

# mine**life**

WEEKLY RESOURCE REPORT by Gavin Wendt



ISSUE 17

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## 1. Resource Sector Overview

Takeover activity is on the rise; South African miners and mine-workers form an unexpected alliance; US job data really isn't that flash; gold, silver and oil still on the rise, copper next; resource nationalism raises its ugly head; Missourians still love nuclear power; hail QR National!

## 2. Legend Mining (LEG) – Buy around 5.1c

Grassroots iron ore explorer evaluating its potentially mammoth-scale, direct-shipping/magnetite iron ore project in Cameroon, West Africa. Drilling is continuing to generate excellent results.

## 3. WHL Energy (WHN) – Buy around 3.6c

Grassroots petroleum explorer with highly prospective, multi-billion barrel potential oil acreage in the Seychelles, offshore East Africa. Seismic processing should be complete during Q2 2011.

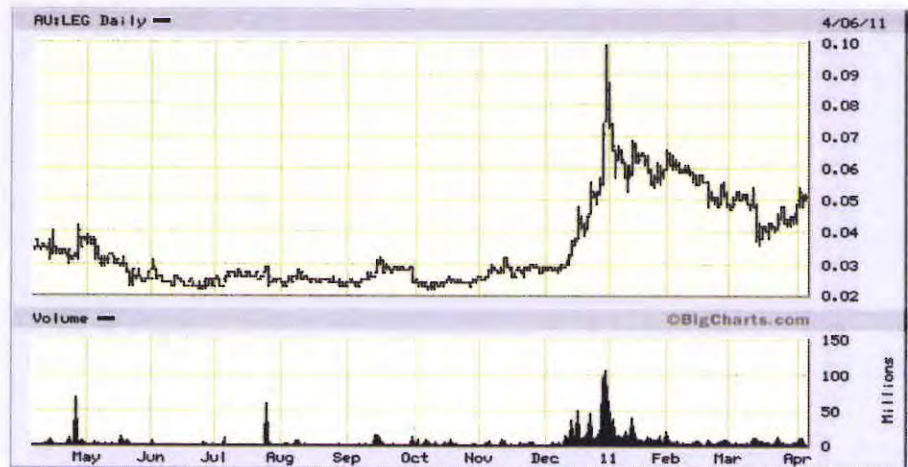
I hope you enjoy this week's report!

## Legend Mining (LEG) – Buy around \$0.051

Grassroots iron ore explorer evaluating its potentially mammoth-scale, direct-shipping/magnetite iron ore project in Cameroon, West Africa. Ongoing drilling is continuing to generate excellent results.

### Corporate Details

Status: Grassroots Explorer  
 Size: Small Cap  
 Commodity Exposure: Iron Ore  
 Share Price: 5.1c  
 12-month Range: 2.2c – 9.9c  
 Shares: 1.74b, Options: 1.2b  
 Top 20: 52%  
 Net Cash: \$6m  
 Market Value: \$89m



