

8 April 2011

ASX Code: TRH

Speculative Buy

Transit Holdings Ltd

Potash exploration moves into gear...price target A\$2.18/Share

Capital Structure

Sector	Materials
Share Price (A\$)	0.465
Fully Paid Ordinary Shares (m)	45.4
Opt (ex 40c, exp 31 Dec 2012) (m)	3.0
Opt (ex 40c, exp 31 Dec 2012) (m)	2.75
Performance Shares	3,000
Market Capitalisation (undil) (m)	21.1
12 month Share Price (H/L) (\$)	0.52-0.12
Approx Cash (A\$m)	3.5

Directors

Ananda Kathiravelu	Non Exec Chairman
Richard Monti	Exec. Director
Brian Thomas	Non Exec. Director

Major Shareholders

Dreampt Pty Ltd	10.2%
Riverview Corporation Pty Ltd	7.7%
Greatcity Corporation Pty Ltd	5.0%
BARK NSW Pty Ltd	4.1%

Analyst

Guy T Le Page	+61-8-9321-3277
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Share Price



Investment Highlights

- The last quarter has seen a number of very positive developments for Transit Holdings Ltd ("**Transit**") with the successful spin out of 37.6% owned Radar Iron Limited ("**Radar Iron**") on ASX raising A\$6.88m. Furthermore, negotiations at **Transit's** Paradox Basin Potash Project in the in south eastern Utah, USA, are also ongoing with a view to securing the Right of Way over Federal Land, to access drilling sites on 4 blocks administered by the State of Utah. Following a due diligence review the Company elected not to proceed with the acquisition of the Columbian Coal project (ASX Announcement 21/03/2011).
- The Company is steadily making progress in paving the way for a drill program at the Paradox Basin Potash Project (**Transit** earning 90%) where consultants Agapito & Associates previously outlined a JORC compliant exploration target of 2.3 billion tonnes of potash ore @ 32.8% KCI. **RM Research** anticipates that the Company may look to commence drilling prior to 30 June 2011.
- On the corporate front **Radar Iron** announced (17 February 2011) the acquisition of South Cross Goldfield's iron ore rights (A\$1.5m cash, A\$100k in Shares) in the Yilgarn which are strategically located in the Yilgarn Iron Ore Province ("YIOP"). The deal opens the door for better road/rail access together numerous hematite/magnetite targets and a tenement package totalling around 900km², compared to 300km² at IPO.
- The first batch of RC drill results and preliminary metallurgical testwork for **Radar Iron** have been received from the Johnson Range and Die Hardy projects, situated in the central YIOP, where initial exploration work in Late 2010 was focussed on magnetite drilling at both Johnston Range (including the Beven, Clutch, Bolger and Olger Prospects) and Die Hardy.
- RC Drilling at Lara Prospect (part of the Die Hardy Project), returned broad widths grading 25-30% magnetite. Davis Tube Recovery (DTR) tests also returned very encouraging iron head grades up to 70.3 % Fe and mass recoveries to 48%. **RM Research** considers that this broad spaced drill program at Die Hardy confirms the potential for a magnetite resource in excess of 400Mt with favourable metallurgical characteristics. At Beven RC drilling on 400m line spacing returned encouraging widths from 16-56 m with average head grades 22-32% Fe. The eastern section returned broader widths of in excess of 50 metres downhole with DTR tests averaging 70% Fe and mass recovery 38%. Again, **RM Research** considers the grade and metallurgy to be very favourable. Based on an apparent strike of 1.2 km, Beven appears to have potential for well in excess of 50Mt.
- RC drilling is commencing this week and is targeting key magnetite and hematite targets with a view to outlining a JORC resource by October-November 2011. Our base case scenario of JORC Resource of >10Mt of hematite and >500Mt of magnetite by late CY 2011 remains on track.
- Our base case scenario assuming 2.3Bt @ 32% KCI values **Transit** at A\$2.18 assuming a modest EV/Resource tonne (Potash) of A\$0.35.

Conclusion

- Transit** remains a highly leverage play with **Radar Iron** (23 cps) and cash (7.7 cps) leaving an enterprise value of only A\$7.3m or 16 cps (diluted) for the Paradox Basin Potash. Look for exploration results from **Radar Iron** and the commencement of drilling on Paradox Basin to drive the share price in the near term. Our short-term target ahead of Paradox Basin drilling is A\$1.00/share.

