**Radar Iron Ltd**

**Maiden Hematite Resource...Placement to strategic Chinese Partner...Drilling underway at Clark Prospect**

**Placement to Strategic Chinese Partner**
- Today’s announcement regarding the placement of 10.0 million shares @ 33 cents to raise A$3.30 million to Chinese based Shinewarm is set to give the Company a major boost as it chases down DSO hematite mineralisation on its Johnston Range Project.
- The deal allows Shinewarm to secure an offtake for 100% of future DSO hematite production if it can arrange up to A$50.0 million in project funding. Shinewarm’s Chinese parent (Xiamen Meize Xinyuan Trading Co) generates revenue in excess of A$1.0 billion annually from its coal, iron ore and base metal operations.

**Drilling Underway at Clark Prospect**
- Follow up RC drilling of a number of hematite targets is underway including the Clark Prospect (Johnston Range Project) with results due in July 2012. Reconnaissance exploration earlier in the year identified a new 500 metre by 100 metre mineralised zone, with 10 chip samples averaging 59.5% Fe.
- **RM Research** remains cautiously optimistic the Company will find additional near surface hematite to compliment the maiden JORC Inferred Resource of 2.1Mt @ 57.2% Fe at the Muldoon Prospect reported in May 2012. The resource was based on 54 RC holes on 100 metre line spacings.

**Base Case scenario on track**
- We believe the Company is on track to fulfil its objective of outlining DSO hematite resources in the range of 5-10 Mt (current JORC Resources of 2.1Mt @ 57.2% Fe) and +500Mt Magnetite (current JORC Resources of 353 Mt @ 26.1% Fe).

**Favourable Infrastructure could fast track production**
- The Western Australian government has lent its support to an upgrade to 30Mt at the Esperance Port. Together with the open access rail 130 kilometres to the south, **RM Research** believes infrastructure options are potentially favourable for an early production start-up. Feasibility work is scheduled to commence late 2012 for Hematite with ongoing Pre-Feasibility work at Die Hardy (Magnetite).

**Price Catalyst**

**Action and Recommendation**
- Accumulate between 25 to 35 cents. Our 12 month price target of 54 cents is based on peer group comparisons and assumes the Company will achieve the base case scenario of 5-10 DSO hematite and +500 Mt Magnetite. The primary risk remains potentially weaker iron ore price in the face of weak US and European economic data.
INVESTMENT CASE

EXCEPTIONAL TARGETS: The Company holds approximately 1,200km² of iron ore rights containing over 120 kilometres of prospective Banded Iron Formations (“BIF”) in the Central YIOP making Radar Iron one of the largest iron ore explorers in the district. Only 25% of the tenement area has so far been drill tested.

MAIDEN HEMATITE RESOURCE: The maiden Hematite JORC Resource of 2.1Mt @ 57.6% Fe (RAD, ASX Announcement, 8/5/2012) has given the Company a major boost and reaffirms the opinion of RM Research in respect to the potential for further commercially viable DSO hematite deposits in the Yilgarn. RM Research anticipates this resource to grow in the near term. Drilling on the Clark Prospect is currently underway. Feasibility work on the hematite is likely to commence 2H 2012.

POSITIVE SCOPEING STUDY: The Engenium Scoping Study (RAD, ASX Announcement, 9/8/2011) demonstrated a potentially viable magnetite project identifying key project drivers and infrastructure solutions. Positive financial results for a range of production options of concentrate were identified.

GEOPHYSICAL STUDY CONFIRMS POTENTIAL: A geophysical study undertaken earlier in CY 2011 (RAD, ASX Announcement, 3/10/2011) indicates a potential magnetite JORC resource for Johnston Range of 4.0Bt - 6.7Bt at 20-45% Fe.

MAGNETITE - FAVOURABLE METALLURGY: Davis Tube test work by Calibre Group from 650 magnetite samples (RAD, ASX Announcement, 25/8/2011) returned encouraging results with mass recoveries of up to 41.2%, Fe ore grades of 69.1% and low silica of 4.1% based on a relative coarse 50 micron grind. Ongoing PFS work on the magnetite will take place over 2H 2012.

INFRASTRUCTURE ADVANTAGES: Open access rail lines are situated 90-130 kilometres to the south of Johnston Range with potential to upgrade based on supply demands. The deep water port of Esperance is a real option with current capacity of 8Mtpa scheduled in the near term with capacity to upgrade to 30Mtpa currently in the planning stage.

