

mine**life**


WEEKLY RESOURCE REPORT by Gavin Wendt



ISSUE 65

14th March, 2012



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Legend Mining (LEG) – Hold around \$0.024

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: \$0.024
 12-month Range: \$0.021 - \$0.057
 Shares: 1.98b, Options: 1.2b
 Top 20: 52%
 Net Cash: \$20m
 Market Value: \$50m



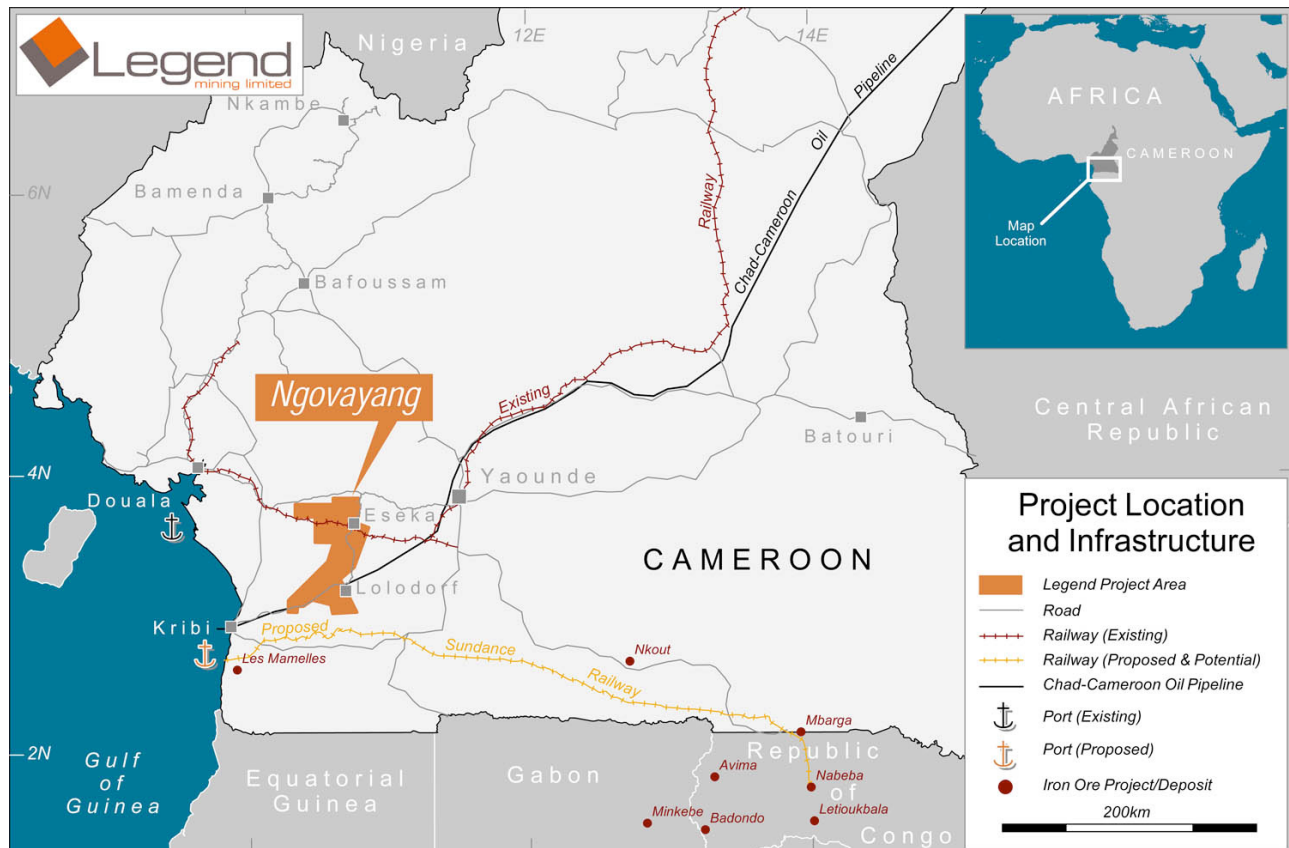
	Rating (✓out of 5)
Management Quality	✓✓✓✓✓
Financial Security	✓✓✓✓✓
Project Quality	✓✓✓✓✓
Exploration / Resource Potential	✓✓✓✓✓
Project Risk	✓✓✓✓

We introduced Legend Mining into our Portfolio during April 2011 with a Speculative Buy recommendation around \$0.052 and we then took advantage of market weakness during late 2011 to increase our exposure with a further Speculative Buy recommendation around \$0.029. The company represents one of our favourite up-and-coming iron ore exposures and is our only international iron ore play. What I like about Legend is its vast potential resource size, resource quality and also proximity to important infrastructure.