COMPANY OVERVIEW

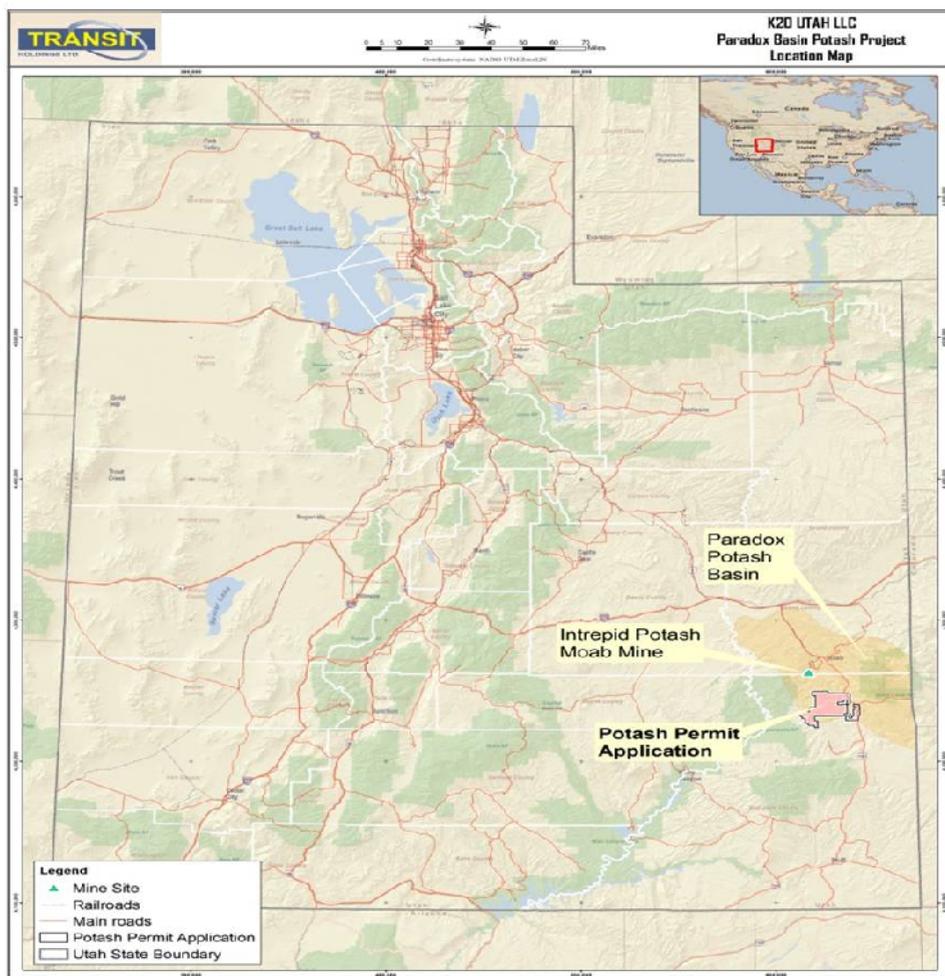
Transit Holdings Ltd (“**Transit**” or “the Company”) listed on the Australian Securities Exchange Ltd (“ASX”) in 2006 as a mineral explorer with tenements in the Johnston Range prospective for gold, nickel and iron ore.

In late 2008, the Company announced that it had signed a Memorandum of Understanding with Citadel Potash Pty Ltd (“Citadel Australia”), a company which had the right to earn 75% (now earning 90%) in the Paradox Basin Potash Joint Venture. The Paradox Basin Potash Project (“PBPP”) covers applications for 93,000 acres in the Paradox Basin in south eastern Utah. Previous drilling has shown that the Project area is underlain by a number of potash rich beds. Access to the project area has been delayed however **RM Research** anticipates exploration to commence in mid CY 2011.

