

**SOUTH AMERICAN FERRO METALS LIMITED
ABN 27 128 806 977**

(Subject to Deed of Company Arrangement)

NOTICE OF GENERAL MEETING OF SHAREHOLDERS AND EXPLANATORY STATEMENT

**For a General Meeting of Shareholders to be held on Wednesday 13th January 2016 at
11.00am (AEDT) at
Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales, Australia**

LETTER TO SHAREHOLDERS

Dear Shareholder

15 December 2015

As you may be aware, on 22nd May 2015, the Company's Shares were suspended from quotation on the official list of the Australian Securities Exchange ("**ASX**").

On 22 May 2015, we were appointed Joint and Several Voluntary Administrators of the Company. A holding Deed of Company Arrangement was entered into on 1 July 2015 with the Company. We then called for expressions of interest to recapitalise the Company. We received 14 enquiries and only 2 proposals. One proposal was lacking certainty about providing funds. The other proposal, from Benelong Capital Partners Pty Ltd ("**Benelong**"), for the restructure and recapitalisation of the Company was submitted to the Company on 25 September 2015 ("**Recapitalisation Proposal**"). We considered this proposal to be superior due to certainty and speed of payment of funds.

The Creditors of the Company have agreed to the Recapitalisation Proposal. An amended Deed of Company Arrangement was entered into by the Company on 8 October 2015 under which, we, as Deed Administrators, were appointed to effect the terms of the Recapitalisation Proposal ("**DOCA**").

The Recapitalisation Proposal requires, and is subject to, various approvals being obtained from the Shareholders ("**Resolutions**"). A summary of the Resolutions being put forward at the Meeting are as follows:

- (1) The Company to allot and issue 470,010,971 shares to raise a total of \$460,000;
- (2) Existing directors and company secretary of the Company be removed;
- (3) New directors and a new company secretary be appointed to the Company;
- (4) Change of name of the Company; and
- (5) Consolidation of the existing Shares, immediately prior to the proposed issue in Resolutions 2, 3 and 4, on the basis of one share for each twenty three Shares held.

Accordingly, we have called a General Meeting of the Company to consider the Resolutions ("**Meeting**"). The Meeting will be held at 11am (Sydney Time) at the premises of Nicols and Brien, Level 2, 350 Kent Street, Sydney NSW on Wednesday 13 January 2016.

Enclosed with this letter are the Notice of General Meeting ("**Notice**"), the Explanatory Statement and an Independent Expert's Report prepared by Stantons International Securities ("**Report**") and a Proxy Form.

The Recapitalisation Proposal is also subject to the following conditions ("**Conditions**"), summarised as follows:

- (a) the Resolutions being approved without amendment;
- (b) the Deed Administrators creating the Creditors Trust (as defined in the DOCA) and effectuating the DOCA in accordance with the terms of the DOCA;
- (c) Benelong paying the Benelong Capital Contribution (as defined in the DOCA) to the Deed Administrators;
- (d) the Deed Administrators procuring that creditors with a security interest registered on the PPSR Register remove such interest from the personal property securities register established by the Personal Property Securities Act, 2009; and
- (e) the Deed Administrators retiring from office upon collection of the Benelong Capital Contribution.

If the Conditions are not met or waived by 30 June 2016 or such or other date as agreed by the Deed Administrators and Benelong or if it appears the terms of the DOCA cannot be fulfilled then the Deed Administrators may take steps to place the Company into liquidation.

In considering the Resolutions, Shareholders should bear in mind the Company's current financial circumstances. As mentioned above, the Company's Shares have been suspended from quotation

on the ASX since 22 May 2015 and the Company requires recapitalisation in order to continue its operations and to seek reinstatement of its Shares to official quotation on the ASX.

Ultimately, if the Resolutions are approved and implemented, the Company will be debt free, and in a position to seek opportunities to create shareholder wealth.

If the Resolutions are not approved and the Conditions have not been met by the time stated in the DOCA, the DOCA may terminate in which case the Company may be placed into liquidation. It is expected that there will be no return to Shareholders on a liquidation.

However, we make no representation or warranty whatsoever that the Recapitalisation Proposal will enhance Shareholder value. We have not considered the situation of any particular Shareholder. The information contained in the Notice and Explanatory Statement has been provided by a third party and has not been verified by us. Shareholders should make their own enquiries to satisfy themselves on all aspects of the Recapitalisation Proposal. Details contained in this letter, the Notice, Explanatory Statement or Report do not constitute any representation by us.

Before voting on the Resolutions, Shareholders should consider the appropriateness of the Recapitalisation Proposal having regard to their own objectives, financial situation and needs including any taxation consequences, and carefully read the Report.

Yours faithfully



Quentin James Olde and Nathan Vance Laundrey

Joint and Several Deed Administrators

South American Ferro Metals Limited (ACN 128 806 977)

(Subject to Deed of Company Arrangement)

SOUTH AMERICAN FERRO METALS LIMITED
ABN 27 128 806 977

(Subject to Deed of Company Arrangement)

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of South American Ferro Metals Limited (Subject to Deed of Company Arrangement) (**Company**) will be held at Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales at 11.00 a.m. (AEDT) on Wednesday 13 January 2016 (meeting).

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Deed Administrators have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 7.00pm (Sydney Time) on 11 January 2016 (**the Entitlement Time**). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

The Explanatory Statement that accompanies and forms part of this Notice of General Meeting (**the Notice**) describes in more detail the matters to be considered at the Meeting. In addition, the Explanatory Statement should be read in conjunction with the Independent Expert's Report prepared by Stantons International Securities is contained in Annexure A to the Explanatory Statement.

The Deed Administrators have been appointed under the DOCA and have the authority to convene the Meeting to give effect to the Recapitalisation Proposal. To the extent permitted by law, the Deed Administrators do not take any responsibility for the contents of the Notice and Explanatory Statement.

Unless otherwise stated, all references to sums of money, '\$' and 'dollars' are references to Australian currency. Please refer to the glossary at the end of the Explanatory Statement accompanying this Notice for a glossary of terms and abbreviations used in this Notice.

AGENDA

Resolution 1 – Consolidation of Existing Shares and Options

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

“That subject to passing of Resolutions 2 to 10 for the purposes of Section 254H of the Corporations Act and Listing Rule 7.20 and for all other purposes, approval is given for the Company's existing ordinary shares and Options be consolidated on a one for twenty three basis, (“**Consolidation**”), with any fractions rounded up”.

Resolution 2 – Allotment and Issue of Shares to Creditors' Trust

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

“That, subject to the passing of Resolutions 1 and 3 to 10 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and for all other purposes, approval is given to the Company to allot and issue 1,200,000 fully paid ordinary shares in the capital (post Consolidation) of the Company to the Trustee of the South American

Ferro Metals Creditors Trust for \$Nil consideration, and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Note: The maximum level of voting power will be 0.245% if this resolution is passed along with all other resolutions.

Voting Exclusion: The Company will disregard any votes cast on this resolution by the Trustee of the South American Ferro Metals Creditors Trust and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 3 – Allotment and Issue of Shares to Benelong Capital Partners Pty Ltd

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

“That, subject to the passing of Resolutions 1, 2 and 4 to 10 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and for all other purposes, approval is given to the Company to allot and issue 20,010,971 fully paid ordinary shares in the capital (post Consolidation) of the Company to Benelong Capital Partners Pty Ltd or its nominee, at an issue price of \$0.00049972587 to raise \$10,000.00 and otherwise on the terms set out in the Explanatory Statement accompanying this Notice.”

Note: The maximum level of voting power will be 4.092% if this resolution is passed along with all other resolutions.

Voting Exclusion: The Company will disregard any votes cast on this resolution by Benelong Capital Partners Pty Ltd and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 4 – Allotment and Issue of Shares to Gurney Capital Nominees Pty Ltd

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

“That, subject to the passing of Resolutions 1 to 3 and 5 to 10 for the purposes of Item 7 of Section 611 and Chapter 2E of the Corporations Act and for all other purposes, approval is given to the Company to allot and issue to Gurney Capital Nominees Pty Ltd, 450,000,000 fully paid ordinary shares in the capital (post Consolidation) of the Company at an issue price of \$0.001 to raise a total amount of \$450,000 and otherwise on the terms set out in the Explanatory Statement accompanying *this Notice*.”

Note: The maximum level of voting power will be 92.024% if this resolution is passed along with all other resolutions.

Voting Exclusion: The Company will disregard any votes cast on this resolution by Gurney Capital Nominees Pty Ltd and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons

Resolution 5 – Removal of Stephen John Turner as a Director

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

“That, subject to the passing of Resolutions 1 to 4 and 6 to 10, Stephen John Turner be and he is hereby removed as a director of the Company, effective from the conclusion of meeting.”

Resolution 6 – Removal of Terence Vincent Willsted as a Director

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

“That, subject to the passing of Resolutions 1 to 5 and 7 to 10, Terence Vincent Willsted be and he is hereby removed as a director of the Company, effective from the conclusion of meeting.”

Resolution 7 – Removal of Alan David Doyle as a Director

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

“That, subject to the passing of Resolutions 1 to 6 and 7 to 10, Alan David Doyle be and he is hereby removed as a director of the Company, effective from the conclusion of meeting.”

Resolution 8 - Election of Peter Wall

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

“That, subject to the passing of Resolutions 1 to 7, and 9 and 10, Peter Wall , being eligible and having consented to act, be elected as a director and as the Company Secretary of the Company, effective at the conclusion of the meeting.”

Resolution 9 – Election of Adam Blumenthal

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

“That, subject to the passing of Resolutions 1 to 8 and 10, Adam Blumenthal being eligible and having consented to act, be elected as a director of the Company, effective at the conclusion of the meeting.”

Resolution 10 – Election of James Ellingford

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

“That, subject to the passing of Resolutions 1 to 9, James Ellingford , being eligible and having consented to act, be elected as a director of the Company, effective at the conclusion of the meeting.”

