



RADAR
IRON LTD

ACN 146 455 576

Interim Financial Report

for the period 21 September 2010 (date of incorporation) to 31 December 2010

RADAR IRON LIMITED
ACN: 146 455 576

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This financial report covers the Radar Iron Ltd Group consisting of Radar Iron Ltd and its subsidiary. The financial report is presented in Australian dollars.

Radar Iron Ltd is a company limited by shares, incorporated and domiciled in Australia. It's registered office and principal place of business is:

Radar Iron Ltd
Suite 2
12 Parliament Place
West Perth WA 6005

A description of the nature of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' Report on page 2, which does not form part of this financial report.

The Company has the power to amend and reissue the financial report.

RADAR IRON LIMITED
ACN: 146 455 576

Corporate Information

Directors:

Alan Tough
Non-Executive Chairman

Jonathan Lea
Managing Director

Ananda Kathiravelu
Non-Executive Director

Joint Company Secretaries:

Morgan Barron
Phillip Wingate

Registered & Principal Office:

Suite 2, 12 Parliament Place
WEST PERTH WA 6005
Telephone: + 618 9482 0580
Facsimile: + 618 9482 0505

Postal Address:

P.O. Box 902
WEST PERTH WA 6872

Auditors:

MGI Perth Audit Services Pty Ltd
7/1 William Street
PERTH WA 6000

Solicitors - Perth:

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Home Stock Exchange:

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000
ASX Code – RAD

Share Registry:

Security Transfers Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

RADAR IRON LIMITED
ACN: 146 455 576

Directors' Report

Your Directors have pleasure in submitting their report on the Group; being the Company and its subsidiary, for the period from 21 September 2010 (date of incorporation) to 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report is as follows:

DIRECTORS

The names and details of Directors in office at any time during the period were:

Alan Tough	Non Executive Chairman	(Appointed 25 October 2010)
Ananda Kathiravelu	Non Executive Director	(Appointed 21 September 2010)
Jonathan Lea	Managing Director	(Appointed 21 September 2010)

Directors have been in office since the date of appointment to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

Radar Iron Limited's ("Radar" or the "Company") principal activities are the exploration of iron ore in the central Yilgarn Iron Ore Province of Western Australia.

RESULTS

The net loss attributable to members of the Company for the period from 21 September 2010 (date of incorporation) to 31 December 2010 amounted to \$389,263. The net loss relates to share based payments and administration costs relating to an ASX listed entity.

OPERATING AND FINANCIAL REVIEW

Overview

Radar is focused on identifying and defining hematite and magnetite resources in the central Yilgarn district of Western Australia. The Group has an extensive package of tenements with over 40km in length of multiple banded iron formation contained on its leases, with rights to a further 80 linear kilometres of banded iron formation, through a recent acquisition.

Radar was listed on the ASX in December 2010. During the period to 31 December 2010 initial field work and drilling was also completed. Following the Company's successful float, Radar, is positioned with sufficient funds to rapidly explore its highly prospective tenement holding over the next two years.

Radar's overall exploration objectives in 2011 are:

- To define initial hematite and magnetite resources in 2011
- To continue exploration on the tenement holding to identify all potential targets and ensure continuity in drill testing opportunity

Field reconnaissance mapping and the initial drill testing of magnetite targets during the period have commenced this process in line with the objectives. The initial drill testing of hematite targets commenced in early February.

Directors' Report

Drill results and Davis tube recovery tests received in January 2011 have provided substantial encouragement that significant magnetite mineralisation is present that can be potentially concentrated to produce a saleable product.

An independent review was completed of the magnetite potential at the Johnston Range Project by geophysical consultants, Resource Potentials of Perth and was aimed at identifying areas in the 35km Johnston Range banded iron formation (BIF) with greater potential to host significant mineralisation and to better define exploration targets.

The results were a global target exploration potential for magnetite (or primary BIF) of 4.0Bt - 6.7Bt at 20-45% Fe*. Coupled with the identified potential at the Die Hardy Project the overall potential for the definition of substantial magnetite resources is considered excellent.



Figure 1: Project Area

Acquisition of Southern Cross Goldfields Ltd's Iron Mineralisation Rights

Subsequent to the end of the period Radar announced that it had acquired a significant package of iron ore rights from Southern Cross Goldfields Ltd (SXG) in the central Yilgarn iron district of WA.

** Radar Iron advises that the potential quantity and grade of iron deposits reported as exploration target potential is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

Directors' Report

The iron ore rights, covered by tenement holdings of 913 km², more than triples Radar's current land position (previously around 300 km²). SXG will continue to hold the tenement titles with Radar having the right to access, explore and exploit all iron and associated minerals. Figure 2 below displays the newly acquired ground together with Radar's current land position.

The tenements are adjacent to some of the key iron ore production centres in the area at Jackson Range and Windarling and any ore defined is within trucking distance to the open access rail line to the south.

Over 80 linear kilometres of banded iron formation (BIF) has been identified on the tenements. The ground has had limited exploration for iron mineralisation in the past and is considered highly prospective for direct shipping hematite ores and magnetite mineralisation.

The acquisition is subject to tenement due diligence with completion expected in March 2011.

The terms of the acquisition are:

1. a cash payment of \$1.5M;
2. 1,000,000 shares in Radar; and
3. the non iron ore rights to Radar's tenements E77/1280, E77/1281 and E77/1807.

Radar will finance the acquisition from existing cash reserves.

Radar intends to commence initial exploration over this ground in the near term testing both the hematite and magnetite potential.

