

29 August 2011

The Directors
RKS Consolidated Limited
Level 2 Spectrum
100 Railway Road
SUBIACO WA 6008

Dear Sirs,

Independent Expert's Report on the Proposal to acquire 100% of the Issued Share Capital of Scott Creek Coal Pty Limited and related transactions

1. INTRODUCTION

Background

- 1.1 RKS Consolidated Limited ("RKS" or "the Company") historical business operations involved funds management, with a focus on developing and managing investment trusts in a range of asset classes, which business incurred significant operating losses.
- 1.2 The Directors of RKS have identified Scott Creek Coal Pty Limited ("SCC") as a suitable acquisition target with the potential to increase shareholder value. SCC was incorporated on 20 April 2011 in order to make application for and acquire various coal exploration tenements in Queensland.
- 1.3 The proposed transaction involves the acquisition of 100% of the issued capital of SCC from the shareholders of SCC and as consideration the Company will issue 19,281,250 Shares (post Consolidation) at an issue price of \$0.30 per Share to the shareholders of SCC ("Consideration Shares"). The acquisition of SCC by RKS and other related transactions detailed in section 2, is referred to in this report as the "Transaction".
- 1.4 On completion of the Transaction (and passing of the Resolutions the subject of the Notice of Meeting) the business of the Company will change from the existing business to that of the acquisition, exploration and development of coal tenements.

Purpose of Report

- 1.5 Directors of RKS have engaged Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report advising whether, in our opinion, the Transaction is fair and reasonable and to set out the reasons for our conclusions.

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- 1.6 HCC understands and has agreed that this report will accompany the notice to convene a meeting of RKS shareholders, to assist the Shareholders in their consideration of the Transaction and the Resolutions to approve the Transaction, issue of the Consideration Shares and change of business.
- 1.7 Based on the information provided by RKS we are not aware of any specific requirements under the Corporations Act or ASX Listing Rules for this report.

Opinion

- 1.8 In our opinion, the Transaction is fair and reasonable to the Shareholders of RKS.
- 1.9 The ultimate decision however on whether to accept the proposed transaction should be based on shareholders own assessment of their circumstances.

2. OUTLINE OF THE PROPOSED TRANSACTION

- 2.1 The Transaction involves the Company's acquisition of 100% of the issued capital of SCC through the issue of 19,281,250 Shares (post Consolidation) at an issue price of \$0.30 per Share to the shareholders of SCC and the issue of up to 13,605,858 Shares (post Consolidation) to QCC Parties in relation to the exercise of a Call Option in SCC detailed in section 2.7.
- 2.2 The following resolutions will be put to RKS shareholders relating to the Transaction;
- a) the Company's share capital will be consolidated on the basis that every 16 Shares on issue will be consolidated into 1 Share ("Consolidation");
 - b) a total of 19,281,250 Shares (post Consolidation) will be issued at an issue price of \$0.30 per Share to the shareholders of SCC as consideration for the acquisition of their shares in SCC;
 - c) the nature and scale of the Company's activities will change from financial services to the acquisition, exploration and development of coal tenements;
 - d) the name of the Company will be changed from RKS Corporation Limited to Scott Creek Coal Limited;
 - e) a total of up to 15,000,000 Shares (post Consolidation) will be issued at an issue price of not less than \$0.30 per Share to the Excluded Investors to raise up to \$4.5 million ("Placement"); and
 - f) a total of up to 13,605,858 Shares (post Consolidation) will be issued at an issue price of not less than \$0.30 per Share to the QCC Parties ("Call Option Issue").

All resolutions are dependent on the passing of all preceding resolutions.

