relation to the Rights Issue, which was eventually aborted. Accordingly, the Original Quince Purchase Option was not capable of being exercised in its original form. Refer to section 1.2 for details.

- upon exercising the Amended Quince Purchase Option, SAY will commit to pay Hanwell cash consideration amounting to US\$6.8 million (A\$8.3 million) at any time within 18 months following the exercise date (“Final Payment Date”). Interest will accrue on the outstanding balance at a rate of 12% per annum. All accrued interest will be paid on the Final Payment Date;
- under the Amended Quince Purchase Option, the cash consideration outlined above is to be converted at the agreed rate of US\$0.82 for each A\$1.00;
- SAY has granted Hanwell a perpetual royalty of 0.75% on the free-on-board (“FOB”) value of all mineral resources sold and sourced from the Quince Iron Ore Project;
- the Amended Quince Purchase Option can be exercised at any time up until 30 September 2010, otherwise the option will lapse; and
- the Company agrees to exercise the Amended Quince Purchase Option immediately upon the receipt of approval from SAY’s shareholders.

The above is referred to as the “Proposed Transaction”.

Purpose of the report

The acquisition of Hanwell’s Quince Interest represents the acquisition of a substantial asset from a related party and as such requires the approval of SAY shareholders not associated with Hanwell and Mr Franco Belli (the “Non-Associated Shareholders”) in accordance with ASX Listing Rule 10.1. ASX Listing Rule 10.10.2 requires that the Notice of Meeting be accompanied by an independent expert report stating whether the transaction is fair and reasonable to the Non-Associated Shareholders.

Accordingly, the independent Directors of SAY have engaged Grant Thornton Corporate Finance to prepare an independent expert’s report to state whether, in Grant Thornton Corporate Finance’s opinion the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purpose ASX Listing Rule 10.1.

Our opinion is limited to the Proposed Transaction and it does not extend to the other resolutions included in the Notice of Meeting.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

Fairness of the Proposed Transaction

In forming our opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the value per ordinary share in SAY (“SAY Share”) pre Proposed Transaction (on a control basis) to the assessed value per SAY Share post Proposed Transaction (on a control basis).

We have also cross-checked our assessment of the fairness of the Proposed Transaction by comparing the cash consideration payable to Hanwell to fair market value of the Hanwell's Quince Interest.

As the key assets of SAY comprise exploration assets, we have engaged an independent technical specialist to assess the fair market value of SAY's exploration assets. The fair market valuation assessment was prepared by Terrence Willstead & Associates ("TWA") in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 (the "Valmin Code").

The following table summarises our assessment:

Fairness assessment	Section reference	Low A\$	High A\$
Fair market value per SAY Share pre-Proposed Transaction (control basis)	7	0.08	0.13
Fair market value per SAY Share post-Proposed Transaction (control basis)	8	0.17	0.32
Increase/(decrease) in value per SAY Share (A\$)		0.09	0.18
Increase/(decrease) in value per SAY Share (%)		112%	136%

Source: Calculations

The assessed fair market value range of SAY Shares (on a control basis) post Proposed Transaction exceeds the assessed fair market value range of SAY Shares (on a control basis) pre Proposed Transaction. Accordingly, we conclude that the Proposed Transaction is fair to the Non-Associated Shareholders.

We note that our assessment of the consideration payable to Hanwell does not include the perpetual royalty of 0.75% on the FOB value of all mineral resources sold and sourced from the Quince Iron Ore Project. The value of this royalty cannot be estimated with reasonable grounds as at the date of this report. However, we note that should the royalty becomes payable in conjunction with SAY commencing production at the Quince Iron Ore Project, the value of the Quince Iron Ore Project should also increase significantly.

The shareholders of SAY ("SAY Shareholders") should be aware that our assessment of the value per SAY Share post the Proposed Transaction does not necessarily reflect the price at which SAY Shares will trade if the Proposed Transaction completes. The price at which SAY Shares will ultimately trade depends on a range of factors including the liquidity of SAY Shares, macro-economic conditions, commodities prices and the supply and demand for SAY Shares.

We have cross-checked our fairness assessment by comparing the cash consideration payable to Hanwell to the fair market value of Hanwell's Quince Interest.

Fairness cross-check	Section reference	Low A\$	High A\$
Fair market value of cash consideration offered	8.1.2	8,538	9,044
TWA valuation of the Quince Iron Ore Project	7.1.2	27,000	45,000
Hanwell's interest in Quince Iron Ore Project		90%	90%
Assessed value of Hanwell's Quince Interest (US\$)		24,300	40,500
Adopted A\$/US\$ exchange rate	6.4	0.80	0.80
Assessed value of Hanwell's Quince Interest (A\$)		30,375	50,625
Discount received/(premium paid) on acquisition (A\$)		21,837	41,581
Discount received/(premium paid) on acquisition (%)		256%	460%

Source: TWA Report and Calculations

The assessed fair market value range of the consideration payable is below the assessed fair market value of the Hanwell Quince Interest. Accordingly, this outcome supports the conclusion reached in our fairness assessment.

Reasonableness of the Proposed Transaction

For the purpose of assessing whether the Proposed Transaction is reasonable to the SAY Shareholders, we have considered the following likely advantages and disadvantages associated with the Proposed Transaction. We note that in accordance with RG111, a transaction is reasonable if it is fair.

Advantages

- the Proposed Transaction is fair and SAY will be able to purchase Hanwell's Quince Interest at a significant discount compared with the fair market value of the Quince Iron Ore Project as assessed by TWA;
- SAY will increase its ownership of the Quince Iron Ore Project to 100% and accordingly, it will have absolute control over the advancement and development of the Quince Iron Ore Project. Furthermore, SAY may be relatively in a better position to maximise the proceeds from the sale of the Quince Iron Ore Project as a whole;
- if SAY does not complete the Proposed Transaction, Sun Biomedical Limited ("SBN") has the right to require the transfer of the underlying rights of the Amended Quince Purchase Option from SAY in lieu of repayment for the loan made to SAY². Accordingly, the Non-Associated Shareholders will lose the opportunity to purchase the Quince Iron Ore Project at a significant discount compared with its fair market value as assessed by TWA; and

² In order to fund the payment of the option fee in relation to the Original Quince Purchase Option, SAY entered into a Convertible Note Subscription Agreement (the "Convertible Note Subscription Agreement") with SBN. One of the key terms of the SBN Convertible Notes is that in the event that the Company does not:

- raise a minimum of A\$7.6 million in additional equity by 30 June 2010; or
- exercise the Quince Purchase Option by 30 June 2010;

SBN may require SAY prior to 30 July 2010, to assign the Quince Purchase Option to SBN to satisfy the amount loaned by SBN.

- the inclusion of a substantial asset such as the Quince Iron Ore Project in SAY's mineral assets portfolio may assist in future capital raising activities and improve SAY's profile in the market.

Disadvantages

- SAY Shareholders will have increased exposure to the Quince Iron Ore Project and generally to Chile's economic and jurisdiction risk. Given that the said project is relatively uncertain and risky in nature, SAY Shareholders could potentially be more exposed to a more volatile investment;
- there is uncertainty whether or not SAY will be able to raise the required cash to pay for the agreed cash consideration of US\$6.8 million plus accrued interest within 18 months from the exercise of the Amended Quince Purchase Option. Future capital raisings may be dilutive for the Non-Associated Shareholders if the current volatility in the financial markets continues or if market conditions deteriorate further;
- if the Company is not able to raise the required money to pay for the agreed cash consideration of US\$6.8 million plus accrued interest within 18 months, SAY may not be able to continue as a going concern;
- sophisticated and professional investors may find it challenging to support future capital raisings of the Company to fund the cash consideration payable to Hanwell as the cash raised will be paid to Hanwell rather than to further develop SAY's exploration assets;
- there is no certainty that the mineral resources, or any mineral reserve, including the ones relating to the Quince Iron Ore Project will become proven and then realised. Until a deposit is actually mined and processed, the quantity of mineral resources and reserves, and grades, must be considered as estimates only. Given the consideration payable by SAY upon exercise of the Amended Quince Purchase Option is 100% cash, Hanwell will not bear or share any of these risks and uncertainties with the Non-Associated Shareholders;
- the structure of the agreed consideration payable to Hanwell upon exercise of the Amended Quince Purchase Project is unusual for a transaction of this type and for an exploration company such as SAY considering the following:
 - The Quince Iron Ore Project is still unproven with only limited exploration activities conducted to date;
 - SAY has very limited cash resources available; and
 - The vendor's risk profile will not be aligned to that one of the Non-Associated Shareholders going forward.
- as a result of owning 100% of the Quince Iron Ore Project, SAY will have an enlarged exploration assets portfolio which will increase SAY's future funding requirements in relation to exploration activities. The development of the Quince Iron Ore Project as well as SAY's existing exploration assets will require continuous significant investments into the projects. In addition, given the early stages of the existing assets portfolio and the extended lead time of exploration projects, it is likely to be a number of years before the exploration assets will generate steady,

positive cash flows. Since SAY has limited funds, it is likely that SAY will need to undertake capital raising activities to secure additional funds to develop its exploration assets. The capital raising activities would likely have a dilutionary effect on SAY's existing shareholders.

Other factors

Uncertainty on the prospectivity of the assets

We note that the Quince Iron Ore Project is an early-stage exploration asset. There is no certainty that the mineral resources, or any mineral reserve, relating to the Quince Iron Ore Project will be proven and then realised. In addition, the value of mineral resources and any mineral reserve will depend upon, among other things, metal prices and currency exchange rates. Any material change in quantity of mineral resources, or any mineral reserve, or grade, may affect the economic viability of any future mines. Any material reductions in the estimates of mineral resources, or mineral reserves, or SAY's ability to extract any ore, could have a material adverse affect on SAY's future results of operation and financial condition. Resource estimates, including those contained in the TWA Report are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates. Resource estimates are necessarily imprecise and depend to some extent upon interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to the Quince Iron Ore Project's resources could affect SAY's future development and mining plans.

SAY Shareholders' position if the Proposed Transaction is not approved

If the Proposed Transaction is not approved, it would be the current directors' intention to continue operating the Company in line with its objectives. SAY Shareholders who retain their shares will continue to share in any benefits and risks in relation to SAY's ongoing business.

In addition, if the Company does not raise a minimum of A\$7.6 million in additional equity by 30 June 2010 or exercise the Amended Quince Purchase Option by 30 June 2010, then SBN may require SAY to assign the Amended Quince Purchase Option to SBN to satisfy the amount loaned by SBN to SAY.

Concurrent transactions

The other transactions occurring concurrent to the Proposed Transaction are the Subscription Transactions. We note that the Proposed Transaction and the Subscription Transactions are not interdependent and consequently, either one or both can be completed without approving the other.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Proposed Transaction is a matter for each SAY Shareholder based on their own views of value of SAY and expectations about future market conditions, SAY performance, risk profile and investment strategy. If SAY Shareholders are in

doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Director



SCOTT GRIFFIN
Director

28 May 2010

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by South American Iron and Steel Corporation Limited (“SAY” or the “Company”) to provide general financial product advice in the form of an independent expert’s report in relation to SAY’s proposed acquisition of interests in mining assets located in Chile from Hanwell Chile SA (“Hanwell”) (the “Proposed Transaction”). This report is included in the Company’s Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from SAY a fixed fee of up to A\$55,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, nor any of the directors or employees of Grant Thornton Corporate Finance nor any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of SAY in order to provide this report. The guidelines for independence in the preparation of independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with SAY (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Propose Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

1.1 Introduction

South American Iron and Steel Corporation Limited (“SAY” or the “Company”) is a public Australian company listed on the Australian Securities Exchange (“ASX”). The Company is involved in iron sands exploration and development activities in South America. As at 24 May 2010, the Company’s market capitalisation was approximately A\$8 million.

SAY currently holds interests in exploration and mining concessions covering iron sands deposits in Ecuador and Chile, including a 10% interest in the Quince project (“SAY’s Quince Interest”). The Quince project involves a high intensity magnetic anomaly approximately 13 kilometres (“km”) long by 2km wide which is located near Cerro Salado, 40kms inland from the Chilean coast and approximately 800kms north of Santiago (the “Quince Iron Ore Project”).

Hanwell Chile SA (“Hanwell”) is incorporated in Chile and holds a number of mining concessions around the region of Quince, Chile. Hanwell currently holds the remaining 90% interest (“Hanwell’s Quince Interest”) in the Quince Iron Ore Project. Mr Franco Belli, who stepped down as a director of SAY on 22 March 2010, currently holds a 90% interest in Hanwell and a 28.6% interest in SAY.

1.2 Overview of Original Quince Purchase Option

On 1 March 2010, SAY announced that it had acquired a call option (the “Original Quince Purchase Option”) to purchase Hanwell’s Quince Interest. Upon exercise of the Original Quince Purchase Option, SAY would have acquired 100% of the Quince Iron Ore Project. The key terms of the Original Quince Purchase Option were:

- SAY paid a non-refundable option fee of US\$0.2 million (A\$0.22 million)³;
- upon exercising the Original Quince Purchase Option, SAY would have paid Hanwell the following consideration:
 - cash payment of US\$2.4 million (A\$2.7 million); and
 - allotted 162,962,963 fully paid ordinary shares in SAY (“SAY Shares”) at A\$0.03 per share amounting to US\$4.4 million (A\$4.9 million).
- SAY would have also paid Hanwell a perpetual royalty of 0.75% on the free-on-board (“FOB”) value of all mineral resources sold and sourced from the Quince Iron Ore Project; and
- the Original Quince Purchase Option could have been exercised at any time up until 30 September 2010, otherwise the option will lapse.

³ We note that the agreed exchange rate in the Original Quince Purchase Option was US\$0.90 for each A\$1.00. Accordingly, in this section 1.2, this exchange rate has been used to convert US\$ into A\$. We note that this exchange rate is different from the exchange rate adopted by Grant Thornton Corporate Finance in our assessment of the fairness of the Proposed Transaction.

In conjunction with the Original Quince Purchase Option, SAY intended to undertake a renounceable rights issue to raise approximately A\$10.2 million in gross proceeds (the “Rights Issue”)⁴.

However, due to the volatility in the financial markets, the Company was unable to secure the necessary support from SAY Shareholders and the underwriter in relation to the Rights Issue, which was eventually aborted. Accordingly, the Original Quince Purchase Option was not capable of being exercised in its original form.

1.3 Overview of Amended Quince Purchase Option

On 21 May 2010, SAY entered into an amended and restated option agreement with regards to the Quince Purchase Option (“Amended Quince Purchase Option”). The key terms are summarised below:

- in consideration of the payment by SAY of a non-refundable deposit of US\$0.2 million (which was paid by SAY in conjunction with the Original Quince Purchase Option), Hanwell granted to SAY the exclusive option to acquire the Hanwell’s Quince Interest;
- upon exercising the Amended Quince Purchase Option, SAY will commit to pay Hanwell cash consideration amounting to US\$6.8 million (A\$8.3 million)⁵ at any time within 18 months following the exercise date (“Final Payment Date”). Interest will accrue on the outstanding balance at a rate of 12% per annum. All accrued interest will be paid on the Final Payment Date;
- under the Amended Quince Purchase Option, the cash consideration outlined above is to be converted at the agreed rate of US\$0.82 for each A\$1.00⁶;
- SAY has granted Hanwell a perpetual royalty of 0.75% on the FOB value of all mineral resources sold and sourced from the Quince Iron Ore Project;
- the Amended Quince Purchase Option can be exercised at any time up until 30 September 2010, otherwise the option will lapse; and
- the Company agrees to exercise the call option immediately upon the receipt of approval from SAY’s shareholders.

The above is referred to as the “Proposed Transaction”.

⁴ The Rights Issue involved the renounceable right to acquire two new SAY Shares (“SAY Rights”) for each existing SAY Share, amounting to approximately 339 million new SAY Shares at A\$0.03 per share plus one free entitlement option for every five new SAY Rights and one free piggyback option for every entitlement option that is exercised between certain dates

⁵ We note that the agreed exchange rate in the Amended Quince Purchase Option was US\$0.82 for each A\$1.00. Accordingly, in this section 1.3, this exchange rate has been used to convert US\$ into A\$. We note that this exchange rate is different from the exchange rate adopted by Grant Thornton Corporate Finance in our assessment of the fairness of the Proposed Transaction

⁶ We note that the agreed rate was US\$0.90 for each A\$1.00 in the Original Quince Purchase Option

The Directors of SAY have recommended that SAY Shareholders vote in favour of the Proposed Transaction.

1.4 Subscription Transactions

On 20 May 2010, SAY announced that it had entered into subscription agreements with Century Sunny Investment Ltd and Li Yangyang where these investors will subscribe to shares and loan instruments of the Company (“Subscription Transactions”). Management of SAY has represented that Century Sunny Investment Ltd and Li Yangyang are not related parties or associates with Franco Belli, the Company or the Proposed Transaction and that the Subscription Transactions were negotiated on an arm’s length basis. Furthermore, Management of SAY has represented that Century Sunny Investment Ltd and Li Yangyang are not associates nor acting in concert.

Pursuant to the subscription agreements with Century Sunny Investment Ltd and Li Yangyang, SAY will issue the following securities:

- 23.6 million SAY Shares at A\$0.04 per share raising a total of A\$0.9 million to be split equally between Century Sunny Investment Ltd and Li Yangyang;
- conditional loan instruments of approximately A\$0.56 million. The key terms of the loan instruments are as follows:
 - the loan instrument will take the form of two convertible notes with a principal amount of A\$0.28 million each to be issued to Century Sunny Investment Ltd and Li Yangyang respectively (collectively referred to as the “Subscription Notes”);
 - the Subscription Notes are not interest-bearing;
 - the Subscription Notes are convertible at \$0.04 per SAY Share at any time after the approval from SAY Shareholders is received to convert the Subscription Notes into SAY Shares. Management has represented that Century Sunny Investment Ltd and Li Yangyang intend to convert the Subscription Notes into SAY Shares immediately following the receipt of shareholders approval to approve the Subscription Transactions;
- following the issue of the 23.6 million new SAY Shares and the Subscription Notes, Century Sunny Investment Ltd and Li Yangyang have agreed to subscribe for additional SAY Shares limited to a maximum number of SAY Shares such that the voting power of each Century Sunny Investment Ltd and Li Yangyang in SAY does not exceed 19.9%. The subscription agreements indicated that the maximum number of additional SAY Shares to be issued collectively to Century Sunny Investment Ltd and Li Yangyang is 25 million SAY Shares at \$0.04 per share to be split equally between Century Sunny Investment Ltd and Li Yangyang.

The Subscription Transactions are not interdependent with the Proposed Transaction.

The total amount of funds to be raised via the Subscription Transactions is approximately A\$2.5 million. Management has advised that SAY intends to utilise the funds for general working capital purposes.

1.5 Overview of SBN Convertible Notes

To fund the payment of the option fee in relation to the Original Quince Purchase Option, SAY entered into a Convertible Note Subscription Agreement (the “Convertible Note Subscription Agreement”) with ASX listed Sun Biomedical Limited (“SBN”). Under the Convertible Note Subscription Agreement, SBN agreed to provide funding to SAY of between A\$0.2 million and A\$0.5 million through the issue of unsecured convertible notes (the “SBN Convertible Notes”) at A\$0.1 million per SBN Convertible Note. As consideration for the issue of each SBN Convertible Note, SAY also agreed to issue 400,000 SAY Shares to SBN for each SBN Convertible Note subscribed.

As at the date of this report, SAY had issued four SBN Convertible Notes, raising a total of A\$0.4 million.

One of the key terms of the SBN Convertible Notes is that in the event that the Company does not:

- raise a minimum of A\$7.6 million in additional equity by 30 June 2010; or
- exercise the Quince Purchase Option by 30 June 2010;

SBN may require SAY prior to 30 July 2010, to assign the Quince Purchase Option to SBN to satisfy the amount loaned by SBN.

2 Purpose and scope of the report

2.1 Purpose

Chapter 10 of the ASX Listing Rules requires approval from the non-associated shareholders of a company if it proposes to acquire a substantial asset from a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting to approve the transaction be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

As the Proposed Transaction involves the acquisition of a substantial asset from a related party, the Proposed Transaction requires the approval of SAY Shareholders not associated with Hanwell and Mr Franco Belli (the “Non-Associated Shareholders”) in accordance with ASX Listing Rule 10.1.

Accordingly, the independent Directors of SAY have engaged Grant Thornton Corporate Finance to prepare an independent expert’s report to state whether, in Grant Thornton Corporate Finance’s opinion the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purpose ASX Listing Rule 10.1.