A subsequent review of the Johnston Range and Copper Bore projects highlighted the significant magnetite and hematite potential of the project area. The Company successfully spun out the iron ore assets and listed **Radar Iron** in late December 2010 raising A\$6.8m. Early stage exploration results have confirmed the enormous magnetite/hematite potential of the Johnston Range and Die Hardy Projects. More recently the Company has entered into an option to purchase a potentially significant coal project in the Cordova Province of Columbia however this agreement was terminated (ASX Announcement 21/03/2011) after disappointing due diligence results.

POTASH K20 UTAH LLC JOINT VENTURE

FIGURE 1: Paradox Basin Project location, (source: Transit Holdings Ltd, ASX Announcement, 10/12/2009).

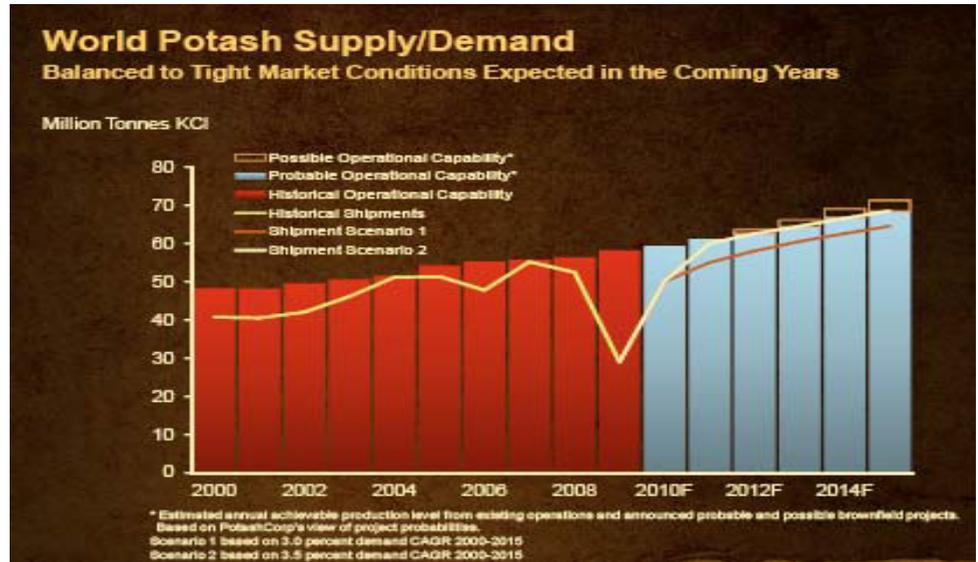


Transit likely to move to 90% as their JV partner K20 has indicated it is unlikely to contribute

Transit is earning up to 90% in the Paradox Basin Potash Project (“the Project”) that covers applications for 390km² of prospective potash permits in the Paradox Basin of south eastern Utah. Approximately 12% of the land lies on Leases owned and controlled by the State of Utah, while the remainder lies on Federal Land administered by the Bureau of Land Management. Following a budget review, JV partner K20 Resources LLC (“K20”) indicated that it would not be contributing and is likely to dilute to the residual carried interest of 10%.

Potash Markets

FIGURE 2: World Potash Supply-Demand (source: Arrowhead BID, South Boulder Mines Due Diligence and Valuation Report 2011).



The potash market is primarily driven by the rising population and the need for nutritious food as the per capita income increases in the emerging markets. As Potash plays an important role in improving yield, taste, and nutrient value of these key crops, the farmers in developing countries have started to address decades of unbalanced fertility practices, applying potash in greater quantities to catch up on years of under application. After a slowdown at the end of 2008, potash consumption levels have begun to return to pre-crisis levels in most key markets. Demand from the fertilizer industry, which accounts for around 90% of sales, remains strong in line with increasing demand for higher value foodstuffs. China, India, US and Brazil remain the foremost consumers with two-thirds of the current capacity total is located in just three countries – Canada, Russia and Belarus.

With long-term fundamentals firmly in place (Figure 2), the potash demand is expected to return to near historical trend-line consumption of at least 55 million tonnes in the near term. **RM Research** believes that Potash prices should be firmly supported by demand recovery in the near term. As grain prices trend higher and farmer economics improve, potash demand is expected to sustain in the range of US\$350-400 in 2011 (source: Arrowhead BID, 2011).