Exploration to December 2010

Radar's initial holding at the time of IPO was comprised of three project areas, Johnston Range, Die Hardy and Evanston, all in the central Yilgarn, (Figure 2).

In mid 2010, a geophysical review of existing magnetite and gravity data in the Johnston Range area was completed by previous tenement holders Transit Holdings Ltd – primarily aimed at identifying potential hematite mineralisation. This process generated a significant number of potential targets. Field reconnaissance programmes commenced in the September Quarter to validate the potential targets leading to initial drill targets being identified both for hematite and magnetite.

The following exploration has been completed on the Groups tenements:

1. Further field mapping was completed in the Johnston Range area both by internal geologists and using a geological contractor to validate existing and identify new targets.
2. Drilling approvals were received – through the Programme of Works (PoW) process – for 91 planned drill holes over nine prospects at Johnston Range and Die Hardy. These approvals covered both hematite and magnetite drill targets.

Directors' Report

3. In November/December a 1388m RC drill programme was completed, targeting magnetite mineralisation to provide initial samples for assay and preliminary metallurgical testing to assist in the prioritising of magnetite drill targets in 2011. The prospects tested were Lara at the Die Hardy project and Beven, Clutch, Olger and Bolger at the Johnston Range Project.
4. Two flora surveys were completed in November/December by botanical consultants to facilitate future drilling approvals. At the southern end of Muldoon prospect the declared rare flora (DRF) *Ricinocarpos brevis* was identified. While the majority of the prospect can be drilled with existing approvals, any further work in the southern end of the prospect will require permission from the Minister for Environment to disturb.

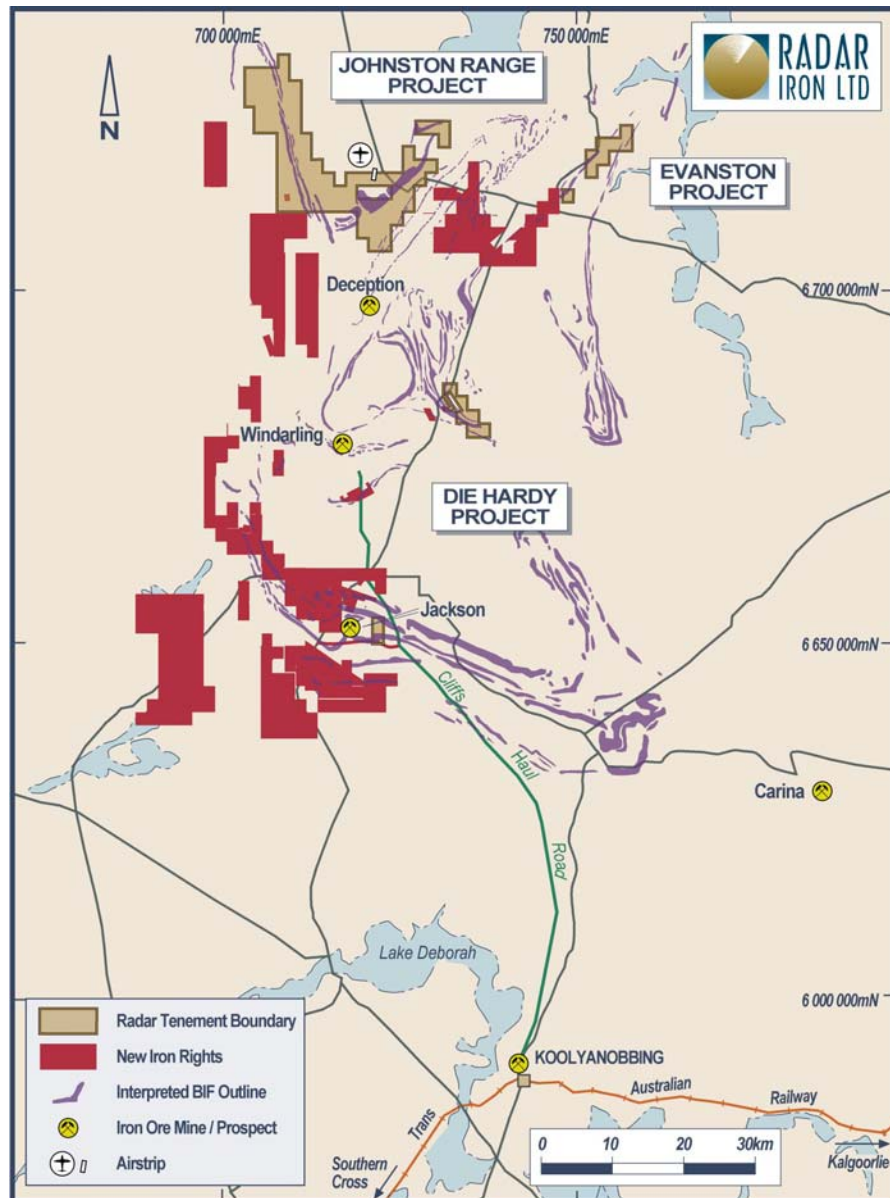


Figure 2: Expanded Tenement Holding

Directors' Report

Prospect Drilling Details

Die Hardy Project

Two RC holes were completed at the Lara prospect. Both holes finished in ore with the maximum intercept being 154m, with assay intervals indicating an average 25-30% Fe grade. Three Davis Tube Recovery (DTR) tests were performed and results were highly encouraging with iron head grades up to 70.3% Fe and mass recoveries to 48%. Assay results are shown in Table 1 with DTR results in Table 2.