Resolution 11 – Change of Name

“To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That for the purpose of Section 157(1) of the Corporations Act and for all other purposes, the name of the company be changed to “Burrabulla Corporation Limited” and the Constitution be amended accordingly”.

Dated 15 December 2015

A handwritten signature in black ink, appearing to read 'QJ Olde' followed by a flourish.

**Quentin James Olde and Nathan Vance Laundrey
Joint and Several Deed Administrators
South American Ferro Metals Ltd
(Subject to Deed of Company Arrangement)**

NOTES:

1. A Shareholder of the Company who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, 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. For the purposes of Regulation 7.11.37 of the Corporations Act, the Deed Administrators have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 7.00pm (Sydney Time) on 11 January 2016 (the Entitlement Time). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.
4. In accordance with Section 250BA of the *Corporations Act 2001* the Company specifies the following information for the purposes of receipt of proxy appointments:

Mail and physical address

C/- Benelong Capital Partners Pty Ltd
Level 2, 350 Kent Street,
SYDNEY NSW 2000

Facsimile: +61 2 9299 2239

The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile).

For any questions, please call Steve Nicols on phone +61 2 9299 2289 or email to steve@benelongcapitalpartners.com

EXPLANATORY STATEMENT

1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of South American Ferro Metals Limited (**Company**)(Subject to Deed of Company Arrangement) in connection with the Resolutions 1-11 (inclusive) to be considered at the General Meeting of the Company's Shareholders to be held Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales at 11.00 a.m. (Sydney Time) on Wednesday 13 January 2016 ("**Meeting**").

The purpose of this Explanatory Statement is to provide information to Shareholders which is considered to be material to them in deciding whether or not to pass the Resolutions in the Notice of General Meeting of the Company ("**Notice**").

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice and the Independent Expert's Report prepared by Stantons International Securities, a copy of which is attached to Annexure A of the Explanatory Statement ("**IER**").

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that reports have been made by the Company's appointed Administrators in accordance with the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations to be taken by the Administrators and the reasons for the current status of the Company. The Administrators reports are available by contacting FTI Consulting on phone (02 8247 8000, or Steve Nicols on phone (02) 9299 2289, who can arrange for copies to be sent.

If all of the Resolutions are passed and the Recapitalisation Proposal proposed by Benelong is completed, the Company will be debt free and solvent . Completion of the Benelong proposal will not be enough to meet the ASX Listing Rule requirements for re-quotations. Re-quotations is a difficult exercise and the completion of the Recapitalisation Proposal will not guarantee the reinstatement of the company to the official list of the ASX. If Shareholders do not approve the Resolutions and consequently and as a consequence the Recapitalisation Proposal is rejected , the Company will likely go into liquidation and it is likely that there will be no return to Shareholders .

1.1 Overview

1.1.1 Background

A general background in respect of the appointment of the Administrators is set out in the letter by the Deed Administrators to Shareholders dated 25 November 2015 accompanying the Notice ("**Letter**") and in the IER.

1.1.2 Past and future business of the Company

Past Business

The Company was incorporated on 6 December 2007, and was admitted to the Official List of the ASX on 10 September 2008. The Company's business was the 100% ownership of the mineral rights and property of the Ponto Verde Iron Ore Project in Brazil. The company had sold iron ore products to the domestic market in Brazil.

In 2014 the falling price of iron ore and various production setbacks led to the secured creditor of the company appointing Administrators on 22 May 2015.

Future Business

The proposed new Directors will seek out opportunities in other industries with a view to enhancing Shareholder value, in particular, projects with a focus on internet applications, food or medical products. Any significant change in the nature of Company's activities may require Shareholder approval under Listing Rule 11.

1.1.3 Purpose of funds to be raised under the Recapitalisation Proposal

The Recapitalisation Proposal seeks to raise the sum of \$460,000.00 through issues of Shares to sophisticated, professional or other exempt investors who do not require a disclosure document under section 708 of the Corporations Act. The purpose of these capital raisings are to:

- (a) pay for the Deed of Company Arrangement ("**DOCA**"), payment to creditors so as to remove the Company from Administration and to extinguish all liabilities;
- (b) pay for the recapitalisation costs, detailed below;
- (c) provide working capital to meet the administration costs of the Company including proposed accounting and proposed auditing and assessment of new opportunities.

An estimated budget is set out below.

Use of Funds – Expenditure Budget

Total funds raised \$460,000	\$
Deed of Company Arrangement Payment to Creditors	150,000
Independent Experts Report	8,500
Printing and Postage of Notice of Meeting	9,000
Legal costs for review and advice on Notice of Meeting	8,000
ASX Fees	3,500
Company Secretarial	5,000
Benelong Capital Partners Pty Ltd	203,000
Goods and Services Tax	28,000
Working Capital for proposed administration costs of the company including proposed accounting and proposed auditing and assessment of opportunities	45,000
Total funds utilised (\$)	460,000

The company's arrangement with Benelong Capital Partners Pty Ltd is the company will reimburse Benelong for payments Benelong pays to third parties to achieve the recapitalisation proposal. The company will also pay a fee of \$203,000 as detailed above, only if the recapitalisation proposal is successfully completed. Therefore, Benelong is taking a risk that it may not be reimbursed payments Benelong pays to third parties if the recapitalisation proposal fails.

The arrangement with Benelong and Gurney Capital Nominees Pty Ltd is that Gurney has paid Benelong a mandate fee of \$45,454 plus GST to formulate the recapitalisation proposal.

The Deed Administrators arrangement with Benelong is that Benelong is required to pay \$150,000 into the Deed Fund in order to pay creditors and extinguish all company liabilities. When the payment occurs, Benelong is entitlement to be reimbursed by the company, as stated above.

1.1.4 Investors

The investors in the Recapitalisation Proposal are Benelong Capital Partners Pty Ltd and Gurney Capital Nominees Pty Ltd.

Benelong Capital Partners Pty Ltd ("Benelong") is co-ordinating the completion of the proposal, the shareholders meeting, the DOCA effectuation and the transition of new shareholders and new directors.

Benelong is a Sydney based firm specialising in recapitalising ASX listed and suspended companies. Its managing director, Steve Nicols, has assisted in 21 re-capitalisations of ASX listed companies in the last 10 years.

Gurney Capital Nominees Pty Ltd is a Melbourne based company incorporated in Victoria 9 years ago. It is directed by Timothy Clark. Gurney invests in ASX listed securities utilising its own research processes. It has invested in the capital raisings sought by ASX listed Victory Mines Limited.

Current Capital Structure

	Shares
Current Shares on Issue	409,147,659

Options
<p>There are 58,587,383 pre-consolidation options in total over the shares of SAFM on issue with expiry dates as follows:</p> <ul style="list-style-type: none">- 4,130,000 options on issue with an exercise price of 36 cents per option expiring on 31 December 2015;- 7,500,000 options on issue with an exercise price of 12 cents per option expiring on 15 November 2017;- 20,457,383 options on issue with an exercise price of 7.3 cents per option expiring on 24 July 2018;- 4,000,000 options on issue with an exercise price of 7.0 cents per option expiring on 23 October 2018;- 17,500,000 options on issue with an exercise price of 7.0 cents per option expiring on 26 November 2018;- 2,500,000 options on issue with an exercise price of 12.0 cents per option expiring on 26 November 2018; and- 2,500,000 options on issue with an exercise price of 7.0 cents per option expiring on 22 January 2019.

Proposed Capital Structure

	Shares	(Approx) % Percentage
Consolidation on 1:23 basis	17,789,029	3.637838
Resolution 2 Issue of Shares to Shareholders Trust	1,200,000	0.24539
Resolution 3 Issue of Shares	20,010,971	4.092223
Resolution 4 Issue of Shares	450,000,000	92.024539
TOTALS	489,000,000	100%

Options
<p>Should Resolution 1 be consummated, the above mentioned options would be represented as follows:</p> <ul style="list-style-type: none"> - 179,565 options on issue with an exercise price of \$8.28 per option expiring on 31 December 2015; - 326,087 options on issue with an exercise price of \$2.76 per option expiring on 15 November 2017; - 889,451 options on issue with an exercise price of \$1.68 per option expiring on 24 July 2018; - 173,913 options on issue with an exercise price of \$1.61 per option expiring on 23 October 2018; - 760,870 options on issue with an exercise price of \$1.61 per option expiring on 26 November 2018; - 108,696 options on issue with an exercise price of \$2.76 per option expiring on 26 November 2018; and - 108,696 options on issue with an exercise price of \$1.61 per option per option expiring on 22 January 2019.

1.2 Summary of the terms of the Recapitalisation Proposal

Set out below is a detailed summary of the Recapitalisation Proposal.

The Recapitalisation Proposal provides for the appointment of the New Directors and does not in any way provide for the continuing involvement of the existing Directors in any capacity.

The essential terms of the Recapitalisation Proposal are as follows:

- (a) Consolidation of existing Company Shares and options, on a one for twenty three basis;

- (b) The investors, will subscribe in aggregate for 470,010,971 shares to raise \$460,000.00.
- (c) The New Directors and a new company secretary for the Company will be appointed together with a change of company name of the Company.

The Recapitalisation Proposal was submitted to the Administrators by Benelong on 25 September 2015 and accepted by the Company's Creditors on 8 October 2015. The Deed of Company Arrangement, incorporating the Recapitalisation Proposal was signed on 8 October 2015. The Resolutions put forward in the Meeting are for the purposes of implementing the Recapitalisation Proposal. The key terms of the DOCA are that Benelong is to pay \$150,000 into the Deed Fund; directors will be changed; creditors debts are extinguished and are transferred to the Creditors Trust; the company is removed from External Administration; the Deed Administrators retire; the conditions precedent are that shareholders pass all resolutions of the recapitalisation proposal.

