
SOUTHERN CROWN RESOURCES LIMITED
ABN 52 143 416 531

NOTICE OF GENERAL MEETING

TIME: 10.30am (WST)

DATE: 5 May 2011

PLACE: The Celtic Club
48 Ord Street
West Perth, Western Australia

The Independent Expert has concluded that the transaction related to the Acquisition the subject of the Resolutions outlined in this Notice of General Meeting is FAIR AND REASONABLE to Shareholders.

All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Adrian Hill on (+61 3) 9813 3882.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Southern Crown Resources Limited will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 5 May 2011 at 10.30am (WST).

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

To vote in person, you must attend the meeting on the date and at the place set out above. The meeting will commence at 10.30am (WST).

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 return it to the Company's share registry, Computershare Investor Services Pty Limited by:

- (a) facsimile to 1800 783 447 (from within Australia) or +61 3 9473 2555 (from outside Australia); or
- (b) post to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001.

Your proxy must be received by no later than 10.30am (WST) 3 May 2011.

Proxy forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Southern Crown Resources Limited will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 5 May 2011 at 10.30am (WST).

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

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company on 3 May 2011 at 7.00pm (Sydney time).

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

AGENDA

SPECIAL BUSINESS

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered as special business.

1. RESOLUTION 1 – APPROVAL FOR CHANGE OF SCALE OF ACTIVITIES

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

“That, for the purpose of Listing Rule 11.1.2 of the Listing Rules of ASX Limited, and for all other purposes, approval is given for the Company to make a significant change in the scale of its activities as described in the Explanatory Statement accompanying this Notice.”

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

2. RESOLUTION 2 – APPROVAL TO ISSUE NEW CLASSES OF SECURITIES

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

“That, subject to the passing of Resolution 1, for the purposes of Section 246B of the Corporations Act, clause 10.1 of the Constitution and for all other purposes, the Company is authorised to issue Performance Shares on the terms and conditions set out in the Explanatory Statement.”

3. RESOLUTION 3 – ISSUE OF SHARES AND PERFORMANCE SHARES TO VENDORS AND FOR VENDORS TO ACQUIRE A RELEVANT INTEREST IN THE COMPANY

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 Resolution 1 and 2, for the purposes of Item 7 of Section 611 of the Corporations Act and for all other purposes, approval be given for the Vendors to acquire relevant interests in voting shares in the Company through the issue of the following Securities to the Vendors (or their nominees):

- (a) up to 8,000,000 Shares;*
- (b) 7,000,000 Class A Performance Shares convertible into Shares on the terms and conditions outlined in Schedule 1;*
- (c) 7,500,000 Class B Performance Shares convertible into Shares on the terms and conditions outlined in Schedule 2;*
- (d) 7,500,000 Class C Performance Shares convertible into Shares on the terms and conditions outlined in Schedule 3; and*
- (e) 15,000,000 Class D Performance Shares convertible into Shares on the terms and conditions outlined in Schedule 4,*

and as a result for Umbono Capital Partners LLC to increase its voting power in the Company to up to 30.71% on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

Expert’s Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under this Resolution 3. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction the subject of Resolution 3 to the non-associated Shareholders in the Company.

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

4. RESOLUTION 4 – APPROVAL TO ISSUE OPTIONS TO A PROPOSED DIRECTOR – JOCK HARMER

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

“That, subject to his appointment as a Director of the Company, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Options to Dr Robin “Jock” Harmer (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

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

5. RESOLUTION 5 – ISSUE OF SHARES TO WESTORIA CAPITAL

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 (inclusive), for the purpose of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Directors to allot and issue 500,000 Shares to Westoria Capital Pty Ltd on the terms and conditions set out in the Explanatory Statement.”

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

DATED: 31 MARCH 2011

Adrian Hill
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.30am (WST) on 5 May 2011 at The Celtic Club, 48 Ord Street, West Perth, Western Australia.

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

1. OVERVIEW OF TRANSACTION

1.1 Background on Company

On 18 October 2010, the Company lodged with the ASIC a prospectus for the offer of up to 20,000,000 Shares at \$0.20 per Share with one (1) free Option for every two (2) Shares issued to raise up to \$4,000,000 for the purpose of making an application for Official Quotation of the Company on ASX (**Prospectus**). Subsequently, on 2 December 2010, the Company commenced Official Quotation on ASX. In its Prospectus, the Company stated that its objectives were to:

“enhance Shareholder wealth through participation in the exploration, discovery and development of economic mining projects on mining tenure it owns or in which it may subsequently acquire an interest.

In the short to medium term after listing on ASX, the Company intends implementing exploration work programmes on its existing projects while continuing to evaluate additional exploration projects being within Australia and overseas that the Directors consider could add value for Shareholders. These projects may be in commodities other than gold and copper.”

On 21 December 2010, the Company announced to ASX that it had entered into a binding heads of agreement to acquire 100% of the issued shares in Rare Earth International Limited (a company incorporated in the British Virgin Islands) (**REI**) (**Acquisition**). REI has an application for a rare earth project in Burundi and has additional rights to earn an interest in rare earth projects located in Mozambique and Zambia.

It is a condition of the Acquisition that the resolutions the subject of Resolutions 1 to 3 (inclusive) are passed at the General Meeting.

1.2 Background on REI

REI is a company incorporated in the British Virgin Islands (BVI) that is focussed on identifying and developing rare earth mineral deposits.

As outlined above, REI has lodged applications for mineral tenure in Burundi that it considers prospective for rare earth elements.

REI has also entered into separate joint venture agreements to earn up to a 75% interest in rare earth elements at a project located in Zambia and an 85% interest in rare earth elements at a project located in Mozambique.

A summary of the respective joint venture agreements is outlined in Section 1.7 below.

Details relating to the various projects are outlined in the Geologist's Report annexed to the Independent Expert's Report.

1.3 Summary of Heads of Agreement

On or about 20 December 2010, the Company, Southern Minerals Limited (**Southern Minerals**), Umbono Capital Partners LLC (**Umbono**) and Swan Bridge Resources (**Swan Bridge**) (together the **Vendors**) entered into a binding heads of agreement pursuant to which the Company agreed to acquire 100% of the issued shares in REI (**Heads of Agreement**).

The material terms and conditions of the Heads of Agreement are:

- (a) as consideration for the Vendors agreeing to sell all of their respective shares in the capital of REI, the Company agrees to pay to the Vendors consideration of:
- (i) up to 8,000,000 Shares;
 - (ii) 7,000,000 Class A Performance Shares (**Class A Performance Shares**);
 - (iii) 7,500,000 Class B Performance Shares (**Class B Performance Shares**);
 - (iv) 7,500,000 Class C Performance Shares (**Class C Performance Shares**); and
 - (v) 15,000,000 Class D Performance Shares (**Class D Performance Shares**),

(the Class A Performance Shares, Class B Performance Shares, Class C Performance Shares and Class D Performance Shares are together, **Performance Shares**).

(the REI Shares, Class A Performance Shares, Class B Performance Shares, Class C Performance Shares and Class D Performance Shares are together, **Consideration Shares**).
- (b) The 8,000,000 Shares to be issued to the Vendors are to be issued in two tranches, with 5,000,000 Shares being issued at settlement of the Acquisition (**Tranche 1 Shares**), with the remaining 3,000,000 Shares to be issued upon the receipt by the Company of evidence of the granting of a prospecting licence to an as yet to be incorporated Mozambique registered company in which REI will have an interest within 12 months from the date of settlement (**Tranche 2 Shares**).
- (c) The Heads of Agreement is conditional upon the satisfaction (or waiver by the Company) of the following conditions precedent:
- (i) completion of due diligence by the Company on the business, operations and assets of REI and each of the entities in which REI has an economic interest. The Company is currently in the process of completing its due diligence investigations;

- (ii) completion, to the satisfaction of the Vendors, of due diligence by the Vendors on the business, operations and assets of the Company;
- (iii) the Company receiving all required shareholder approvals under the Corporations Act, ASX Listing Rules, its Constitution and any other relevant legislation to undertake the acquisition and issue the Consideration Shares on the terms consistent with the Heads of Agreement; and
- (iv) the Company receiving all necessary regulatory approvals,

(Conditions Precedent).

- (d) The Vendors agree that, notwithstanding any escrow period imposed by the ASX on the Consideration Shares, the Consideration Shares will be voluntarily escrowed for, in the case of the up to 8,000,000 Shares, 12 months from the date of issue of those Shares, 12 months from the date of issue of any fully paid ordinary shares issued upon the satisfaction of the relevant milestone for the Class A, B and C Performance Shares, and 6 months from the date of issue of any fully paid ordinary shares issued upon satisfaction of the relevant milestone for the Class D Performance Shares.
- (e) The Company agrees to make a loan available to REI of up to \$50,000 (**Loan**) that REI must use to fund its continuing operations at the discretion of the Company.
- (f) Following settlement, the Company will appoint Dr Robin “Jock” Harmer and Mr David Reeves as directors of the Company.
- (g) REI agrees that for a period of two years from the date of the Heads of Agreement, where any of the Vendors acquire any interest in any rare earths project (**Future Project**), the Company will be granted a pre-emptive right to acquire the Future Project at a fair market value.

1.4 Pro-forma Capital Structure

Shares	
Current Shares on issue	29,501,482
Shares to Vendors	8,000,000
Shares to Westoria Capital (Resolution 5)	500,000
Total Shares	38,001,482
Options	
Current Options on issue	14,994,355
Options to be issued to proposed Director	1,000,000
Total Options	15,994,355
Performance Shares	
Current Performance Shares on issue	Nil
Class A Performance Shares to Vendors	7,000,000
Class B Performance Shares to Vendors	7,500,000
Class C Performance Shares to Vendors	7,500,000
Class D Performance Shares to Vendors	15,000,000
Total Performance Shares	37,000,000

1.5 Expenditure Budget

An updated estimate of the intended use of funds following the successful completion of this Acquisition is provided as follows:

Sources and Use of Funds	Year 1	Year 2	Total
Total funds available (31/12/10)			4,060,677
Evaluation and Exploration	\$1,508,862	\$1,570,315	\$3,078,377
Administration Costs	\$483,600	\$498,700	\$982,300
Total	\$1,992,462	\$2,069,015	\$4,060,677

To determine the ongoing exploration priority, the Company currently intends to undertake first pass exploration on all of its projects including both of its existing Australian projects and its new projects acquired under the Acquisition. Follow up exploration expenditure will be prioritised to individual projects that are more likely to provide a JORC compliant Mineral Resource and meet the Company's objectives to enhance shareholder value.

The Company anticipates the existing funds will allow the Company to meet its first phase farm-in obligations at the Nkombwa project in Zambia and the Xiluvo project in Mozambique as both projects are advanced with economic intercepts requiring detailed drilling and sampling.

1.6 Proposed Directors

Under the Heads of Agreement, the Company has agreed to invite, subject to settlement and the receipt of consents to act, Dr Robin "Jock" Harmer and Mr David Reeves as Directors of the Company.

Details of Dr Harmer and Mr Reeves are outlined below.

Dr Robin 'Jock' Harmer

Dr Harmer holds an MSc in Geology from the University of Natal and a PhD in Geochemistry from the University of Cape Town. He is an experienced exploration geologist and academic who has published 37 peer-reviewed papers, many relating to carbonatites. Dr Harmer is a recognised authority on carbonatites and alkaline rocks; he co-authored the section on rare-earth elements in the publication "The Mineral Resources of South Africa" and has managed rare earth element exploration campaigns on several carbonatite complexes in Africa and Greenland.

Mr David Reeves

Mr Reeves holds a first class honours degree in mining engineering, a graduate diploma in applied finance and investment, and a Western Australian first class mine managers certificate of competency. Mr Reeves has been involved with mining precious, base and industrial minerals throughout his career. He has spent the last 13 years in Africa, including Zimplats and Afplats where he was responsible for the successful feasibility studies and development of those projects as well as being intimately involved in the sale of both companies. He has most recently been Managing Director of a private, African focused mineral development company, Southern Minerals. He is currently a Director of ASX listed Minbos Resources Limited.

1.7 Joint Venture Agreements

A summary of the joint venture agreements pursuant to which REI has rights to earn interests in rare earth projects in Zambia and Mozambique is outlined below.

1.7.1 Zambia Joint Venture Agreement

On or about 17 March 2011, REI, African Consolidated Resources Plc (**ACR**) and Fisherman Mining Ltd (**Fisherman**) entered into a Joint Venture Heads of Agreement (**JV Agreement**) pursuant to which Fisherman granted REI the right to earn up to a 75% interest in rare earth elements contained within Prospecting Licence 12198-HQ-LPL held by Fisherman. ACR is the ultimate controller of Fisherman. The JV Agreement replaced an earlier agreement entered into between REI and ACR dated 31 May 2010.

REI may earn an initial 30% interest in the rare earth elements by undertaking exploration of a minimum of US\$750,000 on the Licence within two (2) years of the date of the JV Agreement and developing the Licence to the point of a JORC compliant Mineral Resource (**Phase 1 Earn In**).

Following completion of the initial expenditure, REI may earn a further 20% interest in the rare earth elements by developing at least 50% of the JORC compliant Mineral Resource into a JORC compliant Inferred Resource and spending at least US\$600,000 on exploration on the Licence within 18 months of completion of the Phase 1 Earn In (**Phase 2 Earn In**). At this stage, the interest of REI and ACR in the rare earth elements will be 50% each.

Following the completion of the Phase 2 Earn In, ACR may elect to co-fund the remaining development of the Licence and each party will be required to co-fund all further development of the Licence on the basis of their respective interest.

Should ACR elect not to co-fund the development of the Licence, REI may earn a further 15% interest in the rare earth elements on the Licence by developing the Licence to the point of a JORC compliant pre-feasibility study for a rare earth element Mineral Resource within 18 months of completion of the Phase 2 Earn In (**Phase 3 Earn In**).

Finally, REI may earn a further 10% interest in the rare earth elements on the Licence by developing the Licence to the point of a JORC compliant bankable feasibility study for a rare earth element resource.

1.7.2 Mozambique Joint Venture

On or about 15 December 2009, REI and Promac (a company incorporated in Mozambique) entered into a Joint Venture Heads of Agreement pursuant to which Promac granted REI the right to earn up to an 85% interest in the rare earth elements on Licence No. 720C (**Licence**) held by Promac in Mozambique (**Agreement**).

Promac is the holder of the Licence which entitles Promac to mine for construction aggregate and has the first option to apply for and receive a reconnaissance, exploration licence or mining concession for any associated minerals over the Licence.

REI and Promac agree that they shall apply for a new licence for rare earth elements over the existing Licence by a new company to be incorporated in Mozambique that shall form the vehicle for the joint venture (**Newco**).

REI may earn an initial 50% interest in Newco by undertaking exploration of US\$300,000 on the Licence within three (3) years from the date of the grant of the mineral rights to explore for the rare earth elements.

By incurring further exploration expenditure of US\$300,000, REI can earn a further 25% interest in Newco, taking its total interest to 75%.

By incurring further exploration expenditure of US\$400,000, REI can earn a further 10% interest in Newco, taking its total interest to 85%.

After earning its initial 50% interest, REI may at any time elect not to sole fund the remaining expenditure, at which point the parties will be required to fund the ongoing exploration on a pro rata basis.

1.8 Conditionality of Resolutions

Each of the Resolutions outlined in this Notice of Meeting are conditional on the passing of Resolutions 1 to 3 (inclusive), meaning that in order for the matters the subject of each individual resolution to be passed and implemented, all of the remaining Resolutions must also be passed by Shareholders.

1.9 Future of the Company if Resolutions are not passed

If the Resolutions the subject of this Notice of Meeting are not passed and the Heads of Agreement is not completed, the Company will continue to focus on:

- (a) its existing gold and copper exploration assets in Queensland and New South Wales in the manner outlined in the Prospectus; and
- (b) continue to consider additional exploration projects both in Australia and overseas in accordance with the Company's stated objectives.

1.10 Escrow

In addition to any escrow imposed on the Consideration Shares by ASX, the Vendors have also agreed to a voluntary escrow of the Consideration Shares for the following periods:

- (a) in relation to the 8,000,000 Shares – 12 months from the date of issue of those Shares;
- (b) in relation to the Class A, B and C Performance Shares – 12 months from the date of issue of any Shares issued upon conversion of those Performance Shares; and
- (c) in relation to the Class D Performance Shares – 6 months from the date of issue of any Shares issued upon conversion of those Performance Shares.

Voluntary escrow will only apply to recipients of the Consideration Shares holding greater than 1% of the Shares in the Company (calculated as if all Performance Share milestones were met and all Shares were issued).

ASX has advised that ASX will impose escrow on all Shares, Performance Shares and Shares issued upon conversion of the Performance Shares issued under the Acquisition for a period of 12 months from the date of the issue of the first 5,000,000 Shares under the Heads of Agreement.

1.11 Directors' Recommendation

The Directors consider that the Acquisition to which this Notice of Meeting relates provides an opportunity for the Company to continue to develop its exploration portfolio and is consistent with the Company's stated objectives to enhance shareholder wealth through participation in exploration, discovery and development of economic mining projects. The Directors therefore recommend that in relation to Resolutions 1 to 3 (inclusive) that Shareholders vote in favour of each of those Resolutions to enable the Acquisition to proceed.

Each of the current Directors intends to vote in favour of each of the Resolutions in relation to the Shares that they control, subject to any voting restrictions imposed in relation to any Resolution.

Shareholders are also referred to the Independent Expert's Report enclosed which concludes that the Acquisition is **fair and reasonable** for the non-associated Shareholders of the Company.

Shareholders are encouraged to read the Independent Expert's Report enclosed with this Notice of Meeting.

1.12 Independent Expert's Report

For the purpose of considering the Resolution 3 and in accordance with the Corporations Act, the Company has commissioned BDO Corporate Finance (WA) Pty Ltd (**BDO**) to prepare an independent expert's report on the Acquisition to determine whether the Acquisition is fair and reasonable to the non-associated Shareholders.

BDO have concluded that the Acquisition is **fair and reasonable** to the non-associated Shareholders of the Company.

A copy of the BDO Independent Expert's Report is included as an Annexure with this Notice of Meeting. Shareholders are encouraged to consider the Independent Expert's Report in full.

1.13 Conclusion

The Resolutions set out in the Notice are important and affect the future of the Company. Shareholders are therefore urged to give careful consideration to the Notice and the contents of this Explanatory Statement.

2. RESOLUTION 1 – APPROVAL FOR CHANGE OF SCALE OF ACTIVITIES

2.1 General

Resolution 1 seeks approval from Shareholders for a change in the scale of the activities of the Company. The Company issued a Prospectus in October 2010 to raise funds for mineral exploration. At the date of issuing the Prospectus, all of the Company's exploration assets were within Australia.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of Shareholders and must comply with any requirements of ASX in relation to the Notice of Meeting.

ASX has indicated to the Company that it has exercised its discretion to require the Company to seek the approval of Shareholders under Listing Rule 11.1.2 for a change in the scale of its activities. ASX has indicated to the Company that given the significant change in the scale of the activities of the Company upon completion of the Acquisition, due to the potential for the holding of existing Shareholders to be diluted by up to 60% (assuming all of the milestones of each class of Performance Shares are met) it requires the Company to obtain the approval of its Shareholders. For this reason, the Company is seeking Shareholder approval for the Company to change the scale of its activities under ASX Listing Rule 11.1. Details of the potential dilution of existing Shareholders under the Acquisition is outlined in Section 4 below.

Resolutions 2 and 3 are conditional upon Shareholders approving this Resolution 1.

3. RESOLUTION 2 – APPROVAL TO ISSUE NEW CLASS OF SECURITIES

3.1 Section 246B of the Corporations Act

Section 246C of the Corporations Act provides that, if a company with one class of shares issues new shares not having the same rights as its existing shares, the issue is taken to vary the rights attached to the existing shares, unless the company's constitution already provides for such an issue.

Section 246B of the Corporations Act and the Constitution of the Company requires that the rights attached to a class of shares may only be varied by:

- (a) the written consent of the holders of three quarters of the issued shares of the affected class; or
- (b) a special resolution passed in a meeting of the holders of the issued shares of the affected class.

3.2 Performance Shares

The terms of the Performance Shares proposed to be issued under the Heads of Agreement are not the same as the Shares, and accordingly, the issue of the Performance Shares to the Vendors must be approved by a special resolution of ordinary Shareholders passed at a meeting of the Company.

As Resolution 2 is a special resolution, at least 75% of the votes cast on Resolution 2 must be cast in favour of the Resolution in order for Resolution 2 to be passed.

The terms of the Performance Shares are set out in Schedules 1 to 4 of this Notice, and have been approved by ASX.

4. RESOLUTION 3 – ISSUE OF SHARES AND PERFORMANCE SHARES TO VENDORS AND FOR VENDORS TO ACQUIRE RELEVANT INTERESTS IN THE COMPANY

4.1 General

Section 1 above provides an outline of the proposed transaction pursuant to which the Company intends to acquire 100% of the issued shares in REI.

For the purpose of enabling the Acquisition to proceed, Resolution 3 seeks Shareholder approval to enable Umbono Capital Partners LLC (**Umbono**) and its Associates to increase their voting power in the Company up to a maximum of 30.71% following the settlement of the Acquisition through the issue to the Vendors of the following Consideration Shares:

- (a) up to 8,000,000 Shares;
- (b) 7,000,000 Class A Performance Shares convertible into Shares on the terms and conditions outlined in Schedule 1;
- (c) 7,500,000 Class B Performance Shares convertible into Shares on the terms and conditions outlined in Schedule 2;
- (d) 7,500,000 Class C Performance Shares convertible into Shares on the terms and conditions outlined in Schedule 3; and
- (e) 15,000,000 Class D Performance Shares convertible into Shares on the terms and conditions outlined in Schedule 4.