- 2.3 The Call Option Issue and Placement are required as part of the conditions of a Call Option with QCC detailed below.
- 2.4 SCC was incorporated on 20 April 2011 to make application for and acquire various interests in coal exploration tenements in Queensland's premium coal producing basins.
- 2.5 SCC's major assets comprise interests in various exploration permits for coal (EPC's) or applications for exploration permits for coal (EPCA's) in tenements located in Queensland's Bowen Basin.
- 2.6 On 6 May 2011, contemporaneous with SCC's completion of two raisings of a total of \$1,425,000, SCC entered into an agreement to acquire the entire issued share capital of Eastern Gas Holdings Pty Limited ("EGH"), a company holding interests in 3 coal exploration tenements located in Queensland's Bowen Basin coal producing region.
- 2.7 In addition to acquiring EGH, under the terms of the EGH agreement, SCC was also granted an option to acquire interests in a further 2 EPC's currently held by Queensland Coking Coal Pty Limited ("QCC") and Qld Coal Aust No. 1 Pty Limited ("QCA") ("Call Option"). Consideration for these interests is to be settled by a combination of cash and shares (the "Call Option Issue") upon exercise of the Call Option and an additional future earn-out payment subject to a minimum JORC Measured Resource. The cash consideration for the Call Option totalling \$1,000,000 has already been paid by SCC.

- 2.8 In addition to the EGH acquisition and the QCC Call Option, SCC successfully lodged new applications with the Queensland Department of Mines and Energy (QME) on 1 July 2011 in respect of a further 2 EPC interests, again located centrally within Queensland's Bowen Basin coal producing region.
- 2.9 The exercise of the Call Option is subject to the following conditions:
- (1) a public company listed on the ASX (being the Company) has agreed in writing to acquire:
 - (a) *all the shares in SCC; or*
 - (b) *all of the assets of SCC,*
 and a date for the completion of the proposed Transaction has been agreed;
 - (2) if required, the members of the Company have approved for all purposes the proposed Transaction;
 - (3) a condition of the proposed Transaction is that the QCC Parties be issued with a number of shares in the Company that will equate to 19.9% of the issued capital of the Company immediately after the completion of the proposed Transaction (being the Call Option Issue); and
 - (4) the Company has:
 - (a) undertaken a fundraising of not less than \$4 million;
 - (b) cash reserves at the time of the proposed Transaction of not less than \$3.5 million;
 - (c) net assets at the time of the proposed Transaction of not less than \$3.5 million;
 - and
 - (d) agreed to fund \$2.5 million in exploration expenditure.
 - (5) If all of the conditions of exercise of the Call Option have not been satisfied by 6 October 2011, the Call Option immediately expires.
- 2.10 The issue of the Consideration Shares will result in the voting power in the Company of the 43 shareholders of SCC becoming approximately 28.2% (after the issue of the maximum number of Shares the subject of the Call Option Issue and the Placement). However, after the issue of the Consideration Shares, the individual voting power of none of the 43 shareholders in SCC will increase above 20% and none of the 43 shareholders in SCC currently hold shares in the Company. The QCC parties will also only hold a maximum interest in RKS of 19.9% following completion of the Transaction.
- 2.11 The following table shows the effect on the share capital of RKS after the Transaction:

Effect on Ordinary Shares	Shares
Ordinary shares on issue prior to the Transaction	<u>327,744,622</u>
Shares post Consolidation	20,484,039
Shares issued to SCC shareholders to acquire SCC	19,281,250
Placement Shares to raise \$4.5 million	15,000,000
Shares issued to QCC Parties as part of Call Option Issue	<u>13,605,858</u>
Shares on issue after the Transaction, Placement and Call Option Issue	<u><u>68,371,147</u></u>

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 BASIS OF EVALUATION
- 4 OVERVIEW OF SCC
- 5 OVERVIEW OF RKS
- 6 VALUATION METHODOLOGIES
- 7 VALUE OF SCC AND CALL OPTION
- 8 VALUE OF RKS
- 9 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I STATEMENT OF DECLARATION & QUALIFICATIONS
- II FINANCIAL SERVICES GUIDE