Mineralisation and Resource Target

The Company is targeting JORC resources in excess of 2.3 billion tonnes of potash ore @ 32.8% KCl that have previously been outlined within the Project by Agapito Associates Inc. This survey targeted two of several beds of potash on the tenement, namely the Potash 18 Upper and Lower beds, both of which average 4-4.5m in width, are relatively flat and at depths of around 6,000ft are amenable to solution mining. Furthermore the beds are rich in sylvite (KCl), contain small amounts of Mg rich potassium minerals and have low levels of insoluble.

Permitting

Prospecting Permit on Federal Land – Current Status

The Company appears to be making progress with the successful submission of an Environmental Assessment report. **Transit** also completed a Prospecting Permit Application for the drilling of up to 12 wells on Federal Land (administered by BLM) which included the siting of drillholes and preparation of environmental permitting documents which will be lodged on the grant of the Right of Way. An engineering firm has been engaged to assist in the preparation and execution of a 4 hole drilling program on the state lease blocks.

Scoping Study

K2O completed a Scoping Study (ASX Announcement 10/12/2009) based on a 2 million tonne per annum production of KCl from low cost solution mining. This study supports the view of **RM Research** that, subject to the outlining of sufficient JORC Reserves, the project has compelling financial metrics (Table 1).

Transit is targeting a 2.3 billion tonne JORC resource @ 32.8% KCl

Several important steps require completion prior to the commencement of drilling

Scoping Study confirms robust project economics

TABLE 1: Scoping Study results for Paradox Basin Project, source (Transit Holdings Ltd, ASX Announcement, 10/12/2009

Scoping Study Parameters	Assumptions
Annual Potash Production	2 M tpa of KCl
Initial Mine Life	25 years
Projected Potash Price	US\$500-US\$700/tonne KCl FOB
Capital Cost	US\$2.4 billion
*Operating Cost	US\$144/tonne KCl
Sustaining Capital Cost	US\$39/tonne KCl
*This comprises solution mining \$11/tonne, processing \$42/tonne & transport \$88/tonne	

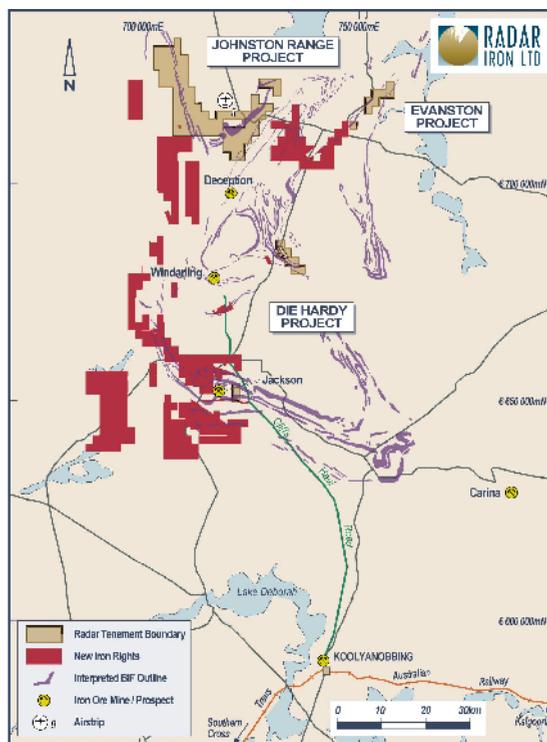
The Study assumes mining of Potash bed 18 only within an area where it averages 8.5 metres thick over two splits of the same bed at a grade of 34% KCl. The Study mine plan only covers 12% of the overall project area. ProMet based their Study model on estimated capital and operating costs based on the above parameters and future potash prices as projected by British Sulphur Consultants (part of the CRU Group, United Kingdom).

Current Work Program

Technical consultants Boyd Petrosearch were appointed in 2010 to review, acquire, process and interpret 2D seismic data with results available shortly. Geological consultants Agapito Associates are working with Boyd Petrosearch to review and site follow up drill holes on the State and Federal Leases. K20 have also applied for additional tenements to the south of the primary targets.

RADAR IRON LIMITED (ASX: RAD) (Transit 37%)

FIGURE 3: Johnson Range, Yilgarn Iron Ore Province, Western Australia, (source: Transit Holdings Ltd ASX Announcement, 19th March 2011).