The Consideration Shares are to be divided amongst the Vendors as follows:

Shareholder	Consideration Shares					
	Tranche 1 Shares	Tranche 2 Shares	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Class D Performance Shares
Southern Minerals Limited*	2,439,024	1,463,415	3,414,634	3,658,537	3,658,537	7,317,073
Umbono Capital Partners LLC	2,439,024	1,463,415	3,414,634	3,658,537	3,658,537	7,317,073
Swan Bridge Resources	121,952	73,170	170,732	182,927	182,927	365,854
Total	5,000,000	3,000,000	7,000,000	7,500,000	7,500,000	15,000,000

*Southern Minerals has agreed that it shall be distributing the Shares and Performance Shares to which it is entitled at settlement to its shareholders on the basis of their shareholding in Southern Minerals. Southern Minerals will therefore not acquire a relevant interest in any of the Shares or Performance Shares.

A summary of the Heads of Agreement is outlined in Section 1.3 above.

4.2 Corporations Act and Listing Rules

The Corporations Act sets out a number of regulatory requirements that must be satisfied in relation to the potential issue of Shares to the Vendors under Resolution 3. Outlined below is information for all Shareholders relating to:

- (a) a summary of Section 606 of the Corporations Act relating to the prohibition of acquiring a voting power in the capital of a company greater than 20%;
- (b) the relevant exception to Section 606 of the Corporations Act which allows a company to increase its voting power to greater than 20% if shareholder approval is given by shareholders of the Company;
- (c) the effect on the voting power of the Vendors and the Vendors Associates of the issue of Shares to the Vendors and the issue of Shares to the Vendors upon satisfaction of the milestones of the different classes of Performance Shares;
- (d) the intentions of the Vendors in relation to the Company following the receipt of their Shares in the Company;
- (e) the interests and recommendations of the Directors of the Company; and
- (f) an Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**).

4.3 Relevant Interest of Vendors

Under the Corporations Act, a person is prohibited from acquiring a relevant interest in a company if because of that transaction, that persons' or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%, except in certain circumstances. One of those circumstances is where the shareholders of the relevant company approve the acquisition of the relevant interest up to a specific amount.

The Vendors currently do not hold any Shares or have a relevant interest in any Shares in the Company.

The purpose of Resolution 3 is to enable Umbono and its Associates to increase their voting power from its current position at nil to not more than 30.71% following the completion of the Acquisition. Shareholders should note that the maximum voting power that Umbono and its Associates may obtain is based on the Vendors being issued with the Consideration Shares as a result of the Acquisition by the Company, that all Consideration Shares to which Southern Minerals is entitled are issued directly to the Southern Minerals shareholders with the effect that Southern Minerals does not obtain a relevant interest in those Consideration Shares, and assumes that all of the performance hurdles of the Performance Shares are met and that no other Shares are issued by the Company. Given that all of the Consideration Shares are to be issued at different times after settlement, the maximum voting power may therefore be only conceptual in nature.

4.4 Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act – Statutory Prohibition

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 that is above 20% and below 90%.

Voting Power

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.

Associates

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person; or
 - (iii) a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or proposed to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

For the purpose of Section 12 of the Corporations Act, the Vendors are all deemed to be Associates as at the time of settlement of the Acquisition. However, there is no determination that the Vendors will continue to be Associates for the purposes of the Corporations Act following settlement of the Acquisition, meaning that the remaining Vendors may not be Associates of Umbono at the that any of the Shares are issued after settlement.

Relevant Interests

Section 608(1) of the Corporations Act provides that 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 the 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.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (a) a body corporate in which the person's voting power is above 20%;
- (b) a body corporate that the person controls.

None of Umbono or its Associates currently hold any Shares in the Company, nor are any of those parties deemed to have a relevant interest in any Shares held by another party in accordance with Section 608(3).

4.5 Reason why Section 611 approval required

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition described in Section 4.4 above, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

As outlined above, for the purpose of the Corporations Act, the Vendors are deemed to be Associates.

Assuming that:

- (a) a total of 8,000,000 Shares have been issued under the Heads of Agreement pursuant to Resolution 3 and have been acquired by the Vendors;
- (b) a total of 7,000,000 Class A Performance Shares have been issued to the Vendors, but the conversion milestone has not been met;
- (c) a total of 7,500,000 Class B Performance Shares have been issued to the Vendors, but the conversion milestone has not been met;
- (d) a total of 7,500,000 Class C Performance Shares have been issued to the Vendors, but the conversion milestone has not been met;
- (e) a total of 15,000,000 Class D Performance Shares have been issued to the Vendors, but the conversion milestone has not been met;
- (f) a total of 1,000,000 Options have been issued to Dr Jock Harmer but have not been exercised;
- (g) a total of 500,000 Shares have been issued to Westoria Capital under Resolution 5;
- (h) no Options on issue as at the date of this Notice of Meeting have been exercised; and

- (i) no other Shares are issued in the meantime,

then these relevant interests will represent an aggregate voting power of Umbono and its Associates of 14.29% of the issued ordinary Shares of the Company as at settlement of the Acquisition.

In addition, Southern Minerals has agreed with the Company that at settlement of the Acquisition, the Company should issue all Consideration Shares to which Southern Minerals is entitled directly to Southern Minerals shareholders in proportion to their holding in Southern Minerals. Accordingly, Southern Minerals will not acquire any relevant interest in those Consideration Shares. Therefore the relevant interest of the three Vendors would be reduced to 7.32%.

In the event that all the Performance Shares are converted and no other Shares are issued, the voting power of Umbono and its Associates could increase to 60% of the issued ordinary Shares of the Company. However:

- (a) it is considered unlikely that Southern Minerals and Swan Bridge will remain Associates of Umbono after settlement; and
- (b) the conversion milestones of the Performance Shares are all independent, and therefore there is no guarantee that all conversion milestones will be achieved and all 37,000,000 additional Shares issued.

Therefore, the relevant interest and voting power of Umbono will be less than 60% and could only be a maximum of 30.71%.

Refer to the tables outlined in section 4.6 below for a summary of the relevant interest of Umbono and its Associates at settlement of the Acquisition and following the conversion of each class of the Performance Shares.

4.6 Specific Information Required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd annexed to this Explanatory Statement.

Relevant Interests and Voting Power of Vendors

The relevant interests of the Vendors and the voting power of the Vendors immediately before and after the issues of Shares as contemplated by this Notice of Meeting are set out in the tables below.

As described above, Southern Minerals will not acquire a relevant interest in any Shares as all Shares and Performance Shares to which it is entitled under the Acquisition will be issued directly to Southern Minerals' shareholders in proportion to their respective shareholding in Southern Minerals. The relevant interest and voting power outlined below assumes that no further Shares are issued in the Company and none of the existing Options on issue in the Company are exercised.

Relevant Interests and Voting Power:

Party	As at the date of this Notice of Meeting	After issue of Shares under Heads of Agreement		After issue of Shares and conversion of Class A Perf. Shares only	After issue of Shares and conversion of Class B Perf. Shares only	After issue of Shares and conversion of Class C Perf. Shares only	After issue of Shares and conversion of Class D Perf. Shares ¹	After issue of Shares and conversion of all Perf. Shares
		After Tranche 1	After Tranche 2					
Umbono	0%	6.97%	10.27%	16.26%	16.62%	16.62%	24.6%	29.27%
Southern Minerals	0%	0%	0%	0%	0%	0%	0%	0%
Swan Bridge	0%	0.35%	0.52%	0.81%	0.83%	0.83%	1.23%	1.47%
Voting Power	0%	7.32%	10.79%	17.07%	17.45%	17.45%	25.83%	30.71%

1. The conversion of the Class D Performance Shares requires the previous conversion of either the Class A, Class B or Class C Performance Shares. These percentages are calculated on the conversion of either the Class B or Class C Performance Shares.

Therefore, the maximum voting power that Umbono and its Associates could hold after the completion of settlement under the Heads of Agreement is 30.71%. This represents an increase from 0% to 30.71%.

However, as outlined above, Southern Minerals and Swan Bridge are considered Associates of Umbono at the time of settlement of the Acquisition by virtue of the Corporations Act. There is no guarantee that at the time that the Performance Shares are converted that they will still be Associates of Umbono. Therefore, the maximum voting power of Umbono, assuming that Southern Minerals and Swan Bridge cease to be Associates of Umbono prior to the date on which the Performance Shares are converted, will be the same as their respective relevant interests in the Company as outlined above.

Umbono does not have any Associates with relevant interests in the Company's Shares other than as set out herein.

The Vendor's Intentions

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Umbono:

- (a) has no intention of making any significant changes to the business of the Company;
- (b) has no intention to inject further capital into the company;
- (c) has no intention of making changes regarding the future employment of the present employees of the Company;
- (d) does not intend to redeploy any fixed assets of the Company; and
- (e) does not intend to transfer any property between the Company and the Vendors.

These intentions are based on information concerning the Company, its business and the business environment which is known to Umbono at the date of this document, which is limited to the publicly available information and a due diligence review of certain non-public material provided to Umbono by the Company.

Final decisions regarding these matters will only be made by Umbono in light of material information and circumstances at the relevant time. Accordingly, the statements set out above are statements of current intention only, which may change as new information becomes available to it or as circumstances change.

Capital Structure

The proposed capital structure of the Company following completion of all the transactions the subject of the Resolutions is set out in Section 1.4 of this Explanatory Statement.

Proposed board members

Under the Heads of Agreement, the Company has agreed to appoint Dr Robin "Jock" Harmer and Mr David Reeves as Directors of the Company. Profiles for Dr Harmer and Mr Reeves are outlined in Section 1.6 above.

Timing

The Shares and Performance Shares to be issued to the Vendors referred to in this Resolution 3 are subject to the passing of Resolutions 1 and 2. The issue of the Consideration Shares the subject of Resolution 3 is likely to occur shortly after the date of the General Meeting, subject to the remaining conditions precedent being satisfied at that time.

Directors Interests

The interest of the current Directors in the existing Shares on issue in the Company is as follows:

Related Party	Shares	Options
Rhod Grivas	676,667	500,000
Bruce Fulton	333,334	500,000
Mark Papendieck	25,000	12,500

The existing Directors do not have any interest in any shares in any of the Vendors.

Independent Expert's Report

The Independent Expert's Report assesses whether the acquisition of Shares outlined in Resolution 3 is fair and reasonable to the Shareholders who are not associated with Umbono.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed acquisition the subject of Resolution 3. This assessment is designed to assist all Shareholders in reaching their voting decision.

The Independent Expert has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in the Resolution is, on balance, fair and reasonable to the Shareholders of the Company not associated with the Vendors. It is recommended that all Shareholders read the Independent Expert's Report in full.

The Independent Expert's Report is enclosed with this Notice of Meeting.

4.7 Dilution

Independent of the relevant interests and voting power of the Vendors outlined above, ASX has requested that the Company provide details of the potential dilution to existing Shareholders following the issue of the Shares under the Acquisition and assuming all of the performance milestones for each class of the Performance Shares are met. The table below outlines the dilution to existing Shareholders assuming that no further Shares are issued other than the Shares to the Vendors and to Westoria and that no existing Options are exercised:

Party	Following issue of Shares under Heads of Agreement		Following conversion of Class A Perf. Shares only	Following conversion of Class B Perf. Shares only	Following conversion of Class C Perf. Shares only	Following conversion of Class D Perf. Shares ¹	After issue of Shares and conversion of all Perf. Shares
	After Tranche 1	After Tranche 2					
Existing Shares on issue	30,001,482	35,001,482	38,001,482	38,001,482	38,001,482	45,501,482	30,001,482
No. of Shares to Vendors	5,000,000	3,000,000	7,000,000	7,500,000	7,500,000	15,000,000	45,000,000
Total Shares on issue	35,001,482	38,001,482	45,001,482	45,501,482	45,501,482	60,501,482	75,001,482
Dilution	14.29%	21.06%	33.34%	34.07%	34.07%	50.42%	60.00%

1. The conversion of the Class D Performance Shares requires the previous conversion of either the Class A, Class B or Class C Performance Shares. This dilution percentage is calculated on the conversion of either the Class B or Class C Performance Shares.

4.8 Directors Recommendation

The Directors of the Company have unanimously approved the proposal to put Resolution 3 to shareholders and the Explanatory Statement.

For the reasons outlined in Section 1.11 above, the Directors recommend that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – APPROVAL TO ISSUE OPTIONS TO A PROPOSED DIRECTOR – JOCK HARMER

5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 1,000,000 Options (**Director Options**) to Dr Jock Harmer (**Related Party**) on the terms and conditions set out below.

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

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

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

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

The grant of the Director Options to the Related Party requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as a proposed Director, Dr Harmer is a related party of the Company. The issue of the Director Options is conditional upon Dr Harmer being appointed as a Director of the Company and is also conditional on the passing of Resolutions 1 to 3 (inclusive).

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Party.

5.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related party is Dr Jock Harmer, who is a related party by virtue of being a proposed Director;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Party is 1,000,000 Director Options;
- (c) the Director Options will be granted to the Related Party no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) 500,000 of the Director Options will have an exercise price of \$0.25, and 500,000 of the Director Options will have an exercise price of \$0.35, and otherwise on the terms and conditions of the Director Options as set out in Schedule 5;

- (f) the value of the Director Options and the pricing methodology is set out in Schedule 6;
- (g) the Related Party has no relevant interest in securities of the Company at the date of the Notice of Meeting.
- (h) the Related Party has received no remuneration and emoluments from the Company as at the date of the Notice of Meeting as he has not yet been appointed as a Director of the Company. It is proposed that following his appointment as the Director of the Company, that Dr Harmer will receive remuneration of \$200,000 on a total employment cost basis for performing the role of the Managing Director of the Company.
- (i) if the Director Options granted to the Related Party are exercised, a total of 1,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 29,501,482 to 30,501,482 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 3.28%.

However, Shareholders should note that the Director Options will only be issued if Dr Harmer is appointed as a Director of the Company. Dr Harmer will only be appointed a Director of the Company if the Acquisition is successfully settled. In order for the Acquisition to settle, the Company will need to issue a further 8,000,000 Shares at settlement of the Acquisition. Therefore, the dilutionary effect of the exercise of the Director Options on the shareholding of the existing Shareholders would be 2.67%.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

- (j) The Company was admitted to trading on ASX on 2 December 2010, the trading history of the Company since it was admitted to Official Quotation is as follows:

	Price	Date
Highest	46 cents	18 February 2011
Lowest	26 cents	3 December 2010
Last	39.5 cents	29 March 2011

- (k) the primary purpose of the grant of Director Options to Dr Harmer is to provide cost effective consideration to Dr Harmer for his ongoing commitment and contribution to the Company in his role as an Executive Director. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed.

- (l) The current Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

6. RESOLUTION 5 - ISSUE OF SHARES TO WESTORIA CAPITAL

6.1 Background

Resolution 5 seeks approval for the Company to issue 500,000 Shares to Westoria Capital Pty Ltd (**Westoria**) for its role in introducing the Acquisition to the Company.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5:

- (a) the maximum number of Shares to be issued is 500,000 Shares;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) at the same time, or shortly after the settlement of the Acquisition and it is intended that allotment will occur on the same date;
- (c) the Shares will be issued for nil cash consideration as the Shares are being issued as consideration for the role that Westoria has played in introducing the Acquisition to the Company pursuant to an agreement entered into between the Company and Westoria;
- (d) the Shares will be allotted and issued to Westoria Capital Pty Ltd (or its nominee). Westoria is not a related party of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the Shares to Westoria as the Shares are being issued for the purpose outlined in paragraph (e) above.

GLOSSARY

Acquisition means the acquisition of the Company of 100% of the shares in REI.

ASIC means Australian Securities and Investments Commission.

Associate means an "associate" as defined in section 9 of the Corporations Act, except that a reference to "Associate" in relation to a Listing Rule has the meaning given to it in Listing Rule 14.11.

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

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

Board means the board of directors of the Company.

Company means Southern Crown Resources Limited (ABN 52 143 416 531).

Constitution means the Company's Constitution.

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

Directors means the directors of the Company.

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

Explanatory Statement means the explanatory statement which accompanies the Notice of Meeting.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the independent expert's report prepared by the Independent Expert and enclosed with the Notice of Meeting.

Meeting or **General Meeting** means the meeting convened by the Notice.

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

Prospectus means the prospectus issued by the Company dated 18 October 2010 for the offer of 20,000,000 Shares at \$0.20 per Share together with one (1) free Option for every two (2) Shares issued to raise up to \$4,000,000.

REI means Rare Earth International Limited (a company incorporated in the British Virgin Islands).

Resolutions means each of the resolutions set out in the Notice of Meeting and **Resolution** means any one of them.

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

Shareholder means the holder of a Share.

Southern Minerals means Southern Minerals Limited (a company incorporated in Guernsey).

Swan Bridge means Swan Bridge Resources (a company incorporated in the British Virgin Islands).

Umbono Capital means Umbono Capital Partners LLC (a company incorporated in Delaware, United States of America).

Vendors means Southern Minerals, Swan Bridge and Umbono Capital.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF CLASS A PERFORMANCE SHARES

1. CLASS A PERFORMANCE SHARES

The terms and conditions of the Class A Performance Shares are as follows:

1.1 Rights attaching to the Class A Performance Shares

- (a) **(Class A Performance Shares)** Each Class A Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)** The Class A Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** The Class A Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** The Class A Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Class A Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.000001 per Class A Performance Share.
- (f) **(Not Transferable)** The Class A Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Class A Performance Shares will not be quoted on ASX. However, upon conversion of the Class A Performance Shares into fully paid ordinary shares (**Shares**), the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Class A Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (j) **(No Other Rights)** The Class A Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

1.2 Conversion of the Class A Performance Shares

- (a) **(Conversion on achievement of milestone)** Each Class A Performance Share will convert into one (1) Share upon satisfaction of the following performance hurdles to the reasonable satisfaction of the Company:
 - (i) the grant of all tenements, licences or concessions relating to the Gakara Project in Burundi or the Rodeo de los Molles project in Argentina (including access rights to commence full exploration activities) to REI within one (1) year of the date of issue of the Class A Performance Shares (**Milestone**).
- (b) **(Redemption if Milestone not Achieved)** If a Milestone is not achieved by the required date, or by such later date as the Parties may have agreed upon in writing prior to that date, then each Class A Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 Business Days of non satisfaction of the Milestone.
- (c) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Class A Performance Shares into Shares.
- (d) **(Ranking of Class A Performance Shares)** The Shares into which the Class A Performance Shares will convert will rank pari passu in all respects with existing Shares.

SCHEDULE 2 - TERMS AND CONDITIONS OF CLASS B PERFORMANCE SHARES

The terms and conditions of the Class B Performance Shares are as follows:

1.1 Rights attaching to the Class B Performance Shares

- (a) **(Class B Performance Shares)** Each Class B Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)** The Class B Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** The Class B Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** The Class B Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Class B Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.000001 per Class B Performance Share.
- (f) **(Not Transferable)** The Class B Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Class B Performance Shares will not be quoted on ASX. However, upon conversion of the Class B Performance Shares into fully paid ordinary shares (**Shares**), the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Class B Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (j) **(No Other Rights)** The Class B Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

1.2 Conversion of the Class B Performance Shares

- (a) **(Conversion on achievement of milestone)** Each Class B Performance Share will convert into one Share upon satisfaction of the following performance hurdles to the reasonable satisfaction of the Company:

- (i) REI successfully earning a 50% interest in the Nkombwa Project in Zambia pursuant to the agreement entered into on 31 May 2010 between African Consolidated Resources Plc and REI within two (2) years of the date of issue of the Class B Performance Shares (**Milestone**).
- (b) (**Redemption if Milestone not Achieved**) If a Milestone is not achieved by the required date, or by such later date as the Parties may agree upon in writing prior to that date, then each Class B Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 Business Days of non satisfaction of the Milestone.
- (c) (**Conversion Procedure**) The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Class B Performance Shares into Shares.
- (d) (**Ranking of Class B Performance Shares**) The Shares into which the Class B Performance Shares will convert will rank pari passu in all respects with existing Shares.

SCHEDULE 3 – TERMS AND CONDITIONS OF CLASS C PERFORMANCE SHARES

The terms and conditions of the Class C Performance Shares are as follows:

1.1 Rights attaching to the Class C Performance Shares

- (a) **(Class C Performance Shares)** Each Class C Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)** The Class C Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** The Class C Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** The Class C Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Class C Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.000001 per Class C Performance Share.
- (f) **(Not Transferable)** The Class C Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Class C Performance Shares will not be quoted on ASX. However, upon conversion of the Class C Performance Shares into fully paid ordinary shares (**Shares**), the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Class C Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (j) **(No Other Rights)** The Class C Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

1.2 Conversion of the Class C Performance Shares

- (a) **(Conversion on achievement of milestone)** Each Class C Performance Share will convert into one Share upon satisfaction of the following performance hurdles to the reasonable satisfaction of the Company:

- (i) REI successfully earning an 85% interest in the Xiluvo Project in Mozambique pursuant to the agreement entered into on 15 December 2009 between REE International (subsequently assigned to REI) and Promac within two (2) years of the date of issue of the Class C Performance Shares (**Milestone**).
 - (ii) within 3 years of the date of issue of the Class C Performance Shares (**Milestone**).
- (b) (**Redemption if Milestone not Achieved**) If a Milestone is not achieved by the required date, or by such later date as the Parties may agree upon in writing prior to that date, then each Class B Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 Business Days of non satisfaction of the Milestone.
- (c) (**Conversion Procedure**) The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Class A Performance Shares into Shares.
- (d) (**Ranking of Class C Performance Shares**) The Shares into which the Class C Performance Shares will convert will rank pari passu in all respects with existing Shares.