2.2 Basis of assessment

In preparing this report, Grant Thornton Corporate Finance has had regard to Regulatory Guide 111 “Content of expert reports” (“RG 111”). RG 111 establishes certain guidelines in respect of independent expert’s reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of “fair and reasonable” in the context of a takeover offer. RG 111 does not however, provide any direct guidance on transaction under Chapter 10 of the ASX Listing Rules.

In our opinion, the most appropriate approach to evaluate the fairness of the Proposed Transaction is to compare the fair market value of the SAY Shares prior to the Proposed Transaction (“Pre-Proposed Transaction”) to the fair market value of the SAY Shares after the Proposed Transaction (“Post-Proposed Transaction”).

In relation to our fairness approach, whilst we reiterate that our opinion is limited to the Proposed Transaction and it does not extend to any other resolutions included in the Notice of Meeting, we note that SAY has undertaken several fund raisings activities to directly or indirectly fund the Original Quince Purchase Option and Amended Quince Purchase Option. In our opinion, it is relevant for the Non-Associated Shareholders to understand the potential dilutionary effect of the recent private placements and convertibles notes issues undertaken by SAY in conjunction with the Proposed Transaction.

We have also cross-checked our fairness assessment by comparing the cash consideration payable to Hanwell to the fair market value of the Hanwell's Quince Interest.

With respect to the reasonableness of the Proposed Transaction, we have compared the likely advantages and disadvantages associated with the Proposed Transaction. In this regard, we have considered a number of factors, including:

- the terms and conditions of the Amended Quince Purchase Option;
- the implications to SAY and the Non-Associated Shareholders if the Proposed Transaction is not approved;
- other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111; and
- other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

We note that our opinion is limited to the Proposed Transaction and it does not extend to the Subscription Transactions, the SBN Convertible Notes or the resolutions included in the Notice of Meeting other than resolution 1. In our fairness assessment of the Proposed Transaction, we have assumed that resolution 4 and resolution 5 as set out in the Notice of Meeting are approved.

For the purpose of this report, an independent technical specialist, Terrence Willstead & Associates ("TWA"), was engaged to provide a technical's specialist report which assesses the fair market value of the exploration assets held by SAY, including the Quince Iron Ore Project. The report prepared by TWA ("TWA's Report") was prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 (the "Valmin Code").

TWA's Report has been included in Appendix C of this report.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports" ("RG 112").

In this regard, we note that Grant Thornton Corporate Finance was involved in the preparation of an independent expert's report for SAY in April 2009 regarding a funding agreement with Astron Limited ("Astron") in relation to issue of SAY Shares to Astron. Our report was not finalised nor sent to the SAY Shareholders. This was our only relationship with SAY during the past three years.

In our opinion, our previous engagement does not impact on our ability to provide an independent and unbiased opinion in the context of the Proposed Transaction. In our opinion, Grant Thornton Corporate Finance is independent of SAY, its Directors and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated 31 May 2010 in which this report is included, and is prepared for the exclusive purpose of assisting the non-associated shareholders in their consideration of the Proposed Transaction.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of General Meeting and Explanatory Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the SAY Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual SAY Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each SAY Shareholder based on their own views of value of SAY and expectations about future market conditions, SAY's performance, risk profile and investment strategy. If SAY Shareholders are in doubt about the action they should take in relation to each of the Proposed Transaction, they should seek their own professional advice.

3 Profile of the iron ore industry

3.1 Overview

Iron ore refers to rocks and minerals rich in iron oxides which are used primarily in the production of steel. The minerals can vary in colour from dark grey, bright yellow, deep purple, to rusty red and can be found in a variety of forms, including:

- hematite
- magnetite
- goethite
- limonite
- itabirite
- pisolite
- taconite

Hematite and magnetite are typically used in steel making, however, hematite is the preferred form as it carries a higher iron content. The process for converting lower grades of hematite and magnetite ores into steel generally requires a greater amount of processing, usually in the form of crushing, milling and liquid separation.

Hematite deposits comprise the majority of the world's high grade iron ore resources. High grade iron ore contains an iron content over more than 60% and generally requires minimal beneficiation before it is fed into blast furnaces.

Magnetite deposits are usually a lower grade iron ore, often containing between 25% and 40% iron content, and require beneficiation involving crushing, milling and magnetic separation. Magnetically beneficiated ore can be pelletised for use as a high grade raw material in the steel making process.

3.2 Products

The three primary types of iron ore products are fine, lump and pellet iron ore. Lump ore is considered more valuable than fine ore as fine ore needs to be sintered prior to being fed into a blast furnace. Lump ore does not require any processing prior to the sheltering process. Consequently, a premium is typically paid for lump ore despite the costs of extracting the resource being quite similar to that of fine ore. The price paid for these three types of ore fluctuate depending on the level of demand for iron ore, the availability of the various types of iron ore and blast furnace requirements. There has increasing demand for fine iron ore recently following advancements in sintering capacity, particularly by Chinese steel mills.

The main impurities found in naturally occurring magnetite and hematite resources are silica, alumina, sulphur and phosphorous. The level of impurities associated with iron ore deposits plays a significant role in the determination of whether the resource is economically viable as it affects the productivity of blast furnaces. Consequently, a premium is often paid for higher grade ore with lower impurity levels. Iron ore deposits with high moisture levels are also considered less valuable.

Geological characteristics can significantly affect the commercial viability of undertaking iron ore mining activities by impacting on the time and costs associated with extracting the resource.

3.3 Pricing and performance

Iron ore sold in the export market is primarily sold through long term contracts, many of which have a term of between 8 and 25 years. These contracts prescribe the volume of iron ore sold but prices were generally based on an annually negotiated benchmark price in the past.

There has been a recent shift in the iron ore industry away from annual benchmark pricing towards quarterly benchmark pricing. Commencing in April 2010, Vale and BHP Billiton have begun to price iron ore to Japanese steelmakers quarterly. Rio Tinto has also expressed its intentions to move away from annual prices during 2010.

The historical spot prices for Australian hematite fine iron ore to Japan are set out below.



Source: Australian Bureau of Agricultural and Resource Economics

Industry performance is expected to improve during 2010 when compared with recent years. Historical and forecast global steel production and global iron ore exports for 2007 to 2010 are set out below:



Source: Australian Bureau of Agricultural and Resource Economics

The global iron ore industry has experienced substantial growth in the years leading up to the global financial crisis, however the deteriorating economic conditions have led to reduced demand for industry products during 2009.

A reduction in steel consumption, particularly in the US, Europe and Japan coupled with the pull-back in economic growth in China significantly impacted on the short-term demand for iron ore. Demand for iron ore is expected to strengthen in the medium to long term with increasing government funded infrastructure development projects particularly in China, India and the US.

4 Profile of SAY

4.1 Corporate overview

SAY is a public Australian company listed on the ASX which engages in iron sands exploration and development activities in South America. SAY currently holds interests in exploration and mining concessions covering iron sands deposits in Ecuador and Chile. The head office of SAY is located in Sydney, Australia.

SAY has recently undergone significant restructuring of its board of directors and senior management. Since FY09, SAY has replaced both executive and non-executive directors and also changed its company secretary, chairman and managing director. The current board and management of SAY include:

- Terry Cuthbertson – Non-Executive Chairman;
- Kenneth Lee – Acting CEO and Company Secretary;
- Richard Haren – Non-Executive Director; and
- Mark Bethwaite – Non-Executive Director.

4.2 Mining assets

SAY's mining and exploration assets are summarised below:

Iron sands exploration assets	Section reference	Interest held	Location	Resource estimate (millions of tonnes)		
				Measured	Indicated	Inferred
Aguas Claras Project	4.2.1	100%	Chile	1,473	315	202
Putu Project	4.2.2	100%	Chile	474	184	245
Maulin Project	4.2.3	100%	Chile	n/a	n/a	n/a
Quince Iron Ore Project	4.2.4	10%	Chile	n/a	n/a	n/a
Ecuadorian Projects	4.2.5	n/a	Ecuador	n/a	n/a	n/a

Source: SAY ASX announcement on 31 March 2010

4.2.1 The Aguas Claras Project

The Aguas Claras Project is located approximately 25 kilometres south of Curico district in Putu, Chile. It consists of 31 concessions spread over 8,200 hectares ("ha") area (the "Aguas Claras Project"). A total length of 1,401 metres ("m") of drilling has been conducted which comprised drillings of 115 holes at an average depth of 10.8m and 6 holes at an average depth of 27.3m. It is estimated that these concessions contain approximately 1.9 billion tonnes of iron sands. The location of the project is close to the regional infrastructure which includes rail, port, power transmission lines and the Pan-American Highway.

Comment [r1]: Client Provide info

As discussed in more detail in section 4.3 below, SAY has been in discussions for several months with Shoreline Minerals Limited ("Shoreline") in relation to the sale of the Aguas Clara Project.

According to SAY's HY10 interim report, the Aguas Claras concessions were independently valued at A\$11 million in September 2009 on the basis of the asset being retained for exploitation. The directors of SAY have performed sensitivity analysis of the value of the Aguas Claras Project and believe that the most likely value obtainable in an arm's length transaction from the sale of the Aguas Clara Project is approximately A\$7 million. Accordingly, SAY impaired the carrying value of the Aguas Claras Project to A\$7 million during HY10.

4.2.2 Putu Project

The Putu project is located along the coastline between the Maule and Mataquito rivers on the western coast of Chile ("the Putu Project"). In August 2008, preliminary estimates of inferred resources based on area by thickness measurements suggested that over 190 million tonnes of iron were contained in the upper sections of the Putu Project. SAY has filed applications to convert all the Putu Project concessions from exploration to exploitation status.

The major prospect areas in Putu region are the Plano Prospect, the Trinchera Prospect and the Katy Prospect. The Plano Prospect is a shallow prospect suitable for drilling of holes up to a depth of 12m. A drilling program was completed at the Plano Prospect, Putu in December 2008 under which 41 holes were drilled. On the basis of the initial resource estimate, the measured, indicated and inferred resources are expected to be more than 900 million tonnes. Water, electric power and labour are locally available. A drilling program was conducted at the Trinchera Prospect area in 2007. The drilling program confirmed the presence of iron rich sands. The Katy Prospect deposits are situated close to Plano prospect. The area has very few roads or logging tracks. The future drilling program will focus on younger paleodune sands that are expected to be rich in mineral sands.

4.2.3 Maullin Project

The Maullin project is located to the south of Putu Project in southern Chile (the "Maullin Project"). The mineral sands in this region consist of industrial minerals such as magnetite, titanium oxides, zircon and precious metals including gold and platinum. The Maullin Project is located near to the port facilities. SAY has commenced obtaining aeromagnetic and radiometric data, interpretation and ground follow-up.

4.2.4 Quince Iron Ore Project

The Quince Iron Ore Project is a high intensity magnetic anomaly approximately 13km long by 2km wide which is located near Cerro Salado, 40kms inland from the Chilean coast and approximately 800kms north of Santiago.

During November 2006, SAY provided an unsecured loan to Hanwell which was subsequently repaid. As consideration for providing the loan, Hanwell granted a 10% free carry interest in all of Hanwell's mining exploration and exploitation concessions comprising the Quince Iron Ore Project. Hanwell retained the remaining 90% interest in the Quince Iron Ore Project.

The Quince Iron Ore Project is discussed in further detail in section 6.

4.2.5 Ecuadorian Projects

SAY operates its Ecuadorian projects through its wholly-owned subsidiary, Fierroinca del Ecuador S.A (the “Ecuadorian Projects”). Due to the new mining law in Ecuador, all of the Company's eight Ecuadorian mineral concessions were dismissed during FY09. The Company has since focussed on reinstating its onshore exploration rights in Ecuador. On 30 June 2009, SAY announced that two of its Ecuadorian mineral concessions had been reinstated. Furthermore, the appeal process for another two Ecuadorian mineral concessions had been accepted by the Ecuadorian Court of Appeal.

The Ecuadorian Projects, which consist of black sands iron ore deposits concentrated in the provinces of Esmeraldas and Manabí, are divided into the following categories:

- the Northern Area (La Tola and Rio Verde projects); and
- the Southern Area (Mompiche and Cojimíes projects).

The Company has recently filed for an additional exploration claim, Las Palmas, in the Northern Area. If SAY is successful, it will have exploration rights over more than 730,000 ha along the coast of Ecuador.

In addition to its on-shore concessions, SAY has been granted the right to undertake off-shore geological research over the Convenio areas (subject to terms of reference with Admiralty).

4.3 Agreement with Shoreline

In April 2008, SAY entered into a sale agreement with Shoreline to dispose of SAY's 100% interest in the Aguas Claras Project. As part of this agreement, SAY subsequently acquired 15% of Shoreline's issued capital.

The sale agreement entered into in April 2008 was cancelled as it was mutually agreed that it was not commercially viable. On 26 March 2010, SAY entered into a deed of settlement with Shoreline pertaining to the potential sale of SAY's Aguas Claras Project to Shoreline (“Deed of Settlement”).

The key terms of the Deed of Settlement included:

- Shoreline had an option to purchase all issued shares in SAY's Chilean subsidiary, Inversiones Arenas Claras Limitada, which owns the Aguas Claras Project;
- Shoreline was to pay by 15 May 2010 an option fee of A\$500,000 (“Shoreline Option Fee”) and to issue 5.12 million options in Shoreline (“Shoreline Options”) with an exercise price of A\$0.25 per option and that may be exercised at any time up to 30 June 2013;
- Shoreline had until 30 April 2011, unless otherwise agreed between the parties, to list on the ASX or other recognised exchange, upon which Shoreline was to pay SAY A\$1 million by way of reimbursement of SAY's expenditures on the Aguas Claras Project. If Shoreline did not list on the ASX or other recognised exchange, Shoreline has no further rights to receive the shares

in Inversiones Arenas Claras Limitada and SAY has no further rights to receive cash or shares from Shoreline; and

- prior to Shoreline's public listing, Shoreline was to issue 3.175 million Shoreline shares to SAY and 3.175 million Shoreline Options with an exercise price equivalent to the listing price of Shoreline shares and an expiry date of 30 June 2013.

On 27 May 2010, SAY announced to the ASX that SAY did not receive the option fee nor the Shoreline Options from Shoreline. Pursuant to the terms of the Deed of Settlement, Shoreline has no further rights to receive the shares in Inversiones Arenas Claras Limitada and SAY retains full ownership of the Aguas Claras Project.

4.4 Financial information

4.4.1 Financial performance

The following table summarises the audited income statements of SAY for FY07, FY08, FY09 and HY10:

SAY - Income Statements	FY07	FY08	FY09	HY10
	Audited	Audited	Audited	Reviewed
	A\$'000	A\$'000	A\$'000	A\$'000
Revenue	13	65	401	-
Operating expenses				
Consulting expenses	262	180	248	175
Administration expenses	1,570	1,561	1,904	812
Share based payments	-	373	-	-
Sundry expenses	-	21	-	-
Total operating expenses	1,832	2,135	2,152	987
EBITDA	(1,819)	(2,070)	(1,752)	(987)
Impairment loss	-	494	6,674	5,081
Depreciation and amortisation expense	12	32	69	41
EBIT	(1,832)	(2,596)	(8,494)	(6,110)
Interest expense	-	-	-	-
Interest income	117	321	47	8
Profit before tax	(1,714)	(2,275)	(8,448)	(6,102)
Income tax expense	-	-	-	-
Profit after tax	(1,714)	(2,275)	(8,448)	(6,102)

Source: SAY annual and half-year reports

We note the following in relation to SAY's income statements:

- SAY's mining assets are still generally at the exploration stage and have not yet produced any operating income;
- revenue relates to rent received, foreign exchange gains and sundry income;
- administration expenses include employee expenses, accounting fees, travel expenses, legal fees, rent and other expenses;
- share based payments relate to the issue of unlisted SAY options to directors of the Company;

- during FY08, SAY impaired loans under the Company's share purchase plan by A\$0.5 million impairment as a result of the declining market price of the underlying SAY Shares;
- during FY09, SAY further impaired loans under the Company's share purchase plan by A\$1.8 million as a result of further weakening in the market price of the underlying SAY Shares. SAY also impaired its Ecuadorian mineral concessions by A\$4.9 million following the dismissal of the concessions by the Government of Ecuador as a result of new mining laws being introduced in that country; and
- during HY10, SAY further impaired its Ecuadorian mining concessions by A\$0.4 million. SAY also impaired its Aguas Claras Project, held by Clearwater Resources, by A\$4.6 million due to revised management expectations regarding the likely sale value of the projects.

4.4.2 Financial position

The balance sheets of SAY as at 30 June 2007, 2008 and 2009 and as at 31 December 2009 are set out in the table as below:

SAY - Balance Sheets	Jun-07 Audited A\$'000	Jun-08 Audited A\$'000	Jun-09 Audited A\$'000	Dec-09 Reviewed A\$'000
Current assets				
Cash and cash equivalents	4,494	2,886	327	498
Trade and other receivables	121	2,272	686	290
Other financial assets	-	84	127	96
Assets classified as held for sale	-	11,000	-	-
Total current assets	4,615	16,242	1,140	884
Non-current assets				
Property, plant and equipment	224	852	1,478	1,307
Exploration and evaluation expenditure	12,259	3,728	12,830	8,379
Deferred tax assets	115	164	-	-
Total non-current assets	12,598	4,744	14,308	9,686
Total assets	17,214	20,987	15,448	10,570
Current liabilities				
Trade and other payables	200	207	389	414
Non-interest bearing liabilities	4,349	-	-	-
Interest bearing liabilities	175	-	-	-
Employee entitlements	-	24	39	42
Other liabilities	-	300	-	-
Total current liabilities	4,723	530	428	456
Non-current liabilities				
Employee entitlements	-	5	15	14
Deferred tax liabilities	115	164	-	-
Total non-current liabilities	115	169	15	14
Total liabilities	4,839	700	442	470
Net assets	12,375	20,287	15,005	10,100
Equity				
Share capital	21,055	30,243	32,526	34,005
Reserves	6	1,004	1,887	1,605
Accumulated losses	(8,685)	(10,960)	(19,408)	(25,510)
Total equity	12,375	20,287	15,005	10,100

Source: SAY annual and half-year reports

We note the following in relation to the balance sheets of SAY:

- trade and other receivables includes loans under the Company's share purchase plan which have been heavily impaired as a result of the declining market price of the underlying SAY Shares;
- property, plant and equipment includes land held by SAY in Ecuador acquired in September 2007 to facilitate the installation of a pilot plant, metallurgical laboratory and camp. The Company is in preliminary discussions with a third party regarding the disposal of land held by SAY in Ecuador. The land asset, which is currently used for cattle, consists of 150ha of land located at the Cojimies Parish, Pedernales Canton, Province of Manabi.
- during FY08, SAY's Aguas Claras concessions were reclassified from exploration and evaluation expenditure to assets held for sale following the reaching of an agreement to dispose of the assets to Shoreline. The assets were subsequently reclassified back to exploration and evaluation expenditure during FY09 due to the uncertainty surrounding the expected timing of the sale of the assets;

- as discussed in section 4.2.1, during FY09 and HY10, SAY impaired its Ecuadorian mineral concessions and the Aguas Claras Project;
- the equity reserves balances relate to the share based payment reserve and the foreign currency translation reserve;
- Nexia Court & Co (“Nexia Court”) as the auditors of SAY have, without qualification to their opinion, included an emphasis of matter in their audit report relating to SAY’s FY09 annual report stating that “without equity raisings or the sale of non-core assets held, there are significant uncertainties as to whether the Company and the consolidated entity will be able to continue as a going concern.”
- As discussed in more details in sections 1.4 and 1.5, the Company has undertaken the following fund raisings since 31 December 2009:
 - The issue of A\$0.4 million of convertible notes to SBN;
 - Raising of approximately A\$1 million through a private placement to Century Sunny Investment Ltd and Li Yangyang at 4 cents per share;
 - Subject to SAY Shareholders approval, the raising of an additional A\$1 million through a private placement to Century Sunny Investment Ltd and Li Yangyang at 4 cents per share; and
 - The issue of A\$0.56 million of convertible loan to Century Sunny Investment Ltd and Li Yangyang.

4.5 Tax losses

As at 30 June 2009, SAY had accumulated tax losses amounting to A\$4.6 million, however, the Company does not recognise any deferred tax assets in relation to these tax losses as the Company does not consider it probable that sufficient future taxable profits will be generated in the appropriate jurisdictions to enable these tax losses to be utilised. Further accounting losses of A\$6.1 million were incurred during the six months to 31 December 2009.