The Lara prospect forms a prominent ridge approximately 3.4km long and 200-300m wide dipping sub-vertically and hence is a major magnetite target. The two holes drilled support the current interpreted width and depth potential. The assay and DTR results are highly encouraging and further metallurgical test work and drilling will be undertaken in 2011.

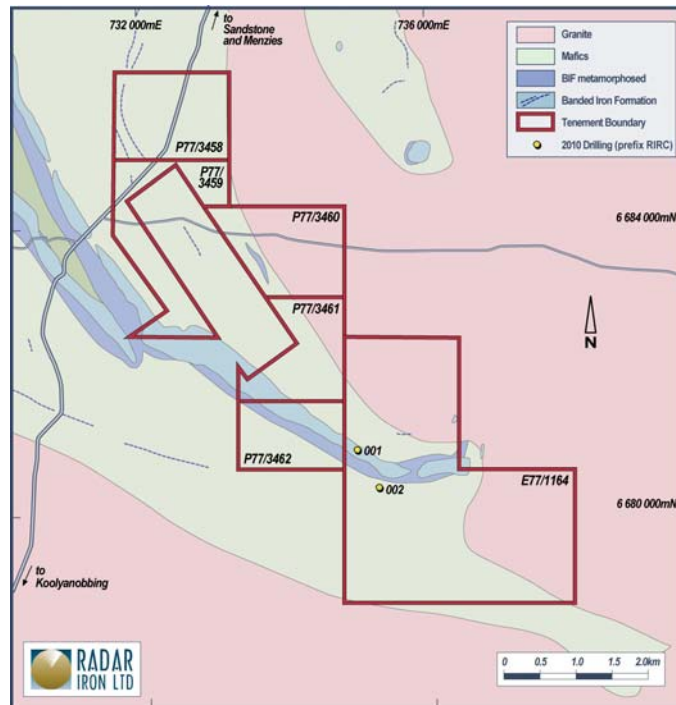


Figure 3: Die Hardy – Drill hole location

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Directors' Report

TABLE 1 Summary of RC Magnetite Drilling

Drill Hole Number	Drill Hole Data and Location						Intercepts - Average Weighted Grades							
	Prospect	Length	East	North	Dip	Azimuth	From	To	Width	% Fe	% SiO ₂	% Al ₂ O ₃	% P	% S
RIRC001*	Lara	120	734987	6680828	-60	210	20	120	100	25.6	56.0	0.83	0.06	0.05
RIRC002*	Lara	166	735262	6680310	-60	30	12	166	154	28.9	48.3	4.35	0.08	0.07
RIRC003	Beven	156	729996	6722504	-60	160	0	16	16	32.0	46.3	2.54	0.02	0.03
	and						116	132	16	28.6	48.5	3.43	0.05	0.10
RIRC004	Beven	84	730372	6722650	-60	150	20	72	52	27.5	45.9	3.57	0.04	0.08
RIRC005	Beven	108	730398	6722572	-60	330	20	76	56	21.9	48.2	6.76	0.05	0.12
RIRC006	Beven	80	730015	6722435	-60	330	24	56	32	27.9	45.4	3.61	0.04	0.04
RIRC007	Clutch	156	726200	6710510	-60	125	4	44	40	37.4	33.9	5.76	0.03	0.02
RIRC008#	Clutch	80	726310	6710679	-60	125	0	16	16	29.7	39.8	7.49	0.02	0.03
RIRC009#	Clutch	126	726341	6710654	-60	125	4	24	20	28.1	28.4	18.33	0.01	0.06
RIRC010	Bolger	156	719819	6710765	-60	330	0	16	16	27.8	54.2	1.22	0.06	0.03
	and						60	88	28	31.0	47.4	1.52	0.07	0.05
RIRC011	Olger	156	721309	6712024	-60	25	84	120	36	31.5	44.6	0.83	0.07	0.20

Notes:

- Sampling and assay intervals – 4 metres
- Assay intervals calculated using a 20% minimum iron grade
- Maximum of 12m of internal dilution in assay intervals
- XRF assaying completed by Spectrolab, Geraldton
- * Hole ended in mineralisation
- # Hole ended prematurely owing to high water influx

TABLE 2 Davis Tube Recovery Test Work Results

Prospect	Drill Hole Number	From	To	Mass Recovery	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %
Lara	RIRC001	108	120	35.6	63.5	11.6	0.16	0.02	0.01
Lara	RIRC002	104	116	43.1	70.3	2.9	0.06	0.00	0.01
Lara	RIRC002	156	166	48.1	70.0	4.3	0.03	0.01	0.01
				42.2	67.9	6.2	0.08	0.01	0.01
Beven	RIRC003	120	132	38.3	71.1	2.2	0.07	0.02	0.01
Beven	RIRC004	56	68	38.5	70.9	2.7	0.09	0.01	0.02
Beven	RIRC005	52	64	38.1	67.4	5.9	0.10	0.02	0.03
				38.3	69.8	3.6	0.09	0.02	0.02
Bolger	RIRC0010	64	76	38.6	58.4	16.7	0.12	0.04	0.03
Olger	RIRC0011	108	120	50.8	55.4	20.8	0.23	0.06	0.02

Note:

- DTR and assaying completed by Spectrolab, Geraldton
- DTR procedure gives a nominal P80 sizing of 40 micron

Directors' Report

Johnston Range Project

Beven Prospect

Four holes were drilled at Beven on two section lines approximately 400m apart. Magnetite rich BIF intervals ranged from 16-56 m with average head grades 22-32% Fe. The eastern drill section returned longer down hole magnetite rich BIF intercepts (>50m width). The DTR test work was highly encouraging with head grades averaging 70% Fe and mass recovery 38%. Assay results are shown in Table 1 with DTR results in Table 2.

