

Legend has it

Legend Mining managing director sees an excellent long-term future for the exploration junior on the back of a number of deals that have delivered investment value and some very interesting joint ventures. **By Wally Graham**



Legend Mining managing director Mark Wilson.

In May this year Legend Mining went gathering some very sweet fruits in the form of two company defining deals with the sale of tenements, plant and infrastructure from its Gidgee Gold Project to Apex Minerals and the signing of a farm-in and joint venture with Oxiana over its Mt Gibson zinc/copper/gold project.

The Apex deal is for an initial consideration of \$11 million payable by the issue of 34 million Apex shares to be distributed in specie to Legend shareholders. Settlement of this initial consideration occurred in August and the 34 million Apex shares are now on Legend's balance sheet. A further

contingent consideration of \$5 million will be paid on production of 250,000 ounces of gold from the tenements.

"It's not an accident that Apex is the company we sold the Gidgee project to," Legend managing director Mark Wilson told *RESOURCESTOCKS*.

"What I saw in Apex was a similar team with the capability to deliver the same sort of value I got when I sold 40 percent of the Bulchina deposit at Sandstone to Troy Resources for Troy paper. The asset was in Cambrian Resources and the Troy paper grew from 25c per share to a current value of \$2.60.

"That's why I said to [Apex managing

director] Mark Ashley I didn't want his cash, I just wanted his paper, because I thought there was more upside in his paper."

Legend intends to distribute the Apex shares to its shareholders and now needs to call a shareholder meeting to approve the distribution in specie. At that time Apex will be required to issue a prospectus enabling Legend to do so. The timing of that is likely to be next month.

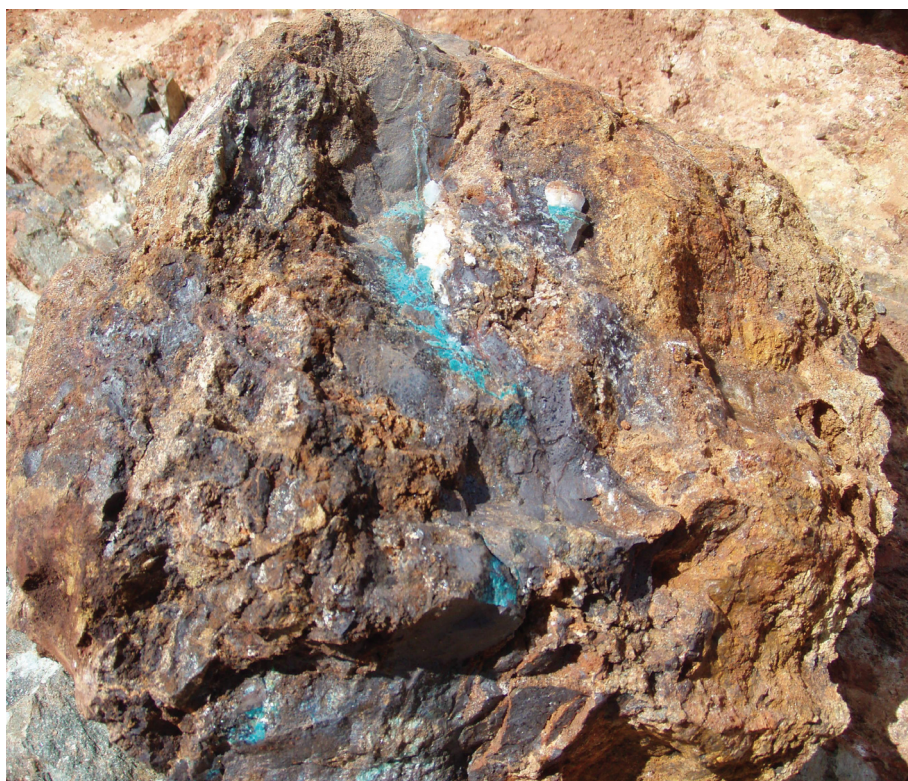
The sale of Legend's Gidgee Gold Project to Apex and subsequent share distribution embodies good value for the company's shareholders as it means they will retain an interest in the project through their Apex shareholding as well as benefiting from Apex's aggregation strategy for gold projects.

The Mt Gibson Project comprises 215 square kilometres of exploration and mining tenements, and a gold mine with associated plant and infrastructure that is currently on care and maintenance. The project sits in the same greenstone belt that hosts Oxiana's Golden Grove, a 40 million tonne zinc and copper ore body.

"We see the same potential at Mt Gibson as Golden Grove," Wilson said. "Not so much the size, but certainly the style and the setting are conducive to that hypothesis or probability. The predictive geological model that our team developed last year brings together the eight diamond holes that we drilled coupled with the information that came from previous explorers' work up there, Barrick in particular.

"The assays weren't mind-blowing and the intercepts weren't ore width and grade intercepts but the model that was created from that information was enough to attract the attention of Oxiana to believe that there was the potential for another VHMS system at Mt Gibson.

"We didn't put up a sign saying 'joint



Bungarra Prospect – Python Gossan.

venturers wanted'. We developed this model and then we went and targeted Oxiana. We targeted them at the technical team level, got them down to the site, they looked at it and recognised what we were saying and it's really their support, within the Oxiana team, that has delivered us the joint venture that we have there today.

"One of the key terms of the agreement between Legend and Oxiana is that they must spend \$1.2 million within 18 months before they have the right to withdraw.