4.6 Capital Structure

As at the date of this report, SAY had the following securities on issue:

- 192,891,831 SAY Shares (including 23,559,804 SAY Shares issued to Century Sunny Investment Ltd and Li Yangyang and 1,600,000 SAY Shares issued to SBN);
- 8,223,750 unlisted options; (the “SAY Options”); and
- A\$0.56 million of convertible notes issued to Century Sunny Investment Ltd and Li Yangyang convertible into 13,940,220 SAY Shares; and
- A\$0.4 million of convertible notes issued to SBN.

4.6.1 SAY Shares

The shareholders of SAY as at 5 May 2010 are set out below:

Shareholder	No. of shares held '000	Interest %
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	51,255	30.3%
GLADDEN TRADE S.A.	8,881	5.2%
UBS WEALTH MANAGEMENT AUSTRALIA	6,431	3.8%
TWYNAM AGRICULTURAL GROUP PTY LTD	5,608	3.3%
ASTRON LIMITED	3,873	2.3%
CITICORP NOMINEES PTY LIMITED	3,279	1.9%
AGCENTRAL PTY LTD	2,676	1.6%
ROYAL GLOBAL LIMITED	2,563	1.5%
SANTELLE PTY LTD	2,324	1.4%
NATIONAL NOMINEES LIMITED	2,148	1.3%
TWYNAM AGRICULTURAL GROUP PTY LTD	1,769	1.0%
AVANTEOS INVESTMENTS LIMITED	1,750	1.0%
SUN BIOMEDICAL LIMITED	1,600	0.9%
TERRY PORT S.A.	1,581	0.9%
ALCARDO INVESTMENTS LIMITED	1,400	0.8%
FIREFISH MINING PTY LIMITED	1,400	0.8%
HICKMOUNT S.A.	1,347	0.8%
LIPPO SECURITIES LTD	1,227	0.7%
FINANCE ASSOCIATES PTY LTD	1,224	0.7%
LAKER FAMILY NOMINEES PTY LTD	1,192	0.7%
MR MICHAEL EDGERTON & MRS MARIANNE	1,005	0.6%
Other shareholders	64,799	38.3%
Total	169,332	100.0 %

Source: SAY

4.6.2 SAY Options

The following table sets out the terms of the SAY Options on issue as at the date of this report:

Number of options	Exercise price A\$	Grant date	Expiry date
1,350,000	1.25	31-Oct-07	1-Nov-10
1,000,000	3.00	26-Nov-07	26-Nov-10
2,573,750	0.50	13-Feb-09	12-Feb-11
2,000,000	0.50	31-Aug-07	30-Jul-11
1,300,000	1.50	31-Oct-07	1-Nov-11
8,223,750			

Source: SAY

All of the SAY Options vested on their corresponding grant dates.

4.6.3 Subscription Notes

Under the Subscription Transactions, SAY will issue one convertible note each to Century Sunny Investment Ltd and Li Yangyang. The Subscription Notes include the following key terms:

- a principal amount of A\$0.28 million per Subscription Note;

- non-interest-bearing;
- a conversion price of A\$0.04 per SAY Share;
- convertible at any time after the approval from SAY Shareholders; and
- there is no maturity date for the Subscription Notes.

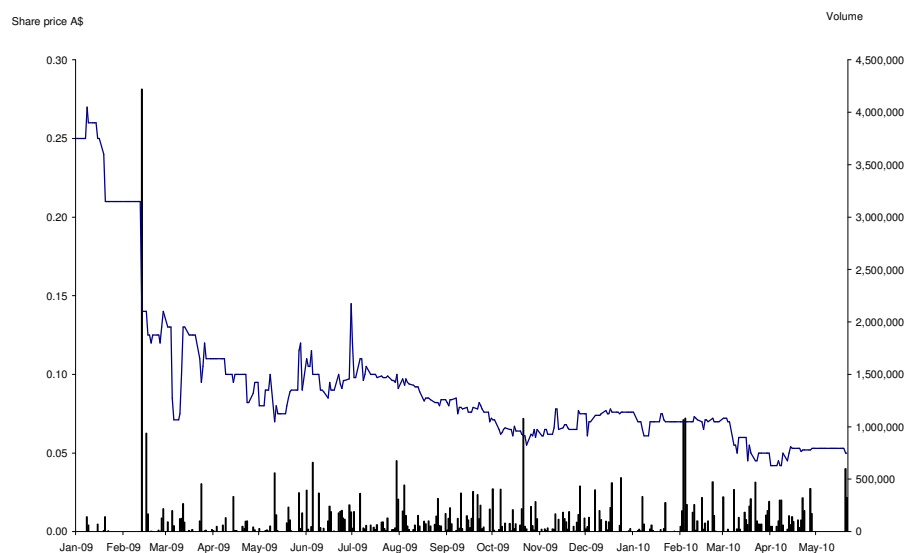
4.6.4 SBN Convertible Notes

Under the Convertible Note Subscription Agreement, SAY has issued four SBN Convertible Notes. The SBN Convertible Notes include the following key terms:

- a principal amount of A\$0.1 million per SBN Convertible Note;
- are interest-bearing at 12% capitalised quarterly;
- convertible into a number of SAY Shares as calculated by the total amount outstanding on the notes (including principal and accrued interest) divided by the conversion price as set out below;
- a conversion price determined as follows:
 - where SAY successfully raises a minimum of A\$7.6 million in additional equity by 30 June 2010, a conversion price of the lowest issue price of any SAY Shares issued or conversion price into SAY Shares of any convertible securities; and
 - where SAY does not successfully raise a minimum of A\$7.6 million in additional equity by 30 June 2010, a conversion price of a 20% discount on the 30 day VWAP of SAY Shares at the time of conversion.
- convertible at any time up until 30 September 2010; and
- SBN may require SAY, prior to 30 July 2010, to assign the Quince Purchase Option to SBN to satisfy the amount loaned by SBN if SAY does not:
 - successfully raise a minimum of A\$7.6 million in additional equity by 30 June 2010; or
 - exercise the Quince Purchase Option by 30 June 2010.

4.7 Share price performance

The share market price movements and volumes of SAY Shares traded on the ASX from 1 January 2009 to 21 May 2010 are set out in the chart below:



Source: Reuters

We note the following in relation to the share price history shown above:

Date	Comments
20 May 2010	SAY announced the Subscription Transactions. SAY Shares commenced trading again and the share price of SAY closed at A\$0.050.
12 May 2010	SAY announced that the Company had received a letter of intent from a Chinese steel mill regarding an off-take agreement for iron ore from the Quince Iron Ore Project. SAY Shares remained on a trading halt.
29 April 2010	SAY Shares placed on trading halt. The share price of SAY closed at A\$0.053.
15 April 2010	SAY issued one additional SBN Convertible Note to SBN for A\$100,000 and issued SBN 400,000 SAY Shares as consideration. The share price of SAY closed at A\$0.053.
31 March 2010	SAY released a draft copy of the TWA Report to SAY Shareholders detailing draft valuations of SAY's mineral assets. The share price of SAY closed at A\$0.050.
29 March 2010	SAY announced that a Deed of Settlement regarding the sale of the Aguas Claras Project to Shoreline had been signed. The share price of SAY closed at A\$0.053.
26 March 2010	SAY issued one additional SBN Convertible Note to SBN for A\$100,000 and issued SBN 400,000 SAY Shares as consideration. The share price of SAY closed at A\$0.050.
17 March 2010	SAY released its interim financial report for the first half of FY10. The share price of SAY closed at A\$0.045.

Date	Comments
11 March 2010	SAY issued two SBN Convertible Notes to SBN for A\$100,000 each and issued SBN 800,000 SAY Shares as consideration. The share price of SAY closed at A\$0.060.
10 March 2010	SAY issued 800,000 SAY Shares to SBN as consideration for the issue of two SBN Convertible Notes to SBN. The share price of SAY closed at A\$0.05.
1 March 2010	SAY announced it's acquisition of the Quince Purchase Option. The share price of SAY closed at A\$0.072 (previous day's close was A\$0.070).
24 Nov 2009	SAY announced the preliminary geophysical data available for the northern part of the Putu Project in Chile. The share price of SAY closed at A\$0.065.
31 Aug 2009	SAY announced that it had received communication from the Government of Ecuador regarding SAY's proposal to form a "Convenio" or Cooperation Agreement with the Government of Ecuador to explore up to 730,000ha in three zones along the Ecuadorian coast. The share price of SAY closed at A\$0.084.
30 Jul 2009	SAY announced the launch of a share purchase plan to raise up to A\$3.4 million by offering shareholders in Australia and New Zealand the opportunity to subscribe for additional shares. The share price of SAY closed at A\$0.10.
30 Jun 2009	SAY announced an update regarding its activities in Ecuador. Two out of eight concessions previously cancelled by the Ecuadorian Government were reinstated. The share price of SAY closed at A\$0.145.
18 May 2009	SAY announced that the Company had successfully raised A\$0.96 million via a share placement involving the issue of 12.8 million SAY Shares at A\$0.075 per share. The company also appointed new Director, Dr. Richard Haren. The share price of SAY closed at A\$0.075.
4 March 2009	SAY announced that the new mining laws in Ecuador were passed in January 2009. The mining mandate issued by Government of Ecuador in April 2008 will continue to be in effect until the regulations under new mining law are implemented. The share price of SAY closed at A\$0.13.
19 February 2009	SAY released the initial resource estimates for the Plano project in Putu, Chile. The share price of SAY closed at A\$0.12.
13 February 2009	SAY Shares reinstated to official quotation on the ASX. SAY announced a share placement under which capital will be raised from Astron and other sophisticated investors. SAY also announced that it had entered into a conditional funding agreement with Astron. The share price of SAY closed at A\$0.14.
4 February 2009	SAY released updated resource estimation for Aguas Claras Project in Chile. SAY Shares remained on a trading halt.
28 January 2009	SAY Shares suspended from official quotation on the ASX pending the finalisation of the proposed capital raising.
23 January 2009	SAY Shares placed on a trading halt at the request of the Company as a result of SAY's intentions to announce a capital raising via a share placement. The share price of SAY closed at A\$0.14.

Source: ASX

Set out below is the share performance of SAY since January 2009:

Share price performance of SAY	High A\$	Low A\$	Close A\$	Average weekly volume
Month ended				
January 2009	0.270	0.205	0.210	97,136
February 2009	0.210	0.105	0.140	1,423,332
March 2009	0.145	0.069	0.110	356,953
April 2009	0.110	0.082	0.095	215,176
May 2009	0.120	0.070	0.090	440,821
June 2009	0.145	0.085	0.145	762,924
July 2009	0.140	0.091	0.091	498,151
August 2009	0.099	0.076	0.084	545,438
September 2009	0.085	0.070	0.072	641,969
October 2009	0.075	0.055	0.065	800,245
November 2009	0.078	0.061	0.075	453,979
December 2009	0.078	0.061	0.076	527,139
January 2010	0.078	0.061	0.070	206,531
February 2010	0.073	0.065	0.070	1,092,288
March 2010	0.077	0.043	0.050	713,024
April 2010	0.054	0.042	0.053	623,776
May 2010	0.053	0.044	0.050	308,333
Week ended				
5 Feb 2010	0.070	0.068	0.070	2,653,343
12 Feb 2010	0.073	0.070	0.071	552,681
19 Feb 2010	0.071	0.065	0.070	528,569
26 Feb 2010	0.073	0.070	0.070	634,559
5 Mar 2010	0.077	0.069	0.070	352,788
12 Mar 2010	0.061	0.050	0.060	582,050
19 Mar 2010	0.061	0.045	0.050	919,282
26 Mar 2010	0.050	0.043	0.050	778,829
2 Apr 2010	0.055	0.042	0.042	748,166
9 Apr 2010	0.050	0.042	0.050	810,603
16 Apr 2010	0.054	0.042	0.053	475,076
23 Apr 2010	0.054	0.050	0.052	775,693
30 Apr 2010	0.053	0.050	0.053	582,036
7 May 2010	0.053	0.053	0.053	-
14 May 2010	0.053	0.053	0.053	-
21 May 2010	0.053	0.044	0.050	925,000

Source: Reuters

5 Quince Iron Ore Project

The Quince Iron Ore Project is situated in the north of the Chilean Pacific Iron Ore Belt and is located near Cerro Salado, approximately 40 kilometres inland from the Chilean coast and approximately 800 kilometres north of Santiago. The project has a defined high intensity magnetic anomaly which is 13 km long (north to south) by 2 km wide.

The Quince Iron Ore Project's gravity response reveals a large scale gravity anomaly which is coincident with the magnetic anomaly and consistent with a large iron rich mineralised zone. Results from preliminary drilling by Asarco, targeting a potential copper mineralised system, returned significant iron credits. Furthermore, drill assays completed in 2007 indicate 65% iron content in the -1mm fraction with low silicates.

The Quince Iron Ore Project mineralisation may also host significant copper and gold credits at depth as the region is located in a known Iron Oxide Copper Gold ("IOCG") province and significant alteration is evidenced.

The Quince Iron Ore Project is located close to extensive infrastructure including:

- rail adjacent to the project;
- major highway adjacent to the project;
- airport in Chanaral (40 kms from the project);
- Port facilities at Chanaral (40 kms from the project); and
- power, water, and labour.

A planned program of infill drilling and selective metallurgical drilling should fast track the definition of a resource and is planned to commence shortly after SAY exercises the Amended Quince Purchase Option and raises the necessary funding.

6 Valuation methodologies

6.1 Introduction

In accordance with our adopted valuation approach as set out in section 2.2, our fairness assessment involves comparing the value of SAY Shares pre Proposed Transaction to the value of SAY Shares post Proposed Transaction.

Grant Thornton Corporate Finance has assessed value of SAY Shares using the concept of fair market value. Fair market value is commonly defined as:

“the price that 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.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

6.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- amount available for distribution to security holders on an orderly realisation of assets;
- quoted price for listed securities, when there is a liquid and active market; and
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.3 Selected valuation methods

Grant Thornton Corporate Finance has selected the market value of net assets as the primary method to assess SAY's equity value pre and post Proposed Transaction. The market value of net assets is based on the sum of parts of SAY's operating, development and exploration assets, and other assets and liabilities (including contingent liabilities) as set out in SAY's reviewed balance sheet as at 31 December 2009 and mining exploration entity quarterly report for the three months ended 31 March 2010.

We consider the market value of net assets method to be appropriate for the following reasons:

- the assets of SAY comprise predominantly of exploration and mining assets. SAY's assets are at the early stages of exploration. Further development of these assets is required before a budget or a forecast can be reliably estimated. Accordingly, we have not utilised a DCF approach for the purposes of our report;
- SAY has no profitable trading history and accordingly, we have not utilised a capitalisation of future maintainable earnings approach for the purposes of our report;
- SAY is listed on the ASX, as such we have referred to the quoted price of listed securities as a cross-check to the values derived using the market value of net assets methodology; and
- SAY has recently undertaken transactions involving shares of the Company. We have referred to these transactions as a cross-check to the equity value derived using the primary methodology.

The fair market value of SAY's key exploration assets located in South America was based on the fair market valuation assessment prepared by TWA in accordance with the Valmin Code. The valuation of exploration assets for independent expert's report purposes are typically carried out in conjunction with an independent technical specialists with expertise in the relevant minerals in accordance with RG112 and generally accepted market practice.

A copy of the TWA Report is included as Appendix C to this report.

6.4 Exchange rate assumption

Our assessment of whether or not the Proposed Transaction is fair to the Non-Associated Shareholders involves the conversion of US\$ to A\$. In order to select an appropriate exchange rate for our valuation, we have had regard to the recent spot rates and the short-term and long-term forward rates for the US\$ and A\$.

Grant Thornton Corporate Finance considers an exchange rate of A\$1:US\$0.80 to be appropriate for the purpose of this report.

7 Valuation assessment of SAY – pre Proposed Transaction

As discussed in Section 2.2, the fairness assessment has been determined by comparing the value of SAY Shares pre-Proposed Transaction to the value of SAY Shares post-Proposed Transaction.

7.1 Valuation of SAY pre-Proposed Transaction

The market value of net assets was selected as the primary method to assess SAY's equity value. The market value of net assets is based on the sum of parts of SAY's operating, development and exploration assets and other assets and liabilities (including contingent liabilities).

Set out below is a summary of our valuation assessment of SAY pre-Proposed Transaction:

SAY valuation - pre Proposed Transaction	Section reference	Low A\$'000	High A\$'000
SAY's exploration assets (excluding SAY's Quince Interest)	7.1.1	15,067	23,967
SAY's 10% Interest in Quince Iron Ore Project	7.1.2	3,375	5,625
Less: Value of SBN Convertible Notes	7.1.3	(578)	(578)
Add: Gross proceeds from Subscription Transactions	7.1.4	2,500	2,500
Add: Tax losses	7.1.5	-	-
Less: Value of SAY Options	7.1.6	-	-
Add: Other assets/(liabilities)	7.1.7	1,232	1,232
Less: Ongoing corporate overheads	7.1.8	(2,481)	(1,654)
Less: Transaction costs	7.1.9	(130)	(130)
Fair market value of SAY (control basis)		18,984	30,961
Number of SAY Shares on issue pre-Proposed Transaction ('000)	7.1.10	231,832	231,832
Fair market value of SAY per share (control basis) (A\$)		0.08	0.13

Source: Calculations

7.1.1 SAY's exploration assets (excluding SAY's Quince Interest)

The exploration assets of SAY comprise the projects outlined in section 4.2. TWA has assessed the value of SAY's exploration assets and has provided a range of values for the assets as summarised below:

SAY's exploration assets	Low \$A'000	High \$A'000
Aguas Claras Project	10,000	15,000
Putu Project	7,500	16,000
Maulin Project	200	600
Ecuadorian Projects	-	-
Total (excluding Quince Iron Ore Project)	17,700	31,600

Source: TWA Report

In our assessment of the fair market value of the exploration assets of SAY, we have adopted the valuation ranges provided by TWA with the exception of the Aguas Claras Project.

TWA has assessed the Aguas Claras Project between A\$10 million and A\$15 million based on comparable transactions and indicative DCF valuation methodologies. However, we note the following:

- we have assessed the value of the Aguas Claras Project implied in the Deed of Settlement between SAY and Shoreline at approximately A\$3.0 million. The directors of the Company have represented to us that the terms of the Deed of Settlement were negotiated on an arm's length basis; and
- The fair market value of the Aguas Claras Project adopted by the Directors of SAY in the reviewed half-year report for the six months ended 31 December 2009 was approximately A\$7 million.

Accordingly, we have adopted a value of A\$7.5 million for the Aguas Claras Project, which is based on the average of the valuations discussed above.

In summary, we have assessed the value of SAY's exploration assets (excluding SAY's Quince Interest) of between A\$15.1 million to A\$24.0 million.

7.1.2 SAY's Quince Interest

TWA has assessed the value of 100% of the Quince Iron Ore Project to be in the range of US\$27 million to US\$45 million. We have converted TWA's valuation range into A\$ using our adopted exchange rate of A\$/US\$0.80 (refer section 6.4).

The value adopted for SAY's Quince Interest is set out below:

SAY's Quince Interest (pre-Proposed Transaction)	Low	High
	'000	'000
TWA valuation of the Quince Iron Ore Project	27,000	45,000
SAY's interest in Quince Iron Ore Project	10%	10%
Assessed value of SAY's Quince Interest (US\$)	2,700	4,500
Adopted A\$/US\$ exchange rate	0.80	0.80
Assessed value of SAY's Quince Interest A\$	3,375	5,625

Source: TWA Report and Calculations

Accordingly, Grant Thornton Corporate Finance has adopted the valuation range of A\$3.4 million to A\$5.6 million for SAY's Quince Interest.

We have not applied a minority discount as SAY is entitled to 10% participating interest in the income derived from the extraction of any minerals from the Quince Iron Ore Project.

7.1.3 SBN Convertible Notes

Fair value of SBN Convertible Notes

The SBN Convertible Notes is a financial liability and the fair market value of the SBN Convertible Notes has been deducted to derive SAY's equity value. In order to assess the value of the SBN

Convertible Notes, we have separately valued the debt component and equity component of the SBN Convertible Notes.

The debt component of the SBN Convertible Notes was determined using the net present value of the remaining coupon payments plus the face value of the SBN Convertible Notes discounted using a discount rate range of 11% to 12.5%. The discount rate reflects the cost of debt of a small business plus an additional credit spread to reflect the relative riskiness of the instrument.