These same attractions have obviously caught the eye of key international industry players, with Legend recently announcing that it had signed a Memorandum of Understanding (MOU) with South Korean steel giant, POSCO, by which the parties have agreed to use best endeavours and cooperate to negotiate and agree an exploration joint venture in relation to Legend's Ngovayang iron ore project in Cameroon. These negotiations are reportedly at an advanced stage, with the MOU being non-binding and non-exclusive.

The attraction of a partner of POSCO's international standing is a huge vote of confidence in the potential of the Ngovayang project. After a review of numerous iron ore projects in the African region, POSCO was reportedly primarily attracted to Legend's Ngovayang project due to its attractive infrastructure. Legend maintains a 90% stake in the Ngovayang iron ore project, located in the southwest region of Cameroon in West Africa, encompassing three exploration tenements with a total coverage of 2,972 sq km.

Early exploration activity has highlighted the prospectivity for quality, large-scale magnetite iron ore. The project is well serviced by existing and planned infrastructure and is within 100km of the coast between the international airport cities of Yaounde and Douala. Importantly too the company is cashed-up, having just engaged in a \$10 million capital raising and also participated in the sale of non-core assets in Western Australia, which cumulatively has generated exploration funds of around \$20 million.

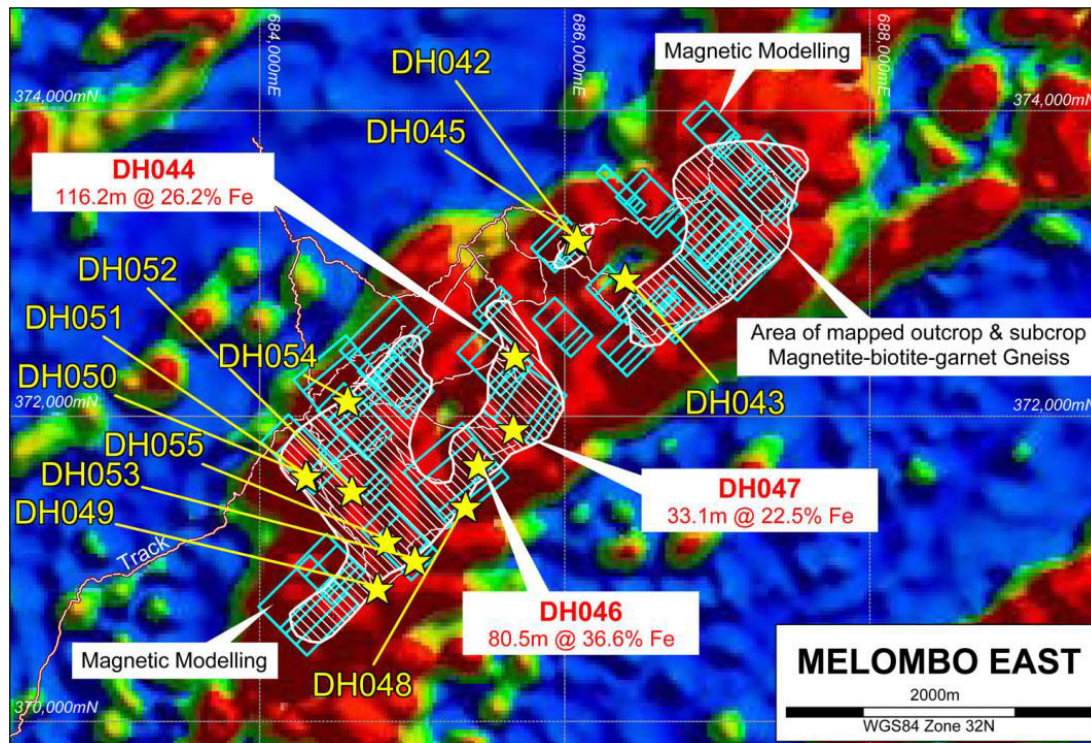


Legend is now in a strong position to deliver upon one of its key objectives, the establishment of an initial JORC-compliant resource estimate for its Melombo East prospect. The aim will then be to convert the resource to reserve status in order to underpin a long-term mining operation. The company also recently announced the results of a magnetic modelling exercise by independent geophysical consultants, Core Geophysics, which evaluated the magnetite potential of Melombo East.