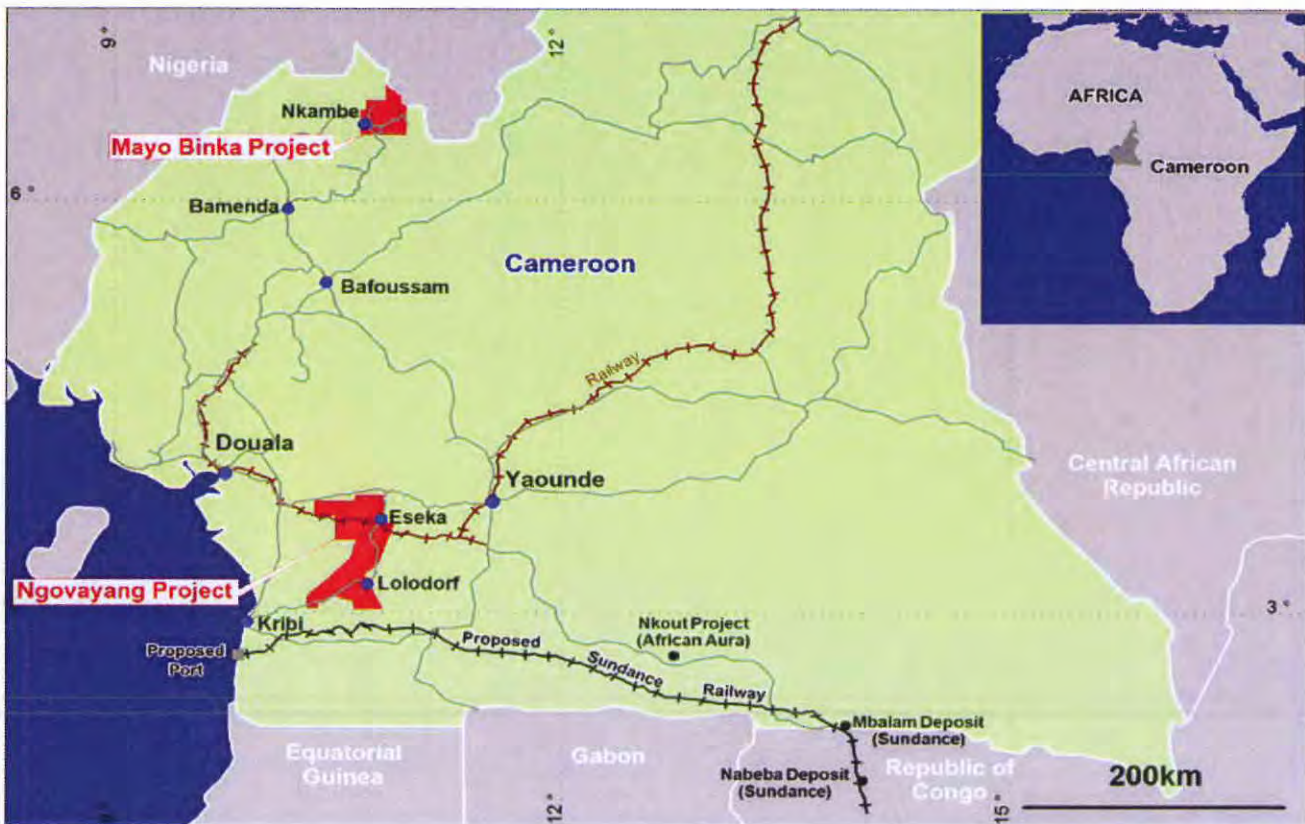
### Rating (✓out of 5)

Management Quality	✓✓✓✓
Financial Security	✓✓✓✓
Project Quality	✓✓✓✓
Exploration / Resource Potential	✓✓✓✓✓
Project Risk	✓✓✓✓

My first face-to-face meeting with Legend Mining MD, Mark Wilson, was at this year's Indaba Mining Conference during February in Cape Town. Mark has extensive project development and management experience, particularly operating in remote locations, so he's perfectly suited to his role of exploring and developing Legend's extensive iron ore project interests in Cameroon, West Africa.

Most of the focus over recent years has been on the hordes of Aussie explorers flocking to West Africa in search of gold opportunities. There has been less fanfare and attention surrounding companies like Legend, which are looking for large-scale bulk mining opportunities. Countries like Cameroon also have a much lower profile than prime West African gold destinations like Burkina Faso.

Legend has maintained a history almost exclusively as an Australian-based exploration company, but this has changed significantly over the past couple of years; with the company's exploration focus now almost solely on its Cameroon iron ore interests. The key investment attraction from my perspective is that Legend is targeting large-scale company-making iron ore deposits of more than a billion tonnes in size. There are very few politically stable destinations in the world that offer such resource potential.



Legend's Ngovayang iron ore project comprises four granted exploration permits comprising 3,900 sq km in Cameroon, but the company recently expanded its footprint, with exploration permit EP221 being officially granted and extending the company's ground position by a further 667 sq km, immediately south of EP144 at the Ngovayang Project.

Results from Legend's regional aeromagnetic/radiometric survey completed during 2010 confirmed the permit's prospectivity for iron ore, clearly showing the southerly continuation of magnetic units identified to the north on EP144.