The equity component of the SBN Convertible Notes was determined using the binomial pricing option model incorporating the following assumptions:

- expiry date of 30 September 2010;
- exercise price of A\$0.039, representing a 20% discount on the 30-day VWAP for SAY to 21 May 2010;
- underlying share price of A\$0.049, representing the 30-day VWAP for SAY to 21 May 2010;
- risk free rate of 4.74% based on the yield on a 180 day bank accepted bills as at 21 May 2010; and
- assessed volatility over the life of the options of 100%.

A summary of our assessment of the value of the SBN Convertible Notes is set out below:

Value of SBN Convertible Notes	\$'000
Debt component	401
Equity component	177
Assessed value of Convertible Notes	578

Source: Calculations

7.1.4 Subscription Transactions

As discussed in section 1.2.1, SAY intends to raise funds in the amount of A\$2.5 million via the Subscription Transactions. In our assessment of the Proposed transaction, we have assumed that resolution 4 and resolution 5 as set out in the Notice of Meeting will be approved by SAY Shareholders. The funds raised and new SAY Share issued as a result of the Subscription Transactions are set out below:

Subscription Transactions	Section reference	Unit	
Initial SAY Shares			
Number of shares issued		'000	23,560
Price per share		A\$	0.04
Gross proceeds		A\$'000	942
Additional SAY Shares			
Number of shares to be issued		'000	25,000
Price per share		A\$	0.04
Gross proceeds		A\$'000	1,000
Subscription Notes			
	Note 1		
Number of notes		'000	2
Price per note		A\$'000	278.80
Gross proceeds		A\$'000	558
Conversion price			0.04
Number of shares to be issued upon conversion			13,940
Total gross proceeds		A\$'000	2,500
Total SAY Shares to be issued		'000	62,500

Source: SAY and calculations

Note 1: Management has represented that Century Sunny Investment Ltd and Li Yangyang intends to convert the Subscription Notes into SAY Shares immediately following the receipt of shareholders approval to approve the Subscription Transactions. Consequently, we have assessed the value the Subscription Notes on the basis that they are converted pre Proposed Transaction.

7.1.5 Taxation losses

For valuation purposes, unutilised tax losses may have a value as the hypothetical purchaser of a company can use the tax losses to offset against future taxable income, subject to satisfying certain taxation rules.

With respect to the potential utilisation of tax losses by SAY, Grant Thornton Corporate Finance notes that:

- SAY does not currently generate any material earnings or positive cash flows;
- the existing tax losses relate to operational activities conducted predominantly in Chile and Ecuador; and

- Nexia Court as the auditor of SAY has, without qualification to its opinion, included an emphasis of matter in their audit report relating to SAY's FY09 annual report that "without equity raisings or the sale of non-core assets held, there are significant uncertainties as to whether the Company and the consolidated entity will be able to continue as a going concern."

As at 30 June 2009, SAY had accumulated tax losses amounting to A\$4.6 million, however, the Company does not recognise any deferred tax assets in relation to these tax losses as the Company does not consider it probable that sufficient future taxable profits will be generated in the appropriate jurisdictions to enable these tax losses to be utilised.

Based on the above, it is not possible to predict with reasonable certainty whether SAY will be able to generate any material earnings in the future and as a result, be able to utilise the tax losses. Accordingly, we have not ascribed a value to SAY's unutilised tax losses.

7.1.6 SAY Options

As set out in section 4.6, SAY currently has 8.2 million unlisted SAY Options on issue. The value of the SAY Options has been determined using the binomial option pricing model.

We have assessed the value of SAY Options to be nil having regard to the following:

- maturity terms of the options range between November 2010 and November 2011;
- the exercise prices of the SAY Options range between A\$0.50 and A\$3.00;
- closing share price of A\$0.05 as at 21 May 2010;
- interest rates of 4.47% based on the yield on a two-year Australian Commonwealth Government bond rate as at 21 May 2010 and 4.74% based on the yield on a 180 day bank accepted bills as at 21 May 2010; and
- assessed volatility over the life of the options of 100%.

The SAY Options are significantly out-of-the-money. As such, the value derived for those options are nil.

7.1.7 Other assets and liabilities

For the purpose of this report, we have assessed the fair market value of the other assets and liabilities of SAY based on the balance sheet as at 31 December 2009 and adjusted for material subsequent events advised by SAY. Our assessment of SAY's other assets and liabilities are set out below:

Other assets and liabilities	Section reference	A\$'000
Cash	Note 1	354
Trade and other receivables	Note 2	515
Property, plant and equipment	Note 3	761
Other financial assets		72
Accounts payable		(414)
Short-term employee entitlements		(42)
Long-term employee entitlements		(14)
Total other assets and liabilities		1,232

Source: SAY HY10 interim financial report and SAY

Note 1: The cash balance has been derived from March 2010 quarterly report. We have further adjusted this balance for the additional A\$0.1 million received from the issue of the fourth SBN Convertible Note in April 2010. We note that the March 2010 balance already incorporated the following cash movements (among various other movements):

- A\$0.2 million paid for the purchase of the Quince Purchase Option;
- A\$0.3 million received from the issue of the first three SBN Convertible Notes; and
- A\$0.1 million received from the sale of land in Ecuador during 2010. The total consideration also consisted of a deferred amount of US\$0.2 million to be settled in September 2010.

Note 2: We have adjusted the trade receivables carrying value as at 31 December 2009 for deferred consideration of US\$0.2 million relating to the sale of land in Ecuador during 2010.

Note 3: We have adjusted the property, plant and equipment carrying value as at 31 December 2009 by deducting A\$0.5 million relating to the carrying amount of land in Ecuador which was sold by the Company during 2010.

7.1.8 Capitalised corporate overheads

SAY incurs ongoing corporate costs which are not directly related to the exploration and exploitation of its mining assets. These costs are associated with maintaining offices, the executive management teams, finance and corporate administration.

For the purpose of the valuation, we have capitalised the corporate overheads of SAY using the capitalisation of earnings methodology at a multiple range of 2 to 3 times.

The following table calculates the capitalised value of corporate overheads:

Ongoing corporate overheads	Low A\$'000	High A\$'000
Ongoing corporate overheads	827	827
Capitalisation multiple for ongoing corporate overheads	3	2
Capitalised value of corporate overheads	2,481	1,654

Source: SAY financial statements and calculations

Accordingly, Grant Thornton Corporate Finance has incorporated the capitalised corporate overheads range of A\$1.7 million to A\$2.5 million into the assessment of the fair value of SAY.

7.1.9 Transaction costs

SAY has advised us that the Company will incur transaction costs amounting to A\$0.13 million regardless of whether or not the Proposed Transaction is implemented. Accordingly, Grant Thornton Corporate Finance has incorporated the transaction costs of A\$0.13 million into the assessment of the fair value of SAY Shares.

7.1.10 Shares on issue

SAY currently has 192.9 million ordinary shares on issue (including 23.6 million SAY Shares issued to Century Sunny Investment Ltd and Li Yangyang and 1.6 million SAY Shares issued to SBN). If resolution 4 and resolution 5 in the Notice of Meeting are approved, SAY will issue a further 38.9 million shares. Consequently, SAY will have 231.8 million shares on issue pre Proposed Transaction.

7.2 Valuation cross-check

7.2.1 Quoted market price

Prior to reaching our valuation conclusion, we have considered the quoted security price of SAY. In accordance with the requirements of RG111, we have considered the listed securities' depth, liquidity, and whether or not the market value is likely to represent the value of SAY.

The following table summarises the monthly trading volume of SAY Shares between January 2009 and the date of the announcement of the Original Quince Purchase Option:

Month end	Volume traded	Monthly VWAP price A\$	Total value of shares traded A\$	Volume traded as % of free float*
January 2009	427,400	0.244	104,278	0.5%
February 2009	5,693,326	0.139	792,901	7.3%
March 2009	1,570,592	0.104	162,750	2.0%
April 2009	946,776	0.097	91,825	1.2%
May 2009	1,851,448	0.088	162,012	2.4%
June 2009	3,356,865	0.101	338,730	4.3%
July 2009	2,291,496	0.100	229,442	2.9%
August 2009	2,290,841	0.088	202,710	2.9%
September 2009	2,824,665	0.079	221,738	3.6%
October 2009	3,521,079	0.063	221,482	4.5%
November 2009	1,906,710	0.070	134,332	2.4%
December 2009	2,424,838	0.075	181,847	3.1%
January 2010	867,430	0.067	58,551	1.1%
February 2010	4,369,152	0.070	307,649	5.6%

As at May 2010, there were 77.8 million SAY Shares considered to be free float

Source: Reuters

Based on the above table we note the following:

- there has been a historically low level of consistent trading in SAY Shares;
- the monthly volume traded as a percentage of free-float shares ranged between 0.55% and 7.31% with an average of 3.15%;
- notwithstanding the level of liquidity, SAY complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of SAY; and
- in the absence of a takeover or other share offers, the trading share price represents the value in which minority shareholders could realise if they wanted to exit their investment.

Given the low level of liquidity of SAY, we have only relied to the quoted listed securities valuation method as guidance and cross-check to our primary valuation methodology based on the sum-of-parts method.

Our assessment of SAY's equity value using the quoted listed price is set out below.

The quoted price of listed securities method is based on the Efficient Market Hypothesis ("EMH") which states that the share price at any point in time reflects all publicly available information and will change "almost" instantaneously when new information becomes publicly available.

We have selected the share market prices of SAY based on recent trading up until 28 February 2010, one day before the announcement of the Original Quince Purchase Option as share market prices post the announcement may be affected by the speculation of the Original Quince Purchase Option.

Set out below is a summary of the share market prices at which SAY Shares traded on the ASX for various periods of recent trading:

Market share prices	High A\$	Low A\$	VWAP A\$
Prior to 1 March 2010 (date of announcement of Proposed Transaction)			
1 week prior	0.073	0.070	0.071
1 month prior	0.073	0.065	0.070
2 months prior	0.078	0.061	0.070
3 months prior	0.078	0.061	0.072

Source: Reuters and calculations

Based on the above, we have assessed the value of SAY Shares pre Proposed Transaction (on a minority basis) to be in the range of A\$0.070 to A\$0.072.

We note that our assessed value of SAY Shares using the quoted listed securities method ranging from A\$0.070 to A\$0.072 per share falls within the fair market value market range of A\$0.08 to A\$0.13 determined using the sum of parts method in section 7.1. In this regard, we note the following:

- our underlying value of SAY determined using the market value of sum of parts method is on a 100% basis and is inclusive of a control premium whilst the quoted share price reflects trading for minority parcels of shares excluding a control premium;
- in our opinion, SAY's share price reflected the difficulties faced by the Company to raise the required funds to continue as a going-concern and to further advanced the development of its assets. However, the valuation of the exploration assets by TWA was assessed on a different basis which would not have considered SAY's going concern issues as well as SAY's potential difficulties to raise the required funding to finance its operations; and
- the low level of liquidity of SAY Shares on the ASX and low level of coverage of SAY by financial and broking institutions may cause the share price to incorporate an allowance for early stage projects such as SAY's exploration and exploitation assets.

Accordingly, we believe our valuation assessment of SAY Shares based on the market value of net assets is reasonable.

7.2.2 Recent offers

Prior to reaching our valuation conclusions, we have also considered the reasonableness of our valuation by comparing our results to recent transactions involving shares of the Company. In particular, we have considered the Subscription Transactions whereby the Company will issue up to 62.5 million SAY Shares at \$0.04 per share. These prices represent capital raisings to sophisticated investors conducted by SAY. In relation to the Subscription Transactions, the Directors of SAY have represented the following:

- the sophisticated investors are independent parties to SAY and Mr Franco Belli;

- the profile of the sophisticated investors satisfies the definition of “sophisticated investors” for the purpose of Chapter 6D of the Corporations Act;
- the consideration for the issue of the SAY Shares was cash;
- the SAY Shares were issued directly to the sophisticated investors; and
- the issue of SAY Shares to the sophisticated investors was on an arm’s length basis.

Whilst the issue price of the Subscription Transaction is below our assessed valuation range as set out in section 7.1, we note the following:

- SAY had limited bargaining power due to the limited cash resources available to implement the Proposed Transaction in the absence of the cash raised with the Subscription Transactions;
- In the absence of the Subscription Transactions, there would have been uncertainty in relation to the ability of SAY to continue as a going concern; and
- SAY has a limited time window to exercise the Amended Quince Purchase Option which, in our opinion, has materially limited its ability to negotiate the terms of the Subscription Transactions.

8 Valuation assessment of SAY – post Proposed Transaction

Set out below is a summary of our valuation assessment of SAY post Proposed Transaction. We have also set out below a brief discussion of the valuation items which have changed compared with our valuation assessment pre Proposed Transaction as set out in section 7.

8.1 Valuation of SAY-post Proposed Transaction

The market value of net assets was selected as the primary method to assess SAY's equity value. The market value of net assets is based on the sum of parts of SAY's operating, development and exploration assets, and other assets and liabilities (including contingent liabilities).

Set out below is a summary of our valuation assessment of SAY post Proposed Transaction:

SAY valuation - post Proposed Transaction	Section reference	Low A\$'000	High A\$'000
Fair market value of SAY pre-Proposed Transaction	7	18,984	30,961
Less: SAY's 10% Interest in Quince Iron Ore Project	8.1.1	(3,375)	(5,625)
Fair market value of 100% of Quince Iron Ore Project	8.1.1	33,750	56,250
Less: Cash consideration payable to Hanwell	8.1.2	(9,044)	(8,538)
Fair market value of SAY post-Proposed Transaction		40,314	73,048
Number of SAY Shares on issue post-Proposed Transaction (undiluted basis) ('000)	7.1.10	231,832	231,832
Fair market value of SAY per share (control basis) (A\$)		0.17	0.32

Source: Calculations

SAY Shareholders should be aware that our assessment of the value per SAY Share post the Proposed Transaction does not necessarily reflect the price at which SAY Shares will trade if the Proposed Transaction completes. The price at which SAY Shares will ultimately trade depends on a range of factors including the liquidity of SAY Shares, macro-economic conditions, commodities prices and the supply and demand for SAY Shares.

8.1.1 Quince Iron Ore Project and Amended Quince Purchase Options

Upon completion of the Proposed Transaction, SAY will own 100% Quince Iron Ore Project. Accordingly we have adjusted SAY's equity value pre-Proposed Transaction to reflect SAY's 100% ownership in the Quince Iron Ore Project. As discussed in section 7.1.2, TWA has assessed the value of the Quince Iron Ore Project to be in the range of US\$27 million to US\$45 million, with a most likely value of US\$36 million. Accordingly, Grant Thornton Corporate Finance has adopted the valuation range of US\$27 million to US\$45 million, which we have converted into A\$ using the exchange rate of A\$/US\$0.80 (refer section 6.4).

8.1.2 Consideration payable to Hanwell

Upon exercising the Amended Quince Purchase Option, SAY will commit to pay Hanwell cash consideration amounting to US\$6.8 million (A\$8.3 million) at anytime before the Final Payment Date. Interest will accrue on the outstanding balance at a rate of 12% per annum. All accrued interest will be paid on the Final Payment Date.

The Amended Quince Purchase Option Agreement has specified that the consideration payable would be converted into Australian dollars at the rate of A\$/US\$0.82.

We have assessed the value of the cash consideration payable assuming the following scenarios:

- i. SAY pays the cash consideration to Hanwell 6 months after exercising the Quince Purchase Option; and
- ii. SAY pays the cash consideration to Hanwell on the Final Payment Date, being 18 months after exercising the Quince Purchase Option.

In each of the scenarios above, we have determined the net present value using the yield on a ten-year Australian Commonwealth Government bond rate as a discount rate.

Accordingly, Grant Thornton Corporate Finance has assessed the net present value of the cash consideration payable to Hanwell upon exercise of the Amended Quince Purchase Option in the range of A\$8.5 million to A\$9.0 million.

Our valuation of SAY post the Proposed Transaction does not include the perpetual royalty of 0.75% on the FOB value of all mineral resources sold and sourced from the Quince Iron Ore Project. The value of this royalty cannot be estimated with reasonable grounds as at the date of this report. However, we note that should the royalty becomes payable in conjunction with SAY commencing production at the Quince Project, the value of the Quince Project should also increase significantly.

9 Evaluation of the Proposed Transaction

9.1 Fairness of the Proposed Transaction

In forming our opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the value per SAY Share pre Proposed Transaction (on a control basis) to the assessed value per SAY Share post Proposed Transaction (on a control basis).

The following table summarises our assessment:

Fairness assessment	Section reference	Low A\$	High A\$
Fair market value per SAY Share pre-Proposed Transaction (control basis)	7	0.08	0.13
Fair market value per SAY Share post-Proposed Transaction (control basis)	8	0.17	0.32
Increase/(decrease) in value per SAY Share (A\$)		0.09	0.18
Increase/(decrease) in value per SAY Share (%)		112%	136%

Source: TWA Report and Calculations

The assessed fair market value range of SAY Shares (on a control basis) post Proposed Transaction exceeds the assessed fair market value range of SAY Shares (on a control basis) pre Proposed Transaction. Accordingly, we conclude that the Proposed Transaction is fair to the Non-Associated Shareholders.

We note that our assessment of the consideration payable to Hanwell does not include the perpetual royalty of 0.75% on the FOB value of all mineral resources sold and sourced from the Quince Iron Ore Project. The value of this royalty cannot be estimated with reasonable grounds as at the date of this report. However, we note that should the royalty becomes payable in conjunction with SAY commencing production at the Quince Iron Ore Project, the value of the Quince Iron Ore Project should also increase significantly.

SAY Shareholders should be aware that our assessment of the value per SAY Share post the Proposed Transaction does not necessarily reflect the price at which SAY Shares will trade if the Proposed Transaction completes. The price at which SAY Shares will ultimately trade depends on a range of factors including the liquidity of SAY Shares, macro-economic conditions, commodities prices and the supply and demand for SAY Shares.

9.1.1 Fairness cross check

We have cross-checked our fairness assessment by comparing the cash consideration payable to Hanwell to the fair market value of Hanwell's Quince Interest.

Fairness cross-check	Section reference	Low A\$	High A\$
Fair market value of cash consideration offered	8.1.2	8,538	9,044
TWA valuation of the Quince Iron Ore Project	7.1.2	27,000	45,000
Hanwell's interest in Quince Iron Ore Project		90%	90%
Assessed value of Hanwell's Quince Interest (US\$)		24,300	40,500
Adopted A\$/US\$ exchange rate	6.4	0.80	0.80
Assessed value of Hanwell's Quince Interest (A\$)		30,375	50,625
Discount received/(premium paid) on acquisition (A\$)		21,837	41,581
Discount received/(premium paid) on acquisition (%)		256%	460%

Source: TWA Report and Calculations

The assessed fair market value range of the consideration payable is below the assessed fair market value of the Hanwell Quince Interest. Accordingly, this outcome supports the conclusion reached in our fairness assessment.

9.2 Reasonableness of the Proposed Transaction

For the purpose of assessing whether the Proposed Transaction is reasonable to the SAY Shareholders, we have considered the following likely advantages and disadvantages associated with the Proposed Transaction. We note that in accordance with RG111, a transaction is reasonable if it is fair.

9.2.1 Advantages

- the Proposed Transaction is fair and SAY will be able to purchase the Hanwell's Quince Interest at a significant discount compared with the fair market value of the Quince Iron Ore Project as assessed by TWA;
- SAY will increase its ownership of the Quince Iron Ore Project to 100% and accordingly, it will have absolute control over the advancement and development of the Quince Iron Ore Project. Furthermore, SAY may be relatively in a better position to maximise the proceeds from the sale of the Quince Iron Ore Project as a whole;
- if SAY does not complete the Proposed Transaction, SBN has the right to require the transfer of the underlying rights of the Amended Quince Purchase Option from SAY in lieu of repayment for the loan made to SAY. Accordingly, the Non Associated Shareholders will lose the opportunity to purchase the Quince Iron Ore Project at a significant discount compared with its fair market value as assessed by TWA; and
- the inclusion of a substantial asset such as the Quince Iron Ore Project in SAY's mineral assets portfolio may assist in future capital raising activities and improve SAY's profile in the market.

