

mine**life**

WEEKLY RESOURCE REPORT by Gavin Wendt



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Level 38, Australia Square Tower, 264-278 George Street, SYDNEY
Telephone (02) 8243 7510, Fax (02) 8243 7599

Legend Mining (LEG) – Hold @ \$0.039 (Original Buy @ \$0.051)

Grassroots iron ore explorer evaluating its potentially mammoth-scale, direct-shipping/magnetite iron ore project in Cameroon, West Africa. Ongoing drilling and testing is generating very exciting results.

Corporate Details

Status: Grassroots Explorer
 Size: Small Cap
 Commodity Exposure: Iron Ore
 Share Price: 3.9c
 12-month Range: 2.2c – 9.9c
 Shares: 1.74b, Options: 1.2b
 Top 20: 52%
 Net Cash: \$6m
 Market Value: \$68m



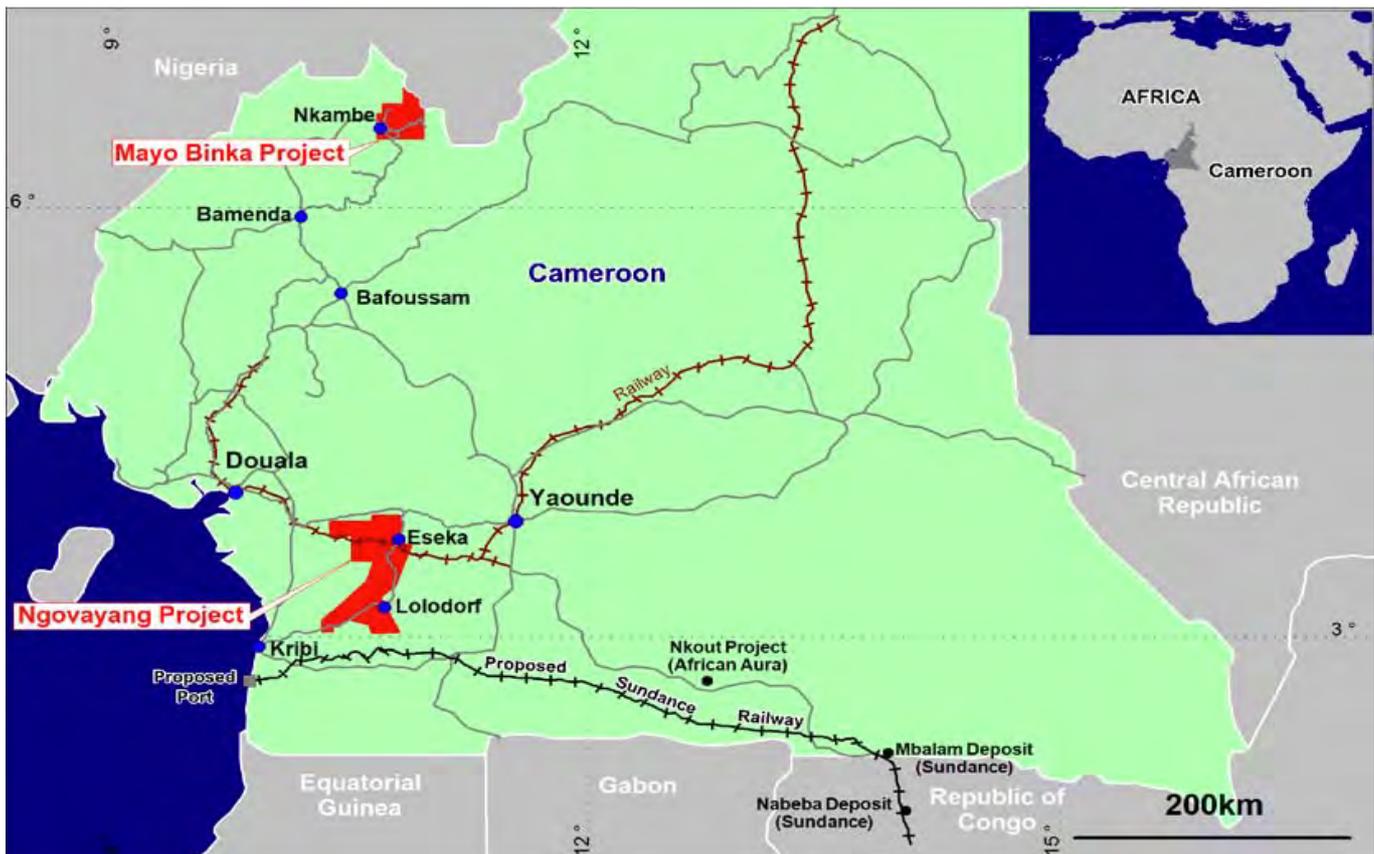
	Rating (✓out of 5)
Management Quality	✓✓✓✓
Financial Security	✓✓✓✓
Project Quality	✓✓✓✓
Exploration / Resource Potential	✓✓✓✓✓
Project Risk	✓✓✓✓