Exploration activity in late CY 2010 included field mapping, a review of gravity data together with a 1388 metre RC drilling program over key prospects including Die Hardy, and several key targets at Johnston Range such as Beven, Clutch, Bolger and Olger. Metallurgical testwork was undertaken. Two flora surveys were completed in November/December by botanical consultants to facilitate future drilling approvals.

Geology and Mineralisation

The Johnston Range Iron Project contains a 35km long sequence of Banded Iron Formation ("BIF") units with the potential to host multiple hematite +/- magnetite deposits. **RM Research** sighted several holes (Table 1) that intersected potentially ore grade mineralisation similar to nearby magnetite and hematite deposits such as Windarling (Cliffs Natural Resources) and Cashmere Downs (Cashmere Iron). Furthermore, magnetic and gravity surveys together with field mapping and rock chip

sampling supported by data from previous drilling by **Radar** has successfully identified over 17 hematite targets which are currently the subject of follow up drilling. The acquisition (ASX announcement 15 February 2011) of Southern Cross Goldfields iron ore rights (A\$1.5m cash, A\$100k in shares) has substantially increased the footprint of the Company in the district.

Mining and Exploration, Yilgarn Iron Ore province

The YIOP is set to be the focus of intensive mining and exploration activity in the near term with participants such as Macarthur Minerals Ltd (Lake Giles), Mt Forrest (Mindax Resources Ltd, >2.5Bt conceptual target), Windarling, Jackson and Deception (Cliffs Natural Resources, >60Mt Reserves) and Cashmere Downs (Cashmere Iron, 881Mt Inferred Resources). A combined 250Mt of hematite DSO has already been outlined in the district.

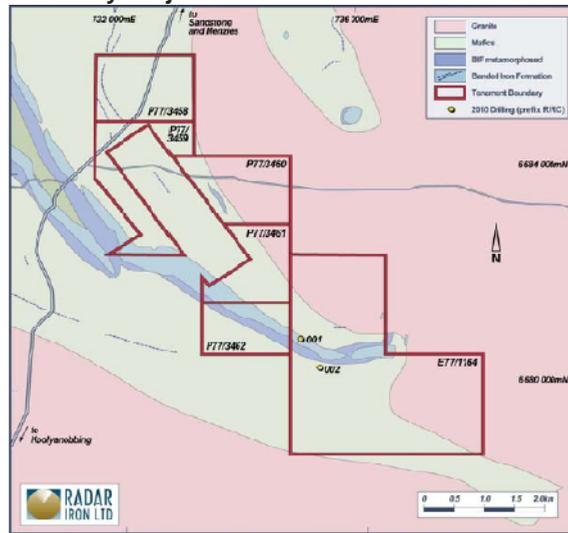
Aside from the infrastructure advantages with its proximity to Kalgoorlie/Southern Cross and potential to rail ore (140km from the centre of **Transit's** tenements) to either Kwinana (capacity upgrade to 15-20Mt p.a.) or Esperance, the province is well endowed with hematite and magnetite mineralisation, with Cliffs Natural Resources announcing on 20 September 2010 its intention to spend over A\$320 million in the district to ramp up production and further develop its resource inventory.

The objective of the 2011 exploration program will be to outline a maiden JORC resource of hematite +/- magnetite that has the potential to be commercially exploited. Our site visit confirmed the occurrence of outcropping 200-300m wide zones of BIF that remain almost untested.

A A\$2.6 million exploration budget over the next twelve months should be successful in delivering on our base case scenario of at least 10Mt of hematite mineralisation and in excess of 500Mt of magnetite.

FIGURE 4: Die Hardy Project, Yilgarn Iron Ore Province, Western Australia, (source: Transit Holdings Ltd ASX Announcement, 19th March 2011).

