

ASX:LEG

20 November 2013

ASX Announcement

LEGEND TO SELL CAMEROON IRON ORE PROJECT FOR A\$17.5 MILLION

Legend Mining Limited (ASX: LEG) ("**Legend**") is pleased to announce that it has entered into a Share Sale and Debt Assignment Agreement ("**SSDAA**") with a wholly-owned subsidiary of Jindal Steel and Power Limited ("**Jindal**") for the sale of Legend's 90% interest in Camina SA ("**Camina**"),¹ the holding company of the Ngovayang project ("**Ngovayang Project**" or the "**Project**") in the Republic of Cameroon (the "**Transaction**").

Pursuant to the SSDAA, Legend shall receive cash consideration of:

- A\$12.0 million upon completion of the Transaction (subject to working capital adjustments) ("**Tranche 1**"); and
- A\$5.5 million within 10 business days of the execution of a Mining Convention between Jindal and the Government of Cameroon ("**Tranche 2**").

Completion of the Transaction is subject to certain conditions, including Legend shareholder approval. These, plus additional details of the Transaction terms, are described further below.

Legend's Managing Director, Mr Mark Wilson, commented: "We believe the Transaction is a good result for Legend's shareholders. The absence of direct shipping ore at the Project coupled with the current state of global financial markets has put the further development of the Project beyond the reach of an exploration company like Legend. Jindal's proposed investment will be a great boost for the Project, Camina and Cameroon, and will allow Legend to pursue new opportunities."

¹ To be implemented via the sale of 100% of Legend's wholly-owned British Virgin Islands subsidiary, Legend Iron Limited, and transfer of intercompany debts, to Jindal.

Rationale for the Transaction

The Ngovayang Project is a large scale exploration project located in south-western Cameroon. Legend considers the Project to be prospective for iron ore (in the form of magnetite gneiss) and gold (associated with a major shear zone). The Project comprises three exploration permits covering a total area of 2,469 km², and is located favourably with respect to existing and potential new infrastructure options.

Legend acquired a 90% interest in the Ngovayang Project in February 2010, via the acquisition of a 90% shareholding in Camina,² which was approved by Legend shareholders in December 2009.

Since then, Legend has undertaken a range of exploration activities, including mapping, stream sampling, aeromagnetic and radiometric surveys, and over 100 diamond drill holes. This work has identified extensive occurrences of gneissic magnetite iron ore grading 15-40% Fe, with intersections in places starting close to the surface and extending to over 100 metres depth. Metallurgical test work has also illustrated that this material has the potential to produce a premium iron concentrate with grades averaging 69% Fe, using standard grinding and magnetic separation techniques (but without the need for flotation). However, the potential for the Project to contain economic deposits of direct shipping ore (“**DSO**”) is now considered to be low.

Given the significant time, capital and risks involved in developing a magnetite mining and processing operation, and the risk averse state of equity markets for junior exploration companies, Legend has for some time been seeking a buyer, or a partner to assist it in progressing the Project. Legend began discussions with Jindal early in 2013 and these have progressed during the course of the year. Jindal has undertaken extensive due diligence on the Project.

The directors of Legend believes the Transaction represents the best available opportunity for Legend to recover value from its investment in the Project to-date, and that the advantages of the Transaction outweigh the disadvantages.

² Via Legend Iron Limited.

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The advantages of the Transaction include:

- If completed, the Transaction will immediately add A\$12.0 million to Legend's cash reserves, which in addition to Legend's existing cash reserves and liquid investments of approximately A\$9.8 million,³ will allow Legend to consider a much broader set of opportunities for new asset acquisitions to increase shareholder value;
- There is no certainty that Legend could develop a mining operation on the Project. In particular, there are a range of risks that an owner of the Project faces in developing such operations. The directors of Legend consider that these risks outweigh the potential rewards to Legend shareholders of pursuing the Project further;
- Market sentiment towards companies developing West African iron ore projects has reduced markedly over the past 12-24 months. Share prices of Legend's ASX-listed peer group who are developing West African iron ore projects have declined on average by 68% over the past 24 months⁴;
- The directors of Legend believe that better opportunities are likely to exist elsewhere for Legend. In the current market environment, it is possible to acquire exploration and/or mining projects in a range of commodities at attractive valuations. The directors' present intention is to utilise the proceeds of the disposal, along with its existing cash reserves and liquid investments, to continue its ongoing program of reviewing a range of new opportunities and, if one can be identified that the Directors believe will increase shareholder value, potentially make such an acquisition; and
- The Transaction provides value certainty for shareholders. Once Legend receives the Tranche 1 proceeds of A\$12.0 million, shareholders will no longer be exposed to the same level of downside risks associated with exposure to iron ore price volatility and exploration operating costs.