SCHEDULE 4 – TERMS AND CONDITIONS OF CLASS D PERFORMANCE SHARES

The terms and conditions of the Class D Performance Shares are as follows:

1.1 Rights attaching to the Class D Performance Shares

- (a) **(Class D Performance Shares)** Each Class D Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)** The Class D Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** The Class D Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** The Class D Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Class D Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.000001 per Class D Performance Share.
- (f) **(Not Transferable)** The Class D Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Class D Performance Shares will not be quoted on ASX. However, upon conversion of the Class D Performance Shares into fully paid ordinary shares (**Shares**), the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Class D Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (j) **(No Other Rights)** The Class D Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

1.2 Conversion of the Class D Performance Shares

- (a) **(Conversion on achievement of milestone)** Each Class D Performance Share will convert into one Share upon satisfaction of the following performance hurdles to the reasonable satisfaction of the Company:

- (i) a pre-feasibility study conducted by the Purchaser in relation to any of the Gakara Project, Nkombwa Project or Xiluvo Project or the Rodeo de los Molles Project in San Luis Province, Argentina, to be based upon independent studies and approved metal pricing and formal Board approval of the Company to undertake a full bankable feasibility study, within 3 years of the date of issue of the Class D Performance Shares (**Milestone**).
- (b) (**Redemption if Milestone not Achieved**) If a Milestone is not achieved by the required date, or by such later date as the Parties may agree upon in writing prior to that date, then each Class B Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 Business Days of non satisfaction of the Milestone.
- (c) (**Conversion Procedure**) The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Class A Performance Shares into Shares.
- (d) (**Ranking of Class D Performance Shares**) The Shares into which the Class D Performance Shares will convert will rank pari passu in all respects with existing Shares.

SCHEDULE 5 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
- (b) The Director Options will expire at 5.00pm (WST) on the date that is five years from the date of issue (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (d) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;

(Exercise Notice).

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

SCHEDULE 6 – VALUATION OF DIRECTOR OPTIONS

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

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

Assumptions:		
Valuation date	23 March 2011	
Market price of Shares	37 cents	
Exercise price	25 cents	35 cents
Expiry date	5 years from issue	
Risk free interest rate	5.0%	
Volatility	70%	
Indicative value per Director Option	25.78 cents	23.34 cents
Total Value of Director Options	\$128,914	\$116,694

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



**SOUTHERN CROWN RESOURCES
LIMITED**
Independent Expert Report

24 March 2011



Financial Services Guide

24 March 2011

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (“BDO” or “we” or “us” or “ours” as appropriate) has been engaged by Southern Crown Resources (“Southern Crown”) to provide an independent expert’s report on the proposed acquisition of the issued capital of Rare Earth International (“REI”). You will be provided with a copy of our report as a retail client because you are a shareholder of Southern Crown.

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. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take 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

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately \$28,000.

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

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from Southern Crown for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

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.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 Subiaco WA 6872.

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

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

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

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

Contact details

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



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24 March 2011

The Directors
Southern Crown Resources Limited
Level 1, Suite 2
415 Riversdale Road
HAWTHORN EAST VIC 3123

Dear Sirs,

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 21 December 2010, Southern Crown Resources Limited (“**Southern Crown**” or “**the Company**”) announced that the Company had entered into a binding Heads of Agreement (“**Heads of Agreement**”) to purchase all the shares in the capital of Rare Earth International (“**REI**”) through the proposed issue of 8 million Southern Crown fully paid ordinary shares and 37 million Performance Shares (“**the Transaction**”). The Transaction above is subject to the satisfactory completion of a due diligence by Southern Crown and REI respectively and Southern Crown receiving all required shareholder approvals as well as regulatory approvals.

2. Summary and Opinion

2.1 Purpose of the report

BDO has been engaged by Southern Crown to prepare an Independent Expert’s Report (“**our Report**”) to express an opinion as to whether or not the Transaction is fair and reasonable to the non-associated shareholders of Southern Crown (“**Shareholders**”).

Our Report is prepared pursuant to section 611 of the Corporations Act in order to assist Shareholders in their decision whether to approve the Transaction.

2.2 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Transaction is fair and reasonable to Shareholders.

We have based our opinion on a comparison between our assessed value of a Southern Crown share before the Transaction and our assessed value of a Southern Crown share after the Transaction. Due to the contingent nature of much of the consideration comprising the Transaction, our assessed value of a Southern Crown share after the Transaction has been addressed under twelve different scenarios as described in Section 12.

Based on our analysis of the twelve different scenarios, we determined that under six of the scenarios the Transaction would be considered to be fair, and that under the other six scenarios (including the base scenario where no performance hurdles are met), the Transaction would be considered to be not fair.

However, we are of the opinion that Scenario 8 which encompasses the issue of 8 million shares, payment of A\$50,000 loan to REI as well as the conversion of the Class A, B and C Performance Shares into ordinary shares is the highest probability scenario which is considered fair.

As such in our opinion, the Transaction is fair to Shareholders.

2.3 Fairness

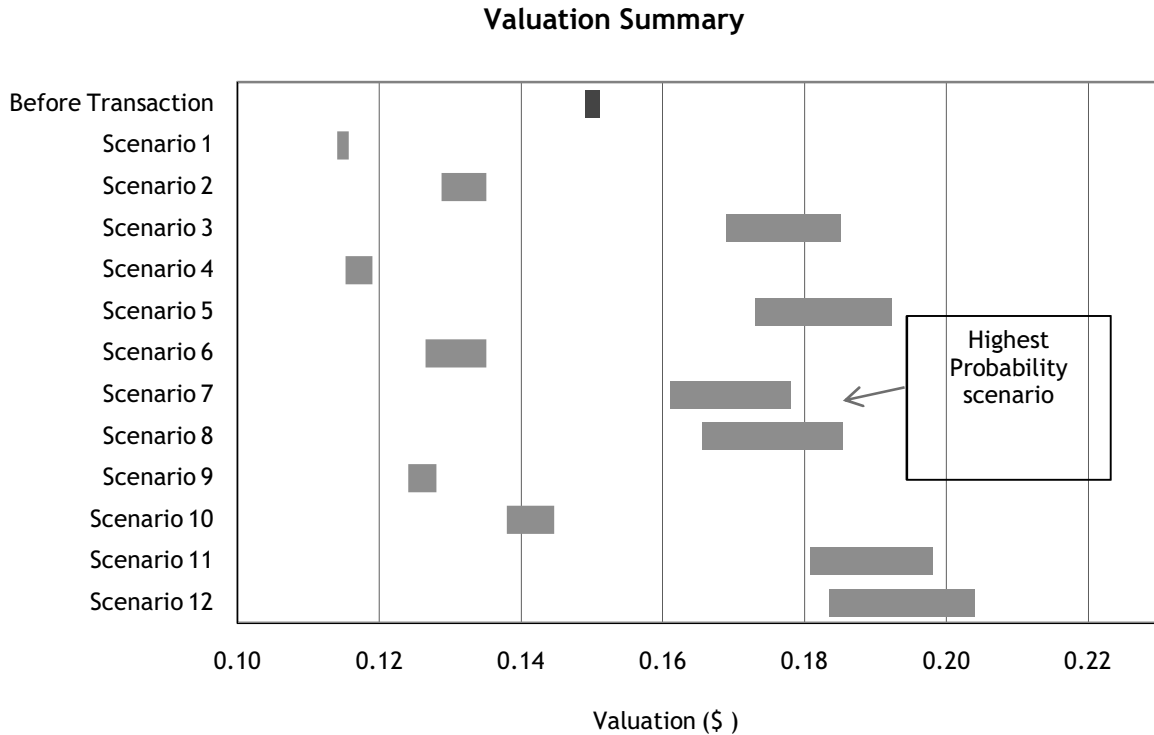
In Section 12 we compared the value of a Southern Crown share before the Transaction with the value of a Southern Crown share following the Transaction. We made this comparison using various scenarios relating to the achievement (or not) of the performance hurdles and consequent conversion of performance shares into fully paid ordinary shares.

We assessed the value of a Southern Crown share before the Transaction at \$0.15. The table below summarises the value of a Southern Crown share following the Transaction under the various scenarios.

Characteristics of the Scenario		Low \$	Preferred \$	High \$	Analysis
Scenario 1	<ul style="list-style-type: none"> Issue of 8 million shares & payment of \$50,000 loan to REI Performance hurdles for Class A, B and C Performance Shares not satisfied. 	0.116	0.116	0.116	Not fair
Scenario 2	<ul style="list-style-type: none"> Issue of 8 million shares & payment of \$50,000 loan to REI Class A - Performance Shares convert into shares 	0.129	0.132	0.135	Not fair
Scenario 3	<ul style="list-style-type: none"> Issue of 8 million shares & payment of \$50,000 loan to REI Class B - Performance Shares convert into shares 	0.169	0.177	0.185	Fair
Scenario 4	<ul style="list-style-type: none"> Issue of 8 million shares & payment of \$50,000 loan to REI Class C - Performance Shares convert into shares 	0.115	0.117	0.119	Not fair
Scenario 5	<ul style="list-style-type: none"> Issue of 8 million shares & payment of \$50,000 loan to REI Class A & B - Performance Shares convert into shares 	0.173	0.183	0.192	Fair
Scenario 6	<ul style="list-style-type: none"> Issue of 8 million shares & payment of \$50,000 loan to REI Class A & C - Performance Shares convert into shares 	0.126	0.131	0.135	Not fair
Scenario 7	<ul style="list-style-type: none"> Issue of 8 million shares & payment of \$50,000 loan to REI Class B & C - Performance Shares convert into shares 	0.161	0.170	0.178	Fair
Scenario 8	<ul style="list-style-type: none"> Issue of 8 million shares & payment of \$50,000 loan to REI Class A, B & C - Performance Shares convert into shares 	0.165	0.175	0.185	Fair
Scenario 9	<ul style="list-style-type: none"> Issue of 5 million shares & payment of \$50,000 loan to REI Performance hurdles for Class A, B and C Performance Shares not satisfied. 	0.126	0.126	0.126	Not fair
Scenario 10	<ul style="list-style-type: none"> Issue of 5 million shares & payment of \$50,000 loan to REI Class A - Performance Shares convert into shares 	0.138	0.141	0.145	Not fair
Scenario 11	<ul style="list-style-type: none"> Issue of 5 million shares & payment of \$50,000 loan to REI Class B - Performance Shares convert into shares 	0.181	0.189	0.198	Fair
Scenario 12	<ul style="list-style-type: none"> Issue of 5 million shares & payment of \$50,000 loan to REI Class A & B - Performance Shares convert into shares 	0.183	0.194	0.204	Fair

Source: BDO Analysis

The above valuation ranges for the different scenarios under the Transaction are graphically presented below:



The above pricing indicates that for six out of the twelve scenarios, the Transaction would be considered to be fair and that for the other six scenarios (including the base case scenario where no performance hurdles are met) the Transaction would be considered to be not fair.

However, we concluded that Scenario 8 is the highest probability scenario based on the following:

- Southern Crown will most likely be able to secure the prospecting permit on the Xiluvo Project in Mozambique. The existing mining permit under the terms of the existing farm-in agreement allows the Company to explore for rare earths. It was already contemplated to excise a portion of the mining permit and put it into a separate local company with REI and Promac (mining permit holder) as shareholders. Because the mining permit is controlled by Promac and the Company has a legally binding agreement to explore for rare earths on the mining permit, no one can overpeg the granting of the prospecting permit.
- Southern Crown is seeking shareholders approval to change the scale of its activities under Resolution 1 of the Notice of Meeting to use its existing funds following the completion of the Transaction to fund the new exploration assets. Although the Company will allocate a large portion of its exploration funds to the new assets acquired in REI, the current intention of the Company is to retain its existing Australian exploration assets and undertake exploration on those assets.
- Southern Crown provided a revised expenditure budget under Section 5.1 of the Notice of Meeting showing its intention to use the current funding available of \$4,060,677 (as at 31 December 2010)

to fund all its projects including all its existing Australian projects and the new projects to be acquired under the Transaction.

The available funds ensure that the Company is currently capable of meeting the farm-in obligations of US\$1.35 million to earn an 85% interest in the Nkombwa Project and US\$1.0 million to earn a 50% interest in the Xiluvo Project. This will trigger the benchmark for the class B and C performance shares to be issued.

As described in the Notice of Meeting, the Company anticipates that the existing funds will allow the Company to meet its first phase farm-in obligations at the Nkombwa project in Zambia and the Xiluvo project in Mozambique as both are advanced with economic intercepts requiring detailed drilling and sampling.

As such, on the basis that the value of a Southern Crown share after the Transaction under Scenario 8 of between \$0.165 and \$0.185 with a preferred value of \$0.175 exceeds the value of a Southern Crown share before the Transaction of \$0.15, we conclude that overall in our opinion, in the absence of any other relevant information, and/ or a superior offer, the Transaction is fair for Shareholders.

2.4 Reasonableness

We have considered the analysis in Section 14 of this report, in terms of both

- Advantages and disadvantages of the Transaction; and
- Alternatives, including the position of Shareholders if the Transaction does not proceed.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior Transaction we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.1	The Transaction is fair	14.2	Dilution of existing Shareholders' interest
14.1	Acquisition of new mineral assets with potential upside	14.2	Potential for further dilution
14.1	Increased attractiveness of Southern Crown shares	14.2	Different geographical area and jurisdiction
14.1	Increased management expertise and strength		

Other key matters we have considered include:

Section	Description
13.1	No other alternative Transactions that we are aware of
13.2	Implications of the Transaction not being approved

3. Scope of the Report

3.1 Purpose of the Report

REI does not have a shareholding interest in Southern Crown prior to the Transaction. Section 606 of the Corporations Act Regulations (“**the Act**”) expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

Regulatory Guide 74 issued by ASIC deals with “Acquisitions Agreed to by Shareholders”. It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Southern Crown, by either:

- Undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- By commissioning an Independent Expert’s Report.

The directors of Southern Crown have commissioned this Independent Expert’s Report to assist shareholders and to satisfy this obligation.

3.2 Regulatory guidance

The Act does not define the meaning of “fair and reasonable”. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This Regulatory Guide suggests that an opinion as to whether a Transaction is fair and reasonable should focus on the purpose and outcome of the Transaction that is, the substance of the Transaction rather than the legal mechanism to effect the Transaction. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis consistent with a takeover bid.

If the Transaction is approved, the vendors of REI consisting of Southern Minerals Limited (“**Southern Minerals**”), Umbono Capital Partners LLC (“**Umbono**”) and Swan Bridge Resources (“**Swan Bridge**”) (together known as “**REI Vendors**”) will increase their shareholding interest in Southern Crown from nil to 21.05% with the potential of increasing to a maximum of 60.00%.

We note however that Southern Minerals has agreed with the Company that in the event that the Transaction is approved and settled, the Company will issue all Ordinary Shares and Performance Shares to which Southern Minerals is entitled directly to Southern Minerals shareholders in proportion to their holding in Southern Minerals.

In our opinion, the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction to consider whether in our opinion it is fair and reasonable to Shareholders.

RG 111 suggests that an expert should assess whether a premium for control will be provided to the vendor of any shares. The greater any premium for control then the greater the advantages of undertaking the transaction must be to non-associated shareholders.

It is important to note that despite the Transaction being treated as a control transaction, there is no ongoing association between REI Vendors, and as such, following settlement of the Transaction, there is no certainty that the Vendors would continue to vote as a combined group in relation to their respective shareholding in the Company.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value a Southern Crown share before the Transaction and the value of a Southern Crown share after the Transaction (fairness - see Section 12 "Is the Transaction Fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 14 "Is the Transaction Reasonable?").

RG 111 suggests that the main purpose of an independent expert's report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the transaction.

Having regard to RG 111, we have also performed:

- An investigation into the advantages and disadvantages of the Transaction (Section 14); and
- An analysis of any other issues that could be reasonably anticipated to concerned Shareholders as a result of the Transaction.

This assignment is a Valuation Engagement as defined by APES 225 Valuation Services. A Valuation Engagement means an engagement or assignment to perform a valuation and provide a valuation report where we determine an estimate of value of the Company by performing appropriate valuation procedures and where we apply the valuation approaches and methods that we consider to be appropriate in the circumstances.

4. Outline of the Transaction

As part of the acquisition of REI under the Transaction, the following securities will be issued:

1. The issue of 8 million fully paid ordinary shares in two tranches:
 - a) 5 million shares being issued upon the receipt of Shareholder approval and settlement of the Transaction (“**Tranche 1 - Shares**”); and
 - b) 3 million shares to be issued upon the receipt by the Company of evidence of the granting of a prospecting licence to an as yet to be incorporated Mozambique registered company in which REI will have an interest within 12 months from the date of settlement of the Transaction. (“**Tranche 2 - Shares**”)
2. The issue of 37 million Performance Shares (“**Performance Shares**”) following shareholder approval of the Transaction, that will be converted to fully paid ordinary shares upon the satisfaction of the following performance hurdles:
 - a) The conversion of 7 million Performance Shares when the Company has the right to commence exploration on any application submitted by REI within one year of the date of issue of the Performance Shares. This relates to the Gakara Project in Burundi and the Rodeo de los Molles project in Argentina. (“**Class A - Performance Shares**”)
 - b) The conversion of 7.5 million Performance Shares when the Company has earned its 50% interest in the Nkombwa Project, Zambia within two years of the date of issue of the Performance Shares. To achieve a 30% interest, the Company must complete a Joint Ore Reserves Committee (“**JORC**”) Inferred Resource and spend US\$750,000. An additional 20% interest is earned by converting half of the JORC Inferred Resource to an Indicated Resource as well as spending a further US\$600,000. (“**Class B - Performance Shares**”)
 - c) The conversion of 7.5 million Performance Shares when the Company has earned its 85% interest in the Xiluvo Project, Mozambique within two years of the date of issue of the Performance Shares. To achieve an initial 50% interest, the Company must spend US\$300,000 and is able to achieve an additional 35% by spending a further US\$700,000. (“**Class C - Performance Shares**”)
 - d) The conversion of 15 million Performance Shares upon completion of a positive pre-feasibility (based on independent studies and conservative metal pricing) and a resolution of the Independent Directors of Southern Crown to undertake a full Bankable Feasibility Study (“**BFS**”) on any of REI’s mining assets, within 3 years of the date of issue of the Performance Shares (“**Class D - Performance Shares**”).

The shares and Performance Shares noted above will be referred to as (“**the Offer**”) throughout this Report.

Fully paid ordinary shares issued under the terms of the Heads of Agreement that give the receiving shareholder in excess of 1% of the issued shares in the Company will be subject to a voluntary escrow. The Performance Shares will have no voting rights prior to conversion.

In addition to the consideration outlined above, the following conditions must be met:

- The satisfactory completion of due diligence by both parties;
- Shareholder approvals being granted;
- Southern Crown receiving all necessary regulatory approvals;

- A non-refundable loan of A\$50,000 made available to REI following the conclusion of the due diligence period;
- Dr Robin Edward Harmer (“Dr Harmer”) and Mr David Reeves are appointed as directors of Southern Crown; and
- A fee of 500,000 fully paid ordinary shares plus costs is payable by Southern Crown to Westoria Capital upon successful completion of the Transaction.

4.1 Shareholding Impact

The table below shows the capital structure of Southern Crown as at the date of this Report and the capital structure of the Company immediately after the Transaction.

Security holders	Pre-Transaction		Post-Transaction		
	Total Security holdings	% of Total Shareholding	Securities Offered under the Transaction	Total Securities	% of Total Shareholding
Ordinary Shares					
Non-Associated Shareholders	29,501,482	100.00%	-	29,501,482	77.63%
Westoria Capital (Advisor to Proposal)	-	0.00%	500,000	500,000	1.32%
Southern Minerals Tranche 1 - Shares	-	0.00%	2,439,024	2,439,024	6.42%
Southern Minerals Tranche 2 - Shares	-	0.00%	1,463,415	1,463,415	3.85%
REI vendors Tranche 1 - Shares	-	0.00%	2,560,976	2,560,976	6.74%
REI vendors Tranche 2 - Shares	-	0.00%	1,536,585	1,536,585	4.04%
Total Ordinary Shares	29,501,482	100.00%	8,500,000	38,001,482	100.00%
Options					
Non-Associated Shareholders	14,994,355		-	14,994,355	
Options to be issued to Dr Harmer	-		1,000,000	1,000,000	
Total Options	14,994,355		1,000,000	15,994,355	
Performance Shares					
<u>REI vendors</u>					
Class A - Converting Performance Shares	-	0.00%	3,585,366	3,585,366	
Southern Minerals - Class A Converting Performance Shares	-	0.00%	3,414,634	3,414,634	
Class B - Converting Performance Shares	-	0.00%	3,841,464	3,841,464	
Southern Minerals - Class B Converting Performance Shares	-	0.00%	3,658,536	3,658,536	
Class C - Converting Performance Shares	-	0.00%	3,841,464	3,841,464	
Southern Minerals - Class C Converting Performance Shares	-	0.00%	3,658,536	3,658,536	
Class D - Converting Performance Shares	-	0.00%	7,682,927	7,682,927	
Southern Minerals - Class D Converting Performance Shares	-	0.00%	7,317,073	7,317,073	
Total Performance Shares	-	-	37,000,000	37,000,000	
Total	44,495,837		46,500,000	90,995,837	

Note:

(1) No funds are expected to be raised from the issue of Shares to Westoria as the Shares are being issued as consideration for being advisors to Southern Crown in the Transaction.

As at the date of this report, Southern Crown has 14,994,355 listed options with an exercise price of \$0.35 with an expiry date of 31 December 2012 as well as 5,000,000 unlisted options with an exercise price of \$0.25 with an expiry date of 20 July 2015.

Based on the Notice of Meeting, a total of 1,000,000 options will be issued to Dr Harmer which will be subject to shareholder approval. 500,000 of Dr Harmer's Options will have an exercise price of \$0.25 and the remaining 500,000 of Dr Harmer's Options will have an exercise price of \$0.35.

Based on the table above, if the Transaction is approved, 8 million ordinary shares will be issued resulting in a dilution of existing shareholders' interests in Southern Crown to 77.64%. However, the level of existing shareholders' interests may be diluted further depending on the Company's ability to achieve the performance hurdles of the different classes of Performance Shares described in Section 4.

The table below shows the level of dilution that may occur to existing shareholders' interest based on successful conversion of the different classes of Performance Shares and the exercise of all options held in issued by Southern Crown.