3 BASIS OF EVALUATION

- 3.1 In our assessment of whether the Transaction is fair and reasonable to RKS Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 3.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case 100% of the equity in SCC and the Call Option) is equal to or greater than the value of the consideration being offered (in this case, the Consideration Shares and Call Option Issue). Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair.
- 3.3 Our report has compared the likely advantages and disadvantages to Shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not.
- 3.4 We have considered whether any shareholder will obtain a level of control in RKS as a result of the proposed Transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to Shareholders must be demonstrated. The individual voting power of none of the 43 shareholders in SCC, or the QCC Parties participating in the Call Option Issue, will be above 20% following completion of the Transaction. However, the Transaction will result in the voting power in the Company of the SCC shareholders and QCC Parties becoming approximately 28.2% and 19.9% respectively. Therefore a premium for control may be relevant to this Transaction.
- 3.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the value of SCC, the Call Option and RKS.
- 3.6 In evaluating the Transaction, we have considered the value of the SCC shares being acquired and the value of the Call Option Issue, and compared this to the amount of consideration to be paid through the issue of RKS Shares for the Transaction. We consider that the Transaction will be fair and reasonable if, on balance, the Shareholders in RKS will be better off if the Transaction is approved.
- 3.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of SCC and RKS;
 - The value of SCC, the Call Option and RKS shares, under various methodologies;
 - Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - The likely value and liquidity of RKS shares in the absence of the acquisition;
 - Other qualitative and strategic issues associated with the Transaction.

- 3.8 The documents and information relied on for the purpose of this report include:
- RKS current unaudited Balance Sheet and Pro forma Balance Sheet as prepared by RKS management and advisers;
 - SCC current unaudited Balance Sheet;
 - RKS Notice of General Meeting and Explanatory Memorandum relating to the Transaction;
 - SCC Deed dated 6 May 2011 and Deed of Variation dated 7 June 2011 relating to Exploration Asset acquisitions and the QCC Call Option;
 - Publicly available information on RKS and SCC;
- 3.9 We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose. None of these additional tasks have been undertaken.
- 3.10 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 3.11 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 3.12 HCC are not the auditors of RKS, SCC or QCC. We have analysed and reviewed information provided by the Directors and management of SCC and RKS and made further enquiries where appropriate.
- 3.13 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

4. OVERVIEW OF SCC

- 4.1 SCC was incorporated on 20 April 2011 to make application for and acquire various interests in coal exploration tenements in Queensland's premium coal producing basins.
- 4.2 SCC's major assets currently comprise interests in various exploration permits for coal (EPC's) or applications for exploration permits for coal (EPCA's) in tenements located in Queensland's Bowen Basin. The Bowen Basin is one of Australia's premier coal regions, producing high quality coking coal and export quality thermal coal.
- 4.3 As at the date of this report, EPC and EPCA interests are held as follows:

Tenement ID	Tenement status	No. sub-blocks	Current Registered Holder
EPC 2235 (**)	Granted	1	Eastern Gas Holdings Pty Ltd
EPCA 2518 (**)	Competing Application	3	Eastern Gas Holdings Pty Ltd
EPCA 2381* (**)	Application	2	Eastern Gas Holdings Pty Ltd
EPC 2000*†	Granted	4	Queensland Coking Coal Pty Ltd
EPCA 1749*†	Application	74	Qld Coal Aust No. 1 Pty Ltd
EPCA 2636 (**)	Competing Application	4	Scott Creek Coal Pty Ltd
EPCA 2641 (**)	Competing Application	4	Scott Creek Coal Pty Ltd

* adjoining tenements

† tenements the subject of the Call Option (**Call Option Assets**)

(**) each an 'Asset' for the purposes of this document

Assuming all Resolutions are passed, completion of the Transaction, successful exercise of the Call Option and discharge of all parties' obligations under the Call Option, the above EPC and EPCA interests will cover a total exploration area of approximately 282 sq.km. and will all be 100% owned by SCC.

- 4.4 Set out below is the unaudited Balance Sheet of SCC as at the date of this report.