MAGNETITE RESOURCE UPGRADE in CY 2013: RM Research is anticipating further resource upgrades at Die Hardy (353Mt @ 26.1% Fe) to + 500Mt @ +25% Fe in CY 2013.

LEVERAGE TO SUCCESS: With a tight capital structure, low market capitalisation and multiple value adding events in our development and exploration milestones, RM Research considers the Company is on track to outperform its base case scenario of Magnetite resource of +500Mt in CY 2013 and 5-10Mt of hematite within the next 12 months.

FIGURE 1: Radar Iron Ltd project locations (source: Radar Iron, website, June 2012).

COMPANY OVERVIEW

Radar Iron Ltd (“Radar”, “Radar Iron” or “the Company”) listed on Australian Securities Exchange (“ASX”) in December 2010 as a spin out from Potash Minerals Ltd (ASX: POT) (formerly Transit Holdings Ltd, ASX: TRH) raising A$6.8 million on the back of three projects covering approximately 300km² and located 100 kilometres north of Southern Cross (Figure 1).

Since listing Radar has expanded its footprint in the Central YIOP via the acquisition of additional iron ore rights from Southern Cross Goldfields Ltd covering around 900km² (RAD, ASX Announcement 16/2/2011). The tenement package now comprises iron ore rights to approximately 1,200km² (Figure 2) making Radar one of the largest leaseholders in the district. Following in excess of 20,000 metres drilling, field mapping, sampling and geophysics since listing in December 2010 including a positive Scoping Study (RAD, ASX Announcement, 5/4/2012), a maiden JORC Magnetite Resource estimate at Die Hardy of 353Mt @ 26% Fe (RAD, ASX Announcement, 16/11/2012) and a maiden Hematite Resource at Muldoon of 2.1Mt @ 57.6% Fe (RAD, ASX Announcement, 8/5/2012).
A geophysical review indicates a magnetite exploration target of
4.0bt to 6.7bt for the Johnston Range project.

**RESOURCES & RESERVES**

Hematite

<table>
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<tr>
<th>Cut-Off Grade</th>
<th>Mt</th>
<th>Fe</th>
<th>SiO₂</th>
<th>Al₂O₃</th>
<th>SiO₂</th>
<th>P</th>
<th>LOI</th>
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<tr>
<td>60.0%</td>
<td>0.27</td>
<td>61.0%</td>
<td>5.2%</td>
<td>3.0%</td>
<td>5.2%</td>
<td>0.06%</td>
<td>4.6%</td>
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<td>57.5%</td>
<td>0.94</td>
<td>59.3%</td>
<td>6.6%</td>
<td>3.6%</td>
<td>6.6%</td>
<td>0.06%</td>
<td>5.1%</td>
</tr>
<tr>
<td>55.0%</td>
<td>2.07</td>
<td>57.6%</td>
<td>7.8%</td>
<td>4.2%</td>
<td>7.8%</td>
<td>0.06%</td>
<td>5.6%</td>
</tr>
<tr>
<td>52.5%</td>
<td>2.88</td>
<td>56.6%</td>
<td>8.6%</td>
<td>4.6%</td>
<td>8.6%</td>
<td>0.06%</td>
<td>5.8%</td>
</tr>
<tr>
<td>50.0%</td>
<td>3.11</td>
<td>56.2%</td>
<td>9.0%</td>
<td>4.7%</td>
<td>9.0%</td>
<td>0.06%</td>
<td>5.9%</td>
</tr>
<tr>
<td>45.0%</td>
<td>3.18</td>
<td>56.0%</td>
<td>9.2%</td>
<td>4.7%</td>
<td>9.2%</td>
<td>0.06%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

The Company recently announced (RAD, ASX Announcement, 8/5/2012) a maiden JORC Inferred Resource (modelled and compiled by CSA Global Pty Ltd) at the Muldoon Prospect of 2.1 million tonnes @ 57.6% Fe (55% Fe cut-off). The resource is based on 54 RC drill holes at an average spacing of 100 metres x 100 metres. Mineralisation occurs as low ridges of outcropping hematite and goethite enriched banded iron formation (BIF) reaching 30-40 metres depth after which it grades back into fresh BIF.
Overlying this body of mineralisation is a lower grade maghaemite blanket which, subject to metallurgical testwork due shortly, could also be capable of beneficiation. The resource is near surface and open pittable. Operating costs will potentially be relatively low.