Beven outcrops as a low ridge 1.2km long and these results suggest the eastern part to have better potential for significant magnetite mineralisation. Further metallurgical test work and drilling at Beven will be scheduled in 2011.

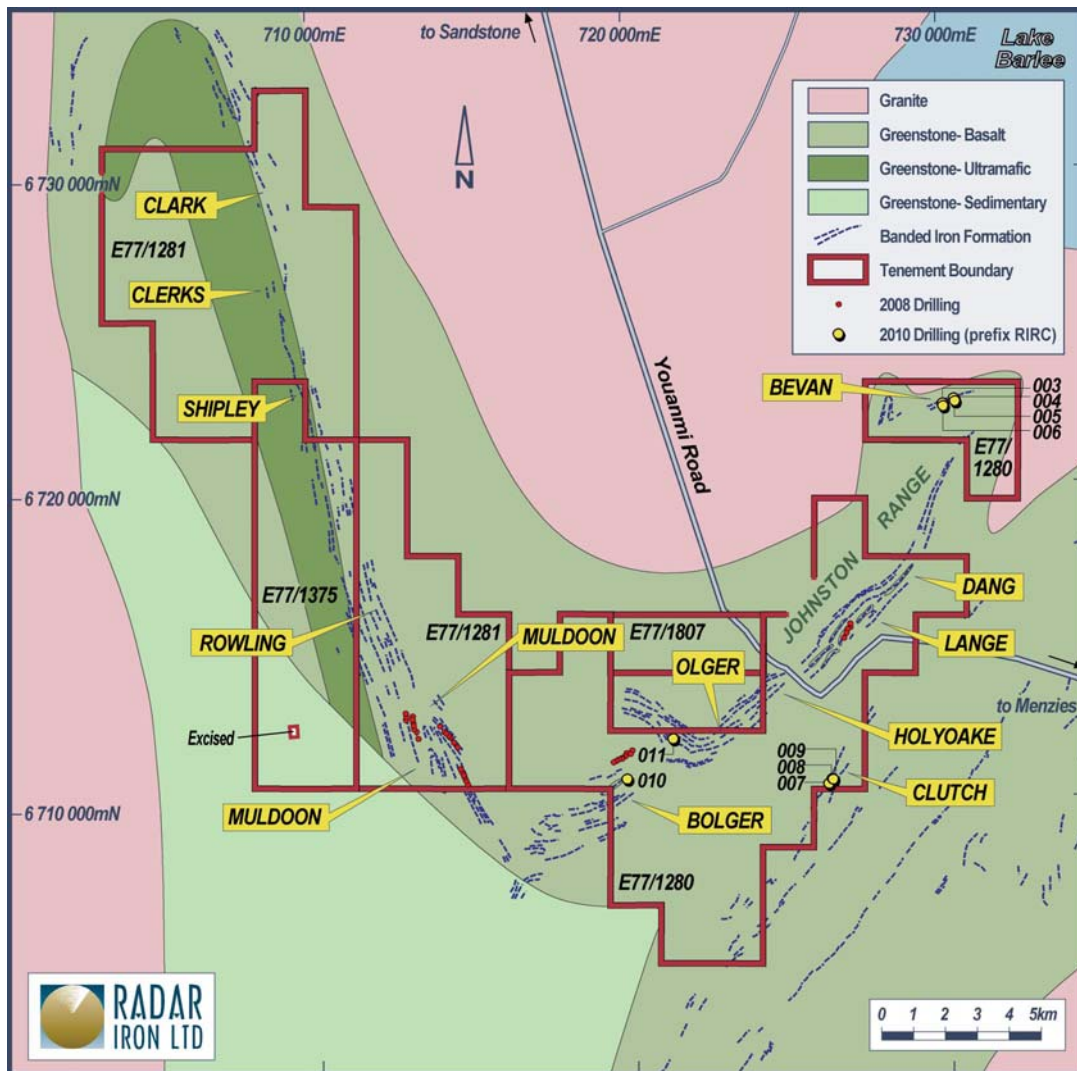


Figure 4: Johnston Range – Drill hole location

Directors' Report

Clutch Prospect

Three holes were completed at Clutch with two not reaching planned depth owing to significant water influx. Assay results indicate a grade of 27-30% Fe for the magnetite rich BIF with a maximum interval 40m at 37.4% Fe, although this is partially formed in weathered BIF. No DTR test work was completed.

Clutch has a strike length of several kilometres and is identified as both a magnetite and hematite target. It is not considered the zone has been adequately tested to date and the hematite potential has not yet been drill tested at all. Further work will be scheduled to assess the mineralisation potential in 2011.

Bolger/Olger Prospect

One hole was drilled at each of the Bolger and Olger prospects. Both returned reasonable down hole intercepts with grades around 30% Fe. DTR results however indicated that a finer grind is required to liberate the silica from the magnetite.

Strike length for these two zones is less than 1km and unless further geophysical analysis or metallurgical test work provide renewed encouragement then no further drill testing is planned at this stage.

Exploration Programme 2011

Hematite – Mapping of the Johnson Range lease has been completed providing first pass cover of the entire tenement group. This information coupled with more detailed localised mapping and sampling should provide new hematite drill targets.