The Recapitalisation Proposal involves the simultaneous completion or "effectuation" of the Deed of Company Arrangement and the creation of a Creditors Trust. This enables the Company to be immediately released from administration under the DOCA once all Resolutions are passed at the Meeting and all other conditions as set out in the DOCA are met or waived ("**Completion**"). The Company will also be released from all Creditors Claims estimated at \$17 million and will have nil liabilities once Completion occurs. The amount existing creditors will receive is \$150,000, (less Deed Administration fees), as per the DOCA noted above.

The Creditors Trust Deed has been signed, and is awaiting receipt of funds from the Recapitalisation Proposal if shareholders approve all resolutions.

1.3 New Directors

Proposed Director Mr Peter Wall, B.Laws, B.Comm (Finance), Masters of Applied Finance and Investment with FINSIA

Peter Wall is a corporate lawyer and Partner of Steinepreis Paganin and has a wide range of experience in all forms of commercial and corporate law, with a particular focus on equity capital markets, mergers and acquisitions and corporate reconstructions and recapitalisations.

Mr Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.

Mr Wall is also the Non-Executive Chairman of MMJ PhytoTech Ltd, Minbos Resources Ltd, Global Metals Exploration NL, MyFiziq Ltd, Activistic Ltd, Galacia Energy Corporation Ltd and a Non-Executive Director of Dourado Resources Limited, and GRP Corporation Ltd.

Proposed Director Mr Adam Blumenthal, B.Comm, MBA (Masters of Business Administration) and MIR (Master International Relations)

Adam spent several years working across global and domestic financial markets working in Corporate Finance and Investment Banking.

Adam, has been involved in the relisting of several ASX suspended entities such as:- Dourado Resources Ltd, GRP Corporation Ltd, Stemcell United Ltd, MOV Corporation Ltd, Victory Mines Ltd, Galicia Energy Corporation Ltd, Phylotech MMJ Ltd, Invigor Group Ltd, Celsius Coal Ltd, Henry Morgan Ltd, Plukka Ltd. Adam has acted as corporate advisor and assisted in raising fresh capital for the above mentioned ASX listed companies.

Adam was a director of ASX listed MOV Corporation Ltd.

Adam is a guest university lecturer at Australian Catholic University, North Sydney, lecturing at an undergraduate and post graduate level. Adam has lectured in subjects on Business Ethics, Corporate Governance and Corporate Social Responsibility.

Proposed Director Dr James Ellingford, D.Mgt, MBA, Post Grad Corp Man, AICD

Dr Ellingford's professional life culminated in being President of an international publicly listed billion dollar business with its headquarters in Geneva, Switzerland and New York, USA. He has vast experience in the international arena and has successfully developed close ties with both financial institutions as well as governments throughout the world.

Dr Ellingford holds a post graduate corporate management, a Masters in Business Administration as well as a Doctorate in Management. Dr Ellingford also lectures MBA students in corporate governance at Australian Catholic University, North Sydney, and has a keen interest in ethics and governance.

Dr Ellingford is also currently non executive Chairman of ASX listed Dourado Resources Limited. He was previously a non executive director of Victory Mines Limited.

Proposed Company Secretary Mrs Elizabeth Hunt, BSc, MAcc, GIA (Cert) GAICD

Mrs Hunt has over fifteen years corporate and accounting experience with a particular interest in governance. Mrs Hunt has been involved in the IPO management, corporate advisory and company secretarial services, financial accounting and reporting and ASC and ASIC compliance management.

Mrs Hunt holds a BSc degree in Sustainable Development, and Masters of Accounting and the Governance Institute of Australia Certificate in Governance and Risk Management.

Mrs Hunt is currently the Company Secretary and Director of Victory Mines Ltd. Mrs Hunt is the Company Secretary of ASX listed companies being:- Victory Mines Ltd, Capital Mining Ltd, Dourado Resources Ltd, Alara Resources Ltd, Stemcell United Ltd, Stirling Products Ltd and MOV Corporation Ltd.

1.4 ASX Listing

The Company is admitted to the Official List of ASX. However trading in the Company's Shares was suspended on 22 May 2015. Trading in the Shares will not recommence until all Resolutions are passed and not until the Company complies with Chapters 1 and 2 of the Listing Rules, or until ASX advises otherwise.

The intention of the New Directors with regard to the business of the Company is to use the working capital to be injected into the Company via the Recapitalisation Proposal for the purposes described in Section 1.1.3 of this Statement. The New Directors' plan is to seek out opportunities that might enable the Company's Shares to be reinstated to quotation on the ASX. There is no certain timeframe as to when this may occur. There is no present intention for any party to inject further capital into the Company apart from that already stated in the Recapitalisation Proposal.

1.5 Advantages and Disadvantages of the Recapitalisation Proposal

Advantages

- 1.5.1 The passing and consummation of Resolutions 1 to 11 as part of the recapitalisation proposal would result in a net cash position of approximately \$45,000 (assuming the capital raising of the \$450,000 referred to above) and having a company with minimal or

no liabilities, compared with the current position whereby the Company has net assets of \$nil and significant debts to pay. The Company would also raise a further \$10,000 through consummation of Resolution 3.

- 1.5.2 If the proposals per Resolutions 1 to 11 are consummated as part of the recapitalisation process, the net cash asset backing of a SAFM share rises from nil cents to approximately 0.0092 cents (assumes \$460,000 worth of shares are issued for cash).
- 1.5.3 If Resolutions 1 to 11 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may be dissolved and struck off. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 1.5.4 The proposed directors bring additional expertise to the Company in that such Directors have financial, accounting, finance and corporate experience and/or experience as directors or managers of public listed companies or other trading entities. Paragraph 1.3 above discloses the background of the proposed directors.

Disadvantages

- 1.5.5 A significant shareholding in the Company is being given to Gurney in that it could own up to approximately 92.03% of the expanded issued capital of the Company after the passing of Resolutions 1 to 11 (the passing of Resolutions 1 to 10 are dependent on all resolutions being passed). However, we note that SAFM will be partly recapitalised with approximately \$45,000 in net cash (assuming only the \$460,000 total capital raising), will have no debt and will have the opportunity to consider the acquisition of other assets or businesses. The existing shareholders are diluted to approximately 3.637838% if the recapitalisation proposal is completed. It is assumed that all investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX (the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules).
- 1.5.6 SAFM would only have approximately net cash of \$45,000 (assuming the raising of \$460,000 as noted above) after the issue of the 450,000,000 post consolidation shares to Gurney (and the issue of 20,010,971 shares to Benelong for a total capital raising of \$10,000 per Resolution 3). The Company would still need to find a new business and raise additional funds so that it could meet the Listing Rules. In the absence of a superior offer (made before shareholders vote on Resolutions 1 to 11) then shell value does not exist and it is quite possible in the absence of any other recapitalisation proposal, the Company could be placed into liquidation.
- 1.5.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable.

1.6 Conclusion

The Resolutions set out in the Notice are important and affect the future of the Company. All of the Resolutions need to be approved in order to implement the Recapitalisation Proposal. Shareholders are therefore urged to give careful consideration to the Notice the contents of this Statement and the IER.

2. THE RESOLUTIONS

2.1 Resolutions 1– Consolidation of existing Shares, and Options

Background

Section 254(H) of the Corporations Act states that a company may convert all or any of its shares into a larger or smaller number by resolution passed at a general meeting. The

conversion takes effect on the day the resolution is passed or a later date specified in the resolution.

The Company presently has 409,147,659 of Shares on issue ("**Existing Shares**").

The Company presently has 58,587,383 options on issue ("**Existing Options**").

The Investors require that the Existing Shares and Options be consolidated on a one for twenty three ("**Consolidation**") basis. The Consolidation will not change the rights and obligations of existing Shareholders nor option holders. The Consolidation is part of the Recapitalisation Proposal.

The purpose of the Consolidation is to provide the Company with a more appropriate capital structure for a company of its size and nature. It is also desired to facilitate the implementation of the Recapitalisation Proposal.

Immediately upon Consolidation the number of Existing Shares shall be reduced to 17,789,029, and the number of Existing Options reduced to 1,266,521 at varying option prices of \$1.61 and \$8.28 per option.

Fractional Entitlements

The Consolidation may result in Shareholders and Option holders receiving a fraction of a Share. These fractional entitlements will be rounded up as part of the Consolidation, so that the consolidated holding will be rounded up to the nearest whole number.

Taxation

It is not considered that any taxation consequences will exist for Shareholders arising from the Consolidation. However, Shareholders and Option holders are advised to seek individual tax advice on the effect of the Consolidation. The Company, Investment Group or the Deed Administrators do not accept any responsibility for the individual taxation consequences arising from the Consolidation.

Holding Statements

From the date of the Consolidation, all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of Shares and Options on a post-Consolidation basis. After the Consolidation becomes effective, the New Directors will arrange for new holding statements to be issued to Shareholders. It is the responsibility of each Shareholder to check the number of Shares and Options held prior to any sale or transaction.

Timetable

The Consolidation will take effect on the day the resolution is passed. In accordance with section 254H(4) of the Corporations Act, a copy of this Resolution, if passed by this Meeting, will be lodged with ASIC within one month.

2.2 Resolutions 2 and 3 Allotment and Issue of new Shares to Creditors' Trust and Benelong Capital Partners Pty Ltd

These Resolutions are required to be approved by Shareholders in accordance with ASX Listing Rule 7.1. In Resolution 2, 1,200,000 shares are being issued at no cost to the Creditors Trust as part of the DOCA. In Resolution 3, 20,010,971 shares are being issued to Benelong Capital Partners Pty Ltd or its nominee at an issue price of \$0.00049972587. The amount involved, i.e. \$10,000.00 has already been paid by Benelong Capital Partners to the Deed Administrators as part of the DOCA.

ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issuer has the prior approval of Shareholders in general meeting.

Further, the issue of new shares contemplated by Resolutions 2 and 3 will, when aggregated with the shares to be issued as contemplated by Resolution 4, exceed 15% threshold in respect of the shares presently on issue.