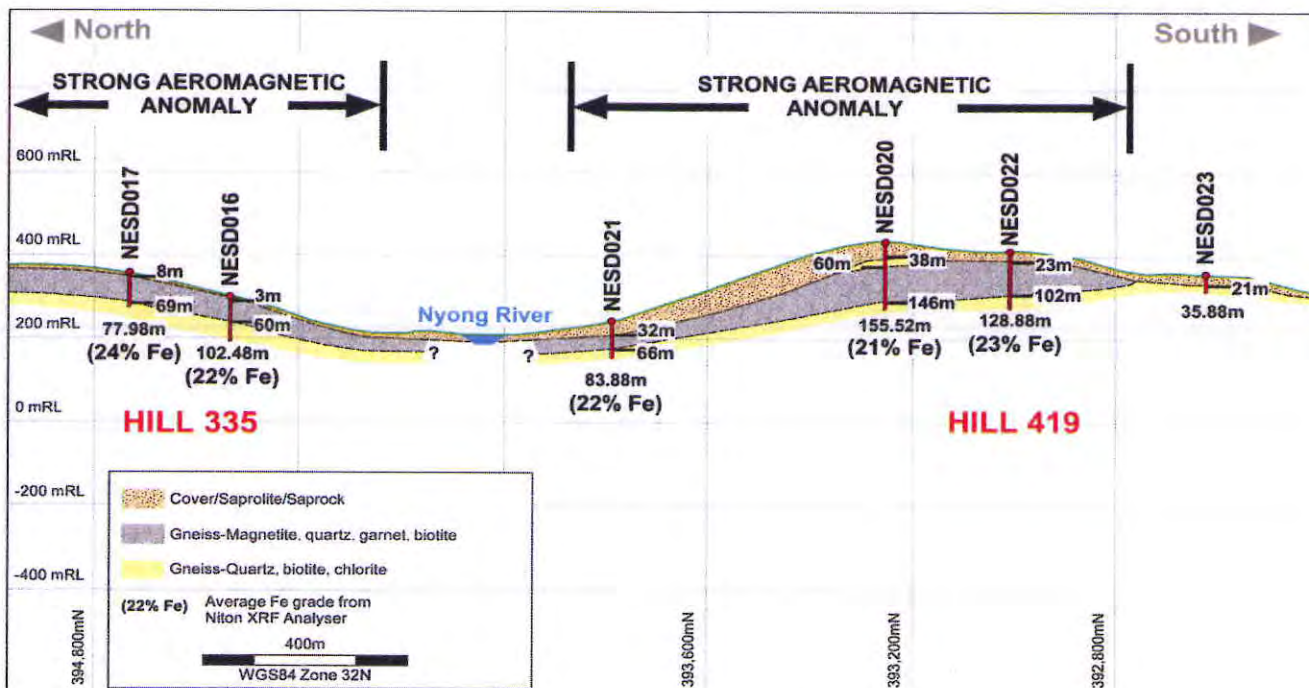
Most importantly from a bulk commodity perspective, the Ngovayang Project area has the advantage of being well served by access infrastructure including rail and road networks to and from the port city of Douala. The company's initial target is the discovery of 50Mt of direct shipping ore (DSO); however itabirite ore (lower-grade, but potentially very high tonnage) will also be targeted.

In late 2010 Legend's contracted drilling crew commenced the planned 5,000-metre diamond drilling program, starting with the Eseka region (clearly seen on the map), targeting a combination of aeromagnetic and topographic highs associated with +50% Fe rock-chip sample results. Outcrop here is virtually non-existent, hence the importance of magnetics in identifying potential drilling targets.

Legend has reprocessed the aeromagnetic data in order to highlight features with the highest magnetic intensity, which are interpreted to represent stratigraphic units of itabirite or metamorphic-banding

associated with magnetite-bearing gneiss; essentially, potentially key iron-ore bearing structures. Pleasingly, Legend's work so far clearly indicates that it is on the right track.

For starters, an iron ore metallurgical testing process known as Davis Tube Recovery (DTR) has confirmed the high-grade magnetite potential of the Ngovayang Project. Indicative iron grades of 21-24% Fe as measured from the hand-held Niton XRF analyser have been returned from the nine drill holes so far completed. The Niton results typically understate the actual Fe grades, so I would anticipate +30% Fe grades to be returned from laboratory assaying.