Drill testing of currently identified hematite targets commenced in early February. This initial drill testing is aimed at confirming the most prospective targets on which to complete resource evaluation drilling. Further drilling, at existing or new hematite targets, will occur in the second half of the year if there is potential to define additional resources.

Magnetite – A review of existing aero-magnetic geophysical data was completed in January 2011. The study aim was to facilitate the identification and targeting of those areas in the 35km strike length of BIF that are more prospective for greater widths and concentrations of magnetite mineralisation. An exploration potential at Johnston Range for magnetite BIF was estimated by independent consultants at 5.3Bt (4.0Bt – 6.7Bt) at 20-45% Fe. (See ASX release dated January 31, 2011 for more detail.) Coupled with the assessment of existing drilling, and continued field mapping and sampling, this will facilitate the identification and prioritising of further magnetite drill targets in 2011.

Resource definition drilling of magnetite mineralisation is planned to occur largely in the second half of 2011 aimed at a maiden magnetite resource statement by the end of the year.

An Exploration Plan statement was released to the ASX on 11 January 2011 and this provides further details of the 2011 programme.

The potential quantity and grade of iron deposits reported as exploration potential is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Directors' Report

Corporate Activities

Radar Iron Ltd ("Radar Iron" or the "Company") was admitted to the Official List of ASX Limited on Friday 17 December 2010. Official Quotation of the securities commenced at 1:00pm AEDT (10:00 am WST), Tuesday 21 December 2010. The IPO closed with Radar Iron's 495 new shareholders investing \$6.8M, above the \$6 million target. The Company was encouraged during the promotion of this IPO by the level of interest and support received from Australian and regional investors, including those in Asia.

The Company raised a total of approximately \$7.3m during the period, including the IPO raising and an initial seed capital raising of \$475,000 which was used to fund the costs of the IPO and initial exploration activities.

Radar Iron also completed the acquisition of 100% of the issued capital of Radar Resources Pty Ltd from Transit Holdings Ltd. Radar Resources Pty Ltd is the legal holder of the Company's iron ore prospects.

LIKELY DEVELOPMENTS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report. Further information as to likely developments in the operations of the Group and Company and likely results of those operations would in the opinion of the Directors, be likely to result in unreasonable prejudice to the Group.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the period ended 31 December 2010 has been received and can be found on page 10.

AUDITOR

MGI Perth Audit Services Pty Ltd continues in office in accordance with section 327 of the Corporation Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.



Jonathan Lea
Managing Director

Perth
25 February 2011

The information in this report accurately reflects information prepared by competent persons (as defined by the Australasian Code for Reporting of Mineral Resources and Ore Reserves). It is compiled by Mr Jonathan Lea, an employee of the Company who is a Member of The Australasian Institute of Mining and Metallurgy with the requisite experience in the field of activity in which he is reporting. Mr Lea has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Lea consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Lead auditor's independent declaration under section 307C of the Corporations Act 2001

To the directors of Radar Iron Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 31 December 2010 there have been:

- (i) no contraventions of the auditors independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MG IPAS

MGI Perth Audit Services Pty Ltd



**TJ Spooner CA FCA(UK) ACIS
Director**

Perth
25 February 2011

RADAR IRON LIMITED
ACN: 146 455 576

Condensed Consolidated Statement of Comprehensive Income
For the period 21 September (date of incorporation) to 31 December 2010

	Note	Consolidated 31 December 2010 \$
Finance Income		24,859
Financial administration, insurance and compliance costs		(46,152)
Consulting and contracting expenses		(36,229)
Employee benefits expense	2	(304,986)
Administration expenses		<u>(26,755)</u>
Loss before income tax expense		(389,263)
Income tax benefit / (expense)		-
Net loss for the period		<u>(389,263)</u>
Other comprehensive income		<u>-</u>
Total comprehensive loss for the period		<u>(389,263)</u>
Loss attributable to the owners of the parent		(389,263)
Total comprehensive loss for the period attributable to owners of the parent		(389,263)
Basic and diluted loss per share - cents per share		(5.03)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

RADAR IRON LIMITED
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Condensed Consolidated Statement of Financial Position
As at 31 December 2010

	Note	Consolidated 31 December 2010 \$
ASSETS		
Current assets		
Cash and cash equivalents		6,280,241
Other Receivables		<u>90,508</u>
Total current assets		<u>6,370,749</u>
Non-current assets		
Exploration and evaluation expenditure	3	996,732
Plant and equipment		<u>11,957</u>
Total non-current assets		<u>1,008,689</u>
TOTAL ASSETS		<u><u>7,379,438</u></u>
LIABILITIES		
Current liabilities		
Trade and other payables		<u>324,787</u>
Total current liabilities		<u>324,787</u>
Non-current liabilities		
Deferred tax liabilities		<u>127,131</u>
Total non-current liabilities		<u>127,131</u>
TOTAL LIABILITIES		<u><u>451,918</u></u>
NET ASSETS		<u><u>6,927,520</u></u>
EQUITY		
Issued capital	4	6,358,807
Reserves	8	957,976
Accumulated losses		<u>(389,263)</u>
TOTAL EQUITY		<u><u>6,927,520</u></u>

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

RADAR IRON LIMITED
ACN: 146 455 576

Condensed Consolidated Statement of Changes in Equity

For the period 21 September 2010 (date of incorporation) to 31 December 2010

2010 CONSOLIDATED

	Note	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Total equity at 21 September 2010 (date of incorporation)		-	-	-	-
Total comprehensive loss for the period		-	-	(389,263)	(389,263)
Transactions with equity holders:					
Contributions of equity, net of transaction costs	4	6,358,807	-	-	6,358,807
Share-based payments	8	-	957,976	-	957,976
Total equity at 31 December 2010		6,358,807	957,976	(389,263)	6,927,520