**Magnetite**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Mt</th>
<th>Fe</th>
<th>Al₂O₃</th>
<th>SiO₂</th>
<th>P</th>
<th>LOI</th>
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<tbody>
<tr>
<td>Indicated</td>
<td>214.9</td>
<td>26.7%</td>
<td>3.4%</td>
<td>51.0%</td>
<td>0.1%</td>
<td>0.7%</td>
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<tr>
<td>Inferred</td>
<td>137.6</td>
<td>25.2%</td>
<td>3.5%</td>
<td>52.1%</td>
<td>0.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>352.5</strong></td>
<td><strong>26.1%</strong></td>
<td><strong>3.4%</strong></td>
<td><strong>51.4%</strong></td>
<td><strong>0.1%</strong></td>
<td><strong>0.9%</strong></td>
</tr>
</tbody>
</table>

The resource estimate (based on 25 drill holes completed between May-September 2011 at a drill density of 400 metres x 80 metres) was completed by CSA Global in October 2011 and resulted in JORC Indicated and Inferred Mineral Resources of 353Mt @ 26.1% Fe (20% Fe cut-off grade). Mineralisation remains open along strike and at depth. The drill program has so far tested 1.8 kilometres of the total 3.4 kilometre strike length.

**REGIONAL IRON ORE ACTIVITY**

Mining and Exploration, Yilgarn Iron Ore Province

...Cliffs and Mineral Resources currently account for 10-12Mtpa of iron ore production in the YIOP

The proximity to existing iron ore mines (e.g. Windarling) and rail & port options presents significant potential benefits to Radar...
(Cashmere Iron, 881Mt magnetite Inferred Resource). A combined 250Mt of hematite DSO has already been outlined in the district.

Mining of DSO hematite ore is currently undertaken at a rate of 10-12Mtpa by Cliffs Natural Resources and Mineral Resources Ltd (ASX: MIN).

Aside from the infrastructure advantages (Figure 4) with its proximity to Kalgoorlie/Southern Cross and potential to rail ore (140 kilometres from the centre of Radar Iron’s tenements) to Esperance, the province is clearly endowed with hematite and magnetite resources (Figure 3).

The WA State Government announcing earlier in 2012 its support for the Esperance Port expansion to 30mtpa capacity in the next few years, primarily to support increased iron ore production from the Yilgarn. Open rail access links the port to the east-west rail line to Kalgoorlie and then south to Esperance.

**EXPLORATION OVERVIEW**

Following several phases of drilling in CY 2011 focussed on magnetite targets at Johnston Range and Die Hardy, recent exploration has switched to hematite exploration, in particular the testing of a number of geochemical and geophysical anomalies at Johnston Range.

Following the identification of over 20 hematite targets within the last 12 months, recent drilling at the Muldoon has returned a maiden JORC Resources (see discussion above) in addition to a number of anomalies that are currently the subject of follow up drilling. In particular, the identification of magnetic lows and areas of low conductivity has provided the Company with an innovative method of identifying potential hematite targets. The recently identified Clark Prospect has recently presented yet another near term drilling target and is currently the subject of an RC drilling campaign.
Johnston Range – Evanston Projects

Location
The Johnston Range/Copper Bore tenements are located about 170 – 190 kilometres north of Southern Cross within the Johnston Range, and about 30 kilometres north of Cliffs’ Windarling operations. The project is comprised of five granted exploration licences totalling 83 blocks, for an aggregate area of approximately 240 km².

Geology and Mineralisation
The tenements cover the central portion of the Marda-Diemals greenstone belt. Within the centre of the project area, extensive areas of BIF are identifiable on images of aeromagnetic data. The BIF’s within the tenements extend over 40 kilometres of strike and are characterised by multiple parallel to sub-parallel individual BIF units that exhibit complex folding patterns. The BIF’s have the potential to host multiple hematite +/-magnetite deposits. The tenements also lie on Diemals Pastoral Station and outside any proposed nature parks or reserves. There are no Native Title claims over the Johnston Range project area.