SCOTT CREEK COAL PTY LIMITED	
CURRENT BALANCE SHEET	
	\$'000
Current Assets	
Cash	80
Other current assets (1)	1,000
	<u>1,080</u>
Non-Current Assets	
Exploration assets (2)	1,760
	<u>1,760</u>
Total Assets	<u>2,840</u>
Total Liabilities	<u>-</u>
Net assets	<u>2,840</u>

(1) Consideration paid for the QCC Call Option

(2) Deemed value of shares issued to acquire Eastern Gas Holdings Pty Limited

5. OVERVIEW OF RKS

- 5.1 RKS previous business operations involve funds management, with a focus on developing and managing investment trusts in a range of asset classes. RKS have incurred significant operating losses due to adverse litigation and the competitive nature of the industry it was engaged in.
- 5.2 RKS has not earned any revenues from business activities since a Deed of Company Arrangement entered into in June 2010.
- 5.3 Set out below is the current unaudited balance sheet of RKS and a pro forma balance sheet assuming completion of the Transaction and the related Call Option Issue and Placement.

RKS CONSOLIDATED LIMITED		
CONSOLIDATED BALANCE SHEET		
	Actual	Pro forma
	\$'000	\$'000
Current Assets		
Cash	20	4,080
Other current assets	-	-
	<u>20</u>	<u>4,080</u>
Non-Current Assets		
Exploration assets	-	6,842
	<u>-</u>	<u>6,842</u>
Total Assets	<u>20</u>	<u>10,922</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net assets	<u>20</u>	<u>10,922</u>

- 5.4 The pro-forma Consolidated Balance Sheet for RKS set out above has been prepared by the Company on the assumptions that the following transactions and events occur:
- The issue of 19,281,250 fully paid ordinary shares (post Consolidation) at an issue price of \$0.30 per Share each with a fair value of \$5,784,375 to the shareholders of SCC in consideration for 100% of the share capital of SCC;
 - The issue of a maximum of 15,000,000 fully paid ordinary shares (post Consolidation) at the minimum issue price of \$0.30 per Share pursuant to the Placement, raising an amount of \$4,500,000, less costs of the Placement;
 - The issue of a maximum 13,605,858 fully paid ordinary shares (post Consolidation) at the minimum issue price of \$0.30 per Share with a fair value of \$4,082,000 to the QCC Parties pursuant to the Call Option Issue. A condition of the Call Option held by SCC is that QCC Parties be issued with a number of shares in RKS that will equate with 19.9% of the issued capital of the Company immediately after the completion of the proposed Transaction.

- 5.5 Other assumptions relating to the pro forma balance sheet include:
- Under the reverse acquisition accounting standard requirements the consolidated financial statements of the legal parent (RKS) are presented as a continuation of the financial statements of the private operating entity (SCC);
 - any excess of the deemed acquisition cost over the cash balances and other net assets of RKS has been treated as a cost of obtaining a listing and recorded as an expense; and
 - any other transaction costs incurred have been allocated between the costs of a new issue of equity shares and the cost of the listing.
- 5.6 Exploration assets in the pro forma balance sheet comprises:
- \$1,760,000 in SCC exploration assets – at cost
- \$1,000,000 consideration paid by SCC for the QCC Call Option on interests in 2 EPC's
- \$4,082,000 deemed value of Call Option Issue.

6. VALUATION METHODOLOGIES

6.1 Selection of Methodology

- 6.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to RKS, SCC and the Call Option.
- 6.1.2 In assessing the value of RKS, SCC and the Call Option we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:
- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
 - Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
 - Discounted Cash Flow: the net present value of future cash flows;
 - Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
 - Comparable Market Transactions: the identification of comparable sale transactions for a similar industry company to that being valued.

We consider each of these valuation methodologies below.

6.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

RKS is currently listed on the ASX but its shares have been suspended from trading for over twelve months and therefore this method is inappropriate as there is no recent trading information.

This method is not appropriate for SCC as its shares are not listed or publicly traded.

This method is not appropriate for the Call Option as this is an asset, not shares in a company.