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

RADAR IRON LIMITED
ACN: 146 455 576

Condensed Consolidated Statement of Cash Flows

For the period 21 September 2010 (date of incorporation) to 31 December 2010

	Consolidated 31 December 2010 \$
<i>Cash flows from operating activities</i>	
Interest received	24,859
Payments to suppliers and employees	(143,849)
Net cash used in operating activities	<u>(118,990)</u>
<i>Cash flows from investing activities</i>	
Payments for exploration expenditure	(138,411)
Payments for plant and equipment	(12,635)
Cash acquired on acquisition of subsidiary	17,679
Payments for capitalised acquisition costs	(120,000)
Net cash used in investing activities	<u>(253,367)</u>
<i>Cash flows from financing activities</i>	
Proceeds from the issue of shares	7,322,900
Payments for share issue costs	(670,302)
Net cash provided by financing activities	<u>6,652,598</u>
Net increase in cash and cash equivalents	6,280,241
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u>6,280,241</u>

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Radar Iron Ltd (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the period ended 31 December 2010 comprises the Company and its subsidiary (together referred to as the “Group”).

STATEMENT OF COMPLIANCE

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 ‘Interim Financial Reporting’, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (‘AASB’). Compliance with AASB 134 ensures compliance with IAS 34 ‘Interim Financial Reporting’.

This condensed interim report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with any public announcements made by Radar Iron Limited and its subsidiary during the period in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those set out in the Prospectus dated 5 November 2010.

This consolidated interim financial report was approved by the Board of Directors on 25 February 2011.

BASIS OF PREPARATION

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the period has been treated as a discrete reporting period.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY ESTIMATES

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant policies which have been adopted in the preparation of this financial report are:

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of Consolidation

Subsidiaries

The consolidated accounts comprise the assets and liabilities of Radar Iron Ltd and its subsidiaries at 31 December 2010 and the results of the subsidiary for the period then ended. A subsidiary is any entity controlled by Radar Iron Ltd.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of subsidiaries are prepared from the same reporting period as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-entity transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for at cost in the individual financial statements of Radar Iron Ltd.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period which Radar Iron Ltd has control.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 1(H)).

Common Control transactions are accounted for at the net asset value of the identifiable assets and liabilities of the acquired entity. This method of accounting involves recognising at acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration paid is valued in accordance with these principles to ensure no profit or loss is accounted for in either the acquirer or the seller. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 1(H)).

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the Company.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of Consolidation (continued)

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including any goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

(b) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(c) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income Tax (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except; where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable and receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to another party with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any impairment losses.

(f) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that right of tenure is current and those costs are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and above operations in relation to the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(g) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the items. Repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they were incurred.

Depreciation is calculated using the straight-line method to allocate asset costs over their estimated useful lives, as follows:

- Computer equipment 3 years
- Software 3 years
- Plant & equipment 5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(i) Impairment of Non-Financial Assets

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets or groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU's that are expected to benefit from the synergies of combination.

(j) Share-Based Payments

The Group has provided payment to service providers and related parties in the form of share-based compensation, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using Black & Scholes methodology depending on the nature of the option terms.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Share-Based Payments (continued)

The Black & Scholes option pricing model takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected become exercisable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

(k) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Finance income and expense

Finance income comprises interest income on funds invested, gains on disposal of financial assets and changes in fair value of financial assets held at fair value through profit or loss. Finance expenses comprise changes in the fair value of financial assets held at fair value through profit or loss and impairment losses on financial assets.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Earnings per Share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are stated at amortised cost, using the effective interest method.

(p) Foreign Currency Translation

i) Functional and presentation currency

Both the functional and presentation currency of Radar Iron Limited and its subsidiaries is the Australian dollar (\$).

ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Significant Accounting Estimates and Assumptions

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

i) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

ii) Recoverability of potential deferred tax assets

The Group recognises deferred income tax assets in respect of tax losses to the extent that it is probable that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact the financial results.

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Significant Accounting Estimates and Assumptions (continued)

iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors using either the Binomial or the Black-Scholes valuation methods, taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 8. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(r) Comparative Information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. The Group has decided against early adoption of any new Standards and Interpretations except amendments resulting from AASB 2009-5. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

RADAR IRON LIMITED
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Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 2 – LOSS BEFORE INCOME TAX EXPENSE

	31 December 2010
	\$
The following expense items are relevant in explaining the financial performance for the period:	
Wages and Salaries	89,810
Share-based payments	215,176
	304,986

NOTE 3 – DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2010
	\$
Costs carried forward in respect of areas of interest in the following phases:	
Exploration and evaluation	
Exploration and evaluation expenditure, at cost	996,732

Reconciliation:

A reconciliation of the carrying amounts of exploration and evaluation expenditure is set out below:

Carrying amount at 21 September 2010	-
Acquired on acquisition of subsidiary	687,298
Recognised on acquisition of additional interest in mining tenements*	40,000
Additions	269,434
Carrying amount at 31 December 2010	996,732

* Refer Note 8 for further details

Exploration commitments

In order to maintain rights of tenure to exploration permits, the Group has certain obligations to perform minimum exploration work and expend minimum amounts of money.