Hematite Exploration
Reconnaissance exploration over CY 2011 has identified numerous hematite targets (Figure 5) with zones of surface hematite enrichment up to 800 metres in apparent strike length in places. Follow up drilling (see below) has also outlined a maiden resource with exploration currently focussed on the Clark Prospect. Approximately 5,000 metres of RC drilling over 20 targets commenced in October 2011 with a view to outlining hematite bodies in the range of 5-10Mt.


The Muldoon Prospect (Figure 7) is situated on the Horse Well Anticline which forms part of a 40 kilometre long BIF unit of the Johnston Range. This range contains multiple BIF horizons that present potential hematite targets.

At Muldoon, several zones of near surface, open pittable mineralization were identified, lying approximately 60 metres apart, including a 1.0 kilometre long 10-15 metre wide zone that was drilled to a depth of 30-35 metres (Figure 8).

Another zone lying 60 metres to the east strikes for approximately 600 metres is 10-20 metres in width and was drilled to a depth 35-40 metres depth (Figure 8, 9).

Grades from the last round of drilling at Muldoon (Figure 8, 9) averaged 56-58% Fe with acceptable levels of contaminants. Calcined Fe grades averaged around 60% Fe with SG’s estimated at 2.7-3.0.

Lower grade mineralization identified at Muldoon is currently being assessed for its beneficiation characteristics. Logistics appear favourable (130 kilometres of road transport to open access rail to Esperance). There is also the possibility of campaign mining and crushing to reduce on-site infrastructure costs.

Numerous hematite targets have been identified from reconnaissance exploration over the last 18 months with hematite occurring as outcrops and interpreted to dive under shallow cover in places.

This suggests that the tonnage potential of the Johnston Range is significantly higher than initial reconnaissance exploration and subsequent drilling in CY 2011 had indicated.
Discoveries such as Muldoon suggest that the hematite potential of the Johnston Range is significantly higher than first thought.
FIGURE 10: Muldoon Prospect, Johnston Range Project showing significant drill hole intersections (source: Radar Iron, ASX Announcement, 4th April 2012).
Recent mapping by the Company has identified a 500 metre by 100 metre mineralised zone with 10 chip samples averaging 59.5% Fe (Figure 11, 12), named the Clark Prospect.

A flora survey has been completed and a drill program is currently underway.
Magnetite Exploration

A number of significant intercepts were returned over CY 2011 from the western limb of the 35 kilometre long Johnston Range BIF in particular from the Shipley and Rowling Prospects.

A total of 40 RC drill holes for a total of 4,924 metres have been completed over 2010/2011 over 40 kilometres of strike. This has been successful in returning numerous potentially ore grade intercepts. The Johnson Range Project has the potential for 4.0Bt - 6.7Bt at 20-45% Fe. Further resource drilling is planned in CY 2013.

Die Hardy

The Die Hardy tenements are located within the Marda-Diemals greenstone belt, approximately 120 kilometres north of Southern Cross (Figure 13). Subject to approvals, conservation and mining can co-exist in this conservation park.

The Company holds the iron ore rights over E77/1164 and E77/1168, P77/3458 and P77/3459, and three prospecting licences P77/3460-3462 held by Southern Cross Goldfields. The granted tenements cover 18.5 km².

Lara Prospect

A 3.4 kilometre long prospect known as “Lara” has been the focus of RC drilling and metallurgical test work over 2011. RC Drilling intersected broad zones of massive magnetite mineralisation up to 250 metres in width, at least 350 metres in depth. A total of 25 RC drill holes for 7,214 metres were drilled over CY 2011 (Figure 14, 15).

The drill program outlined a ridge of magnetite bearing banded iron formation, dipping steeply to the south, between 100-300 metres wide and at least 350 metres in depth. The ore body is partially demagnetised to 40-50 metres depth and recent metallurgical test work indicates that magnetic concentration may be possible for some of this weathered material. The resource remains open along strike and at depth. This 80 metre x 400 metre RC campaign targeted around 1.8 kilometres of the 3.4 kilometre strike length.

