

Legend Mining Ltd

(LEG \$0.081) Speculative Buy



Analyst	Date	Price Target
Jon Bishop	9 th December 2019	\$0.11/sh ▲ from \$0.08/sh

LEG Encounters 70m of Ni-Cu-Co Sulphide & Precious Metal Mineralisation at Mawson Prospect

Investment case

The 70m wide Ni-Cu-Co sulphide discovery at the Mawson Prospect in the NE Fraser Range is an exciting result from just the 3rd of three diamond holes. Initial assays indicate economic grades akin to Nova-Bollinger within a 15m massive sulphide zone, that benefits further from associated Au and PGMs. The mineralisation is shallow, commencing from 76m below surface. It is associated with a large anomalous zone of supergene Ni-Cu-Co sulphides defined on air-core and occurs within a large 16x6km magnetic feature as the basis for the initial exploration activities. Whilst a lot of further work is required before declaring this a new mine, Mawson has the ingredients to provide the framework for the next significant deposit in the Fraser Range. Beyond which, LEG represents a solid exploration opportunity significantly levered to the upside with its +3,100km² of exploration tenements; 2nd largest holder only to IGO. Mark Creasy and IGO as cornerstone shareholders (~40%) further benefit LEG with the respective in-house technical capabilities they offer. Follow up at Mawson render LEG as catalyst rich for which the Company is well funded (\$13m in cash and receivables plus \$10m of ITM options). We maintain our Speculative Buy recommendation but increase our Price Target to \$0.11/sh.

Key points

- A third diamond hole at LEGs 'Mawson' Target (formerly 'Area D') has made a material discovery encountering 70m wide zone of Ni-Cu-Co sulphide bearing ultra-mafic and mafic intrusive rocks:

Legend Mining Ltd	Year End 30 June	
Share Price	\$0.081	A\$/sh
Issued Capital		
FP Ord	2,372.1	m
Opt @ var prices	1,387.0	m
Rights @ var prices		m
Total Dil. FPOrd	3,759.1	m
Market Capitalisation	\$211	m
Enterprise Value	\$198	m
Debt	\$-	m
Cash	\$13.0	m

Directors

M. Atkins	Chairman
M. Wilson	Managing Dir
D. Waterfield	Tech. Dir

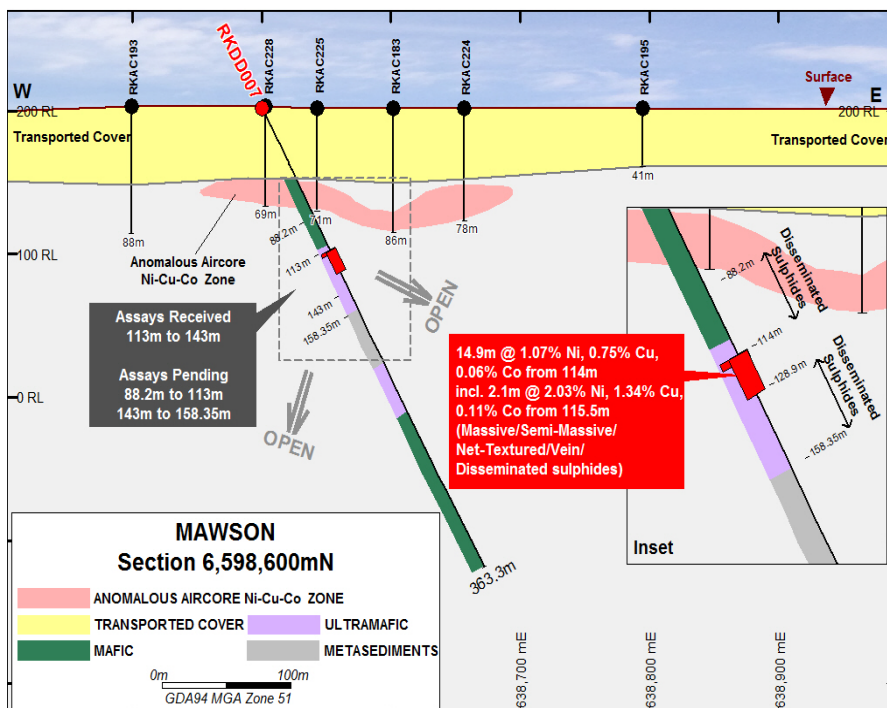
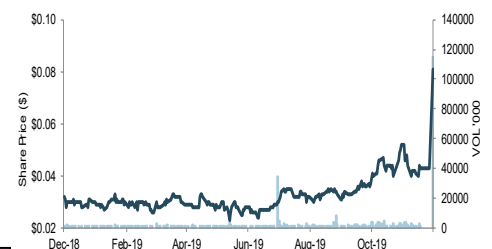
Shareholders