Shareholders	Non-associated Shareholders	REI Vendors
• As at date of Notice of Meeting	100.00%	0.00%
• Issue of Tranche 1 - Shares under Heads of Agreement	85.72%	14.28%
• Issue of Tranche 2 - Shares under Heads of Agreement	78.95%	21.05%
• Issue of Shares under Heads of Agreement	66.67%	33.33%
• Conversion of Class A Performance Shares		
• Issue of Shares under Heads of Agreement	57.14%	42.86%
• Conversion of Class A Performance Shares		
• Conversion of Class B Performance Shares		
• Issue of Shares under Heads of Agreement	50.00%	50.00%
• Conversion of Class A Performance Shares		
• Conversion of Class B Performance Shares		
• Conversion of Class C Performance Shares		
• Issue of Shares under Heads of Agreement	40.00%	60.00%
• Conversion of Class A Performance Shares		
• Conversion of Class B Performance Shares		
• Conversion of Class C Performance Shares		
• Conversion of Class D Performance Shares		
• Issue of Shares under Heads of Agreement	49.45%	50.55%
• Conversion of Class A Performance Shares		
• Conversion of Class B Performance Shares		
• Conversion of Class C Performance Shares		
• Conversion of Class D Performance Shares		
• Exercise of Dr Harmer Options		
• Exercise of 15 million Options		

Based on the table above, assuming no further shares are issued post Transaction and all options issued by Southern Crown are not exercised, REI is able to achieve a maximum shareholding interest of 60.00% in



Southern Crown. On the basis that Mr Harmer's 1 million options and the other 15 million options issued to non-associated Shareholders are exercised as well, REI Vendors will have a 50.55% interest in the Company.

As described earlier, we understand that Southern Minerals intends to distribute all its shares to its shareholders and therefore the maximum percentage that REI vendors excluding Southern Minerals could hold is actually 30.71% or 23.61% if all options are exercised.

The Company considers it likely that prior to the conversion of all of the Performance Shares that there will be further issues of Shares in the Company as the Company is an exploration company, and as typical with exploration companies, will have a continual need to raise additional capital to progress its ongoing exploration programmes on its assets in Australia and in Africa prior to achieving some of the conversion milestones of the Performance Shares.

Under the Transaction, the Company understands that REI Vendor do not have the intention of making any significant changes to the business of the Company, inject further capital into the Company, make changes regarding the future employment of the present employees of the Company, redeploy any fixed assets of the Company and transfer any property between the Company and the Vendors.

5. Profile of Southern Crown Resources Limited

5.1 History

Southern Crown was incorporated on 30 April 2010 and was admitted to the ASX on 30 November 2010. Southern Crown entered into an agreement with Centaurus Resources Limited (“**Centaurus**”) and SC Resources Pty Ltd (“**SC Resources**”), a wholly owned subsidiary of Southern Crown. As part of the agreement with Centaurus, Southern Crown acquired the Dish Project located in New South Wales and the North East Queensland Project in Queensland.

The Dish Project

The Dish Project (78km²) is located approximately 15km southeast of Peak Hill in western New South Wales and is located 20km east of the North Parkes deposit owned in joint venture between Rio Tinto and Sumitomo.

The Dish Project is considered prospective for Wyoming-Caloma style gold. Southern Crown is planning to undertake a detailed geophysical survey followed by a targeted reverse circulation drilling programme to test the coincident geological and geochemical targets.

The North East Queensland Project

The North East Queensland Project (1,121km²) is located 35km south of Einasleigh comprising of one granted Exploration Permit for all minerals others than coal Exploration Permit Minerals (“**EPM**”) and three other EPM applications. The project is located 50km west of Kidston gold deposit which produced approximately 3.4 Moz of gold between 1985 and 2001.

The North East Queensland Project is also considered prospective for epithermal and intrusion related gold deposits. The Company plans to conduct further geochemical and geophysical surveying on the project.

5.2 Historical Statement of Financial Position

	Unaudited 31-Dec-10 \$
Statement of Financial Position	
CURRENT ASSETS	
Cash and cash equivalents	4,060,677
Receivables	-
TOTAL CURRENT ASSETS	4,060,677
NON-CURRENT ASSETS	
Capitalised acquisition costs	408,298
Other assets	43,808
TOTAL NON-CURRENT ASSETS	452,106
TOTAL ASSETS	4,512,783
CURRENT LIABILITIES	
Trade and other payables	65,368

Other liabilities	4,598
TOTAL CURRENT LIABILITIES	69,966
TOTAL LIABILITIES	69,966
NET ASSETS	4,442,817
EQUITY	
Issued capital	4,461,564
Option reserve	97,546
Accumulated losses	(116,293)
TOTAL EQUITY	4,442,817

Source: Southern Crown reviewed statement of financial position as at 31 December 2010

Commentary

The net assets of the Company consist primarily of cash raised through an initial public offering (“IPO”) issue of 20,000,000 shares at an issue price of \$0.20 each to raise \$4,000,000 before costs. Capitalised acquisition costs represent the cost of acquiring the Dish Project and the North East Queensland Project.

5.3 Historical Statement of Comprehensive Income

	Six months ended 31 Dec 2010
Statement of Comprehensive Income	\$
Revenue	
Interest income	33,676
Total revenue	33,676
Expenses	
Consulting and administration costs	(83,945)
Share based payment expense- issue of options	(1,748)
Legal Costs	(19,184)
General costs	(45,092)
Loss before income tax expense	(149,969)
Income tax expense	-
Total comprehensive loss for the period	(116,293)

Source: Southern Crown historical statement of comprehensive income for the six month period ended 31 December 2010

5.4 Capital Structure

The share structure of Southern Crown as at 30 November 2010 is outlined below:

	Number
Total Ordinary Shares on Issue	29,495,837
Top 20 Shareholders	10,180,836
Top 20 Shareholders - % of shares on issue	34.5%

Source: Southern Crown ASX Announcement 30 November 2010

The range of shares held in Southern Crown as at 30 November 2010 is as follows:

Range of Shares Held	No. of Ordinary Shareholders
1-1,000	-
1,001-5,000	-
5,001-10,000	114
10,001-100,000	320
100,001 - and over	54
TOTAL	488

Source: Southern Crown ASX Announcement 30 November 2010

The ordinary shares held by the most significant shareholders as at 30 November 2010 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Westoria Resource Investments Limited	2,583,334	8.76%
Centaurus Metals Ltd	1,562,500	5.30%
Tempo Capital Pty Ltd	720,000	2.44%
Goodheart Pty Ltd	666,667	2.26%
Total Top 4	5,532,501	18.76%
Others	23,963,336	81.24%
Total Ordinary Shares on Issue	29,495,837	100.00%

Source: Southern Crown ASX Announcement 30 November 2010

The most significant option holders of Southern Crown as at 30 November 2010 are detailed below:

Name	Number of Options	Exercise Price (\$)	Expiry Date
Tempo Capital Pty Ltd	360,000	0.35	31/12/2012
Invictus Capital Pty Ltd	180,000	0.35	31/12/2012
Mr Peter John Nelson	175,000	0.35	31/12/2012
Mr Brian Mark Bates	155,000	0.35	31/12/2012
Total Top 4	870,000		
Other Optionholders	9,130,000	0.35	31/12/2012
Total Listed Options	10,000,000		

Source: Southern Crown ASX Announcement 30 November 2010

A total of 5,000,000 unlisted options exercisable at \$0.25 with an expiry date of 20 July 2015 have also been issued by the Company.

6. Profile of Rare Earth International Limited

6.1 History

REI is a company incorporated in the British Virgin Islands (“BVI”) focused on identifying and developing rare earth mineral deposits worldwide with an emphasis on deposits located in Africa. REI currently holds, or has applied for, exploration permits covering rare earth deposits and prospects in Burundi, Zambia and Mozambique.

REI has secured two advanced Rare Earth Elements (“REE”) projects in Southern Africa consisting of the Nkombwa Project in Zambia and the Xiluvo Project at Mozambique as well as an application over the Gakara Project in Burundi. All projects are located with 25km of major national roads close to regional centres.

Gakara Project (100% REI owned)

The Gakara Project is located approximately 22km South East of the Burundi capital, Bujumbura and includes the historical high grade Karonge REE mine.

REE deposits at the Gakara Project location were first found in 1936 with approximately 5,000 tonnes of REE concentrate mined from a number of open pits and underground operations over 1936 to 1979.

The Gakara Project application has been approved by the minister but requires cabinet approval for grant. A competing application has been lodged by a third party and although the REI application was lodged first, the cabinet is required to consider all submission materials before granting the project.

REI plans to undertake a high resolution airborne magnetic and radiometric survey over the license area. Together with available historical data, this will allow REI to prioritise targets that will be systematically trenched, sampled and drilled.

The Xiluvo Project (REI earning up to 85%)

The Xiluvo Project is located 100km North West of the port of Beira which is adjacent to a major paved road and rail linking Zimbabwe with the port. There is a 25 year mining permit in place with the existence of a quarry for construction aggregate.

The Xiluvo Project is held as a joint venture project with Promac, a Mozambique quarrying and construction company which holds a valid mining license and operates the quarrying operations exploiting calcitic carbonite for use as construction aggregate. As part of the joint venture farm-in agreement with Promac, REI can earn:

- 50% of the REE assets after spending US\$300,000 within 3 years;
- 75% by spending an additional US\$300,000; and
- 85% by spending an additional US\$400,000.

The Xiluvo Project has two drilling targets, the primary REE enriched carbonatite target with petrological evidence of elevated LREE concentration and the secondary LREE enriched unconsolidated soil horizon at the base of the carbonatite hill.

The Nkombwa Project (REI earning up to 75%)

The Nkombwa Project is located in the North East of Zambia, 22km East of the major T2 paved national road between Lusaka (Zambian capital) and the Tanzanian border. The project includes the Nkombwa Hill carbonatite intrusion along with several kimberlite dykes that form part of the Isoka kimberlite swarm investigated by De Beers between 1959 and 1973. The Nkombwa Project is known to be prospective for REE, Niobium and Phosphate enriched carbonatite.

REI entered into a joint venture agreement with African Consolidated Resources Plc (“ACR”) to secure the rights to explore for REE. ACR retains the rights to all non rare earth elements. Under the joint venture agreement with ACR, REI can earn:

- 30% of the REE assets on completion of a JORC Inferred Resource and expenditure of US\$750,000 within 2 years;
- An additional 20% interest by converting half of the JORC Inferred Resource to an Indicated Resource and spending an additional US\$600,000 within an additional 18 months;
- ACR can elect thereafter to co-contribute from this stage. If they elect not to, REI may increase its earning:
 - to 65% by completing a pre-feasibility study; and
 - to 75% by completing a bankable feasibility study.

Rodeo de los Molles Project

We were informed that REI had previously applied for exploration tenure in Argentina during mid-2010. Subsequent to lodging the application, REI was made aware that the area of the application covered an area that was already subject to a granted exploration tenure that was due to expire at the end of December 2010. REI has not lodged a new application for any exploration tenure in Argentina.

6.2 Financials

The financials for REI were not available; however REI management have confirmed that the only material assets are the mineral assets which will be valued.

6.3 Capital Structure

REI’s share capital structure is detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Umbono Capital Partners LLC	100	48.8
Southern Minerals Limited	100	48.8
Swan Bridge Resources	5	2.4
Total Ordinary Shares on Issue	205	100.0

Source: REI register of members

Umbono is an investment group in Africa focussed on mining, energy and other natural resources within the country. The company specialises in providing asset management, investing, financing and advisory services to clients in the mining, energy and telecommunications sectors. Rob Gerhard, a non-executive director of REI is one of the founders of Umbono.

Southern Minerals is a company which explores for various commodities in Africa. David Reeves, a non-executive director of REI is the chief executive officer of Southern Minerals.

7. Industry Analysis

7.1 Rare Earth Element analysis

Overview

Rare earth elements (“REE”) consist of 15 lanthanides plus scandium and yttrium that have similar chemical properties to the lanthanides. The REE are conventionally divided into “Light” REE (“LREE”) and “Heavy” REE (“HREE”). REE are more abundant in the Earth’s crust than gold, silver or platinum metals. However, because of their geochemical properties, REE are typically dispersed and not often found in concentrated and economically viable quantities. Due to the very similar chemical characteristics of REE, the preparation of pure oxide or metal products of the individual REE from rare earth mineral concentrate is complex and expensive.

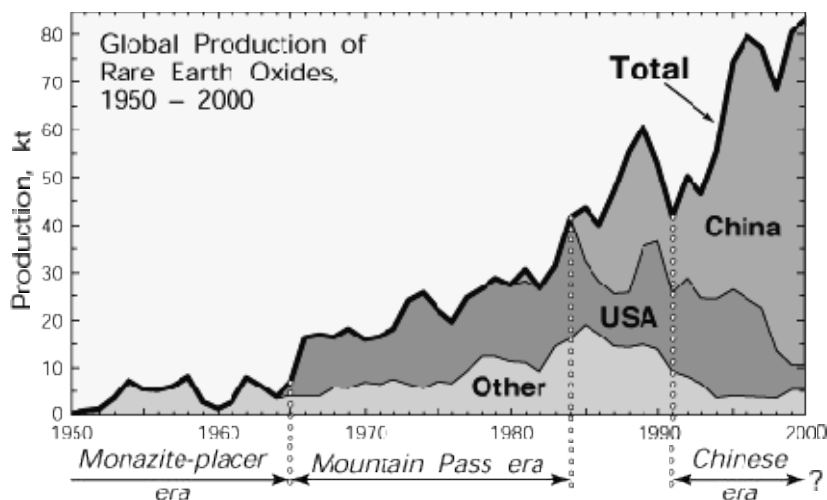
The table below represents a listing of the 17 REE, their atomic number, symbol and their main usages in the market.

	Symbol	Name	Type of REE	Selected Usages
57	La	<u>Lanthanum</u>	LREE	High refractive index glass, flint, hydrogen storage, battery-electrodes, camera lenses, fluid catalytic cracking catalyst for oil refineries
58	Ce	<u>Cerium</u>	LREE	Chemical oxidizing agent, polishing powder, yellow colours in glass and ceramics, catalyst for self-cleaning ovens, fluid catalytic cracking catalyst for oil refineries
59	Pr	<u>Praseodymium</u>	LREE	Rare-earth magnets, lasers, core material for carbon arc lighting, colorant in glasses and enamels, additive in Didymium glass used in welding goggles, ferrocium fire steel (flint) products.
60	Nd	<u>Neodymium</u>	LREE	Rare-earth magnets, lasers, violet colours in glass and ceramics, ceramic capacitors
61	Pm	<u>Promethium</u>	LREE	Nuclear batteries
62	Sm	<u>Samarium</u>	LREE	Rare-earth magnets, lasers, neutron capture, masers
63	Eu	<u>Europium</u>	HREE	Red and blue phosphors, lasers, mercury-vapour lamps
64	Gd	<u>Gadolinium</u>	HREE	Rare-earth magnets, high refractive index glass or garnets, lasers, x-ray tubes, computer memories, neutron capture
65	Tb	<u>Terbium</u>	HREE	Green phosphors, lasers, fluorescent lamps
66	Dy	<u>Dysprosium</u>	HREE	Rare-earth magnets, lasers
67	Ho	<u>Holmium</u>	HREE	Lasers
68	Er	<u>Erbium</u>	HREE	Lasers, vanadium steel
69	Tm	<u>Thulium</u>	HREE	Portable X-ray machines
70	Yb	<u>Ytterbium</u>	HREE	Infrared lasers, chemical reducing agent
71	Lu	<u>Lutetium</u>	HREE	PET Scan detectors, high refractive index glass
21	Sc	<u>Scandium</u>	HREE	Light Aluminium-scandium alloy for aerospace components, additive in Mercury-vapour lamps.
39	Y	<u>Yttrium</u>	HREE	Yttrium-aluminium garnet (YAG) laser, YBCO high-temperature superconductors, yttrium iron garnet (YIG) microwave filters.

Supply and demand

REE demand is growing rapidly due to the adoption of environmentally-friendly energy technologies; in particular wind energy generation and low-emission “hybrid” motor vehicles. Consumption of REE in 2008 was 124,000 tonnes and projected to exceed 180,000 tonnes by 2014.

Over the last few decades, production of REE outside China has declined significantly with China now supplying more than 95% of the world’s demand for REE.



Source: US Geological Survey

In 2009, China limited its supply of raw REE, partly as an initiative to protect its own REE product industry and to protect China’s REE reserves from over-exploitation. The total export quota for 2010 of 30,259 tonnes was 40% less than the total export quota for 2009 of 50,145 tonnes. The Chinese government has implemented various policies to limit pollution and carbon emissions through the adoption of wind energy electricity generation and hybrid motor vehicles.

The US government have recently raised concerns over China’s action to limit export quotas. REE is a vital mineral necessary for the production of various high technology products and defence equipment. In Europe, several large European companies and governments are joining forces to appeal to the European Commission and World Trade Organisation to address the export quota reduction imposed by the Chinese government.

Prices

The prices for REE are not fixed by central trading exchanges but are fixed on a trade-by-trade basis. The price of individual rare earths varies widely. As a consequence, REE deposits are compared on the basis of its relative concentrations of individual REE in the ore. Historically, most HREE trade at a higher price than LREE.

With an increase in investment focus on clean energy technologies such as hybrid vehicles and wind turbines, the demand and price for light rare earths such as neodymium and praseodymium for the manufacture of permanent magnets and lanthanum and cerium in rechargeable batteries will increase at a faster rate than HREE.

In general, due to the reduction in world REE supply and an increase in world demand for REE, the trading prices for REE have increased significantly. The table below shows the average annual price for a 'standard' 99% purity of individual elements and for the generic composite of Rare Earths equivalent to the Rare Earths distribution at the Lynas Corporation Limited Mt Weld Project. Prices are quoted in US\$/kg on an FOB China basis.

Rare Earth Oxide	2007 (US\$ per kg)	2008 (US\$ per kg)	2009 (US\$ per kg)	Q2 2010 (US\$ per kg)	Q3 2010 (US\$ per kg)	17/01/11 (US\$ per kg)
Lanthanum Oxide	3.44	8.71	4.88	7.49	23.67	80.00
Cerium Oxide	3.04	4.56	3.88	6.42	23.05	67.10
Neodymium Oxide	30.24	31.90	19.12	33.20	55.81	94.00
Praseodymium Oxide	29.05	29.48	18.03	33.07	54.37	91.50
Samarium Oxide	3.60	5.20	3.40	3.40	14.40	61.10
Dysprosium Oxide	89.10	118.49	115.67	200.50	281.54	340.00
Europium Oxide	323.90	481.92	492.92	529.80	585.31	635.00
Terbium Oxide	590.40	720.77	361.67	538.50	593.38	630.00

Source: Lynas Corporation Ltd website

Prices and future outlook

Although REE prices are expected to rise in the short term due to excessive demand over supply, REE prices will likely decrease in the medium to long term.

Companies worldwide have begun exploration and mining activities. For instance, Lynas Corporation Ltd (ASX:LYC) of Australia plans to start production of its Mt. Weld Project, the world's largest rare earth metal deposit, in the third quarter of 2011. The company expects to produce 11,000 tons of rare earth oxide (approximately 9% of 2010 global production) within one year of production. Molycorp (NYSE:MCP), an American company backed by loans from the US federal government, is working towards full production of its Mt. Pass Mine, one of the world's largest reserves. The company expects full production to begin in 2012.

Several countries such as US, Europe and Japan have raised their concerns on China's stance of reducing REE export quota. Large companies that drive demand have also begun to look at alternative metals. Toyota has begun developing electric motors based on ferrous magnets and the US Department of Energy has partially subsidised a General Electric project which plans to reduce rare earth usage in wind turbines by 80%.

8. Valuation Approach Adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Net Asset Value (“NAV”)
- Quoted Market Price Basis (“QMP”)
- Capitalisation of future maintainable earnings (“FME”)
- Discounted Cash Flow (“DCF”)
- Multiple of Exploration Expenditure (“MEE”)

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. A summary of each of these methodologies is outlined in Appendix 2.

Our opinion is based on a comparison of the value of a Southern Crown share before the Transaction and the value of Southern Crown share following the Transaction which incorporates the value of REI’s assets.

Valuation of Southern Crown

In our assessment of the value of Southern Crown shares, we have chosen to employ the following methodologies:

- **Net Asset Value**

We have not used a specialist valuation report for Southern Crown’s exploration assets due to the short time since the Company’s ASX listing date of 30 November 2010 and limited exploration undertaken on the assets since that time.

An independent technical report was prepared by Agricola Mining Consultants (“Agricola”) on 13 October 2010 as part of the prospectus issue of Southern Crown. The report sets out the preliminary nature of activities completed at the Dish Project and the North East Queensland Project as well as providing a proposed exploration budget.

Therefore we consider a reasonable basis for valuing the exploration assets of Southern Crown to be the cost of acquiring the Dish Project and the North East Queensland Project.

- **Quoted Market Price Basis**

Southern Crown is an ASX listed company and therefore the QMP method is an appropriate secondary valuation method.

The DCF and FME valuation approaches are not appropriate methods as there are no reliable forecast cash flows available and there is no operating profit history that can be relied upon in forming a future maintainable earning forecast.

Valuation of Rare Earth International

In our assessment of the value of REI, we consider the NAV methodology to be the most appropriate valuation method. BDO has instructed Agricola to conduct an independent specialist technical valuation of the different projects held by REI under the specific scenarios set out in the REI acquisition agreement described in Section 4. We have relied upon this valuation in assessing the market value of the exploration assets of REI which form the major part of the value of REI.

9. Valuation of a Southern Crown Share

9.1 Net Asset Valuation of Southern Crown

Statement of Financial Position	Pro- forma as at 8-Oct-2010 \$	Reviewed as at 31-Dec-2010 \$
CURRENT ASSETS		
Cash and cash equivalents	4,100,567	4,060,677
Receivables	6,909	-
TOTAL CURRENT ASSETS	4,107,476	4,060,677
NON-CURRENT ASSETS		
Capitalised acquisition costs	408,298	408,298
Other assets	-	43,808
TOTAL NON-CURRENT ASSETS	408,298	452,106
TOTAL ASSETS	4,515,774	4,512,783
CURRENT LIABILITIES		
Trade and other payables	66,026	65,368
Other liabilities	-	4,598
TOTAL CURRENT LIABILITIES	66,026	69,966
TOTAL LIABILITIES	66,026	69,966
NET ASSETS	4,449,748	4,442,817
EQUITY		
Issued capital	4,434,000	4,461,564
Option reserve	97,546	97,546
Accumulated losses	(81,798)	(116,293)
TOTAL EQUITY	4,449,748	4,442,817
Number of Shares Outstanding		29,501,482
Value of Southern Crown (\$ per share)		\$ 0.15

Source: Southern Crown Prospectus and management accounts for 31 December 2010

We have not made any adjustments to net assets as at 31 December 2010 and we understand that there have been no material changes in the assets and liabilities of Southern Crown since 31 December 2010.