"Their earn is to spend \$10 million over seven years for a 75 percent equity and we then get a 25 percent free carry to a decision to mine."

The main assets of the plant and the single men's camp at the Mt Gibson Project are not included in the joint venture. A feature of the plant is that the 1 million tonnes per annum crushing circuit is still in good working condition. Legend also has two ball mills still on mains power and the original mill superintendent is still present onsite as caretaker ensuring they have been turned regularly keeping them in good order.

Some of the Gidjee tenements are to be retained by Legend to become the new Gum Creek Project, with a focus on nickel-copper-platinum group element exploration.

"Our old Gidjee project has now been split into two between what we have sold to Apex and what we have retained as our own Gum Creek Project," Wilson said.

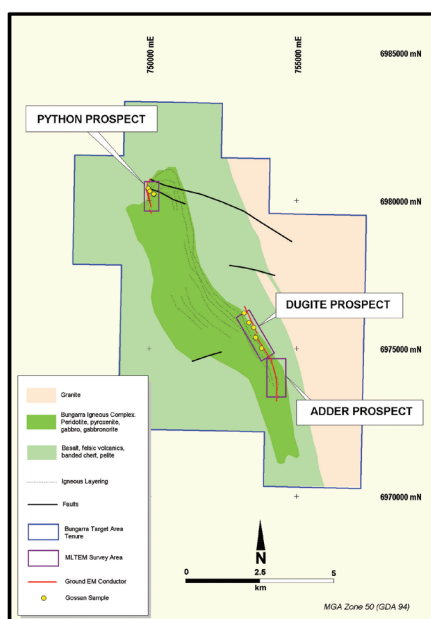
The Gum Creek Project comprises an area of approximately 700sq.km located towards the southern end of the Gum Creek Greenstone Belt. The area is prospective for both intrusion-related copper/nickel and platinum group elements (PGE) and komatiite flow-related nickel sulfide mineralisation.

The area that Legend is currently concentrating on in more geological detail is the Bungarra target area, where it has discovered copper/nickel and PGE mineralisation in outcropping gossanous ironstone. Rock samples assayed up to 5.7% copper, 1% nickel and 0.7 grams per tonne PGE.

Legend recently signed a joint venture with Gateway Mining over the western side of Bungarra enabling it to secure tenure over the entire Bungarra intrusive complex and allow exclusive conduct exploration over the highly prospective target area.

The company has also completed a high-resolution aeromagnetic survey that will assist with the structural and geological interpretation of the complex and drill target definition.

"The other key element of the West Bungarra JV is that Gateway and Legend both contributed a tenement in a 70:30



Bungarra Prospect – Python Gossan.

agreement," Wilson said.

"But it's not like the Oxiana JV where we are the junior partner. Here we are spending and we are the managing partner and it's a genuine add-on to what was already our story.

"Strategically we see this as a perfect exploration play for a junior company like Legend. The Apex shares go back into our shareholders' pockets so they still have their investment in the Gidjee Gold Project, in something that I think has got genuine growth potential. Not because Gidjee is so fantastic, but it is the other projects that Apex has managed to put together that has given the power to the deal.

"That takes a lot of financial pressure off us that then enables us to be able to fund Bungarra-style exploration for a number of years. It is a similar story with our Pilbara Project where the style of exploration is so perfectly suited to a company like Legend and we have got ourselves in a position where we will not have to go back to the market for some years."

In the West Pilbara of Western Australia, Legend and its wholly owned subsidiary, Armada Mining, hold rights through granted tenements, tenement applications and joint venture agreements over 724sq. km.

Legend has announced the Mt Marie JV with Fox Resources where it is currently earning 70% as manager and it also has the Munni Munni JV with East Coast Minerals, where it has 30%.

Legend and Fox Resources independently control a dominant portion of an emerging and exciting base metal district.

Following the success that Fox had with its versatile time domain electro magnetic (VTEM) survey last year, Legend took the opportunity to conduct its own survey and

found six anomalies of similar tenor to the results achieved by Fox.

That first survey was in November last year. Another in June this year identified six more high priority targets, again with similarities to the Fox targets, but also picked up five second-order targets giving Legend 17 targets that it is reasonably confident it will have some success with.

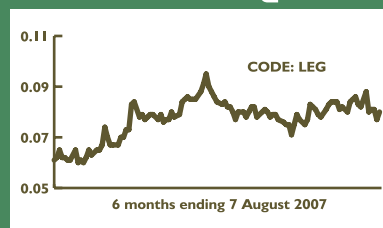
With all this activity, how does Wilson see the future for Legend?

"I see the opportunity for exploration success at Gum Creek and Pilbara," he said confidently.

"I see the opportunity for success in simpatico with Oxiana's success at Mt Gibson, and as an aside, I see the return of capital as having future growth for those Legend shareholders that want to back Apex and its gold consolidation strategy.

"Mark Creasy and my fellow directors have indicated to me their intention to exercise their 120 million options early to further participate in the distribution of the Apex shares and I expect rank and file option holders to follow suit. This gives rise to a potential cash balance of some \$15 million hence my earlier comment about funding for a number of years." **RS**

legend mining at a glance



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Market Capitalisation

\$74.9 million (at press time)

Major Shareholders

Andal Investments 26.49%

Australian Gold Resources 16.23%

HSBC Custody Nominees (Aus) 3.4%