9.2.2 Disadvantages

- SAY Shareholders will have increased exposure to the Quince Iron Ore Project and generally to Chile's economic and jurisdiction risk. Given that the said project is relatively uncertain and risky in nature, SAY Shareholders could potentially be more exposed to a more volatile investment;

- there is uncertainty whether or not SAY will be able to raise the required cash to pay for the agreed cash consideration of US\$6.8 million plus accrued interest within 18 months from the exercise of the Amended Quince Purchase Option. Future capital raisings may be dilutive for the Non-Associated Shareholders if the current volatility in the financial markets continues or if market conditions deteriorate further;
- if the Company is not able to raise the required money to pay for the agreed cash consideration of US\$6.8 million plus accrued interest within 18 months, SAY may not be able to continue as a going concern;
- sophisticated and professional investors may find it challenging to support future capital raisings of the Company to fund the cash consideration payable to Hanwell as the cash raised will be paid to Hanwell rather than to further develop SAY's exploration assets;
- there is no certainty that the mineral resources, or any mineral reserve, including the ones relating to the Quince Iron Ore Project will become proven and then realised. Until a deposit is actually mined and processed, the quantity of mineral resources and reserves, and grades, must be considered as estimates only. Given the consideration payable by SAY upon exercise of the Amended Quince Purchase Option is 100% cash, Hanwell will not bear or share any of these risks and uncertainties with the Non-Associated Shareholders;
- the structure of the agreed consideration payable to Hanwell upon exercise of the Amended Quince Purchase Project is unusual for a transaction of this type and for an exploration company such as SAY considering the following:
 - The Quince Iron Ore Project is still unproven with only limited exploration activities conducted to date;
 - SAY has very limited cash resources available; and
 - The vendor's risk profile will not be aligned to that one of the Non-Associated Shareholders going forward.
- as a result of owning 100% of the Quince Iron Ore Project, SAY will have an enlarged exploration assets portfolio which will increase SAY's future funding requirements in relation to exploration activities. The development of the Quince Iron Ore Project as well as SAY's existing exploration assets will require continuous significant investments into the projects. In addition, given the early stages of the existing assets portfolio and the extended lead time of exploration projects, it is likely to be a number of years before the exploration assets will generate steady, positive cash flows. Since SAY has limited funds, it is likely that SAY will need to undertake capital raising activities to secure additional funds to develop its exploration assets. The capital raising activities would likely have a dilutionary effect on SAY's existing shareholders.

9.2.3 Other factors

Uncertainty on the prospectivity of the assets

We note that the Quince Iron Project is an early-stage exploration asset. There is no certainty that the mineral resources, or any mineral reserve, relating to the Quince Iron Project will be proven and then realised. In addition, the value of mineral resources and any mineral reserve will depend upon, among other things, metal prices and currency exchange rates. Any material change in quantity of mineral resources, or any mineral reserve, or grade, may affect the economic viability of any future mines. Any material reductions in the estimates of mineral resources, or mineral reserves, or SAY's ability to extract any ore, could have a material adverse affect on SAY's future results of operation and financial condition. Resource estimates, including those contained in the TWA Report are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates. Resource estimates are necessarily imprecise and depend to some extent upon interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to the Quince Iron Project's resources could affect SAY's future development and mining plans.

SAY Shareholders' position if the Proposed Transaction is not approved

If the Proposed Transaction is not approved, it would be the current directors' intention to continue operating the Company in line with its objectives. SAY Shareholders who retain their shares will continue to share in any benefits and risks in relation to SAY's ongoing business.

In addition, if the Company does not raise a minimum of A\$7.6 million in additional equity by 30 June 2010 or exercise the Amended Quince Purchase Option by 30 June 2010, then SBN may require SAY to assign the Amended Quince Purchase Option to SBN to satisfy the amount loaned by SBN to SAY.

Concurrent transactions

The other transactions occurring concurrent to the Proposed Transaction are the Subscription Transactions. We note that the Proposed Transaction and the Subscription Transactions are not interdependent and consequently, either one or both can be completed without approving the other.

9.3 Overall conclusion

Based on the above, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is fair and reasonable to the SAY Shareholders.

10 Sources of information, disclaimer and consents

10.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Quince Purchase Option agreement;
- Amended and re-stated Quince Purchase Option agreement;
- Draft Explanatory Memorandum Notice of General Meeting;
- Convertible Note Subscription Agreement between SAY and SBN;
- Annual reports of SAY for FY07, FY08 and FY09;
- Interim report of SAY for half year ended on 31 December 2010;
- Independent Technical Report prepared by TWA, March 2010;
- Shareholder and optionholder registers;
- releases and announcements by SAY on the ASX;
- SAY website
- Reuters;
- Mandate to Act as Lead Manager and Underwriter to a Renounceable Rights Issue between SAY and Patersons Securities;
- various broker's reports; and
- other publicly available information.

10.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to SAY and all other parties involved in the Proposed Transactions with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to SAY, its shareholders and all other parties involved in the Proposed Transaction.

During 2009, SAY engaged Grant Thornton Corporate Finance to prepare an Independent Expert's Report in relation to the proposed issue of shares and options in the Company to Astron. Astron subsequently withdrew from the proposed agreement and no Independent Expert's Report was ever completed by Grant Thornton Corporate Finance in relation to this matter. Despite this relationship, it is our opinion that there are no conflicts of interest with respect to SAY Shareholders or other parties involved in the Proposed Transaction.

Except for the above, Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other

relationship with SAY or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

10.3 Limitations and reliance on information

This report and opinion 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.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by SAY and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by SAY and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of SAY.

This report has been prepared to assist the directors of SAY in advising the SAY Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to the SAY Shareholders.

SAY has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by SAY, which SAY knew or should have known to be false and/or reliance on information, which was material information SAY had in its possession and which SAY knew or should have known to be material and which SAY did not provide to Grant Thornton Corporate Finance. SAY will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

10.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Memorandum to be sent to SAY Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Glossary

Aguas Claras Project	SAY's 31 mining concessions located approximately 25 kilometres south of Curico district in Putu, Chile
Amended Quince Purchase Option	The amended agreement between SAY and Hanwell whereby SAY has the option to purchase Hanwell's Quince Interest
ASIC	Australian Securities and Investments Commission
Astron	Astron Limited
ASX	Australian Securities Exchange
The Company	South American Iron and Steel Corporation Limited
Convertible Note Subscription Agreement	The agreement pertaining to the issue of the SBN Convertible Notes by SAY to SBN
Corporations Act	Corporations Act, 2001
DCF	Discounted cash flow
Deed of Settlement	The agreement pertaining to the sale of the Aguas Claras Project by SAY to Shoreline
EMH	Efficient Market Hypothesis
Ecuadorian Projects	SAY's mining exploration projects located in Ecuador
Final Payment Date	The date arising 18 months following the exercise of the Amended Quince Purchase option
FOB	Free-on-board
FSG	Financial Services Guide
FY	Financial year
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
ha	Hectares
Hanwell	Hanwell Chile SA
Hanwell's Quince Interest	Hanwell's 90% interest in the Quince Iron Ore Project
IOCG	Iron Oxide Copper Gold
km	Kilometre
m	Metre
The Maullin Project	SAY's exploration projects located to the south of the Putu Project in southern Chile
Nexia Court	Nexia Court & Co
Non-Associated Shareholders	SAY Shareholders not associated with Hanwell or Mr Franco Belli
Original Quince Purchase Option	The original agreement between SAY and Hanwell under which SAY held the option to purchase Hanwell's Quince Interest
The Putu Project	SAY's exploration projects located along the coastline between the Maule and Mataquito rivers on the western coast of Chile
Proposed Transaction	The proposed acquisition of Hanwell's Quince Interest by SAY by exercising the Amended Quince Purchase Option

Quince Iron Ore Project	A high intensity magnetic anomaly approximately 13kms long by 2kms wide which is located near Cerro Salado, 40kms inland from the Chilean coast and approximately 800kms north of Santiago
RG 111	ASIC Regulatory Statement 111 "Content of expert reports"
RG 112	ASIC Regulatory Statement 112 "Independence of experts"
The Rights Issue	The aborted capital raising involving the renounceable right to acquire two new SAY Rights for each existing SAY Share, amounting to approximately 339 million new SAY Shares at A\$0.03 per share plus one free entitlement option for every five new SAY Rights and one free piggyback option for every entitlement option that is exercised between certain dates
SAY	South American Iron and Steel Corporation Limited
SAY Options	The unlisted options in SAY
SAY Rights	The rights to be issued under the aborted Rights Issue
SAY Shares	Ordinary shares in SAY
SAY Shareholders	Shareholders of SAY
SAY's Quince Interest	SAY's 90% interest in the Quince Iron Ore Project
SBN	Sun Biomedical Limited
SBN Convertible Notes	The convertible notes issued by SAY to SBN under the Convertible Note Subscription Agreement
Shoreline	Shoreline Minerals Limited
Shoreline Option Fee	The option fee of A\$500,000 payable by Shoreline to SAY under the Deed of Settlement
Shoreline Options	Options in Shoreline to be issued to SAY under the Deed of Settlement
Subscription Transactions	The transactions to be undertaken as part of the subscription agreements entered into by SAY with Century Sunny Investment Ltd and Li Yangyang where these investors will subscribe to shares and loan instruments of the Company
Subscription Notes	The two convertible notes to be issued to Century Sunny Investment Ltd and Li Yangyang respectively forming part of the Subscription Transactions
The Valmin Code	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005
TWA	Terence Willstead & Associates Pty Ltd
TWA's Report	The technical specialist report prepared by TWA which assesses the fair market value of the exploration assets held by SAY
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

Appendix C – TWA Report

TERENCE WILLSTEED & ASSOCIATES

CONSULTING MINING ENGINEERS

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T V WILLSTEED & ASSOCIATES PTY LTD

ABN: 44 001 859 712

26 May 2010

Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent St
SYDNEY NSW 2000

Attention: **Mr Andrea De Cian**

Dear Sir,

INDEPENDENT TECHNICAL REPORT AND VALUATION OF MINERAL INTERESTS **SOUTH AMERICAN IRON & STEEL CORPORATION LIMITED [SAY]**

Terence Willsteed & Associates [TWA] has been requested to provide an independent technical report [Technical Report] to Grant Thornton Corporate Finance Pty Ltd [Grant Thornton Corporate Finance] for inclusion in an Independent Expert's Report to accompany a Notice of Meeting in relation to proposed transaction with Hanwell Chile SA [Hanwell], as announced by SAY on 1 March 2010 [the Proposed Transaction]. The scope of this work is to provide Grant Thornton with an independent technical valuation of the Quince Iron Ore Project and the exploration assets owned by SAY. The valuation does not provide an opinion as to share or corporate value but values the exploration and mine development projects and tenements only.

Details of the assets to be assessed are:

- Aguas Claras Project located in Central Valley of Chile;
- Putu Project located on the west coast of Chile;
- Maullin Project located in Southern Chile; and
- Fierroinca Project located in Ecuador.
- Quince Iron Ore Project;

TWA will provide an independent technical report to Grant Thornton for inclusion in an Independent Expert's Report to shareholders of SAY in relation to the Proposed Transaction.

TWA has also been requested to disclose the following information:

- any roles fulfilled by TWA in connection with the Proposed Transaction;
- any appointments over the past 2 years by any stakeholders or other relevant parties involved in the Proposed Transaction which may be perceived as able to affect the independence of TWA; and
- other information as required by ASIC based on the nature of the Technical Report.

The Independent Review and Valuation of the SAY projects has been prepared by T V Willsteed, Consulting Mining Engineer, BE[Min] Hons, BA FAusIMM MSME and Heath Sandercock, Consulting Mining Engineer, BE[Min]Hons FAusIMM MSME, based on the independent technical and economic data provided by SAY. The valuations have been carried out to generally conform to the VALMIN Code of AusIMM and the relevant Regulatory Guidelines issued by Australian Securities & Investment Commission [ASIC].

TWA has prepared a wide range of Independent Expert and Specialist's reports relating to the requirements of the ASX and ASIC. A list of TWA independent reports issued for valuation purposes is available.

To complete the assessment, we been requested from SAY and its advisors:

- The most recent reported results of investigations for the mineral projects.
- Copies of recent independent assessments for the mineral project of resource/reserve statements.
- Details of agreements relating to transactions and the joint venture interests.
- Data and records of transactions for property acquisition of SAY, and for similar properties.
- Current and previous feasibility and economic analyses.
- Records of expenditure on the project areas and by previous tenement holders.
- Data on proposed expenditure commitments and budgets for the project areas.

It is not intended to include a site visit for the assessments but to rely on information supplied by SAY, and on assessments prepared by TWA and other independent consultants of equivalent projects. Reference will be made to SAY's economic analysis database to carry out conceptual cash flow and sensitivity analyses for possible net present value assessment, where possible. **Economic and financial estimates are quoted in Australian dollars, except where other currency denominations are stated.**

SAY has confirmed that:

- All material information currently available has been provided for a proper assessment to be carried out and that the information is complete, accurate and true.
- A status report and tenement schedule is available relating to property title, and to agreements entered into by SAY.
- Information relating to current and future indigenous interests, taxation and royalties, market restrictions, environmental impacts, legal claims and other similar issues of economic importance, as far as they are known to SAY is made available.

To conform with the VALMIN Code, SAY has confirmed that it will indemnify TWA for liability arising from our reliance on the information provided, or for available information not provided by SAY.

This report is prepared in accordance with the relevant requirements and listing rules of the Australian Stock Exchange Limited, the Australian Securities & Investment Commission [ASIC] and the VALMIN Code of the Australasian Institute of Mining & Metallurgy. The VALMIN Code sets out the principles and matters, which should be taken into account in preparation of a technical expert report concerned with mining assets. ASIC Practice Note 42 provides guidance to ensure that the expert report is independent of the commissioning party and that the assessments contained within the report are at the highest possible level, in accordance with professional standards.

TWA has considered the requirements of Regulatory Guide 112 Independence of Experts' Reports issued by ASIC and confirms that it is not aware of any circumstances, which compromise its independence to undertake this assignment.

CHILEAN IRON SANDS

INTRODUCTION

SUMMARY

The SAY controls Chilean iron sands projects which are held by Chilean registered limited liability partnerships, wholly controlled entities of SAY, which have concessions to explore in the areas Aguas Claras, Putu and Maullin in central and southern Chile, and currently also has the rights arising from petitions for concessions to explore.

SAY has undertaken field reconnaissance, drill sampling and metallurgical analyses of samples from specific concession and petition areas. Exploration activities are in progress to confirm the existence of economic mineral resources.

TENEMENTS

The tenement status has been confirmed by SAY's legal advisors in January 2010, as follows:

Aguas Claras Project:

Inversiones Arenas Claras Limitada [IACL], which is owned by the SAY Clearwater Resources Pty Ltd, is the current owner of the following concessions to explore in the commune of Rio Clara Resource of Talea, Region del Mare:

Claras 1 to 33: This group comprises 31 concessions to explore in the commune of Rio Claro, Province of Talca, covering a total area of 8200 hectares [ha], which expire in October 2010.

Additional concessions to explore [Astillero 1 to 18 of 5100 ha] have been granted.

Putu Project:

Inversiones Aconcagua Limitada [IAL] is the current owner of the following concession to explore and concessions to exploit in progress:

In the commune of Constitucion, the project comprises 15 concessions to explore, Province of Talca, covering a total area of 14504 ha, and 15 exploitation concessions in process of 13200 ha, which expire in March 2010. An area of 18844 ha has been approved by granting of concessions to exploit in January 2010.

In the commune of Curepto, Province Province of Talca, the project comprises 12 concessions to explore of 3100 ha, which expired in August 2009. Exploitation concessions covering 7000 ha are currently under survey.

Mauillin Project:

Inversiones Arenas Mauillin Limitada [IAML] was the holder of the following concessions to explore in Southern Chile, which are currently subject to renewal.

Carel 1 to 7: This group comprises 7 concessions to explore in process] in the commune of Maullín, Province of Puerto Montt, Region of Los Lagos covering a total area of 800 ha, which expired in May 2009.

Corona 1 to 4: This group comprises 4 concessions to explore in the commune of Ancud, Province of Chiloe Region of Alsen, covering an area of 700 ha, which expired in October 2009.

Huequi 1 to 55: This group comprises 11 mining in the commune of Palena, Province of Chaitén, covering an area of 2600 ha, which expired in October 2009.

Maullín 1 to 5, 10, 7 to 9: This group comprises 9 mining concessions to explore in the commune of Maullín, Province of Llanquihue, covering an area of 2400 ha, which expired in October 2009.

Rio 4 to 6: comprising 3 concessions to explore covering 800 ha, which expired in October 2009.

LEGAL TENURE

Chilean legislation provides for two kinds of concessions: the exploration concession and the exploitation concession. The mining concession grants the holder power to explore the concessionable mineral substances within a tenement in the case of the mining exploration concession, or to explore and exploit minerals in the case of the mining exploitation concession. A mining concession is transferable and transmissible. A mining exploitation concession has indefinite duration, and a mining exploration concession remains in effect for 2 years and may be extended for another 2 years period, provided at least half the area is surrendered. Any Chilean or foreign person may establish and acquire mining concessions.

The registered application for a concession to explore and a concession to exploit are real, immovable, transferable and conveyable rights subject to the same rules applicable to other real estate.

AGUAS CLARAS PROJECT

INTRODUCTION

The IACL concession areas comprise sandy alluvial flats bounding the Andean foothills located 25 kilometres [km] south of Curico in the Central Valley of Chile. The project area is adjacent to the regional Pan American Highway that provides access to Santiago and passes through the local centres of Curico and Talca. There is a rail connection to the major port of Concepcion.

Shoreline Minerals Pty Ltd [Shoreline] had entered into an agreement with SAY's subsidiary, Clearwater Resources, to acquire its interests in the Aguas Claras Project Tenements from SAY, subject to conditions and to the completion of a Bankable Feasibility Study. The conditions have not been met at this stage.

The Claras mineral sands cover a fan-shaped lobe of approximately 60 square kilometers [sq km], with gravel at the upstream edge, which abuts the andesitic lavas of the Andean front. The south-eastern half of the lease area has a number of trenches, channels and water wells, so that the characteristics of the deposit are well documented to depths of 10 metres [m] or more. Less information is available for the north-western sector, apart from channel cuts revealing a minimum of 6m heavy-mineral potential.

PROJECT OVERVIEW

The claims cover an area with unconsolidated Quaternary sands occupying a broad depression reaching a maximum thickness toward the centre of at least 30m. Recent tectonic movement along a northwest-southwest trending reverse fault may have affected the course of the Rio Clara and created a topographic low to the south of Rio Clara within which the ore-bearing sands accumulated. Topsoil thickness is about 1.5m, below which the subsurface information comes from water bores, pits, stream cuts and trenches. Cliffs are described as extending to bedrock at a depth of 22m.

The Rio Clara is thought to follow a major reverse fault which, to the north of the river, has brought an older conglomerate unit to the surface. The mineral sands comprise placer concentrations in unconsolidated sand and gravel outwash flanking the eroding volcanic-rich Andean [Cordilleran] mountain front. These sediments of Quaternary age [<1.6 m.y.] rest on a floor of older volcanic rocks, with Cenozoic pumice bedrock.

SOURCE OF THE PLACER MINERALS

The origin of the placer sands has been ascribed to erosion of nearby Descabezado Grande volcano in the Andean foothills. Petrographic studies show, that in addition to the presence of volcanic lavas and airfall tuffs, the sediments were derived from a very significant calc-alkaline igneous province that included an intrusive suite of diorite, norite, granophyre and gabbro. Sediments of the project area appear to have been derived from the unroofed Andean core of older differentiated intrusive rocks and younger volcanics, some of which were contemporaneous with deposition of the sediments.

Sediments eroded from volcanic lavaflows and proclastics as well as an older intrusive complex of the exposed Andean core were deposited as coarse sediment aprons and alluvial fans along the mountain front. At the same time, airborne volcanic ash mantled the depositional plain, so that ash-fall tuffs are interlayered with stream-deposited sand and gravel.

Gravitational mass flow and high-discharge traction currents down narrow canyons carried coarse sediment that was deposited as gradient and current strength declined on the alluvial floodplains of the Central Valley. There is very little mud in the river system, with only 2% clay-size particles in the analyses samples from the project area. Multiple river channels were shallow, broad and unstable, constantly switching position to form a complex braided pattern that deposited sheet-like sands over broadly lobate areas, commonly referred to as braid plains or braided alluvial fans. The broad expanses of sand were shallowly inundated during river flood but dry and exposed to wind reworking during low water levels.

The sand and gravel bars comprise a mixture of low-density minerals such as plagioclase and potassium feldspars, quartz and pyroxene along with smaller fractions of denser minerals such as magnetite and ilmenite, and oxidation products such as limonite.