These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations. The minimum expenditure required by the Group on exploration permits during the year to 31 December 2011 is estimated below. Commitments beyond this time frame cannot be estimated reliably as minimum expenditure requirements are reassessed annually. The commitments have not been provided for in the financial report.

	31 December 2010
	\$
Within one year.	205,020

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Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 4 - ISSUED CAPITAL

CONSOLIDATED AND PARENT ENTITY 2010	2010	2010
	#	\$
(a) Issued and Paid Up Capital		
Fully paid ordinary shares	<u>61,880,112</u>	<u>6,358,807</u>
(b) Movements in fully paid shares on issue		
Opening balance 21 September 2010	-	-
Shares issued in relation to capital raisings	38,989,500	7,322,900
Shares issued in relation to acquisitions	22,890,612	411,809
Capital raising costs	-	(1,375,902)
Total fully paid shares on issue	<u>61,880,112</u>	<u>6,358,807</u>

As at 31 December 2010 the Company had a total of 22,750,000 unissued ordinary shares on which options were outstanding with an average weighted exercise price of 25.52 cents.

NOTE 5 – RELATED PARTY TRANSACTIONS

The only related party transactions that occurred during the period were in the form of loans to a subsidiary, short term employee benefits, post employment benefits, share based payments and the acquisition of a subsidiary from a common controlling entity.

See Note 7 for further information of the acquisition of a subsidiary and Note 8 for further information on share based payments.

NOTE 6– SEGMENT REPORTING

Description of segments

The Group's reportable operating segments are as follows:

1. Iron-ore exploration segment (Australia); and
2. All Other Segments, which includes the corporate & administration segment (Australia).

The Group's operating segments have been determined with reference to the information used by the Chief Operating Decision Maker to make decisions regarding the Group's operations and the allocation of the Group's working capital. Due to the size and nature of the Group's business the Board as a whole has been determined as the Chief Operating Decision Maker.

The segments disclosed in the table below have been identified as operating segments that meet any of the following thresholds:

- Segment loss greater than 10% of combined loss of loss making operating segments; and
- Segment assets greater than 10% of combined assets of all operating segments.

Each of Radar's operating segments operates in the same geographical locations, as disclosed above.

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Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 6– SEGMENT REPORTING (CONTINUED)

AASB 8 Segment Reporting states that similar operating segments can be aggregated together to form one reportable segment. Radar has not aggregated any segments together under this rule.

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an all other segments reporting segment. In accordance with AASB 8 Segment Reporting corporate and administration activities are included in the all other segments reporting segment.

Segment Information

The following table presents the revenue and profit information regarding the segment information provided to the Board of Directors for the half-year period ended 31 December 2010.

	Iron-Ore Exploration \$	All Other Segments \$	Consolidated \$
31 December 2010			
Segment revenue	-	24,859	24,859
Segment result	-	(389,263)	(389,263)
Unallocated expenses			-
Results from operating activities			(389,263)
Less: discontinued operation			-
Results from continuing operations			(389,263)
Segment assets	1,158,170	6,221,268	7,379,438
Segment liabilities	345,068	106,850	451,918
Included within segment result:			
Depreciation	-	678	678
Interest revenue	-	24,859	24,859

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Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 7 – ACQUISITION OF SUBSIDIARY

On 3 December 2010, Radar acquired 100% of Radar Resources Pty Ltd, an exploration entity with tenements prospective for iron ore, for a consideration of \$529,009.

	\$
Purchase consideration:	
Cash paid	120,000
22,690,612 shares at \$0.016	371,809
12,000,000 unlisted options exercisable at 25 cents expiring on or before 30 Nov 2013*	<u>37,200</u>
Total consideration	<u>529,009</u>

*refer to Note 8 for further details.

The acquisition of Radar Resources Pty Ltd by Radar meets the definition of acquisitions from entities under common control. Such acquisitions are specifically excluded from the scope of *AASB 3: Business Combinations* and accordingly the transaction has been accounted for at Radar Resources Pty Ltd's Net Asset reported amount.

The net assets acquired in the business combination at the date of acquisition are as follows:

	Acquiree's carrying amount before business combination \$	Fair value adjustments \$	Reported Value post acquisition \$
Net assets acquired:			
Cash and cash equivalents	17,679	-	17,679
Trade and other receivables	9,240	-	9,240
Exploration and evaluation expenditure	687,298	-	687,298
Property, plant and equipment	-	-	-
Deferred tax liabilities	(127,131)	-	(127,131)
Trade and other payables	<u>(58,077)</u>	-	<u>(58,077)</u>
	<u>529,009</u>	-	<u>529,009</u>
Less: non-controlling interest			-
Goodwill on consolidation			<u>-</u>

The cash outflow on acquisition is as follows:

Net cash acquired with subsidiary	17,679
Cash paid	<u>(120,000)</u>
Net cash outflow	<u>(102,321)</u>

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Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 8 – SHARE BASED PAYMENTS

Share-based payment transactions

The Company completed the following share-based payment transactions during the period:

	Shares 2010 \$	Options 2010 \$
22,690,612 Ordinary Shares issued in consideration for Radar Resources Pty Ltd ^(a)	371,809	-
12,000,000 Unlisted Options issued in in consideration for Radar Resources Pty Ltd	-	37,200
4,000,000 Unlisted Options issued to Directors	-	181,200
750,000 Unlisted Options issued to employees under the Incentive Option Plan	-	33,976
200,000 Ordinary Shares issued in consideration for additional interest in mining exploration tenements ^(b)	40,000	-
6,000,000 Unlisted Options issued in consideration for Lead Manager Services relating to the IPO.	-	705,600
	411,809	957,976

