


# mine**life**


**WEEKLY RESOURCE REPORT** by Gavin Wendt



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## Legend Mining (LEG) – Spec Buy around \$0.029

Grassroots iron ore explorer evaluating a potentially mammoth-scale, direct-shipping/magnetite iron ore project in Cameroon, West Africa. The company is the real sleeper in the African emerging iron ore space.

### Corporate Details

Status: Grassroots Explorer  
 Size: Small Cap  
 Commodity Exposure: Iron Ore  
 Share Price: \$0.029  
 12-month Range: \$0.025 - \$0.099  
 Shares: 1.98b, Options: 1.2b  
 Top 20: 52%  
 Net Cash: \$9m  
 Market Value: \$57m



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

It's been an exciting past few weeks for Legend Mining, with a sizeable placement put to bed along with an asset sale that have boosted the company's exploration coffers; there's been more exciting drilling and sampling results from its Cameroon iron ore project; and finally corporate activity has remained high with respect to its high-profile in-country neighbor, Sundance Resources (ASX: SDL) and its Chinese suitor.

Let's begin with an examination of the company's recent capital raising initiatives, which comprised a \$10 million two-tranche raising at \$0.03 per share through Azure Capital in Perth. The first tranche involved a \$7.2 million placement of 240 million new shares that will be used to accelerate exploration and development of the company's Ngovayang Project in Cameroon; whilst the second tranche involves a \$2.8 million placement of 93,333,333 shares (with shareholder approval required at a meeting scheduled for 20 December 2011).

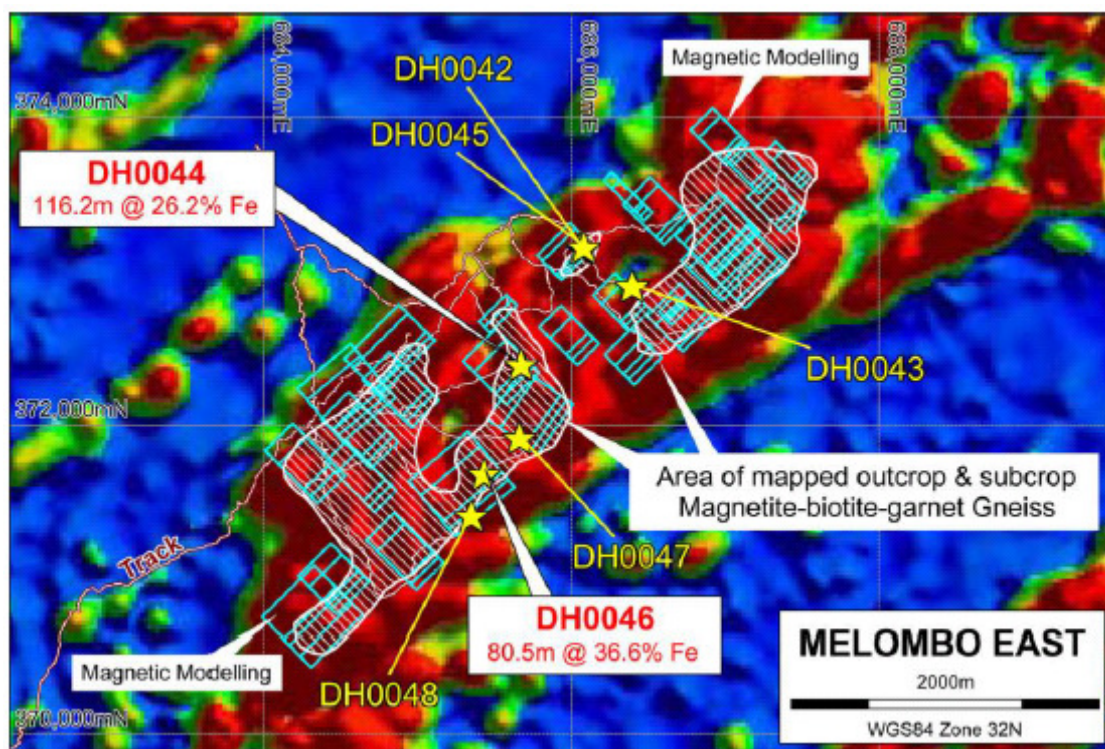
The company has also announced the sale of its Mt Gibson gold project for cash consideration of \$7 million, plus the return of the \$1.4 million term deposit securing the environmental bonds on the site. The transaction is scheduled to settle on 20 January 2012. Legend will therefore have working capital of ~\$20 million when the various placements and Mt Gibson asset sale is complete.