The deposit is well-sorted fine- to coarse-grained sand with very little silt and clay [texturally classified as 22% fine, 36% medium, 35% fine sand and 7% very fine sand, silt and clay]. The heavy mineral fraction, primarily magnetite and ilmenite, ranges from a trace to + 14% weight.

MINERALISATION

Enrichment in the heavy-mineral fraction at the Claras project is believed to have resulted from selective winnowing and removal of the lighter particles and mechanical concentration of dense placer mineral layers, primarily magnetite and ilmenite. Wind deflation at low river stage selectively entrains lighter mineral grains of sand size, leaving a residue of heavy minerals, which would have been covered by the next flood, accounting for the distinct bands of magnetite and ilmenite separated by relatively barren sands. Some wave reworking and heavy-mineral concentration may have occurred along the shores of lakes, such as those occupying the Central Valley of southern Chile. These lakes may have extended farther north during late-Holocene humid episodes such as are thought to have occurred 2000 to 3000 years ago.

Preliminary tests conducted on selected sand samples by SAY by gravity and magnetic separation indicate the following XRF assays of concentrations of heavy minerals. Eleven samples were analysed, each made up of an 800 g composite. These results have previously been used by IACL to estimate mineral resources as follows:

	Sand %	Gravity Concentrate %	Magnetic Concentrate %
Volume	100	11.0	9.0
Fe₂O₃	8.5	59.0	62.9
TiO₂	1.4	15.0	15.0

LAS CLARAS RESOURCES

Data Quality	Tonnage [million t]
Measured	1472.9
Indicated	315.3
Inferred	202.4
Total Resources	1909.6

The granted Astillero Concessions have a target of 1 billion t of HM mineralisation to 10m depth. Resource areas located below vineyard and valuable orchard areas have not been included, nor resource extensions below 10.8m because of drilling problems below this depth. An electromagnetic transient geophysical study has projected mineralisation to basement depth of 150m.

In relation to the staged sale of SAY to Shoreline Minerals Limited [Shoreline], 115 auger holes have been drilled to an average depth of 10.8m and a further 6 holes to an average depth of 27.3m. Drilling totalled 1402m and was conducted over an area comprising approximately 65% of the concessions. Laboratory studies by SAY on Aguas Claras samples yielded valuable heavy metal [VHM] concentrate grades averaging 4.96%. Grades achieved by Titanatek Pty Ltd were 53.94% Fe, 18.17% TiO₂, 0.42% V₂O₅ and 1.64% SiO₂. with similar results from bulk sample testwork by Outotec reporting 5.2% HMC and 56.1% Fe, 10.3% TiO₂, 0.36 V₂O₅ using gravity and low intensity magnetic separation.

An electrical resistivity survey was conducted by Geodatos Chile S.A., with the purpose of providing a better indication of sand thicknesses, and especially the location of any deep paleochannels in the basement.

Shoreline has developed a flowsheet for production which indicates a mass yield of HMC recovered of 6.2% and recovered iron concentrate grade of 55.4% Fe, 17.7% TiO₂ and 0.5% V₂O₅.

MINERALISED RESOURCE ESTIMATES

Resource estimates have been based on geological data and Fe and Ti XRF assays supplied by Shoreline, and reviewed for inconsistencies. The validated database includes 1235 samples from 115 drillholes averaging 10.8m in depth.

A 30x30x2 m block model was constructed. Fe and Ti block grades were estimated using the Inverse Distance Squared method. A density of 1.56 t/m³, supplied by Shoreline, was used for tonnage estimation.

Based on geological data from drillhole logs, the sand and sediment units were defined.

The resources were separated in three domains, according to their data quality:

- Measured [actual data]: Resources located in the vicinity of the drillhole lines.
- Indicated [Interpolated data]: Resources located between lines area not drilled
- Inferred data [Extrapolated]: Resources located extended from the area drilled.

Resource areas located below vinery and valuable orchard areas have not been included.

PROJECT DEVELOPMENT POTENTIAL

Because they are near surface and unconsolidated, minerals sands deposits can be mined by wet or dry methods.

The Claras Project contains a large scale placer mineral deposit comprising iron oxide [magnetite and hematite] and titanium in the form of ilmenite and possibly titanomagnetite. Laboratory studies of a composite sample shows that 27% of material has a specific gravity higher than 2.85. Magnetic fractionation of this heavy mineral fraction shows that more than 99% of the grains are magnetically susceptible. Extraction and processing costs are expected to be low, and the lease area is well located with respect to rail transport, port facilities and infrastructure. Investigations regarding these matters have not been finalised.

The heavy-mineral fraction is present as discrete grains and transported rock fragments comprising heavy minerals and silicates. Further tests are underway to determine the mineral compositions of crushed samples in which the heavy minerals will be disaggregated from the lighter silicates.

The whole of the deposit is located generally under agricultural land. All the mined out land will be rehabilitated and returned to agriculture. As the proposed mining method will use hydraulic mining there would not be any chemical contamination or environmental impacts that could prevent a positive environmental qualification of the Project.

The infrastructure support for the project includes the Pan-American Highway as well as the national electrical grid and railroad line, and two main cities [Curico and Talca] with first class infrastructure, etc. There is available underground water through the deposit [at 10m depth]. The port of Concepcion is linked to the project area by rail [200 km]. Further south, [200 km] is located the main Chilean iron company CAP [Pacific Steel Company].

PUTU PROJECT

INTRODUCTION

Heavy minerals are concentrated on the foreshore and in beach dunes northeast of Constitucion, carried there from the mouth of Rio Maule by wave swell from the south which generates northward-flowing currents. The youngest beach and dune sands contain the highest proportion of heavy minerals such as magnetite. The surface sand layer averages 10m, below which is a coarse gravel layer, beneath which are additional mineral sands of unknown thickness.

Applications have been filed in to convert all of the Putu concessions from exploration to exploitation status, a process that requires an environmental impact statement, currently in preparation. The four major prospect areas are:

Plano Prospect, which was targeted as a shallow prospect suited to auger drilling and sampling to depths of around 12m. The topography is flat with a predominance of subsistence agriculture, resulting in multiple small holdings, complicating access over some parts,

Trinchera Prospect, which is a low plateau with cliffs along the seaward margin. The prospective iron sands are thick, locally in excess of 100m. Agricultural landholdings are large, with 3 to 4 families controlling much of the area. Physical access is excellent.

Katy Prospect, with thick and locally very high quality iron sands, but in geologically and logistically complex situations. The area is mainly under timber and is controlled by one company. Physical access is difficult because of steep gradients and very few roads or logging tracks.

Modern Dunes, with apparently large quantities of iron and titanium. But these deposits are mineralogically complex and potentially more difficult to beneficiate. There are also environmental constraints here.

Work so far has focused on Plano and Trinchera because of their geological and logistical advantages. Once all of the concessions have been converted to exploitation status there will be a greater focus on the richer sections of Katy Prospect. The modern dunes may be exploited in due course in selected, non-sensitive areas with high mineral values based on initial sampling.

GEOLOGY AND EXPLORATION

Holocene [modern] dunes

Four dune types are present in the Holocene sediments representing an evolutionary series. These deposits average more than 10m in thickness over an area of 16 square kilometres [sq km] and at least 5m over perhaps 20 sq km.

Metallurgical analysis indicated that the economic potential of the modern dunes is limited, possibly because the fresh grains of transported volcanic origin are composites of silicates, magnetite and other particles. Weathering, which has taken place in the Pleistocene paleodunes, releases the magnetite particles so that which will make them more amenable to process recovery.

Paleodunes

Older reddish sands accumulated as coastal dunes during the Pleistocene period during which sea level rose and fell by a hundred metres or more corresponding with global temperature changes.

During the last interglacial high sea-level stand about 6m to 7m above the present, the sea transgressed to cliffs cut in basement metamorphics of the Coastal Range, with the sands heaped vertically against the cliffs, rather than spread out laterally over several kilometres, as was the case with the Holocene, presumably because of clay matrix produced by weathering. However, their fresh appearance would suggest that there will be very little oxidative breakdown of magnetite.

Plano

Apart from 2 to 4m high arcuate sand ridges, the terrain is flat and widely cultivated, except over wetland depressions. Sand surfaces are bare or locally fixed by vegetation. The wetlands have been partially drained and planted, but remain off limits for drilling where water is still present at surface or where wetland vegetation persists, particularly in the north. The water table is generally 1.5 to 3m below the surface, but near the eastern margin can be as deep as 7m.

Drilling lines were arranged approximately 1000m apart, access permitting, and the holes were spaced as near as possible to 400m. The holes were cased below the water table, and continuous samples were taken of each metre.

Samples comprise predominantly fine to medium-grained sand with a secondary clay matrix and very few pebble bands. Megascopic examination showed an abundance of lithic grains, both reddish andesite fragments and dark grey basalt, as well as metamorphic rock fragments identical to the exposures in old sea cliffs to the east, plus quartz, chert, and abundant black magnetic opaques.

An attraction of Plano is that it would probably be quick and efficient to extract the sand using jet pumps and, following beneficiation, could readily be restored to its original condition. The environmental footprint would therefore be minimal. Water, electric power and labour are all available locally.

Plano samples analyses are as follows:

Number of Samples	Fe Percent	Ti Percent
41	6.54	0.89
23	5.90	0.70
12	5.60	0.83

Following the drilling, an electrical resistivity traverse at Plano has been conducted. The preliminary results shown in cross-section interpretation indicate that several deeper holes need to be drilled to sample the underlying section at Plano below the depths augered.

Trinchera

Trinchera area comprises thick sands which attain 70m or more in exposures along the cliffed western margin, where the sands are seen to rest on an undulating surface of metamorphic rocks. An auger drilling program conducted in 2007 confirmed the presence of iron-rich sands in the uppermost 10m, but provided no information concerning the deeper section. An electrical resistivity survey was designed as the first stage in assessing the thickness and potential volumes of the iron sands at Trinchera. The results, together with the additional four survey lines, indicate maximum thicknesses of the prospective sand section of over 100m

Katy

With landowner negotiations yet to be finalized, field work at Katy has been along public roads and tracks. As a result, the geological relationships of the different sand units are better understood. Being a particularly large and complex prospect, future drilling and development are likely to target the richest and most accessible sections of the younger paleodune sands. These deposits are close to Plano and associated infrastructure, and could conceivably be developed in parallel with Plano.

MINERALISATION

Magnetic concentrates from Putu beach range from 20% to 50% by volume in hand samples, and 17.7% to 29.5% in laboratory analyses. The magnetic fraction is magnetite and ilmenite, which is readily separable from the light fraction made up of feldspar and ferro magnesium minerals. Atomic adsorption results for six magnetic concentrates from modern Putu beach sand indicate an average Fe content of 40.5%, with 8.5% TiO₂. Analyses of total sand ["as is"] samples show an average Fe₂O₃ content of 17.8% for the paleodunes and 13.1% for the modern dune.

MINERAL RESOURCE ESTIMATES

A preliminary estimate of the in-place mineralisation volume has been projected from the youngest section of the Putu Beach sands, extending to the Mataquito River, some 36 km north of the Maule River at Constitucion.

Drilling was conducted over an area of 2502 ha. A measured resource was calculated over the area indicated. The remaining areas of Plano were either off limits for environmental reasons, or because access had not yet been granted by major landholders.

Auger drilling of 41 holes on Plano Prospect to an average depth of 11m has been completed. The 433 samples were prepared and analysed in the Company's laboratory. A hand-held XRF instrument was used to measure metal content directly. Analytical results, obtained using the Innov-X Alpha 6000 Portable XRF Analyser, were previously checked against laboratory analyses. The data obtained from these three sources show close correspondence, but the XRF readings are consistently 1-2% lower than the laboratory results. The iron content presented here may therefore understate the true grades by up to 2%.

All of the Putú concessions, including Plano, are in the process of conversion from exploration to exploitation status, which will entitle SAY to gain access to the remaining lands covered by the concessions over the Plano Prospect.

RESOURCE	TONNAGE [million t]	Fe (%)	Ti (%)
Measured	473.7	6.03	0.84
Indicated	183.7	6.00	0.8
Inferred	245	6.00	0.8
Total	903.2		

The above estimates of Fe and Ti are for the pure metal, not as oxides Fe_2O_3 , Fe_3O_4 or TiO_2 as commonly expressed in the industry. The Fe grades equates to approximately 9% Fe_2O_3 . The iron sands are amenable to low cost beneficiation using gravitational spirals and magnetic drums, which will take the Fe content to above 50%.

The Fe metal content of the measured resource equates to 28.5 million tonnes [million t], with a further 11 and 14.7 million t respectively for the indicated and inferred resources. Corresponding numbers for Ti metal are approximately 4 million t in the measured category and 1.5 and 2 million t for the indicated and inferred. Future analyses will also focus on vanadium, which has been identified in potentially significant amounts [0.4 to 0.5%] in nearby deposits.

Recent bulk testing has been completed with significantly less processing difficulty compared to some previous samples, which required a light grind to breakdown composite siliceous particles. The standard processing method developed for SAY resulted in a mass yield to final concentrate Valuable Heavy Mineral [VHM] of 7.6%. The concentrate assayed 58.3% Fe, 11.2 % TiO_2 , 0.53% V_2O_5 and 2.46% SiO_2 .

Recent airborne geophysical survey data define zones of strong magnetic response along the western margin of the Plano Project area a little over 1 km northwest, west and southwest of the township of Putu. As well another zone of strong magnetic response is seen approximately 1 km southeast of the township of Putu, this is situated along the eastern margin of Plano and the western margin of Katie South. The zones of increased magnetic response are both more than 2 km long with width of over 1.5 km.

It is expected that within these regions the concentration of iron [Fe] in the sands will be enhanced thus providing a higher grade zone to be tested for inclusion in the initial mining plan. There are numerous other regions within the broader Putu Project area that are seen to exhibit anomalous increased magnetic response. Areas that are found to exhibit superior Fe grade [defined from the magnetic and radiometric responses] are planned to be tested to facilitate measured resource status which will enable the Company to initiate subsequent feasibility study.

The SAY believes that Plano is suited to jet-pump extraction of the sands, and low-cost production of concentrate. Various options presently under consideration for export of concentrate include a finger jetty or slurry line.

Infrastructure development of Plano will be conducted in parallel with the planned off-take of concentrate from Claras Project, to which SAY will retain the rights after full transfer to Shoreline Minerals, as well as concentrate output from Trinchera and Katy.

MAULLIN PROJECT

SUMMARY

Mineral sands on and around Chiloe Island have been known since the Spanish worked gold-bearing gravels there until 1896. Since that time, numerous small-scale ventures have been conducted for gold, but platinum and other metals have received less attention. SAY has refocused on this area, conducting a programme of sampling, analysis and lease acquisition. Initial results confirm the presence of minerals such as ilmenite and iron oxide. These deposits are near to infrastructure and the port facilities at Puerto Montt. The Maullin sector near the major tourist and salmon farming centre of Puerto Montt covers a part of Chiloe Island and the adjoining mainland to the north of Chacao channel.

GEOMORPHOLOGY

Chiloe Island is currently cut off from direct sediment supply from the mainland, although it probably was directly connected to the major river systems during the Pleistocene period, when sea levels have fluctuated. Apart from modern-day processes of heavy mineral concentration by wave action as observed on these beaches, somewhat older “paleodune” sands have the hallmarks of deposition by wind. Large dune systems such as these are not observed at the present day in this vicinity, but are typical of the more arid glacial stages, the most recent of which ended during the past 20,000 years. Modern beaches separated by rocky headlands are backed by marshes and outcrops of older formations. Field reconnaissance showed that the underlying and adjacent bedrock includes older sedimentary rock containing magnetic heavy mineral layers.

POTENTIAL MINERALISATION

The bedrock exposures examined by SAY are rich in minerals, and erosion of these outcrops is releasing the iron-rich sands characteristic of many of the Maullin beaches. This appears to be the major process of mineral sand enrichment at the present day. Petrographic analysis shows that the sediment was derived from a more diverse Andean terrain that included both igneous and metamorphic material, hence the precious metal component exists along with the more typical iron and titanium oxides. Some of these minerals have been recycled from older rocks in this vicinity. Small amounts of gold platinum and palladium occur along with the more abundant iron and titanium mineralisation.

ECUADORIAN MINERAL SANDS

FIERROINCA PROJECT

The SAY Ecuadorian black sands iron ore deposits which are of economic interest are located in the provinces of Esmeraldas and Manabi. They included principally the Quaternary and recent deposits of the La Tola, Rio Verde and Mompiche sectors in the province of Esmeraldas, and Cojimies in the province of Manabi. The focus has been on two prospective areas:

- The Northern Area, a sand-rich coastal plan
- The Southern Area characterised by barrier and strand-plain complexes.

Erosion and transport of sediment from the mountainous interior provides a mix of economically important mineral species to the coast, primarily iron and titanium, but with high-value trace minerals locally.

Iron sands were deposited along the advancing shoreline as the sea rose from its last glacial lowstand. These deposits are augmented by deposition of sand eroded from the modern beach during storms. In this dynamic marine environment, any extraction of the sea floor would be followed by natural replenishment of sand by shelf currents.

A Mining Mandate was issued by the government of Ecuador in April, 2008 as an initiative to hold the status quo until a New Mining Law was passed.

A New Mining Law was passed in January 2009. However, the Mining Mandate still continues in effect, Regulations are implemented under the New Mining Law and this controls the grant of concessions to the SAY exploration and development areas of the Mining Mandate pursuant to that mining law included the following:

- Termination, without economic compensation was declared for all mining concessions without any investment in project development having been made in their exploration stage by 31 December 2007, or without their environment impact study having been submitted or without a prior reference process having been conducted, including those pending an administrative resolution.\
- A moratorium was declared on the grant of new concessions until the new constitutional and legal framework is effected. Consequently, the National Government ordered closing the files on legal processes pending a resolution with respect to applications for new mining areas. The Finance Ministry was ordered to transfer the funds necessary for returning applicants the amounts they paid as processing files.

It appears that all mining companies in Ecuador may no longer hold most of their mining concessions in the country subject to the publication of the Mining Regulations pertaining to the New Mining Law.

SAY retains only two concessions in Ecuador and the company is of the opinion that remaining concessions, on their own, are not economically viable, and because of this the Fierroinca Project is not included in the current valuation.

QUINCE IRON ORE PROJECT

INTRODUCTION

SAY currently has a 10% interest in the Quince Iron Ore Project [Quince Project] concessions held by Hanwell Chile SA [Hanwell], which has been exploring potential economic iron deposits in the Chañaral Province of Region III in Chile. In March SAY announced it has acquired a call option to purchase the remaining 90% of Quince. The agreement with Hanwell to grant the option means that Quince will be 100% owned by SAY once the call option is exercised.

The Quince Project is located in rolling terrain at an elevation of 800m. approximately 35 km due east of the deep sea port of Chañaral and 115 km due north of the city of Copiapó. The ore body itself is covered by recent, unconsolidated gravels with depths of up to 100m.

The deposit is easily accessible, being approximately 40 km by all weather gravel and sealed roads from Chañaral. The available infrastructure is excellent with major highways, utilities, and labour sources in towns and villages located within 20 km of the property. The mining town of El Salado, where Empresa Nacional de Minería [Enami] currently operates a small SXEW copper plant, is some 15 km south of Quince.

Chañaral has a population of approximately 10,000; it has a small airport, hotel accommodation, food, fuel and minor services as well as a small port with a single bulk loading facility capable of handling a single large ship with a 15m draft.

The most important logistical centre in the region is the capital of Region III, Copiapó, which is 115 km due south, approximately two hours drive, of the Quince Project. It has a population of approximately 150,000, an airport with scheduled daily flights to Santiago and Antofagasta, and numerous businesses offering services to mining and exploration companies.

The Quince Project is located in the Atacama Desert, one of the driest regions on earth. The climate is arid and weather is generally clear and warm in all seasons and poses no limitations on field activities. The closest weather station where temperature and precipitation measurements have been recorded for some time is the copper mining city of El Salvador, 65 km to the east and in the foothills of the Andes. The mean daytime high and low temperatures there are, respectively, 12.9°C and 4.9°C for July and 18.4°C and 9.8°C for January. The highest average recorded precipitation is in May at 14.8 millimetres [mm] and the lowest is in December at 0 mm. El Salvador is over 2,300m above sea level [MASL], while the Quince Project is at 800 MASL. In all probability, the climate there is drier and the mean temperature slightly higher

Vegetation is very sparse. In the valley bottoms, plant life consists of small widely spaced bushes a few tens of centimetres in height. Hillsides and peaks are generally devoid of any vegetation. In spite of the dry conditions, hills of gentle to moderate relief have been cut by deep gullies and flanked with gravel-filled valleys and alluvial fans - evidence of water movement preserved since conditions were less arid.