Information required by ASX Listing Rules

The following information is provided to shareholders in accordance with Listing Rule 7.3 for the purposes of obtaining shareholder approval under Listing Rule 7.1 for Resolution 2:

- (a) The maximum number of shares to be issued by the Company to the Creditors Trust is 1,200,000 shares for no consideration;
- (b) It is anticipated that the issue of the shares will occur on one date and will not be later than three months after the date of the meeting;
- (c) It is proposed that the 1,200,000 shares be issued to the Creditors Trust;
- (d) The new shares will rank equally with the existing shares;
- (e) There will be no funds raised from the issue of the shares; and
- (f) The date of allotment of the shares will be the same date on which they are issued.

The following information is provided to Shareholders in accordance with Listing Rule 7.3 for the purpose of obtaining shareholder approval under Listing Rule 7.1 for Resolution 3:

- (g) The maximum number of shares to be issued by the Company to Benelong Capital Partners Pty Ltd or its nominee is 20,010,971 shares at an issue price of \$0.00049972587 to raise \$10,000;
- (h) It is anticipated that the issue of the shares will occur on one date and will not be later than three months after the date of the meeting;
- (i) It is proposed that the 20,010,971 shares be issued to Benelong Capital Partners Pty Ltd or its nominee;
- (j) The new shares will rank equally with the existing shares;
- (k) The funds raised from the issue of the shares will be used in accordance with the Recapitalisation Proposal and for the purposes set out in Section 1.1.3 of this Statement; and
- (l) The date of allotment of the shares will be the same date on which they are issued.

2.3 Resolution 4 Allotment and Issue of new Shares to Gurney Capital Nominees Pty Ltd

This Resolution is required to be approved by Shareholders in accordance with Item 7 of Section 611 of the Corporations Act 2011. 450 million shares are being issued to Gurney Capital Nominees Pty Ltd at an issue price of \$0.001 to raise \$450,000.00.

Table 1 – Maximum number of Shares which Gurney Capital Nominees Pty Ltd will hold after the allotment.

Column 1	Column 2	Column 3
Name of allottee	Maximum number of Shares to be issued under Resolution 2	Maximum Voting power of Gurney Capital Nominees Pty Ltd
Gurney Capital Nominees Pty Ltd	450 million	92.03%

Section 611 of the Corporations Act

Shareholder approval of Resolution 4 is also required under Item 7 of section 611 of the Corporations Act given Resolution 4 involves the issue of more than 20% of all Shares then on issue.

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person in concert with whom a primary person is acting or proposes to act.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Chapter 2E of the Corporations Act

Section 208(1) of the Corporations Act requires that for a public company to give a financial benefit to a related party of the public company, it must either fall within certain

exceptions or obtain shareholder approval. A related party includes a party that does or may control a public company. Accordingly Gurney Capital Nominees Pty Ltd is a related party of the Company for the purposes of Chapter 2E of the Corporations Act.

Information required by Item 7 of the Section 611 of the Corporations Act

Also set out below are the matters required to be disclosed in accordance with Item 7(b) of Section 611 of the Corporations Act being:

(a) *the identity of the person proposing to make the acquisition and their associates:*

It is proposed that 450 million Shares be issued to Gurney Capital Nominees Pty Ltd as per Resolution 4. None of its associates have relevant interests in any Shares existing as at the date of this Notice.

(b) *the maximum extent of the increase in that person's the voting power in the company that would result from the acquisition:*

If Resolution 4 is passed Gurney Capital Nominees Pty Ltd's voting power in the Company will increase from 0% to 92.03%.

(c) *the voting power that the relevant allottees would have as a result of the acquisition:*

If Resolution 4 is passed Gurney Capital Nominees Pty Ltd's voting power in the Company will be 92.03%.

(d) *the maximum extent of the increase in the voting power of each of the allottee's associates that would result from the acquisition*As Gurney Capital Nominees Pty Ltd has no associates holding any relevant interest in existing Shares there is no increase in its voting power in the Company as a result of the acquisition.

(e) *the voting power that each of the allottee's associates would have as a result of the acquisition:*

As Gurney Capital Nominees Pty Ltd has no associates holding any relevant interest in existing Shares. Its voting power in the Company as a result of the acquisition will be 92.03%.

Other Required Information - ASIC regulatory Guide 74

The following further information is disclosed:

- (a) The Company will review its current business activities. As part of this process, it is proposed that New Directors will be elected to the Board. These elections form the subject of separate Resolutions. The existing Directors and company secretary will be removed;
- (b) In accordance with the Recapitalisation Proposal, the Company intends to raise capital to:
- (i) pay for the DOCA and recapitalisation costs and expenses so as to remove the Company from Administration and to extinguish all debt of the Company;
 - (ii) provide funds for the assessment of the Company's business;
 - (iii) provide funds for the assessment of additional opportunities, as identified by the Company; and

(iv) meet the administration costs of the Company .

The Company will have sufficient funds if all Resolutions are passed and share capital raised in order to meet the aims of the Recapitalisation Proposal;

- (c) There is no current intention to redeploy any other fixed assets of the Company or to change the Company's existing policies in relation to financial matters or dividends. At present, the Company does not pay a dividend. The dividend policy of the Company will be assessed in accordance with the future profitability of the Company's business; and
- (d) if Resolution 4 is passed and Gurney Capital Nominees Pty Ltd holds a relevant interest in 92.03% of all Shares then on issue, it will have the right to compulsory acquire all remaining Shares in accordance with Part 6A.2 of the Corporations Act and Regulatory Guide 10 (Guide 159 previously). At this time, the Investment Group does not believe that Gurney Capital Nominees Pty Ltd will exercise such rights and Gurney Capital Group Nominees Pty Ltd has consented to this statement.
- (e) Gurney Capital Nominees Pty Ltd does not intend to inject further capital into the company. ***Independent Expert's Report or IER***

The Listing Rules and the Corporations Act provide that an independent expert's report on the transaction (as contemplated by Resolution 4) must be provided to Shareholders. The IER provides an opinion as to whether the acquisition of the voting power referred to in Resolution 4 and this section, is fair and reasonable to the non- associated Shareholders of the Company.

Accordingly, Benelong has commissioned Stantons International Securities to produce the IER as an independent expert. The IER is enclosed with the Notice and is attached to Annexure A.

Mr John Van Dieren has concluded that the acquisition of the voting power by Gurney Capital Nominees Pty Ltd as contemplated by Resolution 4 ("**Acquisition**") **is fair and reasonable to the Shareholders of the Company.**

The advantages and disadvantages of the Recapitalisation Proposal are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the Acquisition proceeds than if not.

Shareholders are urged to carefully read the IER in deciding how to vote on the Resolutions, particularly Resolution 4.

Other required information – ASIC Regulatory Guide 76

The following further information is disclosed:

- (a) The related party is Gurney Capital Nominees Pty Ltd, a Melbourne based company controlled by Mr Timothy Clark;
- (b) The nature of the financial benefit is the issue of 450,000,000 Ordinary Shares in the capital of the Company as set out in this Explanatory Memorandum;
- (c) The Directors of the Company make no recommendation in relation to whether Shareholders should or should not vote in favour of the Resolution;
- (d) No Directors have an interest in the outcome of the Resolution
- (e) All other information that is reasonably required by Shareholders to decide

whether or not it is in the Company's interests to pass a resolution and that is known to the Company is set out in this Explanatory Memorandum and in the Independent Expert's Report.

Directors' Recommendations

As the Company is subject to the DOCA, and as the existing Directors of the Company have not participated in the decision making with regard to the Recapitalisation Proposal, the existing Directors of the Company do not make any recommendation in respect of the Recapitalisation proposal. Shareholders should read this Statement in full, including the Letter, and the IER, to form an opinion on the merits of the Recapitalisation Proposal.

Pro forma Consolidated Balance Sheet

Set out below is a statement of financial position of the Company based on the Administrators records as at November 2015, and compiled by Mr Steve Nicols, together with the pro forma balance sheet as at December 2015 date if all Resolutions are passed, (compiled by Mr Steve Nicols).

	Unaudited Estimated Statement of Financial Position As at Nov 2015 \$	Pro-forma Statement of Financial Position after resolutions passed \$
Current Assets		
Cash assets	0	45,000 *See Note 1
	-----	-----
	0	
Non Current Assets		
Interests in Subsidiaries	0	0
Intellectual Property	0	0
	-----	-----
Total Assets	0	45,000
	-----	-----
Liabilities		
Trade creditors and accruals	(17,359,509)	
	-----	-----
Total Current Liabilities	(17,359,509)	0
	-----	-----
Net Deficiency/Surplus	(17,359,509)	45,000
	=====	=====
Equity		
Issued Capital	48,312,000	48,357,000 **See Note 2
Accumulated Losses	(65,671,509)	(48,312,000)**See Note 3
	-----	-----
Total Equity	(17,359,509)	45,000
	=====	=====

Note 1

The movement in the cash assets is reconciled as follows:

Cash assets:	\$
Opening Balance	0
Placement of shares at \$0.001 each	450,000
Placement of shares at \$0.00049972587 each	10,000
	<u> </u>
DOCA, Recapitalisation Costs	(415,000)
	<u> </u>
Closing balance (estimated)	45,000

Note 2

The movement in the issued capital reconciled as follows:

Issued Capital:	\$
Opening Balance	48,312,000
Placement of shares at \$0.001 each	450,000
Placement of shares at \$0.00049972587 each	10,000
DOCA, Recapitalisation Costs	(415,000)
	<u> </u>
Closing balance (estimated)	48,357,000

Note 3

Creditors claims reduced via DOCA settlement.

Prior Financial Position

The company's last set of financial statements were for the six months ending 31 December 2014, and were lodged on ASX on 16 March 2015. The assets disclosed therein have since been subject to sale by the secured creditor and Administrator. The Administrator has now sold all operational company assets as per his ASX announcement on 3rd July 2015.

2.4 Resolution 5 to 7 – Removal of Directors and Company Secretary

The Recapitalisation Proposal provides for the removal of the existing Directors and Company Secretary of the Company. Resolutions 5 to 7 seeks to achieve this objective. The New Directors will pass a resolution removing the existing Company Secretary following the conclusion of the Meeting.