The report covered the 4.7km x 1km aeromagnetic feature at Melombo East, with individual modelled bodies having strike lengths between 75 – 500 metres, widths of between 50 – 200 metres and a vertical depth extent of 150 metres 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.

As a follow-up, Legend has just completed its first phase of diamond drilling using the man-portable rig at Melombo East, comprising 21 completed holes for +2,000 metres of drilling. A further 13 holes were not able to be completed due to ground conditions and power constraints of the existing rigs. Seven holes have

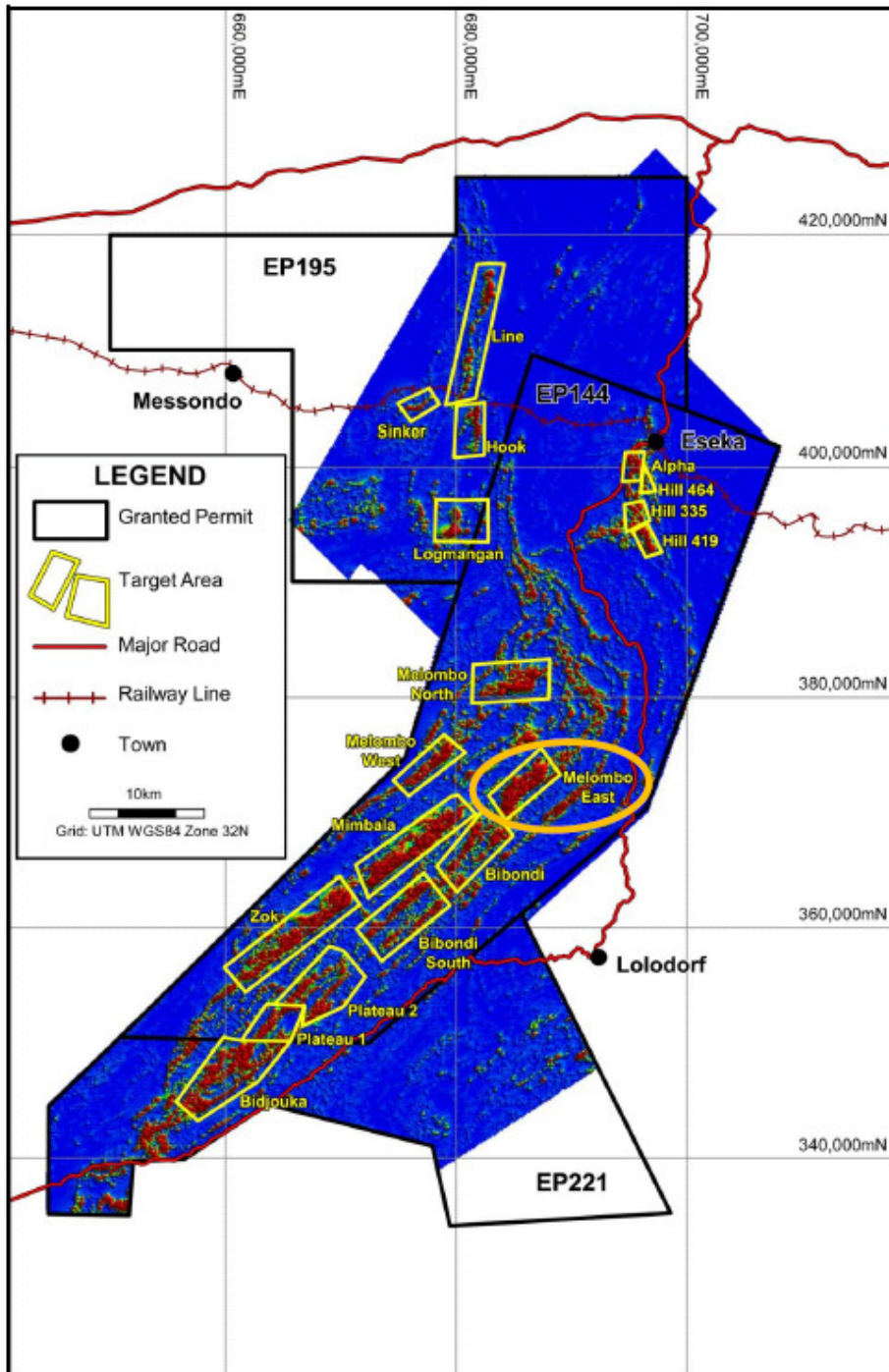
been sent for analysis and will be reported when assays are received, whilst a full review of the Phase 1 drilling program is underway and along with geophysical modeling, will be used to assist in future drill-hole targeting.