TENEMENTS

According to Hanwell's legal advisor, Cruzat, Ortuzar & Mackenna, Baker & McKenzie, the Quince Project is covered by the following concessions:

Applications filed on 22 November 2006 and registered in the name of Hanwell:

- Carman 1 to 60
- Elisa 1 to 60
- Luz 1 to 60
- Stephanie 1 to 60
- Valentina 1 to 60
-

Fully granted Mining Claims covering a total of 1,164 ha which are owned by Hanwell and registered in folio 45 of number 28 of 2006:

- Sefora 1 to 60
- Miriam 1 to 60
- Jocabed 1 to 60
- Debora 1 to 60

Legal advisors confirm that, as of March 16 2009, the:

- Mining Applications were still proceeding and not subject to any mortgage or other encumbrance, and
- Mining Licences fees are due to be paid between March and June each year.

It is noted that there is a separate claim identified as "San Francisco 1/5 Cesar Formaso" which lies in the northern half of the Debora Mining Claim and which effectively encompasses the South Target identified in the Asarco exploration.

HISTORY

The Chañaral Province has a long history of mining where mining for copper, gold, and iron has been ongoing since early in the 19th century. Small mines in the region supplied copper ore to smelters in both Chañaral and Pan de Azucar. Independent copper mines have been in operation on what is now the Manto Verde deposit since the late 1800s, but significant production in this area started in 1906. Between 1906 and 1935, a reported total of 400,000 t grading in excess of 3% Cu was mined from the Manto Verde fault zone.

The Quince mining concessions were originally established by Asarco Exploration Company-Chile and were taken up during the 1990s as a result of a systematic search along the Atacama fault in the Salado District for iron ore copper-gold (IOCG) deposits. Asarco relinquished the claims after preliminary exploration indicated iron rather than copper potential. The Quince Project is the northernmost iron deposit in the prolific Chilean Iron Belt (CIB).

REGIONAL GEOLOGY

The dominant geological feature of the CIB is the north-south Atacama fault zone, a complex sinistral strike-slip and dip-slip fault system that is sub-parallel to the coast of northern Chile for over 1,200 km. The CIB is a segment of the Atacama fault zone roughly 630 km by 40 km that hosts numerous IOCG-type deposits.

The Atacama fault zone is interpreted as wide zone of structural deformation with three main branches: the eastern, central, and western faults. There are many prominent north-south structures apparent on both sides of this complex Atacama fault zone, and it is clear that the actual zone of deformation is much wider. Volcanic rocks have been cut by numerous phases of north-south elongated granitic to dioritic intrusions. These are interpreted to be syntectonic emplacements along the Atacama fault complex.

Geology in the area, therefore, is typified by generally north-south elongated, fault and intrusion bounded blocks of volcanic rocks within a multiphase intrusive complex. Plutonic rocks occur as dykes, plugs, stocks, and batholiths, ranging in size from a few metres to a few tens of kilometres.

The iron-rich end members of the IOCG mineral occurrences in the CIB are Kiruna-type magnetite-apatite deposits with associated actinolite-albite-quartz-tourmaline alteration. Host rocks are typically brecciated volcanic materials, or brecciated intrusions thought to be genetically related to the formation of the deposits. The majority of these iron deposits are spatially related to pyroxene diorites. Some examples of the larger Kiruna-type deposits in the CIB include: Romeral, Los Colorados, Boquerón Chañar, Algarrobo, Cerro Iman, and Rodados Negros. These magnetite-rich deposits have been mined for iron since the early 1800s - Los Colorados mine south of Copiapó is still in production.

The El Salado and Manto Verde deposits, located 15 km and 25 km SSW of the Quince Project, are copper-bearing members of the IOCG deposit class in the CIB. The Manto Verde deposit occurs along a north-northwest trending riedel shear that connects two major north-south strands of the Atacama fault system. Alteration around the deposit consists primarily of quartz-sericite-carbonate mineral assemblages.

EXPLORATION

Asarco

The Quince claims were registered by Asarco as part of a broad reconnaissance programme along the Atacama fault in the late 1990s. These particular claims were staked over a number of small copper showings but generally covered an alluvial filled valley. Asarco undertook the following exploration programmes in 1999.

Asarco Aeromagnetic Survey

An airborne magnetic survey indicated a rather strong anomaly prompting a drill program targeting a possible "Candelaria" type copper mineralization.

Asarco Gravity Survey

Asarco completed a gravity survey with 200m line spacing and 100m gravity stations. The prime purpose of the survey was to see if any mineral zoning was obvious from the combined magnetic and simple Bouguer Gravity data set. In some mineralized districts the copper seems to be associated more with hematite rather than the magnetite. Gravity high with more magnetic response would be a good copper target. The results showed coincident anomalies for both data sets.

The 1999 gravity survey clearly defined a strong massive anomaly which is the primary target for the Quince Project. An expected tonnage of 280,000,000 t at 45% magnetite calculated [by others in 2007] using the 2.0 milligal contour with an average thickness of 300m. This target has an inferred plunge to the southeast and additional tonnage can be anticipated at depth.

Drilling Programme

Six holes, one vertical and five inclined, and totalling 1586m, were drilled based on the aeromagnetic and gravity surveys.

The results of the drill programme were negative for copper and all interest in the project was lost, and the claims were abandoned in 2000. It should be noted that the drill sites were not chosen to evaluate the iron potential.

It was later noted that the bottom 50m of the first drill hole assayed approximately 40% Fe which is of economic interest in the CIB. In fact, the average grade for all assayed intercepts from this drilling programme which were greater than 20% Fe is about 30%.

Seven samples ranging from 40-67% Fe were assayed for deleterious contaminants returning an average of: Cu 89ppm, Co 107 parts per million [ppm], S 461 ppm, P 263 ppm and Ti 3522 ppm.

The drilling also encountered water at the 40m depth, which would be an asset for mine operation.

Chanaral Resources

The volume of projected iron mineralisation contained in the Chanaral mineralised zone, based on previous drilling and geophysical investigations, is greater than 350 million t estimated to be a range of 250 million t.

Ground Magnetic Survey

Chanaral Resources contracted Quantec Geoscience Chile Ltda in April 2007 to complete a ground magnetic survey covering the Primary, Central and South Anomalies identified in the 1999 Asarco exploration. Condor Consulting then completed a 2.5D Inversion using the ground magnetic data acquired in 2007; this showed the Primary target area to be a tabular body with calculated susceptibilities higher than 0.20 cgs unit. This range of susceptibilities is permissive of grades exceeding 45% magnetite. Further modelling with contemporary software was then used to generate a proposed drilling programme for further exploration of the anomalies. It was also proposed that additional gravity survey work and further drilling be conducted as part of the 2007 work programme however this was not undertaken. The aim of the programme was to delineate a significant inferred mineral resource at the combined targets exceeding 500 million t at a grade of greater than 45% magnetite.

It is noted that there is a separate claim identified as "San Francisco 1/5 Cesar Formaso" which lies in the northern half of the Debora Mining Claim and which effectively encompasses the South Target identified in the Asarco exploration. This claim covers the high portion of the southern magnetic anomaly amounting to approximately 500m of a total anomaly strike length of 2500m of target mineralisation. In the Hanwell assessment of the anomaly this area was given a low priority as a single drill hole had been recorded to an undetermined depth and a shaft sunk some 50m. After examining the dumps and core chips it was felt that this either missed the target or it did not exist. The magnetic return suggests a narrow near surface occurrence and outcrops immediately to the south show minor magnetite mineralization in the form of sporadic veinlets. This claim reduced the strike length of the targeted mineralised zone by about 20%, but the wider more viable portion of the anomaly lies to the north and is fully controlled by Hanwell. The northern area has also been drill tested showing more massive magnetite mineralization.

VALUATION OF PROJECTS

VALUATION METHODOLOGY

The range of values which can be estimated for the mineral interests are based on current market prices for equivalent properties, the geological potential of the properties taking into account the possibility of outlining potential resources, and the probability of present value being derived from recognised areas of mineralisation and production. The valuation also takes account of previous and planned expenditure and commitments, and the expenditures and investment made by other parties to earn, acquire or retain their interests. The range of value estimated for each project allows for the sensitivity of the project values to expected variations in commodity prices and exchange rates, and for the changes in property market value with changing investment expectations, and valuations estimated for acquisition and listing for similar projects in the same geological environment.

Where production is in progress or planned based on quantified reserves and resources, financial analyses derive the net present value for the projects. The valuation of exploration tenements, particularly those without any quantifiable resource, is highly subjective but a number of value indicator methods have been developed and are outlined below. To determine a fair market value for the mineral exploration interests under review, various methods are normally¹⁴ considered including Appraised Value Method, Comparable Transaction Method, Farm-In Commitment Method, and In-situ Mineral Valuation.

Appraised Value Method

The Appraised Value Method is considered one of the methods most applicable to appraising the value of exploration properties, which have neither viable ore reserves nor any commercial production possibilities on which to establish a value. Accordingly, the real value of an exploration property is its potential for the existence of an economically viable ore body. An objective way to value a property's exploration potential is to equate it to the cost of exploration work that is warranted to assess that potential.

Appraising an exploration property with this method assumes that a direct relationship exists between the amount of exploration work performed on the property and the value of that property and that an exploration programme will either enhance or diminish the value of the property.

Past and future expenditures on a property of merit will produce a current dollar value for that property that is at least equal to the total amount expended. Any expenditure considered as contributing to the value of the property are those, which are judged to be relevant, prudent, and which were incurred in accordance with normally accepted industry practices.

Evaluating the results of an exploration programme and their relevance to the appraisal process involves assessing such parameters as, the geological environment of the property and its exploration potential, the exploration procedures utilised and their applicability to the style of mineralisation being sought or expected, the overall scope of the work performed or planned, the effectiveness of the work conducted, and the depth and experience of the management team involved in area selection and exploration programme planning and implementation.

As a result of this evaluation process, the valuer must decide as to what degree the exploration efforts have enhanced or diminished the value of the property. Only those expenditures deemed relevant to the overall value of the property are retained and used in the valuation process. In cases where inconclusive results are obtained, a subjective judgement may be made by the appraiser either on the basis of his own experience or in consultation with other technical experts. It is important to consider the intention of the owners regarding their exploration plans for the property and in this regard any funds committed to exploration work in the future budget period must be taken into account when arriving at an appraised value.

The expenditure on a project considered to be effective in terms of advancing the prospectivity of the areas is used, in conjunction with a subjective prospectivity enhancement multiplier, to derive a value of the project, which takes into account the valuer's judgment of prospectivity and the value of the database. Future planned committed expenditure is also considered as a measure of the estimated investment value of the property, to which a future exploration multiplier can be applied. In this review, we take into account expenditure of previous explorers and their joint venture partners and also past and current expenditure on the Project.

Comparable Transaction Method

One of the better methods in determining property value is by conducting a comparable transaction analysis with other recent transactions on equivalent properties, preferably within similar geographic and geological environments, with the same exploration potential and style of mineralisation, and at the same stage of development. Such a transaction should be between parties dealing at arms length. The date of the comparable transactions should be as close as possible to the property's valuation date as the time-related factors can affect the value. These transactions can be through a direct cash payment, a farm-in or option agreement or a combination of the above. Similar transactions can be compared and expressed in a number of ways, for instance, dollars per unit area, price paid per unit of mineral commodity in the ground, or on expenditure commitments.

Comparison of recent transactions of equivalent properties provides one of the better yardsticks to measure the value of the property because it relates the price to that which an informed investor would be willing to pay to obtain a similar property. In those cases where the transactions were not directly comparable, either a premium or a discount to the value is made as deemed appropriate.

Farm-In Commitment Analysis

An exploration property may have significant untested geological potential requiring a large exploration expenditure that the owner of the property cannot meet and as such will seek a joint venture partner to help with the exploration financing. It also may happen that an initial low budget exploration programme results in a significant discovery that requires the owner to seek a joint venture partner that can provide the financing necessary to develop it fully. In cases such as these, the Appraised Value Method tends to undervalue the property because of the low level of past exploration expenditures relative to the overall potential of the property.

A more appropriate approach in these instances is to consider the terms of an arm's length transaction for a farm-in option or agreement by a third party to earn an equity interest in the property. Such agreements can be used to calculate a value for the property. The terms of these agreements usually consist of a series of optional expenditure commitments over a number of years. The farm-in participants usually earn an equity interest in the project by paying all of the exploration expenditures during the earn-in period. Normally all expenditure commitments must be met in order to earn the equity. However, such farm-in commitments are not absolutely binding as usually there are rights to withdraw or in some cases there may be staged expenditure requirements earning an escalating equity interest.

A review of the terms of the agreement, as well as the geological potential of the property must be made in order to determine the value of a farm-in commitment and to assess the probabilities that some or all of the expenditure commitments will be met, particularly in a staged earn-in situation. In these cases a discount factor reflecting the estimated probabilities can be applied to the expenditure commitments.

In-situ Mineral Valuation

This method consists of valuing the commodity content of a tenement before it is mined. It is subjective, and therefore it is important that the valuation is based on considerable experience. The current market price of the commodity is discounted for factors such as mining losses, complexity of mineralogy, mining conditions, political risk, regional infrastructure support, etc.

ESTIMATION RISKS

Estimation risks are to be taken into account in assessing mineral projects, the principal risks being summarised as follows:

Mining and Exploration Risks

The successful exploitation of mineral exploration resources and the design and construction of efficient mining facilities has inherent risks which can be hampered by force majeure circumstances, cost over-runs, inconsistent grades and other unforeseen events. The technical risks attached to resource project development and production is unknown until economic resources are outlined.

General Economic Conditions

Production from mineral resources is subject to international market conditions, exchange rates and normal cost inflation. These matters would be considered if economic resources are outlined.

Environmental Impact Constraints

Exploration and development of any resources will be dependent on the projects meeting environmental guidelines. Development permits are to be approved subject to compliance with the environmental management programme.

Indigenous Title and Heritage Site

The effect of various legislation is that mining tenement and exploration permit applications and any existing mining tenements or exploration permit renewal application may be affected by native title negotiation processes. There are no such title issues recorded for the SAY projects.

Land Access

A mining company may be required to seek consent of landholders to obtain access to resources and for exploration. Legislation could restrict access to tenements. Some restrictions are foreseen at this stage, allowing for the fact that the Company plans to acquire all agricultural areas affected by the operations.

VALUATION CRITERIA

For use in the valuation of the SAY projects, the following valuation criteria have been summarised from the recorded data bases relating to the Projects and for acquisition agreements, and for a range of valuation for projects which are similar to the SAY projects. Financial estimates are given in Australian dollars unless quoted in other currency units.

APPRAISED EXPENDITURE

An analysis of previous expenditure on the SAY project areas has been carried out to indicate an attributable value of the current data base and established facilities which would support proposed exploration and development programmes. The summary of the recorded expenditure is estimated where possible for project area, with an estimate of its current value.

Claras Project

It is estimated that IACL and previous explorers have spent \$1.7 million exploring and developing the Project areas since 1999, and about \$900,000 has been spent by Shoreline.

Investigation expenditure by Shoreline was planned to progress the project to bankable feasibility at which stage they can acquire a total interest in the project. Immediate project expenditure of \$1.4 million was planned and an addition to \$4.0 million is possible to reach BFS status.

Putu Project

IAL has spent \$600,000 on exploring the project area. Planned investigation expenditure is estimated to be \$8 million to progress the project to the bankable feasibility stage.

Maulin Project

IACL has spent \$125,000 on exploring the project areas.

COMPARABLE VALUE

The Aguas Claras project is unusual in terms of its large magnetite and titanium iron sand resource in an inland setting. Most major other mineral-sand projects are in coastal or formerly coastal environments, where the mineralisation is primarily ilmenite, zircon and rutile. The Putu project is in a coastal environment with similar mineralisation to Aguas Claras. Magnetite tends to be a common but minor constituent in most coastal sands, unlike SAY projects where magnetite is dominant.

New Zealand is known to have major coastal sand deposits comprising titanomagnetite, which are somewhat similar to SAY projects in the close association of titanium and magnetite, but differ in the larger proportion of separate mineral species of magnetite and ilmenite in the Chile leases. Resources at Waikato North Head total more than 1 billion t averaging 20% iron, with proven reserves of 70 million t grading 33.8% titanomagnetite. This would provide 19 million t of concentrate containing 59% iron. Sand is extracted by bucketwheel excavators and conveyed to gravity circuits and magnetic separators, which provide titanomagnetite concentrates, which is then pumped 18 km as a slurry to Glenbrook mill for processing to steel products by Bluescope Limited. Resources at Taharoa total 625 million t averaging 30% titanomagnetite, with proven reserves of around 10 million t grading 55% titanomagnetite. This would yield about 5 million t of concentrate containing 57.5% iron and 8% titanium dioxide. Taharoa titanomagnetite has been exported directly to the Asian market and was reported NZ\$53 million revenue for the year to 30 June 2008. An acquisition offer of NZ\$258 million for the Taharoa iron sands operation has previously been withdrawn.

A number of transaction valuations and economic assessments of Australian projects have been recorded in recent years that provide a market based assessment of heavy mineral projects. These are not directly comparable to the Chilean deposition and mineralisation, but are an indication of industry values.

- Valuation of RGC's Murray Basin assets

Resources	3.0% HM cut-off 32.2 million t at 18.2% HM including 30% ilmenite, 17.5% rutile, 9.6% zircon and 42.5% other.
Valuation	\$45 million to \$65 million.
Unit value	\$1.69/t resource and \$9.3/t HM.
- Acquisition of RZM Project interests

Resources	135.2 million t at 3.2% HM including 44.6% ilmenite, 11.3% rutile, 11.3% zircon, 0.8% leucoxene of which Inferred Resource was 115 million t.
Valuation	\$30 million
Unit value	\$0.22/t resource and \$6.93/t HM.
- Value BeMaX October 2000

Resources	1.0% HM cutoff 252 million t at 2.8% HM including 15% rutile, 11% zircon, 8% leucoxene, 56% ilmenite.
Valuation	\$43.4 million
Unit value	\$0.17/t resource and \$6.1/t HM.

In addition, Iluka offered \$1 per share for the outstanding shares of Consolidated Rutile Ltd which it did not already hold, valuing Consolidated Rutile at \$173 million based on the shares on issue at the time of the offer [mid 2000]. The resources available were all located in the North Stradbroke Island deposits, containing 10.34 million t of Measured and Indicated Resources. The projects are operating at good profits, producing 310,000 tonnes per annum [tpa] HM. It is possible to assume of value of about \$12/t HM for the resources and good will, net of the balance sheet items. In April 2009, Unimin offered up to 45 cents per share to acquire the Ihika interest and other outstanding shares in CRL, indicating a currently reduced value for the HM content.

Indo Mines Limited, has earned a 30% interest in the Kulon Progo iron sands deposit at Yogyakarta, Indonesia by the expenditure of \$4 million and the issue of shares at a nominal value of \$1 million, based on the confirmation of a global resource estimate of 605 million t at 10.8% Fe, containing 273 million t at 14.2% Fe of measured, indicated and inferred resources. Scoping and feasibility study activity to 30 June 2008 have increased the Indo Mines interest to 70% and cost an additional \$18 million.

IN-SITU MINERAL VALUATION

A range of in-situ values have been deduced from the above comparative analysis where project values have been estimated per tonne of resource and per tonne of HM. The deductions for the assessment has to be balanced to provide for varying HM grade and mineral contents, cut-off grade, mining and quality factors.

The following broad unit values are assessed:

Resources	1.0% cut-off	\$0.17 to \$0.22/t
HM Pre-production		\$6/t HM
at Production		\$12/t HM.

Other comparative acquisitions of interest relating to the SAY projects have been reported including:

- Gondawanda Resources acquisition of exploration areas in Madagascar of \$2.3 million in cash and shares including mineral sands areas.
- Titanium Resources Ltd acquisition of mineral sands project in Sierra Leone for US \$120,000 with rutile/ilmenite resources.
- Murchison Metals Ltd acquired two Rocklea iron exploration licence areas in the Pilbara for \$8.25 million, with confirmed resources.
- Cardero Resources Corp entered an agreement to sell its interest in the Pampa de Pongo iron ore deposit in Peru for US\$200 million.

