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HD Yerecoin equation tests scale theories  
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In the past 27 months, the value of the Yerecoin magnetite project has plunged about \$44 million.

Radar Iron said this week it would pay Cliffs Natural Resources \$3.7 million for the project, delivering Radar chairman Alan Tough control of a project he worked on when it was owned by Giralia Resources, prior to its 2011 takeover by Atlas Iron.

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Cliffs bought Yerecoin from Atlas Iron for \$18 million in the dying days of 2011, with Atlas saying at the time the project carried a book value of about \$48 million.

The equation for Cliffs seems relatively simple. It is arguably less to do with the project than with the shareholder politics now playing out in the US. It has taken a bath on its investment in the 404 million tonne magnetite deposit, having reportedly spent about \$10 million on exploration in addition to the purchase price. But that pales into insignificance with the \$US6.5 billion the company has poured into its Bloom Lake project in Canada since 2011. Its Canadian investments were the spark for activist hedge fund Casablanca Capital's move on Cliffs, in a push to force the company to shed its Canadian and Australian assets and focus instead on its North American iron ore mines.

Given that brawl is still ongoing, it's hardly surprising there's little appetite for the potentially expensive development of WA magnetite deposits as well.

With that as the background it's difficult to say whether Yerecoin's latest price tag represents a bargain for Radar, or whether it's a sign of how grossly overvalued WA magnetite projects once were.

But what will be interesting to see is whether Radar's vision for a vastly scaled-down magnetite play is feasible.

Faced with new environmental restrictions, more of China's steel industry seems to be becoming like its Korean and Japanese peers — with as much interest in grade as volume when it comes to iron ore.

Radar says it hopes to tap into that demand through a smaller project, saying its goal is to find projects where an initial \$20 million to \$30 million spend will deliver a mine and processing plant capable of exporting about 250,000 tonnes of 68 per cent concentrate a year.

The major advantage of Yerecoin, according to Radar, is that its deposit could need only a "course grind" to produce a concentrate capable of being fed into a sinter plant.

It says test work indicates that grinding Yerecoin ore down to an average size of 105 microns could do the job, cutting down on processing costs and energy use. That compares to a grind size of about 28 microns at CITIC Pacific's Sino Iron project and between 25 microns and 35 microns at Gindalbie Metals Karara project.

It's a neat theory, with further studies to be released over the coming months.

But whether Radar can buck the accepted wisdom that the only factor that matters in **iron ore** is scale is something only time will tell.

**CO** ccic : Cliffs Natural Resources Inc | gires : Giralia Resources NL | atlagd : Atlas Iron Ltd.

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