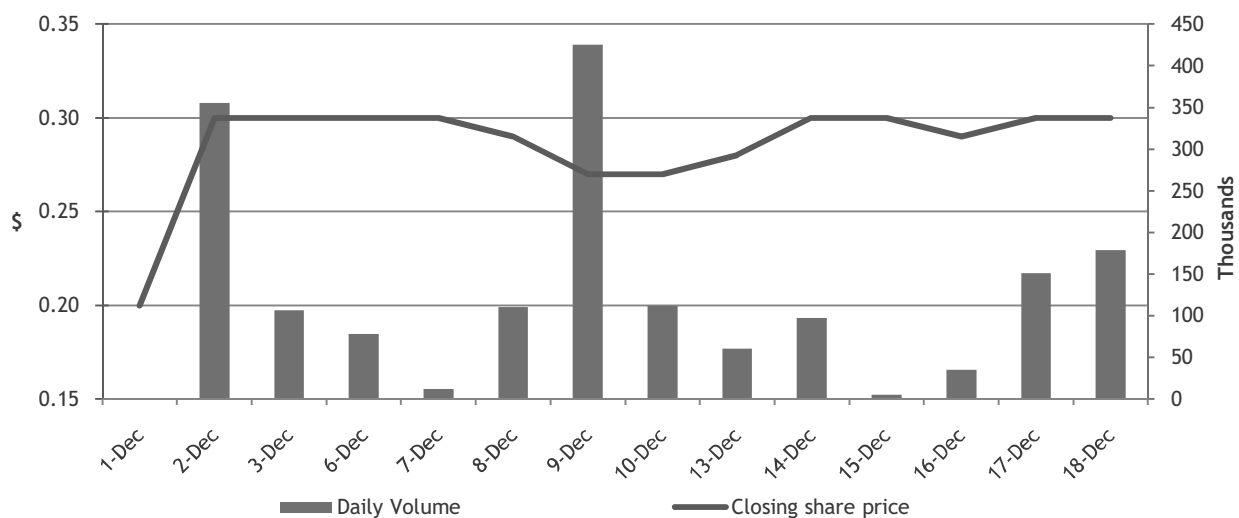
Capitalised acquisition costs represent the cost of acquiring the Dish Project and the North East Queensland Project. We have not adjusted the value of the mining assets to reflect a revised fair value as minimal exploration expenditure has been incurred since acquisition.

Based on the above, we have valued Southern Crown on a net asset basis at \$0.15 per share.

9.2 Quoted Market Price of a Southern Crown Share

Our analysis of the quoted market price of a Southern Crown share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Southern Crown share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a Southern Crown share following the announcement when we have addressed reasonableness in Section 12.2.

Information on the Transaction was announced to the market on 21 December 2010. Therefore, the following chart provides a summary of the share price movement over the period up to 20 December 2010 which was the last trading day prior to the announcement.



Source: Bloomberg

Southern Crown listed on 1 December 2010 at \$0.20. On the first day of trading, Southern Crown's share price closed at \$0.30, a 50% premium to the IPO issue price of \$0.20 per share. From that date to the announcement date of 21 December 2010, Southern Crown traded in a range from 27 cents to 30 cents.

During this period, the only key announcement was the successful IPO and initial exploration plan. The key announcements can be observed under Appendix 3 of our Report.

To provide further analysis of the market prices for a Southern Crown share, we have also considered the weighted average market price for 10, and 14 day periods to 20 December 2010.

Share Price per unit	20 December 2010	10 Days	14 Days
Closing price	\$ 0.30		
Weighted Average price		\$ 0.2842	\$ 0.2891

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Southern Crown shares that has occurred since the announcement.

An analysis of the volume of trading in Southern Crown shares for the 14 trading days prior to 21 December 2010 is set out below:

	Low	High	Cumulative Volume	% Issued capital
1 Trading Day	0.30	0.30	178,385	0.60%
10 Trading Days	0.27	0.30	1,185,852	4.02%
14 Trading Days	0.27	0.30	1,726,348	5.85%

This table indicates that Southern Crown’s shares display a medium level of liquidity, with 5.85% of the Company’s current issued capital being traded since the Company’s listing date.

For the quoted market price methodology to be reliable there needs to be a ‘deep’ market in the shares. RG 111.53 indicates that a ‘deep’ market should reflect a liquid and active market. We consider the following characteristics to be indicative of a deep market:

- Regular trading in a company’s securities;
- Approximately 1% of a company’s securities are traded on a weekly basis;
- The spread of a company’s shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company’s shares should meet all of the above criteria to be considered ‘deep’, however, failure of a company’s securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

As Southern Crown’s share price have only been traded for a short period of time prior to the announcement of the Transaction and hence limited share price data, the Company’s shares cannot be assessed as being traded on a liquid and active basis.

Our assessment is that a range of values for Southern Crown shares based on market pricing, after disregarding post announcement pricing, is between \$0.28 and \$0.30.

	Low	High
	\$	\$
Quoted market price value	0.28	0.30

Control Premium

The above quoted market price does not include a control premium and since we consider that the Transaction is a control transaction we have addressed a control premium. We have reviewed control premiums paid by acquirers of Australian mining companies, both listed and unlisted. We have summarised our findings below:

Transaction Period	Number of Transactions	Average Deal Value (US\$m)	Average Control Premium
2010	9	1,166	51.36%
2009	23	43.75	37.38%
2008	10	548.10	18.04%
2007	17	212.04	24.27%
Total	59	353.25	32.46%

Source: Bloomberg

We have concluded that an appropriate control premium to use in our valuation is between 30% and 35%.

Quoted market price including control premium

Applying a control premium to Southern Crown’s quoted market share price results in the following quoted market price value including a premium for control:

	Low	High
	\$	\$
Quoted market price value	0.28	0.30
Control premium	30%	35%
Quoted market price valuation including a premium for control	\$0.36	\$0.41

Therefore, our valuation of a Southern Crown share based on the quoted market price method and including a premium for control is between \$0.36 and \$0.41.

9.3 Assessment of a Southern Crown Share prior to the Transaction

The results of the valuations performed are summarised in the table below:

	Low	High
	\$	\$
Southern Crown- NAVValuation	0.15	0.15
Southern Crown - QMP Valuation	0.36	0.41

Based on the results above, we have assessed the value of a Southern Crown share to be \$0.15 based on the NAV valuation method which is our primary valuation methodology. We have not relied on the QMP valuation method of Southern Crown shares as there is an insufficient trading history and a lack of exploration activities on the Dish Project and the North Queensland Project since their acquisition. In addition, cash forms the largest component of the net asset value of Southern Crown.

10. Valuation of Rare Earth International

10.1 Net Asset Valuation of REI

There are no significant assets within REI other than its current interest in projects and its rights to earn future interests in projects. We have therefore relied on the value of the net assets to be acquired from REI.

We have engaged Agricola, to prepare an independent specialist valuation on REI's mining assets consisting of the Nkombwa, Gakara and Xiluvo. The Rodeo Project is not included in the valuation of REI's mining assets as REI has not been able to successfully renew the application over the project in 2011.

Within the Agricola report, a technical and market value assessment of REI's mining assets was provided. The technical valuation provided was estimated based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

We consider these methods to be appropriate given the projects held by REI are only in the early exploration phase.

A copy of the Agricola report is attached as Appendix 4 of this report.

The table below summarises the technical value of REI's mining assets assuming a 100% equity interest in the projects.

Prospect Name	Technical Value		
	Low (\$'mil)	Preferred (\$'mil)	High (\$'mil)
Nkombwa	5.06	5.91	6.82
Gakara	0.97	1.12	1.28
Xiluvo	0.65	0.75	0.86

Source: Agricola Independent Technical Valuation as at 27 January 2011

In determining the market value of REI's mining assets, Agricola has applied a market premium in the order of 25% to 50% to the technical value of the exploration potential of REI's mining assets. The market premium adopted takes into consideration the relative buoyancy for REE minerals currently experienced in the commodities market. This has led to an increase in the spot market predictions for commodities and therefore a stronger market outlook for new entrants to the market. Furthermore, the market premium also includes an allowance for inflation in exploration costs (reflected in an increase of BAC) over that period which is considered to be 50% higher now than in the 1990 - 2000 periods.

The table below shows the estimated market value for REI's mining assets assuming a 100% ownership interest in each project which are calculated by multiplying the preferred technical value by the range of market factors noted under the technical valuation.

Prospect Name	Market Value		
	Low (\$'mil)	Preferred (\$'mil)	High (\$'mil)
Nkombwa	7.39	8.13	8.87
Gakara	1.40	1.54	1.68
Xiluvo	0.94	1.04	1.13

Source: Agricola Independent Technical Valuation as at 27 January 2011

Included within the Agricola Report is the enhanced valuation of the Nkombwa and Xiluvo Project which considers the potential increase in the respective project values under the assumption that the expenditure of US\$1.35 million to achieve a 50% interest in the Nkombwa Project and the expenditure of US\$1.0 million to earn an 85% interest on the Xiluvo Project will enhance the prospectivity of the projects.

Under the joint venture agreement between REI and ACR, we note that REI is able to achieve an additional 25% interest in the Nkombwa Project if ACR elects to forfeit its rights to co-contribute in the Nkombwa Project and REI fully funds the pre-feasibility and bankable feasibility study. The potential value enhancement of completing the pre-feasibility and bankable feasibility study has not been considered in the Agricola Report as it is highly subjective and dependent on economical, geological and ACR management's decision to exercise its rights to contribute in the pre-feasibility and bankable feasibility study of the Nkombwa Project.

The Agricola Report assumes that the exploration expenditure will increase the value of the projects by a factor of 1.5 to 2.0 of the expenditure which is discounted to 1.3 for the Xiluvo Project and 1.5 for the Nkombwa Project to account for the uncertainties involved in achieving an enhancement in project value.

The table below summarises the value of REI's mining assets assuming an enhanced prospectivity of the Nkombwa and Xiluvo Project which is contingent on REI fulfilling the performance hurdles to achieve the maximum potential earn-in interest in the projects.

Prospect Name	Market Value		
	Low (\$'mil)	Preferred (\$'mil)	High (\$'mil)
Nkombwa (50%)	4.71	5.08	5.45
Gakara (100%)	1.40	1.54	1.68
Xiluvo (85%)	1.90	1.99	2.07
Total Value	8.01	8.61	9.20

Source: Agricola Independent Technical Valuation as at 27 January 2011

Based on the table above, we have valued REI in the range from \$8.01 million to \$9.20 million with a preferred value of \$8.61 million.

11. Valuation of the Offer

As described in Section 4, the Transaction involves the issue of the following:

1. 8 million fully paid ordinary shares in two tranches:
 - a) 5 million shares being issued upon the receipt of Shareholder approval and settlement of the Transaction (“Tranche 1 - Shares”); and
 - b) 3 million shares to be issued upon the receipt by the Company of evidence of the granting of a prospecting licence to an as yet to be incorporated Mozambique registered company in which REI will have an interest within 12 months from the date of settlement of the Transaction. (“Tranche 2 - Shares”)
2. The issue of 37 million Performance Shares following shareholder approval of the Transaction, that will be convertible into fully paid ordinary shares upon the satisfaction of specified performance hurdles as set out in section 4 above.

11.1 Valuation of the Southern Crown Shares offered

A total of 8 million shares are offered under the Transaction. The Tranche 1 - Shares that are to be issued upon the receipt of Shareholder approval, are treated as a non-contingent consideration payable by Southern Crown. However, issue of the Tranche 2 - Shares is dependent on the receipt by Southern Crown of evidence of the granting of a prospecting licence to an as yet to be incorporated Mozambique registered company in which REI will have an interest within 12 months from the date of settlement.

Based on our understanding, REI can explore for rare earths on the current mining permit under the terms of the existing farm-in agreement and it was already contemplated to excise a portion of the mining permit to put into a separate local company with REI and Promac (mining permit holder) as shareholders. Because the mining permit is controlled by Promac and we have a legally binding agreement to explore for rare earths on the mining permit and no one can overpeg, the granting of the prospecting permit is within REI and Promac control with government approvals.

11.2 Valuation of the Performance Shares offered

The valuation of the four classes of Performance Shares are based on different performance hurdles and therefore analysed separately.

11.2.1 Class A - Performance Shares

Based on our understanding, the only existing application in place is the application for the Gakara Project in Burundi. REI’s application for the Gakara Project was approved by the Minister of Mines of Burundi in June 2010 but is still awaiting formal approval by the Cabinet.

The application for the Rodeo Project in Argentina expired on 31 December 2010 and we understand that REI has not been able to secure the application for the project in 2011.

Based on information received to date, we are not able to determine whether REI will successfully obtain approval from the Burundi Cabinet on the Gakara Project and commence exploration of the mining tenement.

In the event that the performance hurdle described above is achieved, the Gakara Project will increase the NTA value and the number of Southern Crown shares on issue. The table below shows the value of the impact:

Prospect Name	Market Value		
	Low	Preferred	High
Value of Gakara Project (\$)	1,400,000	1,540,000	1,680,000
Number of Shares to be issued	7,000,000	7,000,000	7,000,000

11.2.2 Class B - Performance Shares

The conversion of Class B - Performance Shares into ordinary shares is dependent on Southern Crown spending US\$1.35 million within two years from the date of issue of the Performance Shares to earn a 50% interest in the Nkombwa Project.

In the event that the performance hurdle described above is achieved, the Nkombwa Project will increase the NTA value and the number of Southern Crown shares on issue. The table below shows the value of the impact:

Class B - Performance Shares	Low	Preferred	High
Value of the Nkombwa Project ¹	4,710,000	5,075,000	5,445,000
Less: Farm-in Expenditure (A\$) ²	(1,421,053)	(1,421,053)	(1,421,053)
Net Value of Class B - Performance Shares	\$ 3,288,947	\$ 3,653,947	\$ 4,023,947
Number of Shares to be issued	7,500,000	7,500,000	7,500,000

Note:

- (1) The value of the Nkombwa Project is derived from the Agricola Independent Technical Expert Report. Based on the Agricola Report, the value of the Nkombwa Project is expected to increase by approximately \$1.01 million with increased exploration activity on the tenement. Refer to Section 10 for more details on the calculation.
- (2) The farm-in expenditure of US\$1.35 million is converted at the long term exchange rate of AUD/USD 0.9500.

11.2.3 Class C - Performance Shares

The conversion of Class C - Performance Shares into ordinary shares is dependent on Southern Crown spending US\$1 million within two years from the date of issue of the Performance Shares to earn an 85% interest in the Xiluvo Project.

In the event that the performance hurdle described above is achieved, the Xiluvo Project will increase the NTA value and the number of Southern Crown shares on issue. The table below shows the value of the impact:

Class C - Performance Shares	Low	Preferred	High
Value of Xiluvo Project ¹	1,900,000	1,990,000	2,070,000
Less: Farm-in Expenditure (A\$) ²	(1,052,632)	(1,052,632)	(1,052,632)
Net Value of Class C - Performance Shares	\$ 847,368	\$ 937,368	\$ 1,017,368
Number of Shares to be issued	7,500,000	7,500,000	7,500,000

Note:

- (1) The value of the Xiluvo Project is derived from the Agricola Independent Technical Expert Report. Based on the Agricola Report, the Xiluvo Project is expected to increase by \$1.11 million with increased exploration activity on the tenement. Refer to Section 10 for more details on the calculation.
- (2) The farm-in expenditure of US\$1.0 million is converted at the long term exchange rate of AUD/USD 0.9500.

11.2.4 Class D - Performance Shares

As described in Section 4, Class D - Performance Shares are convertible into ordinary shares upon completion of a positive pre-feasibility (based on independent studies and conservative metal pricing) and a resolution of the Independent Directors of Southern Crown to undertake a full BFS on any of REI's projects within 3 years of the date of issue of the Performance Shares. As the achievement of the performance hurdle is based on both economic and geological factors as well as the achievement of successful exploration results, it is not appropriate to attribute a probability of success of achieving the positive pre-feasibility study and for the Independent Directors of Southern Crown to approve the undertaking of a full BFS on any of REI's projects. Agricola's Independent Technical Valuation report considers the prospectivity of an area for further exploration however this may or may not be successful.

We have not attributed a value to this consideration as the properties are either at an application stage or early exploration phase and therefore significant uncertainties exist as to satisfying the conditions attached to the issue of the shares.

12. Is the Transaction fair?

As described earlier, to determine the fairness of the Transaction, we have compared the value of a Southern Crown share before the Transaction and after the Transaction.

We have assessed the Transaction under 8 different scenarios due to the contingent nature of much of the Offer. The eight different scenarios are described below:

Scenario	Consideration
1	<ul style="list-style-type: none"> • Issue of 8 million shares and payment of a non-refundable \$50,000 loan to REI • None of the performance hurdles of Class A, B and C Performance Shares are satisfied.
2	<ul style="list-style-type: none"> • Issue of 8 million shares and payment of a non-refundable \$50,000 loan to REI • Class A - Performance Shares converts into shares
3	<ul style="list-style-type: none"> • Issue of 8 million shares and payment of a non-refundable \$50,000 loan to REI • Class B - Performance Shares converts into shares
4	<ul style="list-style-type: none"> • Issue of 8 million shares and payment of a non-refundable \$50,000 loan to REI • Class C - Performance Shares converts into shares
5	<ul style="list-style-type: none"> • Issue of 8 million shares and payment of a non-refundable \$50,000 loan to REI • Class A - Performance Shares converts into shares • Class B - Performance Shares converts into shares
6	<ul style="list-style-type: none"> • Issue of 8 million shares and payment of a non-refundable \$50,000 loan to REI • Class A - Performance Shares converts into shares • Class C - Performance Shares converts into shares
7	<ul style="list-style-type: none"> • Issue of 8 million shares and payment of a non-refundable \$50,000 loan to REI • Class B - Performance Shares converts into shares • Class C - Performance Shares converts into shares

8	<ul style="list-style-type: none"> • Issue of 8 million shares and payment of a non-refundable \$50,000 loan to REI • Class A - Performance Shares converts into shares • Class B - Performance Shares converts into shares • Class C - Performance Shares converts into shares
9	<ul style="list-style-type: none"> • Issue of 5 million shares and payment of a non-refundable \$50,000 loan to REI • None of the performance hurdles of Class A, B and C Performance Shares are satisfied.
10	<ul style="list-style-type: none"> • Issue of 5 million shares and payment of a non-refundable \$50,000 loan to REI • Class A - Performance Shares converts into shares
11	<ul style="list-style-type: none"> • Issue of 5 million shares and payment of a non-refundable \$50,000 loan to REI • Class B - Performance Shares converts into shares
12	<ul style="list-style-type: none"> • Issue of 5 million shares and payment of a non-refundable \$50,000 loan to REI • Class A - Performance Shares converts into shares • Class B - Performance Shares converts into shares

Note:

The table above excludes Class D - Performance Shares as we are not able to attribute a probability of success of achieving the performance hurdle of completing a positive pre-feasibility result and a resolution of the Independent Directors of Southern Crown to undertake a full BFS on any of REI's project. As such, due to the significant uncertainties, it is difficult to value any of REI's mining assets on the basis of achieving the performance hurdles described above.

In our analysis below, we analysed the fairness of the Transaction under the six different scenarios which will show the following:

- Scenario 1 - Base Case Scenario
- Scenario 4 - Lowest Value Scenario
- Scenario 5 - Highest Value Scenario
- Scenario 8 - All Performance Hurdles Achieved Scenario
- Scenario 9 - Amended Base Case Scenario excluding the 3 million Tranche 2 - Shares
- Scenario 12 - Amended Highest Value Scenario excluding the 3 million Tranche 2 - Shares

The analysis performed above will describe the range of values that non-associated Shareholders can expect to achieve for each Southern Crown share under the different scenarios.

12.1 Scenario 1 - Base Case Scenario

Scenario 1 is the base case scenario that assumes that none of the performance hurdles for Class A, B, C and D are achieved and only the non-contingent considerations will be payable by Southern Crown.

12.1.1 Base consideration

The non-contingent consideration to be provided comprises:

- Issue of 8 million ordinary shares; and
- A non-refundable loan of A\$50,000 made available to REI.

12.1.2 Valuation of Southern Crown following the Transaction

Scenario 1	Ref	
Southern Crown NAV before the Transaction	5.2	4,442,817
Less: Non-refundable loan	4	(50,000)
Southern Crown NAV after the Transaction		4,392,817
Southern Crown shares on issue before the Transaction	4	29,501,482
Issue of shares to Westoria Capital	4	500,000
Shares issued as part of Scenario 1	4	8,000,000
Number of Shares on Issue		38,001,482
Southern Crown NAV following the Transaction		\$ 0.116

Based on the table above, the value of a Southern Crown share would be \$0.116. We note that the NAV of Southern Crown following the Transaction is diluted by the payment of a non-refundable loan of \$50,000 and the issue of 8,000,000 shares without the benefit of any additional value from REI assets acquired.

12.1.3 Is Scenario 1 fair?

The table below shows a comparison between the value of a Southern Crown share before the Transaction and after the Transaction assuming Scenario 1 occurs.

	Preferred
Southern Crown NAV value per share before the Transaction	\$0.150
Southern Crown NAV value per share following the Transaction	\$0.116

Based on the table above, the value of a Southern Crown share before the Transaction is more than the value of a Southern Crown share following the Transaction under the circumstances described under Scenario 1. As such the Transaction would not be fair to Shareholders.