What is particularly encouraging has been the evidence of thick magnetite sections from surface and the number of holes that have ended in mineralisation during the Phase 1 program. In our previous coverage we'd reported the assay results from two diamond drill holes (DH044 and DH046), which intersected substantial thicknesses of magnetite gneiss, ending in high-grade (+35% Fe) coarse-grained mineralization. DH044 intersected 116.2 metres @ 26.2%, whilst DH046 intersected 80.5 metres @ 36.6% Fe.

Table 3: Melombo East – Diamond Drillhole Results

Hole	From	To	Int	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
DH051	0	48.5	48.5	23.0	47.7	10.1	0.054	1.45
DH051	92.0	100.0 EOH	8.0	35.0	44.4	1.8	0.101	-1.37
DH053	0	101.7	101.7	11.9	46.8	16.0	0.052	2.15
Incl.	0	11.8	11.8	20.2	16.4	29.1	0.084	17.88
*DH044	33.8	150.0. EOH	116.2	26.2	48.9	5.4	0.092	0.04
Incl.	70.9	150.0 EOH	79.1	29.7	48.1	3.7	0.096	0.01
*DH046	20.0	100.5 EOH	80.5	36.6	44.6	0.2	0.103	0.04
**DH047	0	33.1	33.1	22.5	30.4	23.4	0.049	13.10



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

these factors help confirm my view that Melombo East has the potential to host a large tonnage magnetite deposit that can be economically exploited.

Legend has purchased a new track mounted diamond rig which is currently undergoing modifications in South Africa, and will be mobilised to Cameroon in approximately 5-6 weeks and then to Melombo East for the Phase 2 program. Meanwhile the company plans to mobilise the man-portable rigs to the Plateau prospect once a fly camp and drill pad preparation is in place, which is expected during April 2012. This will ensure that the company has news-flow from two prospect areas – Melombo East and Plateau.

Importantly, Legend is well-funded in terms of its future drilling programs. The company recently undertook a \$7.2 million capital raising via the placement of 240 million shares at \$0.03 per share through Azure Capital in Perth. The company has also this week confirmed the sale of its Mt Gibson gold project for cash consideration of \$7 million, plus the return of the \$1.4 million term deposit that secured the environmental bonds on the site. Legend therefore will shortly have working capital of ~\$15 million once the Mt Gibson asset sale proceeds are received.

Importantly in terms of future development potential, Legend has signed a Letter of Intent for access co-operation with ASX-listed Sundance Resources (ASX: SDL) to share usage of rail and port infrastructure. The proposed rail route being developed by Sundance passes close to the southern boundary of Legend's Ngovoyang project. Sundance Resources has been under takeover scrutiny for a while now, with China's Hanlong group late last year lodging a \$1.65b bid for the company.

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. The project's attraction is obvious, with key industry players like POSCO expressing strong interest in participating in the company's work programs.

The company is cashed-up with ~\$15 million in the kitty, 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 recent drilling programs have had 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 upcoming second phase program will look to test these targets at greater depths.

During the December 2011 quarter, the company spent a total of \$1.171 million on exploration and evaluation, representing 66% of total expenditure for the period. For the March 2012 quarter, the company anticipates exploration and evaluation spending of \$2.5 million, which represents 83% of estimated total expenditure for the period.

Legend Mining remains our favourite international junior iron ore play and with good reason. Melombo East continues to shape up as a substantial exploration target, particularly in the context of the large initial tonnage range (300Mt – 500Mt) that's been estimated. This tonnage should also be considered in terms of the project's proximity to the coast and the strong metallurgical test results that have been achieved so far.

I maintain a Hold recommendation on Legend Mining around current levels.

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MineLife Portfolio: Please refer to our Portfolio page for a full listing of all our stocks held, including purchase prices and dates.