2.5 Resolutions 8 to 10 – Election of New Directors and a New Company Secretary

The Recapitalisation Proposal provides for the appointment of a new Board consisting of Mr Peter Wall, Mr Adam Blumenthal, Dr James Ellingford. Mrs Elizabeth Hunt is to be appointed as the new Company Secretary for the Company. Resolutions 8 to 10 seek to achieve this.

The curriculum vitae of each New Director is provided in Section 1.3.

2.6 Resolution 11 - Change of Name

Pursuant to section 157(1) of the Corporations Act, Resolution 11 is a **special resolution** which seeks the approval of Shareholders to change the name of the Company to “Burrabulla Corporation Limited”.

The New Directors believe that this new name is more appropriate for the Company. The change of name will not, in itself, affect the legal status of the Company or any of its assets or liabilities.

To pass a special resolution, 75% of Shareholders attending and entitled to vote at a meeting must approve the resolution. Section 157(1) of the Corporations Act requires, amongst other things, a company to pass a special resolution adopting a new name if it wants to change its name. The Company will apply to ASIC for the change of name which will take effect upon a new certificate of registration being issued.

3. ENQUIRIES

Shareholders are invited to contact Mr Steve Nicols of Benelong Capital Partners Pty Ltd on phone +61 2 9299 2289 if they have any queries in respect of the matters set out in these documents.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

A General Meeting of the shareholders of South American Ferro Metals Limited (Subject to Deed of Company Arrangement) will be held on Wednesday at 11am on 13 January 2016 at

Nicols and Brien
Level 2
350 Kent Street
SYDNEY NSW 2000
AUSTRALIA
Phone +61 2 9299 2289

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 11.00 a.m. (Sydney Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (International: + 61 2 9299 2239); or
- deliver the proxy to the Company at c/- Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales, Australia.

so that it is received not later than 11.00am . (Sydney Time) on Monday 11 January 2016.

Your proxy form is enclosed.

GLOSSARY

Administrators mean Quentin James Olde and Nathan Vance Laundry of FTI Consulting, Level 15, 50 Pitt Street, Sydney NSW 2000.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange, operated by ASX Limited, as the context requires

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Benelong means Benelong Capital Partners Pty Ltd (ACN 145 496 233)

Board means the board of directors of the Company.

Company means South American Ferro Metals Limited (Subject to Deed of Company Arrangement) (ABN 27 128 806 977).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Creditor means a creditor of the Company as at the date of the Notice.

Creditor's Trust means the trust to be established in accordance with the terms of the Recapitalisation Proposal and the DOCA for the purpose of satisfying approved Creditor's claims.

Deed Administrators means Quentin James Olde and Nathan Vance Laundry of FTI Consulting, Level 15, 50 Pitt Street, Sydney, so appointed under the DOCA.

Deed of Company Arrangement or DOCA means the Deed of Company Arrangement between Benelong, Deed Administrators and the Company Dated 8 October 2015 and includes any variation to such.

Director means a director of the Company.

Dollar or \$ means Australian dollars.

Explanatory Statement or **Statement** means the explanatory statement to the Notice of General Meeting.

Glossary means this glossary.

Independent Expert's Report or IER means the Independent Expert's Report prepared by Stantons International Securities and contained in Annexure A to the Notice.

Meeting means the general meeting of the Shareholders convened by the Notice to be held on 13 January 2016.

New Directors means the Directors to be appointed under Resolutions 8, 9 and 10.

Notice means this notice of general meeting of the Shareholders in respect of the Meeting to be held on 13 January 2016.

Options means the options granted over shares from time to time that have not yet expired.

Recapitalisation Proposal means the Recapitalisation Proposal submitted by Benelong to the Deed Administrators dated 8 October 2015 relating to the restructure and recapitalisation of the Company.

Resolutions means the resolutions described in the Notice..

Shareholder means the holder of Shares.

Shares means ordinary class shares in the capital of the Company.

Sydney Time means time in Sydney NSW from time to time.

Trustees means Trustee of the Creditors Trust, being Quentin James Olde and Nathan Vance Laundry.

**PROXY FORM
 APPOINTMENT OF PROXY
 SOUTH AMERICAN FERRO METALS LIMITED
 (Subject to Deed of Company Arrangement)
 ABN 27 128 806 977**

GENERAL MEETING

I/We

being a Member of South American Ferro Metals Limited (Subject to Deed of Company Arrangement) entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman'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 Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales on 13 January 2016 and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Allotment and Issue of Shares to Creditors Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Allotment and Issue of Shares to Benelong Capital Partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Allotment and Issue of Shares to Gurney Capital Nominees Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Removal of John Turner as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Removal of Terence Willsteed as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Removal of Alan Doyle as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Appointment of Peter Wall as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Appointment of Adam Blumenthal as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Appointment of James Ellingford as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Change of Name (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

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

If two proxies are being appointed, the proportion of voting rights this proxy represent _____ %

Signed this _____ day of _____ 20_____

Individuals and joint holders Companies (affix common seal if appropriate)

Signature

Signature

Director

Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - For a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. You may fax the Proxy form to: Facsimile No. +61 2 9299 2239 or mail to Benelong Capital Partners Pty Ltd, Level 2, 350 Kent Street, Sydney NSW 2000.
7. The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile).
8. Any questions, please call Steve Nicols on phone +61 2 9299 2289, or email to steve@benelongcapitalpartners.com

ANNEXURE A

INDEPENDENT EXPERT'S REPORT BY STANTONS INTERNATIONAL SECURITIES

15 December 2015

South American Ferro Metals Limited
C/- Benelong Capital Partners Pty Ltd
Level 2, 350 Kent Street
SYDNEY NSW 2000

Summary of Opinion

For the purposes of Section 611 (item 7) of TCA, in relation to the approval to issue 450,000,000 post consolidation shares to Gurney, in our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 8 of this report, the proposals as outlined in paragraph 1.3 and Resolution 4 may on balance be considered to be fair and reasonable to the non associated shareholders at the date of this report.

Dear Sirs

RE: SOUTH AMERICAN FERRO METALS LIMITED (ACN 128 806 977) ("SAFM" OR "THE COMPANY") MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA") RELATING TO THE PROPOSAL TO ISSUE 450,000,000 POST CONSOLIDATION SHARES TO GURNEY CAPITAL NOMINEES PTY LTD.

1. Introduction

1.1 We have been requested by Steve Nicols of Benelong Capital Partners Pty Ltd to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals as set out in Resolution 4 of the Notice of Meeting ("the Notice") to be disseminated to shareholders of SAFM in December 2015.

Under the proposals put forward by SAFM and Gurney Capital Nominees ("Gurney") (refer below), Gurney would increase its shareholdings from a starting point that is nil to a shareholding in a recapitalised SAFM of in excess of 20%.

1.2 Further details on Gurney are noted in Section 1.2.1 of the Explanatory Statement ("ES") attached to the Notice that outlines the resolutions being put to the shareholders of SAFM.

1.3 Resolution 4, which is subject to the passing of Resolutions 1 to 3 and 5 to 11 relates to the approval for the Company to allot and issue to Gurney 450,000,000 shares on a post consolidated basis at an issue price of 0.1 cent.

1.4 In addition, as part of the recapitalisation proposal, there are the following additional resolutions:

- Resolution 1, which is subject to the passing of Resolutions 2 to 5 relates to the approval for the Company's existing shares to be consolidated on a 1 for 23 basis;
- Resolution 2 relates to the allotment and issue of 1,200,000 fully paid shares on a post consolidated basis to the SAFM creditors for \$Nil consideration;

Stantons International Securities

- Resolution 3 relates to the issue of 20,010,971 fully paid ordinary shares to Benelong Capital Partners Pty Ltd (or nominee) at an issue price of \$0.00049972587 to raise \$10,000;
- Resolutions 5, 6 and 7 relate to the removal of directors Stephen John Turner, Terence Vincent Willsteed and Alan David Doyle respectively;
- Resolutions 8, 9 and 10 relate to the election of Peter Wall, Adam Blumenthal and James Ellingford respectively as directors of the Company; and
- Resolution 11, relates to the change of name for the Company to be proposed to be changed to Burrabulla Corporation Limited.

We are not reporting on the fairness and reasonableness of Resolutions 1 to 3 and Resolutions 5 to 11. This report specifically addresses Resolution 4 only. However, we note that all of the other resolutions are all part of the recapitalisation proposal of SAFM. Resolutions 1 to 11 are dependent on passing all of the resolutions. Further details on the resolutions are included in the ES.

1.5 We understand that the proposal with Gurney also includes the following:

In the event that the recapitalisation proposal is consummated, the Company would have approximately \$45,000 net cash funds, it would review all of the remaining ventures the Company may have and seek new business opportunities. The Company will not have its shares re-quoted on ASX until it complies with Chapters 1 and 2 of the Listing Rules of ASX.

1.6 The proposed issue of 450,000,000 post consolidation shares to Gurney is referred to in this report as the Subscription for a total capital raising of a gross \$450,000 as noted above and in the ES.

1.7 As at the date of this Notice, Gurney has no relevant interest in any shares in SAFM.

1.8 Following the consummation of the resolution relating to the issue of new shares, the following table depicts the new share structure of the Company assuming Gurney receives the 450,000,000 post consolidation shares described in Resolution 4. Section 1.1.2 of the ES refers to the shareholding details if all resolutions are passed and consummated. The total number of post consolidated shares on issue would be 489,000,000 as detailed in the following tables.