As a part of its 2012 exploration program, Legend is making arrangements for the purchase a new \$US0.5 million drilling rig. This is an important acquisition for the future of the company's exploration program, because it has greater depth capacity than the existing man-portable rigs. The plan is to use the new rig to drill out the company's Melombo East prospect, allowing the freeing of the man-portable rigs for first-pass exploration drilling at the next target area, its Plateau prospect.

**Legend is now in a strong position to deliver upon one of its key objectives, the establishment of an initial JORC-compliant resource estimate for its Melombo East prospect. The aim will then be to convert the resource to reserve status in order to underpin a long-term mining operation.**

The company recently announced the results of a magnetic modelling exercise by its independent geophysical consultants, Core Geophysics, which evaluated the magnetite potential of its Melombo East prospect. The report covered the 4.7km x 1km aeromagnetic feature at Melombo East, with individual modelled bodies having strike lengths between 75-500m, widths between 50-200m and a vertical depth extent of 150m below surface.

**The report indicated the potential for a range of 300Mt - 500Mt of magnetite ore, with a grade of 16-40% Fe considered likely, based on laboratory assay results of magnetite gneiss from diamond drill-holes and rock-chip sampling.**

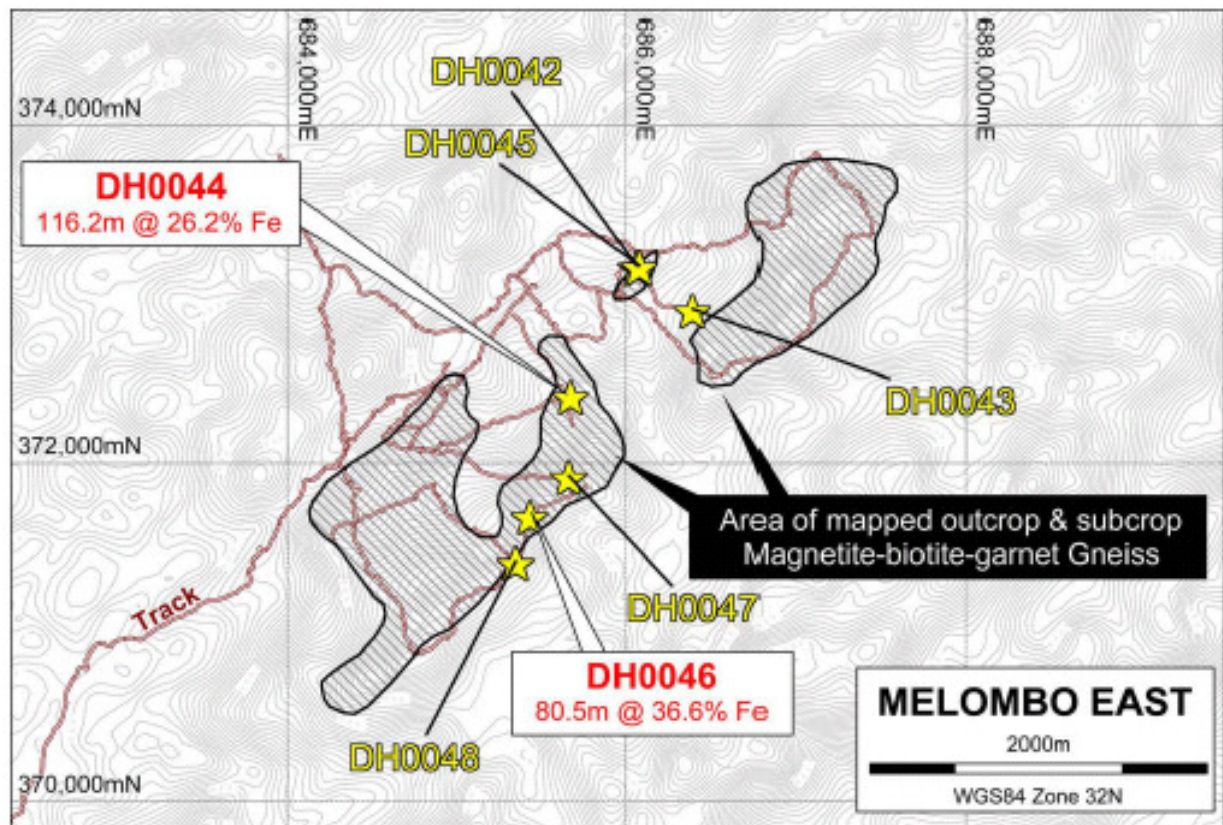


The company has also announced assay results from two diamond drill holes (DH044 and DH046) from Melombo East. Importantly, both holes intersected substantial thicknesses of magnetite gneiss and both holes ended in high grade (+35% Fe) coarse-grained mineralisation, which is considered commercially significant. DH044 intersected 116.2m @ 26.2%, whilst DH046 intersected 80.5m @ 36.6% Fe.