6.1.4 *Capitalisation of Future Maintainable Earnings*

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiple of earnings. The multiple is a coefficient, representing the risk that the business may not achieve forecast earnings. This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

This method is not considered appropriate for the valuation of RKS as:

- RKS does not have any recent historical earnings on which to base a valuation;
- The company has previously been involved in financial services which does not relate to the proposed business activity.

This method is not considered appropriate for the valuation of SCC or the Call Option. SCC has only recently been incorporated and the exploration assets held by SCC, including the assets being acquired as part of the Call Option, are not currently contributing to earnings. It therefore does not have any historical earnings on which to base a valuation.

6.1.5 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be earned from the business over its life. The cash flows are discounted to reflect the risk involved with achieving the forecast cash flows.

Management of SCC are unable to forecast future cash flows from its exploration assets or from the Call Option with sufficient confidence and verification without the use of an industry expert. Neither SCC nor RKS have prepared forecast cash flows, therefore a value cannot be placed on RKS, SCC or the Call Option, using the discounted cash flow method.

6.1.6 *Realisation of Assets*

The asset approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital.

The notional realisation of assets is an appropriate valuation method for the assets of RKS, which comprise cash only.

The business to be operated by SCC is based on exploration assets, including those being acquired as part of the Call Option, and without an independent expert valuation being undertaken this method is not appropriate. There has been no expert valuation of the exploration assets prepared for SCC.

6.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable transactions to a similar industry company to that being valued.

A condition precedent to completion of the Transaction is the Placement of up to 15,000,000 Shares (post Consolidation) at an issue price of not less than \$0.30 per Share to raise up to \$4.5 million. We consider that this provides a basis for the valuation of SCC and the Call Option as the Placement reflects the market value of the shares

consistent with this Transaction, and therefore the market value of the shares to be issued to SCC shareholders and the Call Option Issue.

We are also not aware of any alternative offers or transactions for the acquisition of the shares in either RKS or SCC, or the Call Option.

6.2 Premium for Control

- 6.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the Transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:
- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
 - b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
 - c) the controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
 - d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.
- 6.2.2 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20 percent of the issued shares in a company. At this time a premium for control should normally be considered.
- 6.2.3 Although the individual voting power of none of the 43 shareholders in SCC or the QCC Parties will be above 20% following completion of the Transaction, the Transaction will result in the voting power in the Company of the SCC shareholders and QCC Parties becoming approximately 28.2% and 19.9% respectively. Therefore a premium for control may be relevant to this Transaction.
- 6.2.4 Our experience suggests the value of a listed company is between \$600,000 and \$800,000 depending on the subsequent regulatory requirements, including necessary compliance with ASX listing requirements. We have included a premium for control in valuing the Company's listing at \$800,000.

7. VALUE OF SCC AND CALL OPTION

7.1 Selected Methodology

7.1.1 We have selected the Market Transactions methodology to apply a value to SCC and the Call Option as detailed in section 6.

7.1.2 We are of the opinion that a secondary valuation methodology for SCC and the Call Option is not required as none of the alternate methodologies are appropriate due to the fact that SCC has only recently been incorporated and the exploration assets held by SCC, including those being acquired as part of the Call Option, are not currently contributing to earnings. SCC has not commissioned any industry expert to value the assets of the company.

7.2 Valuation of SCC and Call Option

7.2.1 A proposed resolution relating to the Transaction and the Call Option Issue is a Placement of 15,000,000 Shares (post Consolidation) issued at a price of not less than \$0.30 per Share to raise up to \$4.5 million. We consider that this provides a basis for the valuation of SCC and the Call Option as the Placement reflects the market value of the shares to be issued to acquire SCC and the shares to be issued to QCC Parties.

7.2.2 We therefore conclude that the value of SCC and the Call Option is the amount at which the potential investors are willing to pay to invest in the Company, being **\$0.30** per share (post Consolidation).