	Existing shareholders/ New shareholders other than Gurney	Maximum No. of Shares to be issued to Gurney pursuant to Resolution 4	% held by Gurney	Total
Existing shareholders pre consolidation	409,147,659	-	-	409,147,659
1:23 Consolidation	(391,358,630)	-	-	(391,358,630)
Post consolidation	17,789,029	-	-	17,789,029
Issue to Creditors Trust (Resolution 2)	1,200,000	-	-	1,200,000
Issue to Benelong Capital Partners (Resolution 3)	20,010,971	-	-	20,010,971
Issue to Gurney (Resolution 4)	-	450,000,000	-	450,000,000
Total after issue to Gurney	39,000,000	450,000,000	92.03	489,000,000
Total shares on issue before any further share issues	39,000,000	450,000,000	92.03	489,000,000

Stantons International Securities

There are 58,587,383 pre-consolidation options in total over the shares of SAFM on issue with expiry dates as follows:

- 4,130,000 options on issue with an exercise price of 36 cents per option expiring on 31 December 2015;
- 7,500,000 options on issue with an exercise price of 12 cents per option expiring on 15 November 2017;
- 20,457,383 options on issue with an exercise price of 7.3 cents per option expiring on 24 July 2018;
- 4,000,000 options on issue with an exercise price of 7.0 cents per option expiring on 23 October 2018;
- 17,500,000 options on issue with an exercise price of 7.0 cents per option expiring on 26 November 2018;
- 2,500,000 options on issue with an exercise price of 12.0 cents per option expiring on 26 November 2018; and
- 2,500,000 options on issue with an exercise price of 7.0 cents per option expiring on 22 January 2019.

Should Resolution 1 be consummated, the above mentioned options would be represented as follows:

- 179,565 options on issue with an exercise price of \$8.28 per option expiring on 31 December 2015;
- 326,087 options on issue with an exercise price of \$2.76 per option expiring on 15 November 2017;
- 889,451 options on issue with an exercise price of \$1.68 per option expiring on 24 July 2018;
- 173,913 options on issue with an exercise price of \$1.61 per option expiring on 23 October 2018;
- 760,870 options on issue with an exercise price of \$1.61 per option expiring on 26 November 2018;
- 108,696 options on issue with an exercise price of \$2.76 per option expiring on 26 November 2018; and
- 108,696 options on issue with an exercise price of \$1.61 per option per option expiring on 22 January 2019.

The above options are considered to be significantly out of the money, and as such have not been included in the potential tables post consolidation.

The ES also refers to various tables outlining the potential shareholdings (and percentages) of the various allottees.

- 1.9 The above recapitalisation is subject to the Company obtaining necessary shareholder approvals and any ASX regulatory re-quotation approvals.
- 1.10 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that person's or someone else's voting power in the company increases:
- (a) from 20% or below to more than 20%; or
 - (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

Stantons International Securities

1.11 Gurney currently holds nil shares in SAFM. Following completion of the recapitalisation and the other proposals noted in paragraph 1.3 above and in the Notice, Gurney would own a total of 450,000,000 post consolidated shares in SAFM representing approximately 92.03% of the then shares on issue. There would be 489,000,000 post consolidation SAFM shares on issue.

1.12 A notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA should be accompanied by an independent expert's report stating whether it is fair and reasonable to approve the issue of 450,000,000 post consolidated shares to Gurney.

To assist shareholders in making a decision on the proposals outlined in the Notice, (and in particular Resolution 4 relating to the issue of shares to Gurney), the administrators have requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposal under Resolution 4 is fair and reasonable to the non-associated shareholders of SAFM.

1.13 We are not reporting on the fairness and reasonableness of the other resolutions referred to in the Notice and ES, other than Resolution 4 as outlined above.

1.14 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals with Gurney
- Corporate history and nature of business
- Future direction of SAFM
- Basis of valuation of SAFM shares
- Premium for control
- Fairness of the Proposals
- Conclusion as to fairness
- Reasonableness of the Proposals
- Conclusion as to reasonableness
- Sources of information
- Appendix A and Financial Services Guide

1.15 In determining the fairness and reasonableness of the transaction pursuant to Resolution 4 we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". The Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non associated shareholders if the transactions proceed compared with if they do not.

- 1.16 Accordingly, our report in relation to Resolution 4 comprising the approval to issue a total of 450,000,000 post consolidated shares, to Gurney is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of SAFM and whether Gurney is paying a premium for control.

Summary of Opinion

- 1.17 **For the purposes of section 611 (item 7) of TCA, the proposal in relation to the approval to issue 450,000,000 post consolidated shares as set out in Resolution 4 is in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 8 of this report, be considered to be fair and reasonable to the non associated shareholders at the date of this report.**
- 1.18 Each shareholder needs to examine the share price of SAFM (but currently suspended from trading), market conditions and announcements made by SAFM up to the date of the shareholders meeting at the time of exercise of vote to ascertain the impact, if any, on Resolution 4. The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

2. Implications of the Proposals

- 2.1 As at 14 December 2015, there are 409,147,659 pre-consolidated ordinary fully paid shares on issue in SAFM. Post the implementation of all of the recapitalisation proposals, the number of shares may increase to 489,000,000 post consolidated shares as set out in paragraph 1.8 above.

Further details on the shares that could be on issue and the shareholding interests of Gurney and other parties are noted in Section 1 of this report and in the Proposed Capital Structure Table in Section 1.1.4 of the ES and in Section 2.3 of the ES attached to the Notice.

- 2.2 Initially, pursuant to Resolution 1 the Company will undertake a consolidation of capital on a 1 for 23 basis resulting in 17,789,029 post consolidated shares on issue.
- 2.3 Pursuant to Resolution 4 the Company will raise a gross \$450,000 on the issue of 450,000,000 post consolidation shares at an issue price of 0.1 cents per share. Following this issue of shares Gurney shareholding will increase from nil% to approximately 92.03%.
- 2.4 The estimated costs of the Notice for the Meeting of Shareholders and other recapitalisation costs (including the DOCA costs and Deed repayment) will be approximately \$415,000.
- 2.5 The recapitalisation proposal provides that from the date of the Meeting, the Board is likely to include suggested nominees of Gurney, being Messer's Peter Wall, Adam Blumenthal and James Ellingford (Resolutions 8, 9 and 10 seeks to ratify the election of Mr Blumenthal). Existing Directors, Mr Stephen John Turner, Mr Terence Vincent Willstead and Mr Alan David Doyle will be removed as directors (refer to Resolutions 5, 6 and 7 respectively). The new board will include three new directors Peter Wall, Adam Blumenthal and James Ellingford. Resolutions 8, 9 and 10 seek to achieve this.
- 2.6 Set out below is an estimated unaudited statement of financial position of the Company as at November 2015 provided by Benelong Capital Partners Pty Ltd together with the pro-forma balance sheet (statement of financial position) adjusted to include the transactions assuming all resolutions are passed and consummated.

Stantons International Securities

	Estimated Statement of Financial Position* \$	Statement of Financial Position after Resolutions 1 to 11 passed \$
Current Assets		
Cash Assets	-	45,000
Total current assets	-	45,000
Non Current Assets		
Other financial assets	-	-
Total non-current assets	-	-
Total Assets	-	45,000
Liabilities		
Trade Creditors and Accruals	17,359,509	-
Total Current Liabilities	17,359,509	-
Net Assets/ (Liabilities)	(17,359,509)	45,000
Equity		
Issued Capital	48,312,000	48,357,000
Reserves	-	-
Accumulated Losses	(65,671,509)	(48,312,000)
Total Equity/(Deficiency)	(17,359,509)	45,000
Post consolidated shares on issue	17,789,029	489,000,000
Net assets/(liabilities) per post consolidated share (cents)	(97.59)	0.0092

We have read the Administrators Report to Creditors and note that no offers have been made to purchase the Company as a shell company. We note that the Administrators recommended the Benelong proposal to recapitalise the Company. It is noted that values of shell companies vary considerably but for small cap companies may vary between \$250,000 and \$500,000. However it is noted that the Company cannot sell itself and parties are only prepared to place funds in a company shell on the back of a firm proposal (as is the case with SAFM). The amount payable is dependent on a number of factors including shareholder spread, ASX compliance matters and extent of debt amongst many factors. In our view a Company such as SAFM may have a shell value not exceeding \$300,000 but realistically this would be based on the premise that the Company has no or very minimal debt. SAFM has net liabilities and will need to comply with ASX Listing Rules (Chapters 1 and 2) in order to have its shares requoted. This can be a difficult exercise and no guarantee that it can occur. The raising of an initial gross \$450,000 will not be enough to ensure meeting ASX Listing Rules for re-quotation.

In the event that a notional value was ascribed to the Company as a shell company of \$300,000, the value per share would be negative pre-recapitalisation and 0.061 cents on a post consolidation and post recapitalisation basis. However, we consider this is misleading as no investor(s) would pay for a controlling interest in SAFM without a firm recapitalisation proposal that not only assumes the investor(s) would place funds in SAFM but would assume further investors would place funds in SAFM to recapitalise the Company (at least to the extent of sufficient funds to pay out creditors) and have some sufficient working capital to explore new business opportunities, and probably seek ASX quotation, that as noted elsewhere in this report, has quite a challenge attached to it.

Stantons International Securities

Note 1	
The movement in the cash assets is reconciled as follows:	\$
Cash Assets:	
Opening Balance	-
Placement of 450,000,000 post consolidation shares (Resolution 4)	450,000
Repayment of creditors/DOCA Costs	(415,000)
Placement of 20,010,971 shares to Benelong (Resolution 3)	10,000
Net cash on hand	<u>45,000</u>

Note 2	
The movement in the issued capital is reconciled as follows:	\$
Issued Capital:	
Opening Balance	48,312,000
Placement of shares to Gurney (Resolution 4)	450,000
Placement of shares to Benelong (Resolution 3)	10,000
Costs of Notice and recapitalisation	(415,000)
Closing balance (estimated)	<u>48,357,000</u>

We have been advised by the Directors, that the most recent available set of reviewed financial statements of the Company is for the half year ended 31 December 2014 (released on the ASX on 16 March 2015). The estimated statement of financial position as at November 2015 has been provided to us by Steve Nicols of Benelong Partners and has not been audited or audit reviewed by Stantons International Securities Pty Ltd.