12.2 Scenario 4 - Lowest Value Scenario

As described above, Scenario 4 is the scenario comprising:

- Issue of 8 million shares to REI as non-contingent consideration;
- A non-refundable loan of A\$50,000 is made available to REI; and
- Issue of 7,500,000 shares on conversion of Class C - Performance Shares.

12.2.1 Valuation of Southern Crown following the Transaction

<i>Scenario 4</i>	Ref	Low	Preferred	High
Southern Crown NAV before the Transaction	5.2	4,442,817	4,442,817	4,442,817
Less: Non-refundable loan	4	(50,000)	(50,000)	(50,000)
Add: Net Value Xiluvo Project	11.2.3	847,368	937,368	1,017,368
Southern Crown NAV following the Transaction		5,240,186	5,330,185	5,410,185
Southern Crown shares on issue before the Transaction	4	29,501,482	29,501,482	29,501,482
Issue of shares to Westoria Capital	4	500,000	500,000	500,000
Shares issued as part of Scenario 4	4	15,500,000	15,500,000	15,500,000
Number of Shares on Issue		45,501,482	45,501,482	45,501,482
Southern Crown NAV following the Transaction		\$ 0.115	\$ 0.117	\$ 0.119

Based on the table above, the value of a Southern Crown share would be between \$0.115 and \$0.119 with a preferred value of \$0.117 per share. We note that the NAV of Southern Crown following the Transaction is diluted by the non-refundable loan of \$50,000 and the issue of 8,000,000 shares with minimal benefit of additional value from REI assets acquired.

12.2.2 Is Scenario 4 fair?

The table below shows a comparison between the value of a Southern Crown share before the Transaction and after the Transaction assuming Scenario 4 occurs.

	Low	Preferred	High
Southern Crown NAV per share before the Transaction	-	\$0.150	-
Southern Crown NAV per share following the Transaction	\$ 0.115	\$ 0.117	\$ 0.119

Based on the table above, the value of a Southern Crown share before the Transaction is more than the value of a Southern Crown share following the Transaction under the circumstances described under Scenario 4. As such the Transaction would not be fair to Shareholders.

12.3 Scenario 5 - Highest Value Scenario

As described above, Scenario 5 is the scenario comprising:

- Issue of 8 million shares to REI as non-contingent consideration;
- A non-refundable loan of A\$50,000 is made available to REI;
- Issue of 7,000,000 shares on conversion of Class A - Performance Shares; and
- Issue of 7,500,000 shares on conversion of Class B - Performance Shares.

12.3.1 Valuation of Southern Crown following the Transaction

<i>Scenario 5</i>	Ref	Low	Preferred	High
Southern Crown NAV before the Transaction	5.2	4,442,817	4,442,817	4,442,817
Less: Non-refundable loan	4	(50,000)	(50,000)	(50,000)
Add: Net Value Gakara Project	11.2.1	1,400,000	1,540,000	1,680,000
Add: Net Value Nkombwa Project	11.2.2	3,288,947	3,653,947	4,023,947
Southern Crown NAV following the Transaction		9,081,765	9,586,765	10,096,765
Southern Crown shares on issue before the Transaction	4	29,501,482	29,501,482	29,501,482
Issue of shares to Westoria Capital	4	500,000	500,000	500,000
Shares issued as part of Scenario 5	4	22,500,000	22,500,000	22,500,000
Number of Shares on Issue		52,501,482	52,501,482	52,501,482
Southern Crown NAV following the Transaction		\$ 0.173	\$ 0.183	\$ 0.192

Based on the table above, the value of a Southern Crown share would be between \$0.173 and \$0.192 with a preferred value of \$0.183 per share.

12.3.2 Is Scenario 5 fair?

The table below shows a comparison between the value of a Southern Crown share before the Transaction and after the Transaction assuming Scenario 5 occurs.

	Low	Preferred	High
Southern Crown NAV value per share before the Transaction	-	\$ 0.150	-
Southern Crown NAV value per share following the Transaction	\$ 0.173	\$ 0.183	\$ 0.192

Based on the table above, value of a Southern Crown share before the Transaction is less than the value of a Southern Crown share following the Transaction under the circumstances described under Scenario 5. As such the Transaction would be fair to Shareholders.

12.4 Scenario 8 - All Performance Hurdles Achieved Scenario

As described above, Scenario 8 is the scenario comprising:

- Issue of 8 million shares to REI as non-contingent consideration;
- A non-refundable loan of A\$50,000 is made available to REI;
- Issue of 7,000,000 shares on conversion of Class A - Performance Shares;
- Issue of 7,500,000 shares on conversion of Class B - Performance Shares; and
- Issue of 7,500,000 shares on conversion of Class C - Performance Shares.

Southern Crown management has expressed its commitment to achieving the all the performance hurdles under Scenario 8 by undertaking the following activities:

- Based on the Notice of Meeting, Southern Crown is seeking shareholders' approval for a change of scale of activities to allocate existing funds to include the exploration of the new assets to be acquired under the Transaction.
- Southern Crown provided a revised expenditure budget under Section 5.1 of the Notice of Meeting showing its intention to use the current funding available of \$4,060,677 (as at 31 December 2010) to fund all its projects including all its existing Australian projects and the new projects to be acquired under the Transaction.

The available funds ensures that the Company is capable of meeting the farm-in obligations of US\$1.35 million to earn an 85% interest in the Nkombwa Project and US\$1.0 million to earn a 50% interest in the Xiluvo Project.

Based on the above factors, Scenario 8 appears to be highest probability scenario of the eight scenarios analysed.

12.4.1 Valuation of Southern Crown following the Transaction

<i>Scenario 8</i>	Ref	Low	Preferred	High
Southern Crown NAV before the Transaction	5.2	4,442,817	4,442,817	4,442,817
Less: Non-refundable loan	4	(50,000)	(50,000)	(50,000)
Add: Net Value Gakara Project	11.2.1	1,400,000	1,540,000	1,680,000
Add: Net Value Nkombwa Project	11.2.2	3,288,947	3,653,947	4,023,947
Add: Net Value Xiluvo Project	11.2.3	847,368	937,368	1,017,368
Southern Crown NAV following the Transaction		9,929,133	10,524,133	11,114,133
Southern Crown shares on issue before the Transaction	4	29,501,482	29,501,482	29,501,482
Issue of shares to Westoria Capital	4	500,000	500,000	500,000
Shares issued as part of Scenario 8	4	30,000,000	30,000,000	30,000,000
Number of Shares on Issue		60,001,482	60,001,482	60,001,482
Southern Crown NAV following the Transaction		\$ 0.165	\$ 0.175	\$ 0.185

Based on the table above, the value of a Southern Crown share would be between \$0.165 and \$0.175 with a preferred value of \$0.185.

12.4.2 Is Scenario 8 fair?

The table below shows a comparison between the value of a Southern Crown share before the Transaction and after the Transaction assuming Scenario 8 occurs.

	Low	Preferred	High
Southern Crown NAV per share before the Transaction		\$0.150	
Southern Crown NAV per share following the Transaction	\$ 0.165	\$ 0.175	\$ 0.185

Based on the table above, the value of a Southern Crown share before the Transaction is less than the value of a Southern Crown share following the Transaction under the circumstances described under Scenario 8. As such the Transaction would be fair to Shareholders.

12.5 Scenario 9 - Amended Base Case Scenario excluding the 3 million Tranche 2 - Shares

Scenario 9 is similar to the Base Case Scenario but assumes that only the 5 million Tranche 1 shares are issued and none of the performance hurdles for Class A, B, C and D are achieved. Only the non-contingent considerations will be payable by Southern Crown.

12.5.1 Non-contingent consideration

The non-contingent consideration to be provided comprises:

- Issue of 5 million ordinary shares; and
- A non-refundable loan of A\$50,000 made available to REI.

12.5.2 Valuation of Southern Crown following the Transaction

Scenario 1	Ref	
Southern Crown NAV before the Transaction	5.2	4,442,817
Less: Non-refundable loan	4	(50,000)
Southern Crown NAV after the Transaction		4,392,817
Southern Crown shares on issue before the Transaction	4	29,501,482
Issue of shares to Westoria Capital	4	500,000
Shares issued as part of Scenario 1	4	5,000,000
Number of Shares on Issue		35,001,482
Southern Crown NAV following the Transaction		\$ 0.126

Based on the table above, the value of a Southern Crown share would be \$0.126. We note that the NAV of Southern Crown following the Transaction is diluted by the payment of a non-refundable loan of \$50,000 and the issue of 5,000,000 shares without the benefit of any additional value from REI assets acquired.

12.5.3 Is Scenario 9 fair?

The table below shows a comparison between the value of a Southern Crown share before the Transaction and after the Transaction assuming Scenario 9 occurs.

	Preferred
Southern Crown NAV per share before the Transaction	\$0.150
Southern Crown NAV per share following the Transaction	\$0.126

Based on the table above, the value of a Southern Crown share before the Transaction is more than the value of a Southern Crown share following the Transaction under the circumstances described under Scenario 9. As such the Transaction would not be fair to Shareholders.

12.6 Scenario 12 - Amended Highest Value Scenario excluding the 3 million Tranche 2 - Shares

As described above, Scenario 10 is the scenario comprising:

- Issue of 5 million shares to REI as non-contingent consideration;
- A non-refundable loan of A\$50,000 is made available to REI;
- Issue of 7,000,000 shares on conversion of Class A - Performance Shares; and
- Issue of 7,500,000 shares on conversion of Class B - Performance Shares.

12.6.1 Valuation of Southern Crown following the Transaction

Scenario 5	Ref	Low	Preferred	High
Southern Crown NAV before the Transaction	5.2	4,442,817	4,442,817	4,442,817
Less: Non-refundable loan	4	(50,000)	(50,000)	(50,000)
Add: Net Value Gakara Project	11.2.1	1,400,000	1,540,000	1,680,000
Add: Net Value Nkombwa Project	11.2.2	3,288,947	3,653,947	4,023,947
Southern Crown NAV following the Transaction		9,081,765	9,586,765	10,096,765
Southern Crown shares on issue before the Transaction	4	29,501,482	29,501,482	29,501,482
Issue of shares to Westoria Capital	4	500,000	500,000	500,000
Shares issued as part of Scenario 5	4	19,500,000	19,500,000	19,500,000
Number of Shares on Issue		49,501,482	49,501,482	49,501,482
Southern Crown NAV following the Transaction		\$ 0.183	\$ 0.194	\$ 0.204

Based on the table above, the value of a Southern Crown share would be between \$0.183 and \$0.194 with a preferred value of \$0.204 per share.

12.6.2 Is Scenario 12 fair?

The table below shows a comparison between the value of a Southern Crown share before the Transaction and after the Transaction assuming Scenario 12 occurs.

	Low	Preferred	High
Southern Crown NAV per share before the Transaction	-	\$ 0.150	-
Southern Crown NAV per share following the Transaction	\$ 0.183	\$ 0.194	\$ 0.204

Based on the table above, value of a Southern Crown share before the Transaction is less than the value of a Southern Crown share following the Transaction under the circumstances described under Scenario 12.

As such the Transaction would be fair to Shareholders.

12.7 Summary of Value under all Scenarios

The table below summarises the value of a Southern Crown share following the Transaction under the various scenarios described above.

	Low \$	Preferred \$	High \$	Analysis
Scenario 1	0.116	0.116	0.116	Not fair
Scenario 2	0.129	0.132	0.135	Not fair
Scenario 3	0.169	0.177	0.185	Fair
Scenario 4	0.115	0.117	0.119	Not fair
Scenario 5	0.173	0.183	0.192	Fair
Scenario 6	0.126	0.131	0.135	Not fair
Scenario 7	0.161	0.170	0.178	Fair
Scenario 8	0.165	0.175	0.185	Fair
Scenario 9	0.126	0.126	0.126	Not fair
Scenario 10	0.138	0.141	0.145	Not fair
Scenario 11	0.181	0.189	0.198	Fair
Scenario 12	0.183	0.194	0.204	Fair

Source: BDO Analysis

As our assessed value of a Southern Crown share before the Transaction was \$0.15, the above pricing indicates that for six out of the twelve scenarios, the Transaction would be considered to be fair and that for the other six scenarios (including scenarios 1 and 9 where no performance hurdles are met) the Transaction would be considered to be not fair.

However, considering that Southern Crown management has committed to spend the funds available to meet its farm-in obligations for the Nkombwa and the Xiluvo Project and the funds are currently available, we believe that the value of a Southern Crown share under Scenario 8 is the highest probability scenario that would be likely to occur.

As such, we conclude that overall in our opinion, in the absence of any other relevant information, and/or a superior offer, the Transaction is fair for Shareholders.

13. Other Considerations

13.1 Alternative Proposal

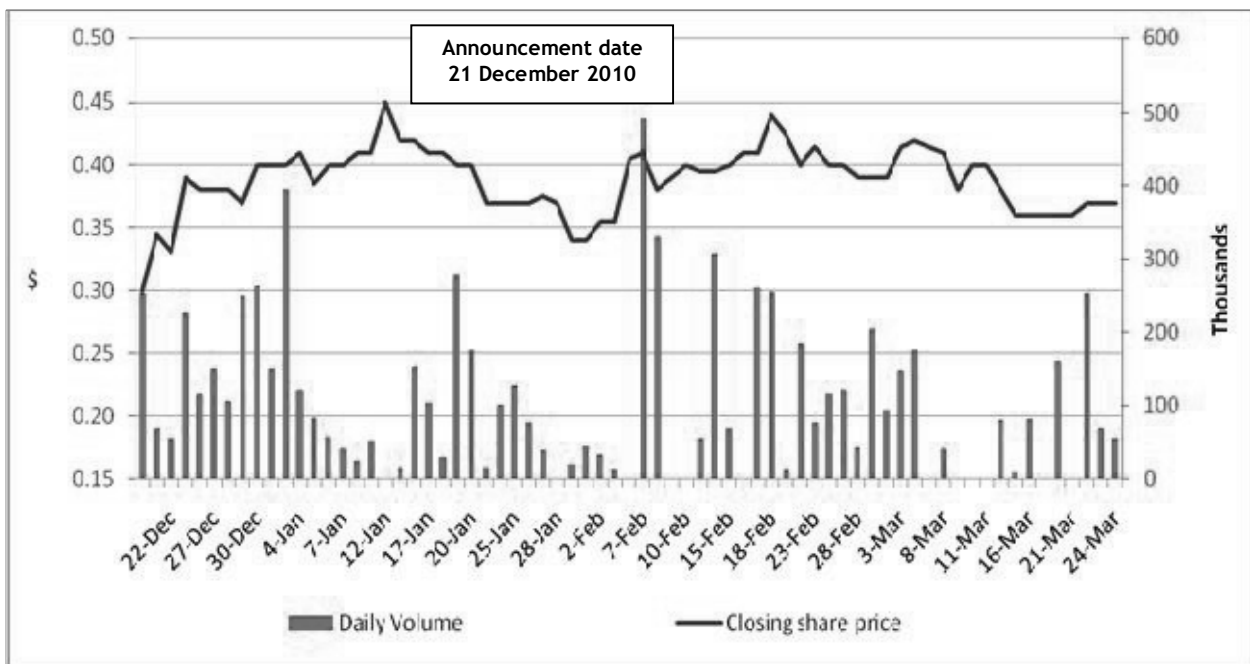
We are unaware of any alternative proposal that might offer the non-associated Shareholders of Southern Crown a premium over the value ascribed to that resulting from the Transaction.

13.2 Implications of the Transaction not being approved

Should the Transaction be rejected, Southern Crown will not acquire REI and may suffer a potential decline in share price.

Potential decline in share price

We have analysed movements in Southern Crown’s share price and volume since 21 December 2010 when the Transaction was announced. A graph of Southern Crown’s share price since the announcement is set out below.



Source: Bloomberg and BDO Analysis

Based on the chart above, it appears that the Southern Crown share price has increased from \$0.30 on 20 December 2010 to a high of \$0.45 noted on 12 January 2011, this represents an increase of 50% since the announcement of the Transaction.

In the event that the Transaction is not approved, the Southern Crown share price may potentially decline and revert back to its pre announcement share price of \$0.30.

14. Is the Transaction reasonable?

14.1 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Advantages	Description
The Transaction is fair	<p>As noted in Section 12, the value of a Southern Crown share following the Transaction is greater than the value of a Southern Crown share before the Transaction under Scenario 8. We have considered Scenario 8 as the highest probability scenario considering that the Company has the intention and funding capacity to meet the farm-in obligations of the Nkombwa and Xiluvo Project.</p> <p>RG111.11 states that an offer is reasonable if it is fair.</p>
Acquisition of new mineral assets with potential upside	<p>If the Transaction is approved, Southern Crown shareholders will be exposed to a greater diversification of mineral assets other than its gold projects. The REE projects held by REI are highly sought after assets in the market and currently command a premium due to the strong demand for REE by many technology intensive industries and supply constraints for REE in the market.</p> <p>Southern Crown will be able to increase its value if it is able to achieve exploration success attributed to REI's exploration assets. The valuation report prepared by Agricola indicates that there is potential upside value from funding the exploration on the Nkombwa and Xiluvo Projects.</p>
Increased attractiveness of Southern Crown shares	<p>The acquisition of REI may result in a more compelling investment proposition than represented solely by the existing gold exploration business of Southern Crown, and potentially improve the Company's prospects of raising further additional capital required to fund the future operations of the Company.</p>
Increased management expertise and strength	<p>Dr Harmer will be appointed as a Managing Director as part of the Transaction. Dr Harmer has a PhD in geochemistry and has significant experience authoring numerous academic papers relating to carbonatites. He has also recently developed and managed rare earth exploration programs on carbonatite complexes in Africa and Greenland.</p>

14.2 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing Shareholders' interest	<p>The Transaction involves the issue of 8 million ordinary shares in Southern Crown. This has the effect of reducing existing shareholder interest by 77.63%.</p> <p>The dilution of Shareholders' interest in Southern Crown has the effect of reducing the influence each shareholder has in voting on decisions addressed to Shareholders.</p>
Potential for further dilution	<p>In addition to the 8 million ordinary shares issued under the Transaction, Southern Crown can potentially issue an additional 37 million shares through the conversion of the Performance Shares.</p> <p>In the scenario that all Performance Shares convert into shares and all options issued by Southern Crown are not exercised, existing Shareholders' interest may potentially reduce to 40.00%.</p> <p>This implies that Southern Crown shareholders may risk losing control of the Company's shares to REI vendors.</p>
Different geographical area and jurisdiction	<p>The assets acquired from REI are located in Mozambique, Zambia and Burundi. Although the Xiluvo Project in Mozambique, the Nkombwa Project in Zambia and the Gakara Project in Burundi are located close to accessible infrastructures, there are risks of investing in exploration assets in any country. In fact, exploration in Australia will most likely be considered to be more stable than mining in Africa.</p> <p>Southern Crown currently only has assets which are situated in Australia and this may not be in line with Shareholders' investment risk profile.</p>

15. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the Shareholders of Southern Crown.

16. Sources of Information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Reviewed financial statements of Southern Crown for the period ending 31 December 2010;
- Southern Crown Prospectus dated 18 October 2010;
- Unaudited management accounts of REI for the period ended 31 December 2010;
- Agricola report;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Southern Crown and REI.

17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$28,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Southern Crown in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Southern Crown, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Southern Crown any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independence of Southern Crown and Southern Crown and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd have had within the past two years any professional relationship with Southern Crown, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Southern Crown and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 140 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 13 years in the Audit and Assurance and Corporate Finance areas.

19. Disclaimers and Consents

This report has been prepared at the request of Southern Crown for inclusion in the Explanatory Memorandum which will be sent to all Southern Crown Shareholders. Southern Crown engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the proposed acquisition of REI through the issue of Southern Crown ordinary shares and Performance Shares is fair and reasonable to the non-associated Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, 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, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or review of Southern Crown or REI in accordance with standards issued by the Auditing and Assurance Standards Board. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Southern Crown. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Southern Crown, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon an independent valuation for assets held by Southern Crown.

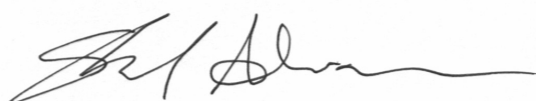
The valuer engaged for the valuation possesses the appropriate qualifications and experience in the property industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuations are appropriate for this report. We have received consents from the valuer for the use of their valuation report in the preparation of this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes

Director



Adam Myers

Associate Director

Authorised Representative

Appendix 1 - Glossary of Terms

Reference	Definition
ACR	African Consolidated Resources Plc
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Centaurus	Centaurus Resources Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPM	Exploration Permit Minerals
FME	Future Maintainable Earnings
HREE	Heavy Rare Earth Elements
JORC	Joint Ore Reserves Committee
LREE	Light Rare Earth Elements
Moz	million ounce
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
REE	Rare earth elements
REI	Rare Earth International
RST	Roan Selection Trust
SC Resources	SC Resources Pty Ltd
Shareholders	Shareholders of not associated with Southern Crown Resources Limited
Southern Crown	Southern Crown Resources Limited
The Act	The Corporations Act
The Company	Southern Crown Resources Limited
the Offer	Issue of 8 million shares and 37 million performance shares in Southern Crown to the vendors of REI
the Transaction	The Transaction to issue 8 million shares and 37 million performance shares in Southern Crown to the vendors of REI.
Tranche 1 - Shares	The issue of 5 million shares upon the receipt of Shareholder approval and settlement of the Transaction
Tranche 2 - Shares	The issue of 3 million shares upon the receipt by Southern Crown of evidence of the granting of a prospecting licence to an as yet to be incorporated Mozambique registered company in which REI will have an interest within 12 months from the date of settlement of the Transaction

Reference	Definition
Class A - Performance Shares	Issue of 7 million performance shares which converts into ordinary shares when the Company has the right to commence exploration on any application submitted by REI within one year from the date of issue of the Performance Shares.
Class B - Performance Shares	Issue of 7.5 million performance shares which converts into ordinary shares when the Company has earned its 50% interest in the Nkombwa Project, Zambia within two years from the date of issue of the Performance Shares.
Class C - Performance Shares	Issue of 7.5 million performance shares which converts into ordinary shares when the Company has earned its 50% interest in the Xiluvo Project, Mozambique within two years from the date of issue of the Performance Shares.
Class D - Performance Shares	Issue of 15 million performance shares which converts into ordinary shares upon completion of a positive pre-feasibility (based on independent studies and conservative metal pricing) and a resolution of the Independent Directors of Southern Crown to undertake a full feasibility study on any of REI's projects, within 3 years of the date of issue of the Performance Shares.
TREO	Total rare earth oxide
VWAP	Volume Weighted Average Price

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net tangible asset value on a going concern basis (“NTA”)*

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity’s assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

3 *Capitalisation of future maintainable earnings (“FME”)*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or “earnings multiple” is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (“DCF”)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Multiple of Exploration Expenditure (“MEE”)*

The Past Expenditure method is a method of valuing exploration assets in the resources industry. It is applicable for areas which are at too early a stage of prospectivity to justify the use of alternative valuation methods such as DCF. The Past Expenditure method is often referred to as the Multiple of Exploration Expenditure method.