The mapped magnetite footprint at Melombo East is approximately 2.5 sq km. The existing drilling together with ongoing geophysical modelling is expected to deliver a JORC compliant exploration target in the near future. Earlier reported metallurgical test-work has shown samples to produce a course-grained, high-grade, low impurity concentrate.

**All of these factors confirm the view that Melombo East has the potential to host a large tonnage of magnetite, which can be economically exploited.**

To date, seven diamond drill-holes (DH042 - 048) of a 22-hole program have been completed at the Melombo East target for a total of 577.29 metres. The drilling is designed to test a large (6km x 1.5km) complex aeromagnetic feature that follows the dominant NE-SW trend of the southern Ngovayang massif. Detailed geological mapping has defined two large areas (2km x 1km) and (1.5km x 0.8km) of outcropping and sub-cropping magnetite-biotite-garnet gneiss.

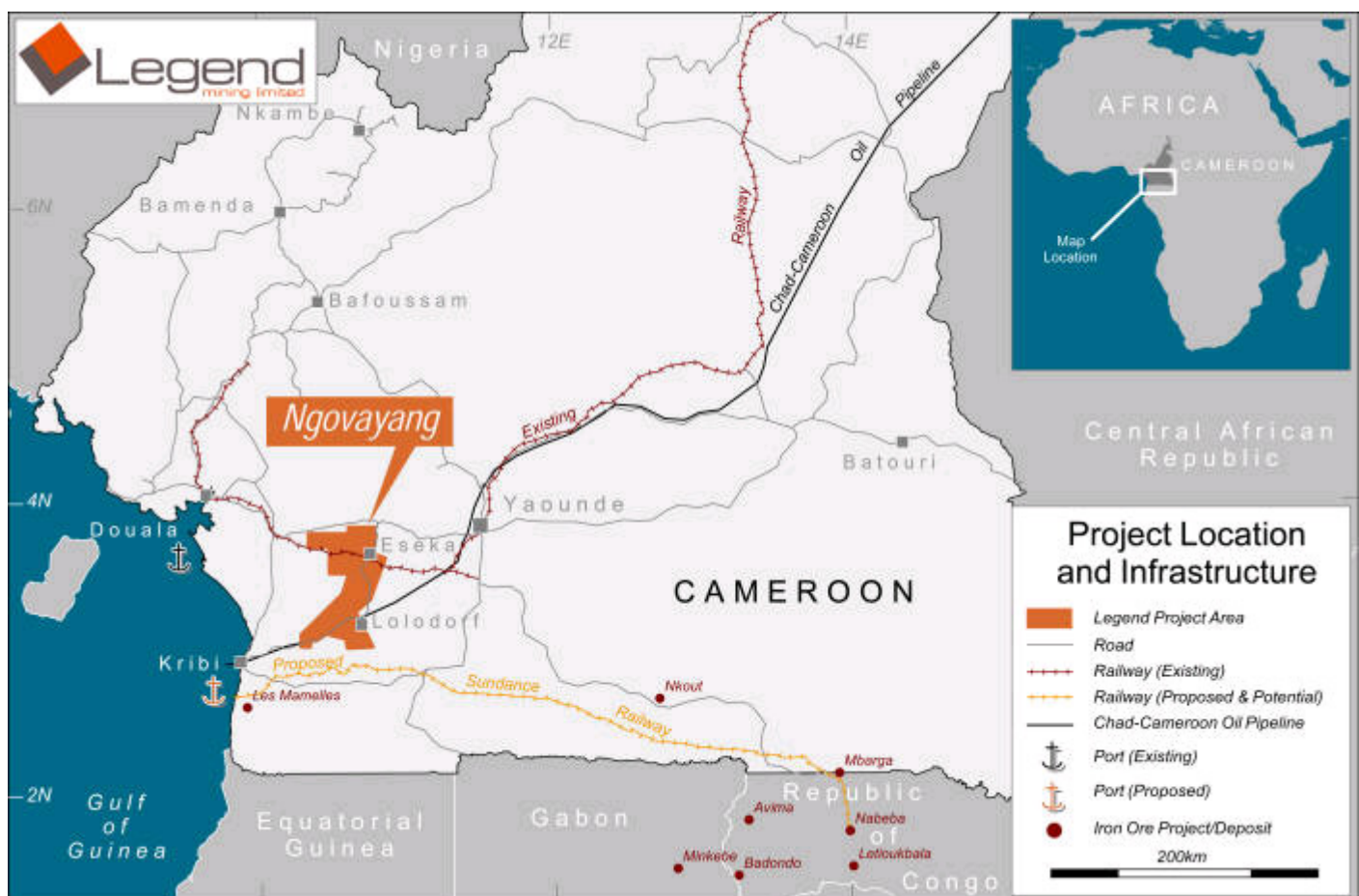


