

Further to our Talking Point on 11 September 2009 (see below), we note **continued corporate developments in the junior iron ore space** and view them a **positive for the sector as a whole**.

Recent events and key details:

- Further to China's Railway and Materials's (CRM) proposed \$27m (\$1.35/share, 11.38% of the issued capital of UMC) investment in United Minerals (UMC) on 8 Sep 2009,
- UMC entered a Trading Halt on 7 Oct 2009 "pending an announcement to the market in connection with a potential change of control transaction involving the Company".
- Thundelarra Exploration (THX) owns 13.19% of UMC and has long been considered a seller of its stake.
- If CRM was to acquire THX's stake in UMC, it would put it beyond the 20% threshold and, we understand, would force it to make a full takeover bid for UMC.
- Mineral Resources Ltd (MRL) makes a scrip bid for Polaris (POL) in August. Lion-Asia then made a competing all cash bid in October.

Our view:

- If CRM or another foreign party was to make a full takeover bid for UMC it would bolster our conviction that Chinese investment in the Australian iron ore space will continue.
- If BHP or RIO were to bid for UMC it would indicate a significant change of tact amongst the majors (and raise questions regarding the proposed JV between RIO and BHP's iron ore assets).
- Either case bodes well for the juniors. Specifically;
 - **Brockman Resources (BRM)** has 1.4bt of iron ore right next to BHP's railway line and is **one of the only juniors left without a strategic partner**.
 - **Iron Ore Holdings (IOH)** have an **MOU in place with RIO for mine gate sales** at Phil's Creek while nothing has been negotiated for its larger Iron Valley resource at this stage. IOH are yet to sign the definitive Sales and Purchase Agreement with RIO and while we believe the delay in the signing of this agreement may have something to do with RIO's change of tact, IOH's relationship with RIO will bode well in any consolidation of the sector in our view.
 - **Feraus (FRS)** has as its partners **CRM (see Talking Point below)** and **China's WMC with 9.8%**. IF CRM were to make a full bid for UMC it would further demonstrate its commitment to secure long term iron ore supplies and we believe it would seek to assist in FRS's development to further bolster its presence in the region and potentially achieve economies of scale. Conversely, if CRM do not make a bid for UMC, it would most likely have an even more vested interest in developing FRS's iron ore assets. In essence, if RIO or BHP end up with control of UMC, it will bode very well for FRS.

In brief, we believe **it is a seller's market in the junior iron ore space**.

Recommendation. BUY BRM Price: \$1.66; PT: \$3.20
BUY IOH Price: \$0.695; PT: \$1.40
BUY FRS Price: \$0.655; PT \$1.00