Past expenditure, or the amount spent on exploration of a tenement, is commonly used as a guide in determining value. The assumption is that well directed exploration adds value to a property. This is not always the case and exploration can also downgrade a property. The Prospectivity Enhancement Multiplier (“PEM”) which is applied to the effective expenditure therefore commonly ranges from 0.5 to 3.0. The PEM generally falls within the following ranges:

- 0.5 to 1.0 where work to date or historic data justifies the next stage of exploration;
- to 2.0 where strong indications of potential for economic mineralisation have been identified; and
- to 3.0 where ore grade intersections or exposures indicative of economic resources are present.

Appendix 3 - Company Announcement

Date	Announcement	Closing Share Price Following Announcement \$ (movement)	Closing Share Price Three Days After Announcement \$ (movement)
28/01/2011	Quarterly Cash flow Report	0.37 (▼ 10%)	-
28/01/2011	Quarterly Activity Report	0.37 (▼ 10%)	-
21/12/2010	Acquisition of Rare Earths International	0.345 (▲ 15%)	0.380 (▲ 10%)
6/12/2010	Successful IPO and Initial Exploration Plan	0.300 (- %)	0.270 (▼ 10%)

Source: ASX

The table above represents key announcements made by Southern Crown since its listing on the ASX on 2 December 2010.

Appendix 4 - Agricola Report



Malcolm Castle
Agricola Mining Consultants Pty Ltd
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Email: mjcastle@optusnet.com.au
ABN: 84 274 218 871

20 February 2011

The Directors
BDO Corporate Finance (WA) Pty Ltd
PO Box 700
West Perth, WA, 6872

Dear Sirs,

**Re: INDEPENDENT VALUATION OF THE RARE EARTH INTERNATIONAL MINERAL ASSETS
IN ZAMBIA, BURUNDI and MOZAMBIQUE**

I have been commissioned by BDO Corporate Finance (WA) Pty Ltd (“BDO”) to provide a Mineral Asset Valuation Report (“Report”) of the Mineral Assets of Rare Earth International Ltd (“the Company” or “REI”) in Zambia, Burundi and Mozambique.

- The mineral assets of REI include:
- The Nkombwa Project in Zambia
- The Gakara Project in Burundi, and
- The Xiluvo Project in Mozambique

The independent technical valuation report is to be used in connection with a report being prepared by BDO. The present status of the tenements/licenses listed in this report is based on information provided by the Company. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

Details in respect to the legal status and tenure of the tenements comprising the Project were reviewed from documents issued by the respective governments and included in the data supplied by the company. Independent audit of the tenements was not undertaken.

DECLARATIONS

Relevant codes and guidelines

This report has been prepared as a technical assessment and valuation in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code")*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112).

Where mineral resources have been referred to in this report, the classifications are consistent with the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective December 2004.

Under the definition provided by the VALMIN Code, the properties are classified as 'exploration areas', which are inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to the Company, along with a written request to identify any material errors or omissions prior to lodgement.

In compiling this report, I did not carry out a site visit to any of the Company's Project areas. Based on my professional knowledge and experience and the availability of extensive databases and technical reports made available by various Government Agencies, I consider that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent technical report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

Malcolm Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company 20 years ago and specialises in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries.

Mr. Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Mr. Castle is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has the appropriate relevant qualifications, experience, competence and independence to be considered as an "Expert" and "Competent Person" under the Australian Valmin and JORC Codes, respectively.

He is a non-executive director of East Energy Resources Ltd a coal company with a project in central Queensland and an executive director of Brazilian Metals Group Limited and iron ore company with projects in Brazil.

Independence

I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Projects or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully

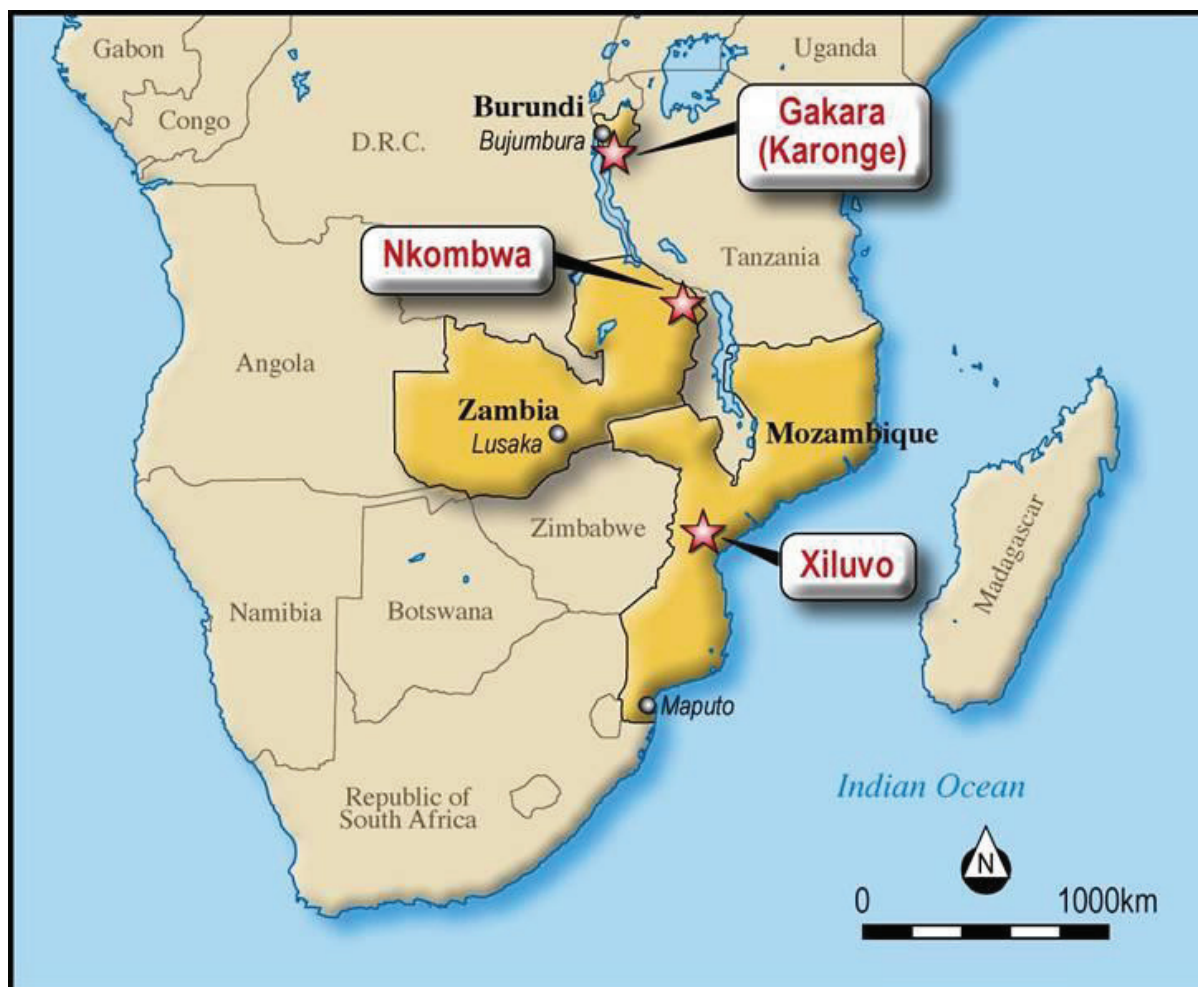


Malcolm Castle

B.Sc.(Hons) MAusIMM, MSME, GCertAppFin (Sec Inst)

PROJECT REVIEW

The review is not intended to provide a detailed review of the tenements but is aimed at putting the tenements in perspective. Notes are drawn from the Information Memorandum and supporting documents of the company, other releases to the ASX and information provided by the company.



Project Location Map

NKOMBWA PROJECT - ZAMBIA

LOCATION AND INFRASTRUCTURE

Situated in the extreme north-east of Zambia, the Nkombwa Project includes the Nkombwa Hill carbonatite intrusion along with several kimberlite dykes that form part of the Isoka kimberlite swarm. The project lies 22km from the major paved T2 national road between Lusaka and the Tanzanian border. Since its discovery in 1931, Nkombwa has been explored for phosphate and niobium resources; less attention has been focused on its REE potential.



Location of Nkombwa

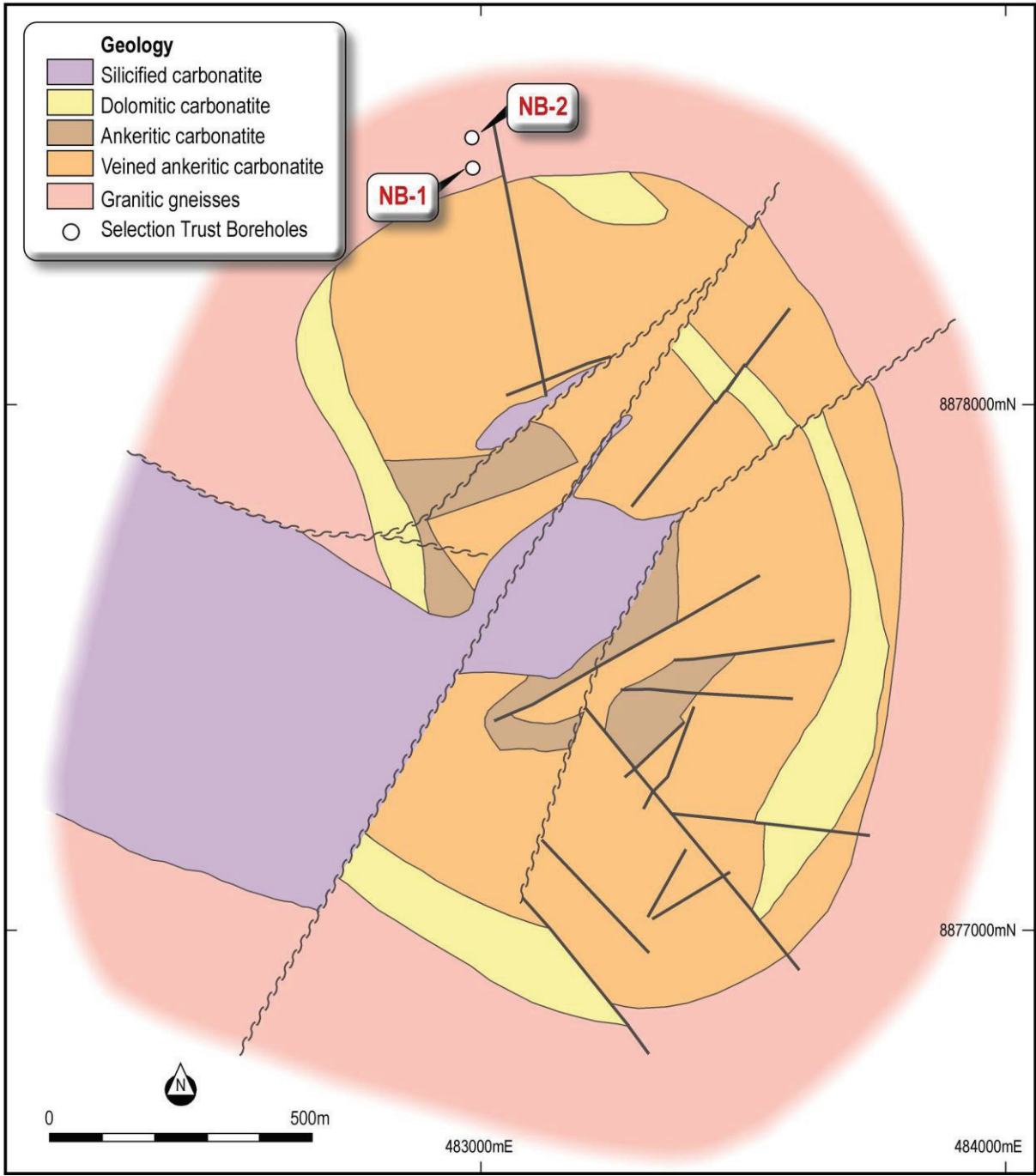
GEOLOGY

Nkombwa is composed predominantly of dolomitic and ankeritic carbonatite phases. A phlogopite-rich carbonatite occurs as discontinuous brecciated bands along the outer margin of the plug and may represent a hybrid phase incorporating fenitized (alkali-altered) country rock gneisses. Carbonatites in the central parts of the plug (forming the cap to Nkombwa hill) have been silicified, the main components of this rock being iron oxides, quartz, subordinate carbonates with apatite, isokite, pyrochlore and, rarely, monazite.

REE MINERALIZATION

Early exploration reported elevated levels of the REE in some of the carbonatites with enrichments in the light REE La, Ce and Nd relative to the heavy REE, with Ce oxide values typically 3-7%. Assays of the residual and transported soils flanking Nkombwa Hill returned P₂O₅ concentrations of 10-18% accompanied by 1-2% REE.

A focused petrological study identified the REE as occurring predominantly in carbonatite xenoliths hosted in late stage hematite-calcite carbonatite (“ferrocarbonatite”) sills and dykes cutting the dolomite and ankerite carbonatites. The xenoliths are typically angular, 10cm or more in size, green to yellow in colour and make up 20-25% by volume of the intrusive sheets; they are thought to represent fragments of a carbonatite phase not exposed at Nkombwa. Bastnaesite was identified as the principle REE-bearing phase along with lesser amounts of monazite. REE concentrations in the xenoliths are very high – the four samples studied averaged 28% (expressed as oxides; only La-Gd analysed).



Geological Map of the Nkombwa area

Summary of results of re-sampling the REE mineralised zones reported by Roan Selection Trust from NB-1 and NB-2 drilled at Nkombwa in 1968-69

Hole	Northing	Easting	Azimuth	Dip	from	To	Width	%TREO
			(deg)	(deg)	metres	metres	metres	
NB-1	8878565	483200	180	-45	69.68	75.9	6.22	7.98
					84.56	85.5	0.94	7.58
					183.49	185.6	2.11	7.78
					398.9	402.8	3.9	2.59
NB-2	8878622	483200	180	-60	298.3	302.4	4.1	5.47
					377.2	380.06	2.86	6.37

- *Coordinates are UTM Zone36S, 1950 Arc*
- *Widths are down hole intervals*
- *%TREO is percentage of total rare earth oxides; assays undertaken by Genalysis, Perth using ICP-MS on totally-dissolved samples*

Two deep (533m and 457m) boreholes drilled during exploration by Roan Selection Trust (RST) in 1968-69 intersected several 3-6m wide zones of REE mineralization: including 3% (La+Ce)₂O₃ over 12m; 5.8% over 2m; and 3.6% over 4m (only summary information for the zones is available; no raw assay data is available). These values would equate to concentrations of at least 4-8% TREO. The holes were collared near the centre of the northern edge of the complex and drilled southwards at inclinations of 45° (NB-1) and 60° (NB-2) and did not penetrate the central areas where the best REE mineralization has been identified by surface sampling and a ground radiometric survey. Phosphate is specifically excluded from the JV agreement.

GAKARA PROJECT - BURUNDI

LOCATION AND INFRASTRUCTURE

The Gakara Project covers an area of historic REE workings in Burundi and includes the well-known Karonge occurrence. The Karonge / Gakara REE deposit occurs in the west of Burundi approximately 20 km southeast of the capital Bujumbura and 12-14 km east of the shores of Lake Tanganyika.

The Gakara Project area is linked to the Burundi capital city, Bujumbura, by paved road and 20-25 kilometres of unpaved roads that serve the numerous villages and settlements scattered through the license area. These roads are currently in the process of being upgraded. Electrical power to the area is supplied by a 10MW hydro-electric power station situated less than 1km from the northern border of the license area.



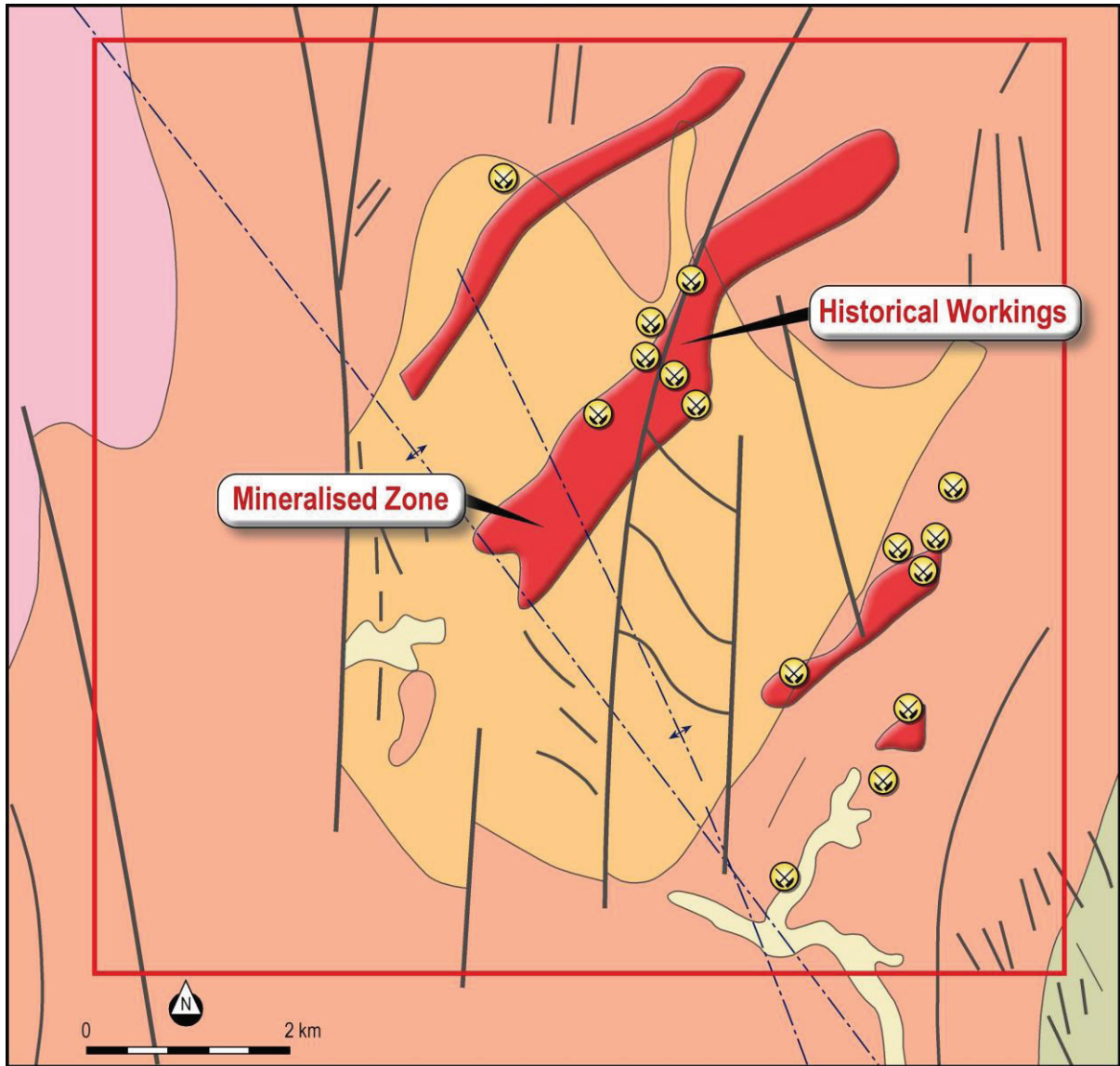
Location of the Gakara Project in Burundi

GEOLOGY

The western part of Burundi is dominated by the northeast trending Karagwe-Ankole Belt (KAB) has been considered part of the Kibaran Mobile Belt that extends from the DRC through Burundi and Rwanda into western Tanzania and Uganda. The Karagwe-Ankole Belt consists of Mesoproterozoic supracrustal units, deformed, metamorphosed and intruded by numerous granitoids. The project area is directly underlain by the Karinzi Formation surrounded by Kibaran granitoids. The Karinzi Formation is comprised of metasediments (quartzites, and pelites) and the Kibaran granitoids include tonalites and granites.

REE MINERALIZATION

The Karonge-Gakara REE mineralization consists of tectonically controlled stockwork vein systems which occur in several NE-SW trending zones, possibly related to faulting in a major anticlinal structure. The country rocks to the vein system are a sequence of schists and gneisses which are cut by granitic pegmatites. No relationship has been established between the REE-bearing veins and the granitic pegmatites and it has been proposed that the veins possibly relate to unexposed carbonatite intrusions. The rare earth mineralization is bastnaesite and monazite associated with minor quartz, baryte and goethite gangue.



Geological Map of the Gakara area

The first discovery of REE minerals in Burundi were in alluvial deposits that were subsequently mined. Mining of veins and stockworks followed in both open-pit and adit operations. 3,465 tonnes of REE concentrate were recovered from mining operations between 1955 and 1957 and from 1965 to 1975, 1200 tonnes were produced prior to 1955. After 1975 the mines were worked sporadically until their closure in 1979. The mineralization is described as high-grade bastnaesite veins.