Die Hardy Project



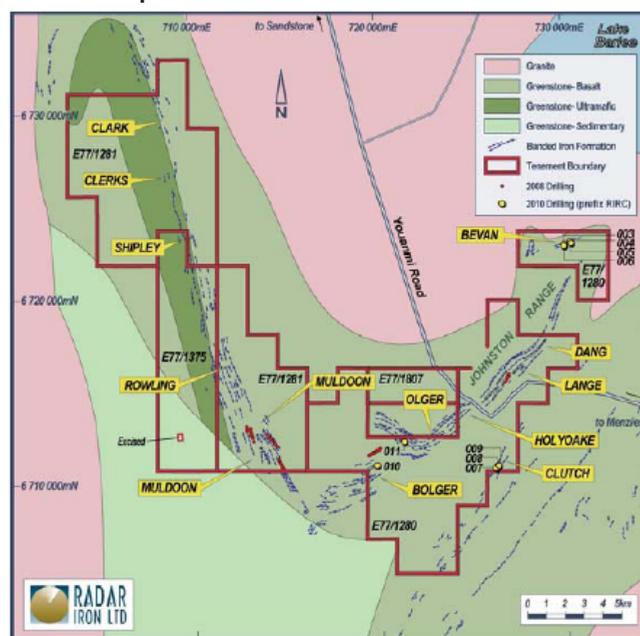
A short two hole RC hole program confirmed the potential of this prospect to deliver a resource in excess of >400mt of Magnetite at the Die Hardy Project (Figure 4).

The Lara prospect consists of a 3.4 kilometre x 200-300m wide ridge with drill results (Table 1) indicating broad widths grading 25-30% Magnetite.

Davis Tube Recovery (DTR) tests also returned iron head grades up to 70.3 % Fe and mass recoveries to 48%.

FIGURE 5: Beven Prospect, Johnston Range Project, Yilgarn Iron Ore Province, Western Australia, (source: Transit Holdings Ltd ASX Announcement, 19th March 2011).

**Johnston Range Project
Beven Prospect**



At Beven (Figure 5) RC drilling on 400m line spacing returned encouraging widths from 16-56 m with average head grades 22-32% Fe. The eastern section returned broader widths of in excess of 50 metres downhole with DTR tests averaging 70% Fe and mass recovery 38%. Based on an apparent strike of 1.2 km, Beven appears to have potential for well in excess of 50Mt.

Clutch Prospect

While two RC drillholes failed to reach target depth due to water ingress, encouraging grades of 27-30% Fe (magnetite rich BIF) over widths of up to 40m were returned. DTR test work will be completed later in 2011 with

the prospect demonstrating potential for both Magnetite and Hematite over several kilometres.

2011 Exploration Program

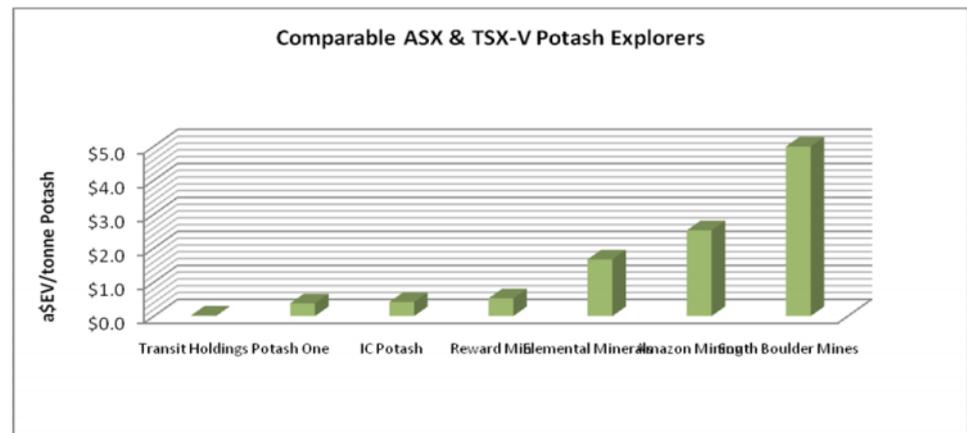
Radar Iron put out a detailed statement (ASX Announcement, 11/01/2011) which summarises an aggressive 2011 exploration program that will initially focus on hematite mineralisation with a view of targeting a maiden resource by late CY2011 (base case scenario 10-20Mt hematite, 500Mt Magnetite). **RM Research** is confident that our base case scenario of 500Mt Magnetite remains conservative, particularly with the Southern Goldfields acquisition which increases the tenement holding to 900km². Importantly it cements **Radar's** position as a major player in the district.