The 22-hole program has the primary aim of delineating the extent/dimensions of the magnetite gneiss and ultimately providing information that could be used in estimating an Inferred Resource.

The Melombo East magnetic anomaly is shaping as the most substantial target so far drilled at Ngovayang, due to the combination of the width of the drill intercepts that ended in mineralisation, along with the mapping that has been completed, which has given an early glimpse of the potential size of a magnetite project at this location. We understand that assays from the holes are imminent.

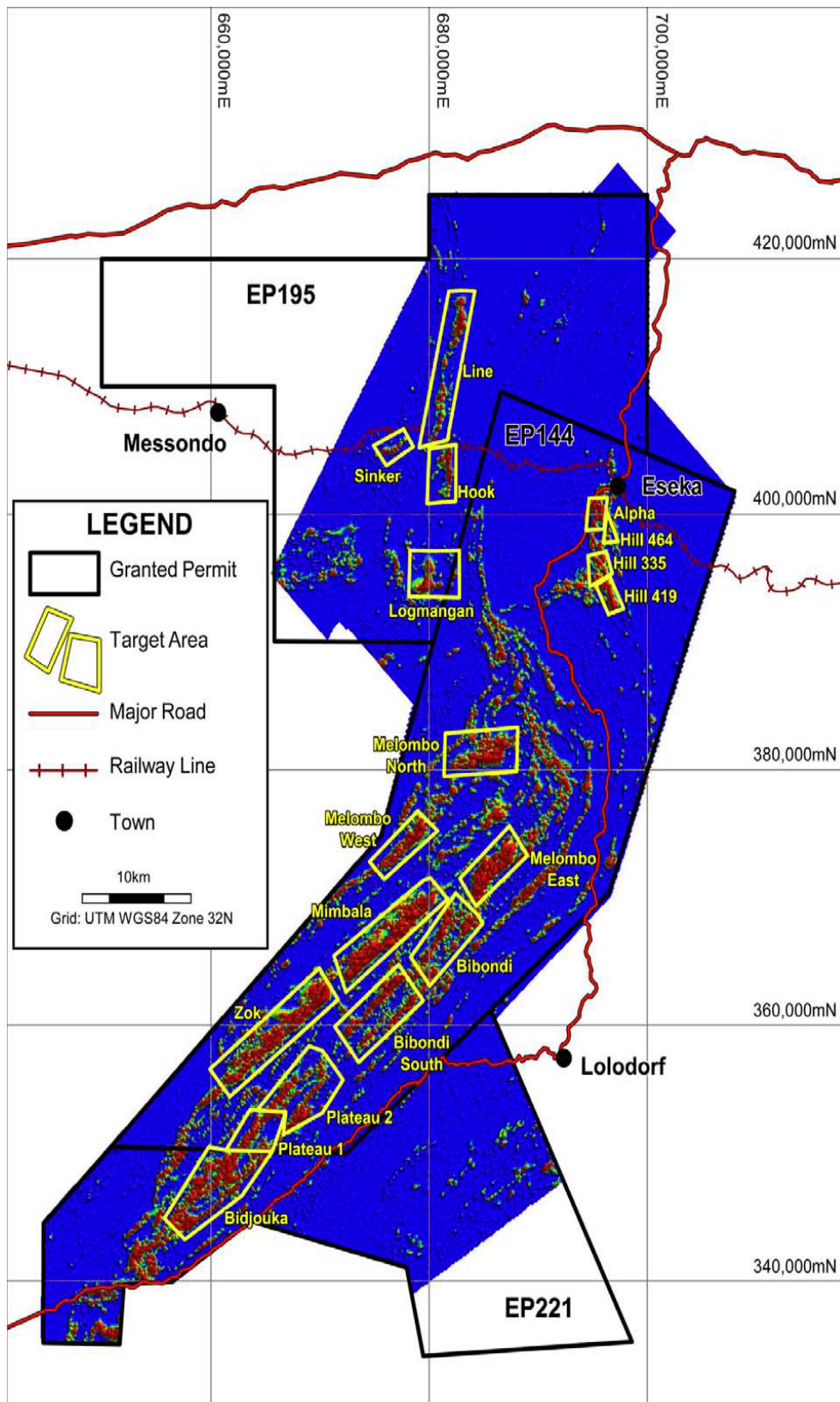
Geophysical modelling over Melombo East is ongoing, incorporating information from geological mapping and diamond drilling. The preliminary results indicate a number of relatively continuous northwesterly-dipping magnetic units over the entire 5km strike length of the aeromagnetic feature. This modelling assists with the direct targeting of the magnetite gneiss and has provided added confidence in the positioning of drill-hole collars.