There's been a lot going on with the company over the past couple of weeks, involving firstly exciting drilling results and secondly potential infrastructure sharing arrangements with its fellow Cameroon iron ore hopeful, Sundance Resources (ASX: SDL). All of this is positive for the company from both a near-term resource definition point of view and also a longer-term project development/corporate enhancement perspective. I had the opportunity to meet with Legend MD, Mark Wilson, here in Sydney over a coffee recently.

Before we examine recent developments, let's just remind ourselves of the Legend story and why I believe it's an international iron ore play worth following. The key investment attraction from my perspective is that Legend is targeting large-scale, company-making iron ore deposits of more than a billion tonnes in size. At present there are very few politically stable destinations in the world that offer such resource potential. Cameroon is one such destination.

Legend's flagship Ngovayang iron ore project comprises four granted exploration permits comprising 3,900 sq km in southern Cameroon. The map below clearly shows Legend's two iron ore project areas, one in the north, Mayo Binka, and one in the south of the country, Ngovayang. Also note the location of Sundance Resources' two deposits and proposed railway line.

Importantly, the company recently expanded its acreage footprint by a further 667 sq km with the addition of EP221, immediately south of EP144 at the Ngovayang Project. The significance of this is that the results from Legend's regional aeromagnetic/radiometric survey completed during 2010 confirmed the new permit's prospectivity for iron ore, clearly showing the southerly continuation of magnetic units identified to the north in EP144.



Most important of all in a bulk commodity context, Legend's Ngovayang Project area has the advantage of being well serviced by access infrastructure including rail and road networks to and from the port city of Douala. The importance of this cannot be overestimated. Mark Wilson describes it best when he comments that the company effectively has at least a couple of hundred million dollars worth of infrastructure at its disposal, which it hasn't had to spend a cent on. This puts it way in front of most aspiring iron ore players.

The company's initial resource target is the discovery of 50Mt of direct shipping ore (DSO); however itabirite ore (lower-grade, but potentially very high tonnage) will also be targeted. The company will implement different production scenarios to cater for each ore type.

In our initial coverage of Legend back in Weekly Resource Report, Edition 17, I highlighted that Davis Tube Recovery (DTR) had confirmed the high-grade magnetite potential of the Ngovayang Project and that indicative iron grades of 21-24% Fe had been returned from the hand-held Niton XRF analyser on the nine drill holes completed at that stage. I also commented that the Niton results typically understate the actual Fe grades, so I was anticipating ~30% Fe grades to be returned from laboratory assaying.