COMPARATIVE VALUATIONS-POTASH

TABLE 2: Comparable ASX & TSX listed Potash explorers showing projected Potash resources (Inferred & Indicated), (source: RM Research internal modelling 2011).

Company	EV/Tonne Potash (\$)	Potash Resource Target (Mt)	EV (\$m)
Transit Holdings	\$0.019	441.60	7.74
Potash One	\$0.38	1,100.00	413.75
IC Potash	\$0.41	400.00	164.92
Reward Min	\$0.52	100.00	52.18
Elemental Minerals	\$1.67	250.00	417.44
Amazon Mining	\$2.52	100.00	252.24
South Boulder Mines	\$4.99	104.12	467.97
Potash Corp	\$13.44	1,200.00	16,128.54
Fortis Mining		No Resource	131.35
Western Potash		No Resource	8.00

FIGURE 6: Comparable ASX & TSX listed Potash explorers, (source: RM Research internal modelling 2011).



Strong markets for potash and potash explorers/developers have resulted in strong investor interest and rapidly increasing share market valuations. Companies such as South Boulder Mines with their near surface high grade mineralisation stand out with enterprise/tonne valuations approaching A\$5.0 with the more common/deeper resources such as Potash One and IC Potash which require capital expenditures greater than US\$1.5B trading in the range of 30 to 40 cents per tonne of Potash. Potash One has been excluded from our calculations on the basis of its production status.

TABLE 3: Transit valuation scenario based on successful Paradox Basin target of 441Mt Potash, (source : RM Research internal modelling 2011).

Transit Valuation Scenario	A\$m	A\$/Sh
Cash	\$3.50	\$0.05
Cash (from Opt)	\$2.30	\$0.03
Radar Iron Ltd (TRH: 37%)	\$10.50	\$0.15
Paradox Basin (TRH: 90%)	\$138.95	\$1.95
TOTALS	\$155.25	\$2.18

Figure 6 shows the average EV/Resource for peer potash companies is around \$1.10/tonne of Potash with a more conservative average figure of A\$0.35 based on Potash One and IC Potash. Note the high enterprise value for Fortis Mining which has recently announced an intention to acquire (ASX Announcement 22/02/2011) several potash projects in Kazakhstan however we are unable to determine a resource target at this stage. Based on an EV/Resource range of A\$0.35 to A\$1.10 we arrive at a lower case valuation as set out in Table 3 by early CY 2012 based on an Inferred JORC resource of 2.3B tonnes @ 32% KCI.

DIRECTORS & MANAGEMENT

Mr Ananda Kathiravelu

NON-EXECUTIVE CHAIRMAN

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.

Mr Richard Monti

EXECUTIVE DIRECTOR

Mr Monti has qualifications in Geology (Bachelor of Science with Honours) and Finance (Graduate Diploma in Applied Finance and Investment from the Financial Securities Institute of Australia).

He has gained experience over a twenty year career working in the technical, marketing and financial fields of the international exploration and mining industry. This includes exposure to a number of commodities including nickel, base metals, gold, coal, iron-ore, tin-tantalum, platinum group metals and industrial and heavy minerals. This includes the generation of the iron ore tenements currently being exploited by Fortescue Metals Group which has developed into a 2 billion tonne iron ore resource.

He has also worked for Anaconda Nickel, RTZ Exploration, the North Group, the Normandy Group and Ashton Gold. Five years ago he founded Ventnor Capital Pty Ltd a corporate advisory consultancy which provides technical, marketing and corporate advisory services to junior and mid-cap listed mining and exploration companies. He has also held positions on the boards of a number of ASX listed and private mining companies and is currently a Director of Poseidon Ltd and Whinnen Resources Ltd.

Mr Brian Thomas

NON-EXECUTIVE DIRECTOR

Brian is a geologist and mineral economist with extensive experience as both an executive and non-executive director with small to midsized public listed companies.

He previously held a number of roles in the finance sector including a senior business development role with a major Australian bank sourcing energy and resources financing opportunities, investment banking with a global investment banking group and corporate stock broking with two major Australian based firms. The shift to the finance sector followed over 20 years in both production and exploration operational management roles in the resources sector.

