

Not such a long shot

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WHILE much of the rest of the mining sector bunkers down with the sole aim of survival in a tough investment environment, the Mark Creasy-backed Legend Mining has put its money where its mouth is and showed refreshing initiative for a junior.

The just under \$A5 million spent buying about 3% of nickel miner and gold-leveraged Independence Group looks a savvy deal with limited downside - commodity Armageddon notwithstanding. The \$A1.44/share average that Legend paid values Independence at about \$A165 million, with the company having cash and net receivables of \$A127 million at the end of September, as well as a low cost nickel mine and a 30% stake in the biggest gold find in Australia for many years.

Despite the nickel price annihilation, Independence's Long mine near Kambalda in Western Australia appears a viable proposition given payable cash costs of \$A4.50-4.65/lb and a nickel price this week of about \$A6.50/lb. About 12-13 million pounds of attributable nickel production has been forecast in the current fiscal year, with Independence essentially getting paid for about two-thirds of the ore containing 19Mlbs of nickel it expects to deliver to the BHP concentrator at Kambalda.

Independence's 30% stake in the Tropicana joint venture with AngloGold Ashanti takes in a current resource of more than four million ounces, with a planned opencut target of plus-300,000oz per annum for 10 years. The isolated Tropicana east of Kalgoorlie is flagged as the first potential mine of a new gold province in the backblocks of Western Australia.

Famous Anglo-Australian prospector and major Legend shareholder Mark Creasy holds very significant tenure in the region, as does Dominion Mining and Corvette Resources. Others active include Teck (in joint venture with the unlisted Australian Mineral Fields), and Newmont (with Australian junior Sipa Resources).

Creasy holds nearly 42% of Legend.

Speaking from Sydney, Legend managing director Mark Wilson told HighGrade the objective of the investment was to "earn better than bank interest and to swell the cash backing of Legend without diluting shareholders". Gerard Farley of Empire Securities in Sydney assisted in building the stake, with the shares bought over a six week period.

While Wilson makes no claim to knowing what the nickel price will do, he indicated the overwhelming consensus among analysts at the China Mining conference in Beijing last month was that commodities were near the bottom.

According to Wilson, nickel is seen as moving toward the \$US16,000-18,000t range.

"So I've got a confidence in the commodity but I can't guarantee it and the point about Independence is it's at the lowest point (on the cost curve) and it will be the last mine in WA to come under cost pressure."

Wilson couldn't say how long the shares would be held, and indicated that the stake could be sold in parcels - much as it was bought. Being under the 5% level also means that the company can sell without formally notifying the market.

Following the investment, Legend is left with about \$A5 million in cash for its own exploration prospects. The company was capitalised this week at about \$A11 million, with the stock up about 30% on lows plumbed briefly earlier this month.

Source: *High Grade*