Importantly, this is exactly what we've seen from the first release of assay results from two diamond drill-holes at Ngovayang. The results reconfirm that the magnetite found so far produces a high grade, low impurity concentrate at a relatively coarse grind. Significant thicknesses of magnetite gneiss were intersected in the Eseka region at the Alpha and Hill 419 prospects, with holes NESD011 (Alpha) and NESD022 (Hill 419) assayed in their entirety at nominal 4-metre intervals. The best intersections from both drill-holes are summarised below:

Magnetite Gneiss Intersections								
Hole	From	To	Interval	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
NESD011	21.32	55.1	33.78	29.6	49.5	3.9	0.09	0.7
NESD022	0	98	98	28.8	48.5	4.6	0.10	1.0

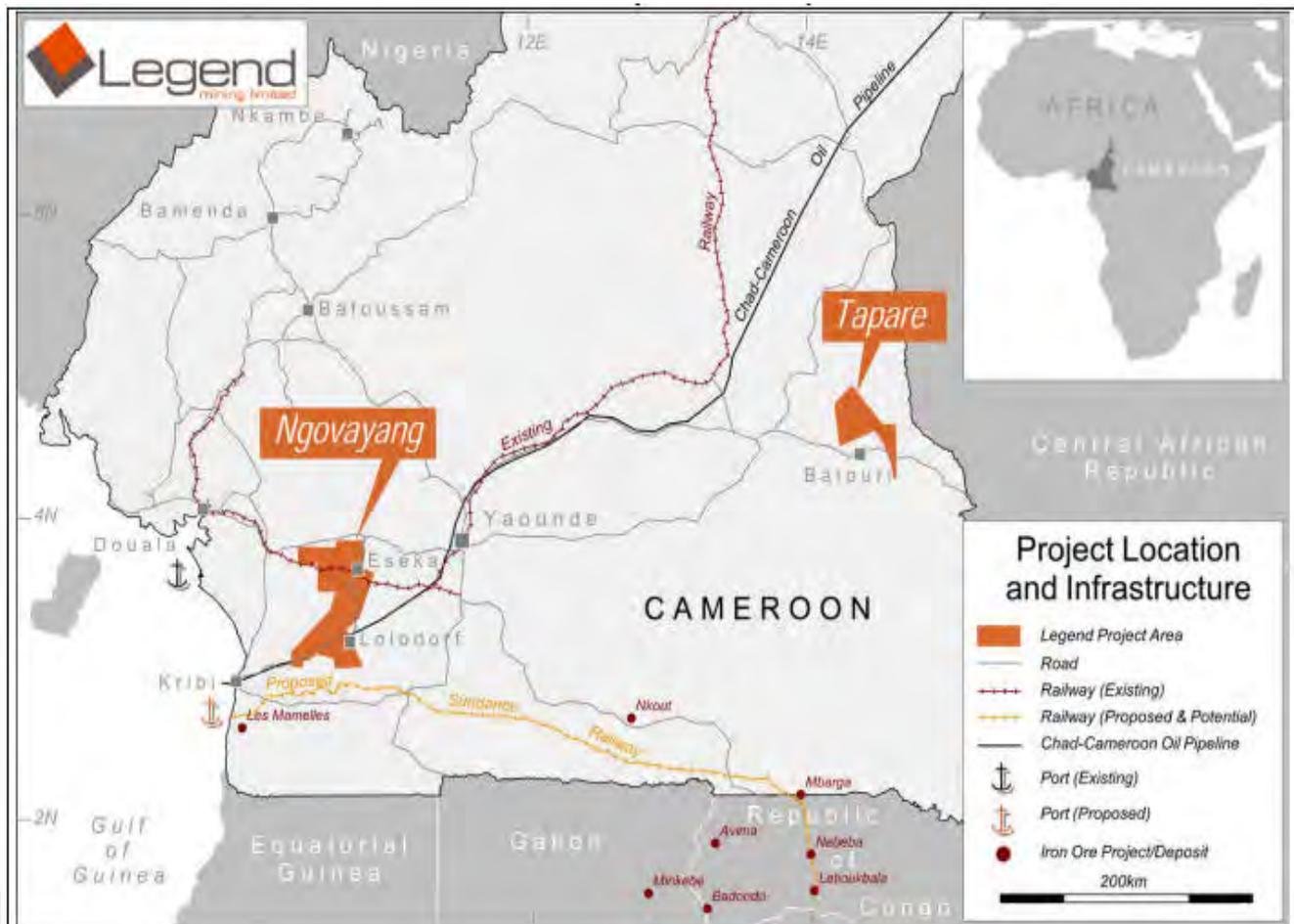
As part of evaluating the magnetite gneiss host, the company undertook preliminary metallurgical testwork on a representative 4 metre composite interval (46-50 metres) in NESD011 from the Alpha prospect. Results were encouraging with a high quality iron concentrate containing low impurities produced, and a coarse grind size indicated. The key results are summarised below:

Average DTR Product Grade for Alpha Metallurgical Sample								
Hole	From	To	Interval	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
NESD011	46	50	4	70.8	1.42	0.20	0.006	-3.30

The company's 2011 drilling program is designed to cover multiple targets at the Ngovayang project. The drill rigs have now been mobilised to the Melombo West target, whilst drill pad preparation and access works are progressing at Melombo East and Plateau 1 and 2 respectively.

Most encouraging of all though is the fact that the preliminary test-work indicates that magnetite-bearing gneiss can be beneficiated into a saleable magnetite concentrate, with low impurities. Magnetite bearing gneiss has been intersected at all four of the company's Eseka prospects. To reiterate, Legend's primary longer-term objective is the definition of direct shipping ore (DSO) iron ore, however large tonnages of magnetite ore associated with magnetite-bearing gneiss is the immediate focus.

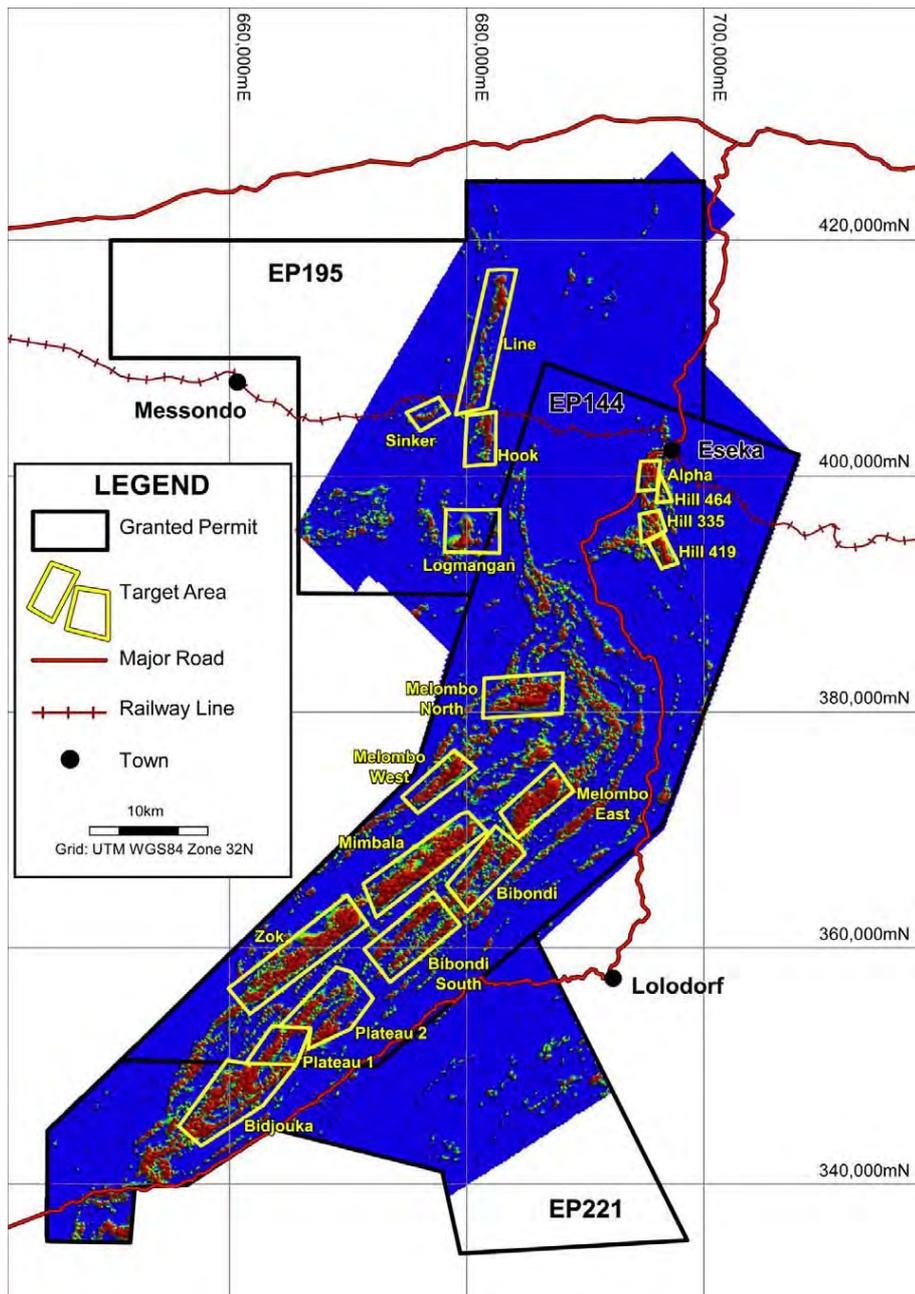
Importantly in terms of future development options, Legend has signed a letter of intent (LOI) for access co-operation with Sundance Resources with regard to usage of rail and port infrastructure as part of SDL's Mbalam iron ore project located in Cameroon and Congo. The LOI outlines that the two companies will together examine opportunities for how SDL's proposed infrastructure may offer rail and port haulage to the Ngovayang project. The proposed rail route being developed by SDL passes in close proximity to the southern boundary of the Ngovoyang project.