A maiden JORC Resource of 353Mt @ 26.1% Fe was announced in November 2011 (RAD, ASX Announcement, 16/11/2011). RM Research believes the Company is on track to exceed or meet its exploration target at Die Hardy of approximately 700mt to 1.2bt grading around 29-33% Fe when resource drilling resumes in CY 2013.
Metallurgy

DTR test work (Table 3) simulates the likely performance of magnetite ores being processed through a typical magnetic separation process in a concentration plant. After fine crushing the sample is passed by a magnet and the magnetic fraction is then assayed and weighed. Typically a mass recovery of > 30% with Fe around 70% and silica < 5% is desirable.

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>Mt</th>
<th>Fe</th>
<th>Al₂O₃</th>
<th>SiO₂</th>
<th>P</th>
<th>Mass Rec</th>
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<tr>
<td>Total Indicated</td>
<td>71.2</td>
<td>69.36</td>
<td>0.1</td>
<td>4.2</td>
<td>0</td>
<td>33.8</td>
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<tr>
<td>Total Inferred</td>
<td>40.9</td>
<td>69.1</td>
<td>0.1</td>
<td>4.4</td>
<td>0</td>
<td>33.9</td>
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<tr>
<td>Total Inferred &amp; Indicated</td>
<td>112.1</td>
<td>69.2</td>
<td>0.1</td>
<td>4.3</td>
<td>0.01</td>
<td>33.8</td>
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</tbody>
</table>
Consultant group, Calibre Global, was engaged to coordinate metallurgical test work. A grind size test was completed in June 2011 that produced recommendations for the optimum DTR process. A recommendation was for a fairly coarse grind size of 80% passing 50 micron. This procedure has been implemented for all recent DTR test work. Approximately 650 DTR analyses were completed based on these recommendations with excellent results that reflect fairly homogeneous mineralisation. RM Research is particularly encouraged that concentrate grades >69% Fe, together with low impurities and high recoveries have the potential to produce a readily saleable concentrate.

EXPLORATION - DEVELOPMENT TIMETABLE

| TABLE 4: Die Hardy magnetite exploration/development timetable (source: Radar Iron, ASX Announcement, 5th June 2012). |
| Table 5: Johnston Range hematite exploration/development timetable (source: Radar Iron, ASX Announcement, 5th June 2012). |

As discussed earlier, the Company’s exploration has switched from magnetite to hematite exploration in the near term on the back of encouraging results at both the Muldoon and Clark hematite prospects.

We anticipate that there will be more emphasis placed on metallurgical testwork and Pre-Feasibility studies over CY 2013 at Die Hardy with a strong likelihood that the Company will follow down the same pathway as neighbours such as Legacy Iron Ore Ltd (ASX: LCY) who have attracted Indian Government controlled NMDC to fast track development of the Mt Bevan Deposit. Whether the current strategic partner Shinewarm is interested in pursuing the magnetite project (in addition to the hematite project) Radar have stated that they will look for another strategic partner to assist in the development of its Magnetite projects. RC drilling in CY 2013 will aim to push JORC resources at Die Hardy out beyond the current resource to +500-700Mt (Table 4).

At this stage the hematite exploration model is for individual mineralised zones in the range of 2-5Mt (with a global resource of perhaps 5-10Mt) which could be a source of low cost, near term DSO production—clearly a more achievable option in the near term (CAPEX <A$50 million) than the more capital intensive magnetite option (Table 5). Drilling is currently underway at the Clark Prospect with the exploration focus likely to remain on following up the numerous anomalies over the remainder of 2012.
IRON ORE MARKET OUTLOOK

Following a slow start to CY 2012, iron ore volumes and prices in the seaborne market have recently softened further with spot prices trading at around US$135/tonne (62% fines; CFR China) on the back of weak economic news from China, US and Europe.

China slowing...still requires more steel

![Graph showing China steel consumption](source: World Steel Association, IMF, DEIC, Deutsche Bank, April 2012).

Despite a lot of noise about Chinese steel production, there has already been a significant reduction in steel production from with annualised growth off from its 2001-2007 growth of 23% to current levels of 8.9%. Assuming GDP growth remains above 3%, Chinese steel production should continue to grow.

![Graph showing China steel production](source: World Steel Association, IMF, DEIC, Deutsche Bank, April 2012).

Chinese steel intensity likely to peak in 2018 based on the US and Japan

Despite the ramp in Chinese steel production so far, we do not expect steel intensity per capita in China to peak until 2018 – anything less than this would leave a developed coastal region and undeveloped inland. A slowing GDP and a diminishing steel to GDP ratio is still positive for iron ore (Deutsche Bank, Markets Research, April 2012).