A significant exploration and evaluation project was undertaken during the period 1981-1983. The study included metallurgical test work on a 70 kg sample collected from old workings at Gakara. Separation of REE minerals from gangue was successfully achieved using gravity techniques on a coarse-grind followed by flotation on re-ground concentrate to separate monazite and bastnaesite. A concentrate containing 65% REE oxides, 13% P_2O_5 and 4% F was generated at a recovery of 78%.

LOCATION AND INFRASTRUCTURE

The Xiluvo Project covers a significant part of the carbonatite component of the Monte Xiluvo complex located in the Sofala Province of Mozambique, 110 km inland of the port of Beira. Access to Xiluvo is excellent – the complex is bound on the eastern side by the paved national road and on the west by the national rail routes linking Zimbabwe (via Mutare) and Beira. Promac, REI's partner in the project, runs active quarrying operations in the southern part of the complex where it has a railway siding for the shipping of milled aggregate.

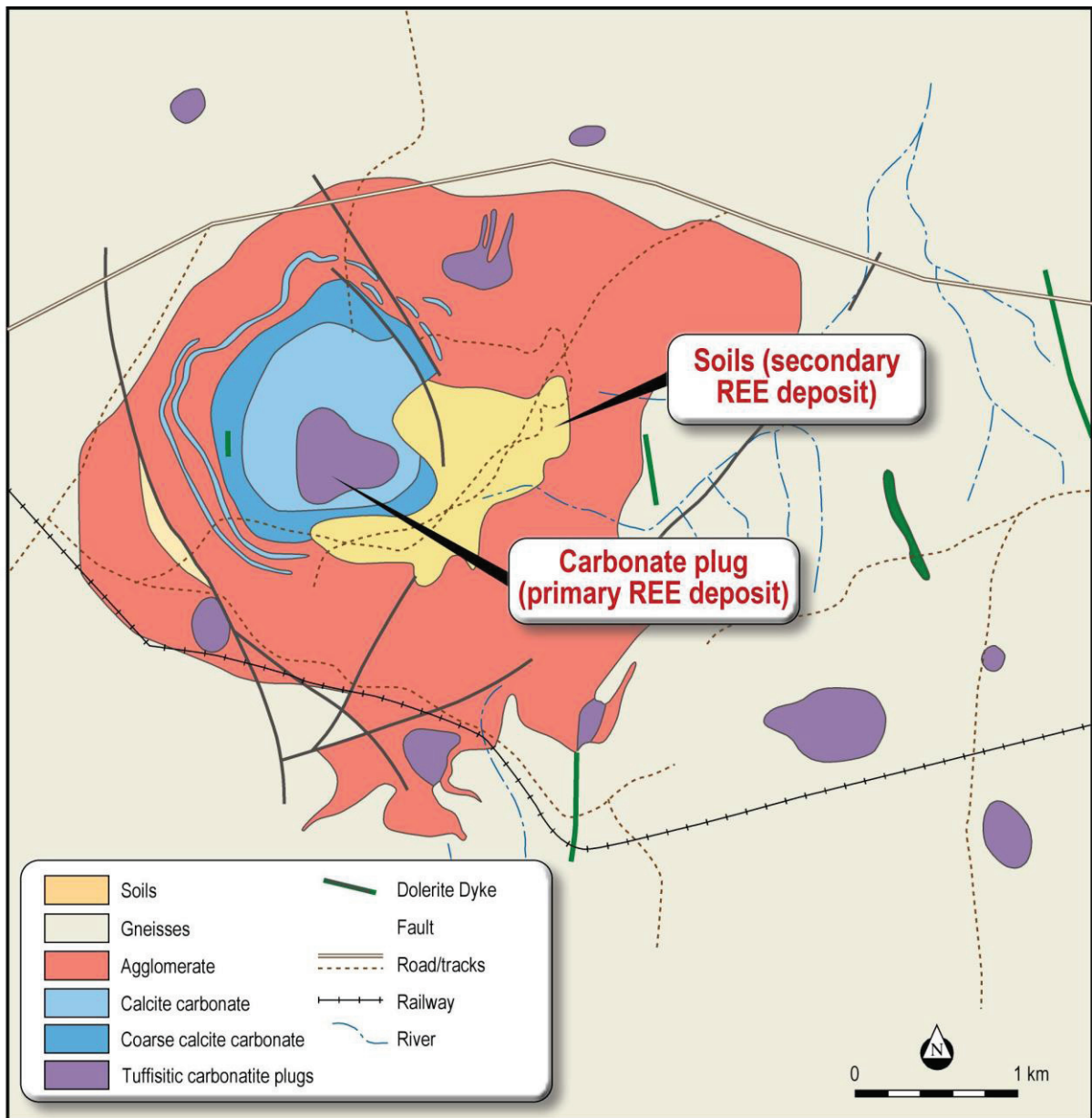
GEOLOGY

Monte Xiluvo is a conspicuous set of quasi-circular hills that rise 700m above the surrounding plains. The outer parts of the complex are composed of an agglomerate apron of coarse, clast-supported breccias made up of angular clasts – predominantly of country rock gneisses and schists – set in a matrix of finely pulverized silicate material. Carbonate is absent from the outer portions of the agglomerate apron but becomes more common towards the centre; rare clasts of carbonatite are found in the innermost parts close to the carbonatite bodies.

The agglomerate apron is intruded by a composite plug of carbonatite. Coarse- to medium-grained calcite carbonatite ("søvite") is the earliest carbonatite phase and occupies an incomplete ring along the outer margin of the carbonatite plug. These early carbonatites are generally extremely coarse containing platy calcite crystals over 2cm in length and commonly contain streaks and patches of aegirine and scattered pyrochlore. They are intruded by a second phase of calcitic carbonatite that is more uniformly fine-grained and darker in colour ("alvikite"); narrow sheets of this second carbonatite phase are found intruding the agglomerate. The last recognised phase of intrusion in the complex was the emplacement of a series of plugs, sheets and veinlets of iron-rich tuffisite material. In the larger plugs the tuffisite is a matrix-supported breccia where angular and sub-rounded clasts of earlier carbonatites and country rocks are enclosed in an orange to brown hematite-rich carbonate matrix.

REE MINERALIZATION

Earlier sampling of the Xiluvo Complex during a petrological investigation showed that elevated LREE concentrations, potentially of ore grade, occurred in samples of the tuffisite and adjacent calcite carbonatites. The central topographic bowl of the Monte Xiluvo structure has a substantial volume of residual and transported soils derived from the core carbonatites of the complex. Elevated REE concentrations (over 2% TRO) were identified in the investigation referred to above and suggest that the soils could represent an easily exploitable REE resource.



Geological Map of the Xiluvo area

A limited reconnaissance sampling program was undertaken and 6 of these samples had TREO values above 1%; 4 of these being alvikite, the highest having 1.75% TREO. Evaluation of these preliminary results suggests that elevated REE with enhanced HREE could be found in the contact zone between the tuffisite and alvikite unit. A preliminary survey of the soils was included in the reconnaissance program and involving digging twenty pits on a 100m by 100m grid in the central part of the soil zone that were sampled at a depth 1m (samples weights were ca 1kg each). These samples returned an average TREO value of 2.20% with a maximum of 3.19%.

VALUATION ASSESSMENT

TENURE AND EQUITY

- The mineral assets of REI include:
- The Nkombwa Project in Zambia. The area of the granted tenement is estimated at 720 square kilometres
- The Gakara Project in Burundi. The area of the granted tenement is estimated at 88 square kilometres.
- The Xiluvo Project in Mozambique. The stated area of the granted Mining Lease is 620 hectares.

This valuation has been estimated for 100% of the projects and then adjusted for Southern Crown's current equity holding and its equity holding at the completion of the earn-in period. REI has the potential to earn a 50% interest in the Nkombwa Project (and 75% for fully funding a bankable feasibility study) and an 85% interest in Xiluvo Project by undertaking expenditure. Southern Crown will issue 8 million shares for the transaction following shareholder approval. Further shares will be issued at various milestones.

BASE ACQUISITION COST

This represents the exploration cost for the current period of the tenements. The current Base Acquisition Cost (BAC) is estimated at \$525 to \$575 which is considered to be the average expenditure for Exploration licences in tenements in Western Australia and is considered to increase by 50% over costs in 1990 – 2000. The same BAC is used for the projects in Zambia and Burundi as they are considered to be at a similar stage of exploration. The Xiluvo tenement in Mozambique is a Mining Lease and a Base Acquisition Cost of \$14,250 to \$14,750 on a similar basis of comparison with Australia.

TENEMENT AND BASE COST FACTORS

Prospect Name	State/country	Tenement No.	Size (km ²)	BAC		Status	Grant Factor
				Low	High		
Nkombwa	Zambia	12198-HQ-LPL	720.00	525	575	Granted	100%
Gakara	Burundi		88.00	525	575	Granted	100%
Xiluvo	Mozambique	MC 720C	6.20	14,250	14,750	Granted	100%

PROSPECTIVITY ASSESSMENT FACTORS

A detailed assessment of the prospectivity of tenements was carried out. The geoscientific rating chosen for each element are included in the following table.

This includes a consideration of

- Regional mineralization, old and current workings and the validity of conceptual models.
- Local mineralization within the tenements and the application of conceptual models within the tenement group.
- Identified anomalies warranting follow up within the tenements. Several strong target areas have been identified in the tenement group that warrant follow-up drilling and testing.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

KILBURN RATING CRITERIA - SIMPLIFIED				
Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor
1	Indications of Prospectivity	Indications of Prospectivity	No targets outlined	Generally favourable geological environment
2	Resource targets Identified	Targets identified with successful early drilling	Exposure of mineralised zones or surface drilling (RAB)	Generally favourable lithology with structures or exposures of mineralised zones
3	Along Strike or adjacent to known mineralization	Grade intercepts on adjacent sections - Exploration Targets Estimated from sound evidence	Significant grade intercepts not yet linked on cross and long sections	Significant mineralised zones exposed in prospective host rocks
4		Inferred Resource identified not yet estimated	Grade intercepts on adjacent sections	

Assessments in each category are based on a set scale (see above and appendix) and are multiplied together to arrive at a “prospectivity index”.

PROSPECTIVITY ASSESSMENT FACTORS:

Tenement	Off Site		On Site		Anomaly		Geology	
	Low	High	Low	High	Low	High	Low	High
Nkombwa	1.75	1.85	2.50	2.60	1.75	1.85	1.75	1.85
Gakara	2.00	2.10	3.00	3.10	2.00	2.10	1.75	1.85
Xiluvo	1.25	1.35	1.50	1.60	1.75	1.85	2.25	2.35

TECHNICAL VALUE

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

Prospect Name	Technical Value		
	Low	High	Preferred
Nkombwa	5.06	6.82	5.91
Gakara	0.97	1.28	1.12
Xiluvo	0.65	0.86	0.75

MARKET VALUE

In arriving at a fair market value for a particular exploration tenement, I have considered the current market for exploration properties in Australia and overseas. It is considered appropriate to apply a market premium to the technical value of the exploration potential of its tenements and the low perceived country risk associated with investments in South East Africa.

World metal markets are currently very buoyant. This situation has led to an increase in spot market predictions and, for the purpose of this valuation, to a stronger market outlook for new entrants to the market.

An allowance has been made for inflation in exploration costs (reflected in an increase of BAC) over that period which are considered to be 50% higher now than in the 1990 – 2000 period. Rare Earth Elements prices are experiencing a sharp increase currently largely brought about by restriction of supply from China and a desire for western economies to establish alternative supplies. The predicted demand into the future is reasonably strong and should experience a steady overall increase. Based on this review and applying my professional judgement and experience I estimate that the current market value of Rare earth Elements projects is likely to be at a premium in the order of 25% to 50% above the basic technical value.

Prospect Name	Market Value		
	Low	High	Preferred
Nkombwa	7.39	8.87	8.13
Gakara	1.40	1.68	1.54
Xiluvo	0.94	1.13	1.04

EQUITY POSITION

REI holds 100% equity in the Gakara Project.

REI has the potential to earn a 50% interest in the Nkombwa Project (and 75% for fully funding a bankable feasibility study) and an 85% interest in Xiluvo Project by undertaking expenditure.

Project	Performance hurdle	Relevant date	Interest earned
Nkombwa	\$1,350,000 expenditure	2 yrs from issue of performance shares	50%
Xiluvo	\$1,000,000 expenditure	3 yrs from issue of performance shares	85%

VALUATION

The valuation of the exploration potential has been arrived at from a consideration of prospectivity and warranted expenditure adjusted for equity and grant status. The market value has been estimated by multiplying the preferred technical value by the range of market factors. I have systematically established the value of the mineral assets as at 27 January 2011.

The current value of the projects has been assessed in the report but at this stage REI holds no equity in the Nkombwe or Xiluvo Projects but has the right to earn equity according to the agreement. REI holds 100% equity in the Gakara project.

The **current value** of REI is therefore assessed at:

Prospect Name	Market Value A\$ Millions			
	Equity	Low	High	Preferred
Nkombwa	0%	0	0	0
Gakara	100%	1.40	1.68	1.54
Xiluvo	0%	0	0	0

REI may earn equity interest in the Nkombwa and Xiluvo Projects by expenditure of \$1.35 and \$1.00 million respectively within several years. Assuming the expenditure enhances the prospectivity of

the projects it is highly likely that this exploration will increase the value of the projects by a factor of 1.5 to 2.0 of the expenditure but this cannot be known with any certainty at this stage. The prospectivity enhancement factor has been discounted to allow for this uncertainty to 1.3 for Xiluvo and 1.5 for Nkombwa.

	Low	High	Preferred
Nkombwa	\$M	\$M	\$M
Market value	7.39	8.87	8.13
Earning expenditure	1.35	1.35	1.35
Enhancement factor	<i>1.5</i>	<i>1.5</i>	<i>1.5</i>
Enhanced expenditure	2.03	2.03	2.03
Total value including enhancement expenditure	9.42	10.90	10.16
REI's % interest	<i>50%</i>	<i>50%</i>	<i>50%</i>
REI's total value incl. enhancement expenditure	4.71	5.45	5.08

	Low	High	Preferred
Xiluvo	\$M	\$M	\$M
Market value	0.94	1.13	1.04
Earning expenditure	1.00	1.00	1.00
Enhancement factor	<i>1.3</i>	<i>1.3</i>	<i>1.3</i>
Enhanced expenditure	1.30	1.30	1.30
Total value including enhancement expenditure	2.24	2.43	2.34
REI's % interest	<i>85%</i>	<i>85%</i>	<i>85%</i>
REI's total value incl. enhancement expenditure	1.90	2.07	1.99

The value assuming that REI fulfils the requirements necessary to earn its 'performance target' interest is assessed as follows.

Prospect Name	Market Value A\$ Millions			
	Equity	Low	High	Preferred
Nkombwa	50%	4.71	5.45	5.08
Gakara	100%	1.40	1.68	1.54
Xiluvo	85%	1.90	2.07	1.99

This value is highly speculative and assumes reasonable exploration success at Nkombwe and Xiluvo.

REFERENCES

Anon, 2010, "Review of the Rare Earth Deposits of Rare Earth International", Rare Earth International.

RCR Research, 2010 Rare and Minor Metals Company Review, Exploration, Development & Production, December Quarter 2010.

Kingsnorth, D, 2010, "The Challenges of Meeting Rare Earths Demand in 2015" IMCOA

APPENDIX

MINERAL ASSETS VALUATION METHODOLOGY

FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification	
Exploration areas	Mineralization may or may not have been identified, but where a mineral resource has not been defined.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment.
Pre-development projects	A positive development decision has not been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles.
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels.
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production.

The fair market value, of a mineral asset is the estimated amount of money or the cash equivalent or some other consideration for which the mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction. Each party is assumed to have acted knowledgeably, prudently and without compulsion.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

REGULATORY AUTHORITIES

Mineral asset valuations are governed by the VALMIN code and ASIC Practice Note 43 in Australia and by the CIMVAL code, NI43-101 and TSXV Appendix 3G in Canada

THE VALMIN CODE

The four main requirements of the *VALMIN Code* are

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years experience in that commodity.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a “fair market value”. To achieve independence, the valuer must not receive any special benefit from doing the study.

The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities and/or shares.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration, stating the reasons why the particular valuation method(s) have been selected in relation to those factors set out in Paragraph 39 and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should

give a sufficient account of the valuation method(s) used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reason(s) for selecting the Value adopted.

Australian Securities and Investment Commission – Regulatory Guides RG111 and RG112

It is not the ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

The ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the figures derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the Tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Expert based on his experience.

The Independent Expert, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralization
- level of knowledge of the geometry of mineralization in the district
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralization
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralization identified on adjacent properties
- appropriate geological models

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified reserves it is appropriate to use financial analysis methods to estimate the net present value (NPV) of the properties. This technique has deficiencies which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified mineral resources or only inferred resources it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (PEM) is heavily based on the expenditure, while the Kilburn Geoscience Rating (Kilburn) is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Kilburn assessment is high and the PEM is low it indicates effective well focussed exploration, if the Kilburn is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

PROSPECTIVITY ENHANCEMENT MULTIPLIER (PEM) OR MULTIPLE OF EXPLORATION EXPENDITURE (MEE)

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the following table.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralization identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralization
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

KILBURN GEOSCIENCE RATING METHOD

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently. The Kilburn method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;

- location and nature of any mineralization, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralization known to exist on the property being valued;
- number and relative position of anomalies on the property being valued;
- geological models appropriate to the property being valued.

The Kilburn Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the Kilburn Method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This has been estimated at \$525 to \$575 per square kilometre for Exploration Licences in Western Australia for the current period. This is considered to have increased by 50% over costs in the 1990 – 2000 period. Equity and grant status are also taken into account. Each factor then multiplied serially to the BAC to establish the overall technical value of each mineral property.

Tenement Type	Expenditure per square kilometre (BAC) in 2010
Exploration License and equivalents	\$525 to \$575
Prospecting License and equivalents	\$4,500 to \$4,700
Mining Lease and equivalents	\$14,250 to \$14,750

The multipliers or ratings and the criteria for rating selection across these 6 factors are summarised in the following table.

KILBURN GEOSCIENTIFIC RATING CRITERIA - MODIFIED					
	Rating	Address - Off Property	Mineralization - On Property	Anomalies	Geology
	0		No possibility of mineralization in this environment		
Low	0.5	Very little chance of mineralization, Concept unsuitable to environment	Very little chance of mineralization, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Generally Unfavourable lithology
	0.75	No known Mineralization, Concept feasible	No known Mineralization, Concept feasible	Extensive previous exploration with good results - encouraging outlook	Generally Unfavourable lithology with structures
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered Generally favourable geology
	1.25	Exploratory sampling with encouragement, Concept validated	Prospective ground mapped, Concept validated	Single early stage targets outlined from geochemistry and geophysics	
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered Generally favourable geology (50-60%)

	1.75	RAB &/or RC Drilling with encouraging intercepts reported	RAB Drilling with some scattered results	Several broad targets outlined with some drilling	Exposed favourable lithology (50-60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
	2.25	Diamond Drilling after RC with encouragement	Significant RC drilling leading to advance project status	Several well defined surface targets with some RAB & RC drilling	Exposed favourable lithology (70-80%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
	2.75	Advanced Resource definition drilling - early stage	Grid drilling with encouraging results on adjacent sections	Several well defined surface targets with encouraging drilling results on adjacent sections	Strongly favourable lithology (80-90%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (90 - 100%)
	3.5	Along strike or adjacent to known mineralization at Pre Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	
	4	Along strike or adjacent to Resources at Definitive Feasibility Stage	Along strike or adjacent to known mineralization at Pre Feasibility Stage	Marginal economic targets of significant volume - advanced drilling	
	4.5	Along strike or adjacent to Development Stage Project	Along strike or adjacent to Resources at Definitive Feasibility Stage	Marginal economic targets of significant volume - well drilled at Inferred Resource stage	
Very High	5	Along strike or adjacent to Operating Mine	Along strike or adjacent to Development Stage Project	Several significant ore grade correlatable intersections with estimated resources	

VALUATION REFERENCES

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Barnett, D W and Sorentino, C, 1994. Discounted cash flow methods and the capital asset pricing model, in Proceedings Mineral Valuation Methodologies 1994 (VALMIN '94) pp 17-35 (The Australasian Institute of Mining and Metallurgy: Melbourne).

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CIM, (2003) – "Standards and Guidelines for Valuation of Mineral Properties. Final Version, February 2003" Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties (CIMVAL)

Gouleitch J and Eupene G S; 1994; Geoscience rating for valuation of exploration properties – applicability of the Kilburn Method in Australia and examples of its use; Proceedings of VALMIN 94; pages 175 to 189; The Australasian Institute of Mining and Metallurgy, Carlton, Australia.

Kilburn, LC, 1990, "Valuation of Mineral Properties which do not contain Exploitable Reserves" CIM Bulletin, August 1990.

McKibben J A J., Snowden P A. July 2007. Updated independent valuation of the mineral assets of Territory Resources Ltd. www.territoryresources.com.au

Lawrence, M.J, 2007. Valuation methodology for Iron Ore Mineral Properties – thoughts of an Old Valuer: Iron ore Conference, Perth WA, 20 – 22 August 2007

Rudenno, (1998), "The Mining Valuation Handbook"

Southern Crown Resources Limited

ABN 52 143 416 531

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
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000001 000 SWR
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 10.30am (WST) Tuesday 3 May 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

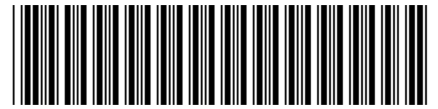
SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Southern Crown Resources Limited hereby appoint

the Chairman of the meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Southern Crown Resources Limited to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Thursday, 5 May 2011 at 10.30am (WST) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval for Change of Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval to Issue New Classes of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Shares and Performance Shares to Vendors and for Vendors to Acquire a Relevant Interest in the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to Issue Options to a Proposed Director - Jock Harmer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Shares to Westoria Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____