(a) The transaction has been accounted for as an acquisition under common control which does not fall within the scope of AASB 3: Business Combinations. Accordingly, the transaction is recorded at the net asset value of the acquiree;

(b) Valued at \$0.20 per share.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated 2010 \$
4,000,000 Unlisted Options issued to directors	181,200
750,000 Unlisted Options issued to employees under the Incentive Option Plan	33,976
	215,176

The options detailed above were issued on the following terms and conditions:

Date Granted	Expiry Date	Exercise Price	Issued During the period
3 December 2010	30 November 2013	0.25	2,000,000
3 December 2010	30 November 2013	0.25	375,000
3 December 2010	31 May 2014	0.30	2,000,000
3 December 2010	31 May 2014	0.30	375,000
			4,750,000

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Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 8 – SHARE BASED PAYMENTS (CONTINUED)

Other share-based payment transactions

The Company completed the following share-based payment transactions during the period that have been recognised in the Condensed Statement of Financial Position:

	Consolidated 2010 \$
22,690,612 Ordinary Shares issued in consideration for Radar Resources Pty Ltd ^(a)	371,809
12,000,000 Unlisted Options issued in in consideration for Radar Resources Pty Ltd	37,200
200,000 Ordinary Shares issued in consideration for additional interest in mining exploration tenements ^(b)	40,000
6,000,000 Unlisted Options issued in consideration for Lead Manager Services relating to the IPO.	705,600
	1,154,609

(a) The transaction has been accounted for as an acquisition under common control which does not fall within the scope of AASB 3: Business Combinations. Accordingly, the transaction is recorded at the net asset value of the acquiree;

(b) Valued at \$0.20 per share.

The options detailed above were issued on the following terms and conditions:

Date Granted	Expiry Date	Exercise Price	Issued During the period
3 December 2010	30 November 2013	0.25	12,000,000
3 December 2010	30 November 2013	0.25	6,000,000
			18,000,000

Fair value of options granted

The fair value of unlisted options is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at valuation date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The Black-Scholes valuation is expensed over the vesting period of the particular options.

The tables below summarise the model inputs for options granted during the period and valued using the Black-Scholes option pricing model:

Model Inputs	Class A Director & ESOP Options	Class B Director & ESOP Options
1. Options granted for no consideration:	2,375,000	2,375,000
2. Exercise price (cents):	25	30
3. Valuation date:	3 December 2010	3 December 2010
4. Expiry date:	30 November 2013	31 May 2014
5. Underlying security spot price at grant date (cents):	10	10
6. Expected price volatility of the company's shares:	100%	100%
7. Expected dividend yield:	0%	0%
8. Risk-free interest rate	5.05%	5.05%
Black & Scholes Valuation per Option (cents)	4.43	4.63

Notes to the Financial Statements

For the period 21 September 2010 (date of incorporation) to 31 December 2010

NOTE 8 – SHARE BASED PAYMENTS (CONTINUED)

Model Inputs	Lead Manager Options
1. Options granted for no consideration:	6,000,000
2. Exercise price (cents):	25
3. Valuation date:	21 December 2010
4. Expiry date:	30 November 2013
5. Underlying security spot price at grant date (cents):	20
6. Expected price volatility of the company's shares:	100%
7. Expected dividend yield:	0%
8. Risk-free interest rate	5.25%
Black & Scholes Valuation per Option (cents)	11.76

The Options issued to Transit in consideration for Radar Resources Pty Ltd were issued in an acquisition that has been accounted for under common control which falls outside the scope of AASB 3: Business Combinations. Accordingly the value of the total consideration has been calculated as the net asset value of the acquiree before the acquisition.

All options granted during the period have vested and are exercisable from the date granted.

NOTE 9 – CONTINGENT ASSETS & LIABILITIES

The Directors are not aware of any contingent assets or liabilities that currently affect the Group.

NOTE 10 –SUBSEQUENT EVENTS

As discussed in the operations review, Radar announced on 16 February 2011 that it had acquired a significant package of iron ore rights from Southern Cross Goldfields Ltd (SXG) in the central Yilgarn iron district of WA. The acquisition is subject to tenement due diligence with completion expected in March 2011.

The terms of the acquisition are:

1. a cash payment of \$1.5M;
2. 1,000,000 shares in Radar; and
3. the non iron ore rights to Radar's tenements E77/1280, E77/1281 and E77/1807.

Radar will finance the acquisition from existing cash reserves.

Apart from the events discussed above, no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company or Group, the results of those operations or the state of affairs of the Company and Group in subsequent financial years.

Directors' Declaration

In the opinion of the directors Radar Iron Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the period from 21 September 2010 to 31 December 2010.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the board



Jonathan Lea
Managing Director
Perth
25 February 2011

Independent Auditor's Review Report to the members of Radar Iron Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Radar Iron Limited ('the Consolidated Entity') for the period 21 September 2010 (date of incorporation) to 31 December 2010, which comprises the condensed consolidated statement of financial position as at 31 December 2010, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes 1 to 10, and the directors' declaration of the consolidated entity comprising of the Company and the entity it controlled at the period end or from time to time during the interim period.

Directors' Responsibility for the Interim Financial Report

The directors of the Consolidated Entity are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Radar Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Radar Iron Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

MGI IPAS

MGI Perth Audit Services Pty Ltd



**TJ Spooner CA FCA(UK) ACIS
Director**

Perth
25 February 2011