Deutsche believe that market prices of listed iron ore producers are factoring in steel prices of US$76/tonne, a figure that RM Research notes is below the average cost of US$100/tonne in China and render more than half of Chinese production unprofitable. Furthermore this would result in a 150K t per annum shortfall in domestic iron ore consumption (Deutsche Bank, Markets Research, April 2012).
Chinese Ports however appear to be filling up?
Rumours however have been recently circulating (Sydney Morning Herald, 4 June 2012) that the Port of Qingdao, through which a seventh of all iron ore imports to China pass, is fast running out of space. There have also been reports of declining trucks/trains coming in and out of the port. Stockpiles are now believed to be in the range of 15.0 million tonnes. On the other hand it appears that seaborne traffic remains largely unchanged. It appears in the face of the recent slowdown that Chinese steel mills are maintaining modest levels of steel production.

Fortescue Metals Group Ltd (ASX: FMG) CEO, Neville Power projects that iron ore prices could fall 19% in the near term to around A$110/tonne.

There are also reports from Tanshan, the largest steel production centre in China that iron ore producers have stopped production due to a sharp drop in price, from 1100 yuan [$180] per tonne to 830 per tonne. Delayed contract volumes and defaulting on shipments have dampened market sentiment (Sydney Morning Herald, 4 June 2012).

Expansion doubts
RM Research believes there is a tendency of analysts to overstate supply as capital dries and development plans are extended with numerous delays.

Overlay this with political instability (e.g. West Africa) and we believe the negative sentiment towards excess supply has been somewhat overstated. BHP Chief Executive Officer Marius Kloppers stated in May 2011 that seaborne-traded iron ore supply growth had failed to meet expectations. From 2008 to 2010, about 55 per cent of supply growth hadn’t been delivered.

Notably Vale, Rio and BHP have fallen short of project iron ore supply by 100Mt, 30Mt and 40Mt respectively over 2011 as infrastructure constraints, labour shortages and permitting delays have hampered expansion plans. Figure 18 shows that since 2004, the “Big 3” have only been able to increase annual iron ore production by a combined 50Mt.

Price Forecasts may be optimistic...but look to Chinese OPEX for floor price
RM Research believes US$110 may represent a medium term floor price for Iron Ore
PEER COMPARISON AND ESTIMATE OF VALUE

Our iron ore peer comparison includes a selection of ASX listed peers whose primary occupation is the exploration and development of magnetite resources in Australia. Figure 20 shows a graph of Enterprise Value per tonne of iron ore JORC resources (EV/T) for YIOP explorers/developers which shows a wide variation attributable to, *inter alia*:

- **Value of Resources**—Direct shipping ores (DSO) generally having higher values than magnetite resources that require additional processing and are more capital intensive.
- **Proximity to Infrastructure**—Those “stranded resources” or resources with limited access to, for example, port and rail, will be discounted by the market.
- **Other Factors**—Low impurities such as phosphorus, silica are desirable. Coarser grained magnetites require less crushing and grinding (hence less power). Lower ore to: waste ratios require less materials handling. Environmentally sensitive areas can also cause extensive delays.

The pre-eminent explorers/developers in the region (*Figure 20*) are **Mindax Resources Ltd** (MDX) (Mt Forrest, >2.5Bt target), **Jupiter Mines** (Mt Ida, >1.0Bt target) and **Cliffs Natural Resources** (Windarling, 60Mt Hematite).

We note the very low value of **Radar Iron** and other YIOP explorers (*Figure 20*) compared to the average the Enterprise Value/tonne of iron ore for Jupiter Mines (22 cents) indicating that the market is giving very little value for companies that are yet to progress past Pre-Feasibility. The more advanced **Jupiter Mines** (Mt Ida Project) at an enterprise value of around 22 cents (44 cents in April 2012 for our last **Radar** research report!) per tonne provides a good idea of the potential value if **Radar** can progress its Die Hardy magnetite Project.