Creasy Group	26.8%
Independence Group	14.2%
Mark Wilson	5.4%

Company Details

Level 1, 8 Kings Park Rd, West Perth, WA, 6005

Share Price Chart



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WIDE & MINEABLE GRADE BOOSTED BY PRECIOUS METAL CREDITS

- The mineralised section is a 70.15m thick massive to semi massive sulphide bearing zone with associated gold (Au) and Platinum Group Metals (PGMs – Pt & Pd):
- Massive sulphide zone of 14.9m grading an av. of 1.07% Ni; 0.75% Cu; and 0.06% Co:
 - High grade core of massive sulphides of 2.1m at 2.03% Ni, 1.34% Cu, and 0.11% Co;
 - By comparison: Nova Reserves = 1.9% Ni; 0.8% Cu; 0.07% Co;
 - This section has associated Au of up to 0.7g/t plus PGMs - Pt of 1.3g/t and Pd 0.2g/t;
 - MgO % of 5-20% over the massive section;
- Assays below the 14.9m massive sulphide zone (128.9-143.0m) returned 14.1m of semi-massive sulphides grading 0.41% Ni, 0.27% Cu, 0.03% Co, 23.18% MgO from 128.9m;
- Assayed only 30m of the mineralisation to date. Assays pending on the zones 88-113m & 143-158m downhole;

SHALLOW

- Mineralisation commences from 76m below surface (Nova discovery was c.150-200m downhole; refer: release dd 26-07-2012);
- The 14.9m massive sulphide, high grade zone is also shallow, commencing from 100m below surface;

FORWARD PROGRAM

- Assays of the remaining 40m of mineralisation will be undertaken once a structural review of the core is completed in the near term;
- Follow-up diamond drilling in the Mar Q, to define mineralisation;
- This will allow appropriate review of the geophysical data (pre this whole plus the DHEM collected) as well as structural and petrophysical models to best target the follow up holes;

VALUATION

- We increase our nominal valuation by \$100m (~3cps) for the broader Rockford Project on account of the Mawson intercept;
- Our SOTP Valuation is diluted by the additional 7.2cps options in the money;
- We set our Price Target at 11cps (prev. 8cps) in line with our revised 11cps Valuation (prev. 8cps).

Analysis

Mawson is an exciting discovery, however, it is 'early days'.

Though it is difficult to make bold statements pertaining to 'a new economic discovery' after a single hole, this result should be viewed highly encouraging by the market noting:

1. It is a very thick mineralised zone – 70m;
2. The material associated gold and PGMs;
3. The shallowness of the commencement of mineralisation and in particular the massive mineralisation;
4. The intercept remains open in all directions;
5. The association of this intercept with an overlying anomalous zone of supergene Ni-Cu-Co magmatic sulphides defined on aircore drilling on a 200x400m area
6. Discovery within a broader 16x6km magnetic feature that formed the basis of this exploration target;

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Therefore, we feel that Mawson has (at least) the ingredients of a large mineralised system;

Should drilling begin to validate this, beyond grade, we will be looking particularly at ore body geometry given the shallowness of the discovery zone;

As with Nova, should mineralisation prove to be more horizontally oriented, then this - combined with the depth - will assist development economics in time should a material resource be defined.

To that end, the LEG register is already heavily dominated by IGO and Creasy Group, arguably both of whom would ultimately see an economic discovery by LEG, at least be consolidated by IGO.

Scale and grade would warrant a standalone operation, however, we note that the current grades reported at least arithmetically lend to a possible satellite development should total size prove marginal on a standalone basis.

Though 200km from the Nova Operation, at current spot prices, a payable tonne of ore from the 15m of massive sulphides would yield A\$155/T at spot prices (and assumed IGO payability of 80%).

Trucking costs of A\$0.10/T/km would add A\$20/T to total processing costs of A\$125/T (inc. royalties - ESL estimates).

After which (and assuming current spot prices for Au, Pt, Pd, Cu and Co) circa A\$60/T would be deducted as by-product credits.

This would represent an operating margin of A\$90/T for each tonne of Nickel ore mined.

Therefore, even 1% Ni mine grades would be economically truckable assuming similar consistency with the other metals assayed within the 15m massive zone.

Again, we acknowledge that this is early days. However, it is clear that the academic exercise above does at least serve to highlight the materiality of today's result.