7.3 Conclusion on the Value of SCC and the Call Option

7.3.1 The consideration for SCC and the Call Option comprises the issue of 32,887,108 shares (post Consolidation), being:

- a) 19,281,250 Consideration Shares to SCC shareholders; and
- b) 13,605,858 Shares to QCC Parties.

7.3.2 We therefore have determined that the most likely value of SCC and the Call Option is **\$9,866,132**, being a total of 32,887,108 shares issued at a value per share of \$0.30.

8. VALUE OF RKS

8.1 We have selected realisable value of assets as the primary valuation methodology for RKS as detailed in section 6.

8.2 We are of the opinion that a secondary valuation methodology for RKS is not required as none of the alternate methodologies are appropriate due to the fact that the company has no historical earnings and its main asset is cash and the value of its listing.

8.3 Financial information relied upon in applying selected valuation methods

8.3.1 We have reviewed the current unaudited balance sheet of RKS provided by management and advisers. Ultimately, the management of RKS are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

8.4 Realisation of Assets

8.4.1 Currently RKS holds only cash assets with an approximate value of \$20,000. This has been verified to the 30 June 2011 quarterly report lodged by the Company with the ASX and managements estimates of costs incurred subsequent to this date.

8.4.2 RKS currently has 327,744,622 ordinary shares on issue, which is equivalent to 20,484,039 shares on a post Consolidation basis. Prior to the Transaction, the net asset backing per share is therefore \$0.001 per share.

8.4.3 Our experience suggests the value of a listed company is between \$600,000 and \$800,000 depending on the subsequent regulatory requirements, including necessary compliance with ASX listing requirements. Allocating a value for the listed company shell of \$800,000, incorporating a premium for control, would increase the current net asset backing per RKS share to **\$0.04** per share.

8.5 Conclusion on the Value of RKS Shares

8.5.1 A total of 32,887,108 shares are being issued as part of the Transaction, being: 19,281,250 (post Consolidation) Consideration Shares to SCC shareholders; and 13,605,858 (post Consolidation) Shares to QCC Parties.

8.5.2 We therefore have determined that the most likely value of the RKS consideration as part of the Transaction to acquire all the shares in SCC and exercise the Call Option is **\$1,315,484** based on \$0.04 per share.

8.5.3 This compares to the value as determined by third party investors who are participating in the Placement of \$0.30 per share to the extent of \$4,500,000. The Placement is not included in the above calculation as these shares will be issued for cash consideration.

- 8.5.4 The number of shares on issue will increase to 68,371,147 (post Consolidation) after completion of the Transaction. Based on a value per share of \$0.04, the net asset backing of the Company will increase to \$2,734,846. Therefore the net asset backing value of the RKS shares will significantly increase as a result of the Transaction.

9. ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

9.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Shareholders if the Transaction proceeds.

9.2 Advantages of the Transaction

- 9.2.1 Currently the Company holds only cash assets. Given its limited capital and lack of income producing assets it will have difficulty in creating significant value for shareholders. The Directors of RKS have determined that SCC has the potential to increase RKS shareholder value.
- 9.2.2 Completion of the Transaction will assist in eventually enabling the Company to apply to the ASX to have its suspension of share trading removed and allow its shares to be traded on the ASX, subject to the Company meeting the requirements in Chapters 1 and 2 of the ASX Listing Rules.
- 9.2.3 The Placement is to be conducted at a price of no less than \$0.30, the same nominal price of the Call Option Issue and the price at which the SCC shareholders will receive their Consideration Shares.
- 9.2.4 The RKS Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company.

9.3 Disadvantages of the Transaction

- 9.3.1 There may be other opportunities RKS will not be able to undertake to realise the value of its listing if it accepts this Transaction.
- 9.3.2 The transaction will result in the dilution of current shareholder's ownership percentages.

10. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

10.1 Fairness

For the Transaction to be fair, the value of the SCC shares being acquired must be equal to or greater than the value of the consideration paid by RKS.