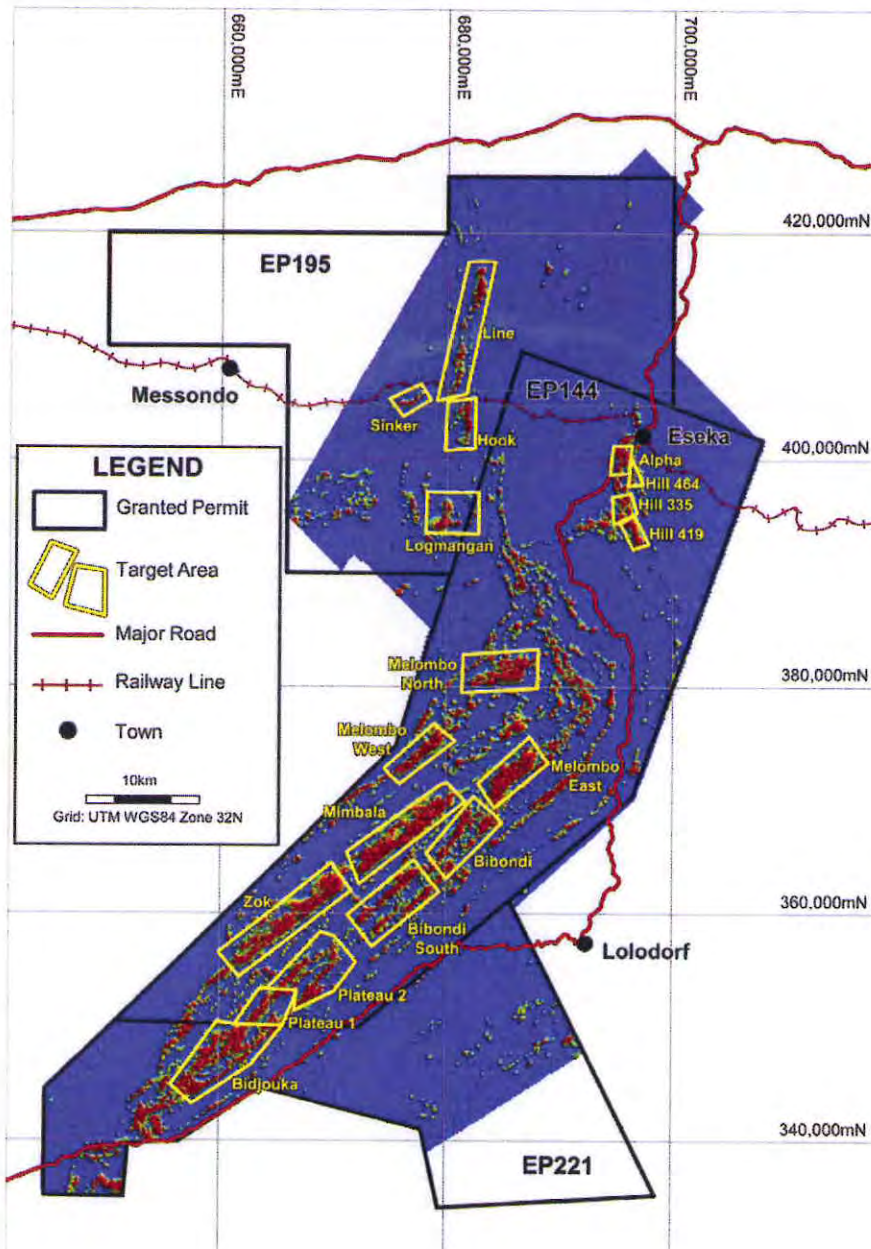


The potential identified by the DTR results has been confirmed by the recent follow-up drilling program, which has intersected intercepts of up to 86 metres of magnetite-bearing gneiss, similar to the metallurgical test sample.