3. Corporate History and Nature of Business

3.1 The Company's shares were suspended from trading on the official list of the ASX on 22 May 2015. The Company, originally called Riviera Resources Limited, was incorporated on 6 December 2007 and achieved ASX listing on 10 September 2008. The Company's historical business operations related to the Ponto Verde Iron Ore Project located near Belo Horizonte, Brazil.

The Company commenced iron production in 2010 and in December 2011 the company announced an initial JORC resource of 230 million tonnes of iron ore. Due to the collapse of commodity prices, and in particular iron ore, in addition to the delays in obtaining expansion licences, the Secured Creditor of the Company appointed a voluntary administrator on the 22 May 2015.

3.2 A summarised unaudited consolidated balance sheet (statement of financial position) of the SAFM post ratification of Resolutions 1 to 11 is outlined in paragraph 2.6 of this report.

4. Future Directions of SAFM

4.1 We have been advised by the directors that the initial proposals are to:

- Complete all the proposals as noted in the resolutions in the Notice and raise \$450,000 from Gurney. These funds will be used to pay \$150,000 for the DOCA to extinguish creditors, pay for the recapitalisation costs, provide funds for the consideration of opportunities as identified by the Company and to meet future costs and expenses of the Company such as accounting and auditing expenses;
- Composition of the Board of directors of SAFM will change in the near future as outlined in paragraph 2.5; and

- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow.

If Resolutions 1 to 11 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may be dissolved and struck off. However, in the short term the re-quotation of the Company's shares on ASX is unlikely as the Company may need to meet Chapters 1 and 2 of the ASX Listing Rules. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.

5. Basis of Valuation of SAFM

5.1 Shares

5.1.1 In considering the proposals as outlined individually and collectively in Resolution 4, we have sought to determine whether the issue price of the shares to Gurney (or their nominees) is in excess of the current fair value of the shares in SAFM on issue and whether the proposed Gurney subscription is at a price that SAFM could make to unrelated third parties and then conclude whether the proposal is fair and reasonable to the existing non associated shareholders of SAFM.

5.1.2 The valuation methodologies we have considered in determining a theoretical value of a SAFM share are:

- capitalised maintainable earnings/discounted cash flow;
- takeover bid - the price at which an alternative acquirer might be willing to offer;
- adjusted net asset backing and windup value; and
- the recent market prices of SAFM shares.

5.2 Capitalised maintainable earnings and discounted cash flows

5.2.1 SAFM in its own right does not have a reliable cash flow or profit history from a business undertaking (the majority of its production assets are located in the subsidiary, which is not part of the recapitalisation process) and therefore this methodology is not considered to be appropriate. The Company entered into Administration in May 2015 and since then has been looking for new options to recapitalise the Company.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for SAFM could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. Currently the Company does not have sufficient funds to repay its creditors. In the view of the Board, the recapitalisation proposal with Gurney is the most appropriate for the Company. However, if all of the 450,000,000 Gurney shares are issued, Gurney would control approximately 92.03% of the expanded ordinary issued capital of the Company.

5.4 Adjusted Net Asset Backing

Net asset backing and windup value

5.4.1 As noted above prior to the recapitalisation proposal, SAFM has no cash or other assets and nil business activities (due to being in administration). As per the latest reviewed accounts of the Company for the half year ended 31 December 2014 which were issued on 16 March 2015, the principal activity of the Company was to further its iron ore production and renegotiate its funding with its bank. The net asset backing is nil as there is a net liability position of approximately \$17.359 million. On a windup basis, the return to shareholders arguably is nil (refer paragraph 2.6 of this report) as the liabilities exceed the negligible assets of the Company.

It is noted that values of shell companies vary considerably but for small cap companies may vary between \$250,000 and \$500,000 (assuming no or immaterial debt). However it is noted that the Company cannot sell itself and parties are only prepared to place funds in a company shell on the back of a firm proposal (as is the case with SAFM). The amount payable is dependent on a number of factors including shareholder spread, ASX compliance matters and extent of debt amongst many factors. In our view a Company such as SAFM may have a shell value not exceeding \$300,000 (on the assumption that all debt was eliminated). We have conducted a number of expert's reports involving companies being recapitalised and in all cases the "shell value" was based on no or minimal debt. In view of a poor market and lack of investor sentiment for small cap companies over the past several years, a potential "shell value" may be on the lower side of the above range. SAFM has significant debts and even if a value of \$300,000 was attributed to the Company, debts still exceed a potential shell value. Shell value is only paid for on the basis of a recapitalisation proposal and not in isolation. In addition, the Company will need to comply with ASX Listing Rules (Chapters 1 and 2) in order to have its shares relisted. This can be a difficult exercise and no guarantee that it can occur. The raising of \$450,000 will not be enough to ensure meeting ASX Listing Rules for re-quotations.

We reiterate that "shell value" is dependent on a commercial recapitalisation proposal and if shareholders do not approve Gurney proposal or a more superior offer (made before shareholders vote on Resolutions 1 to 11), then shell value does not exist.

It is our understanding that the Company received other offers of recapitalisation but were not as beneficial or commercial to shareholders as the recapitalisation proposal of Gurney.

In the absence of a recapitalisation proposal, returns to shareholders are nil (and creditors are not repaid in full).

In the absence of a commercial recapitalisation (such as proposed by Gurney), eventually, the major creditors and shareholders would withdraw support to keep SAFM alive and it would then be placed into liquidation.

- 5.4.2 Purely based on the net cash value of SAFM following the issue of the 450,000,000 post consolidation shares to Gurney (pursuant to Resolution 4), the net assets would be disclosed at approximately \$45,000 (assuming the Company raises \$450,000 as noted above) which would be equivalent to approximately 0.0092 cents per share, assuming 489,000,000 post consolidated shares would be on issue (inclusive of Resolution 3 also being consummated). This compares with the estimated current net value of a SAFM share of nil cents as noted elsewhere in this report (but recognising it may have some value as a shell company if all debts were eliminated). The Company has a deficiency in shareholders' funds and if placed into liquidation shareholders would receive nil value.

5.5 **Market price of SAFM shares**

- 5.5.1 As the Company has been suspended from the ASX since 22 May 2015, we do not believe it is appropriate to value a SAFM share based on prior quoted prices of SAFM shares on the ASX. From 24 November 2014, the Company traded between 0.2 cents to 1 cent, with the closing price on 22 May 2015 (the day the Company went into voluntary administration) being 0.2 cents.

Summary conclusion on value of a share in SAFM

- 5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of a SAFM share (prior to the recapitalisation proposal) is nil cents (notwithstanding a potential share value that is dependent on a firm recapitalisation proposal and all debts eliminated). As disclosed above the Company has no material assets with minimal business activities.

Stantons International Securities

- 5.7 If the issue of the 450,000,000 post consolidation shares to Gurney is finalised, and the Resolution 3 is consummated raising a further \$10,000 by issue of 20,010,971 shares to Benelong, the net value of a SAFM share immediately post this issue would approximate 0.0092 cents per post consolidated share (assuming that \$460,000 is raised in total as noted in the Resolutions 3 and 4 in the Notice) and accepting the unsubstantiated value of \$nil for the SAFM Business.

6. Premium for Control

- 6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.
- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, Gurney could initially hold up to approximately 92.03% of the expanded issued capital of SAFM. In take-over offers, it is often the case that a premium for control falls in the normal range of 15% to 40% and it is often accepted that a 20% premium for control should be payable. The actual premium may be more or less. In this case, we assume a reasonable premium for control in the current circumstances should be 20%.
- 6.3 The SAFM shares that are proposed to be issued to Gurney (the subject of Resolution 4), are deemed to be theoretically worth nil cents. After various transaction costs and payment of directors' fees and other creditors, a net cash balance of approximately \$45,000 will remain in the Company (assuming the raising of the \$460,000 pursuant to Resolutions 3 and 4 referred to above).

In our opinion, it is possible that Gurney is only paying a small premium for control, however, the non associated shareholders of SAFM are benefiting in that the theoretical value of a SAFM share rises from nil cents (with \$nil of net business assets and minimal business activities) to a company with a theoretical cash backed value of approximately 0.0092 cents per post consolidated share.

If Resolutions 1 to 11 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may eventually be dissolved and struck off. However, in the short term the re-quotation of the Company's shares on ASX is unlikely as the Company may need to meet Chapters 1 and 2 of the ASX Listing Rules. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.

- 6.4 Our preferred methodology is to value SAFM and a SAFM share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.2 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transaction control basis.
- 6.5 We set out below the comparison of the low, preferred and high values of a SAFM share compared to the issue price for the 450,000,000 post consolidated shares to be issued to Gurney.

Stantons International Securities

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a SAFM Share	5.6	0.00	0.00	0.00
Issue price of the Shares to the Gurney		0.1	0.1	0.1
Excess between Subscription Price and fair value		0.1	0.1	0.1

We note elsewhere in this report the potential shell value of SAFM but also note that technically SAFM is insolvent and thus without a recapitalisation proposal, the value of a share in SAFM has no value.

6.6 On a pre Proposed Transaction control basis, the value of a SAFM share is nil cents per share. The issue of 450,000,000 post consolidation shares to Gurney is expected to raise \$450,000. Based on the preferred value of nil cents per share, a premium for control of 0.1 cents per share is being paid by Gurney.

6.7 We note that Gurney will be able to elect a new board.

7. Fairness of the Proposals

7.1 The concept of "fairness" is to be taken to be the value of the offer price, or the consideration being equal to or greater than the value of the securities in the above mentioned offer. As noted above the SAFM shares that are proposed to be issued to Gurney, the subject of Resolution 4 are deemed to be theoretically worth nil cents. Assuming a 20% premium for control, the deemed theoretical value is still nil.