The disadvantages of the Transaction include:

- Other than the Tranche 2 payment, Legend will not be able to participate in or derive any future potential profits from any mining activities undertaken on the Project;
- The Transaction will result in Legend shareholders no longer having exposure to a mining project in Cameroon;
- Legend may not receive the Tranche 2 payment, as the condition for its payment may not be satisfied. Further, the Tranche 2 payment is not indexed for inflation, so its value to Legend shareholders will likely erode with the passage of time; and
- There is a risk that it may take Legend longer than is reasonably anticipated to locate and complete the acquisition of other suitable investment opportunities.

³ Cash of A\$5.6 million as at 30 September 2013 and liquid investments of A\$4.2m as at 15 November 2013.

⁴ Simple average of share price change over 24 months for Legend, Sundance Resources (ASX: SDL), Kogi Iron (ASX: KFE), Equatorial Resources (ASX: EQX), Volta Mining (ASX: VTM) and Waratah Resources (ASX: WGO).

Summary of Transaction Terms

Consideration

Under the SSDAA, Jindal will acquire 100% of the shares of Legend Iron Limited ("**Legend Iron BVI**") and the intercompany loans provided by Legend to Camina, for cash consideration of A\$12.0 million payable upon completion (subject to working capital adjustments), and a further A\$5.5 million payable within 10 business days of the execution of a Mining Convention between Jindal and the Government of Cameroon.

Transaction Conditions

The Transaction is conditional upon the following being obtained:

- Approval of Legend shareholders in an ordinary meeting, as required by ASX Listing Rule 11.2;
- Approval of the Reserve Bank of India permitting payment by Jindal of the Transaction consideration in foreign exchange;
- The directors of Legend who hold shares in Legend certifying that they have voted those shares in favour of the Transaction;
- Certain written approvals and confirmations in Cameroon, including:
 - Approval for transfer of the controlling interest in the Project to Jindal;
 - Confirmation that the exploration permits comprising the Project are able to be renewed 4 times for 2 years each;
 - Issuance of an exploration permit to Camina over a 307 km² area adjoining EP144 currently held by Camina (applied for on 31 May 2013); and
 - Confirmation from the Minister of Finance (or other relevant authority) that no tax is required to be deposited with any government agency as a result of consummation of the Transaction.
- Written consent of Camina, the minority shareholders of Camina (who collectively hold 10% of Camina) and certain other parties (collectively the "**Camina Minority Shareholders**") to the novation to Jindal of Legend's rights and obligations under the Share Sale Agreement by which Legend acquired its 90% shareholding in Camina in 2010 ("**Camina SSA**"). The primary such obligation is Legend's obligation to fund 100% of the Project's development costs up to completion of a Bankable Feasibility Study, which gives rise to a free carry of the minority shareholders to this point; and
- The Camina Minority Shareholders, along with Legend, Legend Iron BVI and Camina, executing an amendment to the Camina SSA removing the restriction on future assignment and transfers of the shares in Legend Iron BVI by Jindal.