The nearest comparable companies in the region are **Cashmere Iron Ltd**, a Perth based unlisted company that is developing the Cashmere Downs project and is proposing to list on ASX in CY 2012 and **Legacy Iron Ore Limited** (ASX: LCY) (**Legacy Iron Ore, RM Research**, 15/3/2012) which is currently valued at an EV/Tonne of around 1.70 cents (3.7 cents in March 2012 for our previous **Legacy Iron** research report!). **Legacy Iron** has received backing from the Indian Government controlled NMDC.

Adding potential outcomes for hematite success and applying a conservative estimate of A$2.00/tonne for hematite and A$0.06 per tonne for magnetite resources we arrive at the valuation scenarios (Table 4, *Figure 21*) that demonstrate the tremendous leverage that investors will be potentially exposed to over CY 2012 and beyond.
**Hematite $2.00**  
**Magnetite $0.06**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Hematite (Mt)</th>
<th>Magnetite (Mt)</th>
<th>Mag + Hem Val (A$m) (dil)</th>
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<tbody>
<tr>
<td>Current</td>
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<tr>
<td>Base Case</td>
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</tr>
<tr>
<td>Upper Case</td>
<td>20</td>
<td>1000</td>
<td>$104.00</td>
</tr>
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</table>

*Average EV/T Fe ASX listed hematite explorers/developers.*  
*Average EV/T Fe ore magnetite explorers in Yilgarn (excl Jupiter Mines).*

We can also look at potential NPV_{10} Share outcomes for magnetite production (Table 5, Figure 22) based on the Scoping Study ([RAD, ASX Announcement, 29/8/2011](#)) where two production scenarios (2Mtpa and 10mtpa) were examined. These potential scenarios are based on a residual 30% interest for the smaller scale 2Mtpa Magnetite operation and 20% for the expanded case 10mtpa case.

<table>
<thead>
<tr>
<th>Production Rate Mtpa</th>
<th>Capital Cost A$m</th>
<th>Operating Costs ($/t)</th>
<th>NPV 10% A$m (undil)</th>
<th>NPV 30% 20% per Share (undil)</th>
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<th>Payback Yrs</th>
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<td>$3,538.00</td>
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<td>41%</td>
<td>4</td>
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</tbody>
</table>

![Radar Iron-Potential Share Price Outcomes](#)  
![Radar Iron-NPV/Sh outcomes Magnetite Production](#)
CORPORATE

On 6th June 2012 the Company announced a placement of 10 million Shares at 33 cents to raise A$3.30 million (before expenses of the offer). The Shares were placed to Shinewarm Resources (Aust) Pty Ltd (“Shinewarm”) a subsidiary of Xiamen Meize Xinyuan Trading Co. Ltd, a Chinese company with annual turnover from iron ore, coal and base metal operations, exceeding A$1.0 billion.

Shinewarm will have the right to invest up to A$50 million towards hematite development on the Radar project in return for an offtake agreement (on normal commercial terms) on 100% of hematite production. Failing an agreement on the A$50.0 million facility, Shinewarm will be left with a right to purchase 15% of all hematite produced from Radar’s tenements.

RISK ANALYSIS

- **Exploration Risk:** Mineral exploration is high risk and there is potential for Radar’s upcoming drill programs at Johnson Range and Die Hardy to exceed or fail to live up to the market’s expectations. The resource statements by the Company at Die Hardy (June 2011) and Muldoon (May 2012) appears to have mitigated this risk to a large extent.

- **Metallurgical and Processing Risks:** Iron ore projects are highly dependent on favourable metallurgical characteristics to enable profitable exploitation. High levels of impurities (such as phosphorus) and fine-grained magnetite BIF ore bodies have the potential to adversely affect project economics.

- **Traditional Owners:** Failure to execute agreements relating to access and mining with the traditional owners could impair the Johnston Range and/or Die Hardy Projects.

- **Financial Position:** The Company does not currently have the financial reserves to complete a Definitive Feasibility Study or bring Die Hardy or Muldoon into production. Again the placement and strategic alliance with Shinewarm has gone a long way to mitigate this risk.

- **Infrastructure Risks:** Delays in infrastructure (road and rail) and congestion at port facilities have the potential to significant delay production plans. The likely port option would be Esperance (upgrade scheduled for completion 2015) and delays could hamper the Johnston Range Project.

- **Peer Underperformance:** Underperformance of peer Iron Ore explorers and/or developers (e.g. Legacy Iron Ore Ltd and Cashmere Iron Ltd) has the potential to adversely affect market sentiment and lead to lower valuations for Radar.