Mr Hugh Callaghan

CEO-POTASH

Hugh Callaghan has accumulated potash experience during his career with large projects in Argentina and in West Africa, and is well acquainted with the commercial and technical opportunities and challenges of developing potash projects to meet the rapidly growing demand for fertilizer feedstocks.

Hugh spent the earlier part of his career in large international mining companies, in a variety of commercial roles working across all major mining centres. Subsequently, he was founder and Managing Director of ASX-listed Riversdale Mining Limited, and then Chairman of Tamaya Resources Limited, and has experience of identifying, acquiring and developing mining projects around the world.

Mr Callaghan will spend the majority of his time based in Salt Lake City, focusing initially on the permitting of the next phase of resource drilling at the Paradox Basin project

Mr Kathiravelu has had extensive experience in providing advice to emerging companies

Richard was a key player in the acquisition of Fortescue Metals' iron ore projects

Brian brings over 20 years in production and exploration in the resources sector

Hugh gained experience in Potash in both Argentina and West Africa

Recent drilling by Radar Iron has returned potentially ore grade intersections

Ongoing drill program at Johnston Range should provide significant market interest over CY 2011

Underperformance of peers could have a negative flow on affect for Transit

BULLS & BEARS

The Bulls Say

- Potash potential at Paradox Basin in Utah (US) remains a “sleeper” and is expected to fire up in mid CY 2011. Comparison with Canadian and Australian listed companies suggests leverage to current market capitalisation is very attractive. Potash prices are expected to perform strongly in the medium term as agricultural production picks up momentum and higher value foodstuffs require additional fertilizer.
- **Transit** is highly levered to **Radar Iron** (23 cps) and our medium term A\$1.00 share price target for **Radar Iron** would translate to around 68 cps for **Transit**.
- Recent drill results from the 2010 campaign together with the acquisition of iron ore rights from Southern Cross Goldfields has substantially increased the footprint of **Radar Iron** in the YIOP.
- Significant hematite upside for **Radar Iron** in a proven mineral province with rapidly expanding production in the region (Cliffs Natural Resources –Windarling and Jackson Mines, Deception Project; Mineral Resources production anticipated to be on line 2011/2012).
- Options for **Radar Iron** to use both Esperance and Kwinana ports.

The Bears Say

- Permitting delays at the Company's Paradox Basin Potash project have already disappointed the market over the last 12 months. Further bureaucratic delays (particularly on the back of recent environmental disasters in the US) could delay access for further exploration.
- Softening potash prices together with rising capital requirements have the potential to dampen investor appetite for potash projects.
- Mineral exploration remains a high risk business and there is potential for **Radar Iron's** 2011 drill program at Johnston Range and Die Hardy fail to live up to the market's expectations.
- Delays in infrastructure (road and rail) and congestion at port facilities (Kwinana, Esperance) have the potential to significant delay production plans for **Radar Iron**.
- Declines in iron ore prices from recent record highs have the potential to adversely affect projection valuations for **Radar Iron** and in turn **Transit's** share price.
- Underperformance of peer Iron Ore explorers and/or developers (such as Mineral Resources Ltd, Murchison Metals Ltd and Cashmere Iron Ltd) has the potential to adversely affect market sentiment and lead to lower valuations for **Radar Iron** and in turn **Transit**.

CONCLUSION

Transit has demonstrated its ability over the last 12 months as a very capable incubator and funder of potentially world class projects. The tight capital structure and leverage to iron ore and potash should see **Transit** deliver tremendous upside over the next 6-12 months with near term upside to A\$2.18. SPECULATIVE BUY.

Research Analysts

Guy Le Page	Director	+61 8 9321 3277	gtlepage@rmresearch.com.au
Neil O'Loughlin	Resources Analyst	+61 8 9321 3277	noloughlin@rmresearch.com.au
Dennis Trlin	Industrial Analyst	+61 8 9321 3277	dtrlin@rmresearch.com.au

Registered Offices

Perth 1171 Hay Street West Perth WA 6005	PO Box 154 West Perth WA 6872	Email / Website info@rmresearch.com.au www.rmresearch.com.au
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Phone: +61 8 9321 3277

Fax: +61 8 9321 8399

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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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