The map on the following page demonstrates clearly the scale of the iron ore potential within the project area, especially given the size and number of targets (note the 10km scale bar). The map clearly shows extensive areas with high magnetic intensity, which regional reconnaissance work to date confirms to be predominantly due to the occurrence of magnetite-bearing gneiss.

It's important to also reference Legend's Ngovayang iron ore project in Cameroon with that of Sundance Resources. Sundance is spending \$600 million to develop its Nabemba iron ore mine in the northwest of the Republic of the Congo and potentially up to a total of \$4.7 billion in terms of mine, port and railroad infrastructure in West Africa. The Nabemba mine is expected to start producing in 2014 and will have a capacity of 21 million tonnes annually, where preliminary studies have identified some 210 million tonnes of probable reserves.

The project will be one of the two main sources of iron ore for Sundance's mammoth Mbalam iron ore export venture, with the other source near Congo's border in Cameroon. The deposit will be linked by rail with Sundance's iron ore concession across the border in Cameroon, which is expected to come on line in 2013, and sent to Cameroon's Kribi port for export overseas. The entire Mbalam project is expected to yield 35 million tonnes per year for ten years, followed by a second phase of production of itabirite concentrate products. Sundance is seeking a deal with Chinese companies to help build the railway line and deep sea port in Cameroon, vital to exporting the iron ore from the venture.



Whilst more advanced than Legend, Sundance’s current market value is \$1.05 billion, compared to Legend’s modest market value of just \$68 million. I believe Legend has the acreage size and prospectivity to eventually rival Sundance in terms of resource size, and in a jurisdiction (Cameroon) that offers a much better profile in terms of political and sovereign risk.

During the March 2011 quarter the company spent a total of \$1.518 million on exploration, evaluation and development, representing 84% of total expenditure for the period. For the June quarter the company anticipates exploration, evaluation and development spending of \$1.560 million, which represents 86% of estimated total expenditure for the coming quarter.

I maintain a Hold recommendation on Legend Mining.