7.2 If the issue of the 450,000,000 post consolidation shares to Gurney is completed, the theoretical value of a SAFM share increases to approximately 0.0092 cents. The theoretical value of a SAFM share post the issue of the shares to Gurney from a non associated shareholder's perspective, based on the estimated net assets of \$45,000 is 0.0092 cents as noted in paragraph 2.6 above which is in excess of the theoretical value pre recapitalisation of nil cents per share (a company with negligible assets and debts totalling approximately \$17.359 million).

7.3 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

- (a) the fair market value of a SAFM share pre-transaction on a control basis; versus
- (b) the fair market value of a SAFM share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

7.4 The low, preferred and high values of a SAFM share pre the Recapitalisation on a control basis is:

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a SAFM Share	5.6	nil	nil	nil

Stantons International Securities

7.5 The preferred fair market value of a SAFM share has been estimated at nil cents on a pre Proposed Transaction control basis. Gurney subscription results in an adjusted value of 0.0092 cents per SAFM share. As the preferred fair market value of a SAFM share is greater on a post transaction basis, the proposed Gurney's Subscription is considered to be fair to the non associated shareholders.

7.6 We set out below the range of estimated technical net asset values of SAFM based on the post recapitalisation Pro-forma Balance Sheet as detailed in paragraph 2.6 adjusted for a minority discount.

	\$
SAFM Business Assets	nil
Cash	45,000
Other current assets	nil
Other current liabilities	nil
Total net assets	<u>45,000</u>
Number of shares on issue	489,000,000
Net asset value per share (cents)	0.0092
Minority interest discount	16.67%
Minority value per share (cents)	0.0077
Issue Price (see paragraph 6.5 above) (approximate cents)	0.1

7.7 As noted above the fair market value of a SAFM share Post-Transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under Resolution 4 has a preferred fair value of approximately 0.0077 cents. Thus on such a basis, the proposals under Resolution 4 would be fair.

7.8 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 6.2.

7.9 We also set out below a comparison of:

- (a) the fair market value of a SAFM share pre-transaction on a control basis; versus
- (b) the fair market value of a SAFM share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares pursuant to Resolution 4.

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a SAFM Share Pre Transaction on a control basis	5.6	nil	nil	nil
Estimated fair value of a SAFM Share Post Transaction on a minority basis	7.6	<u>0.0077</u>	<u>0.0077</u>	<u>0.0077</u>
Excess/(shortfall) between Pre transaction Price and Post transaction Price		<u>0.0077</u>	<u>0.0077</u>	<u>0.0077</u>

Using the preferred net asset fair values, the estimated fair value of a SAFM share Pre Transaction on a control basis is less than the estimated fair value of a SAFM share Post

Transaction on a minority basis and on this basis Gurney's Subscription is considered to be fair to the non associated shareholders of SAFM.

7.10 Conclusion as to fairness

After taking into account the matters referred to in 7 above and elsewhere in this report, we are of the opinion that, in the absence of a superior proposal, the proposals as outlined in Resolution 4 are on balance fair to the non-associated shareholders of SAFM as at the date of this report.

As noted above, if we ascribed a shell value of \$300,000 to the Company the net liabilities pre the recapitalisation proposals would decrease to \$17,059,509 being (4.17) cents per share or approximately (95.90) cents per post consolidated share. This is less than the share price of 0.1 cents per post consolidated share being subscribed by Gurney under Resolution 4. If the Company had no debt and a shell value of \$300,000 the net asset value per share (assuming no options are exercised) pre recapitalisation would be approximately 0.0733 cents per share or approximately 1.69 cents per post consolidated share. However, we reiterate that "shell value" is dependent on a commercial recapitalisation proposal and if shareholders do not approve Gurney's proposal or a superior offer (made before shareholders vote on Resolutions 1 to 11), then shell value does not exist.

8. Reasonableness of the Proposals

Advantages

- 8.1 The passing and consummation of Resolutions 1 to 11 as part of the recapitalisation proposal would result in a net cash position of approximately \$45,000 (assuming the capital raising of the \$450,000 referred to above) and having a company with minimal or no liabilities, compared with the current position whereby the Company has net assets of \$nil and significant debts to pay. The Company would also raise a further \$10,000 through consummation of Resolution 3.
- 8.2 If the proposals per Resolutions 1 to 11 are consummated as part of the recapitalisation process, the net cash asset backing of a SAFM share rises from nil cents to approximately 0.0092 cents (assumes \$460,000 worth of shares are issued for cash).
- 8.3 If Resolutions 1 to 11 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may be dissolved and struck off. However, in the short term the re-quotations of the Company's shares on ASX is unlikely as the Company may need to meet Chapters 1 and 2 of the ASX Listing Rules. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 8.4 The proposed directors bring additional expertise to the Company in that such Directors have financial, accounting, finance and corporate experience and/or experience as directors or managers of public listed companies or other trading entities. The ES discloses the background of the proposed directors.

Disadvantages

- 8.5 A significant shareholding in the Company is being given to Gurney in that it could own up to approximately 92.03% of the expanded issued capital of the Company after the passing of Resolutions 1 to 11 (the passing of Resolutions 1 to 11 are dependent on all resolutions being passed). However, we note that SAFM will be partly recapitalised with approximately \$45,000 in net cash (assuming only the \$460,000 total capital raising), will have no debt and will have the opportunity to consider the acquisition of other assets or businesses. The existing shareholders are diluted to approximately 7.97% after the passing of Resolution 4 (after Resolution 2 and 3 are also passed but before any other shares are issued). It is

assumed that all investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX (the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules).

- 8.6 SAFM would only have approximately net cash of \$45,000 (assuming the raising of \$460,000 as noted above) after the issue of the 450,000,000 post consolidation shares to Gurney (and the issue of 20,010,971 shares to Benelong for a total capital raising of \$10,000 per Resolution 3). As noted above, in the short term the re-quotations of the Company's shares on ASX is unlikely as the Company may need to meet Chapters 1 and 2 of the ASX Listing Rules. The Company would still need to find a new business and raise additional funds so that it could meet the Listing Rules. In the absence of a superior offer (made before shareholders vote on Resolutions 1 to 11) then shell value does not exist and it is quite possible in the absence of any other recapitalisation proposal, the Company could be placed into liquidation.
- 8.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable.

9. Conclusion as to Reasonableness

- 9.1 **After taking into account the matters referred to in 8 above and elsewhere in this report, we are of the opinion that, in the absence of a superior proposal, the proposals as outlined in Resolution 4 are on balance reasonable to the non-associated shareholders of SAFM as at the date of this report.**

10. Shareholder Decision

- 10.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the issue of 450,000,000 post consolidation shares to Gurney (Gurney) is fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to resolutions other than Resolution 4 (but we have been requested to determine whether the proposal pursuant to Resolution 4 is fair and/or reasonable to those shareholders not associated with Gurney). The responsibility for such a voting recommendation lies with the directors of SAFM.
- 10.2 In any event, the decision whether to accept or reject Resolution 4 is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposal under Resolution 4 shareholders should consult their own professional adviser.
- 10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in SAFM. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposal under Resolution 4. Shareholders should consult their own professional adviser in this regard.

11. Sources of Information

- 11.1 In making our assessment as to whether the proposal pursuant to Resolution 4 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of SAFM (such as the Administrators Reports to Creditors) which is relevant in the current circumstances. In addition, we have held discussions with Steve Nicols of Benelong Capital Partners Pty Ltd who is co-ordinating the recapitalisation proposal about the present state of affairs of SAFM. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the Company and publicly filed information on the financial position of the Company lodged via the ASX website.

Stantons International Securities

11.2 Information we have received includes, but is not limited to:

- drafts of the November/December 2015 Notice of General Meeting of Shareholders of SAFM (and drafts of the ES attached);
- discussions with Steve Nicols from Benelong Capital Partners Pty Ltd who is co-ordinating the recapitalisation proposal;
- shareholding details of SAFM ;
- announcements, if any, made by SAFM to the ASX from January 2014 to 14 December 2015;
- Creditors report of SAFM, dated 29 September 2015;
- Signed Amended Deed of Company Arrangement dated 8 October 2015;
- the latest set of reviewed consolidated accounts of SAFM for the half year ended 31 December 2014; and
- unaudited summarised balance sheet of SAFM as at November 2015 as disclosed in the ES attached to the Notice to be issued to shareholders in December 2015.

11.3 Our report includes Appendix A and Financial Services Guide, attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)



Martin Michalik - ACA
Director

APPENDIX A

AUTHOR INDEPENDENCE

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd (trading as Stantons International Securities) dated 15 December 2015, relating to Resolution 4 outlined in the Notice of Meeting of Shareholders and the accompanying ES to be distributed to shareholders of SAFM in December 2015.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with SAFM other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$8,500 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor Martin Michalik and John Van Dieren have received nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd or any directors of Stantons International Securities and Stantons International Audit and Consulting Pty Ltd do not hold any securities in SAFM. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities has consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice. Stantons International Securities has prepared other independent expert reports for parties associated with the Promoter or its nominees.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Investment Advisers Licence (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr Martin Michalik CA and Mr John Van Dieren FCA the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of a director of the Company in order to assist the shareholders of SAFM to assess the merits of the proposal (Resolution 4) to which this report relates. This report has been prepared for the benefit of the SAFM shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act 2001 and does not provide a general expression of Stantons International Securities opinion as to the longer term value of SAFM. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of SAFM or any of its subsidiaries. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposals set out in Resolution 4 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 4.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by the directors (represented by Steve Nicols in lieu of the Directors), its officers and other parties (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), the directors (on behalf of SAFM) has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which SAFM may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by the directors; and
- (b) to indemnify Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from the directors officers and SAFM providing Stantons International Securities any false or misleading information or in the failure of the directors, SAFM and their officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to the proposed Directors and the Promoter for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 15 December 2015**

1. Stantons International Securities Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

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

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated entities receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

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

- Securities (such as shares, options and notes)

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

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

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

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

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

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

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

8. Associations and relationships

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

Telephone: 08 9481 3188
Facsimile: 09 9321 1204

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

9.2 Referral to External Dispute Resolution Scheme

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

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399