Based on the analysis contained in section 7 of this report, the indicative value of SCC and the Call Option is **\$9,866,132**, based on a value of \$0.30 per share.

Consideration within or below that range would be fair.

Based on the analysis contained in section 8 of this report, the indicative value of the consideration being paid by RKS, being the Consideration Shares to SCC shareholders and the Call Option Issue is **\$1,315,484**, based on a value of \$0.04 per share.

Therefore, based on a comparison of the value attributed to SCC and the Call Option and the consideration being paid by RKS, in our opinion the Transaction is fair.

10.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- Currently the Company holds only cash assets. Given its limited capital and lack of income producing assets it will have difficulty in creating significant value for shareholders. The Directors of RKS have determined that SCC has the potential to increase RKS shareholder value.
- Completion of the Transaction will assist in eventually enabling the Company to apply to the ASX to have its suspension of share trading removed and allow its shares to be traded on the ASX, subject to the Company meeting the requirements in Chapters 1 and 2 of the ASX Listing Rules.
- The Placement is to be conducted at a price of no less than \$0.30, the same nominal price of the Call Option Issue and the price at which the SCC shareholders will receive their Consideration Shares.
- The RKS Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company.
- We are unaware of any alternative proposal at the date of this report that could realise better value for RKS shareholders.

Having considered that the Transaction is fair, the potential of the SCC business, including the assets being acquired as part of the Call Option, and the alternatives of not proceeding with the Transaction, in our opinion the Shareholders of RKS should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited

A handwritten signature in dark ink, appearing to read 'Kenney', with a large, stylized flourish extending downwards and to the right.

DAVID KENNEY

A handwritten signature in dark ink, appearing to read 'Drew Townsend', with a large, stylized flourish extending to the right.

DREW TOWNSEND

APPENDIX I - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to RKS, SCC and QCC with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of RKS, SCC and QCC.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with RKS, SCC, QCC their related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of RKS for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of RKS have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by RKS and SCC as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in section 3 of this report.

RKS has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by RKS to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 29, St Martin's Tower, 31 Market Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of RKS. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to RKS shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the proposed Transaction is fair and reasonable.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to RKS shareholders.

Shareholders should read all documents issued by RKS that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these additional documents, with the exception of this report.

This report has been prepared specifically for the Directors and Shareholders of RKS. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Director or Shareholder of RKS, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

HCC its officers, representatives, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in the documents for any loss or damage suffered by any person directly or indirectly through reliance on this information.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX II - FINANCIAL SERVICES GUIDE

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 29, St Martin’s Tower, 31 Market Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients.

The Corporations Act 2001 requires HCC to provide this Financial Services Guide (“FSG”) in connection with its provision of an independent expert’s report (“Report”) which is included in a Notice of Meeting (“Notice”) provided to members by the company or other entity for which HCC prepares the Report.

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

When providing Reports, HCC’s client is the Entity to which it provides the Report. HCC receives its remuneration from the Entity. In respect of the Report for RKS Consolidated Limited (“RKS”) in relation to the proposed acquisition of all the issued shares of SCC Group (“SCC”) and related transactions, HCC will receive a fee for its services on a time cost basis estimated to be \$10,000, excluding GST.

No related body corporate of HCC, or any of the directors or employees of HCC or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

HCC is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission. The following information in relation to the independence of HCC is stated in Appendix I of this report:

“Hall Chadwick Corporate (NSW) Limited (“HCC”) has a license to prepare reports under the Corporations Act and its representatives are qualified to provide this report. Prior to accepting this engagement HCC determined its independence with respect to RKS, SCC and QCC with reference to ASIC Regulatory Guide 112(RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of RKS, SCC and QCC.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with RKS, SCC or QCC, their related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type.

Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.”

HCC has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, membership number 11442.

HCC is only responsible for the Report and this FSG. Complaints or questions about the Notice should not be directed to HCC which is not responsible for that document. HCC will not respond in any way that might involve any provision of financial product advice to any retail investor.