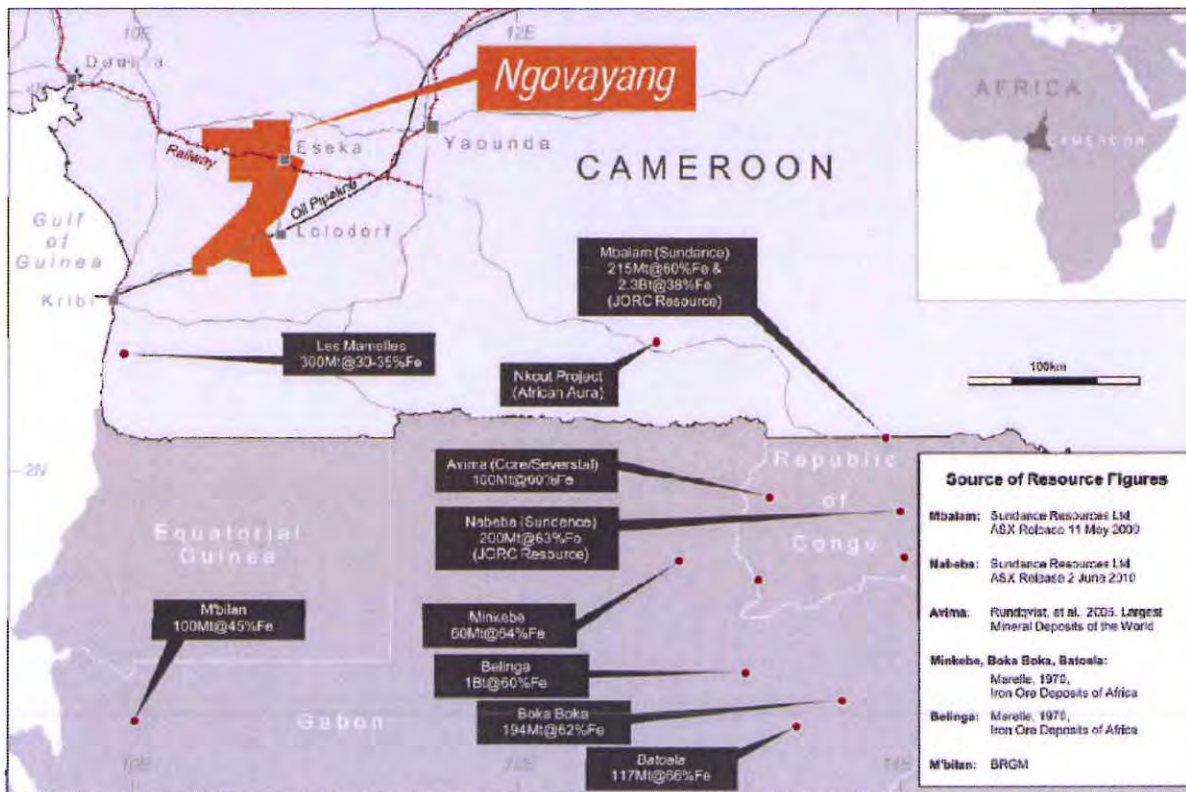
Meanwhile, initial ground reconnaissance work in the southern portion of the project area over the large aeromagnetic anomalies has confirmed widespread outcrop of magnetite-bearing gneiss. This provides encouragement that the company's identification of large-scale targets for follow-up drilling in the northern portion of its project area can be duplicated in the south.

Most encouraging of all though is the fact that the preliminary test-work indicates that magnetite-bearing gneiss can be beneficiated into a saleable magnetite concentrate, with low impurities. Magnetite bearing gneiss has been intersected at all four of the company's Eseka prospects. To reiterate, Legend's primary longer-term objective is the definition of direct shipping ore (DSO) iron ore, however large tonnages of magnetite ore associated with magnetite-bearing gneiss is the immediate focus.

The map below demonstrates clearly the scale of the iron ore potential within the project area, especially given the size and number of targets (note the 10km scale bar). To illustrate the magnetite tonnage potential, the aeromagnetic image in Figure 3 clearly shows extensive areas with high magnetic intensity, which regional reconnaissance work to date confirms to be predominantly due to the occurrence of magnetite-bearing gneiss. Further reconnaissance work in the southern part of the Ngovayang Project area to evaluate these magnetic features is underway to identify priority drill targets.



It's important to also reference Legend's Ngovayang iron ore project in Cameroon with that of fellow ASX-listed iron ore hopeful, the much higher profile, Sundance Resources (ASX: SDL). Sundance is spending \$600 million to develop its Nabemba iron ore mine in the northwest of the Republic of the Congo. The Nabemba mine is expected to start producing in 2014 and will have a capacity of 21 million tonnes annually, where preliminary studies have identified some 210 million tonnes of probable reserves.



The project will be one of the two main sources of iron ore for Sundance's mammoth Mbalam iron ore export venture, with the other source near Congo's border in Cameroon. The deposit will be linked by rail with Sundance's iron ore concession across the border in Cameroon, which is expected to come on line in 2013, and sent to Cameroon's Kribi port for export overseas

The entire Mbalam project is expected to yield 35 million tonnes per year for ten years, followed by a second phase of production of itabirite concentrate products. Sundance is seeking a deal with Chinese companies to help build the railway line and deep sea port in Cameroon, vital to exporting the iron ore from the venture.

Whilst more advanced than Legend, Sundance's current market value is \$1.4 billion, compared to Legend's modest market value of just \$90 million. I believe Legend has the acreage size and prospectivity to eventually rival Sundance in terms of resource size, and in a jurisdiction (Cameroon) that offers a much better profile in terms of political and sovereign risk.

Compared to other African countries, Cameroon enjoys relatively high political and social stability. This has permitted the development of agriculture, roads, railways, and large petroleum and timber industries. Cameroon has one of the best-endowed primary commodity economies in sub-Saharan Africa.

In terms of spending, Legend spent a total of \$1.67m on exploration during the December quarter, which represented 88% of total expenditure for the period.

**I recommend Legend Mining as a Speculative Buy around \$0.051.**