- **Commodity Risks:** The Company is primarily exposed to iron ore. Declines in iron ore prices may see more capital-intensive iron ore projects such as Die Hardy struggle to attract the required capital to enable development.

- **Market Risks:** Further declines in equity markets may continue to put pressure on junior resource companies as investors switch out of “risk” into perceived safe haven investments.

- **Currency Risks:** A strengthening Australian dollar (as funds flow back into riskier currencies) may make the price of iron ore in local (Australian) currency terms less attractive which could have negative impact on iron ore explorers/developers/producers.
DIRECTORS & MANAGEMENT

Mr Alan Tough
Alan has had a distinguished career in business with over 25 years’ managing publicly listed companies. He has worked both domestically and internationally in the manufacturing, mining, finance, management and government sectors. He holds a mechanical engineering honours degree and an MBA (UWA). Recently held positions include his current role as Project Manager Development for Giralia Resources NL, responsible for DSO iron ore projects in the Pilbara and Yilgarn magnetite projects and Executive Director Operations of Polaris Metals NL prior to the Mineral Resources takeover earlier in 2010.

Mr Jonathan Lea
Jon has qualifications in geology and mineral economics with 25 years’ experience in the resource industry. He recently held the roles as Technical Director and Managing Director of Polaris Metals Ltd until the takeover by Mineral Resources Ltd. During Jon’s tenure Polaris Metals made significant iron ore discoveries in the YIOP commencement the development process towards mining and also advancing the Mayfield magnetite project. Prior to that Jon has had extensive experience in exploration, mining and project development. A qualified geologist from the University of Tasmania and a Member of the AusIMM, Mr Lea also has post graduate qualifications in Mineral Economics and Applied Finance and Investment. He has worked with a number of commodities including iron ore, gold, tin, chromite and base metals throughout Australia and in Africa.

Mr Ananda Kathiravelu
Mr Kathiravelu has been in the financial services funds management and stockbroking industries for over 15 years. He holds a Bachelor of Business and a Graduate Diploma of Applied Finance and Investment, and is an associate of the securities industry of Australia. Ananda is the Managing Director of Armada Capital Ltd, a corporate advisory company that has been involved in providing strategic corporate advice to various ASX listed companies. His areas of expertise include corporate advice, capital raising, mergers and acquisitions with a focus on junior companies and emerging businesses.

CONCLUSION

With a market heavily discounting the more capital intensive magnetite explorers/developers it has been encouraging to see the Company finally delivering on it’s much anticipated hematite exploration with the maiden JORC Inferred Resource of 2.1Mt @ 57.2% Fe. This gives us much greater confidence for the addition of further DSO hematite resources capable of sustaining a start-up DSO operation. The numerous outcrops already identified and the recent announcement of the Clark Prospect discovery providing further encouragement.

The A$3.30 million placement to Shinewarm at a premium to market, together with the possibility of funding of up to A$50 million for DSO hematite brings the Company a step closer to realising this near term production target. In addition with the government support for the Esperance Port expansion to 30Mt, the stars appear to be aligning for Radar.

We anticipate that the pace of magnetite exploration may slow down as the Company chases nearer term production opportunities (DSO hematite), however we believe that further metallurgical testwork and other pre-feasibility work will be undertaken on Die Hardy during the year. The Company has stated its intention to look for a strategic partner to assist in the development of the magnetite resources. Certainly there remains interest in Yilgarn magnetite plays as the recent investment of A$20 million by NMDC into neighbouring Legacy Iron Ore demonstrates.

Out first attempt at looking at potential NPV10 outcomes for various magnetite production scenarios, assuming dilution to 30% and 20% on 2Mtpa and 10Mtpa scenarios demonstrates that there is considerable upside on these realistic scenarios. We maintain a near term price target of 54 cents based on our base case scenario i.e.5Mt of hematite JORC resources and 500mt of magnetite JORC resources. The primary caveat at this stage remains the outlook for iron ore which has recently come under pressure.
RM Research Recommendation Categories

Care has been taken to define the level of risk to return associated with a particular company. Our recommendation ranking system is as follows:

- **Buy**: Companies with ‘Buy’ recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market.
- **Speculative Buy**: We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk.
- **Hold**: A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges.
- **Sell**: Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere.

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