**The assay results from the first two holes, coupled with the coarse-grained nature of the magnetite and width of the intercepts, are hugely significant for the project in our view. Importantly too the depth of both holes was constrained by the capability of the drilling equipment - and the grades at the bottom of both holes were at the higher end of the results.**



What's also significant is that the geological mapping associated with this current program has generated a magnetite iron footprint of around 2.5 sq km. What all this means is that Legend is looking at a potentially huge magnetite target, given that two of its drill intercepts have ended in mineralisation.

Over the past six months Legend has also undertaken drilling programs on the Melombo West and Melombo North target areas, as part of its overall regional drilling program. What's significant about the results is their consistency with previous drilling work, which reinforces the large-scale iron ore potential of the Ngovayang Project, particularly in the context of the high-grade (+70% Fe) and low impurity magnetite concentrate reported earlier this year.



This map demonstrates clearly the scale of the iron ore potential within Legend's project area, especially given the size and number of targets (note the 10km scale bar). The map reveals extensive areas with high magnetic intensity that regional reconnaissance work has confirmed to be predominantly due to occurrences of magnetite-bearing gneiss.

Legend's flagship Ngovayang iron ore project comprises 2,900 sq km in southern Cameroon. The company recently expanded its acreage footprint with the addition of EP221, immediately south of EP144. This is an important acquisition, as Legend's regional aeromagnetic/radiometric survey completed during 2010 confirmed the new permit's prospectivity for iron ore. The results clearly identified the southerly continuation of magnetic units identified to the north into EP144.

Legend's key attraction is that it is searching for large-scale, company-making iron ore deposits of more than a billion tonnes in size. Most important of all in a bulk commodity context is that the Ngovayang Project has the advantage of being well serviced by access infrastructure, including rail and road networks to and from the port city of Douala.

So far Legend has only drill-tested four targets - Eseka, Melombo North, Melombo West and Melombo East. These form part of the company's overall program to drill and rank as many targets as possible during calendar 2011.

Importantly in terms of future development potential, Legend recently signed a Letter of Intent for access co-operation with Sundance Resources to share usage of rail and port infrastructure. The proposed rail route being developed by Sundance passes within close proximity to the southern boundary of the Ngovayang project.

There should be various near-term factors comprising the release of further drilling results, as well as corporate activity related to Sundance, that should help maintain market interest in the company.

Melombo East continues to shape as a substantial exploration target, particularly in the context of the large initial tonnage range (300Mt – 500Mt) that's been suggested. This tonnage should also be considered in terms of the proximity to the coast and metallurgical test results reported earlier this year.

The company will be cashed-up with ~\$20 million in the kitty soon, so the challenge is now to accelerate its exploration activity with the aim of targeting a JORC-compliant Inferred Mineral Resource at Melombo East during 2012. The beauty of the Ngovayang Project is that it has the potential for numerous targets similar to Melombo East.

During the September 2011 quarter the company spent a total of \$1.375 million on exploration and evaluation, representing 93% of total expenditure for the period. For the December quarter the company anticipates exploration and evaluation spending of \$0.75 million, which represents 71% of estimated total expenditure for the period.

**I believe the recent capital raising has placed a significant level of support under the company's share price, as well as providing added confidence from an exploration funding perspective. Now seems the ideal opportunity to add to our position, so accordingly I recommend Legend Mining as a Speculative Buy around \$0.029.**

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