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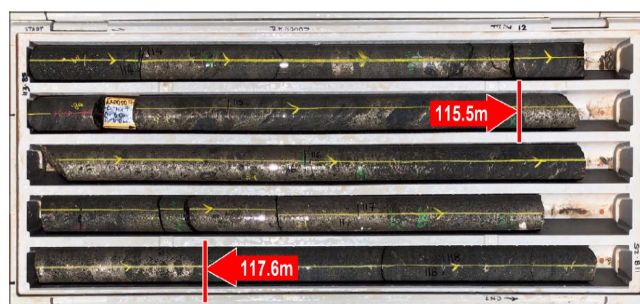
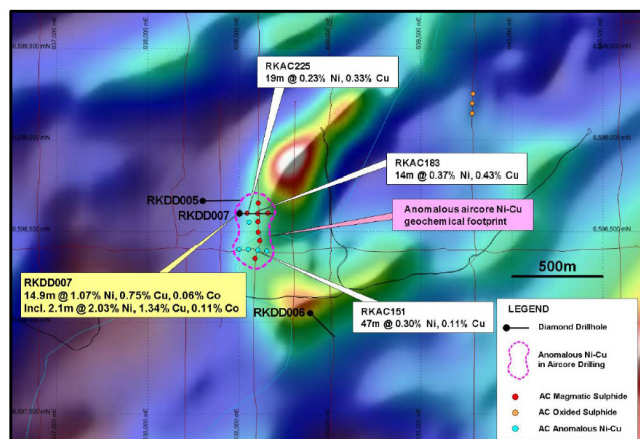
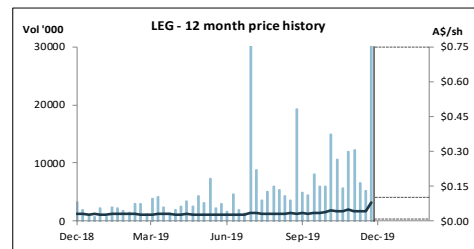
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ASSET VALUATION		
	A\$m	A\$/sh
Rockford Project	300.0	0.11
Cash	10.7	0.00
Receivables (Jindal)	3.0	0.00
Unpaid Capital (opt. in money)	19.5	0.00
Debt	-	-
A\$	323	0.11

Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.11/sh

Price Target - \$0.11/sh

Bull Scenario - \$0.75/sh

Exploration success in the form of thick and or high grade mineralisation at Area Mawson or the other prospects augers well for potential economic discovery (per SIR).

Base Scenario - \$0.11/sh

Exploration activity in a favourably disposed market for exploration for base metals, attracts market interest in the lead up, during and awaiting assays.

Bear Scenario - \$0.01/sh

Equity markets fall and or the exploration programme fails to yield any material success that at least alludes to potential for future discoveries.

Company Summary

Legend Mining Limited (LEG) is an Australian mining and exploration company listed on the Australian Securities Exchange. The Company's exploration focus is on its nickel-copper Rockford Project in the Fraser Range district of Western Australia. Drilling of the Mawson Prospect in Nov 2019 has yielded a material shallow intercept of 70m of Ni-Cu-Co-Au-PGM bearing ultra-mafic and mafic rocks.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz.

Table 3: Diamond Drillhole RKDD007 – Significant Assay Results (114-128.9m)

Hole	From (m)	To (m)	Int (m)	Ni (%)	Cu (%)	Co (%)	MgO (%)	Au (ppb)	Pd (ppb)	Pt (ppb)
RKDD007	114	115	1.0	1.20	0.64	0.06	6.61	43	46	3
RKDD007	115	115.5	0.5	1.36	0.68	0.07	4.27	61	56	9
RKDD007	115.5	116.15	0.65	2.59	1.58	0.13	2.67	24	69	2
RKDD007	116.15	116.7	0.55	0.88	0.76	0.05	8.25	79	34	1,311
RKDD007	116.7	117.05	0.35	2.67	3.01	0.15	4.58	28	26	3
RKDD007	117.05	117.6	0.55	2.10	0.56	0.11	6.19	36	29	3
RKDD007	117.6	118.65	1.05	0.23	0.19	0.02	10.87	43	13	8
RKDD007	118.65	119.45	0.8	1.94	1.27	0.10	5.05	109	45	720
RKDD007	119.45	120.15	0.7	1.46	0.71	0.08	7.88	166	43	55
RKDD007	120.15	120.55	0.4	0.90	1.04	0.05	12.20	171	56	83
RKDD007	120.55	121.2	0.65	0.73	0.73	0.05	14.65	651	157	93
RKDD007	121.2	121.75	0.55	1.17	1.04	0.06	11.18	534	195	81
RKDD007	121.75	122.5	0.75	0.29	0.30	0.02	17.86	128	29	14
RKDD007	122.5	123.3	0.8	1.53	0.78	0.09	9.73	225	259	9
RKDD007	123.3	124	0.7	0.40	0.28	0.03	19.26	254	71	12
RKDD007	124	125	1.0	0.46	0.34	0.03	18.64	238	69	53
RKDD007	125	126	1.0	0.71	0.54	0.04	16.36	558	189	39
RKDD007	126	126.95	0.95	0.82	0.77	0.05	16.17	348	113	104
RKDD007	126.95	128	1.05	0.77	0.60	0.04	14.93	131	52	3
RKDD007	128	128.5	0.5	1.28	1.52	0.07	10.93	103	46	5
RKDD007	128.5	128.7	0.2	0.62	0.48	0.04	15.65	44	20	7
RKDD007	128.7	128.9	0.2	1.71	0.37	0.09	8.33	39	24	5

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