If these conditions are not satisfied on or before 150 days following execution of the SSDAA (the “**Deadline**”), the Transaction can be terminated by either party. The Deadline may be extended by agreement between the parties, or automatically extended in the two circumstances described below:

- If Legend or one of its subsidiaries commits a breach of certain covenants (“**Covenants**”) governing the conduct of Legend and its subsidiaries in the period between executing the SSDAA and completion, and the relevant Legend company subsequently remedies the breach within the timeframe allowed, the Deadline shall be extended by the time taken for that remedy; and
- If Legend receives a competing proposal which it determines is or is reasonably likely to result in a superior proposal, and Jindal exercises its “Matching Right” (as described under the Deal Protection regime described below), the Deadline shall be extended by the period commencing on Legend first advising Jindal of the competing proposal and ending on expiration of the period within which Jindal may exercise its Matching Right.

Deal Protection

Legend has agreed to a comprehensive deal protection regime, which includes:

- Cessation of any existing discussions by Legend in relation to the Project;
- No shop and no talk provisions;
- No provision of due diligence to third parties by Legend;
- Notification rights in favour of Jindal in the event Legend receives a competing proposal;
- Further notification and matching rights in the event that the directors of Legend determine that the competing proposal is or is reasonably likely to result in a superior proposal; and
- A break fee of A\$700,000 (“**Break Fee**”).

Importantly, if Legend receives a competing proposal from a third party at any time following execution of the SSDAA, before it can engage or negotiate with, provide due diligence access to, or enter into any agreement with the third party, Legend must:

- Notify Jindal of the competing proposal, including its terms and conditions;
- Determine whether the competing proposal is or is reasonably likely to result in a superior proposal, and notify Jindal of this determination;
- If it determines that it is a superior proposal, grant Jindal a 10 Business Day⁵ matching right (“**Matching Right**”); and
- Assuming Jindal does not exercise the Matching Right, pay the Break Fee.

⁵ The period for exercise of the Matching Right can be extended by a further 3 Business Days in certain limited circumstances.

The Break Fee shall be payable by Legend in the following circumstances:

- Legend (or any of its subsidiaries) terminates the SSDAA to enter into an agreement with a third party in relation to a competing proposal;
- The Legend directors have determined that a competing proposal is or is reasonably likely to result in a superior proposal, and Jindal has not made a counter offer under its Matching Right;
- Any Legend director fails to make, or makes then changes, qualifies or withdraws their recommendation that shareholders vote in favour of the Transaction;
- Any Legend director that holds shares in Legend fails to vote in favour of the Transaction in respect of its shareholding;
- Legend fails to convene the shareholders meeting within 60 days of the SSDAA, for any reason;
- Approval of Legend's shareholders is not obtained due to the directors of Legend changing their recommendation as a result of a competing proposal that is publicly announced to Legend shareholders;
- Subsequent to obtaining Legend shareholders' approval for the Transaction, a competing proposal is made and publicly announced to Legend shareholders, and as a direct result, the Transaction is not completed within 5 business days after the Deadline;
- An event of insolvency affects Legend or any of its subsidiaries; or
- The SSDAA is terminated by Jindal before completion due to an unremedied breach by Legend or one of its subsidiaries of one of the Covenants, or due to a material breach of warranty by Legend (but not due to a "Material Adverse Change" (as defined in the SSDAA)).

In addition, the occurrence of any of these events will also give rise to a right for Jindal to terminate the agreement.

Termination Rights

In addition to the circumstances described above, both parties have additional, standard termination rights prior to completion. This includes a right for Jindal to terminate in the event of a "Material Adverse Change" (as defined in the SSDAA) or where there is a material breach of warranty.

Other Terms

The parties to the SSDAA are subject to a customary warranty and limitation of liability regime. In addition, for the period ending on the earlier of the completion date or 180 days from execution of the SSDAA, Jindal is prevented from acquiring Legend shares (or securities convertible into Legend shares) that would give Jindal a shareholding of more than 9% in Legend ("**Standstill**"). The Standstill will fall away if a third party announces a takeover bid for Legend, or an intention to acquire an interest in more than 50% of Legend, or the Project (directly or indirectly).

Further details of the terms of the SSDAA will be included in the Notice of Meeting for the requisite meeting of Legend shareholders, which is expected to be sent to shareholders shortly.

Advisers

Legend is being advised by Azure Capital Limited in relation to the Transaction.

Visit www.legendmining.com.au for further information and announcements.

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