FARM-IN/PURCHASE COMMITMENT VALUE

In April 2008, Shoreline agreed to purchase 60% of Clearwater Resources which wholly owns IACL, which holds the Aguas Claras project tenements.

The terms of this agreement indicated, a valuation range of \$6.3 million for the Aguas Claras project based on a 60% acquisition at the resource stage, up to \$15 million after completion of the BFS, discounting for time to completion of the final payment. The Agreement has been cancelled and is replaced by an agreement of March 2010 which states:

- Payment of A\$500,000 to SAIS by 14 May 2010;
- Issue to SAIS by 14 May 2010 of 5.12 million options to subscribe for shares in Shoreline at \$0.25 each expiring 30 June 2013;
- Payment of A\$1,000,000 to SAIS from the proceeds of an Initial Public Offer and listing on Australian Securities Exchange [or other recognised international stock Exchange] by 30 April 2011; and
- Issue to SAIS within 7 days of the listing of a maximum 3.175 million shares and 3.175 million 30 June 2013 options exercisable at the IPO issue price.

In terms of a Quince option agreement dated 19 February 2010, as amended on 21 May, SAY and Hanwell have agreed that, following the payment of US\$200,000 option fee and mining license fee of US\$18,500, which have been completed, and the finalisation of option conditions, a purchase option will be exercised by SAY to acquire the 90% Hanwell interest in the Quince Project for the consideration of:

- a) Payment to Hanwell of US\$6.8 million plus deferred interest within 18 months.
- b) Granting to Hanwell a perpetual royalty of 0.75% on the FOB value of all minerals sold sourced from Quince Project.

Payments will be made in Australian dollars at an exchange rate of US\$0.82.

OTHER VALUATION CRITERIA

For the valuations the following factors are considered:

- All tenements are granted or close to grant. The minimum commitment expenditures and working conditions are subject to the terms of title.
- Prospectivity and exploration progress on the SAY projects are summarised in this report.
- Estimates of previous attributable expenditure on the tenement areas, based on the accumulated information available from past exploration programmes and proposed future expenditure, are considered, as well as the terms of farm-in agreements entered into with joint venture partners.
- Equivalent farm-in expenditures are discounted for the normal time periods of expenditure.
- Comparable project expenditure are assessed in the light of the equivalence to the project under review.
- The grouping of tenements and contiguous tenure over the SAY projects areas provides additional advantage for a substantial exploration programme.
- The sensitivity of the valuation, particularly relating to the risk factors listed above, is allowed for by estimating a range of valuation for each sector of the project.
- An long-term exchange rate of US\$0.75 to the Australian dollars is projected.

VALUATION OF CHILEAN PROJECTS

Because they are near surface and unconsolidated, minerals sands deposits can be simply mined by wet or dry methods.

Dredging is the most commonly used wet mining method in current practice in the Industry. The sand is pumped to the wet concentrator where primary processing of the sands occurs. Dry mining methods such as front-end-loaders, scrapers, excavators and trucks are used when dredging is unsuitable. Dry mining can also be less disruptive to the environment. The ore is trucked to the wet concentrator.

In the wet concentrator the heavy mineral fraction is recovered by screening and gravity separation. Typically concentrates with between 75% and 99% heavy minerals are produced and the quartz, clay and 'trash' components are rejected and returned to the mined out pond or pit or other environmentally suitable form of disposal.

This concentrate is then sent to a 'dry plant' which separates the individual mineral species typically magnetite rutile, zircon and ilmenite using various combinations of magnetic and electrostatic techniques. This plant is typically located remote from the mining operation with the wet concentrator in a pre planned central location. The dry plant will produce separate concentrates of the individual mineral components of the orebody and products and quantities will vary mainly dependent upon the original mineralogical proportions of the individual orebody and wet and dry plant efficiencies in recovery of individual species. Production from the dry plant can also vary in grade depending upon market requirements.

The SAY projects contain large scale placer mineral deposits comprising iron oxide (magnetite and hematite) and titanium in the form of ilmenite and possibly titanomagnetite. Laboratory studies of a composite sample shows that 27% of material has a specific gravity higher than 2.85. Magnetic fractionation of this heavy mineral fraction shows that more than 99% of the grains are magnetically susceptible. Extraction and processing costs are expected to be low, and the lease area is well located with respect to rail transport, port facilities and infrastructure.

The heavy-mineral fraction is present as discrete grains and transported rock fragments comprising heavy minerals and silicates. Further tests are underway to determine the mineral compositions of crushed samples in which the heavy minerals will be disaggregated from the lighter silicates.

Some of the deposits are located under agricultural land. It may be necessary to buy land to secure access with mining. All the mined out land will be rehabilitated and returned to agriculture. As the proposed mining methods will use hydraulic mining or dry excavation there would not be any chemical contamination or environmental impacts that could prevent a positive environmental qualification of the projects.

The infrastructure support for the project includes the Pan-American Highway as well as the main electrical grid, railroad line, and larger cities Curico, Talca and Constitucion with first class infrastructure, etc. There is available underground water through the deposit. The port of Constitution is linked to the project area by rail [50 km]. Further south, [200 km] is located the main Chilean iron company CAP [Pacific Steel Company].

CASH FLOW ANALYSIS

A conceptual financial analysis has been carried out for comparative purposes applicable to both the Putu and Aguas Claras projects but is not completed to indicative cash flow analysis standards because the heavy mineral content is not estimated to ore reserve standards and the assessments of economic mineral products, separation processes and marketability have not been completed.

Initial investigations suggests the following preliminary financial estimation bases:

Production rate	20 million tpa sand 1.8 million tpa HM magnetic concentrate 60% Fe ₂ O ₃ 15% TiO ₂
Revenue	US\$40/lb FOB concentrate
Costs:	\$US
Mining and concentration	\$1.5/t sand
Dry processing	\$12/t concentrate
Port handling, marketing and transport	\$4/t concentrate
Annual operating surplus	US\$14 million.

Capital Expenditure:	\$US million
Pre-production/infrastructure	15
Land acquisition	20
Mining plant	6
Wet plant	20
Dry plant	5
Port and handling	5
Total	US\$71 million

The cost estimates are based on recent sand mining project developments, modified to provide for the simpler magnetite-ilmenite production scenario. The revenue estimate is based on an assumed average FOB price of US\$50/t for a magnetite [Fe₃O₄]-ilmenite [FeOTiO₂] product sold either in separate and/or mixed components, as concentrates.

A conceptual financial range of US\$10 million to US\$15 million is suggested for each project, at this stage of their development, from a cash flow analysis at high discount rates [15% to 20%], which allow for the resource status of the database, over a project life of 10 to 20 years.

VALUATION CRITERIA

The following valuation criteria are suggested for the SAY Projects:

AGUAS CLARAS PROJECT

Tenement	49 Exploration Concessions	13300 ha
Expenditure:		
Previous Attributable	\$2.6 million	
Feasibility Investment	\$3.4 million.	
Appraised Value	-	The Shoreline Sale Agreement provides for a total acquisition price of A\$1.5 million plus 3.175 million Shoreline shares after IPO, plus options to subscribe for Shoreline shares of 5.12 million at \$0.25 and 3.175 million at IPO issue price, all expiring at 30 June 2013.
Comparative Values:		\$11 million to \$15 million discounted to allow for the early stage of Aguas Claras project, and including Astillero concessions.
In situ value:		\$7.5 million to \$10 million allowing for the status of the resources.
Financial Analysis:		US\$10 million to \$15 million at 15% to 20% discount rates with median estimate of US\$12.5 million [A\$15 million].

Based on the above parameters, the following value range is estimated for the Aguas Claras tenement areas:

Low:	\$10 million based on the middle range of the comparative, in situ attributable investment and appraised values.
High:	\$15 million based on the middle range of the project financial estimate.
Most Likely:	\$12.5 million.

PUTU PROJECT

Tenement	Exploitation Concessions	250000 ha
Expenditure:		
Previous Attributable	\$750,000	
Feasibility Investment	\$8 million.	
Comparative Values		\$5 million to \$10 million discounted to allow for the early stage of the project.
Financial Analysis		US\$10 million to \$15 million at 15% to 20% discount rates with median estimate of US\$12.5 million [A\$16 million].

Based on the above parameters, the following value range is estimated for the Putu Project:

Low	\$7.5 million based on the middle range of the comparative and attributable investment.
High	\$16 million based on the middle range of the project financial estimate and projected acquisition value.
Most Likely	\$12 million.

MAULLIN PROJECT

Tenement	34 Exploration Concessions	7300 ha
Expenditure:		
Previous Attributable	\$125,000	
Comparative Values	\$150,000 to \$1.2 million	

Based on the above parameters, the following value range is estimated for the Maullin Project:

Low	\$200,000 million based on the attributable investment allowing for enhancement value.
High	\$600,000 million based on the middle range of the comparative value.
Most Likely	\$400,000.

VALUATION QUINCE IRON ORE PROJECT

VALUATION CRITERIA

Appraised Value

TWA have previously estimated exploration expenditure at US\$500,000 and also estimated that a pre-feasibility study costing in the order of US\$4.0 million would be required.

Comparable Transaction Method

The Quince Project is not unusual in most respects, however there have been few transactions that could be used to draw a value comparison with the Quince Project. One such transaction involves Aurox Resources Limited's (Aurox) Balla Balla titanomagnetite deposit in the Pilbara Region of WA.

Atlas Iron Ltd (Atlas) and Aurox have agreed to a merger whereby Aurox shareholders have been offered one Atlas share for every three Aurox shares – this effectively values Aurox at \$153 million against the pre-offer value of \$52 million – a \$90 million premium.

Aurox's main asset is the Balla Balla magnetite deposit which lies adjacent to Atlas' Ridley iron ore deposit. The Balla Balla deposit contains resources of 455 million t at 44.7%Fe, 0.66% V2O5, 13.8% TiO₂, reserves of 238 million t at 44.7% Fe, 0.66% V2O5, 13.7% TiO₂. The plan is to mine and process at a 100 micron particle size, produce 6 million tpa concentrate (58% Fe, 1% V2O5 & containing titanium), and pump the concentrate ~ 100 km to the port. Aurox claim to have expended \$90 million on exploration and development of Balla Balla. This project is therefore similar in many regards to the Quince Project. The projected Balla Balla capital expenditure is projected at \$1.8 - 2 billion, and operating cost is estimated at A\$36/t.

The effective premium paid by Atlas was based on the fact that Aurox had pre-purchased port access for some 6 million tpa (expanding to 15 million tpa in later years) export which Atlas did not have. Atlas bought 187Mt direct shipping hematite ore to the merger.

The value placed on the merger is effectively estimated by considering the transaction without regard to the synergies generated by the merger and disregarding any other value in the Aurox properties; this has the effect of valuing Balla Balla at between \$52 million and \$142 million. It should be noted that the "premium" paid by Atlas is the same as the \$90 million exploration and development expenditure to date.

Purchase Commitment

SAY has committed to the acquisition of the 90% Hanwell interest in the Quince Project for US\$6.8 million within 18 months, following the initial payment of US\$218,500 in option fees and tenement expenses,, plus the grant of a royalty of 0.75% of the FOB value of all minerals sold from the project. The acquisition cost is equivalent to US\$8.9 million, or A\$11 million at the agreed exchange rate. The value of the royalty is subject to future production, but based on the cash flow analysis below could be up to US\$4.5 million per year over the life of the project.

Farm-in Commitment Value

There have been a number of recent farm-ins to Australian magnetite properties:

Emergent Resources Limited (Emergent) Beyondie Project in the Mid West region of WA:

The Beyondie magnetite deposit has an inferred resource of 561 million t grading 27.5% Fe with an additional exploration target of 480 to 520 million t.

In October 2009, the China Metallurgical Investment Group (CMIC) entered a JV with Emergent to develop the Beyondie magnetite deposit in WA with an initial targeted production of 3 million tpa of magnetite concentrate. The Beyondie Development Joint Venture provides for a 50:50 JV, \$200 million funding by CMIC, and a placement of shares and options to CMIC to raise around \$5 million and give CMIC an approximate 15% holding in Emergent. The \$200 million in funding will be provided by the equity subscription of \$100 million into the JV by CMIC as a sunk investment, and the facilitation of a loan of \$100 million to Emergent (at 3% above Reserve Bank of Australia benchmark interest).

Venus Resources Ltd (Venus) Yalgoo project in the Mid West region of WA:

The Yalgoo project is a 201 square kilometre [sq km] block of tenements covering a substantial part of the Yalgoo greenstone belt. To the south of the Yalgoo project area the belt hosts the Gindalbie Metals Ltd/Ansteel Karara and Mungada iron deposits. The iron deposits are hosted by Banded Iron Formation units. Exploration is at a very early stage and, as yet, no resources have been outlined.

In January 2010, Venus entered a JV and share subscription agreement with HD Mining & Investment Pty Ltd (HD Mining), a subsidiary of the Shandong Provincial Bureau of Geology and Minerals. HD Mining will take a placement of shares worth \$4 million spend \$8 million over two years to earn 50% of the Yalgoo tenements.

Centrex Metals Limited (Centrex) Port Lincoln Iron Ore Projects:

In July 2009, Centrex announced that it had signed an agreement with Wuhan Iron & Steel Group (WISCO) to develop two 5 million tpa magnetite iron ore projects from magnetite deposits north of Port Lincoln in South Australia.

To earn a 60% interest WISCO undertook to:

- Pay Centrex a total of up to \$186 million for 60% equity in the JV (minimum payable \$78 million). \$52 million to be paid within seven days of Government approvals, A\$26 million on the first anniversary, and four staged payments each of \$27 million to Centrex when the joint venture has defined magnetite banded iron JORC Inferred Resources of 1.25 billion tonnes (billion t), 1.5 billion t, 1.75 billion t and 2.0 billion t respectively.
- Sole fund the first \$75 million of exploration and study costs.
- Subscribe for \$10.1 million in Centrex shares.

Centrex Metals Limited (Centrex) Bungalow Iron Ore Project:

In August 2009, Baotou Iron and Steel (Group) Co. Ltd (Baotou), signed a Hematite Sales Agreement to take three million tonnes of iron ore over the next five years from the Wilgerup hematite mine to be commissioned by Centrex in 2010 on South Australia's Eyre Peninsula. In addition to the off-take agreement, Baotou has also formally committed under contracts signed with Centrex, a further \$40 million in ²³staged payments to earn 50% of the Bungalow magnetite iron ore deposits.

The Stage 1 payment of \$8 million will be paid to Centrex to earn 10%, with a further \$8 million earning an additional 10% in Stage 2. The \$16 million will be spent on exploration and development studies. Stage 3 will involve a payment of \$24 million, earning a 30% interest, and this money will be spent on a bankable feasibility study.

The CMIC Emergent deal would imply a valuation of between \$22.5 to \$33 million for 100% Emergent.

Assuming development of the two 5 million tpa magnetite mines, the WISCO-Centrex Port Lincoln projects deal would imply a value of between \$145 million and \$450 for the projects. Centrex's share would nominally be 40% or between \$55 million and \$180 million, however this needs to be heavily discounted by a further 75% as little or no resource has been evaluated; the net worth is therefore between \$15 million and \$45 million.

The Centrex – WISCO Bungalow project deal would imply a value of \$80 million for 100% of the project. Again, with little or no resource evaluation, this value is further discounted to \$20 million.

Apollo Minerals Limited:

Mt Oscar Iron Ore Project located in the Pilbara Region of WA. Evaluated in August 2009 as combined target with adjoining Fox Resources Limited BIF resources, the resource target was 1 billion t based on structural interpretation and aeromagnetic data, containing 30 to 40% Fe insitu magnetite ore, which could produce 60 to 64% Fe concentrate after grinding to 80% minus 25 micron with 2:1 waste ratio.

Conceptual model was based on 14 million tpa concentrate production with 50 million tpa ore. Operating costs were estimated at A\$65/t concentrate and preproduction capex at \$2.5 billion, with project capital payback after 8 years of production, total production life of 20 years and total cash flow of \$4.97 billion.

NPV 10% was estimated at \$161 million with 60% debt funding and IRR of 11.6%, and a negative \$235 million NPV at 20% discount was estimated.

Cash Flow Analysis

A conceptual financial analysis has been carried out but is not completed to indicative cash flow analysis standards because the mineral content is not estimated to ore reserve standards and the assessments of economic mineral products, separation processes and marketability have not been completed. The initial capital costs of the Quince Project would be significantly affected by the requirement for a pre-stripping operation to remove between 60 to 100m of overburden.

The following preliminary financial estimate is based on similar sized operations in South America and Australia, and utilises recent Chilean project US dollar cost estimates:

Ore Production rate:	15 million tpa at 30%Fe ore
Concentrate production:	6 million tpa at 65% Fe
Revenue:	US\$100/t concentrate
Operating cost:	<u>US\$</u>
Mining	7.00/t ore (based on W:O ratio of 2.5:1)
Processing:	6.00/t ore
Administration:	1.50/t ore
Sub-total:	<u>14.50/t ore</u>
Ex- mine costs:	<u>US \$</u>
Pumping to port:	0.25/t con
Dry concentrate:	5.00/t con
Load concentrate:	5.00/t con (includes marketing & superintendence)
Ship to market:	25.00/t con
Sub-total:	<u>35.25/t con</u>
Annual revenue:	US\$600 million
Annual costs:	US\$430 million
Annual surplus:	<u>US\$170 million</u>

Capital expenditure:	<u>US\$ million</u>
Exploration & feasibility study:	15
Mine pre-strip (contractor):	30 (20 million t at US\$1.50/t)
Infrastructure:	50 (roads, tails dam, connection to national power, water supply)
Mining Fleet:	95
Concentrator:	500
Concentrate pipeline:	45
Concentrate dryer/port storage:	15
Additional ship loader:	15
Contingency at 20%:	150
Total	<u>US\$920 million</u>

On an NPV basis, a conceptual range of US\$20 million to US\$60 million, at discount rates of 15% to 20%, allowing for the probable order of accuracy of the estimates, with a median value of US\$45 million, is suggested for the Quince Project taking into account the lack of resource definition, and the early stage of the engineering investigations .

QUINCE VALUATION SUMMARY

Based on the above estimates the following range of values is suggested for the Quince Project:

Low:	US\$27 based on the suggested median range of the comparative and farm-in estimates.
High	US\$45 million based on the median value of the conceptual cash flow range and NPV assessment
Most Likely	US\$36 million.

QUALIFICATIONS

Terence Willstead & Associates is a Mining Engineering Consultancy, which has had considerable experience in the valuation of mining interests and investments, and in advising both prospective purchasers and sellers of such interests and investments. The persons responsible for this report is:

T V Willstead	BE[Min]Hons, BA, FAusIMM, MSME, MAICD Consulting Mining Engineer
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Mr Willstead is the Principal of Terence Willstead & Associates. He has had extensive experience in the mining industry over 50 years, the last 38 years of which have been as a consultant to the industry. He holds a First Class Mine Managers Certificate of Competency, and has been extensively involved in mineral project evaluation and management.

Heath Sandercock	BE[Min]Hons, FAusIMM MSME Consulting Mining Engineer
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Mr Sandercock is the Principal of Sandercock & Associates. He has had over 35 years experience in the mining industry, the last 10 years of which have been as a consultant to the industry. He has been involved in development and management of a range of base metal and precious commodity projects in Australasia, the Pacific, Russia and South America.

DECLARATION

This report has been prepared for inclusion in the Independent Expert's Report. This report is designed to assist shareholders to assess the value of the SAY Projects and was not prepared for any other purpose. The valuation does not provide an opinion as to share or corporate value but values the exploration and mine development projects only.

The statements and opinions contained in this report are given in good faith but, in the preparation of this report, TWA has relied substantially on information provided by the Directors and Management of SAY. We do not have reason to doubt the information so provided.

Neither the whole nor any part of this report, nor any references thereto, may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of TWA.

DISCLAIMER OF INTERESTS

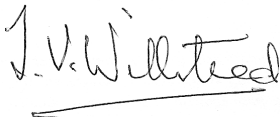
At the date of this report, TWA and Terence Willstead and Heath Sandercock do not have, nor have had any relationship with SAY.

TWA has no relevant interest in, nor any interest in the acquisition or disposal of any securities or assets of SAY. TWA have no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the valuation of the mineral interest of SAY.

Neither TWA nor T V Willstead and Heath Sandercock, has received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

Yours faithfully,

TERENCE WILLSTEED & ASSOCIATES

A handwritten signature in dark ink, appearing to read 'T V Willstead', with a horizontal line drawn underneath it.

T V WILLSTEED
Principal

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